



NÁRODNÁ BANKA SLOVENSKA



# Monetary Survey

August 2008

© NÁRODNÁ BANKA SLOVENSKA

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**Abbreviations**

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

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*Symbols used in the tables*

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



## 1 Summary

Consumer prices, expressed in terms of the Harmonised Index of Consumer Prices (HICP), dropped in comparison with the previous month by 0.1% in August. The year-on-year rate of headline inflation reached 4.4%. Core inflation (excluding energy and unprocessed food prices) recorded a year-on-year rate of 4.2%.

Measured in terms of the Consumer Price Index (CPI), consumer prices rose in comparison with the previous month by 0.2% in August. The 12-month headline and core inflation rates reached 5.0% and 5.3%, respectively.

Real gross domestic product grew by 7.6% in the second quarter of 2008.

The M3 monetary aggregate (according to ECB methodology) increased month-on-month by SKK 10.3 billion in July, and its year-on-year dynamics strengthened in comparison with June to 9.6%.

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 18.1 billion in July, whereas the rate of year-on-year growth slowed by 0.2 of a percentage point to 14.0%.

The average interest rate on new loans to non-financial corporations remained unchanged in July at 5.95%, while that on new loans to households rose by 0.03 of a percentage point to 11.93%. Over the same period, the average interest rate on new deposits from non-financial corporations increased by 0.01 of a percentage point to 2.60%, and that on new household deposits rose by 0.04 of a percentage point to 1.18%.

At the end of August, the State budget of the SR resulted in a surplus of SKK 5.1 billion.

The foreign reserves of NBS (at current exchange rates) stood at USD 18.8 billion in August. At the end of the month, the volume of reserves was 2.7 times greater than the volume of average monthly imports of goods and services to Slovakia during the first seven months of 2008. At the end of July, the coverage of average monthly imports (imports of goods and services according to data from banking statistics) by the official foreign reserves corresponded to 3.8 times the volume of average monthly imports of goods and services to the SR over the first seven months of 2008.

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

According to preliminary data, the balance of payments on current account for June 2008 resulted in a deficit of SKK 27.5 billion. Over the same period, the capital and financial account generated a surplus of SKK 46.6 billion. From January to June, the balance of payments on current account produced a deficit of SKK 75.1 billion, while trade resulted in a shortfall of SKK 8.3 billion.

The overall sterilisation position of NBS increased in comparison with July by almost SKK 4.0 million in August, to SKK 381.0 billion.



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

Global economic growth remained relatively strong in the second quarter of 2008, though its dynamics were dampened by numerous factors. A negative impact was mainly exerted by a slowdown in economic activity in the United States. Economic growth in advanced countries was also slowed by the ongoing tensions in financial markets and the high levels of energy and commodity prices. A factor tending to maintain the dynamics of global growth was the strong domestic demand in developing economies, dampening the slowdown in economic activity in advanced countries.

In the second quarter of 2008, the rate of GDP growth in OECD countries reached 0.2%, representing a slowdown of 0.3 of a percentage point compared with the previous quarter. On a year-on-year basis, the pace of economic growth slowed to 1.9%, from 2.5% in the first quarter. Consumer and business confidence indicators continued to fall in the second quarter, below the level of 100 points, which indicates that the negative expectations regarding economic development in OECD countries deepened still further.

Price inflation continued accelerating in the second quarter, due to developments in commodity prices. In June, OECD countries recorded a year-on-year inflation rate of 4.4%, compared with 3.6% in March. This was mainly due to increases in energy prices (24.7% year-on-year) and food prices (19.3% year-on-year). Core inflation in OECD countries remained relatively stable, rising only slightly in June (to 2.2%, from 2.1% in March). Owing to the global rise in agricultural commodity and energy prices, inflation in OECD countries reached a record level in June 2008 (the highest since March 2000).

A risk to global economic development is posed by the marked slowdown in economic activity in the United States and other advanced countries. In the area of inflation, the main risk stems from the future developments in commodity prices. Thus, the most serious risks to the global economy are the tensions in financial markets, inflationary pressures, and the weakening economic activity in advanced economies.

### **Commodity Markets**

Oil prices increased throughout the second quarter of 2008, to new highs. The highest oil price in that period was recorded in June, at USD 139.4/barrel. This was followed by a further increase, to USD 144/barrel at the beginning of July. After culminating in July, oil prices dropped in August and September, to a level around USD 110/barrel.

Oil prices are highly volatile and sensitive to any changes in underlying factors. They react mostly to changes in the balance of demand and supply. The rise in oil prices can be ascribed to the strong demand for this commodity in developing economies, and the limited capacities of oil producers and refineries. The price of oil is also influenced greatly by the ongoing geopolitical tensions and crises in the world, representing a threat to oil production. On the other hand, downward effects on oil prices are exerted by the fear of recession in the United States and other advanced economies, the appreciation of the dollar, the replenishment of supplies, and the lower demand. Futures contracts for the price of Brent oil for December 2009 are concluded at around USD 106/barrel.

The prices of other global commodities recorded further increases in the second quarter. After stabilising in April and May, agricultural commodity prices again rose in June, to their historical peaks from March. The pressures on agricultural commodity prices eased to some extent owing to the favourable climatic conditions, as a result of which better crops are expected in 2008, compared with 2007. The prices of other commodities followed a trend similar to that in agricultural commodity prices. After stabilising in April and falling slightly in May, they recorded a modest rise in June. In the following period, other commodity prices followed a stable course.

### **United States of America**

In the second quarter of 2008, the economy of the United States recorded a marked acceleration in the annualised quarterly growth rate, to 3.3%, from 0.9% in the previous quarter. The year-on-year rate of economic growth slowed to 2.2% in the second quarter, from 2.5% in the previous quarter.

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





The economic growth was mainly driven by a reduction in imports, accelerated growth in exports, domestic demand, and federal government expenditures. GDP growth was dampened by a slowdown in the growth of private investment and real estate investment. The most significant accelerator of GDP growth was net exports, which grew mainly as a result of reduced imports and increased exports. Private consumption also showed stronger dynamics, mainly spending on non-durable consumer goods. This increase was mainly caused by the federal government's short-term fiscal stimuli. Despite positive developments in the second quarter, the long-term negative trends still persist in the US economy, mainly in the real estate sector.

The year-on-year rate of headline inflation reached a record level (the highest in the last 17 years) in the second quarter. After moderating somewhat in April, the inflation rate markedly accelerated in June and July, to 5.6%, compared with 4.0% in March. The persistently high inflation is mainly the result of the rise in energy prices.

Core inflation followed a relatively stable course and reached 2.4% in June, the same figure as in March. It rose slightly in July, to 2.5%. Despite the marked increase in headline inflation, core inflation has remained at a relatively stable level.

### Box 1

#### Fiscal Stimuli Adopted by the US Federal Government

In February 2008, the Federal Government of the United States approved a package of fiscal stimuli (*The Economic Stimulus Act of 2008*) for households in support of consumption and economic revival. The package includes one-off tax allowances for selected groups of households with low and medium incomes, old-age pensioners, and war veterans. The Government has set aside USD 150 billion for this purpose, i.e. approximately 1% of GDP in 2008. The fiscal stimulus was implemented through tax refunding in the form of federal cheques. The distribution of tax refunds began at the end of April. Until the end of June, approximately USD 92 billion had been refunded. Hence, the impact of this measure on the US economy can be assessed only roughly at the present time. Although the measure is implemented in the second quarter, its overall effect will only be known at the end of 2008.

The data available to date indicate that households' private consumption grew in the second quarter by 1.7% on an annualised basis, compared with 0.7% in the previous quarter. When the fiscal package was distributed among households, it was assumed that households would behave like in the previous cases when similar fiscal measures were introduced for economic recovery. The estimates were based on the assumption that households will spend roughly 50% of the tax refunds. However, the data available indicate that households have spent only ca. USD 20 billion on consumption, i.e. 20% of the total amount of tax refunded. However, the annualised household savings ratio markedly increased in the second quarter, to 2.6% (from 0.2% in the first quarter). This implies that the package of fiscal measures has not been as effective as was expected. It is highly probable that, owing to the negative economic outlook, households used the tax refunds for saving, rather than for consumption in the interest of economic revival.

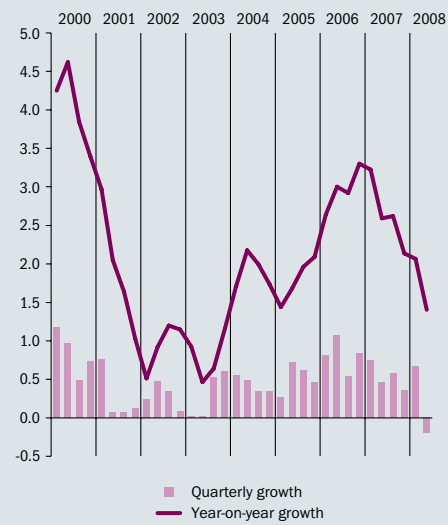
At its April meeting, the Federal Open Market Committee (FOMC) lowered the target for the federal funds rate by 25 basis points, to 2.0%. In April, the FOMC also decided to cut the discount rate by 25 basis points, to 2.25%. At the following meetings held in the second quarter, the FOMC made no further changes in the federal funds rate.

#### Euro-Area Countries

The acceleration in euro-area economic growth in the first quarter was, in line with expectations, a temporary development, caused by one-off factors (mainly the mild winter's impact on construction output, reflected in the investment component of domestic demand). In line with the surveys of business and consumer sentiment, which indicated a slowdown in economic activity, euro-area GDP growth slowed in the second quarter by 0.2% compared with the previous quarter (when the economy grew by 0.7%). The rate of growth was technically affected by the base from the first quarter. Economic decline was recorded in Germany, as well as in France and Italy. The pace of euro-area economic growth also slowed on a year-on-year basis. After reaching 2.1% in the first quarter of 2008, the rate of GDP growth slowed to 1.4% in the second quarter.

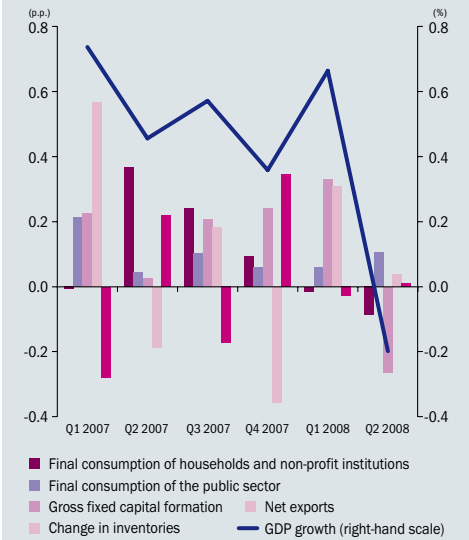


**Chart 1 Euro: Area Economic Growth (constant 2000 prices) (%)**



Source: Eurostat.

**Chart 2 Contributions of Individual Components to Quarterly GDP Growth in the Euro Area**



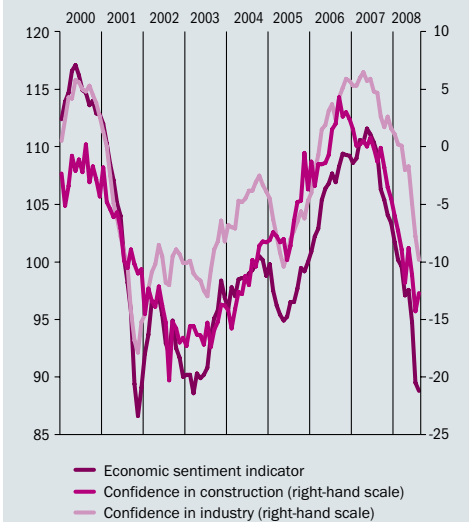
Sources: Eurostat, NBS calculations.

Looking at the structure of GDP, its decline in the second quarter was influenced by a fall in domestic demand, mainly in investment demand. In particular, fixed investments declined, while inventories had a slight pro-growth effect. Private consumption by households and non-profit institutions declined for the second consecutive month. Consumption was negatively influenced by the high energy and food prices, which absorb a large portion of household incomes. On the other hand, economic growth was stimulated somewhat by general government consumption. Net exports had a more or less neutral effect.

The slowdown in euro-area economic activity had long been indicated by numerous surveys. The economic sentiment indicator continued to fall. The value of this indicator had been below 100 since March 2008, which indicated that economic sentiment was below the long-term average. The weakening global demand, high raw material prices, worsened terms of financing, and the weaker real estate markets were reflected in the weakening confidence indicators in both industry and construction.

The relatively sharp rise in inflation, caused by energy and food price increases, absorbs a large portion of household incomes (negative income effect) and imposes restrictions on consumer spending. This led to a fall in private consumption in the first and second quarters of 2008. This development had long been indicated by surveys of consumer confidence, as well as confidence in retail trade and services. These indicators had shown a deteriorating tendency until July, but the August surveys indicated certain improvements in the areas of services and consumer confidence. This is probably connected with the stabilisation and/or fall in global oil prices, as well as in the prices of certain agricultural commodities, and the resulting easing of inflationary pressures. However, despite improvements in August, both indicators are well below the long-term average.

**Chart 3 Economic Sentiment Indicator in the Euro Area**



Source: European Commission.

Note: The confidence indicators are calculated as arithmetic averages of the balances (in percentage points) of replies given by respondents to questions asked within the scope of 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 4 Confidence Indicators in the Euro Area**



Source: European Commission.

Note: The confidence indicators are calculated as arithmetic averages of the balances (in percentage points) of replies given by respondents to questions asked within the scope of surveys..

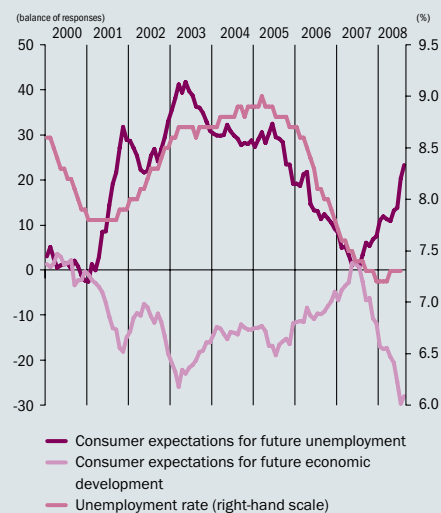
The slowdown in euro-area economic activity has brought the falling trend in unemployment to a halt. However, unemployment is still at a historically low level. Compared with the period from December 2007 to March 2008, when unemployment reached an all-time low (7.2%), its level rose to 7.3% in April and remained unchanged until July. In the last two months (July and August), however, the expectations of consumers regarding the future trend in employment deteriorated somewhat.

The trend of accelerating price increase continued in the second quarter. In April, inflation fell as a result of temporary effects (Easter holidays), the following months saw a further acceleration in the rate of price increase, to 4.0% in June (from 3.6% in March), the highest level recorded since the launch of the monetary union. The accelerating inflation was again caused by energy and food prices. On the other hand, the contribution of the price basket's market components decreased slightly in the second quarter. These tendencies persisted even in July, when the year-on-year inflation rate stabilised. In August, inflation dropped to 3.8% owing to the weaker impact of unprocessed food and energy prices.

Core inflation fell during the second quarter by 0.2 of a percentage point, to 2.5%, and remained at this level until the end of July. In August, core inflation rose to 2.6%.

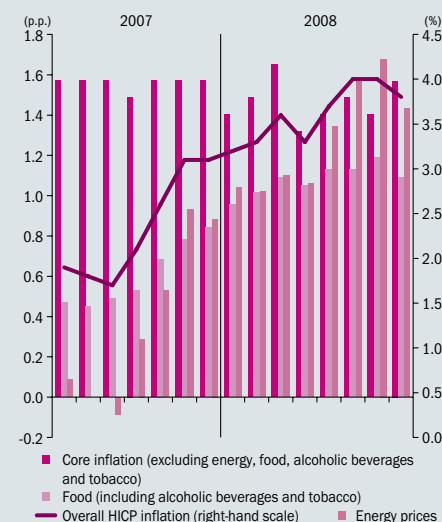
Among the market components of inflation, the second quarter saw a slowdown in the dynamics of non-energy industrial goods prices in particular. This development is probably connected with the relatively long-term appreciating trend in the euro against the US dollar, and the weaker consumer demand. The increase in non-energy industrial goods prices also slowed considerably in July, due to a steeper fall in clothing prices. This was associated with the stronger impact of seasonal clearance sales in comparison with the past. In August, however, the increase in goods prices accelerated somewhat. Owing to the postponed seasonal impact of Easter, services prices showed relatively volatile dynamics. This was mainly reflected in the prices of holidays and accommodation. The prices of certain services reflected the indirect effects of global commodity price increases.

**Chart 5 Unemployment Rate and Consumer Expectations for Economic Development and Unemployment in the Next 12 Months**



Source: Eurostat, European Commission.

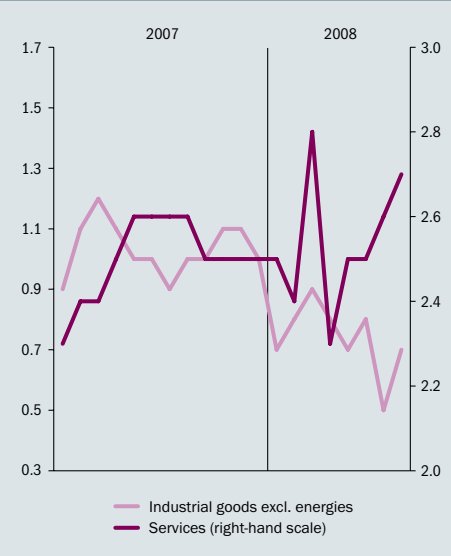
**Chart 6 Euro Area: Overall HICP Inflation (Year-on-year) and Contributions of Selected Components**



Source: Eurostat, NBS calculations.

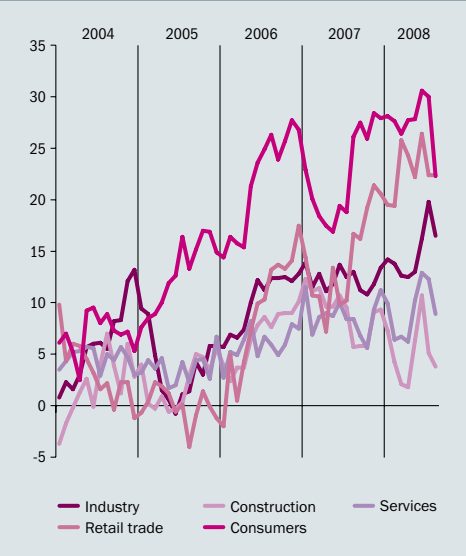


**Chart 7 Prices of Goods and Services (%)**



Source: Eurostat.

**Chart 8 Expectations of Future Price Developments (balance of responses)**

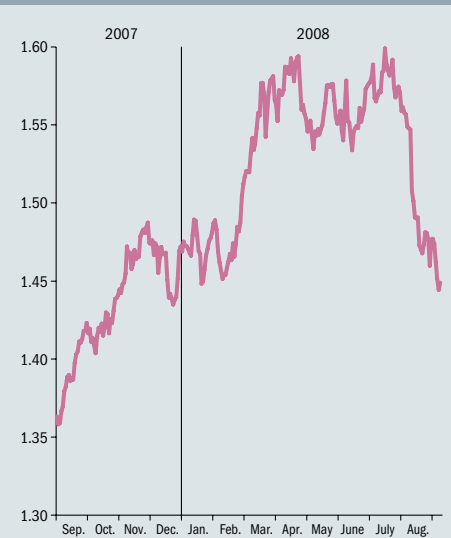


Source: European Commission

Note: Industry – expected selling prices in the coming months; construction – price expectations for the next three months; services – price expectations for the next three months; retail trade – price expectations for the next three months; consumers – price developments for the next twelve months.

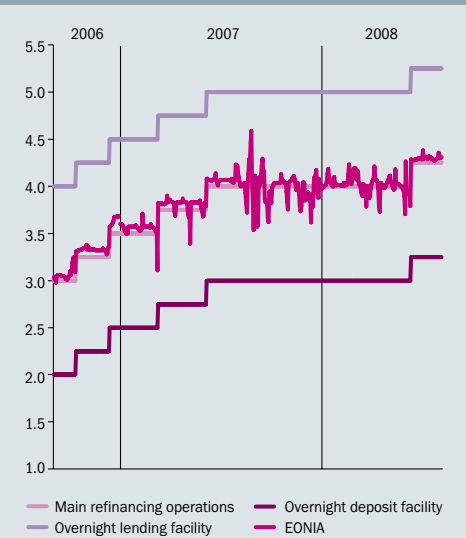
Price expectations, which increased in numerous economic sectors over the first quarter, moderated in July and August. The expectations of consumers decreased considerably in respect of price developments in the next twelve months. Price expectations also moderated in respect of services, retail trade, industry, and construction. Although the surveys indicate a moderation in the inflation expectations, which is probably connected with the stabilisation and/or easing of tensions in the commodity markets, the individual indicators are still high in historical terms. Inflationary pressures will probably persist in the next few months.

**Chart 9 USD/EUR Exchange Rates in the Second Half of 2007 and the First Half of 2008**



Source: ECB.

**Chart 10 ECB Interest Rates and the EONIA (%)**



Source: ECB.



The exchange rate of the euro against the dollar was relatively volatile in the second quarter. The cross-rate reacted to the changing expectations of investors responding to the currently released economic data on the United States and the euro area. The worsening situation in the U.S. labour market and the continuing decline in the real estate market acted in favour of the euro. The opposite effect on the cross-rate was exerted by the somewhat faster growth in the US economy compared with the expectations and, since the second half of July, by growing concern about a marked economic slowdown in the euro area, which was also confirmed by GDP figures from the second quarter. The euro reached its strongest rate (USD/EUR 1.60) on 15 July. This was followed by a marked depreciation, below USD/EUR 1.45 at the beginning of September.

In the second quarter, the Governing Council of the ECB decided to leave the key ECB interest rates unchanged. Thus, the minimum bid rate for the main refinancing rate remained at 4.0%. In its comments on monetary-policy decisions, however, the Governing Council placed greater emphasis on the risks to price stability. 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 to increase the key ECB 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, the ECB decided to leave its monetary-policy rates unchanged. The Governing Council stated that inflation would probably remain above the level that is consistent with price stability and that the risks to price stability would persist for a longer period, which confirms the correctness of the July decision.

In support of the money market's normalisation, the ECB continued providing liquidity through supplementary long-term refinancing operations. In April and July, two six-month refinancing operations were conducted, in the amount of EUR 25 billion each. In June, two three-month refinancing operations were renewed, in the amount of EUR 50 billion each. At a meeting held at the beginning of September, the Governing Council decided to renew two three-month refinancing operations in November and December, and one six-month operation in October. All these refinancing operations will be renewed in the same amounts as maturing operations.

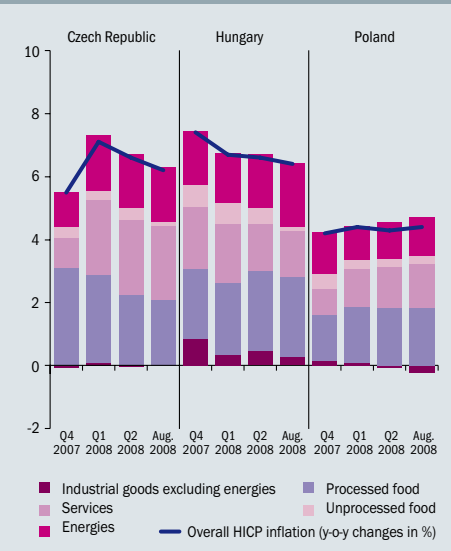
#### ***Developments in Poland, Hungary, and the Czech Republic***

In the second quarter of 2008, the Czech and Polish economies continued to slow. At the same time, the Hungarian economy recorded a further acceleration. Economic growth in the Czech Republic reached 4.5%, which was 0.8 of a percentage point less than in the previous quarter. The slowdown was mainly the result of low inventories. Fixed investments and government consumption also recorded a certain slowdown. On the other hand, a marked contribution to GDP growth was made by net exports, with exports growing and imports slowing on a year-on-year basis. The relatively strong appreciation of the Czech koruna will probably be reflected in the exports of goods and services in the coming period. Compared with the previous quarter, the Polish economy slowed by 0.1 of a percentage point, to 6.1%, which represents a relatively strong growth at a time of falling foreign demand and high commodity prices in the world markets. Somewhat faster growth was recorded in household consumption and gross capital formation, while net exports and government consumption slowed. Inventories decreased, like in the Czech Republic. The Hungarian economy grew by 1.8%, which was 0.6 of a percentage point more than in the first quarter. The accelerated growth was caused by inventories and domestic consumption (household and government consumption, which had a dampening effect compared with the previous quarter), while the negative contribution of investments diminished. At the same time, a smaller contribution came from net exports, which had made a significant contribution to economic growth in the previous quarter.

The second quarter of 2008 saw a slight fall in inflation in all the countries under review. In the Czech Republic, the price increase slowed from 7.1% to 6.6%; in Hungary and Poland, inflation fell equally by 0.1 of a percentage point, to 6.6% and 4.3%, respectively. Price developments were influenced by external factors, i.e. commodity and energy prices. World market developments were dampened to some extent by the marked appreciation of all currencies in the region. In the Czech Republic, the year-on-year inflation rate still reflected the administrative measures from the beginning of the year; in the case of Poland, the increases in the prices of non-market services related to housing. The increase in processed food prices slowed in the Czech Republic. Food prices still represented a major component of inflation, but no longer contributed to the overall price increase. At the end of the quarter, the effects of excise tax increases began to appear in the Czech Republic (with a delay of six months). Energy and food prices also affected the rate of inflation in the following months. These price basket components were responsible for the July acceleration and the August slowdown in the price increase in the Czech Republic and Hungary. In August, inflation reached 6.2% in the Czech Republic, 6.4% in Hungary, and 4.4% in Poland.



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



Source: Eurostat, NBS calculations.

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



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

The exchange rates of the V4 currencies against the euro continued appreciating in the second quarter of 2008. Developments in the region were influenced by the increased activities of investors in emerging markets, interest rate increases in Poland and Hungary, and certain domestic macroeconomic data. The fast appreciation from the previous period came to a halt at the end of July, and the currencies began to depreciate in relation to the euro.

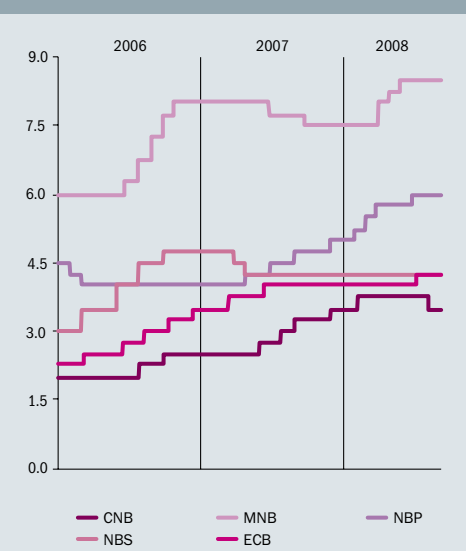
The depreciation of the Hungarian forint, which dominated the first quarter of 2008, came to a halt as a result of interest rate increases and positive sentiment in the region. The currency appreciation was also supported by the cancellation of the fluctuation band in the first quarter and the better perception of the state of the Hungarian economy. The appreciation of the Polish zloty and the Czech koruna was supported by favourable domestic developments and tensions in advanced financial markets. In the

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



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

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



Sources: National central banks, ECB.



final third of July, after the confidence of investors in dollar assets had been restored and the capital markets recovered, the exchange rates of the V4 currencies against the euro gradually depreciated; the depreciating trend persisted until the beginning of September. The weakening of the Czech koruna was also supported by interest rate cuts in August.

In the second quarter (until the end of August), the central banks of Hungary and Poland increased their key interest rates. In the same period, Česká národní banka lowered its interest rates. With effect from 26 June, Narodowy Bank Polski raised its reference rate by a quarter of a percentage point, to 6%, due to unfavourable developments in wages and labour productivity, and concern about the growing secondary effects of inflation, which continued to fluctuate above the inflation target (2.5%). Magyar Nemzeti Bank increased its base rate on three occasions in the second quarter, by a total of 1 percentage point (to 8.5%), in order to mitigate the secondary effects of increased inflation and to prevent inflation expectations from growing in connection with the worsening inflation outlook. Another reason behind the interest rate increase was to achieve the 3% inflation target in 2009. At its August meeting, Česká národní banka decided to lower its key interest rates by 0.25 of a percentage point, to 3.5%. This decision was supported by the predicted slowdown in the Czech economy and the related weakening of inflationary pressures.

## Box 2

### Abrogation of the Excessive Deficit Procedure against Poland

On the recommendation of the European Commission, the ECOFIN Council decided, at its meeting on 8 July 2008, to abrogate the excessive deficit procedure against Poland.

In July 2004, the ECOFIN Council introduced, on the recommendation of the EC, an excessive deficit procedure against Poland. In 2003, Poland's budget deficit was at the level of 6.3% of GDP. The deadline for reducing the budget deficit was the end of 2007. In November 2006, the Council found that the measures adopted by the Polish authorities were inadequate. In February, the Council issued a new recommendation in which the final deadline (end-2007) was confirmed.

As from 2003, the budget deficit was gradually reduced to 2% of GDP in 2007, while the target value for 2007 was originally set in the updated convergence report at 3.4%. The lower deficit was supported by increased GDP growth and reduced spending on social payments, subsidies, investments, and employee compensation. In connection with the slower GDP growth in 2008, the deficit is expected to increase, but is likely to remain below the 3% reference value, due to reductions in social benefits, income tax allowances for natural persons, and increases in social payments and investments.

The ratio of gross debt in public finances to GDP reached 45.2% in 2008, and is expected to continue falling.

Table A Deficit and Debt Ratios in Poland

(%)

	2003	2004	2005	2006	2007
Budget deficit	-6.3	-5.7	-4.3	-3.8	-2
Public debt	47.1	45.7	47.1	47.6	45.2

Source: Eurostat.



### 3 Inflation

#### 3.1 Consumer Price Index

##### HICP Inflation

##### Harmonised Index of Consumer Prices

Consumer prices, as measured by the Harmonised Index of Consumer Prices (HICP), dropped month-on-month by 0.1% in August, with goods prices falling by 0.3% and services prices rising by 0.4%. On a year-on-year basis, consumer prices increased by 4.4% (as in July). Overall inflation, excluding energy and unprocessed food prices (core inflation), reached 4.2% year-on-year (the same figure was recorded in July). The average 12-month inflation rate for the period from September 2007 to August 2008 was 3.3%. The average inflation rate for the period since the beginning of the year reached 3.9%. In August, HICP inflation was more favourable than expected by NBS.

**Table 1 Harmonised Index of Consumer Prices** (year-on-year changes in %)

	2008					
	Mar.	Apr.	May	June	July	Aug.
<b>TOTAL</b>	3.6	3.7	4.0	4.3	4.4	4.4
<b>Goods</b>	3.3	3.3	3.8	4.2	4.3	4.3
Industrial goods	1.6	1.5	2.0	2.1	2.4	2.4
Industrial goods (excl. energies)	0.2	0.1	0.7	0.6	0.9	0.9
Energies	3.8	3.6	4.1	4.4	4.7	4.7
<b>Food</b>	6.5	6.7	7.1	8.0	8.1	7.9
Processed food (including alcohol and tobacco)	8.6	9.3	8.9	8.7	8.7	8.7
Unprocessed food	2.5	1.8	3.7	6.8	6.8	6.3
<b>Services</b>	4.2	4.4	4.4	4.6	4.7	4.8
<b>Total, excluding unprocessed food and energies (core inflation)</b>	3.7	3.9	4.0	4.1	4.2	4.2
<b>Total, excluding energies</b>	3.6	3.7	4.0	4.3	4.4	4.4

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

##### Stagnation in the year-on-year dynamics of energy prices, as well as in core inflation, and a fall in unprocessed goods prices

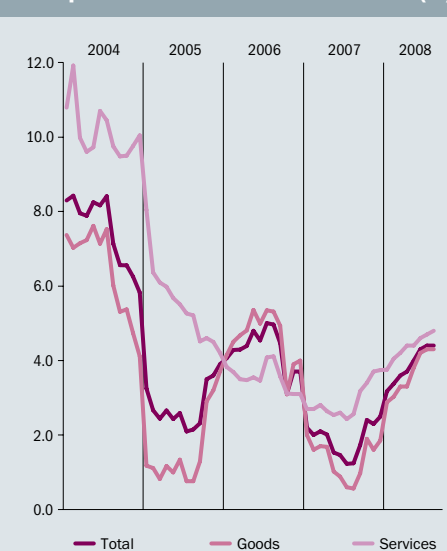
Within the structure of inflation, the year-on-year dynamics of unprocessed food prices weakened, those of energy prices stagnated, as well as the rate of core inflation (overall inflation, excluding energy and unprocessed food prices).

In energy prices, the year-on-year rate of increase in fuel prices slowed during August. On the other hand, the year-on-year dynamics of heating prices accelerated. The slowdown in the year-on-year increase in unprocessed food prices took place in meat a fruit prices.

##### Stagnation in core inflation

The year-on-year rate of core inflation (overall inflation, excluding energy and unprocessed food prices) was mainly influenced by stagnation in non-energy industrial goods prices, as well as processed food prices. The unchanged year-on-year dynamics of non-energy industrial goods prices resulted from conflicting developments in the individual components, when the prices of durables fell still further (automobiles, electronics) and those of non-durables (detergents, cosmetics, etc.) and medium-term consumer goods (clothes, footwear, books) showed increased dynamics. Processed food prices stagnated on a year-on-year basis: the prices of milk and dairy products rose at a slower pace, while those of bread and flour products showed increased dynamics. Prices for services accelerated on a year-on-year basis, with faster year-on-year increases recorded in prices for restaurant, hairdresser's, and personal services (compared with the previous month).

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



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



## Box 3

**Price Monitoring at Ten-Day Intervals**

Starting from 1 August, the Statistical Office of the SR began monitoring the consumer prices of selected goods and services of the consumer basket at ten-day intervals. The project will last from 1 August 2008 to 30 June 2009, and is aimed at monitoring the consumer prices of selected goods and services in SKK and EUR in the period of dual price display. Overall, 196 consumer-basket goods and services will be monitored, mostly items that are frequently purchased by citizens. The consumer basket was discussed with and approved by the representatives of the Ministry of Finance of the SR, Ministry of Labour, Social Affairs and Family of the SR, and the Government's commissioner for the introduction of the euro. The results from the first ten-day periods are shown in the following table.

**Table A Indices (referring to the previous period)**

	SKK			EUR		
	10-day period number			10-day period number		
	23	24	25	23	24	25
Total	99.8	99.8	99.6	99.8	99.8	99.6
Bread and cereals	99.4	100.9	100.0	99.4	100.8	100.0
Meat	100.7	100.8	99.4	100.6	100.8	99.3
Fish	100.0	100.7	99.2	100.1	100.7	99.2
Milk, cheese, and eggs	99.9	99.2	99.1	100.0	99.2	99.1
Cooking oil and fats	100.1	99.8	98.9	100.1	99.8	98.8
Fruit	99.5	97.0	96.0	99.6	97.0	96.0
Vegetables, including potato and other tuberous plants	97.3	96.7	98.0	97.2	96.9	97.9
Sugar, jam, honey, syrups, chocolate, and sweets	100.1	98.9	101.0	100.2	99.0	101.0
Food products not elsewhere classified	99.9	101.4	99.5	99.8	101.4	99.4
Coffee, tea, and cocoa	98.4	101.2	99.2	98.4	101.1	99.2
Mineral water, non-alcoholic beverages and juices	98.7	102.2	100.1	98.7	102.1	100.2
Liqueurs	99.6	100.3	99.9	99.6	100.3	99.9
Wine	100.8	100.9	98.7	100.8	100.9	98.7
Beer	99.5	100.2	100.2	99.6	100.1	100.2
Short-term consumer goods for households	100.1	99.0	99.7	100.1	99.1	99.7
Pharmaceuticals	100.3	100.1	100.2	100.3	100.1	100.2
Other health-care products	100.1	100.0	100.0	100.2	100.3	100.1
Fuels and lubricants	99.5	98.1	99.7	99.6	98.1	99.7
Office equipment and stationery	99.7	97.1	99.1	99.6	97.2	99.1
Restaurants, cafes, snack bars, patisseries, etc.	100.4	100.8	100.0	100.4	100.8	100.0
Hair salons and personal care facilities	99.8	100.0	100.0	99.8	100.0	100.0
Other instruments and goods for personal care	99.6	100.0	100.6	99.5	100.0	100.6

A comparison of prices in SKK and EUR shows minor differences, which are probably due to the fact that dual price display is obligatory as from 24 August, and euro prices set before that date did not correspond to the official conversion rate (SKK/EUR 30.1260).

Among the prices under monitoring, a continuing seasonal fall can be observed in fruit and vegetable prices, as well as in fuel prices. Overall, the prices of selected items show a falling tendency, which roughly corresponds to the trend observed in the entire consumer basket in August.

The year-on-year rate of headline inflation is expected to accelerate somewhat in September, compared with August 2008, due to an anticipated increase in the year-on-year dynamics of cigarette prices (increased excise tax) and heating prices.

**Expectations for the next month**



### CPI Inflation

**Consumer Price Index** Consumer prices rose month-on-month by 0.2% in August 2008, hand-in-hand with increases in regulated prices and core inflation. As a result of core inflation, inflation showed stronger dynamics than expected by NBS. Within the scope of regulated prices, price levels rose in heating, transport, and health care. Core inflation was mainly influenced by a marked acceleration in prices for market services and a rise in prices for repair services and imputed rents (by 4.0% month-on-month). Modest increases were recorded in prices for recreational and cultural services, and in prices in restaurants, hotels, and cafes. The prices of tradable goods, excluding fuels, dropped slightly (clothing and footwear prices). Fuel prices fell at a rate somewhat faster than expected, due to developments in oil prices. Food prices also fell at a faster-than-expected pace, due to marked drops in fruit and vegetable prices. At the same time, the prices of bread, bakery products, cereals, cooking oil and fats continued to rise. The 12-month rate of consumer-price inflation stood at 5.0% (4.8% in July). Core inflation reached 5.3% (5.1% in the previous month). The average year-on-year inflation rate for the period from September 2007 to August 2008 was 4.0%.

**Table 2 Consumer Prices in August 2008**

	CPI inflation		HICP inflation by CPI component	
	Change versus			
	July 2008	August 2007	July 2008	August 2007
<b>Total in %</b>	0.2	5.0	-0.1	4.4
<b>Regulated prices in %</b>	0.3	4.0	0.3	4.4
<i>Share of total, in percentage points<sup>1)</sup></i>	0.06	-	0.09	-
<b>Impact of changes in indirect taxes on non-regulated prices – Share of total, in percentage points<sup>1)</sup></b>	0.00	-	0.01	-
<b>Core inflation in %</b>	0.2	5.3	-0.2	4.6
<i>Share of total, in percentage points<sup>1)</sup></i>	0.16	-	-0.16	-
of which: Food prices in %	-0.9	10.2	-1.2	10.3
<i>Share of total, in percentage points<sup>1)</sup></i>	-0.14	-	-0.19	-
Tradable goods in % <sup>1)</sup>	-0.3	1.8	-0.3	1.9
<i>Share of total, in percentage points<sup>1)</sup></i>	-0.10	-	-0.09	-
Tradable goods excluding fuels, in % <sup>1)</sup>	-0.1	0.8	-0.1	1.0
<i>Share of total, in percentage points<sup>1)</sup></i>	-0.04	-	-0.04	-
Fuels in % <sup>1)</sup>	-1.7	11.9	-1.7	11.9
<i>Share of total, in percentage points<sup>1)</sup></i>	-0.06	-	-0.05	-
Market services in % <sup>1)</sup>	1.5	7.4	0.5	4.7
<i>Share of total, in percentage points<sup>1)</sup></i>	0.40	-	0.12	-
<b>Net inflation (excluding the impact of changes in indirect taxes) in %</b>	0.5	4.2	0.0	3.0
<i>Share of total, in percentage points<sup>1)</sup></i>	0.30	-	0.03	-
<b>Net inflation, excluding fuel prices (excluding the impact of changes in indirect taxes) in %<sup>1)</sup></b>	0.6	3.8	0.1	2.5
<i>Share of total, in percentage points<sup>1)</sup></i>	0.36	-	0.08	-

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 July 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 0.5% in July, due to increases in the prices of all three basic components.

	Month-on-month changes		Year-on-year changes			
	June 2008	July 2008	July 2007	June 2008	July 2008	Average since the beginning of 2008
Industrial producer prices (for the domestic market)	0.2	0.5	1.3	6.3	6.3	5.7
– Prices of manufacturing products	-0.3	0.1	-0.8	3.0	2.6	3.0
– Prices of mining and quarrying products	2.3	0.2	-4.8	14.1	14.2	10.4
– Energy prices	0.6	0.9	4.1	10.6	11.1	9.1
Industrial producer prices (for export)	-1.3	0.3	-7.2	1.4	2.1	2.3
– Prices of manufacturing products	-1.1	0.1	-6.7	0.2	0.9	1.4
Construction prices	0.1	0.3	3.8	5.8	5.6	5.2
Building materials prices	-0.3	-0.2	6.7	4.7	2.7	4.3
Agricultural prices	-	-	2.2	12.7	21.6	15.2
– Prices of plant products	-	-	10.8	41.1	43.5	44.3
– Prices of animal products	-	-	-2.6	9.4	7.9	8.3

Source: Statistical Office of the SR.

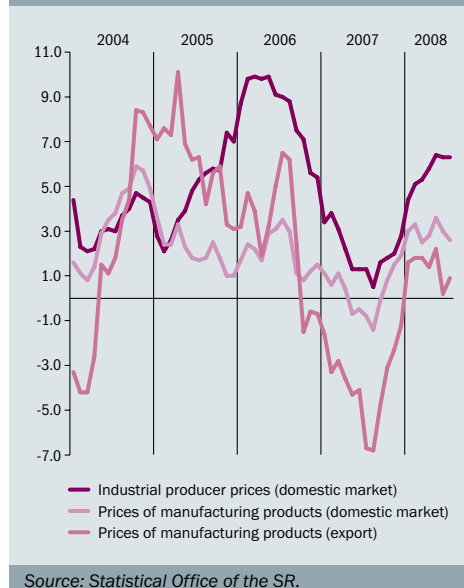
Domestic industrial producer prices showed unchanged dynamics in July, compared with the previous month. The rate of increase in manufacturing products prices slowed by 0.4 of a percentage point (to 2.6%), while energy prices increased by 0.5 of a percentage point (to 11.1%) and mining & quarrying products prices by 0.1 of a percentage point (to 14.2%).

**... accompanied by stagnation in their year-on-year dynamics**

The slower year-on-year rise in manufacturing products prices in July, compared with June, was mainly caused by a further fall in the price of transport equipment (by 1.3 percentage points, to -9.0%). The prices of base metals and finished metal products also dropped (by 2.5 percentage points, to -0.5%). A strong upward effect on price levels in July was again exerted by the prices of refined oil products (33.6%). Slower increases than a month earlier were recorded in the prices of food products (0.1 of a percentage point, to 8.5%) and electrical & optical equipment (0.8 of a percentage point, to 1.9%).

Among food products, the steepest rise (steeper than in June) was observed in industrial fodder prices (0.2 of a percentage point, to 31.3%). Compared with the previous month, accelerated increases were recorded in the prices of flour products (26.4%) and meat and meat products (4.2%). Prices increased more moderately than a month earlier for animal fats and vegetable oils (28.4%), dairy products (5.0%), and beverages (3.9%). The prices of processed and canned fruits and vegetables fell at a slower pace (-4.3%).

**Chart 16 Developments in Industrial Producer Prices and Manufacturing Products Prices (year-on-year changes in %)**



The faster year-on-year rise in energy prices in July was the result of accelerated increases in prices for gas production and the transport of gaseous fuels via pipelines (1.4 percentage points, to 17.1%), and for steam & hot water supply (0.6 of a percentage point, to 4.3%). Prices for electricity generation and supply rose at the same rate as in June (9.9%), while prices for water treatment and supply increased at a slower pace (8.0%, a slow-down of 0.2 of a percentage point).

The export prices of manufacturing products, which are the main factor determining the level of industrial producer prices for export, increased month-on-month by 0.1% and year-on-year by 0.9% in July.

**Industrial producer prices for export**

In July, the year-on-year increase in manufacturing products prices for export was again driven by the sharply rising export prices of refined oil products (by 41.9%). The year-on-year price increase was also supported by the export prices of base metals and finished metal



products (2.8%), food products (10.0%), and chemicals (4.0%). A dampening effect was exerted by falling prices of transport equipment (-9.1%), electrical and optical equipment (-7.2%), machinery and equipment (-1.6%), and paper products (-7.2%).

**Agricultural prices**

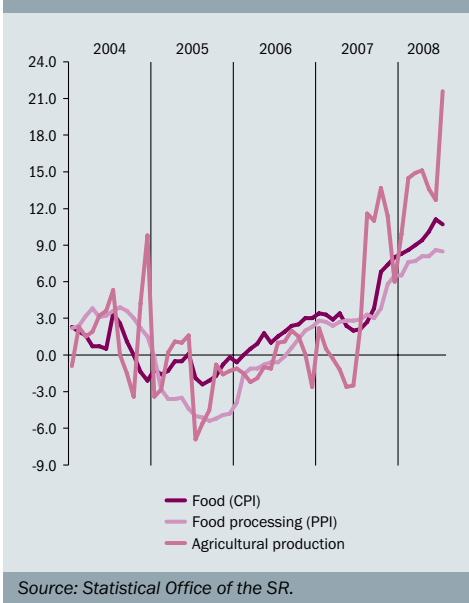
In July, the year-on-year rate of increase in agricultural prices accelerated by 8.9 percentage points compared with the previous month (to 21.6%), due to a faster rise in plant products prices (by 2.4 percentage points, to 43.5%). The rise in animal products prices slowed by 1.5 percentage points, to 7.9%. Regarding animal products, prices increased for live fish (by 17.8%), poultry (by 9.7%), eggs (by 9.6%), unpasteurised milk (by 9.0%), and pigs (by 8.2%). A fall occurred in the price of cattle, including calves (0.9%).

Increases in plant products prices were recorded in all categories. The steepest increases took place in oil-seed prices, which rose by an average of 55.4% (rape by 55.5% and sunflower by 52.9%), and in cereal prices, which rose by 33.2% (rye by 49.2%, corn by 39.6%, wheat by 35.2%, oat by 28.6%, and barley by 21.8%). Price levels also increased for legumes (by 19.4%), potatoes (by 8.7%), fruit (by 7.3%), and vegetables (by 4.1%).

Industrial producer prices are expected to be influenced in August 2008 by the high price of crude oil in the world markets, which exerts upward pressure on energy prices. Food prices are likely to rise further on. In August, the price increase should also be stimulated by the base effects of drops in the prices of oil, refined oil products, and energy in August 2007, compared with the previous month. Owing to these factors, the year-on-year dynamics of industrial producer prices are expected to strengthen in August, compared with July.

According to the latest agrarian market news, farmers in Slovakia, the Czech Republic, and Hungary, as well in the rest of Europe, expect an 8 to 10 %year-on-year increase in cereal crops this year. Purchase prices are weakened by excess supplies of fodder crops in particular. In the Slovak commodity market, the purchase prices of cereals are expected to remain relatively high in August, with a tendency to fall slightly. Among animal products, beef prices (for live animals) are expected to stagnate and pork prices to rise slightly. The purchase price of unpasteurised milk has been falling slightly since the beginning of the year, but is still almost 6% higher than a year earlier. Overall, agricultural prices are expected to rise further in August.

**Chart 17 Developments in Food Prices in Primary Production, Processing, and Consumption (year-on-year changes in %)**



**Box 4**

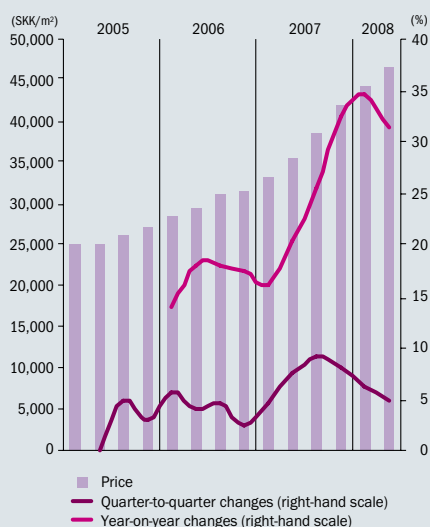
**Developments in Average Residential Property Prices in the Second Quarter of 2008**

According to data from the National Association of Real Estate Agencies in Slovakia (NARKS), average residential property prices in Slovakia stood at SKK 46,658 /m<sup>2</sup> in the second quarter of 2008, representing an increase in absolute terms compared with the previous quarter<sup>1</sup>. In relative terms, however, the price growth slowed by 1.2 percentage points (to 4.9%) compared with the first quarter of 2008 and by 3.3 percentage points (to 31.2%) compared with the second quarter of 2007.

**Table A Average Real Property Prices in Recent Quarters in SKK/m<sup>2</sup> by Region**

	total	BB	BA	KE	NR	PO	TN	TT	ZA
Q4 2007	41,893	24,717	56,019	29,477	18,297	25,095	20,778	25,857	24,655
Q1 2008	44,463	25,045	59,285	32,939	19,533	28,918	22,182	27,554	26,609
Q2 2008	46,658	26,076	60,830	35,732	22,621	31,742	26,007	30,685	29,041

**Chart A Quarterly Developments in Average Real Property Prices**



Source: NARKS, NBS charts.

**Chart B Developments in Slovak Real Property Prices by Region (%)**



Source: NARKS, NBS charts.

Thus, the prices of flats and houses increased in the second quarter of 2008 at a slower pace than in the first quarter of 2008 (flats by 2.5 percentage points, at 4.1%, and houses by 3.1 percentage points, at 2.1%), as well as on a year-on-year basis (flats by 6.1 percentage points, at 34.2%, and houses by 1.3 percentage points, at 17.6%).

In the second quarter of 2008, the average price for a square metre of residential space in the Bratislava region reached almost SKK 61,000, which is almost one-third more than the Slovakia average. In the other regions, residential property prices (per m<sup>2</sup>) are below the Slovakia average (ranging from 77% of the average figure in the Košice region to 48% in the Nitra region).

The quarter-to-quarter and year-on-year increases in residential property prices in the individual regions differed significantly in the second quarter of 2008. In the second quarter of 2008, the average prices of flats and houses (per m<sup>2</sup>) changed on a quarter-to-quarter basis in line with the all-Slovakia trend (i.e. a slight slowdown in the rate of price increase) only in the Bratislava, Košice, and Prešov regions, and on a year-on-year basis in the Banská Bystrica, Bratislava, Košice, and Žilina regions. In the other five or four regions, residential property prices rose more dynamically than in the first quarter of 2008, both on a quarter-to-quarter and a year-on-year basis.

<sup>1</sup> This statement is not in line with the opinions expressed by the representatives of several real estate agencies, according to which residential property prices have been stagnant or falling in recent months. The reliability of data obtained from the National Association of Real Estate Agencies in Slovakia (NARKS) for the second quarter of 2008, on the basis of which NBS calculated the average values of residential property prices and compiled a time series, was discussed with the supplier on several occasions and confirmed without changes. In the second quarter of 2008, the continuing rise in average residential property prices was accompanied by a substantial increase in the volume of house purchase loans provided in the given quarter, compared with the first quarter of 2008 (almost SKK 8 billion). A comparison of the average prices of flats calculated on the basis of data from the original NARKS database and the new, more structured CMN (Map of Real Property Prices) database shows certain differences resulting from the slightly different methodologies used to eliminate the extreme values (the principle of  $\delta$  or  $2\delta$ ) and to adjust the life cycles of records of flats offered for sale (unrevised and/or 2-3 times updated records) in these two databases. Hand-in-hand with the virtually same trends observed in average residential property prices in recent quarters and the slightly higher values of average prices calculated on the basis of data from the CMN database (compared with NARKS), average residential property prices in the individual regions according to the two databases converged to a significant extent in the second quarter of 2008. The continuous testing of the results achieved on the basis of the two databases should contribute to the preparation of a new methodology for the calculation of average residential property prices on the basis of CMN data (providing a wider scale of on-line selections of real property sale records according to optional properties in comparison with the original NARKS database), which enables the use of the existing time series, based on data from the original NARKS database.



## 4 Factors Affecting the Course of Inflation

### 4.1 Monetary Aggregates

#### Modification of the slowdown in M3 growth dynamics

In July, the year-on-year growth dynamics of the M3 monetary aggregate (according to ECB methodology)<sup>2</sup> modified the rapidly falling trend to a significant extent; its growth increased in comparison with the previous month by 3.0 percentage points (to 9.6%).

The slowdown in the dynamics of monetary aggregates is influenced on the liabilities side by the frequent shifts of deposits and received loans repayable on demand and deposits and loans received with the agreed maturity of up to 2 years. While the contribution of deposits payable on demand to the overall annual dynamics of M3 was 1.6 percentage points smaller in July (compared with the previous month), the contribution of deposits with agreed maturity increased by 4.5 percentage points. The shortest-term deposits are mainly influenced by developments in the sector of non-financial corporations, which are probably motivated by an attempt to achieve higher interest yields on these deposits, and/or by expectations regarding the course of interest rates in the coming months.

The contribution of the other main M3 components in total (currency, deposits payable at a notice period of up to 3 months, and marketable instruments) to the annual rate of M3 growth remained virtually unchanged in July 2008.

#### Main M3 components

#### Slowdown in the growth of monetary aggregates

Within the structure of the M1 monetary aggregate, currency in circulation and demand deposits recorded the same developments in terms of volume as well as dynamics. The year-on-year dynamics of deposits and received loans repayable on demand weakened significantly, the negative growth rate of currency also became more pronounced, which led to a slowdown in the dynamics of M1 to 2.2%. The structure of deposits, especially corporate and household deposits, are more and more influenced by the forthcoming euro changeover in Slovakia and the growing expectations of interest rate increases in Europe.

Among other short-term deposits, a marked increase was recorded in deposits and loans received with an agreed maturity of up to 2 years (SKK 25.0 billion, of which SKK 12.3 billion took place in the corporate sector), the year-on-year dynamics of which strengthened to 16.5% (by 12.4 percentage points). Since the negative dynamics of deposits with an agreed maturity of up to 3 months also moderated somewhat, the dynamics of the M2 monetary aggregate increased to 7.7%.

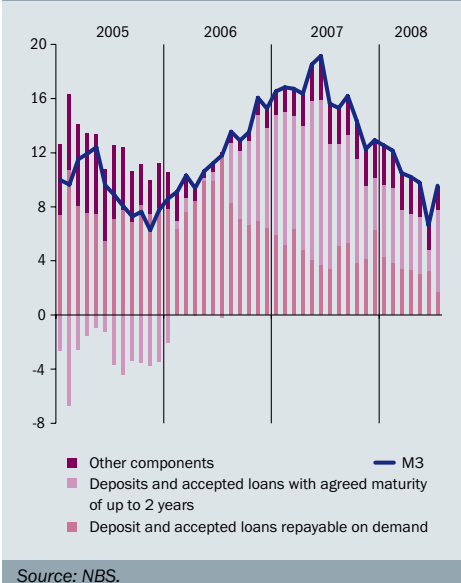
Among marketable instruments, money market fund shares/units still show strong year-on-year dynamics (30.8%), despite a slight fall in volume. The dynamics of debt securities issued with a maturity of up to 2 years (in much smaller amounts) increased.

#### Main M3 counterparts

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

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. They increased month-on-month by SKK 18.1 billion in July, while receivables from the private sector grew by SKK 15.8 billion.

**Chart 18 Contributions of Main M3 Components to Year-on-year Dynamics of M3 (p.p.)**



<sup>2</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 (in billions of SKK) <sup>1)</sup>			Year-on-year changes (in %) <sup>2)</sup>	
	July 2007	June 2008	July 2008	June 2008	July 2008
Currency in circulation	134.3	132.1	129.5	-1.8	-3.6
Deposits and received loans repayable on demand	434.2	463.4	451.3	7.8	3.9
of which: Non-financial corporations	175.7	179.9	170.8	1.0	-2.7
Households and non-profit institutions serving households	207.0	232.8	234.4	15.8	13.2
<b>M1</b>	568.5	595.5	580.7	5.5	2.2
Deposits and loans received with an agreed maturity of up to 2 years	372.4	408.9	433.9	4.1	16.5
of which: Non-financial corporations	115.2	108.3	120.6	-17.8	4.6
Households and non-profit institutions serving households	193.4	227.5	234.4	18.2	21.2
Deposits redeemable at a period of notice of up to 3 months	9.9	9.0	9.0	-11.0	-9.4
<b>M2</b>	950.9	1,013.4	1,023.6	4.8	7.7
Money market fund shares/units	51.7	68.0	67.6	34.7	30.8
Repo operations	0.0	0.0	0.0	-	-
Debt securities issued with a maturity of up to 2 years	6.0	13.3	13.7	49.3	130.5
<b>M3</b>	1,008.5	1,094.6	1,104.9	6.6	9.6

Source: NBS.

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

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 (in billions of EUR) <sup>1)</sup>			Year-on-year changes (in %) <sup>2)</sup>	
	July 2007	June 2008	July 2008	June 2008	July 2008
Currency in circulation	4.5	4.4	4.3	-1.8	-3.6
Deposits and received loans repayable on demand	14.4	15.4	15.0	7.8	3.9
of which: Non-financial corporations	5.8	6.0	5.7	1.0	-2.7
Households and non-profit institutions serving households	6.9	7.7	7.8	15.8	13.2
<b>M1</b>	18.9	19.8	19.3	5.5	2.2
Deposits and loans received with an agreed maturity of up to 2 years	12.4	13.6	14.4	4.1	16.5
of which: Non-financial corporations	3.8	3.6	4.0	-17.8	4.6
Households and non-profit institutions serving households	6.4	7.6	7.8	18.2	21.2
Deposits redeemable at a period of notice of up to 3 months	0.3	0.3	0.3	-11.0	-9.4
<b>M2</b>	31.6	33.6	34.0	4.8	7.7
Money market fund shares/units	1.7	2.3	2.2	34.7	30.8
Repo operations	0.0	0.0	0.0	-	-
Debt securities issued with a maturity of up to 2 years	0.2	0.4	0.5	49.3	130.5
<b>M3</b>	33.5	36.3	36.7	6.6	9.6

Source: NBS.

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

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 5a Main M3 Counterparts (ECB methodology)

	Outstanding amounts (in billions of SKK) <sup>1)</sup>			Year-on-year changes (in %) <sup>2)</sup>	
	July 2007	June 2008	July 2008	June 2008	July 2008
MFI receivables from residents (including securities)	967.5	1 082.6	1 100.7	14.2	14.0
Receivables from general government	254.0	227.1	229.3	-10.6	-9.4
Receivables from the private sector	713.6	855.5	871.3	23.2	22.3
Net foreign assets	273.0	187.5	178.4	-37.3	-36.4
Foreign assets	537.9	517.1	524.8	-6.6	-3.8
Foreign liabilities	264.9	329.6	346.4	29.6	30.8
Long-term financial liabilities (excluding capital and reserves)	129.6	144.7	145.0	11.0	11.8
Other items net <sup>3)</sup>	-102.5	-30.7	-29.1	-57.3	-67.5
<b>M3</b>	<b>1 008.5</b>	<b>1 094.6</b>	<b>1 104.9</b>	<b>6.6</b>	<b>9.6</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 5a Main M3 Counterparts (ECB methodology)

	Outstanding amounts (in billions of EUR) <sup>1)</sup>			Year-on-year changes (in %) <sup>2)</sup>	
	July 2007	June 2008	July 2008	June 2008	July 2008
MFI receivables from residents (including securities)	32.1	35.9	36.5	14.2	14.0
Receivables from general government	8.4	7.5	7.6	-10.6	-9.4
Receivables from the private sector	23.7	28.4	28.9	23.2	22.3
Net foreign assets	9.1	6.2	5.9	-37.3	-36.4
Foreign assets	17.9	17.2	17.4	-6.6	-3.8
Foreign liabilities	8.8	10.9	11.5	29.6	30.8
Long-term financial liabilities (excluding capital and reserves)	4.3	4.8	4.8	11.0	11.8
Other items net <sup>3)</sup>	-3.4	-1.0	-1.0	-57.3	-67.5
<b>M3</b>	<b>33.5</b>	<b>36.3</b>	<b>36.7</b>	<b>6.6</b>	<b>9.6</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.

The year-on-year growth dynamics of receivables from residents decreased to 14.0% (by 0.2 of a percentage point), with the dynamics of receivables from the private sector weakening by 0.9 of a percentage point (to 22.3%) and the negative dynamics of receivables from the general government moderating by 1.2 percentage points.

Net foreign assets continued to fall in July, due mainly to steeper increases in foreign liabilities (by SKK 16.8 billion) and foreign assets (by SKK 7.7 billion).

The increase in the year-on-year dynamics of long-term financial liabilities (excluding capital, reserves, and provisions) to 11.8% in July represented only a slight correction in their historical downward trend. Among their components, a significant year-on-year increase (SKK 13.1 billion) was recorded in long-term securities issued with a maturity of over 2 years, while deposits and loans received with an agreed maturity of up to 2 year achieved a much smaller increase and deposits payable at a notice period of over 3 months recorded a negative increase.

The year-on-year increase in other items net was mainly due to a decrease in deposits and loans received from the central government (excluding deposits held at the SR Treasury) (SKK 50.0 billion) and a decrease in capital, reserves, and provisions (SKK 19.8 billion).





**Table 6a MFIa Receivables from the Resident Private Sector**

	Outstanding amounts (SKK billions) <sup>1)</sup>			Year-on-year changes (%) <sup>3)</sup>	
	July 2007	June 2008	July 2008	June 2008	July 2008
MFI receivables from the private sector (including securities)	713.6	855.5	871.3	23.2	22.3
– of which: securities issued by the private sector <sup>2)</sup>	14.0	19.0	19.0	36.1	35.8
MFI receivables (excluding securities)	699.5	836.5	852.3	23.0	22.1
Non-financial corporations	364.4	433.4	441.5	22.7	21.2
– up to 1 year	156.9	185.7	186.3	20.4	18.8
– 1 to 5 years	72.4	88.1	93.3	30.6	29.0
– over 5 years	135.1	159.6	161.9	21.4	19.9
Financial corporations	62.4	60.8	60.3	-0.4	-3.2
Insurance corporations and pension funds	0.0	0.0	0.0	-	-
Households and non-profit institutions serving Households	272.7	342.3	350.5	28.8	29.0
– consumer loans	39.0	46.3	47.8	22.8	24.1
– construction loans	181.7	230.1	235.5	29.5	29.7
– other loans	52.0	65.9	67.1	30.7	30.1

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 period.

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

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

**Table 6b MFIa Receivables from the Resident Private Sector**

	Outstanding amounts (EUR billions) <sup>1)</sup>			Year-on-year changes (%) <sup>3)</sup>	
	July 2007	June 2008	July 2008	June 2008	July 2008
MFI receivables from the private sector (including securities)	23.7	28.4	28.9	23.2	22.3
– of which: securities issued by the private sector <sup>2)</sup>	0.5	0.6	0.6	36.1	35.8
MFI receivables (excluding securities)	23.2	27.8	28.3	23.0	22.1
Non-financial corporations	12.1	14.4	14.7	22.7	21.2
– up to 1 year	5.2	6.2	6.2	20.4	18.8
– 1 to 5 years	2.4	2.9	3.1	30.6	29.0
– over 5 years	4.5	5.3	5.4	21.4	19.9
Financial corporations	2.1	2.0	2.0	-0.4	-3.2
Insurance corporations and pension funds	0.0	0.0	0.0	-	-
Households and non-profit institutions serving Households	9.1	11.4	11.6	28.8	29.0
– consumer loans	1.3	1.5	1.6	22.8	24.1
– construction loans	6.0	7.6	7.8	29.5	29.7
– other loans	0.1	0.1	0.1	30.7	30.1

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 period.

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

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



**Structure of MFI receivables from the private sector (excluding securities and NBS receivables)**

**Slower growth in loans to non-financial corporations, faster growth in loans to households**

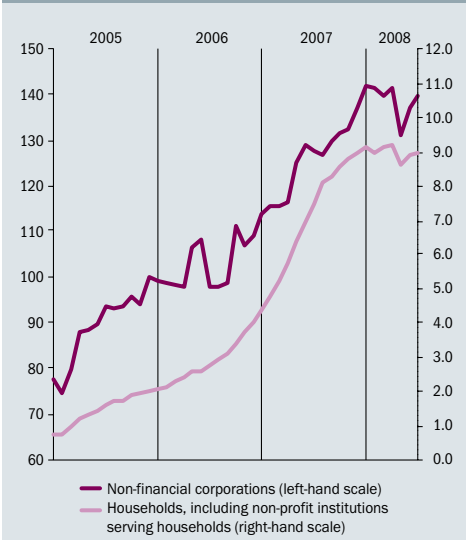
In July 2008, the growth rate of MFI receivables from the private sector continued to slow, by 0.9 of a percentage point. This was mainly due to the weakening dynamics of lending to non-financial and financial corporations, while lending to households accelerated somewhat.

In July 2008, the volume of MFI receivables from non-financial corporations increased by SKK 8.1 billion compared with the previous month. The most significant increase was recorded in long-term loans (1 to 5 years, and over 5 years), while short-term loans increased only slightly. The dynamics of lending weakened by 1.5 percentage points. Looking at the breakdown of loans by term, slowdowns were recorded in all categories.

Loans to households continued growing: they increased in volume by SKK 8.2 billion (as in the previous month) and in dynamics by 0.2 of a percentage point. Broken down by purpose, the growth took place in loans for house purchases, which increased by SKK 5.4 billion (as in June 2008), and in consumer and other loans, which grew in volume by SKK 2.8 billion.

Foreign-currency MFI receivables from the private sector recorded only a modest increase in volume (SKK 2.0 billion). The steepest increase took place in loans to non-financial corporations in EUR (SKK 3.4 billion), while loans in other foreign currencies fell in volume. MFI receivables from households in foreign currencies recorded only a negligible increase in comparison with the previous month (SKK 0.06 billion). Loans in EUR increased in all sectors, while loans in other foreign

**Chart 19 Lending in Foreign Currency (SKK billions)**



Source: NBS.

**Table 7a MFI Receivables from the Resident Private Sector (excluding securities and receivables from NBS)**

	Outstanding amounts (SKK billions) <sup>1)</sup>	Year-on-year changes (in %) <sup>2)</sup>					Cumulative changes since beginning of year (SKK billions)	
		July 2008	2007 Q3	2007 Q4	2008 Q1	2008 Q2	July 2008	July 2008
<b>MFI receivables (excluding securities)</b>	852.3	24.8	23.9	25.8	23.0	22.1	72.3	82.3
Non-financial corporations	441.5	26.9	24.1	26.3	22.7	21.2	38.0	41.9
– loans in Slovak koruna	301.8	24.4	23.4	29.1	31.8	27.8	19.4	39.3
– loans in foreign currency	139.7	32.1	25.4	21.1	6.7	9.2	18.6	2.6
Financial corporations (other financial intermediaries and auxiliary financial institutions)	60.3	3.4	5.7	11.5	-0.4	-3.2	-0.5	-6.1
– loans in Slovak koruna	45.0	0.3	-2.9	3.8	-5.4	-8.0	-1.7	-4.2
– loans in foreign currency	15.2	14.5	42.1	40.9	17.2	14.7	1.2	-1.9
Insurance companies and pension funds	0.0	-	-	-	-	-	0.0	0.0
Households and non-profit institutions serving households	350.5	27.8	28.5	28.6	28.8	29.0	34.8	46.5
– loans in Slovak koruna	341.5	25.9	26.8	27.6	28.8	29.2	31.4	46.5
– loans in foreign currency	9.0	165.5	126.5	74.0	29.0	21.4	3.4	0.0
of which: consumer loans	47.8	18.8	17.9	16.4	22.8	24.1	3.1	6.3
house purchase loans	235.5	30.3	30.2	30.3	29.5	29.7	24.9	31.7
other loans	67.1	26.7	31.0	32.1	30.7	30.1	6.8	8.5

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)	
		July 2008	2007 Q3	2007 Q4	2008 Q1	2008 Q2	July 2008	July 2007
<b>MFI receivables (excluding securities)</b>	28.3	24.8	23.9	25.8	23.0	22.1	2.4	2.7
Non-financial corporations	14.7	26.9	24.1	26.3	22.7	21.2	1.3	1.4
– loans in Slovak koruna	10.0	24.4	23.4	29.1	31.8	27.8	0.6	1.3
– loans in foreign currency	4.6	32.1	25.4	21.1	6.7	9.2	0.6	0.1
Financial corporations (other financial intermediaries and auxiliary financial institutions)	2.0	3.4	5.7	11.5	-0.4	-3.2	0.0	-0.2
– loans in Slovak koruna	1.5	0.3	-2.9	3.8	-5.4	-8.0	-0.1	-0.1
– loans in foreign currency	0.5	14.5	42.1	40.9	17.2	14.7	0.0	-0.1
Insurance companies and pension funds	0.0	-	-	-	-	-	0.0	0.0
Households and non-profit institutions serving households	11.6	27.8	28.5	28.6	28.8	29.0	1.2	1.5
– loans in Slovak koruna	11.3	25.9	26.8	27.6	28.8	29.2	1.0	1.5
– loans in foreign currency	0.3	165.5	126.5	74.0	29.0	21.4	0.1	0.0
of which: consumer loans	1.6	18.8	17.9	16.4	22.8	24.1	0.1	0.2
house purchase loans	7.8	30.3	30.2	30.3	29.5	29.7	0.8	1.1
other loans	0.1	26.7	31.0	32.1	30.7	30.1	0.2	0.3

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.

currencies decreased slightly. Thus, euro-denominated MFI receivables still form the largest part of foreign-currency loans.

#### Investment through open-end investment funds (OIF)

The inflow of funds into Slovakia's open-end investment funds discontinued in August, the net value of OIF assets denominated in SKK decreased to SKK 148.8 billion (by SKK 0.7 billion) and negative monthly net sales were achieved (SKK-1.5 billion). The net sales of OIFs denominated in foreign currency (FC) also resulted in a negative figure. In total, the negative net sales of all OIFs reached almost SKK-1.6 billion.

#### Outflows from open-end investment funds

**Table 8a Net Sales of Open-end Investment Funds in the SR**

(in 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	.	.	.	.	4.2

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**

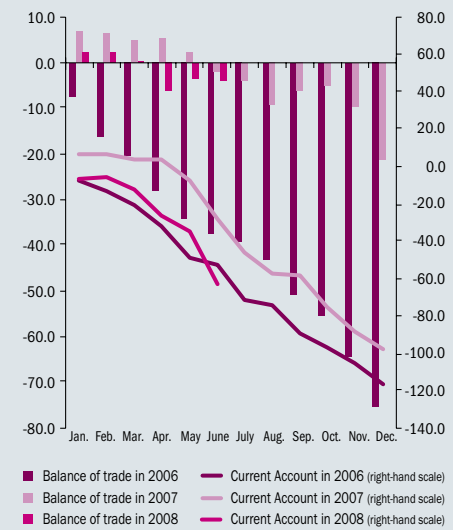
(in EUR millions)

	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	.	.	.	.	138.3

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

**Chart 20 Impact of NBS Interest Rates on Net Sales of OIFs in the SR**

Source: NBS calculations based on data from SASS.

**Chart 21 Balance of Trade and the Current Account in 2006, 2007 and 2008 (cumulative figures; SKK billions)**

Source: NBS and the Statistical Office of the SR.

Over the first eight months of 2008, the net sales of OIFs of all categories operating in the SR, in SKK and FC in total, reached SKK 4.2 billion<sup>3</sup> (a positive figure), which was, however, less than one-third of the figure recorded in the same period a year earlier. The continuing lending crisis in the United States is still reflected in the poor results of most investment funds. Hence, there is a lack of interest in these funds among Slovak investors.

The negative net sales of OIFs totalled SKK 1.6 billion in August, of which SKK 0.9 billion was generated by money market funds, which have been aroused great and stable interest in recent years. Negative net sales were also recorded by bond funds (SKK 0.5 billion), as well as mixed funds, the funds of funds, other funds, and special real estate funds (SKK 0.2 billion in total). Positive net sales were only reported by equity funds, but only in the amount of SKK 77 million.

#### Current budgetary developments

On 31 August 2008, the State budget of the Slovak Republic recorded a surplus of SKK 5.1 billion, with revenues totalling SKK 216.7 billion and expenditures SKK 211.6 billion.

## 4.2 The External Sector

### Balance of Payments for June and the First Half of 2008

**Current account** In June 2008, the balance of payments on current account resulted in a deficit of SKK 27.5 billion (EUR 0.9 billion), representing a deterioration of SKK 16.1 billion (EUR 0.5 billion) compared with the previous month. The main factors in this development were the deteriorated income and current transfers balances. Deterioration in comparison with the previous month was also recorded in the trade balance, which recorded a deficit in June (after a surplus in May). On the other hand, the balance of services recorded a somewhat smaller deficit, which, however, had a negligible effect on the overall month-on-month change in the current account balance.

During the first half of 2008, the balance of payment on current account deteriorated year-on-year by SKK 34.6 billion (EUR 1.1 billion). The year-on-year increase in the deficit was supported by the worsening income and services balances. The current transfers and trade balances also deteriorated somewhat on a year-on-year basis (causing an increase of SKK 1.9 billion (EUR 0.1 billion) in the deficit).

<sup>3</sup> 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 sometimes refer to different periods (SASS makes data releases on Fridays, but some of its members issue data on Thursdays).



	June		January – June	
	2008	2007	2008	2007
Balance of trade	-0.8	-4.5	-4.1	-2.2
Exports	130.4	117.4	776.0	684.4
Imports	131.2	121.9	780.1	686.6
Balance of services	-0.7	2.2	-6.0	6.8
Balance of income	-21.2	-17.0	-40.0	-25.8
of which: income from investment	-24.5	-19.8	-58.8	-43.0
of which: reinvested earnings	-1.4	-1.9	-8.4	-11.4
Current transfers	-4.8	-0.8	-13.0	-7.3
Current transfers in total	-27.5	-20.1	-63.1	-28.5
Current account as a share of GDP in %	-	-	-6.4	-3.3
Current account (excluding dividends and reinvested earnings) as a share of GDP in %	-	-	-1.7	1.0

Source: NBS and the Statistical Office of the SR.

	June		January – June	
	2008	2007	2008	2007
Balance of trade	0.0	-0.1	-0.1	-0.1
Exports	4.3	3.9	25.8	22.7
Imports	4.4	4.0	25.9	22.8
Balance of services	0.0	0.1	-0.2	0.2
Balance of income	-0.7	-0.6	-1.3	-0.9
of which: income from investment	-0.8	-0.7	-2.0	-1.4
of which: reinvested earnings	0.0	-0.1	-0.3	-0.4
Current transfers	-0.2	0.0	-0.4	-0.2
Current account in total	-0.9	-0.7	-2.1	-0.9

Source: NBS and the Statistical Office of the SR.

Compared with the first half of 2007, exports increased in the same period of 2008 by 13.4% (37.7% in USD and 19.8% in EUR) and imports grew by 13.6% (38.0% in USD and 20.0% in EUR).

Over the first six months of 2008, the most significant increase in comparison with the same period last year took place in the exports of machinery and transport equipment (this increase was, however, almost 50% smaller than in the same period in 2007). Despite this, the increase in the total volume of exports in the first half of 2008 took place mostly in this category. Within this category, more than 65% 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. The best performers 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 growth in raw materials exports was mainly stimulated by increased gas and refined oil exports, while part of the increase in the exports of these commodities was caused by price developments. A larger year-on-year increase in exports was also recorded in the 'finished products' category, as a result of increased exports of footwear, beverages, and furniture.

**Exports**

The largest year-on-year increase in imports was recorded in the 'raw materials' category (which accounted for almost 44% of the total increase) and was caused in large part by year-on-year increases in oil and gas prices, which led to growth in the imports of these two commodities. In the 'machinery and transport equipment' category, the increase in imports diminished in comparison with 2007, as a result of a smaller increase in the imports of transport equipment (motor vehicle components, spare parts, and accessories) and machinery (components for the electrical industry). Compared with last year, however, somewhat stronger growth in imports was recorded in the 'finished products' category, mainly in the imports of passenger cars. A smaller increase was recorded in the imports of industrial products, mechanical and electrical consumer goods. The year-on-year increase in the imports of 'chemicals and semi-finished goods' also contributed to the year-on-year growth in total imports, but its increase was less than half of the figure for the first half of 2007. In semi-finished goods, the growth in imports was 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 10a Exports from January to June, year-on-year changes**

	Year-on-year changes in SKK billions		Contribution to the year-on-year changes in p.p.	
	January – June		January – June	
	2008	2007	2008	2007
Raw materials	10.6	-7.7	1.6	-1.4
Chemicals and semi-finished goods	16.7	16.0	2.4	2.8
Machinery and transport equipment	55.5	106.5	8.1	18.8
Finished products	8.8	2.9	1.3	0.5
EXPORTS in total	91.6	117.8	13.4	20.8

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

**Table 10b Exports from January to June, year-on-year changes**

	Year-on-year changes in EUR billions	
	January – June	
	2008	2007
Raw materials	0.4	-0.3
Chemicals and semi-finished goods	0.6	0.5
Machinery and transport equipment	1.8	3.5
Finished products	0.3	0.1
EXPORTS in total	3.0	3.9

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

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

	Year-on-year changes in SKK billions		Contribution to the year-on-year changes in p.p.	
	January – June		January – June	
	2008	2007	2008	2007
Raw materials	40.5	-25.9	5.9	-4.3
Chemicals and semi-finished goods	13.5	29.6	2.0	4.9
Machinery and transport equipment	21.2	61.9	3.1	10.2
Finished products	18.3	16.7	2.7	2.8
of which: – agricultural and industrial goods	9.6	10.7	1.4	1.8
– passenger cars	7.4	4.4	1.1	0.7
– machines and electrical consumer goods	1.4	1.6	0.2	0.3
IMPORTS in total	93.5	82.3	13.6	13.6

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

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

	Year-on-year changes in EUR millions	
	January – June	
	2008	2007
Raw materials	1.3	-0.9
Chemicals and semi-finished goods	0.4	1.0
Machinery and transport equipment	0.7	2.1
Finished products	0.6	0.6
of which: – agricultural and industrial goods	0.3	0.4
– passenger cars	0.2	0.1
– machines and electrical consumer goods	0.0	0.1
IMPORTS in total	3.1	2.7

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



The balance of services for January to June 2008 resulted in a deficit of SKK 6.0 billion (EUR 0.2 billion), which represented a deterioration of SKK 12.8 billion (EUR 0.4 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 services, while the surplus in transport services increased on a year-on-year basis. The increased deficit in the balance of 'other services in total' was mainly the result of a marked increase in payments (accompanied by a fall in receipts) for financial and other services (mainly intermediating 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 increase in the surplus was mainly caused by increased receipts from the transit of gas and oil.

**Services balance**

The year-on-year deterioration in the income balance over the first six months of 2008 – SKK 14.2 billion (EUR 0.5 billion) – was the result of growth in the deficit in investment earnings. The deteriorated balance was mainly caused by increased dividend payments to foreign direct investors and increased interest payments on portfolio investments (interest on Eurobonds). On the other hand, a certain improvement in comparison with the previous year, recorded in the compensation of employees, partly offset the year-on-year deterioration in the overall balance of income.

**Income and current transfers balances**

The deficit in current transfers recorded a year-on-year increase of SKK 5.7 billion (EUR 0.2 billion), due to developments in the balance of private transfers, where the growth in receipts was well exceeded by the growth in expenses. On the other hand, the balance of government transfers recorded a slight improvement (the growth in receipts from euro funds exceeded the growth in payments to the EU budget).

In June 2008, the balance of payments on capital and financial account resulted in a surplus of SKK 46.6 billion (EUR 1.5 billion). Almost half of the inflow took place within the balance of other investments, and was mainly the result of deposit operations on bank accounts (the increase in non-resident deposits on accounts kept with Slovak banks exceeded the decrease in the deposits of Slovak residents on bank accounts abroad) and increased drawings of financial loans by Slovak banks.

**Capital and financial account**

Over the first six months of 2008, the balance of payments on capital and financial account resulted in a surplus of SKK 82.1 billion (EUR 2.7 billion); in 2007, a surplus of SKK 106.4 billion (EUR 3.5 billion) was recorded. The year-on-year decrease in the surplus in the balance of other investments was caused by different developments in short-term deposits in accounts with Slovak banks (in the first six months of 2007, inflows of deposits were recorded in the amount of SKK 80.9 billion (EUR 2.7 billion), while the same period in 2008 saw inflows in the amount of only SKK 11.4 billion (EUR 0.4 billion). The fall in the total inflow of funds was partly offset in the balance of portfolio investments, where increased demand for bonds was recorded on the part of 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).

From January to June 2008, foreign direct investment (FDI) recorded inflows in the amount of SKK 11.0 billion (EUR 0.4 billion), representing a year-on-year decline of SKK 12.0 billion (EUR 0.4 billion) in comparison with 2007. The year-on-year change in the balance of FDI was mainly the result of a smaller inflow of capital in the form of equity participations and a lower estimate of earnings reinvested in the economy by foreign investors.

**Foreign direct investment**

Portfolio investment resulted in a net inflow of SKK 32.6 billion (EUR 1.1 billion), compared with a net inflow of SKK 3.0 billion (EUR 0.1 billion) a year earlier. The increased inflow was influenced on the assets side by a fall in interest in foreign equity and debt securities among Slovak residents. On the liabilities side, the increased inflow resulted from the fact that the lower interest in long-term government debt securities among investors was well exceeded in the corporate and banking sectors by an increased net inflow resulting from a growing interest in bonds among foreign investors.

**Portfolio investment**

In other investments, an inflow of SKK 22.2 billion (EUR 0.7 billion) was recorded in the period from January to June 2008, compared with SKK 75.0 billion (EUR 2.5 billion) in the same period a year earlier. The year-on-year change – SKK 52.8 billion (EUR 1.8 billion) – was associated with developments in the banking sector, while the main factor was a lower inflow of short-term capital into Slovak banks (bank deposits). The capital inflow last year was largely the result of interbank foreign exchange market developments in March and April, which led to the Slovak koruna's appreciation and subsequent NBS interventions. The outflow of funds resulting from deposit operations was partly offset in the banking and corporate sectors by an increase in the drawings of financial loans.

**Other investment**



**Table 12a Balance of Payments Capital and Financial Account (SKK billions)**

	June		January – June	
	2008	2007	2008	2007
Capital account	1.5	0.9	16.3	5.4
Direct investment	7.2	18.9	11.0	23.0
SR abroad	-0.3	1.2	-1.2	0.3
of which: equity capital abroad	-0.1	-0.1	-1.6	-0.4
reinvested earnings	-0.1	-0.1	-0.6	-0.6
In the SR	7.5	17.7	12.2	22.7
of which: equity capital in the SR	2.2	7.9	5.5	12.0
of which: other than privatisation	2.2	7.9	5.5	12.0
reinvested earnings	1.5	2.0	9.0	12.0
Portfolio investment and financial derivatives	15.0	-7.2	32.6	3.0
SR abroad	4.7	-0.3	1.1	-7.0
In the SR	10.3	-6.9	31.5	10.0
Other long-term investments	-0.5	-2.0	2.7	2.0
Assets	0.4	-0.2	-6.0	-3.2
Liabilities	-0.9	-1.8	8.7	5.2
Other short-term investments	23.4	1.2	19.5	73.0
Assets	-14.3	2.7	-18.2	3.7
Liabilities	37.7	-1.5	37.7	69.3
Capital and financial account	46.6	11.8	82.1	106.4

Source: NBS.

**Table 12b Balance of Payments Capital and Financial Account (EUR millions)**

	June		January – June	
	2008	2007	2008	2007
Capital account	0.0	0.0	0.5	0.2
Direct investment	0.2	0.6	0.4	0.8
SR abroad	0.0	0.0	0.0	0.0
of which: equity capital abroad	0.0	0.0	-0.1	0.0
reinvested earnings	0.0	0.0	0.0	0.0
In the SR	0.2	0.6	0.4	0.8
of which: equity capital in the SR	0.1	0.3	0.2	0.4
of which: other than privatisation	0.1	0.3	0.2	0.4
reinvested earnings	0.0	0.1	0.3	0.4
Portfolio investment and financial derivatives	0.5	-0.2	1.1	0.1
SR abroad	0.2	0.0	0.0	-0.2
In the SR	0.3	-0.2	1.0	0.3
Other long-term investments	0.0	-0.1	0.1	0.1
Assets	0.0	0.0	-0.2	-0.1
Liabilities	0.0	-0.1	0.3	0.2
Other short-term investments	0.8	0.0	0.6	2.4
Assets	-0.5	0.1	-0.6	0.1
Liabilities	1.3	0.0	1.3	2.3
Capital and financial account	1.5	0.4	2.7	3.5

Source: NBS.





<b>Table 13a Capital Inflows in Other Investment by Sector</b> (SKK billions)			
	<b>January – June 2008</b>	<b>January – June 2007</b>	<b>Year-on-year changes</b>
Banks	21.6	79.4	-57.7
Enterprises	0.5	-0.2	0.7
Government + NBS	0.0	-4.2	4.2
<b>Total</b>	<b>22.2</b>	<b>75.0</b>	<b>-52.8</b>

Source: NBS.

<b>Table 13b Capital Inflows in Other Investment by Sector</b> (EUR billions)			
	<b>January – June 2008</b>	<b>January – June 2007</b>	<b>Year-on-year changes</b>
Banks	0.7	2.6	-1.9
Enterprises	0.0	0.0	0.0
Government + NBS	0.0	-0.1	0.1
<b>Total</b>	<b>0.7</b>	<b>2.5</b>	<b>-1.8</b>

Source: NBS.

The foreign reserves of NBS fell during the first half of 2008 by SKK 3.8 billion, i.e. EUR 0.1 billion (excluding exchange rate differentials).

**Foreign reserves  
of NBS**

<b>Table 14a Balance of Payments Adjusted for Government and NBS Activities</b> (SKK billions)		
	<b>January – June 2008</b>	
	<b>Actual<sup>1)</sup></b>	<b>Adjusted<sup>2)</sup></b>
Current account	-63.0	-28.7
Capital and financial account	82.1	38.3
Of which: FDI in the SR – equity participation	5.5	4.1
Errors and omissions	-22.9	-22.9
NBS interventions <sup>3)</sup>	0.0	0.0
Change in net foreign assets of banks (- increase)	-	13.3
Change in NBS reserves (- increase)	3.8	-

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.

<b>Table 14b Balance of Payments Adjusted for Government and NBS Activities</b> (EUR billions)		
	<b>January – June 2008</b>	
	<b>Actual<sup>1)</sup></b>	<b>Adjusted<sup>2)</sup></b>
Current account	-2.1	-1.0
Capital and financial account	2.7	1.3
Of which: FDI in the SR – equity participation	0.2	0.1
Errors and omissions	-0.8	-0.8
NBS interventions <sup>3)</sup>	0.0	0.0
Change in net foreign assets of banks (- increase)	-	0.4
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.

**External Debt of the Slovak Republic as at 30 June 2008**

**Gross external debt** At the end of June 2008, the total gross external debt of Slovakia reached USD 56.1 billion (EUR 35.6 billion). Total long-term foreign debt grew in June by USD 1.1 billion and total short-term foreign debt increased by USD 2.6 billion.

Within the structure of short-term external debt, the foreign liabilities of commercial banks increased month-on-month by USD 1.8 billion in June, while cash and deposits grew by USD 1.2 billion. The short-term foreign liabilities of entrepreneurial entities recorded an increase of USD 0.8 billion, which took place in trade credits and loans.

Within the scope of long-term external debt, the foreign liabilities of the Government and NBS increased by USD 0.6 billion, mainly due to increased interest in the purchase of SKK-denominated government bonds. The long-term foreign liabilities of entrepreneurial entities increased by USD 0.4 billion, due to growth in business loans. The foreign liabilities of commercial banks grew by USD 0.1 billion.

At the end of June, Slovakia's total per-capita gross foreign debt stood at USD 10,430. The share of short-term foreign debt in the country's total gross external debt increased month-on-month by 1.2 percentage points, to 52.8% at the end of June 2008.

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

	In millions of USD			In millions of EUR		
	31.12.2007	31.05.2008	30.06.2008	31.12.2007	31.05.2008	30.06.2008
Total external debt of the SR	44,308.7	52,367.5	56,110.2	30,156.2	33,670.6	35,627.9
Long-term external debt	20,709.7	25,350.3	26,497.5	14,094.9	16,299.4	16,824.9
Government and NBS <sup>1)</sup>	9,502.4	10,728.6	11,385.5	6,467.3	6,898.1	7,229.4
Commercial banks	2,150.8	2,692.8	2,820.5	1,463.8	1,731.4	1,790.9
Entrepreneurial entities	9,056.5	11,928.9	12,291.5	6,163.8	7,669.9	7,804.6
Short-term external debt	23,599.0	27,017.2	29,612.7	16,061.3	17,371.2	18,803.0
Government and NBS	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	12,095.6	13,843.8	15,632.7	8,232.2	8,901.1	9,926.2
Entrepreneurial entities	11,503.4	13,173.4	13,980.0	7,829.1	8,470.1	8,876.8
Foreign assets	37,017.4	42,649.1	43,252.9	25,193.8	27,422.0	27,464.0
Net external debt	7,291.3	9,718.4	12,857.3	4,962.4	6,248.6	8,163.9
SKK/USD and SKK/EUR rates:	22.870	19.444	19.247	33.603	30.241	30.312
EUR/USD cross exchange rate:	-	-	-	1.469	1.555	1.575

Source: NBS.

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

**Net external debt** The net external debt of Slovakia, expressed as the difference between gross foreign debt, i.e. USD 56.1 billion (liabilities of the Government, NBS, commercial banks, and the corporate sector – except for equity participation), and foreign assets, i.e. USD 42.7 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 June 2008. This represented a month-on-month increase of USD 3.2 billion.

**Current developments**

In July, the balance of payments on current account resulted in a deficit of SKK 12.0 billion (EUR 0.4 billion). This represented a month-on-month improvement of SKK 15.5 billion (EUR 0.5 billion) and was caused by a decrease in the income balance deficit. Current transfers and services also recorded better balances than in the previous month. The current account balance was negative affected by the increased trade deficit.

The year-on-year dynamics of exports weakened, while import dynamics strengthened somewhat in July. As a result, after two months, the rate of growth in imports (9.7%) again exceeded the growth rate of exports (7.5%).



		Table 16a Balance of Payments Current Account (SKK billions)			
		July		January – July	
		2008	2007	2008	2007
Balance of trade		-4.2	-1.6	-8.3	-3.8
Exports		122.9	114.3	898.9	798.7
Imports		127.1	115.9	907.2	802.5
Balance of services		1.2	1.6	-4.8	8.4
Balance of income		-7.6	-18.0	-47.6	-43.8
of which: income from investments		-7.4	-20.8	-66.2	-63.8
of which: reinvested earnings		0.0	-2.4	-8.4	-13.8
Current transfers		-1.4	0.3	-14.4	-7.0
Current account in total		-12.0	-17.7	-75.1	-46.2

Source: NBS and the Statistical Office of the SR.

		Table 16b Balance of Payments Current Account (EUR billions)			
		July		January – July	
		2008	2007	2008	2007
Balance of trade		-0.1	-0.1	-0.3	-0.1
Exports		4.1	3.8	29.8	26.5
Imports		4.2	3.8	30.1	26.6
Balance of services		0.0	0.1	-0.2	0.3
Balance of income		-0.3	-0.6	-1.6	-1.5
of which: income from investments		-0.2	-0.7	-2.2	-2.1
of which: reinvested earnings		0.0	-0.1	-0.3	-0.5
Current transfers		0.0	0.0	-0.5	-0.2
Current account in total		-0.4	-0.6	-2.5	-1.5

Source: NBS and the Statistical Office of the SR.

The trade balance deficit recorded in July was higher than expected by NBS, due to the lower value of exports (compared with the expectations).

Exports are expected to fall slightly in August, while their dynamics are likely to strengthen somewhat on a month-on-month basis as a result of developments in the previous year. Imports are also expected to reach a lower level in August (compared with the previous month) at a slightly slower rate of year-on-year growth.

In September, exports are expected to increase to the pre-holiday level, while their dynamics will probably remain unchanged. In October, the volume of exports is expected to grow again to a significant extent as a result of seasonal effects, but the rate of growth is likely to slow somewhat owing to a base effect. A similar trend is expected in imports in both September and October, while the gradual growth in volume will probably be caused by increased imports of semi-finished goods and goods for final consumption.

Overall, the trade balance is expected to remain unchanged in all three months, compared with the same period of the previous year.

At the end of August, the total foreign reserves of NBS stood at USD 18,840.4 million, representing a month-on-month fall of USD 932.6 million. The fall in reserves in comparison with the end-July figure resulted from a modest surplus in the balance of receipts and expenses (USD 66.0 million), offset by negative exchange rate differences (USD-998.6 million), resulting from a change in the USD/EUR cross-rate in the period under review. At the end of August, the volume of foreign reserves was 2.7 times greater than the volume of average monthly imports of goods and services to Slovakia over the first seven months of 2008.

**Total foreign reserves  
of NBS**

The ratio of foreign reserves to the amount of payments for goods and services recorded in banking statistics, reached 3.8 times the volume of average monthly imports of goods and services to the SR over the first seven months of 2008.



**Table 17a Developments in Current Account Components by Month (SKK billions)**

	2008						
	Jan.	Feb.	Mar.	Apr.	May	June	July
Balance of trade	1.9	0.2	-1.8	-6.5	2.9	-0.8	-4.2
Balance of services	-0.9	-1.8	-0.1	-1.3	-1.2	-0.7	1.2
Balance of income	-1.4	1.7	-3.8	-2.8	-12.5	-21.2	-7.6
Current transfers	-6.0	0.0	-0.5	-3.1	1.4	-4.8	-1.4
Current account	-6.4	0.1	-6.2	-13.7	-9.4	-27.5	-12.0

Source: NBS and the Statistical Office of the SR.

**Table 17b Developments in Current Account Components by Month (EUR billions)**

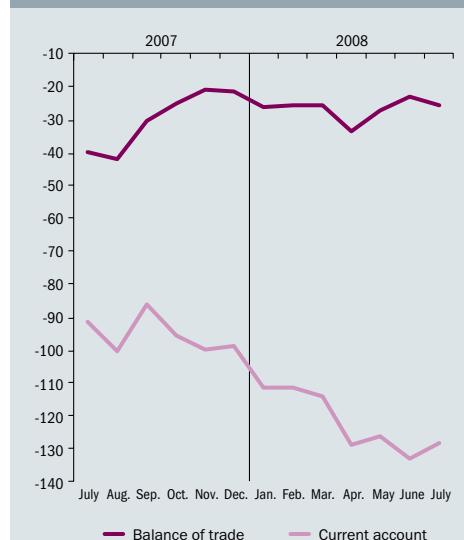
	2008						
	Jan.	Feb.	Mar.	Apr.	May	June	July
Balance of trade	0.1	0.0	-0.1	-0.2	0.1	0.0	-0.1
Balance of services	0.0	-0.1	0.0	0.0	0.0	0.0	0.0
Balance of income	0.0	0.1	-0.1	-0.1	-0.4	-0.7	-0.3
Current transfers	-0.2	0.0	0.0	-0.1	0.0	-0.2	0.0
Current account	-0.2	0.0	-0.2	-0.5	-0.3	-0.9	-0.4

Source: NBS and the Statistical Office of the SR.

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

The nominal effective exchange rate (NEER)<sup>4</sup> of the Slovak koruna appreciated month-on-month by 0.8% in August, after depreciating by 0.6% 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 0.9 of a percentage point). The effective appreciation of the Slovak koruna was moderated by its weakening in relation to the US dollar (a negative contribution of 0.1 of a percentage point).

**Chart 22 Balance of Payments and Current Account Developments (moving 12-month cumulative figures) (SKK billions)**



Sources: NBS and the Statistical Office of the SR.

**Chart 23 Coverage of the Current Account Deficit by Foreign Direct Investment (%)**



Source: NBS.

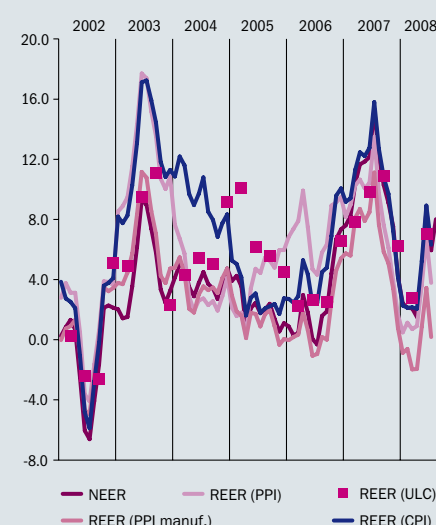
<sup>4</sup> For calculating the nominal and effective exchange rates of the Slovak koruna (NEER and REER), the IMF methodology is applied. The REER is calculated on the basis of the consumer price index (CPI), the industrial producer price index (PPI), and/or the manufacturing products price index, excluding the prices of mineral raw materials, electricity, gas, steam, and hot water (PPI manufacturing), and the index of unit labour costs (ULC). The initial year for the calculation is 1999, and the weights selected correspond to the structure of foreign trade in 1999, for the nine most important trading partners of Slovakia, representing roughly 70% of the total turnover of foreign trade. These countries are Germany, the Czech Republic, Italy, Austria, France, the Netherlands, the United States, the United Kingdom, and Switzerland.

**Chart 24 Average Monthly Exchange Rates of the Slovak Koruna (year-on-year changes in %)**



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

**Chart 25 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.

On a year-on-year basis, the appreciation of the koruna's nominal effective exchange rate accelerated in comparison with July, from 5.9% to 8.0%. The greatest contribution to the appreciation of the NEER index was made by the strengthening of the koruna against the euro (by 7.5 percentage points).

The slower appreciation of the nominal effective exchange rate led to a slowdown in the year-on-year appreciation of the real effective exchange rate in July. The real effective exchange rate (REER) defined on the basis of the consumer price index (CPI) appreciated by 6.3%, that based on the producer price index (PPI) by 3.8%, and the index based on the manufacturing products price index (PPI manuf.) by 0.2%. In the case of the last two indices, the appreciation of the REER index was also supported by an acceleration in inflation in the countries of Slovakia's major trading partners, paralleled by a stagnating or falling inflation in Slovakia.

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

**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	5.1
December 2003	3.2	11.3	10.8	4.7	2.3
December 2004	4.7	8.3	4.1	4.7	9.2
December 2005	1.1	2.7	6.0	0.0	4.5
December 2006	7.4	10.1	9.5	5.4	6.6
December 2007	4.2	4.2	1.7	0.8	6.3
June 2008 <sup>1)</sup>	8.6 / 8.2	8.9 / 8.6	6.7 / 9.0	3.4 / 4.3	7.1
July 2008 <sup>1)</sup>	5.9 / 7.5	6.3 / 7.6	3.8 / 7.0 <sup>(p)</sup>	0.2 / 3.3 <sup>(p)</sup>	-
August 2008 <sup>1)</sup>	8.0 / 8.4	.	.	.	-

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 Real Economy

#### Development of the Real Economy in the Second Quarter of 2008

##### Gross Domestic Product

##### Real economic growth in the 2nd quarter of 2008 was 7.6%

According to revised data from the Statistical Office of the SR, gross domestic product (GDP) increased year-on-year by 7.6% at constant prices in the second quarter of 2008. Compared with the second quarter of 2007, the rate of GDP growth slowed by 1.7 percentage points. Over the first half of 2008, GDP increased year-on-year by 8.1% at constant prices.

In terms of production, GDP growth in the second quarter of 2008 was attributable to value added growth in trade, hotels, restaurants, transport, industry, and construction. The nominal volume of GDP generated in the second quarter of 2008 amounted to SKK 507.0 billion, which was 11.7% more than a year earlier.

##### Demand

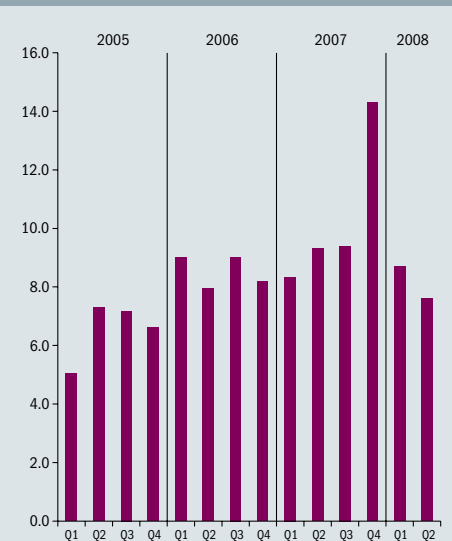
##### Growth in foreign and domestic effective demand

In terms of use, the structure of economic growth in the second quarter of 2008 was influenced by both foreign and domestic effective demand. The growth in foreign demand (8.7% at constant prices) exceeded the growth in domestic effective demand (7.3%). The economic growth was stimulated by all components of domestic demand.

##### Accelerated year-on-year growth in domestic effective demand

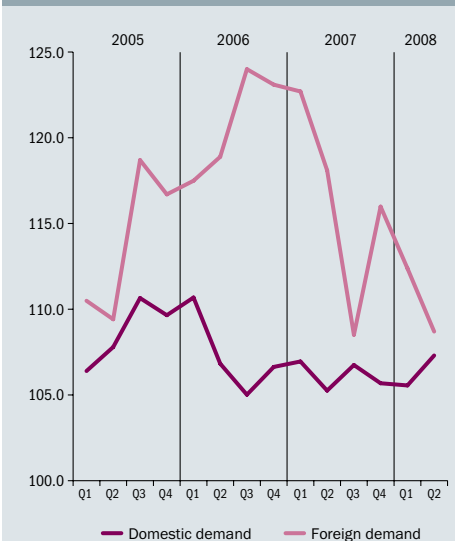
The growth in domestic effective demand in the second quarter of 2008 was 2.0 percentage points faster than a year earlier and accelerated in real terms by 7.3%. This acceleration was mainly the result of increased general government final consumption and increased gross fixed capital formation. The consumption component of domestic demand increased year-on-year by 6.4%, which represented an acceleration of 1.4 percentage points compared with the same period last year. This development was mainly influenced by stronger growth in government spending on consumption (8.9% in the second quarter of 2008, compared with a fall of 3.5% a year earlier). Final consumption in the household sector increased by 5.7% (which was 2.1 percentage points less than a year earlier). Non-profit institutions serving households recorded a slower growth in consumption than a year earlier.

**Chart 26 Development of Real GDP by Quarter**  
(year-on-year growth in %)



Source: Statistical Office of the SR.

**Chart 27 Development of Domestic and Foreign Demand**  
(index, same period a year earlier = 100)



Source: Statistical Office of the NBS.

5 The sum of final consumption and gross fixed capital formation. After revision in November 2007, the Statistical Office of the SR stopped publishing data on domestic demand. Changes in inventories at constant prices ceased to be published in June 2008.

**Table 19 GDP Development by Use**  
 (index, same period a year earlier = 100, constant prices)

	2007				2008	
	Q2	Q3	Q4	Year	Q1	Q2
Gross domestic product	109.3	109.4	114.3	110.4	108.7	107.6
Domestic effective demand	105.3	106.7	105.7	106.1	105.5	107.3
Final consumption	105.0	106.8	104.5	105.5	106.6	106.4
Households	107.8	108.3	105.9	107.1	108.4	105.7
General government	96.5	102.2	100.8	100.7	100.6	108.9
Non-profit institutions serving households	107.2	108.7	109.5	106.8	104.5	101.1
Gross fixed capital formation	105.9	106.5	108.9	107.9	102.4	109.6
Gross fixed capital formation	118.1	108.5	116.0	116.0	112.4	108.7
Imports of goods and services	113.2	103.0	111.6	110.4	114.2	109.0

Source: Statistical Office of the SR.

**Table 20a Structure of Gross Fixed Capital Formation in the Second Quarter of 2008**  
 (current prices)

	Gross fixed capital formation (SKK millions)	Proportion (%)	Index Q2 2007 Q2 2006	Index Q2 2008 Q2 2007
Economy of the SR intotal	131,590	100.0	109.3	111.2
In which, by sector:				
Non-financial corporations	90,947	69.1	111.0	109.7
Financial corporations	1,610	1.2	125.0	109.9
General government	10,320	7.8	104.9	103.6
Households	28,450	21.6	104.9	119.5
Non-profit institutions	263	0.2	104.6	106.0
Of which (by production):				
Machinery	64,632	49.1	113.0	110.8
Of which: other machines and equipment	48,101	36.6	113.5	110.1
Transport equipment	16,531	12.6	111.5	113.0
Buildings and structures	58,610	44.5	105.3	112.4
Of which: residential buildings	12,591	9.6	108.2	120.8
Other buildings	46,019	35.0	104.6	110.3

Source: Statistical Office of the SR.

**Table 20b Structure of Gross Fixed Capital Formation in the Second Quarter of 2008**  
 (current prices)

	Gross fixed capital formation (EUR millions)	Proportion (%)	Index Q2 2007 Q2 2006	Index Q2 2008 Q2 2007
Economy of the SR intotal	4,368	100.0	109.3	111.2
In which, by sector:				
Non-financial corporations	3,019	69.1	111.0	109.7
Financial corporations	53	1.2	125.0	109.9
General government	343	7.8	104.9	103.6
Households	944	21.6	104.9	119.5
Non-profit institutions	9	0.2	104.6	106.0
Of which (by production):				
Machinery	2,145	49.1	113.0	110.8
Of which: other machines and equipment	1,597	36.6	113.5	110.1
Transport equipment	549	12.6	111.5	113.0
Buildings and structures	1,945	44.5	105.3	112.4
Of which: residential buildings	418	9.6	108.2	120.8
Other buildings	1,528	35.0	104.6	110.3

Source: Statistical Office of the SR.



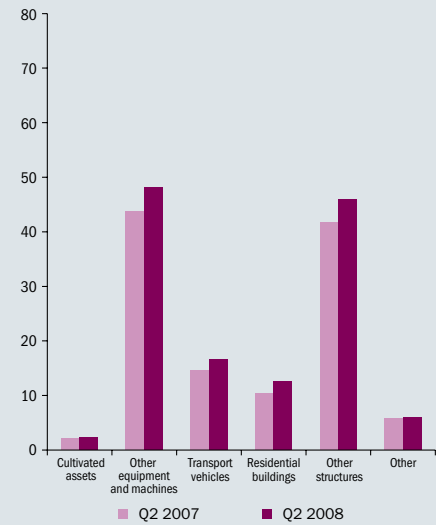
**Growth in investment in buildings and machines** In the second quarter of 2008, investment increased in all categories of production. The strongest growth was recorded in investment in buildings, specifically in residential buildings. Compared with the second quarter of 2007, the proportion of investments in machines and buildings remained virtually unchanged. All sectors of the economy contributed to the growth in fixed investments.

**Lower final consumption in the household sector** In the second quarter of 2008, expenditure on final consumption increased by 6.4% at constant prices (compared with 5.0% a year earlier). The accelerated year-on-year growth in final consumption was mainly the result of government consumption, which showed stronger dynamics (by 12.4 percentage points) than in the second quarter of 2007. The growth in government consumption was mainly due to growth in employee compensation, intermediate consumption, and social benefits in kind. Household final consumption showed weaker year-on-year dynamics than a year earlier (5.7%, compared with 7.8%). Consumption expenditure by non-profit institutions increased by 1.1%.

Household final consumption was influenced by the dynamics of wage growth, employment growth, growth in deposit 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 second quarter of 2008, up to 31.4% (an increase of 4.3 percentage points compared with the second quarter of 2007).

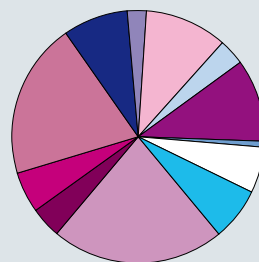
**Structure of spending on consumption** In terms of year-on-year growth in consumption expenditure at constant prices, the most dynamic growth within the scope of household final consumption took place in spending on furnishings, household appliances, and routine house maintenance; clothing and footwear, and transport (in the second quarter of 2008). The largest consumption components were expenses on food and non-alcoholic beverages (22.5%) and expenses related to housing (20.4%). Compared with the second quarter of 2007, the proportions of these components decreased by 1.2 and 0.4 percentage points, respectively.

**Chart 28 Breakdown of Gross Fixed Capital Formation by Production (SKK billions)**



Source: Statistical Office of the SR.

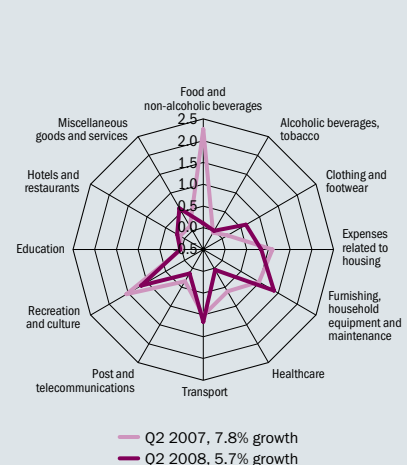
**Chart 29 Structure of Final Household Consumption in the Second Quarter of 2008 (%)**



Source: Statistical Office of the SR.

Note: Individual items of final consumption do not add.

**Chart 30 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.



**Chart 31 Contributions of Net Exports to GDP (at current prices) (%)**


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

**Chart 32 Developments in Export Performance and Import Intensity (%)**


Source: Statistical Office of the SR.

In the second quarter of 2008, the growth in household final consumption was mainly based on expenditures on furnishings, household appliances, and routine house maintenance; recreation, culture, and transport. On the other hand, a year-on-year decrease (more than 2 percentage points) was recorded in spending on food and non-alcoholic beverages, which was probably due to a relative fall in consumption as a result of the price increase.

The exports of goods and services at current prices slowed somewhat on a year-on-year basis (to 13.6%), while imports accelerated by 5.4 percentage points (to 14.5%). Thus, exports (at current prices) grew at a slower rate than imports, i.e. by 0.9 of a percentage point (the second quarter of 2007 saw a difference of 4.7 percentage points in favour of exports). On a year-on-year basis, nominal net exports deteriorated by approximately SKK 3.6 billion and resulted in a deficit of SKK 5.2 billion.

**Net exports**

With price developments in foreign markets taken into account, net exports at constant prices generated a surplus of SKK 20.2 billion in the second quarter of 2008 (SKK 0.8 billion more than a year earlier).

**Table 21 Impact of Price and Volume on Exports and Imports (percentage points)**

	<b>Q1 07</b>	<b>Q2 07</b>	<b>Q3 07</b>	<b>Q4 07</b>	<b>2007</b>	<b>Q1 08</b>	<b>Q2 08</b>
	<b>Q1 06</b>	<b>Q2 06</b>	<b>Q3 06</b>	<b>Q4 06</b>	<b>2006</b>	<b>Q1 07</b>	<b>Q2 07</b>
Exports of goods and services (year-on-year growth in %; current prices)	24.1	13.8	6.5	14.0	14.2	14.3	13.6
Impact of volume	22.7	18.1	8.5	16.0	16.0	12.4	8.7
Impact of price	1.4	-4.3	-2.0	-2.0	-1.8	1.9	4.9
Imports of goods and services (year-on-year growth in %, current prices)	15.4	9.1	1.0	14.2	9.8	15.9	14.5
Impact of volume	14.5	13.2	3.0	11.6	10.4	14.2	9.0
Impact of price	0.9	-4.1	-2.0	2.5	-0.6	1.6	5.5
Net exports as a share of GDP (share in %; current prices)	0.9	-0.3	1.8	-3.9	-0.5	-0.3	-1.0
Impact of volume	0.6	-0.4	1.8	-0.3	0.5	-0.5	-0.6
Impact of price	0.3	0.0	0.0	-3.7	-0.9	0.2	-0.5
Terms of trade (index)	100.4	100.0	100.1	96.1	98.9	100.2	99.5

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

Notes: Calculations are based on GDP data in SKK million; 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 deflators of exports and imports of goods and services.



Developments in import prices in foreign trade, as measured by the deflators of goods and services imports, were mainly caused by the rising prices of energy-producing raw materials. Import prices increased year-on-year by 5.1%, mainly as a result of the rising oil prices (in Slovak koruna). Export prices increased by 4.5%. Thus, the terms of trade deteriorated in the second quarter of 2008.

**Growth in export performance and import intensity**

The export performance of the Slovak economy improved year-on-year by 1.4 percentage points in the second quarter of 2008, when the exports of goods and services as a share of GDP at current prices reached 86.7%. Strong year-on-year growth (2.1 percentage points) was recorded in import intensity, which reached 87.8% in the first quarter of 2008. The openness of the Slovak economy, expressed in terms of the ratio of exports and imports of goods and services to nominal GDP, increased year-on-year by 3.5 percentage points, to 174.5%.

**Supply**

**GDP growth**

GDP growth in the second quarter of 2008 was influenced by value added creation, which grew year-on-year by 8.5% at constant prices (compared with 10.2% in the same period last year). Net taxes, which include value added tax, excise tax, import tax (minus subsidies), decreased by 0.4%, after increasing a year earlier by 1.8%. The slower year-on-year growth in value added was the result of a year-on-year acceleration in intermediate consumption (by 1.6 percentage points).

**Table 22 GDP Creation by Component**

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

	2007					2008	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Gross output	112.9	109.4	105.8	113.2	110.4	107.7	109.7
Intermediate consumption	114.7	108.9	102.5	115.3	110.4	106.9	110.5
Value added	110.1	110.2	110.7	109.9	110.2	109.1	108.5
Other <sup>1)</sup>	92.6	101.8	97.8	160.9	111.8	104.6	99.6

Source: Statistical Office of the SR.

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

Value added growth was recorded in all sectors, except in agriculture. The strongest value added growth was recorded in trade, hotels and restaurants, and transport (11.5%), industry (9.0%), and construction (8.0%).

**Table 23 GDP Development by Sector**

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

Economic sector	Q1 07	Q2 07	Q3 07	Q4 07	2007	Q1 08	Q2 08
	Q1 06	Q2 06	Q3 06	Q4 06	2006	Q1 07	Q2 07
Gross domestic product	108.3	109.3	109.4	114.3	110.4	108.7	107.6
of which:							
Agriculture	84.9	80.6	81.3	72.6	79.8	99.3	90.2
Industry	117.2	122.0	118.1	121.2	119.7	117.5	109.0
Construction	111.6	107.8	101.4	98.3	104.0	106.8	108.0
Trade, hotels & restaurants, transport	119.0	110.8	104.1	105.5	109.4	109.7	111.5
Financial mediation, real estate	89.2	93.6	119.1	108.4	101.5	101.1	106.8
Public administration, education, health care, and other community, social, and personal services	117.4	116.0	116.3	111.9	115.2	103.8	107.2
Other <sup>1)</sup>	92.6	101.8	97.8	160.9	111.8	104.6	99.6

Source: Statistical Office of the SR.

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

**Gross National Income**

According to revised data from the Statistical Office of the SR, gross national income<sup>6</sup> (GNI) increased year-on-year by 7.4% at current prices in the second quarter of 2008. Compared with the same period last year, the rate of GNI growth slowed (mainly as a result of rapid growth in incomes payable to the rest of the world) by 10.2 percentage points, and thus lagged behind the rate of GDP growth at current prices (11.7%). Gross national disposable income (GNDI) increased year-on-year by 6.0% at current prices.

**Gross national income was lower than GDP**

Indicator	<b>Q1 07</b>	<b>Q2 07</b>	<b>Q3 07</b>	<b>Q4 07</b>	<b>2007</b>	<b>Q1 08</b>	<b>Q2 08</b>
	<b>Q1 06</b>	<b>Q2 06</b>	<b>Q3 06</b>	<b>Q4 06</b>	<b>2006</b>	<b>Q1 07</b>	<b>Q2 07</b>
Gross domestic product (GDP)	418.7	453.8	482.5	496.9	1 851.8	472.5	507.0
Gross national product (GNP)	420.3	454.1	441.9	472.4	1 788.7	471.7	487.8
Gross national disposable income (GNDI)	414.3	450.3	432.5	471.0	1 768.1	462.6	477.1
GDP – growth index	112.1	110.8	112.0	111.5	111.6	112.8	111.7
GND – growth index	114.1	117.6	105.2	106.8	110.6	112.2	107.4
GNDI – growth index	114.4	118.1	104.3	107.6	110.8	111.7	106.0
GND to GDP ratio in %	100.4	100.1	91.6	95.1	96.6	99.8	96.2
GNDI to GDP ratio in %	98.9	99.2	89.7	94.8	95.5	97.9	94.1

Source: ŠÚ SR.

Indicator	<b>Q1 07</b>	<b>Q2 07</b>	<b>Q3 07</b>	<b>Q4 07</b>	<b>2007</b>	<b>Q1 08</b>	<b>Q2 08</b>
	<b>Q1 06</b>	<b>Q2 06</b>	<b>Q3 06</b>	<b>Q4 06</b>	<b>2006</b>	<b>Q1 07</b>	<b>Q2 07</b>
Gross domestic product (GDP)	13.9	15.1	16.0	16.5	61.5	15.7	16.8
Gross national product (GNP)	14.0	15.1	14.7	15.7	59.4	15.7	16.2
Gross national disposable income (GNDI)	13.8	14.9	14.4	15.6	58.7	15.4	15.8
GDP – growth index	112.1	110.8	112.0	111.5	111.6	112.8	111.7
GND – growth index	114.1	117.6	105.2	106.8	110.6	112.2	107.4
GNDI – growth index	114.4	118.1	104.3	107.6	110.8	111.7	106.0
GND to GDP ratio in %	100.4	100.1	91.6	95.1	96.6	99.8	96.2
GNDI to GDP ratio in %	98.9	99.2	89.7	94.8	95.5	97.9	94.1

Source: ŠÚ SR.

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

**Current Developments****Output and revenues**

The growth in industrial output slowed in July, compared with June 2008, due to a marked year-on-year decline in mining and quarrying (the base effect of exceptional mining and quarrying output in the same period a year earlier), despite a certain acceleration in the growth of manufacturing output and a modest increase in electricity, gas, and water supply. The year-on-year rate of growth in manufacturing output reached 8.5% (7.2% in the previous month). The accelerated year-on-year growth in manufacturing output took place mostly in the production of transport vehicles, metals and metal products, despite a slowdown in the production of electrical and optical equipment.

<sup>6</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 results of resident units achieved in the period under review. GNI is calculated as follows: GDP at market prices minus primary income paid by residents to non-residents, plus primary income received by residents from non-residents. Gross national disposable income (GNDI) is a balance-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.



**Chart 33 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 (IPI) is adjusted for calendar effects.

**Chart 34 Year-on-Year Dynamics of Receipts in Selected Branches (current prices; 3-month moving averages) (%)**



Source: Statistical Office of the SR, NBS calculations.

The output of the construction sector showed accelerated year-on-year growth in July (9.1%, compared with 6.5% in June), due to faster year-on-year growth in new construction, modernisation, and renewal projects in Slovakia.

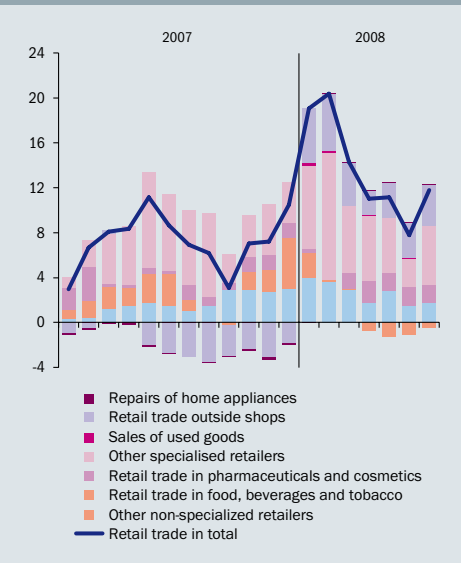
Revenues in the industrial sector recorded a slowdown in the year-on-year rate of growth at current prices, from 14.1% in June to 9.7% in July 2008. The growth in revenues in Slovakia's key industrial sectors (production of transport vehicles, metals and metal products, machinery and equipment, electrical and optical equipment) slowed to 7.8% in July, from 14.5% in June 2008.

**Chart 35 Retail Sales at Current Prices (3-month moving averages) (index, same period a year earlier = 100)**



Source: Statistical Office of the SR, NBS calculations.

**Chart 36 Contributions to Year-on-year Growth in Retail Sales (current prices; p.p.)**



Sources: Statistical Office of the SR and NBS calculations.



In July 2008, retail sales at current prices recorded acceleration in the year-on-year rate of growth, from 7.8% in June and 11.8% in July. At constant prices, the growth rate accelerated from 3.1% in June to 6.9% in July 2008. The acceleration in the year-on-year growth rate took place mostly in the sales of food, beverages, and tobacco products in specialised and non-specialised retail shops, sales in other specialised retail shops, and in retail sales outside shops. The retail sales of pharmaceutical and cosmetics maintained their strong year-on-year dynamics, despite a certain slowdown in the rate of growth.

The growth in the revenues of entities specialising in the sale and maintenance of motor vehicles and the retail sale of fuels accelerated in July, compared with June 2008, due to an acceleration in the year-on-year rate of growth in the sales of motor vehicles (from 7.4% in June to 11.2% in July).

**Table 25a Output and Receipts**

	SKK millions,		Indices		
	current prices				
	July 2008	July 2007	Jan.-Dec. 2007	June 2008	July 2008
Industrial production index <sup>1)</sup>	-	117.3	112.7	106.2	101.8
Production in construction <sup>2)</sup>	16,754	104.7	105.7	106.5	109.1
Industry in total <sup>3)</sup>	179,514	110.8	112.8	114.1	109.7
Construction <sup>3)</sup>	26,864	107.0	114.8	119.2	120.2
Wholesale trade <sup>3)</sup>	79,455	104.7	106.3	119.2	116.7
Retail trade	42,880	106.9	107.2	107.8	111.8
Sale and maintenance of vehicles, retail sales of fuels <sup>3)</sup>	20,499	117.1	118.0	107.7	110.6
Hotels and restaurants <sup>3)</sup>	3,837	97.7	104.1	108.4	105.5
Transport, storage <sup>3)</sup>	16,821	104.3	119.1	117.2	112.8
Real estate, renting, business activities and other services <sup>3)</sup>	23,620	108.0	111.1	114.9	121.3
Posts and telecommunications <sup>3)</sup>	7,117	111.5	108.2	103.7	104.2
Revenues from own output and sales (total for the selected sectors) <sup>3)</sup>	400,607	108.1	111.1	112.5	112.8

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 25b Output and Receipts**

	EUR millions,		Indices		
	current prices				
	July 2008	July 2007	Jan.-Dec. 2007	June 2008	July 2008
Industrial production index <sup>1)</sup>	-	117.3	112.7	106.2	101.8
Production in construction <sup>2)</sup>	556.1	104.7	105.7	106.5	109.1
Industry in total <sup>3)</sup>	5 958.8	110.8	112.8	114.1	109.7
Construction <sup>3)</sup>	891.7	107.0	114.8	119.2	120.2
Wholesale trade <sup>3)</sup>	2,637.4	104.7	106.3	119.2	116.7
Retail trade	1,423.4	106.9	107.2	107.8	111.8
Sale and maintenance of vehicles, retail sales of fuels <sup>3)</sup>	680.4	117.1	118.0	107.7	110.6
Hotels and restaurants <sup>3)</sup>	127.4	97.7	104.1	108.4	105.5
Transport, storage <sup>3)</sup>	558.4	104.3	119.1	117.2	112.8
Real estate, renting, business activities and other services <sup>3)</sup>	784	108.0	111.1	114.9	121.3
Posts and telecommunications <sup>3)</sup>	236.2	111.5	108.2	103.7	104.2
Revenues from own output and sales (total for the selected sectors) <sup>3)</sup>	13,297.7	108.1	111.1	112.5	112.8

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)



Wholesale sales have shown strong dynamics since the beginning of the year (over 10%). In July, the rate of growth slowed (from 19.2% in June to 16.7% in July), owing to a year-on-year fall in receipts from mediating activity in wholesale trade and a slowdown in the growth of receipts from the wholesale sales of household goods.

The year-on-year growth in revenues from real estate, renting, and business activities, and from other services (at current prices) accelerated in comparison with the previous month.

**Wages and labour productivity**

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

In the second quarter of 2008, the average monthly nominal wage per employee in the Slovak economy increased year-on-year by 9.5%, to SKK 21,459. Compared with the second quarter of 2007, the rate of wage growth accelerated by 2.8 percentage points.

The strongest nominal wage growth in the second quarter of 2008 was recorded in health and social care (14.1%); real estate, renting, and business activities (13.2%); mining and quarrying (13.2%); agriculture (11.8%); education (11.8%); trade (10.6%); and in public administration, defence and compulsory social insurance (9.9%).

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

The dynamics of real wages strengthened by 0.7 of a percentage point in comparison with the second quarter of 2007 (from 4.1% to 4.8%), due to faster growth in nominal wages.

In the second quarter of 2008, real wages increased in all sectors of the economy, except in financial mediation, hotels and restaurants, transport, storage, post and telecommunications.

**Table 26 Average Monthly Wages and Labour Productivity in the Slovak Economy (index, same period a year earlier =100)**

	2007					2008	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Nominal wage (index)	107.1	106.7	106.8	108.0	107.2	110.0	109.5
Real wage	104.2	104.1	104.2	104.5	104.3	105.8	104.8
Labour productivity in current prices	109.3	108.1	109.2	109.1	108.9	109.9	108.8
Labour productivity in constant prices	105.6	106.6	106.6	111.8	107.7	105.8	104.8
Real labour productivity – real wage (p. p.)	1.4	2.5	2.4	7.3	3.4	0.0	0.0
CPI (average for the period)	102.8	102.5	102.5	103.3	102.8	104.0	104.2

Sources: Statistical Office of the SR and NBS calculations.

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

**Labour productivity**

In the second half of 2008, labour productivity (GDP per person employed) increased in nominal terms by 8.8% and in real terms by 4.8%. Compared with the second quarter of 2007, the rate of productivity growth accelerated in nominal terms by 0.7 of a percentage point, while slowing in real terms by 1.8 percentage points. Real labour productivity showed the same dynamics as real wages, due to faster wage growth in the public sector (the revaluation of wage tariffs was put off until January 2008). This development was less favourable than that in the second quarter of 2007, when labour productivity exceeded the rate of real wage growth.

**Labour market indicators based on ESA 95 for the economy as a whole ....**

In the second quarter of 2008, nominal compensation per employee (based on ESA 95) increased year-on-year by 11.0%, representing an acceleration of 4.2 percentage points in comparison with the same period last year. The growth of real compensation per employee accelerated in comparison with the same period a year earlier by 1.7 of a percentage point. The faster growth in employee compensation compared with the rate of wage growth was caused

**Chart 37 Development of Real Wages and Real Labour Productivity**



Sources: NBS calculations, Statistical Office of the SR.



by the faster growth of components that are not included in the average nominal wage (standby money, severance pay).

**Table 27 Average Compensation per Employee and Labour Productivity in the Slovak Economy (ESA 95)**  
(index, same period of year earlier = 100)

	2007					2008	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Compensation per employee, nomina	108.7	106.8	107.6	109.9	108.2	111.6	111.0
Compensation per employee, real	106.4	105.1	106.1	107.4	106.2	107.9	106.8
Labour productivity at current prices	109.7	108.6	109.8	109.0	109.3	109.7	108.6
Labour productivity at constant prices	106.0	107.2	107.2	111.7	108.1	105.7	104.6
Real labour productivity – real compensation per employee (p. p.)	-0.4	2.1	1.1	4.3	1.9	-2.2	-2.2
ULC nominal	2.5	-0.4	0.3	-1.6	0.2	5.5	6.2
HICP (average for the period)	102.1	101.6	101.4	102.4	101.9	103.4	104.0

Sources: Statistical Office of the SR and NBS calculations.

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

Labour productivity, calculated according to ESA 95, increased in nominal terms by 8.6% and in real terms by 4.6% on a year-on-year basis. Broken down by sector, real labour productivity calculated from ESA 95 data increased in all sectors in the second quarter of 2008, except in agriculture. The strongest growth was achieved in public administration, education, health care, other community, social, and personal services (9.2%) and in industry (6.2%). On the other hand, a decline in labour productivity was recorded in agriculture. Labour productivity in the services, industry and construction sectors grew 6.4%, 11.8% and 10.6 %, respectively. The increase in labour productivity was mainly a result of increased wages in the public sector, which was related to calculation methodology of value added in this sector.

...and broken down by sector

**Table 28 Real Labour Productivity and Real Wages in the Second Quarter of 2008 (according to statistical records)**  
(index, same period a year earlier = 100)

	Real labour productivity			Real wages		
	Q2 2007	Q1 2008	Q2 2008	Q2 2007	Q1 2008	Q2 2008
Economy in total	106.6	105.8	104.8	104.1	105.8	104.8
Agriculture and fishing	84.1	100.1	89.1	107.4	104.1	107.0
Industry	118.2	114.5	106.3	103.8	104.2	104.0
Construction	101.3	99.4	99.6	104.6	103.2	102.7
Trade, hotels and restaurants and transportation	107.5	104.0	104.4	103.5	103.8	103.5
Financial intermediation and real estate	89.4	97.2	105.8	102.5	104.4	105.3
Public administration, education, health care and other community, social and personal services	111.0	105.0	109.2	104.8	108.4	106.7
CPI (second quarter of 2008)	-	-	-	102.5	104.0	104.5

Sources: Statistical Office of the SR and NBS calculations.

Units labour costs according to ECB methodology ( $ULC_{ECB}$ ), defined as the ratio of growth in nominal compensation per employee to growth in real labour productivity (GDP per total employment) based on ESA 95 data, increased by 6.2% in the second quarter of 2008, compared with a decrease of 0.4% in the second quarter of 2007. Their dynamics strengthened by 0.7 of a percentage point compared with the previous quarter. This development was mainly the result of a marked slowdown in real labour productivity compared with the first quarter of 2008.

Unit labour costs based on ESA 95



**Income and expenditure of households**

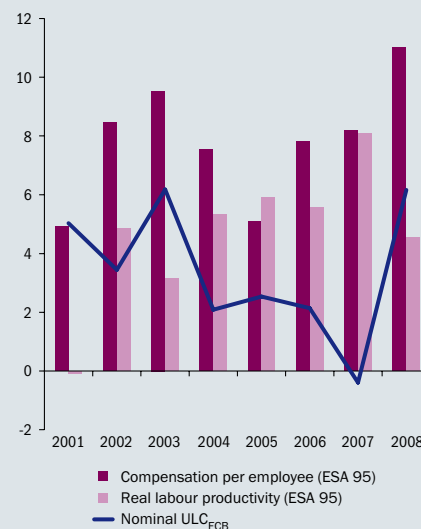
**Accelerated growth in current income, ...**

According to preliminary data from the Statistical Office of the SR, the current income of households reached SKK 391.1 billion in the second quarter of 2008, representing a year-on-year increase of 12.7% in nominal terms. Compared with the second quarter of 2007, the rate of growth accelerated by 2.5 percentage points. Within the structure of current income, the fastest growth was recorded in gross mixed income (16.1%).

**...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 12.0%, to SKK 97.9 billion. In the same period a year earlier, current household expenditure increased by 8.7%. The year-on-year growth in current expenditure was caused by growth in current taxes on income and property and in social security contributions.

**Chart 38 Unit Labour Costs by Component in ECB Methodology (%)**



Sources: Statistical Office of the SR and NBS calculations.

**Table 29 Generation and Use of Income in the Household Sector (current prices)**

Item	SKK billions		EUR billions		Index <sup>1)</sup>		Share in %	
	Q2	Q2	Q2	Q2	Q2 07	Q2 08	Q2	Q2
	2007	2008	2007	2008	Q2 06	Q2 07	2007	2008
Employee compensation (all sectors)	169.3	190.5	5.6	6.3	109.2	112.5	48.8	48.7
of which: gross wages and salaries	134.1	151.1	4.5	5.0	110.7	112.6	38.7	38.6
Gross mixed income	102.1	118.5	3.4	3.9	111.7	116.1	29.4	30.3
Property income – received	8.4	9.1	0.3	0.3	121.3	108.8	2.4	2.3
Social benefits	56.3	60.8	1.9	2.0	109.5	108.0	16.2	15.6
Other current transfers – received	10.9	12.2	0.4	0.4	109.1	111.9	3.1	3.1
Current income in total	346.9	391.1	11.5	13.0	110.2	112.7	100.0	100.0
Property income – paid	5.3	4.4	0.2	0.1	117.8	83.8	6.1	4.5
Current tax on income, property, etc.	11.4	13.9	0.4	0.5	110.5	122.1	13.0	14.2
Social contributions	61.1	69.4	2.0	2.3	108.3	113.5	69.9	70.9
Other current transfers – paid	9.6	10.2	0.3	0.3	104.2	105.9	11.0	10.4
Current expenditure in total	87.4	97.9	2.9	3.2	108.7	112.0	100.0	100.0
Gross disposable income	259.5	293.2	8.6	9.7	110.8	113.0	-	-
Adjustment for changes in net household assets in the reserves of pension funds	7.0	6.6	0.2	0.2	98.6	94.2	-	-
Household final consumption	247.1	274.1	8.2	9.1	109.8	110.9	-	-
Gross household savings	19.4	25.6	0.6	0.9	118.2	132.3	-	-

<sup>1)</sup> Indices are based on figures in millions of SKK.

Source: Statistical Office of the SR.

**Table 30 Developments in Gross Disposable Income (index, same period a year earlier = 100, current prices)**

	2007					2008	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Gross disposable income	110.5	110.8	111.2	111.1	110.9	110.3	113.0
Household final consumption	109.3	109.8	110.3	110.0	109.9	112.9	110.9
Gross household savings	129.1	118.2	112.1	113.3	117.0	74.4	132.3
Gross savings as a share of gross disposable income (%)	6.4	7.5	4.6	12.0	7.8	4.3	8.7

Source: Statistical Office of the SR, NBS calculations.



**Chart 39 Propensity of Households to Save and to Consume (%)**


Sources: Statistical Office of the SR, NBS calculations.

With current expenditure deducted from current income, the gross disposable income of households amounted to SKK 293.2 billion, representing a year-on-year increase of 13.0% (compared with 10.8% a year earlier). Of the disposable income, 93.5% was used for final consumption; the remainder went to gross savings, which increased year-on-year by 32.3%. The ratio of gross household savings reached 8.7%, which was 1.2 percentage points more than in the same period a year earlier.

#### Employment and unemployment

According to statistical surveys, employment increased year-on-year by 2.7%, and according to the methodology of national accounts (ESA 95), it grew by 2.9%. The year-on-year growth in employment according to a labour force sample survey (LFSS) reached 2.9%. Compared with the second quarter of 2007, the rate of growth accelerated by 1 percentage point. The number of persons working abroad decreased year-on-year by 4.9% in the second quarter of 2008. Regarding the structure of workers, total employment (LFSS) in the second quarter of 2008 was mostly influenced by an increase in the number of entrepreneurs

#### Continued dynamic growth in employment

(by 9.3%). The number of employees increased year-on-year by 2.2%.

**Table 31 Employment and Unemployment**

(average for the period)

	2007					2008	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Employment according to statistical records <sup>1)</sup> thousands of persons	2,201.3	2,214.3	2,222.8	2,252.5	2,222.7	2,260.9	2,274.4
index, same period a year earlier =100	102.6	102.5	102.6	102.2	102.5	102.7	102.7
Employment according to a labour force sample survey thousands of persons	2,326.6	2,337.7	2,366.5	2,398.4	2,357.3	2,391.3	2,404.8
index, same period a year earlier =100	103.1	101.9	102.0	102.8	102.4	102.8	102.9
Employment according to ESA 95 thousands of persons	2,147.8	2,163.8	2,191.5	2,204.7	2,177.0	2,207.7	2,226.9
index, same period a year earlier =100	102.2	102.0	102.0	102.3	102.1	102.8	102.9
Unemployment according to a labour force sample survey thousands of persons	303.0	291.2	297.9	275.3	291.9	280.5	270.8
index, same period a year earlier =100	76.6	81.5	87.2	86.3	82.6	92.6	93.0
Unemployment rate according to a labour force sample survey in %	11.5	11.1	11.2	10.3	11.0	10.5	10.1
Rate of registered unemployment in % <sup>2)</sup>	9.2	8.4	8.3	7.9	8.4	7.8	7.4

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.

Broken down by sector, employment (based on ESA 95) increased year-on-year most significantly in hotels and restaurants, transport, storage, post and telecommunications and construction (in the second quarter of 2008). Employment in public services remained below the level of the previous year.

#### Development of employment by sector



**Table 32 Developments in Employment by Sector (ESA 95)**  
(index, same period a year earlier = 100)

	2007					2008	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Economy in total	102.2	102.0	102.0	102.3	102.1	102.8	102.9
Agriculture and hunting	97.6	91.6	95.2	92.6	94.2	100.9	101.4
Industry	102.6	103.7	102.3	102.1	102.7	103.2	102.6
Mining and quarrying	99.4	96.0	102.8	102.1	100.1	102.0	99.6
Manufacturing	103.0	104.3	102.8	102.6	103.2	103.9	103.3
Electricity, gas and water supply	97.4	96.7	95.5	95.0	96.1	94.0	92.8
Construction	105.6	110.0	108.4	108.1	108.1	106.1	106.5
Trade	101.5	100.9	103.1	104.9	102.6	104.5	105.5
Hotels and restaurants	106.8	99.6	100.6	101.8	102.1	109.6	108.5
Transportation, storage, post and telecommunications	101.9	102.0	103.0	102.6	102.4	106.8	107.5
Financial intermediation	98.8	99.8	100.5	99.0	99.5	104.1	103.6
Real estate, renting, and business activities	108.0	103.4	104.4	106.2	105.5	103.0	102.8
Public administration and defence, compulsory social insurance	100.4	98.5	98.5	97.1	98.6	99.5	100.5
Education	98.5	97.7	96.4	96.0	97.2	97.7	98.1
Health and social care	103.6	107.4	102.6	106.0	104.9	96.4	97.0
Other social services	95.7	98.2	99.9	97.9	97.9	99.4	95.4

Source: Statistical Office of the SR.

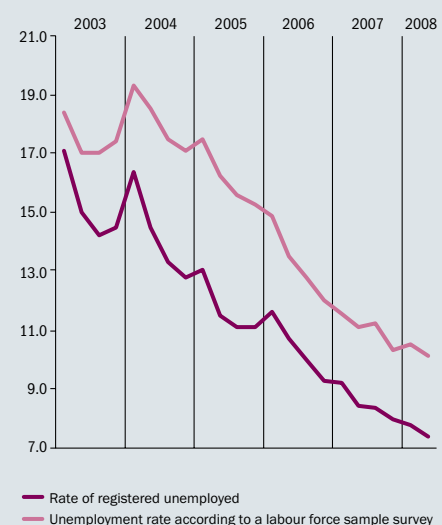
**Unemployment continued to fall** The persistent demand for labour was also reflected in the rate of unemployment. According to a labour force sample survey, the number of unemployed decreased over the second quarter of 2008 by 7.0% on a year-on-year basis. This decrease was also reflected in the unemployment rate, which stood at 10.1% in the second quarter, which was 1 percentage point less than in the second 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 second quarter of 2008 was 7.4%, which was 1 percentage point less than a year earlier.

**Increased labour supply** In the second 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 rapidly growing number of economically active persons. As a result of this development, the rate of economic activity reached 59.2%, representing a year-on-year increase of 0.7 of a percentage point. Among the economically active population, the increasing share of persons in employment led to a rise in the employment rate in the second quarter of 2008, by 1.3 percentage points on a year-on-year basis (to 61.7%).

**Wages, employment and unemployment**

**Nominal wage developments** In July, the year-on-year rate of nominal wage growth slowed in comparison with June 2008 in industry and retail trade. In the other sectors, nominal wages grew at a faster pace than in the previous month. Monthly wage statistics for the selected sectors from July 2008 indicate a certain slowdown in nominal wage growth in the economy in the third quarter of 2008, compared with the previous quarter. In the second quarter of 2008, the average nominal wage in the Slovak economy reached 9.5%.

**Chart 40 Unemployment Rate (%)**



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

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

	Average monthly wage – nominal		Average monthly wage – real	
	June 2008	July 2008	June 2008	July 2008
Industry	110.2	108.6	105.4	103.6
of which: manufacturing	110.1	107.9	105.3	103.0
Construction	106.3	107.4	101.6	102.5
Retail trade	108.1	109.3	103.3	104.3
Wholesale trade	108.1	112.7	103.3	107.5
Sale and maintenance of vehicles	105.2	107.1	100.6	102.2
Real estate and renting	108.5	110.6	103.7	105.5
Transport	106.9	108.8	102.2	103.8
Post and telecommunications	99.5	112.3	95.1	107.2
Average for selected sectors	108.3	107.9	103.5	103.0
Consumer prices	104.6	104.8	-	-

Source: Statistical Office of the SR, NBS calculations.  
 Real wage index = nominal wage index / consumer price index.  
 The data on average wages in June have not been revised.

The year-on-year growth in employment slowed in July, compared with June 2008, in transport, post and telecommunications. In the other sectors, employment grew at a faster pace than in the previous month.

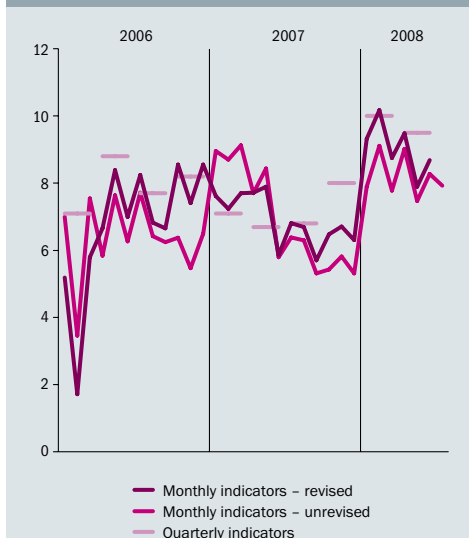
**Employment**

According to data from the Centre for Labour, Social Affairs and Family, the total number of unemployed increased month-on-month by 1,900, to 224,800 in July 2008. The number of disposable unemployed, who may start working immediately, stood in July at 194,800, i.e. 1,400 more than in June. The rate of registered unemployment stood at 7.5% in July, representing a year-on-year drop of 0.8 of a percentage point.

**Unemployment**

The average length of registration was 10.3 months. Compared with June 2008, the share of long-term unemployed (out of work for more than 12 months) decreased by 1 percentage point, to 49% in July.

**Chart 41 Comparison of Average Monthly Wages Based on Monthly and Quarterly Indicators (%)**



Source: Statistical Office of the SR.

**Chart 42 Comparison of Employment Based on Monthly and Quarterly Indicators (%)**



Source: Statistical Office of the SR.



Table 34 Employment in Selected Sectors

(index, same period a year earlier = 100)

	Employment	
	June 2008	July 2008
Industry	101.9	102.4
of which: manufacturing	102.6	103.2
Construction	108.8	109.2
Retail trade	102.1	102.7
Wholesale trade	103.1	103.2
Sale and maintenance of vehicles	101.1	101.2
Real estate and renting activities	107.0	107.3
Transport	105.8	105.2
Post and telecommunications	98.4	98.1
Average for the selected sectors	103.4	103.8

Source: Statistical Office of the SR.

**Consumer confidence indicator****Fall in consumer confidence**

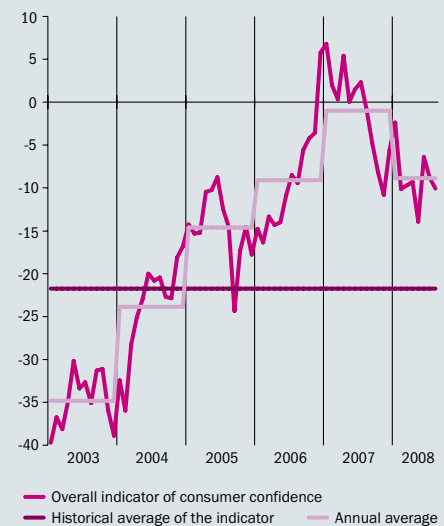
The consumer confidence indicator fell to -10.1 points in August, 1.3 points below the level of July. Compared with July, deteriorations were recorded in all components of the indicator (the expected financial situation of households, expected household savings, expected unemployment rate, and expected economic development in the SR). Compared with the same period last year, the consumer confidence indicator has deteriorated by 9.2 points.

Chart 43 Rate of Registered Unemployment (%)



Source: Centre for Labour, Social Affairs and Family.

Chart 44 Consumer Confidence Indicator



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

## 5 Monetary Developments

### 5.1 Foreign Exchange Market

Over the course of August, the exchange rate of the Slovak koruna against the euro strengthened by 0.3% (from SKK/EUR 30.390 to SKK/EUR 30.309), while the average rate weakened by 0.1%. The Slovak koruna deviated from its central rate (SKK/EUR 30.126) most significantly on 1 August 2008, when its exchange rate was fixed at SKK/EUR 30.384, representing a depreciation of 0.9% from the central parity. In relation to the US dollar, the koruna weakened by 5.3% (from SKK/USD 19.491 to SKK/USD 20.523), while depreciating in average terms by 5.1%.

#### Operations in the foreign exchange market

Spot transactions between foreign and domestic banks resulted in a positive balance (USD 418.1 million), i.e. foreign banks tended to sell SKK and to purchase foreign currency.

Národná banka Slovenska conducted no foreign exchange intervention in August.

	Month-on-month changes	Average Aug. 2008 Average Aug. 2007	Average Jan.-Aug. 2008 Average Jan.-Aug. 2007
SKK/EUR	-0.3	-9.6	-6.3
SKK/USD	5.3	-18.1	-18.2

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

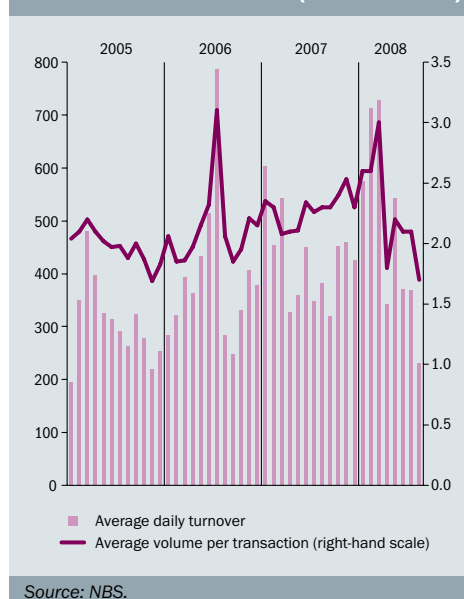
The Slovak koruna was traded within a very narrow band (SKK/EUR 30.240 – 30.270) virtually throughout the month.

The total volume traded on the interbank foreign exchange market reached USD 81,319.6 million in August, representing a decline of 34.8% compared with the figure for July (USD 124,814.3 million). Of the total trading volume, 93.8% took place in swap transactions, which were conducted mostly in USD (77.1%). Spot transactions accounted for 5.7% of the total turnover (93.8% of the deals were in EUR). The average daily turnover on the spot market reached USD 230.4 million and the average volume per transaction amounted to USD 1.7 million.

#### Interbank foreign exchange market

The total volume of transactions between domestic commercial banks decreased, from USD 10,428.3 million in July to USD 7,362.7 million in August. Most trading took place in USD (50.8%, compared with 60.6% in July), followed by EUR (46.2%, compared with 38.2% in July) and other currencies (2.9% of the total turnover between domestic commercial banks).

**Chart 45 Transactions in the Interbank Foreign Exchange Market (USD millions)**



Transactions between domestic banks accounted for 9.1% of the total volume traded on the interbank foreign exchange market (compared with 8.4% in the previous month). Of the total volume of transactions between domestic banks, swap operations accounted for 87.1% (83.6% in July) and spot transactions (excluding interventions) accounted for 12.7% (14.5% in July).

The volume of trading between domestic and foreign banks dropped by 35.4%, from USD 114,393.4 million in July to USD 73,956.9 million in August. Most trading was again conducted in USD (74.7%, compared with 80.2% in July), followed by EUR (24.2%, compared with 18.9% in July), and other currencies (1.2%). Trading between domestic and foreign banks still dominated the country's foreign exchange market (with a share of 91.0%).

Trading between domestic and foreign banks also took place predominantly in the form of swap operations (94.5%, compared with 93.6% in July), while spot transactions accounted for only 5.0% (5.8% in July). The share

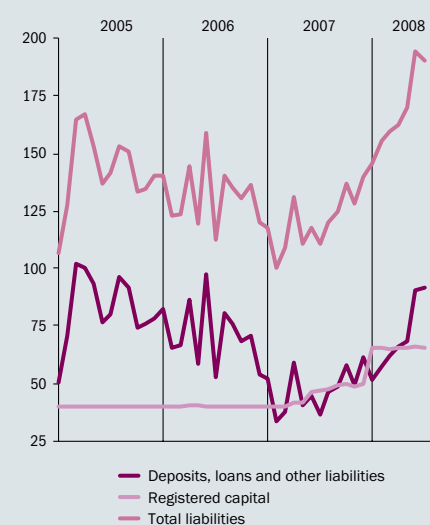


of option contracts in the foreign exchange market was negligible. Forward dealings accounted for 0.5% of the volume traded with foreign banks.

The medium-term upward trend in the koruna deposits of non-resident banks continued in July: their volume reached SKK 91.7 billion, representing only a slight month-on-month increase (SKK 1.3 billion), compared with SKK 55.1 billion year-on-year.

In August, the volume of government bonds held by non-residents again increased in comparison with July, to a record level this year (by SKK 7.4 billion). The total increase was mainly the result of a great interest among residents in an auction for 10-year government bonds maturing in 2011 (No. 208/C), when their increase (SKK 9.2 billion) was offset partly by a decrease in 10-year government bonds, No. 188 (SKK 5.0 billion). The average share of government bonds held by non-residents reached 24.6% in August (yearly maximum), which increased to 25.7% at the end of the month, but the 8-month average was 2.8 percentage points lower.

**Chart 46 Banking Sector: Koruna Liabilities to Non-residents (SKK billions)**



Source: NBS.

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

	2007	2008							
	31.7.	29.2.	31.3.	30.4.	31.5.	30.6.	31.7.	28.8. <sup>(p)</sup>	11.9. <sup>(p)</sup>
Koruna assets, banks	12.3	15.4	11.3	19.3	18.3	24.4	20.0	12.8	20.8
Koruna liabilities	47.2	67.8	73.8	77.8	79.5	106.4	104.5	.	.
of which: banks	36.6	57.2	62.1	66.4	68.3	90.4	91.7	93.9	95.3
non-bank clients	10.6	10.6	11.7	11.4	11.1	15.9	12.8	.	.
Government securities	81.4	73.6	70.1	69.0	68.6	78.8	84.5	91.8	.
of which: government bonds	81.4	73.6	70.1	69.0	68.6	78.8	84.5	91.8	.
SR Treasury bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	.
Total	128.6	141.4	143.9	146.7	148.1	185.2	189.0	.	.

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".

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

	2007	2008							
	31.7.	29.2.	31.3.	30.4.	31.5.	30.6.	31.7.	28.8. <sup>(p)</sup>	11.9. <sup>(p)</sup>
Koruna assets, banks	0.4	0.5	0.4	0.6	0.6	0.8	0.7	0.4	0.7
Koruna liabilities	1.6	2.3	2.4	2.6	2.6	3.5	3.5	.	.
of which: banks	1.2	1.9	2.1	2.2	2.3	3.0	3.0	3.1	3.2
non-bank clients	0.4	0.4	0.4	0.4	0.4	0.5	0.4	.	.
Government securities	2.7	2.4	2.3	2.3	2.3	2.6	2.8	3.0	.
of which: government bonds	2.7	2.4	2.3	2.3	2.3	2.6	2.8	3.0	.
SR Treasury bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	.
Total	4.3	4.7	4.8	4.9	4.9	6.1	6.3	.	.

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".



In August, the Agency for Debt and Liquidity Management (ARDAL) held no Treasury-bill auctions, hence the volume of Treasury bills held by non-residents was still equal to zero.

## 5.2 Money Market and Monetary Policy Implementation

At its 35th meeting on 26 August 2008, the Bank Board of NBS decided to leave the key NBS interest rates unchanged, at 2.25% for overnight sterilisation operations, 5.75% for overnight refinancing operations, and 4.25% for two-week repo tenders with commercial banks.

The interbank money market yield curve shows that average monthly interest rates at short maturities, mainly the overnight rate, were much closer to the limit rate for two-week repo tenders in August, than in the previous month, under the influence of the liquidity situation in the banking sector. The prices of medium-term deposits remained unchanged. The long-end of the yield curve recorded only slight changes in comparison with July.

### Interest rates

The decision of the NBS Bank Board to leave key rates unchanged was expected by the banking sector. Thus, money market interest rates saw virtually no change.

The prices of long-term deposits showed some volatility in both directions in August. Owing to the absence of transactions made at these maturities, swaps and IRS are used by investors for deals with these maturities.

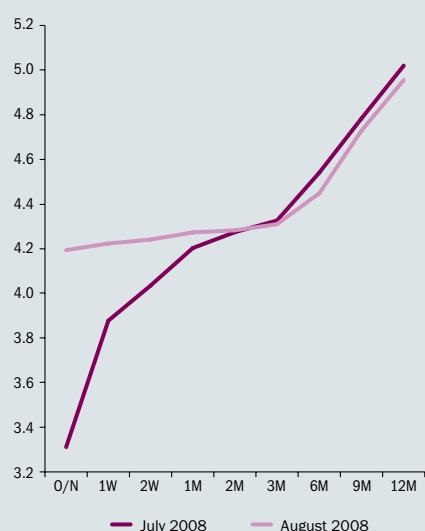
NBS continued conducting monetary-policy operations in a standard manner throughout August and accepted in full the bids received at all four sterilisation repo tenders. The minimum, average, and maximum interest yields were at the level of the two-week reference rate (4.25%). During the month under review, one NBS-bill auction was held, at which NBS also accepted the bids in full. At this auction, the minimum, average, and maximum interest yields were at the level of the two-week reference rate (4.25%).

A comparison of yield curves from the beginning and end of the month shows that the biggest change was recorded in the overnight rate. The middle part of the yield curve and its long end remained virtually unchanged.

The banking sector entered the new month at a low level of daily liquidity, which was replenished through a reduction in demand at the first repo tender in August. This led to a slight increase in the level of daily liquidity in the banking sector, causing the cumulative surplus to grow gradually, close to the 90% level of reserve-requirement fulfilment. At the second and last repo tenders, banks make bids around the level of the maturing amount, with no impact on their daily liquidity positions. The result was a gradual approach to the 100% level of reserve-requirement fulfilment. Banks utilised the O/N deposit facility

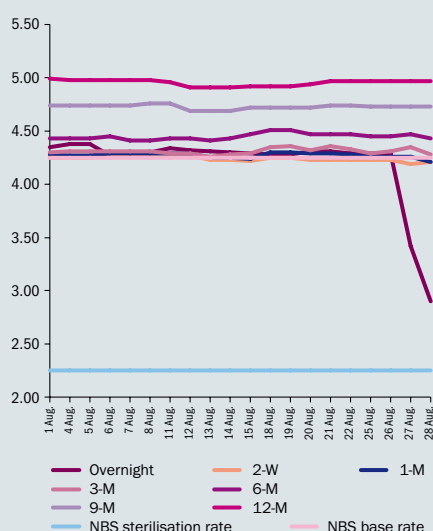
### Liquidity

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



Source: NBS.

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



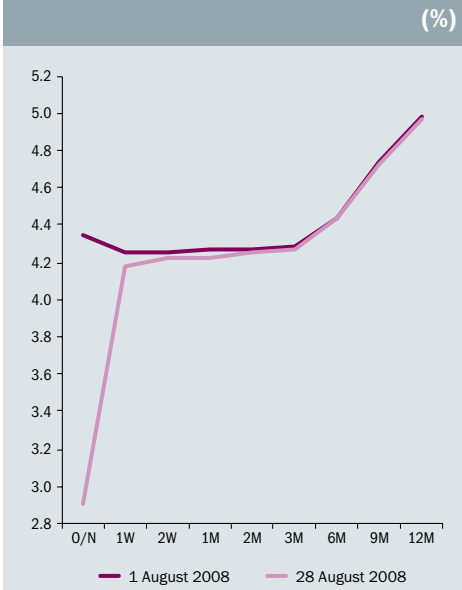
Source: NBS.



in larger amounts only on the last working day of the month. At the NBS-bill auction, banks made bids in amounts below the maturing amount.

The overall sterilisation position of NBS slightly increased in August, by almost SKK 4.0 billion compared with July, to SKK 381.0 billion. The structure of sterilisation was still dominated by sterilisation repo tenders, the share of which increased to 87.7% in August, from 85.1% in July. These funds came mostly from NBS bills, the share of which decreased to 12.1%, from 14.2% in July. The share of overnight deposits with NBS also decreased slightly, to 0.2% in August. Overnight refinancing operations were not used during the month under review.

Chart 49 Yield Curve in August



Source: NBS.

Table 37a 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.)
July 2008	-320,926	85.11	0,	0.00	-2,750	0.73	-53,397	14.16	-377,072
August 2008	-334,181	87.71	0,	0.00	-735	0.19	-46,094	12.10	-381,010

Source: NBS.

Tab37b 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.)
July 2008	-10,653	85.11	0,	0.00	-91	0.73	-1,772	14.16	-12,517
August 2008	-11,093	87.71	0	0.00	-24	0.19	-1,530	12.10	-12,647

Source: NBS.

**Interbank transactions**

The considerable lower trading activity in August led to a fall in the volume of interbank market transactions, to SKK 1,572.7 billion (from SKK 2,222.9 billion in July). Of the total volume of purchases and sales on the interbank market, the share of resident bank transactions increased to 26.6% and that of transactions with non-resident banks decreased to 73.4%. Broken down by the type of interbank transaction, domestic banks achieved the largest share in deposits (68.4%). Transactions with non-resident banks were dominated by swaps (59.1%). Compared with July, the volume of IRS contracts increased, while deposits, swaps, and FRA deals decreased in volume.





	Deposits	Repos	Swaps	FRAs	IRs
July 2008	1,045,844	0	1,172,210	500	4,382
August 2008	755,423	0	812,464	0	4,795

Source: NBS.

	Deposits	Repos	Swaps	FRAs	IRs
July 2008	34,716	0	38,910	17	145
August 2008	25,075	0	26,969	0	159

Source: NBS.

For August 2008, the minimum reserve requirement for the banking sector was set at SKK 27.04 billion. The reserve requirement was actually fulfilled to 100.57% during the month.

#### Minimum required reserves

#### Developments in money market interest rate derivatives

In the area of trade in forward rate agreements (FRA), there was no activity in the market in August.

Trading in interest rate swaps (IRS) recorded an increase in volume in comparison with the previous month. Almost 41.6% of the contracts were concluded with foreign banks. The remaining 58.4% involved deals with domestic entities. The contracts were concluded with one- to ten-year maturities. They were dominated by deals with five- to ten-year maturities, which accounted for 70.9% of the total trading volume. They were followed by deals at two- to five-year maturities (24.7%).

#### Implied expectations derived from BRIBOR rates

The values of implied FRA rates, calculated from BRIBOR rates from the beginning of August, indicated a rise in one-, two-, and three-month rates to approximately 4.69% by December 2008, and a further rise in the following period. In the middle of the month, they indicated a rise in three-month rates to 5.33% by May 2009. At the end of the month, the market expectations derived from implied FRA rates pointed to a rise, up to the level of 5.49% by May 2009.

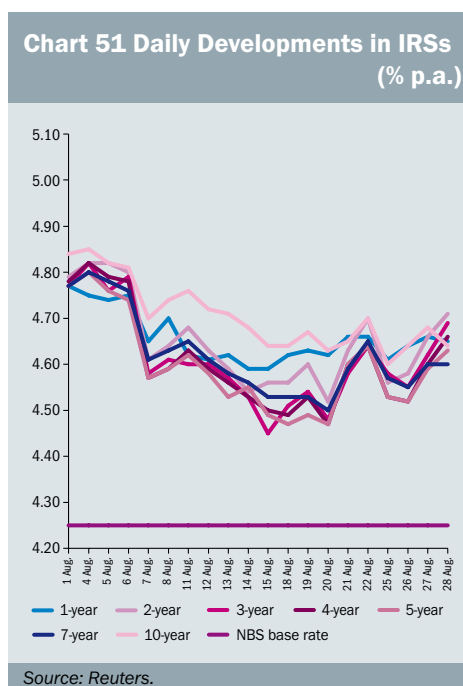




Chart 52 Implied Expectations Derived from BRIBOR Rates

(% p.a.)



### 5.3 Customer Interest Rates in July 2008

**Customer interest rates** Customer interest rates on loans and deposits were stagnant in July, except for interest rates on house purchase loans for households.

**Average interest rates on new loans** Average interest rates on new loans to non-financial corporations remained virtually unchanged in July. The shortest-term market rates were unchanged at end of the month. The prices of current account overdrafts and credit cards fell slightly. A similar trend was recorded in the case of loans of up to EUR 1 million, which became somewhat cheaper. For loans to small- and medium-sized enterprises (up to EUR 1 million), both short-term and long-term interest rates dropped. On the other hand, lending rates for loans of over EUR 1 million rose slightly. Broken down by purpose, lending rates considerably increased for house purchase loans, due mainly to a rise in the risk premium resulting from the risk reassessment for this sector.

Average interest rates on loans to households rose slightly in July. Interest rates on current account overdrafts and credit cards remained unchanged. The prices of house purchase loans followed a slightly rising trend for the third consecutive month. This was mainly due to an increase in long-term rates (BRIBOR, 10-year government bond yield). Following the European Commission's recommendation to suggest that Slovakia be admitted to the euro area, these rates began to approach the rates of similar maturities in the euro area. Within the scope of house purchase loans, lending rates increased for

Chart 53 Interest Rates on Loans to Non-financial Corporations, 3-M BRIBOR, and the NBS Base Rate (%)

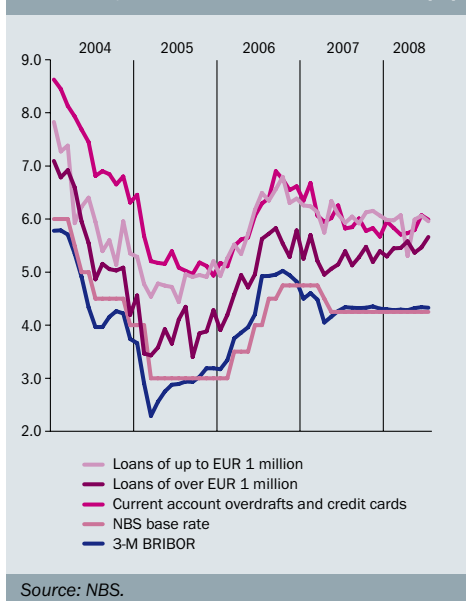


Chart 54 Interest Rates on Loans to Households by Type (%)





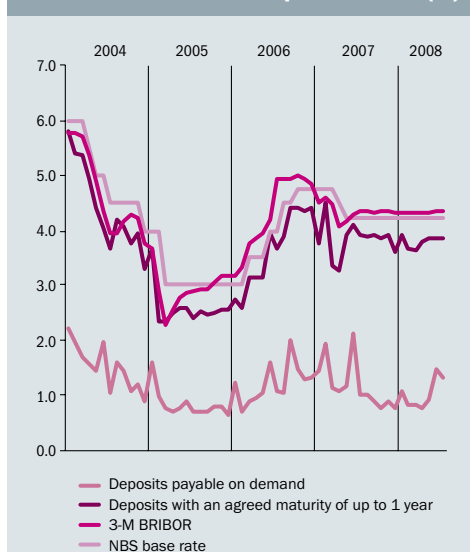
Table 39 Average Interest Rates on New Loans

	Interest rate in %						Changes in July (p.p.)	
	Q2 2007	Q3 2007	Q4 2007	Q1 2008	June 2008	July 2008	against Q3 2007	month-on- month
<b>Loans to non-financial corporations</b>								
Current account overdrafts and credit cards	6.26	6.01	5.67	5.71	6.07	5.99	-0.26	-0.08
Loans of up to EUR 1 million	6.09	5.92	6.07	6.07	6.06	5.96	-0.13	-0.10
– with a floating rate and an IRF of up to 1 year	6.06	5.90	6.07	6.06	6.03	5.94	-0.12	-0.09
– with an IRF of up to 5 years	6.12	6.06	6.44	6.40	6.28	5.16	-0.97	-1.12
Loans of over EUR 1 million	5.15	5.28	5.39	5.46	5.47	5.67	0.52	0.20
– with a floating rate and an IRF of up to 1 year	5.05	5.15	5.39	5.47	5.45	5.66	0.61	0.21
– with an IRF of up to 5 years	5.69	5.99	4.54	4.70	4.66	-	-	-
Total	6.05	5.88	5.62	5.70	5.95	5.95	-0.10	0.00
Total, excluding current account overdrafts and credit cards	5.37	5.42	5.52	5.63	5.60	5.76	0.39	0.16
<b>Loans to households</b>								
Current account overdrafts and credit cards	14.34	14.30	14.34	14.48	14.43	14.40	0.10	-0.03
Consumer loans	12.44	13.59	13.23	12.85	12.53	12.45	-1.14	-0.08
House purchase loans	6.06	6.10	6.06	6.06	6.20	6.32	0.22	0.12
of which: mortgage loans	5.79	5.78	5.72	5.75	5.85	6.02	0.24	0.17
Other loans	6.75	6.97	7.00	6.84	6.65	6.73	-0.24	0.08
Total	12.16	12.21	12.38	12.27	11.90	11.93	-0.28	0.03
Total, excluding current account overdrafts and credit cards	7.65	7.58	7.52	7.45	7.39	7.57	-0.01	0.18
NBS base rate	4.25	4.25	4.25	4.25	4.25	4.25	0.00	0.00
3M BRIBOR	4.27	4.32	4.31	4.29	4.34	4.33	0.06	-0.01

Source: NBS.

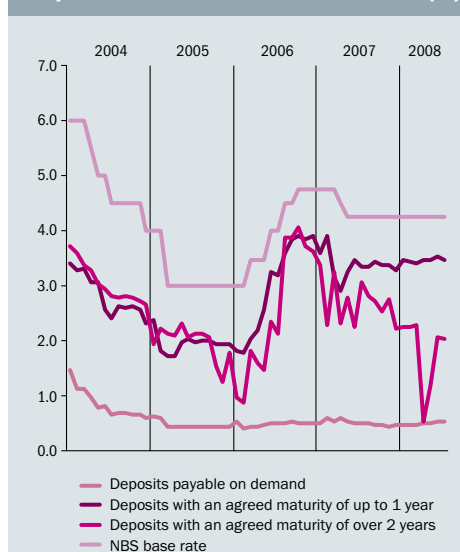
Note: Quarterly data refer to the last month of the given quarter.

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



Source: NBS.

Chart 56 Interest Rates on Household Deposits (%)



Source: NBS.



mortgage loans. On the other hand, lending rates fell somewhat for home savings bank loans, which are mostly financed from own resources and are therefore not affected significantly by the market rates. Interest rates on consumer loans remained virtually unchanged.

**Average interest rates on new deposits**

Interest rates on deposits from non-financial corporations dropped in July. A slight fall was recorded in the price of deposits payable on demand, mainly day-to-day deposits. A marked drop occurred in rates for long-term deposits with agreed maturity. Within the scope of deposits with agreed maturity, interest rates fell on non-marketable securities, which form 99% of the long-term deposits with agreed maturity.

**Table 40 Average Interest Rates on New Deposits**

	Interest rate in %						Changes (p.p.)	
	Q2 2007	Q3 2007	Q4 2007	Q1 2008	June 2008	July 2008	against Q3 2007	Month-on-month
<b>New deposits from non-financial corporations</b>								
Deposits repayable on demand	2.12	0.88	0.78	0.83	1.46	1.33	0.45	-0.13
Deposits with an agreed maturity of								
- up to 1 year	4.09	3.93	3.60	3.64	3.86	3.85	-0.07	-0.01
- over 1 and up to 2 years	-	3.50	3.79	1.70	4.42	3.97	0.47	-0.45
- over 2 years	1.91	2.77	2.30	1.35	4.59	4.24	1.48	-0.35
Total	3.09	2.28	1.83	2.13	2.59	2.60	0.33	0.01
<b>New deposits from households</b>								
Deposits repayable on demand	0.51	0.47	0.47	0.47	0.53	0.53	0.06	0.01
Deposits with an agreed maturity of								
- up to 1 year	3.49	3.45	3.28	3.41	3.50	3.50	0.05	0.00
- over 1 and up to 2 years	3.34	3.50	3.58	3.73	4.05	4.08	0.58	0.03
- over 2 years	2.24	2.70	2.20	2.28	2.04	2.02	-0.68	-0.02
Deposits redeemable at notice								
- up to 3 months	1.23	1.33	1.42	1.45	1.45	1.45	0.12	0.00
- over 3 months	1.90	1.96	2.05	2.14	2.14	2.16	0.20	0.02
Total	1.00	1.00	0.99	1.18	1.14	1.18	0.19	0.04
Basic NBS rate	4.25	4.25	4.25	4.25	4.25	4.25	0.00	0.00
3M BRIBOR	4.27	4.32	4.31	4.32	4.34	4.33	0.06	-0.01

Source: NBS.

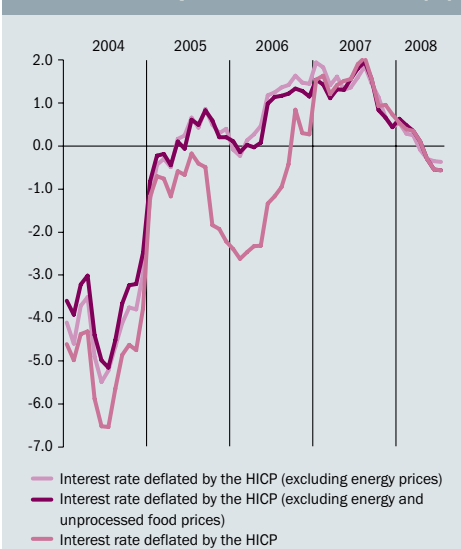
Note: Quarterly data refer to the last month of the given quarter.

Interest rates on the individual types of household deposits remained virtually unchanged in July. Interest rates on certain types of short-term deposits (up to 7 days and up to 1 month) fell slightly. On the other hand, a slight increase was recorded in the price of deposits with an agreed maturity of over 6 months (up to 1 year and up to 2 years). July 2008 saw a marked increase in the volume of new deposits, mainly deposits with agreed maturity.

**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, reached -0.55% (a negative figure) in June, which represented a fall of 0.25 of a percentage point compared with the previous month. The continuing fall in the real interest rate was mainly the result of accelerating inflation, coupled with relatively stable interest rates.

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



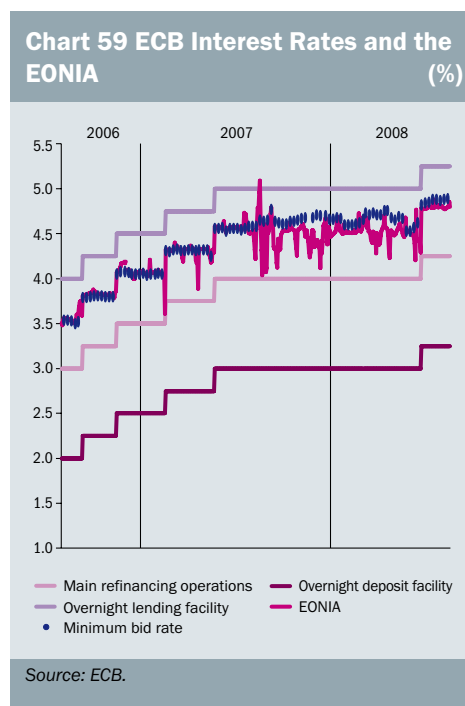
Source: NBS.

## Annexes

### 1 International Economy: Tables and Charts

	Prices			Real economy				Financial market
	HICP	HICP <sup>1)</sup> (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	-1.7	8.8	3.44
2006	2.2	1.5	5.1	2.8	4.0	4.4	8.3	3.86
2007	2.1	2.0	2.8	2.6	3.4	1.3	7.4	4.33
2007 Q2	1.9	1.9	2.4	2.6	2.8	1.4	7.5	4.42
2007 Q3	1.9	2.0	2.1	2.6	3.9	1.3	7.4	4.48
2007 Q4	2.9	2.3	4.0	2.1	2.9	0.8	7.3	4.34
2008 Q1	3.4	2.5	5.4	2.1	2.5	0.1	7.2	4.15
2008 Q2	3.6	2.5	7.1	1.4	0.9	-1.4	7.3	4.50
V.08	3.7	2.5	7.1	-	-0.4	-1.7	7.3	4.42
VI.08	4.0	2.5	8.0	-	-0.8	0.3	7.3	4.81
VII.08	4.0	2.5	9.0	-	-1.7	-3.2	7.3	4.81
VIII.08	3.8	2.6	.	-	.	.	.	4.50

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.





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

	Prices			Real economy				Financial market
	HICP	HICP <sup>1)</sup> (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	11.4	6.9	7.2	3.80
2007	3.0	3.1	4.0	6.5	8.8	6.5	5.3	4.30
2007 Q2	2.6	2.8	4.1	6.8	9.2	7.5	5.5	4.20
2007 Q3	2.7	3.1	3.9	6.5	6.8	7.0	5.1	4.52
2007 Q4	4.9	4.5	5.0	6.3	7.5	4.0	4.9	4.59
2008 Q1	7.6	6.9	5.7	5.4	6.7	2.0	4.5	4.59
2008 Q2	6.7	6.2	5.1	4.6	5.4	2.5	4.4	4.90
V.08	6.8	6.2	5.2	-	4.9	2.4	4.4	4.84
VI.08	6.6	5.9	5.4	-	3.4	3.2	4.4	5.13
VII.08	6.8	6.0	5.3	-	0.6	.	4.3	4.90
VIII.08	6.2	5.7	.	-	.	.	.	4.47

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

	Prices			Real economy				Financial market
	HICP	HICP <sup>1)</sup> (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 Q2	8.5	7.2	7.7	1.4	7.7	-3.2	7.1	6.63
2007 Q3	7.3	6.7	4.2	1.0	10.1	-4.1	7.3	6.68
2007 Q4	7.1	6.2	5.2	0.7	6.0	-4.0	7.8	6.76
2008 Q1	6.9	5.9	10.7	1.2	6.3	-2.9	7.6	7.70
2008 Q2	6.8	5.6	11.8	1.7	3.7	-1.7	7.6	8.20
V.08	6.9	5.6	11.7	-	5.0	-1.6	7.6	8.08
VI.08	6.6	5.6	12.1	-	-0.3	-2.0	7.6	8.50
VII.08	7.0	5.6	13.3	-	.	.	7.6	8.11
VIII.08	6.4	5.4	.	-	.	.	.	7.77

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

	Prices			Real economy				Financial market
	HICP	HICP <sup>1)</sup> (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 Q2	2.3	1.7	3.2	6.8	8.1	14.0	9.8	5.36
2007 Q3	2.4	2.2	3.2	6.3	8.1	12.8	9.2	5.66
2007 Q4	3.7	3.0	4.4	6.6	7.9	11.4	8.6	5.73
2008 Q1	4.5	3.7	5.4	6.2	9.3	8.2	7.7	5.87
2008 Q2	4.3	3.8	5.7	6.1	7.2	8.2	7.5	6.17
V.08	4.3	3.7	6.0	-	2.4	8.4	7.5	6.10
VI.08	4.3	3.7	5.8	-	7.3	6.3	7.3	6.42
VII.08	4.5	3.7	5.6	-	3.7	6.6	6.8	6.45
VIII.08	4.4	3.8	.	-	.	.	.	6.11

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

	Prices			Real economy				Financial market
	CPI	CPI <sup>1)</sup> (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 Q2	2.7	2.3	3.4	1.8	1.4	4.0	4.5	4.85
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	2.2	0.7	1.3	5.3	3.88
V.08	4.2	2.3	7.2	-	0.2	1.6	5.5	3.87
VI.08	5.0	2.4	9.1	-	0.2	2.5	5.5	4.10
VII.08	5.6	2.5	9.8	-	-0.1	1.4	5.7	4.01
VIII.08	.	.	9.7	-	.	1.1	6.1	3.89

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.

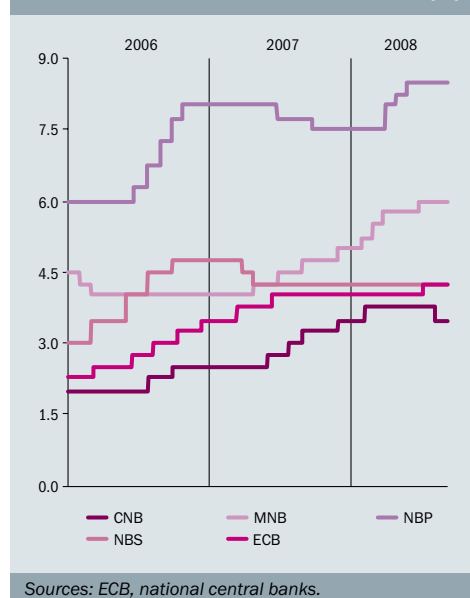
2) PPI finished products.

3) Seasonally adjusted.

4) Industrial production in total (seasonally adjusted.)

5) Retail trade and restaurant services.

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



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

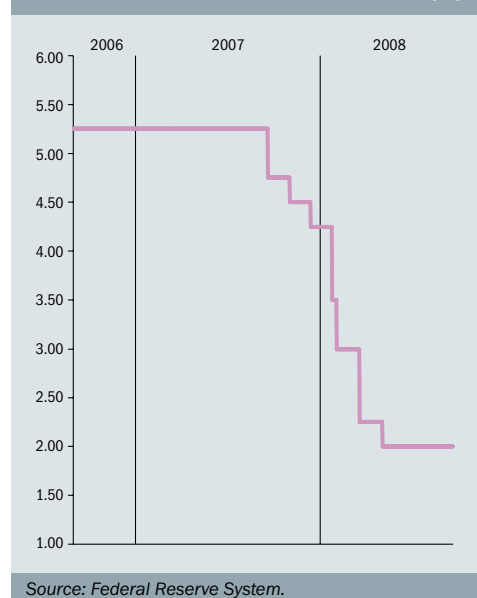
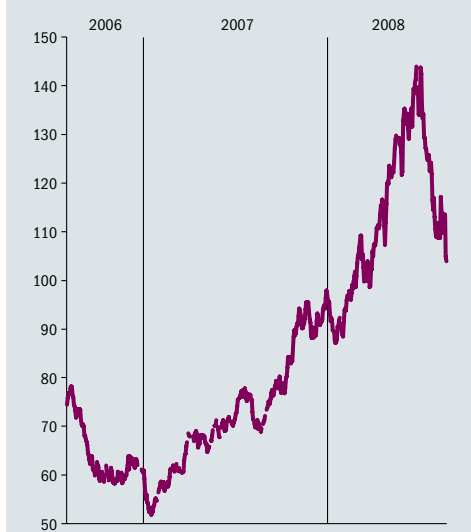






Chart 64 Oil Prices in USD/Barrel



Source: Reuters.



## 2 Capital Market

### 2.1 Primary Market

In August, the Agency for Debt and Liquidity Management (ARDAL) held one auction for government bonds (with a residual maturity of 8.6 years). Of the total amount of bids (SKK 14.7 billion), ARDAL accepted SKK 12.7 billion, thus realising 42.14% of the issue. The average yield amounted to 4.93%.

On the primary market for non-government bonds, six bond issues were floated in August in the total amount of SKK 8.7 billion. Two issues were denominated in SKK and four in EUR, in the amount of SKK 7.4 billion. Five of the issues involved mortgage bonds in the amount of SKK 8.5 billion, two of which were denominated in SKK and three in EUR.

### 2.2 Secondary Market

The total volume traded on the Bratislava Stock Exchange (BCPB) reached SKK 52.2 billion in August (in 327 transactions), representing a month-on-month decline of 58.2%. Price-setting transactions accounted for SKK 37.0 million and direct transactions for SKK 52.2 billion.

Non-resident investors accounted for 56.4% of the total volume traded in August, of which 56.3% were purchases and 56.5% sales.

**Bonds** Benchmark government bond yields fell month-on-month by an average of 0.22 of a percentage point. The most significant changes in bond yields took place at two-year to four-year maturities (an average fall of 0.30 of a percentage point). Bond yields were influenced by fluctuations in euro-area bond yields, which, however, recorded sharper drops than those in Slovakia. As a result, the gap between the Slovak and European benchmarks has widened.

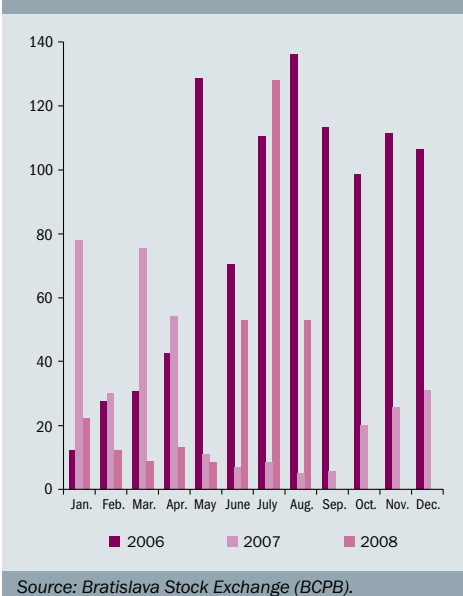
On the BCPB floor, bonds changed hands during the month in 152 transactions, totalling SKK 52.2 billion (i.e. almost 100% of the total volume traded on the stock exchange in August). Direct transactions accounted for SKK 52.2 million and price-setting transactions for SKK 30.0 billion.

The market capitalisation of bonds as at the last trading day of August reached SKK 443.6 billion, representing a month-on-month increase of 3.1%. The capitalisation of listed bonds had increased since the end of July by 3.3%, to SKK 426.1 billion.

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



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



**Table 46 The Values of SDXGroup Indices at the End of August 2008**
**SDXGroup indices**

Sector	SDXGroup indices		Yield to maturity (%)	Duration (in years)
	Price	Performance		
Public	101.4	124.1	4.751	5.097
SDXG sub-index (<=5)	100.9	121.8	4.665	3.157
SDXG sub-index (>5)	102.4	127.2	4.789	7.061
Private (corporate + mortgage bonds)	100.8	129.7	4.263	4.155
SDXG sub-index (>5)	100.0	102.0	4.263	4.155

Source: BCPB.

**Chart 67 Developments in the SAX Index in August 2008 (points)**


Source: BCPB.

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

During the month under review, SKK 13.9 million was traded in shares, in 175 transactions. Price-setting transactions accounted for SKK 10.4 million and direct transactions for SKK 3.5 billion.

**Shares**

By the last trading day of August, the market capitalisation of equity securities had fallen month-on-month by 2.0%, to SKK 146.4 billion. The actual amount of issues that had a market price at least once in the past, except for investment fund shares / participation certificates, was SKK 139.9 billion (a month-on-month decrease of 2.1%) and accounted for 95.6% of the total equity market capitalisation. The market capitalisation of listed issues had decreased since the end of July by 0.1%, to SKK 83.5 billion.

Over the period under review, one new mortgage bond issue was accepted for trading on the quoted parallel market of BCPB in the amount of SKK 440 billion and one government bond issue (serial No. 208, tranche C)

**New and cancelled issues**

in the amount of SKK 12.7 billion. In August, three mortgage bond issues amounting to SKK 1.5 billion were excluded from trading on the BCPB, on account of maturity.

During the month under review, the BCPB accepted no new share issue for trading on the quoted market, nor on the regulated open market. At the same time, no share issue was removed from the register of active issues. Thus, the number of share issues on BCPB markets remained unchanged in comparison with the previous month.

The SAX index closed the month at 444.64 points in August, representing a fall of 2.6% month-on-month and 3.5% year-on-year. The index reached a monthly maximum on 11 August (459.97 points) and a monthly minimum on 28 August (444.64 points).

**SAX index**
**Table 47 Weights of Basic SAX Index Components at Month-Ends in 2008**

Company	Weights in %						Monthly change in p.p.
	2008						
	Feb.	Mar.	Apr.	May	June	July	
Biotika, a. s.	4.62	4.56	4.31	4.43	3.91	4.01	0.10
OTP Banka Slovensko, a. s.	21.68	22.44	22.36	19.39	18.60	19.09	0.49
SES Tlmače, a. s.	16.68	17.81	18.25	20.40	26.68	26.48	-0.20
Slovnaft, a. s.	29.98	27.93	28.66	29.42	26.73	28.16	1.43
Všeobecná úverová banka, a. s.	27.03	27.26	26.41	26.36	24.08	22.26	-1.82

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>7</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:

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

$I_t$  - 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>7</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 48 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>8</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>9</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>10</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>8</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>9</sup> In the conditions of NBS, the recording of seasonally adjusted data according to ECB methodology is currently in the stage of preparation.

<sup>10</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>11</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>11</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>12</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>12</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							
		8	9	10	11	12	1	2	3	4	5	6	7	8
<b>REAL ECONOMY</b>														
Gross domestic product <sup>1)2)</sup>	SKK billion	-	1,052.2 <sup>(p)</sup>	-	-	1,429.5 <sup>(p)</sup>	-	-	354.3 <sup>(p)</sup>	-	-	385.0 <sup>(p)</sup>	-	-
Year-on-year change in GDP <sup>3)</sup>	%	-	9.0 <sup>(p)</sup>	-	-	10.4 <sup>(p)</sup>	-	-	8.7 <sup>(p)</sup>	-	-	7.6 <sup>(p)</sup>	-	-
Unemployment rate <sup>4)9)</sup>	%	8.2	8.3	7.9	7.8	8.0	8.1	7.8	7.6	7.4	7.4	7.4	7.5	.
Consumer prices (HICP) <sup>3)8)</sup>	%	1.2	1.7	2.4	2.3	2.5	3.2	3.4	3.6	3.7	4.0	4.3	4.4	4.4
Consumer prices (CPI) <sup>3)</sup>	%	2.3	2.8	3.3	3.1	3.4	3.8	4.1	4.2	4.3	4.6	4.6	4.8	5.0
<b>BALANCE OF TRADE <sup>7) (p)</sup></b>														
Exports (fob)	SKK million	906,896	1,030,426	1,173,213	1,312,257	1,420,738	125,007	256,869	382,814	517,549	645,551	775,995	898,951	.
Imports (fob)	SKK million	916,474	1,036,352	1,178,389	1,322,055	1,442,123	123,062	254,761	382,567	523,756	648,863	780,071	907,224	.
Balance	SKK million	-9,578	-5,926	-5,176	-9,798	-21,385	1,945	2,108	246	-6,208	-3,312	-4,076	-8,273	.
<b>BALANCE OF PAYMENTS</b>														
Current account <sup>7)</sup>	SKK million	-55,975.6	-59,641.8	-74,414.5	-88,466.2	-98,746.3	-1,097.5	3,096.1	-6,521.0	-22,186.7	-32,913.2	-63,013.1	.	.
Capital and financial account	SKK million	146,578.3	146,474.3	156,371.3	170,341.9	183,903.6	-4,180.7	10,938.1	20,297.2	31,936.8	35,522.6	82,104.2	.	.
Overall balance	SKK million	98,507.1	99,074.9	100,046.2	95,796.3	95,971.0	-218.3	-558.3	-3,880.7	-1,549.9	-3,537.4	-3,842.8	.	.
<b>FOREIGN EXCHANGE RESERVES <sup>4)</sup></b>														
Total foreign exchange reserves	USD million	19,807.3	20,668.3	21,371.7	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
NBS foreign exchange reserves	USD million	17,815.1	18,507.1	18,798.3	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
<b>GROSS EXTERNAL DEBT <sup>4)</sup></b>														
Total gross external debt	USD billion	38.3	39.8	42.2	43.1	44.3	43.7	46.6	49.4	50.1	52.4	56.1	.	.
External debt per capita	USD	7,111	7,398	7,848	8,014	8,237	8,117	8,669	9,180	9,322	9,735	10,430	.	.
<b>MONETARY INDICATORS</b>														
Exchange rate <sup>5)</sup>	SKK/USD	24.647	24.378	23.669	22.637	22.882	22.797	22.495	20.977	20.550	20.253	19.512	19.215	20.196
M3 monetary aggregate <sup>4)8)</sup>	SKK billion	1,029.3	1,039.4	1,039.6	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	.
Year-on-year change in M3 <sup>3)</sup>	%	15.3	16.2	14.4	12.3	13.0	12.6	12.2	10.5	10.2	9.8	6.6	9.6	.
Claims of monetary financial institutions <sup>8)</sup>	SKK billion	973.2	988.6	1012.8	1029.4	1,044.7	1,041.1	1,049.8	1,045.0	1,058.6	1,061.4	1,082.6	1,100.7	.
<b>STATE BUDGET <sup>2)4)</sup></b>														
Revenue	SKK billion	206.3	228.5	263.1	290.3	322.2	35.0	51.5	81.0	113.4	133.3	156.2	186.8	216.7
Expenditure	SKK billion	205.9	229.1	256.2	284.9	345.7	22.0	50.0	77.6	105.7	136.4	160.3	187.4	211.6
Balance	SKK billion	0.4	-0.6	6.9	5.4	-23.5	13.0	1.5	3.4	7.7	-3.1	-4.1	-0.6	5.1
<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	25.4.2007	25.4.2007
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	2.25	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	5.75	5.75
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	4.25	4.25
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	4.25	4.25
Average interbank deposit rate (BRIBOR)														
overnight	%	3.52	4.10	3.78	3.82	2.75	4.01	3.39	3.25	3.62	4.12	3.52	3.31	4.19
7-day	%	4.08	4.24	4.20	4.19	3.93	4.22	4.00	3.98	4.07	4.19	4.02	3.88	4.22
14-day	%	4.20	4.25	4.25	4.25	4.12	4.24	4.12	4.10	4.16	4.22	4.13	4.03	4.24
1-month	%	4.28	4.28	4.28	4.28	4.25	4.28	4.23	4.21	4.23	4.26	4.26	4.20	4.27
2-month	%	4.30	4.31	4.31	4.32	4.28	4.30	4.26	4.27	4.26	4.29	4.31	4.28	4.28
3-month	%	4.33	4.32	4.33	4.35	4.31	4.32	4.28	4.29	4.28	4.32	4.34	4.33	4.31
6-month	%	4.40	4.38	4.38	4.40	4.36	4.35	4.30	4.32	4.33	4.40	4.57	4.54	4.45
9-month	%	4.44	4.41	4.42	4.43	4.41	4.38	4.30	4.32	4.36	4.46	4.74	4.78	4.73
12-month	%	4.47	4.44	4.45	4.45	4.45	4.41	4.30	4.32	4.39	4.50	4.88	5.02	4.96

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							
		8	9	10	11	12	1	2	3	4	5	6	7	8
<b>REAL ECONOMY</b>														
Gross domestic product <sup>1)2)</sup>	bill. EUR	-	34.9 <sup>(p)</sup>	-	-	47.5 <sup>(p)</sup>	-	-	11.8 <sup>(p)</sup>	-	-	12.8 <sup>(p)</sup>	-	-
Year-on-year change in GDP <sup>3)</sup>	%	-	9.0 <sup>(p)</sup>	-	-	10.4 <sup>(p)</sup>	-	-	8.7 <sup>(p)</sup>	-	-	7.6 <sup>(p)</sup>	-	-
Unemployment rate <sup>4)9)</sup>	%	8.2	8.3	7.9	7.8	8.0	8.1	7.8	7.6	7.4	7.4	7.4	7.5	.
Consumer prices (HICP) <sup>3)8)</sup>	%	1.2	1.7	2.4	2.3	2.5	3.2	3.4	3.6	3.7	4.0	4.3	4.4	4.4
Consumer prices (CPI) <sup>3)</sup>	%	2.3	2.8	3.3	3.1	3.4	3.8	4.1	4.2	4.3	4.6	4.6	4.8	5.0
<b>BALANCE OF TRADE<sup>7) (p)</sup></b>														
Exports (fob)	mill. EUR	30,103	34,204	38,944	43,559	47,160	3,727	7,706	11,582	15,742	19,801	24,103	28,159	.
Imports (fob)	mill. EUR	30,421	34,401	39,115	43,884	47,870	3,669	7,643	11,576	15,935	19,903	24,230	28,424	.
Balance	mill. EUR	-318	-197	-172	-325	-710	58	63	6	-194	-102	-127	-265	.
<b>BALANCE OF PAYMENTS</b>														
Current account <sup>7)</sup>	mill. EUR	-1,858.0	-1,979.7	-2,470.1	-2,936.5	-3,277.8	-36.4	102.8	-216.5	-736.5	-1,092.5	-2,091.7	.	.
Capital and financial account	mill. EUR	4,865.5	4,862.1	5,190.6	5,654.3	6,104.5	-138.8	363.1	673.7	1,060.1	1,179.1	2,725.4	.	.
Overall balance	mill. EUR	3,269.8	3,288.7	3,320.9	3,179.9	3,185.7	-7.2	-18.5	-128.8	-51.4	-117.4	-127.6	.	.
<b>FOREIGN EXCHANGE RESERVES<sup>4)</sup></b>														
Total foreign exchange reserves	mill. USD	19,807.3	20,668.3	21,371.7	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
NBS foreign exchange reserves	mill. USD	17,815.1	18,507.1	18,798.3	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
<b>GROSS EXTERNAL DEBT<sup>4)</sup></b>														
Total gross external debt	bill. USD	38.3	39.8	42.2	43.1	44.3	43.7	46.6	49.4	50.1	52.4	56.1	.	.
External debt per capita	USD	7,111	7,398	7,848	8,014	8,237	8,117	8,669	9,180	9,322	9,735	10,430.0	.	.
<b>MONETARY INDICATORS</b>														
Exchange rate <sup>5)</sup>	Sk/USD	24.647	24.378	23.669	22.637	22.882	22.797	22.495	20.977	20.550	20.253	19.512	19.215	20.196
M3 monetary aggregate <sup>4)8)</sup>	bill. EUR	34.2	34.5	34.5	34.6	35.9	35.9	36.3	36.0	36.2	36.8	36.3	36.7	.
Year-on-year change in M3 <sup>3)</sup>	%	15.3	16.2	14.4	12.3	13.0	12.6	12.2	10.5	10.2	9.8	6.6	9.6	.
Claims of monetary financial institutions <sup>8)</sup>	bill. EUR	32.3	32.8	33.6	34.2	34.7	34.6	34.8	34.7	35.1	35.2	35.9	36.5	.
<b>STATE BUDGET<sup>2)4)</sup></b>														
Revenue	bill. EUR	6.85	7.58	8.73	9.64	10.70	1.16	1.71	2.69	3.76	4.42	5.18	6.20	7.19
Expenditure	bill. EUR	6.83	7.60	8.50	9.46	11.48	0.73	1.66	2.58	3.51	4.53	5.32	6.22	7.02
Balance	bill. EUR	0.01	-0.02	0.23	0.18	-0.78	0.43	0.05	0.11	0.26	-0.10	-0.14	-0.02	0.17
<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	25.4.2007	25.4.2007
- sterilisation	%	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	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	5.75	5.75
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	4.25	4.25
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	4.25	4.25
Average interbank deposit rate (BRIBOR)														
overnight	%	3.52	4.10	3.78	3.82	2.75	4.01	3.39	3.25	3.62	4.12	3.52	3.31	4.19
7-day	%	4.08	4.24	4.20	4.19	3.93	4.22	4.00	3.98	4.07	4.19	4.02	3.88	4.22
14-day	%	4.20	4.25	4.25	4.25	4.12	4.24	4.12	4.10	4.16	4.22	4.13	4.03	4.24
1-month	%	4.28	4.28	4.28	4.28	4.25	4.28	4.23	4.21	4.23	4.26	4.26	4.20	4.27
2-month	%	4.30	4.31	4.31	4.32	4.28	4.30	4.26	4.27	4.26	4.29	4.31	4.28	4.28
3-month	%	4.33	4.32	4.33	4.35	4.31	4.32	4.28	4.29	4.28	4.32	4.34	4.33	4.31
6-month	%	4.40	4.38	4.38	4.40	4.36	4.35	4.30	4.32	4.33	4.40	4.57	4.54	4.45
9-month	%	4.44	4.41	4.42	4.43	4.41	4.38	4.30	4.32	4.36	4.46	4.74	4.78	4.73
12-month	%	4.47	4.44	4.45	4.45	4.45	4.41	4.30	4.32	4.39	4.50	4.88	5.02	4.96

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.



**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						
		7	8	9	10	11	12	1	2	3	4	5	6	7
Claims of MFIs on residents	50.9	720.8	725.9	742.8	762.3	776.4	793.3	808.0	815.1	825.0	835.7	836.9	857.3	873.7
General government	1.2	21.0	21.4	21.4	21.0	22.4	23.0	23.0	22.7	22.2	21.7	21.3	20.5	21.1
Private sector	49.7	699.8	704.5	721.5	741.2	754.0	770.3	785.0	792.4	802.8	814.0	815.6	836.8	852.6
Non-financial corporations	25.7	364.4	364.2	374.5	385.1	389.3	399.5	410.5	413.2	415.0	420.5	419.6	433.4	441.5
– up to 1 year	10.9	156.9	153.5	160.8	165.2	169.3	170.5	174.7	175.7	176.6	177.8	177.5	185.7	186.3
– 1 to 5 years	5.4	72.4	72.7	72.4	74.8	76.9	82.3	86.1	86.7	86.0	86.2	85.6	88.1	93.3
– over 5 years	9.4	135.1	138.0	141.3	145.1	143.1	146.7	149.6	150.8	152.4	156.5	156.5	159.6	161.9
Financial corporations	3.5	62.4	61.6	62.6	64.5	66.2	66.4	66.1	65.9	68.5	66.6	61.5	60.8	60.3
Insurance corporations and pension funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Households and non-profit institutions serving households	20.5	273.0	278.7	284.4	291.5	298.5	304.3	308.4	313.2	319.2	326.9	334.4	342.6	350.8
– consumer loans	2.8	39.0	39.4	40.0	40.5	41.1	41.6	41.8	42.3	43.1	44.3	45.4	46.3	47.8
– house purchase loans	13.8	181.9	186.1	190.0	194.9	199.6	204.1	207.4	210.9	214.7	219.9	224.9	230.5	235.8
– other loans	3.9	52.0	53.3	54.4	56.1	57.7	58.6	59.1	60.0	61.4	62.7	64.1	65.9	67.1
Securities other than shares and participation certificates issued by residents	12.6	239.7	240.2	238.7	243.5	245.0	245.4	222.2	223.9	209.1	211.9	213.2	214.1	215.5
General government	12.1	232.9	233.4	231.7	236.6	238.2	238.6	215.9	217.5	202.7	205.2	206.4	206.6	208.3
Private sector	0.4	6.7	6.8	7.0	6.9	6.8	6.7	6.3	6.4	6.4	6.7	6.8	7.5	7.2
Shares and other equities issued by private sector	0.7	7.0	7.0	7.1	7.1	8.0	8.2	10.8	10.9	11.0	11.0	11.3	11.2	11.5
Foreign assets	30.6	537.9	554.9	551.4	554.8	544.4	570.0	565.0	546.9	532.8	549.7	512.4	517.1	524.8
Fixed assets	1.9	32.3	32.2	32.1	32.0	32.2	33.1	33.1	33.0	33.0	32.9	32.7	32.4	32.5
Other assets	3.3	53.7	53.1	55.7	59.9	60.0	50.7	50.0	53.2	53.7	52.2	61.9	58.2	57.0
Deposits and loans received from the central government	2.1	85.4	79.7	74.8	82.4	90.6	61.0	54.3	42.2	21.6	37.8	26.4	34.4	35.4
Long-term financial liabilities	8.9	157.6	164.5	169.2	168.6	170.9	182.6	196.1	188.7	181.5	172.0	146.6	148.5	153.2
Deposits and loans received with an agreed maturity of over 2 years	4.2	69.1	69.9	70.2	70.2	71.1	73.7	73.9	74.2	73.4	72.8	73.0	71.6	72.0
Deposits repayable at a period of notice of over 3 months	1.3	23.6	23.4	23.4	23.3	23.3	23.5	23.6	23.4	23.2	23.1	23.0	23.0	22.9
Debt securities issued with a maturity of over 2 years	2.9	37.0	37.3	39.0	41.5	43.0	44.7	43.5	45.1	46.1	47.4	47.8	50.0	50.1
Capital, reserves, and provisions	0.5	28.0	33.9	36.6	33.7	33.6	40.7	55.1	46.1	38.8	28.7	2.8	3.8	8.2
Foreign liabilities	20.2	264.9	271.8	267.0	284.1	279.2	307.8	280.1	283.8	290.5	312.3	295.8	329.6	346.4
Other liabilities	4.3	75.0	68.2	77.4	84.9	84.3	67.0	76.4	75.0	86.3	83.1	92.1	83.1	74.4
Surplus of liabilities among MFIs	0.0	-0.1	-0.1	-0.1	0.0	-0.1	-0.4	0.0	0.1	0.0	-2.6	-0.4	0.0	0.6
M3	64.4	1,008.5	1,029.3	1,039.4	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
<b>Total</b>	100.0	1,591.4	1,613.4	1,627.7	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

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



## Average Interest Rates on New Loans

(ECB methodology)

(%)

	2007						2008						
	7	8	9	10	11	12	1	2	3	4	5	6	7
<b>Loans in total<sup>1)</sup></b>	7.44	7.30	7.45	7.22	7.36	7.10	7.43	7.47	7.36	7.19	7.22	7.18	7.58
Current account overdrafts	7.61	7.68	7.71	7.47	7.52	7.39	7.61	7.41	7.29	7.25	7.29	7.59	7.50
operating loans	4.85	4.57	4.82	4.76	4.91	5.09	4.74	4.91	4.83	4.49	4.87	4.41	5.20
Investment loans	5.48	5.71	5.67	5.65	5.52	5.47	5.61	5.54	5.65	5.39	5.55	5.77	5.73
Consumer loans	13.41	13.46	13.55	13.66	13.30	13.12	12.92	12.85	12.84	12.90	12.40	12.48	12.45
House purchase loans	5.98	6.11	6.10	6.09	6.07	6.07	6.09	6.15	6.07	6.07	6.15	6.22	6.39
of which:													
Mortgage loans	5.80	5.81	5.78	5.75	5.76	5.73	5.81	5.80	5.76	5.81	5.79	5.85	6.02
Construction loans	5.04	4.92	4.88	5.03	4.88	4.91	4.88	4.83	4.82	4.87	4.85	4.89	4.78
Intermediate loans	6.72	6.68	6.74	6.76	6.73	6.70	6.68	6.74	6.79	6.82	6.79	6.78	6.71
Other real estate loans	5.97	6.25	6.22	6.11	6.15	6.24	6.22	6.29	6.18	6.19	6.32	6.37	6.52
Other loans	6.51	6.09	6.17	6.36	6.43	5.74	6.57	6.03	6.71	6.30	6.53	6.37	6.46
Floating rate + IRF for up to 1 year incl.	7.46	7.31	7.47	7.20	7.32	7.06	7.40	7.44	7.32	7.12	7.20	7.16	7.56
IRF for over 1 year and up to 5 years incl.	6.77	6.84	7.02	7.35	7.61	7.74	7.80	7.64	8.53	7.90	6.96	7.08	7.58
IRF for over 5 years and up to 10 years incl.	7.80	8.05	7.72	8.26	8.90	8.69	12.22	12.28	11.32	12.47	11.64	10.97	11.03
IRF for over 10 years	6.67	6.75	7.04	6.18	6.43	6.97	8.29	8.42	7.10	7.42	7.49	7.98	8.00
<b>Households</b>													
Loans in total	12.25	12.38	12.21	12.04	12.15	12.38	12.62	12.50	12.27	11.82	11.97	11.90	11.93
Current account overdrafts	13.85	13.90	13.84	13.87	13.80	13.54	13.85	13.76	13.73	13.68	13.70	13.65	13.64
Operating loans	6.76	6.84	7.44	7.33	6.20	6.11	6.05	6.10	6.30	6.36	6.33	6.96	6.55
Investment loans	6.78	6.60	6.44	6.36	6.57	6.27	6.12	7.00	6.30	6.83	6.87	6.95	6.57
Consumer loans	13.41	13.46	13.59	13.66	13.30	13.23	12.92	12.85	12.85	12.92	12.41	12.53	12.45
House purchase loans	6.00	6.14	6.10	6.14	6.12	6.06	6.12	6.12	6.06	6.05	6.12	6.20	6.32
of which:													
Mortgage loans	5.79	5.81	5.78	5.74	5.76	5.72	5.81	5.80	5.75	5.80	5.79	5.85	6.02
Construction loans	5.04	4.92	4.88	5.04	4.88	4.91	4.88	4.83	4.82	4.87	4.85	4.89	4.78
Intermediate loans	6.73	6.72	6.77	6.78	6.75	6.72	6.73	6.80	6.81	6.84	6.86	6.86	6.77
Other real estate loans	6.04	6.46	6.25	6.30	6.37	6.38	6.34	6.37	6.24	6.18	6.31	6.40	6.45
Other loans	6.96	7.00	6.97	6.67	7.18	7.00	7.27	7.02	6.84	6.90	6.75	6.65	6.73
Credit cards	16.74	16.64	16.61	16.39	16.07	17.78	17.87	17.94	17.81	17.70	17.68	17.71	17.54
Floating rate + IRF for up to 1 year incl.	12.93	12.95	12.83	12.62	12.61	12.76	12.98	12.84	12.57	12.30	12.64	12.55	12.59
IRF for over 1 year and up to 5 years incl.	7.27	7.57	8.45	8.70	8.93	8.81	8.25	8.46	8.61	8.00	7.38	7.45	7.72
IRF for over 5 years and up to 10 years incl.	9.56	9.59	9.11	8.75	9.83	10.50	12.32	12.73	12.56	12.68	12.04	11.52	11.32
IRF for over 10 years	8.00	7.99	7.23	7.16	7.34	7.34	8.81	8.90	7.27	8.25	7.89	8.97	8.93
<b>Non-financial corporations</b>													
Loans in total	5.76	5.74	5.88	5.74	5.71	5.62	5.88	5.79	5.70	5.69	5.75	5.95	5.95
Current account overdrafts	5.81	5.83	6.00	5.76	5.81	5.65	5.94	5.82	5.69	5.72	5.77	6.06	5.98
Operating loans	5.03	4.89	4.96	5.41	4.90	5.31	5.23	5.12	5.13	5.01	5.23	4.97	5.27
Investment loans	5.48	5.73	5.67	5.61	5.70	5.65	5.60	5.53	5.71	5.29	5.54	5.75	5.75
House purchase loans	5.92	6.06	6.36	6.16	5.94	6.13	5.90	6.23	6.11	6.21	6.34	6.29	6.62
Other loans	6.50	5.51	6.17	6.32	6.42	5.51	6.16	5.84	6.38	6.07	6.55	6.16	6.10
Credit cards	17.95	17.72	17.49	16.62	17.25	18.53	17.65	17.96	17.98	17.66	18.21	18.61	18.41
Loans up 1 million EUR	5.93	6.05	5.92	6.12	6.16	6.07	5.99	5.98	6.07	5.30	5.99	6.06	5.96
Loans over 1 million EUR	5.39	5.13	5.28	5.48	5.20	5.39	5.30	5.45	5.46	5.58	5.36	5.47	5.67
Floating rate + IRF for up to 1 year incl.	5.75	5.74	5.89	5.75	5.71	5.62	5.88	5.79	5.70	5.68	5.75	5.95	5.95
IRF for over 1 year and up to 5 years incl.	6.03	5.62	5.74	5.45	5.66	5.86	6.61	5.82	6.30	6.38	6.56	5.82	6.47
IRF for over 5 years and up to 10 years incl.	5.96	5.98	6.01	6.31	6.28	5.16	8.40	5.82	4.84	5.93	5.86	5.33	5.16
IRF for over 10 years	5.89	5.96	6.26	5.65	5.94	6.10	6.65	6.37	6.52	6.02	6.27	6.61	6.31

<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 New Deposits

(ECB methodology)

(%)

	2007						2008						
	7	8	9	10	11	12	1	2	3	4	5	6	7
<b>Deposits in total<sup>1)</sup></b>	2.15	2.11	2.05	2.09	2.01	1.77	2.03	1.86	1.86	1.93	1.90	2.04	2.15
Deposits payable on demand	0.78	0.78	0.71	0.67	0.71	0.70	0.79	0.69	0.69	0.67	0.73	0.99	0.94
of which: demand deposits	0.64	0.67	0.62	0.60	0.58	0.61	0.65	0.59	0.59	0.60	0.63	0.74	0.75
overnight deposits	2.09	2.10	1.98	1.92	1.93	1.89	2.48	2.01	1.78	1.90	1.97	3.54	3.58
Deposits with agreed maturity <sup>2)</sup>	3.99	3.90	3.95	3.91	3.93	3.74	3.91	3.76	3.68	3.76	3.82	3.86	3.85
– up to 1 year in total	3.99	3.91	3.95	3.91	3.94	3.74	3.91	3.76	3.68	3.77	3.82	3.87	3.86
– up to 7 days	3.36	2.92	3.44	2.95	3.07	2.27	3.49	3.09	2.61	2.83	3.14	3.39	3.26
– up to 1 month	4.10	4.06	4.09	4.07	4.07	3.97	4.05	3.99	3.94	4.01	4.03	4.04	4.04
– up to 3 months	3.37	3.31	3.29	3.44	3.30	3.38	3.51	3.31	3.30	3.43	3.25	3.39	3.22
– up to 6 months	3.70	3.24	3.40	3.37	3.23	3.31	3.56	3.04	3.53	3.23	3.14	3.30	3.22
– up to 1 year	3.28	3.19	2.95	3.35	2.93	3.64	3.63	3.78	3.91	3.91	3.56	3.76	4.33
– over 1 year in total	3.25	3.02	2.97	3.25	2.87	2.95	3.58	3.08	2.67	2.10	1.41	2.57	3.06
– up to 2 years	3.52	3.50	3.17	3.55	3.65	3.57	3.88	3.68	2.70	3.70	3.79	3.81	4.07
– over 2 years	3.45	2.85	2.76	3.20	2.58	2.50	2.62	0.46	3.90	2.01	1.05	2.05	2.02
Deposits payable at notice	1.72	1.73	1.78	1.79	1.83	1.87	1.92	1.93	1.94	1.93	1.94	1.95	1.97
– up to 3 months	1.26	1.27	1.35	1.36	1.44	1.44	1.47	1.44	1.45	1.45	1.46	1.46	1.46
– over 3 months	1.91	1.93	1.96	1.97	2.00	2.05	2.11	2.12	2.13	2.12	2.13	2.14	2.16
<b>Households</b>													
Deposits in total	0.99	1.01	1.00	1.03	1.01	0.99	1.10	1.06	1.18	1.16	1.12	1.14	1.18
Deposits payable on demand	0.50	0.48	0.47	0.47	0.44	0.47	0.46	0.46	0.47	0.49	0.50	0.53	0.53
of which: demand deposits	0.46	0.47	0.46	0.46	0.43	0.46	0.44	0.44	0.46	0.48	0.49	0.49	0.50
overnight deposits	2.27	1.95	1.80	1.72	1.76	1.76	2.34	1.77	1.78	1.59	1.74	2.98	2.89
Deposits with agreed maturity	3.33	3.32	3.44	3.36	3.38	3.26	3.49	3.43	3.41	3.44	3.44	3.49	3.45
– up to 1 year in total	3.33	3.34	3.45	3.36	3.39	3.28	3.48	3.44	3.41	3.47	3.48	3.50	3.50
– up to 7 days	3.12	2.93	3.33	2.97	3.12	2.32	3.30	2.80	2.73	2.85	2.99	3.20	3.03
– up to 1 month	3.38	3.39	3.52	3.45	3.43	3.33	3.48	3.44	3.31	3.48	3.54	3.49	3.53
– up to 3 months	3.13	3.15	3.08	3.17	3.11	3.11	3.16	3.14	3.08	3.13	3.05	3.13	3.05
– up to 6 months	3.00	3.00	3.15	3.03	3.10	3.13	3.16	3.12	3.29	3.11	3.01	3.13	3.16
– up to 1 year	3.12	3.28	3.28	3.35	3.27	3.25	3.75	3.80	3.96	3.80	3.69	3.73	3.81
– long-term over 1 year	3.25	3.02	3.11	3.25	2.90	2.93	3.57	2.95	3.51	2.08	1.39	2.59	2.42
– up to 2 years	3.51	3.50	3.50	3.55	3.65	3.57	3.89	3.56	3.73	3.70	3.82	4.03	4.08
– over 2 years	3.06	2.81	2.70	2.52	2.75	2.20	2.22	2.23	2.28	0.54	1.16	2.04	2.02
Deposits payable at notice	1.72	1.73	1.78	1.79	1.83	1.87	1.92	1.93	1.94	1.93	1.94	1.95	1.97
– up to 3 months	1.23	1.24	1.33	1.33	1.42	1.42	1.44	1.44	1.45	1.45	1.45	1.45	1.45
– over 3 months	1.91	1.93	1.96	1.97	2.00	2.05	2.11	2.12	2.14	2.12	2.13	2.14	2.16
<b>Non-financial corporations</b>													
Deposits in total	2.31	2.30	2.28	2.36	2.19	1.83	2.37	2.12	2.13	2.36	2.33	2.59	2.60
Deposits payable on demand	1.01	1.01	0.88	0.76	0.89	0.78	1.07	0.84	0.83	0.77	0.92	1.46	1.33
of which: demand deposits	0.74	0.82	0.70	0.63	0.65	0.66	0.81	0.65	0.64	0.63	0.73	1.02	1.00
overnight deposits	2.28	2.06	1.96	1.88	1.93	1.91	2.58	2.00	1.83	1.88	1.94	3.72	3.64
Deposits with agreed maturity	3.93	3.87	3.92	3.87	3.92	3.60	3.91	3.69	3.64	3.78	3.84	3.87	3.85
– up to 1 year in total	3.93	3.87	3.93	3.87	3.91	3.60	3.91	3.69	3.64	3.78	3.84	3.86	3.85
– up to 7 days	3.43	3.07	3.19	2.89	3.03	2.26	3.49	2.63	2.61	2.85	3.11	3.38	2.97
– up to 1 month	4.05	4.03	4.09	4.07	4.06	3.88	4.06	3.99	3.96	4.05	4.06	4.07	4.08
– up to 3 months	3.71	3.63	3.68	3.73	3.67	3.67	3.82	3.66	3.65	3.73	3.48	3.77	3.54
– up to 6 months	3.86	3.37	3.78	3.44	3.74	3.85	3.90	3.55	4.10	3.80	3.93	3.88	3.61
– up to 1 year	3.67	3.22	3.42	3.63	3.38	4.34	3.82	3.58	4.10	4.39	3.53	4.07	3.79
– long-term over 1 year	3.70	2.96	3.16	3.10	2.79	3.14	2.76	1.93	1.58	4.32	3.01	2.41	3.07
– up to 2 years	3.79	3.87	3.50	3.60	3.09	3.79	3.60	3.00	1.70	3.02	3.42	1.74	3.97
– over 2 years	2.21	2.81	2.77	2.00	4.57	2.30	2.00	1.78	1.35	4.35	1.99	4.59	4.24
Deposits payable at notice	1.92	2.25	2.19	2.02	2.22	2.29	2.46	1.28	1.26	1.27	1.27	1.43	1.43
– up to 3 months	1.97	2.32	2.36	2.49	2.33	2.41	2.56	1.31	1.28	1.30	1.29	1.48	1.47
– over 3 months	1.09	1.06	0.76	0.30	1.29	1.29	1.10	1.10	1.12	1.10	1.10	1.11	1.19

<sup>1)</sup> Interest rates on deposits in total include also sectors of insurance corporations, pension funds and general government.

<sup>2)</sup> Interest rates on deposits with agreed maturity include other non-negotiable securities (according to the ECB methodology).

Note: Deposits in total include also repo operations and other non-negotiable securities.

## Average Interest Rates on Outstanding Loans

(%)

	2007						2008						
	7	8	9	10	11	12	1	2	3	4	5	6	7
<b>Loans in total<sup>1)</sup></b>	6.78	6.83	6.82	6.77	6.76	6.71	6.75	6.71	6.68	6.69	6.68	6.76	6.76
Current account overdrafts	7.63	7.70	7.73	7.49	7.56	7.41	7.61	7.39	7.27	7.26	7.29	7.59	7.50
Consumer loans	13.28	13.55	13.54	13.51	13.44	13.42	13.35	13.31	13.26	13.27	13.17	13.12	13.25
Operating loans	4.74	4.78	4.83	4.88	4.87	4.90	4.99	4.96	4.92	4.94	4.98	5.10	5.14
Investment loans	5.48	5.51	5.47	5.49	5.49	5.49	5.54	5.52	5.52	5.51	5.51	5.59	5.63
House purchase loans	6.57	6.57	6.55	6.51	6.48	6.43	6.42	6.39	6.35	6.34	6.31	6.31	6.31
Other loans	5.98	6.02	6.08	6.08	6.06	6.02	6.02	6.03	6.09	6.12	6.08	6.19	6.18
Credit cards	16.73	16.65	16.63	16.39	16.09	17.39	17.85	17.92	17.77	17.69	17.69	17.72	17.55
Short-term loans	6.68	6.74	6.78	6.69	6.69	6.61	6.77	6.70	6.64	6.68	6.71	6.95	6.92
Long-term loans over 1 year and up to 5 years	7.99	8.07	8.05	7.97	7.93	7.88	7.81	7.80	7.80	7.81	7.77	7.78	7.73
Long-term loans over 5 years	6.41	6.45	6.43	6.40	6.40	6.38	6.39	6.37	6.36	6.36	6.34	6.36	6.41
<b>Households</b>													
Loans in total	8.28	8.31	8.26	8.20	8.16	8.10	8.08	8.04	8.00	7.97	7.93	7.90	7.91
Current account overdrafts	13.95	13.99	13.95	13.97	13.94	13.63	13.85	13.76	13.73	13.68	13.70	13.64	13.64
Consumer loans	13.29	13.56	13.55	13.52	13.46	13.43	13.36	13.32	13.27	13.28	13.18	13.13	13.26
House purchase loans	6.65	6.66	6.62	6.58	6.54	6.50	6.48	6.45	6.42	6.40	6.37	6.36	6.35
Other loans	7.13	7.17	7.14	7.08	7.06	7.04	7.04	7.05	7.02	7.00	6.94	6.91	6.88
Credit cards	16.70	16.63	16.61	16.38	16.06	17.38	17.86	17.92	17.78	17.70	17.68	17.71	17.54
Short-term loans	13.89	13.89	13.86	13.73	13.66	13.69	13.92	13.96	13.85	13.81	13.81	13.77	13.74
Long-term loans over 1 year and up to 5 years	11.16	11.32	11.31	11.29	11.23	11.23	11.14	11.10	11.08	11.12	11.04	11.02	10.99
Long-term loans over 5 years	6.94	6.98	6.95	6.91	6.89	6.85	6.85	6.83	6.81	6.81	6.79	6.78	6.83
<b>Non-financial institutions</b>													
Loans in total	5.65	5.68	5.72	5.69	5.68	5.64	5.74	5.70	5.66	5.69	5.68	5.83	5.82
Current account overdrafts	5.81	5.83	6.00	5.76	5.82	5.65	5.93	5.79	5.67	5.73	5.77	6.06	5.98
Operating loans	4.72	4.79	4.82	4.89	4.89	4.92	5.04	5.02	5.00	5.00	5.02	5.12	5.15
Investment loans	5.52	5.55	5.51	5.54	5.53	5.54	5.60	5.58	5.58	5.56	5.55	5.63	5.68
House purchase loans	6.18	6.18	6.21	6.20	6.17	6.14	6.17	6.14	6.08	6.10	6.06	6.15	6.16
Other loans	5.95	5.97	6.01	6.07	6.04	5.95	5.91	5.92	5.91	6.00	5.91	6.11	6.06
Credit cards	17.76	17.56	17.62	16.66	17.47	17.99	17.83	18.10	18.04	17.66	18.21	18.52	18.40
Short-term loans	5.55	5.57	5.67	5.59	5.59	5.48	5.68	5.60	5.54	5.60	5.60	5.84	5.80
Long-term loans over 1 year and up to 5 years	5.98	6.02	6.07	6.03	6.02	5.99	6.00	6.00	5.99	6.01	6.01	6.07	6.08
Long-term loans over 5 years	5.59	5.62	5.58	5.61	5.61	5.63	5.67	5.65	5.63	5.62	5.59	5.68	5.71

<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.



### Average Interest Rates on Outstanding Deposits

(%)

	2007						2008						
	7	8	9	10	11	12	1	2	3	4	5	6	7
<b>Deposits in total<sup>1)</sup></b>	2.20	2.20	2.18	2.21	2.14	1.99	2.15	2.08	2.02	2.10	2.08	2.18	2.25
Deposits payable on demand	0.79	0.78	0.70	0.66	0.71	0.70	0.78	0.69	0.69	0.67	0.73	0.99	0.94
of which: demand deposits	0.64	0.67	0.62	0.60	0.58	0.61	0.65	0.59	0.59	0.60	0.63	0.74	0.75
overnight deposits	2.14	2.14	1.86	1.88	1.90	1.86	2.37	2.01	1.78	1.88	1.97	3.55	3.58
Deposits with agreed maturity <sup>2)</sup>	3.32	3.28	3.30	3.31	3.27	3.15	3.27	3.22	3.19	3.26	3.25	3.30	3.35
– up to 1 year in total	3.45	3.41	3.43	3.43	3.39	3.27	3.40	3.35	3.33	3.40	3.38	3.42	3.48
– up to 7 days	2.96	2.51	3.09	2.61	2.63	2.17	3.23	3.16	2.60	2.84	2.88	3.45	3.56
– up to 1 month	3.70	3.70	3.70	3.73	3.70	3.59	3.66	3.60	3.58	3.66	3.65	3.65	3.69
– up to 3 months	2.41	2.38	2.34	2.41	2.39	2.45	2.51	2.45	2.48	2.53	2.54	2.54	2.51
– up to 6 months	2.97	2.96	2.96	2.97	2.98	2.88	2.92	2.91	2.95	2.95	2.95	2.95	2.89
– up to 1 year	3.56	3.49	3.52	3.38	3.33	3.31	3.30	3.36	3.51	3.56	3.48	3.49	3.59
– over 1 year in total	2.56	2.54	2.57	2.58	2.58	2.58	2.60	2.59	2.56	2.56	2.66	2.67	2.67
– up to 2 years	3.21	3.30	3.32	3.35	3.44	3.42	3.49	3.49	3.42	3.44	3.48	3.52	3.55
– over 2 years	2.54	2.51	2.54	2.54	2.54	2.53	2.54	2.52	2.49	2.48	2.58	2.60	2.62
Deposits payable at notice	1.72	1.73	1.78	1.79	1.83	1.87	1.92	1.93	1.94	1.93	1.94	1.95	1.97
– up to 3 months	1.26	1.27	1.35	1.36	1.44	1.44	1.47	1.44	1.45	1.45	1.46	1.46	1.46
– over 3 months	1.91	1.93	1.96	1.97	2.00	2.05	2.11	2.12	2.13	2.12	2.13	2.14	2.16
<b>Households</b>													
Deposits in total	1.71	1.71	1.72	1.72	1.72	1.71	1.75	1.76	1.79	1.81	1.81	1.83	1.85
Deposits payable on demand	0.49	0.48	0.47	0.47	0.44	0.47	0.46	0.46	0.47	0.49	0.50	0.53	0.53
of which: demand deposits	0.46	0.46	0.46	0.46	0.43	0.46	0.44	0.44	0.46	0.48	0.49	0.49	0.50
overnight deposits	2.23	2.02	1.81	1.78	1.78	1.86	2.37	1.77	1.78	1.39	1.74	2.98	2.89
Deposits with agreed maturity	2.71	2.69	2.73	2.71	2.71	2.69	2.74	2.75	2.79	2.83	2.84	2.88	2.89
– up to 1 year in total	2.76	2.75	2.78	2.75	2.76	2.73	2.79	2.82	2.88	2.93	2.91	2.95	2.97
– up to 7 days	2.54	2.38	2.87	2.57	2.73	2.23	2.91	2.57	2.62	2.64	2.75	3.01	2.91
– up to 1 month	2.40	2.43	2.45	2.49	2.50	2.51	2.54	2.56	2.56	2.63	2.67	2.68	2.71
– up to 3 months	2.21	2.23	2.22	2.24	2.24	2.26	2.27	2.29	2.31	2.35	2.36	2.35	2.36
– up to 6 months	2.75	2.71	2.69	2.68	2.70	2.71	2.73	2.75	2.77	2.77	2.78	2.78	2.80
– up to 1 year	3.71	3.62	3.66	3.49	3.43	3.37	3.35	3.40	3.55	3.61	3.51	3.55	3.58
– long-term over 1 year	2.57	2.54	2.58	2.59	2.58	2.58	2.60	2.58	2.57	2.57	2.66	2.68	2.68
– up to 2 years	3.33	3.36	3.41	3.43	3.48	3.50	3.56	3.57	3.58	3.59	3.63	3.65	3.68
– over 2 years	2.55	2.52	2.55	2.55	2.54	2.53	2.54	2.51	2.49	2.48	2.58	2.59	2.58
Deposits payable at notice	1.72	1.73	1.78	1.79	1.83	1.87	1.92	1.93	1.94	1.93	1.94	1.95	1.97
– up to 3 months	1.23	1.24	1.33	1.33	1.42	1.42	1.44	1.44	1.45	1.45	1.45	1.45	1.45
– over 3 months	1.91	1.93	1.96	1.97	2.00	2.05	2.11	2.12	2.14	2.12	2.13	2.14	2.16
<b>Non-financial corporations</b>													
Deposits in total	2.26	2.26	2.23	2.28	2.11	1.86	2.29	2.15	2.09	2.28	2.25	2.50	2.54
Deposits payable on demand	1.03	1.03	0.87	0.76	0.88	0.78	1.05	0.84	0.83	0.78	0.92	1.46	1.34
of which: demand deposits	0.74	0.83	0.70	0.63	0.65	0.66	0.81	0.65	0.64	0.63	0.73	1.02	1.01
overnight deposits	2.38	2.15	1.85	1.88	1.91	1.85	2.43	2.00	1.83	1.88	1.94	3.72	3.64
Deposits with agreed maturity	3.82	3.73	3.75	3.71	3.70	3.54	3.87	3.76	3.76	3.83	3.84	3.94	3.95
– up to 1 year in total	3.83	3.74	3.76	3.72	3.71	3.54	3.87	3.77	3.77	3.83	3.85	3.95	3.96
– up to 7 days	3.13	2.62	2.76	2.59	2.61	2.17	3.38	2.51	2.70	2.84	2.61	3.69	3.58
– up to 1 month	3.94	3.92	3.96	3.93	3.90	3.79	3.94	3.92	3.91	3.98	4.00	4.00	4.01
– up to 3 months	3.46	3.35	3.31	3.42	3.36	3.40	3.65	3.42	3.52	3.55	3.53	3.64	3.52
– up to 6 months	3.69	3.71	3.76	3.73	3.79	3.07	3.84	3.84	3.92	3.88	3.91	3.96	3.94
– up to 1 year	3.69	3.67	3.66	3.66	3.65	4.03	4.04	4.03	4.08	4.14	4.14	4.00	4.03
– long-term over 1 year	2.36	2.34	2.32	2.31	2.33	2.38	2.30	2.27	2.23	2.26	2.24	2.23	2.23
– up to 2 years	3.21	3.13	3.24	3.17	3.15	3.10	3.11	3.11	3.09	3.25	3.32	3.29	3.23
– over 2 years	2.23	2.22	2.17	2.15	3.12	3.10	3.04	2.98	2.93	2.85	2.75	3.21	3.12
Deposits payable at notice	1.92	2.25	2.19	2.02	2.22	2.29	2.46	1.28	1.26	1.27	1.27	1.43	1.43
– up to 3 months	1.97	2.32	2.36	2.49	2.33	2.41	2.56	1.31	1.28	1.30	1.29	1.48	1.47
– over 3 months	1.09	1.06	0.76	0.30	1.29	1.29	1.10	1.10	1.13	1.10	1.10	1.11	1.19

<sup>1)</sup> Interest rates on deposits in total include also sectors of insurance corporations, pension funds and general government.

<sup>2)</sup> Interest rates on deposits with agreed maturity include other non-negotiable securities (according to the ECB methodology).

Note: Deposits in total include also repo operations and other non-negotiable securities.



## Shortened Balance Sheet of Commercial Banks as at 31 July 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>	63,384,146	1,461,252,241	63,448,060	193,386,603	89,121,204	1,743,823,962
Cash items	0	14,135,508	0	112,779	4,368,115	18,616,402
Cash in hand	0	12,709,830	0	0	4,055,585	16,765,415
of which: EUR	0	0	0	0	2,122,501	2,122,501
Gold	0	0	0	0	0	0
Amounts in transit	0	1,425,678	0	112,779	312,530	1,850,987
Loans and other receivables	23,660,358	1,042,756,436	31,243,641	178,167,659	68,997,918	1,297,505,296
Deposits and loans to NBS, foreign central banks and post office banks	817	305,957,994	0	0	1,777	305,958,954
of which: Valued on an individual basis with no identifiable depreciation (category I)	817	227,360,458	0	0	1,777	227,361,418
Valued on a portfolio basis (category II)	0	78,597,536	0	0	0	78,597,536
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	1,291,551	0	0	1,317	1,292,868
Term deposits	0	852,054	0	0	0	852,054
Loans provided	817	293,256,736	0	0	0	293,255,919
Money reserve accounts	0	10,557,653	0	0	0	10,557,653
of which: Minimum reserve requirements	0	10,370,119	0	0	0	10,370,119
Postal cheque accounts	0	0	0	0	460	460
Deposits and loans to banks	66,895	29,542,187	19,999,715	6,030,076	39,023,053	94,528,136
of which: Valued on an individual basis with no identifiable depreciation (category I)	2,010	23,403,953	14,623,296	4,760,745	35,727,392	78,513,376
Valued on a portfolio basis (category II)	5,354	6,068,483	5,376,419	1,269,331	2,712,392	15,421,271
Valued on an individual basis with identifiable depreciation (category III)	59,531	69,751	0	0	583,269	593,489
of which: Failed	42,887	40,728	0	0	49,072	46,913
of which: Deposits with and loans to own financial group	210	1,020,075	8,964,181	401,741	15,562,180	25,947,967
of which: Current accounts in banks	137	576,947	18,157	44,344	3,521,060	4,160,371
Current accounts of other banks	22	24	1,580,926	1	816,600	2,397,529
Term deposits	1,165	26,084,368	15,061,983	5,180,337	30,345,738	76,671,261
Loans provided	65,571	2,715,257	0	802,630	4,241,682	7,693,998
Other receivables from banks	0	165,591	3,338,649	2,764	97,973	3,604,977
Receivables from customers	23,570,094	693,383,009	11,243,913	164,960,199	29,214,653	875,231,680
of which: Valued on an individual basis with no identifiable depreciation (category I)	229,569	118,162,260	8,326,309	57,166,842	12,227,160	195,653,002
Valued on a portfolio basis (category II)	12,979,935	555,534,178	2,705,456	104,813,641	16,307,213	666,380,553
Valued on an individual basis with identifiable depreciation (category III)	10,360,590	19,686,571	212,148	2,979,716	680,280	13,198,125
of which: Failed	17,158,210	24,346,710	154,485	1,211,284	587,879	9,142,148
of which: MMIF loans	0	3,000	0	0	0	3,000
Loans to general government and international organizations (S.13)	22,552	13,873,246	13	7,177,384	153,635	21,181,726
of which: Valued on an individual basis with no identifiable depreciation (category I)	8,922	10,063,435	13	6,994,413	0	17,048,939
Valued on a portfolio basis (category II)	7,784	3,788,385	0	182,971	153,635	4,117,207
Valued on an individual basis with identifiable depreciation (category III)	5,846	21,426	0	0	0	15,580
of which: Failed	5,853	19,203	0	1	0	13,351
of which: Deposits to central government (S.1311)	0	0	0	0	0	0
Loans to central government (S.1311)	4,857	2,209,390	13	1	153,635	2,358,182
of which: SR Treasury	0	0	0	0	0	0
Other funds	0	0	0	0	0	0
Loans to local governments (S.1313)	17,695	11,663,856	0	7,177,383	0	18,823,544
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	604,800	604,800
Financial instruments available for sale	328,927	36,528,582	3,998,691	3,690,063	8,379,063	52,267,472
Financial instruments at fair value through profit/loss: held for trading (excluding derivatives)	0	112,097,189	2,771,996	3,309,867	1,311,603	119,490,655
Financial instruments at fair value towards profit/loss: others (from the point of settlement)	0	7,891,049	1,204,878	4,963,198	964,680	15,023,805
Positive fair value of derivative transactions for trading	0	7,085,173	17,804,059	0	0	24,889,232
Financial instruments held to maturity	22,293	159,878,875	5,023,075	2,904,287	4,454,661	172,238,605
Positive fair value of derivative hedge transactions	0	90,756	441,508	0	0	532,264
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	950,550	10,304,157	883,901	0	0	10,237,508
Funds to branches abroad	0	0	0	0	515,251	515,251
Tangible assets	24,724,614	45,720,652	0	0	0	20,996,038
Intangible assets	12,739,515	18,529,022	0	0	0	5,789,507
Other assets	701,008	4,972,537	76,311	238,750	129,913	4,716,503
Tax receivables	0	641,648	0	0	0	641,648
Depreciation	37,273,619	37,273,619	0	0	0	0
Non-current assets held for sale (IFRS 5)	256,881	620,657	0	0	0	363,776



### Shortened Balance Sheet of Commercial Banks as at 31 July 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>	1,146,556,533	190,256,150	144,447,548	262,563,731	1,743,823,962
<b>PAYABLES</b>	1,077,417,723	124,869,208	144,642,803	261,740,570	1,608,670,304
Deposits and loans from NBS and foreign central banks	2,244,471	0	2,969	0	2,247,440
of which: Current accounts	20,420	0	0	0	20,420
Term deposits	0	0	0	0	0
Loans received	2,224,051	0	2,969	0	2,227,020
Postal cheque accounts	0	0	0	0	0
Financial liabilities valued at amortized costs	1,038,782,418	98,042,986	139,475,617	211,025,097	1,487,326,118
Deposits, loans and other liabilities received from banks	26,606,309	79,260,256	6,850,595	176,948,744	289,665,904
of which: Deposits and loans received from own financial group	216,556	68,948,281	807,318	151,721,303	221,693,458
of which: Current accounts in banks	0	0	1	2,870,460	2,870,461
Current accounts of other banks	576,947	5,568,648	44,414	356,151	6,546,160
Term deposits	23,215,397	52,669,884	5,990,455	157,669,844	239,545,580
Subordinate debts	213,329	1,721,033	0	6,504,604	8,438,966
Loans received	2,489,756	19,287,244	0	8,993,887	30,770,887
Other liabilities received from banks	110,880	13,447	815,725	553,798	1,493,850
Deposits and loans received from customers	844,044,277	12,764,872	106,370,628	12,773,778	975,953,555
of which: MMIF deposits	29,127,171	119	103,887	0	29,231,177
of which: Current accounts and other financial undated liabilities	340,903,406	7,904,738	52,497,684	3,800,146	405,105,974
Term deposits	454,980,019	4,010,690	49,277,555	2,564,328	510,832,592
Deposits payable at notice	31,359,771	54,537	708,104	6,203	32,128,615
Certificates of deposit	60,084	0	0	0	60,084
Loans received and financial leasing	5,756,863	600,585	0	3,588,782	9,946,230
Subordinated liabilities	0	0	0	884,569	884,569
Other liabilities received from customers	10,984,134	194,322	3,887,285	1,929,750	16,995,491
Deposits of general government and international organizations	70,035,674	21,327	22,849,711	234,376	93,141,088
of which: Deposits of central government (S.1311)	40,430,473	21,326	22,826,379	234,351	63,512,529
of which: Treasury	3,075,392	0	22,743,115	0	25,818,507
Deposits of local governments (S.1313)	29,604,474	1	23,332	25	29,627,832
Deposits of social security funds (S.1314)	727	0	0	0	727
Securities issued by the accounting unit	98,096,158	5,996,531	3,404,683	21,068,199	128,565,571
Financial liabilities held for trading (excluding derivatives)	0	0	0	0	0
Financial liabilities in fair value through profit/loss (IAS 39)	7,331,249	12,456,580	3,422,233	50,630,215	73,840,277
of which: Current accounts	0	0	0	0	0
Term deposits	7,331,249	12,424,358	3,422,233	50,630,215	73,808,055
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	32,222	0	0	32,222
Negative fair value of derivative transactions for trading	11,276,036	13,061,434	0	0	24,337,470
Negative fair value of derivative hedge transactions	1,482	125,952	0	0	127,434
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	4,226,255	0	24,407	0	4,250,662
Other liabilities	10,701,429	1,182,256	1,717,577	85,258	13,686,520
Tax liabilities	2,674,383	0	0	0	2,674,383
<b>EQUITY</b>	69,138,810	65,386,942	-195,255	823,161	135,153,658
Share capital	4,632,484	45,833,467	0	0	50,465,951
of which: Subscribed share capital	4,640,594	45,833,467	0	0	50,474,061
Receivables from shareholders	0	0	0	0	0
Own shares	-8,110	0	0	0	-8,110
Funds to branches of foreign banks	0	5,001,304	0	874,376	5,875,680
Share premium	3,327,593	15,093,418	0	0	18,421,011
Reserve funds and other funds created from profits	16,358,444	119,500	0	0	16,477,944
Other funds	143,517	-600,755	0	239	-456,999
Valuation changes	-6,634,815	-59,992	-195,255	-51,454	-6,941,516
Profit/loss from previous years	38,975,585	0	0	0	38,975,585
of which: Retained earnings	39,588,095	0	0	0	39,588,095
Accumulated loss	-612,510	0	0	0	-612,510
Profit and loss account	12,337,291	0	0	0	12,337,291
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						
	7	8	9	10	11	12	1	2	3	4	5	6	7
NET INTEREST INCOME	22,070	25,418	28,759	32,218	35,787	39,775	3,707	7,256	11,069	14,791	18,688	22,662	26,717
Interest income on securities	8,418	9,809	11,135	12,508	13,811	15,083	1,401	2,619	3,890	5,123	6,392	7,569	8,749
Other interest income	36,999	42,471	48,151	53,986	59,782	66,201	6,000	11,774	17,831	23,862	30,260	36,751	43,463
Interest expenses on securities	2,337	2,691	3,058	3,442	3,793	4,258	420	846	1,325	1,786	2,263	2,710	3,187
Other interest expenses	21,011	24,171	27,470	30,835	34,013	37,250	3,274	6,291	9,327	12,408	15,700	18,948	22,309
NET NON-INTEREST INCOME	11,816	13,276	14,636	16,568	17,996	19,708	1,594	3,433	4,911	6,990	9,069	10,795	12,681
Fee and commission income	8,843	10,135	11,374	12,440	13,758	15,291	1,327	2,709	4,080	5,499	6,883	8,355	9,854
Fees and commission expenses	1,794	2,071	2,360	2,331	2,612	3,002	255	511	761	1,039	1,353	1,633	1,924
Dividends received	222	222	243	243	243	272	0	0	0	156	164	506	507
Income from transactions in securities	1,257	1,401	1,511	1,747	1,909	2,112	444	834	1,170	1,267	1,340	1,553	1,730
Expenses related to transactions in securities	1,314	1,585	1,879	1,915	2,162	2,568	414	812	1,094	1,299	1,565	2,114	2,155
Profit/loss on foreign exchange transactions	4,533	3,769	5,752	7,669	8,979	8,796	329	3,036	4,372	5,043	10,200	8,033	6,393
Profit/loss on fixed forward transactions and options	181	1,540	33	-1,229	-2,054	-1,146	130	-1,877	-2,882	-2,634	-6,569	-3,863	-1,678
Income from other transactions	140	156	187	195	218	294	22	57	67	93	112	117	150
Expenses related to other transactions	252	291	224	251	282	340	-11	4	41	97	143	160	195
NET OPERATING PROFIT/LOSS	-1,473	-1,561	-1,748	-1,999	-2,218	-3,070	-150	-223	-244	-331	-517	-689	-888
GENERAL OPERATING EXPENSES	18,829	21,552	24,282	27,057	30,010	33,500	2,712	5,832	8,609	11,686	14,712	17,581	20,696
NET CREATION OF RESERVES AND PROVISIONS	-883	-1,060	-1,180	-1,316	-1,432	-1,994	-198	-427	-1,068	-1,439	-1,643	-2,092	-2,364
INCOME TAX	1,851	2,091	2,432	2,781	3,052	3,591	389	796	1,275	1,707	2,151	2,658	3,114
CURRENT PERIOD PROFIT/LOSS	10,850	12,431	13,753	15,632	17,072	17,328	1,851	3,412	4,783	6,618	8,734	10,437	12,337



**Balance of Payments of the SR for January – June 2008**

	Collection / Credit (+)		Payments / Debit (-)		Balance	
	SKK million	USD million	SKK million	USD million	SKK million	USD million
<b>Goods</b>	775,995.0	36,750.9	780,070.0	36,943.9	-4,075.0	-193.0
<b>Services</b>	86,690.7	4,105.6	92,677.9	4,389.2	-5,987.2	-283.6
Transport	31,455.0	1,489.7	24,755.9	1,172.4	6,699.0	317.3
Tourism	24,927.7	1,180.6	20,775.3	983.9	4,152.4	196.7
Other services	30,308.1	1,435.4	47,146.7	2,232.9	-16,838.7	-797.5
<b>Income</b>	35,137.1	1,664.1	75,127.8	3,558.0	-39,990.8	-1,894.0
Compensation of employees	21,000.0	994.6	2,233.8	105.8	18,766.2	888.8
Investment income	14,137.1	669.5	72,894.1	3,452.2	-58,757.0	-2,782.7
<b>Current transfers</b>	30,997.8	1,468.0	43,957.9	2,081.8	-12,960.1	-613.8
<b>CURRENT ACCOUNT</b>	928,820.6	43,988.7	991,833.7	46,972.9	-63,013.1	-2,984.3
<b>Capital account</b>	17,428.7	825.4	1,128.5	53.4	16,300.2	772.0
<b>Financial account</b>	3,689,798.3	174,745.2	-3,623,994.3	-171,631.2	65,804.0	3,113.9
Direct investment	921,620.6	43,647.7	-910,560.3	-43,123.9	11,060.4	523.8
<i>Abroad (direct investor = resident)</i>	17,769.6	841.6	-18,951.0	-897.5	-1,181.4	-56.0
Equity capital and reinvested earnings	933.6	44.2	-3,092.0	-146.4	-2,158.4	-102.2
Other capital	16,836.0	797.3	-15,859.0	-751.1	977.0	46.3
<i>In the SR (recipient of dir. investment = resident)</i>	903,851.0	42,806.1	-891,609.3	-42,226.3	12,241.8	579.8
Equity capital and reinvested earnings	19,723.0	934.1	-5,184.3	-245.5	14,538.8	688.6
Other capital	884,128.0	41,872.0	-886,425.0	-41,980.8	-2,297.0	-108.8
Portfolio investment	138,085.7	6,539.7	-103,034.6	-4,879.7	35,051.1	1,660.0
Assets	45,225.4	2,141.9	-38,187.7	-1,808.6	7,037.8	333.3
Liabilities	92,860.3	4,397.8	-64,846.9	-3,071.1	28,013.4	1,326.7
Financial derivatives	1,307,013.6	61,899.8	-1,309,505.2	-62,017.8	-2,491.6	-118.0
Assets	696,679.7	32,994.5	-702,649.9	-33,277.3	-5,970.3	-282.7
Liabilities	610,333.9	28,905.2	-606,855.3	-28,740.5	3,478.6	164.7
Other investment	1,323,078.3	62,658.0	-1,300,894.2	-61,609.9	22,184.1	1,048.1
<i>Long-term</i>	80,682.6	3,818.5	-77,975.0	-3,692.8	2,707.6	125.7
Assets	12,224.4	578.9	-18,238.6	-863.8	-6,014.2	-284.8
Liabilities	68,458.3	3,239.6	-59,736.4	-2,829.0	8,721.9	410.5
<i>Short-term</i>	1,242,395.7	58,839.5	-1,222,919.2	-57,917.1	19,476.5	922.4
Assets	741,688.5	35,126.1	-759,892.0	-35,988.3	-18,203.5	-862.1
Liabilities	500,707.2	23,713.3	-463,027.2	-21,928.8	37,680.0	1,784.5
<b>CAPITAL AND FINANCIAL ACCOUNT</b>	3,707,227.0	175,570.6	-3,625,122.8	-171,684.7	82,104.2	3,885.9
<b>ERRORS AND OMISSIONS</b>	-	-	-	-	-22,933.9	-1,091.1
<b>TOTAL BALANCE</b>	-108,411.9	-5,176.4	104,569.1	4,986.9	-3,842.8	-189.5
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	108,411.9	5,176.4	-104,299.8	-4,973.9	4,112.1	202.5
Deposits	20,711.8	988.8	0.0	0.0	20,711.8	988.8
Securities	87,700.1	4,187.6	-104,299.8	-4,973.9	-16,599.7	-786.3
Bonds and notes	0.0	0.0	-104,299.8	-4,973.9	-104,299.8	-4,973.9
Money market instruments and financial derivatives	87,700.1	4,187.6	0.0	0.0	87,700.1	4,187.6
	0.0	0.0	-269.3	-13.0	-269.3	-13.0
<b>RESERVE ASSETS</b>	108,411.9	5,176.4	-104,569.1	-4,986.9	3,842.8	189.5

Note: Preliminary data.

Applied rate of exchange: USD 1 = SKK 21,115.



## 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	American	-	-	-
970106003	8.3.2007	9.3.2007	1.6.2007	84	63,740	0	American	-	-	-
970308005	10.5.2007	11.5.2007	3.8.2007	84	73,661	20,000	American	4.05	4.15	4.18
972408007	31.5.2007	1.6.2007	24.8.2007	84	50,400	30,000	American	4.15	4.23	4.25
972109008	28.6.2007	29.6.2007	21.9.2007	84	23,900	17,000	American	4.24	4.27	4.40
972610009	2.8.2007	3.8.2007	26.10.2007	84	22,490	22,290	American	4.24	4.25	4.25
971611011	23.8.2007	24.8.2007	16.11.2007	84	29,110	23,110	American	4.24	4.25	4.25
971412012	20.9.2007	21.9.2007	14.12.2007	84	20,500	19,000	American	4.25	4.25	4.25
971801014	25.10.2007	26.10.2007	18.1.2008	84	14,690	13,690	American	4.25	4.25	4.25
971801015	15.11.2007	16.11.2007	8.2.2008	84	28,500	23,500	American	4.25	4.25	4.25
970703016	13.12.2007	14.12.2007	7.3.2008	84	30,900	30,900	American	4.25	4.25	4.25
981104001	17.1.2008	18.1.2008	11.4.2008	84	28,975	28,975	American	4.24	4.25	4.25
980205002	7.2.2008	8.2.2008	2.5.2008	84	33,980	30,980	American	4.24	4.25	4.25
983005004	6.3.2008	7.3.2008	30.5.2008	84	43,250	30,000	American	4.24	4.25	4.25
980407005	10.4.2008	11.4.2008	4.7.2008	84	34,275	30,000	American	4.24	4.25	4.25
982507006	30.4.2008	2.5.2008	25.7.2008	84	21,100	21,100	American	4.24	4.25	4.25
982208008	29.5.2008	30.5.2008	22.8.2008	84	17,550	17,550	American	4.24	4.25	4.25
982609009	3.7.2008	4.7.2008	4.7.2008	84	14,800	14,800	American	4.25	4.25	4.25
981710011	24.7.2008	25.7.2008	17.10.2008	84	14,350	14,350	American	4.19	4.25	4.25
981411012	21.8.2008	22.8.2008	14.11.2008	84	15,670	15,670	American	4.25	4.25	4.25



### Basic Characteristics of Slovakia's Foreign Exchange Market in August 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	3,741.3	50.8	102	3,404.5	46.2	374	217.0	2.9	63	7,362.7	539
Interbank forex market: NBS + transactions between domestic banks	3,741.3	50.8	102	3,404.5	46.2	374	217.0	2.9	63	7,362.7	539
Transactions between domestic and foreign banks	55,232.4	74.7	1,811	17,872.6	24.2	2,358	851.9	1.2	1,497	73,956.9	5,666
Foreign exchange market in the SR - total	58,973.7	72.5	1,913	21,277.1	26.2	2,732	1,068.8	1.3	1,560	81,319.6	6,205

	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	936.7	12.7	375	13.1	0.2	2	6,405.1	87.1	160	0.5	0.0	2	7,355.3	539
Transactions between domestic and foreign banks	3,671.1	5.0	2,284	392.1	0.5	1,519	69,833.5	94.5	1,839	10.5	0.0	24	73,907.2	5,666
Foreign exchange market in the SR - excl. the NBS	4,607.8	5.7	2,659	405.2	0.5	1,521	76,238.6	93.8	1,999	11.0	0.0	26	81,262.5	6,205



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

Midpoint rate	2007					2008							
	8	9	10	11	12	1	2	3	4	5	6	7	8
1 AUD	20.486	20.526	21.224	20.324	19.972	20.088	20.488	19.456	19.096	19.223	18.566	18.513	17.924
1 BGN	17.167	17.289	17.205	16.996	17.060	17.148	16.947	16.610	16.560	16.123	15.506	15.502	15.513
1 CYP	57.468	57.881	57.599	56.897	57.045	-	-	-	-	-	-	-	-
1 CZK	1.204	1.226	1.230	1.243	1.269	1.286	1.304	1.289	1.292	1.256	1.244	1.289	1.252
1 DKK	4.512	4.539	4.515	4.459	4.473	4.502	4.446	4.357	4.342	4.227	4.066	4.065	4.068
1 EUR	33.577	33.821	33.645	33.236	33.365	33.538	33.141	32.497	32.388	31.534	30.323	30.314	30.339
1 EEK	2.146	2.161	2.151	2.125	2.133	2.144	2.118	2.076	2.070	2.016	1.938	1.938	1.939
100 JPY	21.078	21.187	20.420	20.414	20.413	21.102	20.987	20.740	20.082	19.424	18.256	18.010	18.487
1 CAD	23.274	23.666	24.197	23.523	22.767	22.595	22.490	21.039	20.260	20.279	19.227	18.984	19.206
1 LTL	9.724	9.794	9.746	9.627	9.663	9.712	9.599	9.409	9.379	9.132	8.782	8.780	8.786
1 LVL	48.126	48.192	47.867	47.455	47.822	48.045	47.576	46.608	46.447	45.150	43.129	43.106	43.098
100 HUF	13.169	13.341	13.410	13.058	13.183	13.114	12.658	12.487	12.751	12.715	12.498	13.071	12.889
1 MTL	78.245	78.767	78.395	77.438	77.727	-	-	-	-	-	-	-	-
1 NOK	4.210	4.312	4.374	4.187	4.159	4.218	4.166	4.080	4.066	4.008	3.798	3.768	3.803
1 PLN	8.813	8.919	9.065	9.084	9.262	9.297	9.255	9.186	9.402	9.257	8.987	9.288	9.248
1 RON	10.435	10.112	10.036	9.573	9.450	9.093	9.068	8.733	8.887	8.616	8.297	8.464	8.609
1 CHF	20.488	20.537	20.151	20.168	20.113	20.672	20.604	20.656	20.314	19.418	18.779	18.740	18.700
1 SEK	3.606	3.639	3.668	3.580	3.540	3.557	3.538	3.455	3.456	3.386	3.238	3.206	3.229
1 USD	24.647	24.378	23.669	22.637	22.882	22.797	22.495	20.977	20.550	20.253	19.512	19.215	20.196
1 GBP	49.556	49.156	48.338	46.897	46.387	44.924	44.188	42.016	40.740	39.795	38.329	38.230	38.344
1 XDR	37.696	37.606	36.880	35.928	36.087	36.100	35.659	34.185	33.644	32.898	31.588	31.345	32.071

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
1 AUD	20.612	20.808	20.700	20.555	20.668	20.030	18.960
1 BGN	17.573	17.254	17.164	17.092	17.273	16.915	16.070
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 DKK	4.612	4.529	4.509	4.484	4.534	4.439	4.213
1 EUR	34.364	33.746	33.572	33.425	33.781	33.085	31.429
1 EEK	2.197	2.157	2.146	2.137	2.159	2.114	2.009
100 JPY	21.971	20.735	20.744	20.416	20.975	20.952	19.265
1 CAD	22.384	22.816	23.353	23.553	23.024	22.082	19.922
1 LTL	9.952	9.772	9.722	9.682	9.783	9.581	9.102
1 LVL	48.960	48.293	48.045	47.715	48.258	47.446	44.929
100 HUF	13.616	13.586	13.337	13.225	13.441	12.768	12.655
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
1 PLN	8.845	8.874	8.858	9.128	8.926	9.249	9.218
1 RON	10.162	10.282	10.400	9.709	10.139	8.974	8.605
1 CHF	21.268	20.484	20.379	20.146	20.574	20.644	19.518
1 SEK	3.743	3.644	3.624	3.601	3.654	3.519	3.361
1 USD	26.231	25.040	24.450	23.091	24.713	22.137	20.110
1 GBP	51.275	49.710	49.384	47.284	49.427	43.784	39.636
1 XDR	39.344	37.964	37.491	36.327	37.792	35.364	32.722

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/Statistics/Balance of Payment Statistics/Foreign Direct Investment](http://www.nbs.sk/Statistics/Balance%20of%20Payment%20Statistics/Foreign%20Direct%20Investment).