



FOREIGN DIRECT INVESTMENT IN SLOVAKIA

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Inflow of foreign direct investment

The recovery in foreign direct investment (FDI) continued in 2001, in particular the volume of FDI in comparison with the years 1994 – 1999 was substantially higher, this primarily being the result of privatisation. Nevertheless, in comparison with the year 2000 there were not so many lucrative privatised organisations, but even so the volume of the FDI inflow of SKK 57 342 million is still exceptional. With regard to the privatisations under preparation and already effected in 2002 it may be predicted that this positive trend will continue.

Table 1 FDI inflow* in million SKK

Year	Balance as at 1. 1.	Netto change	Exchange rate differences	Balance as at 31. 12.	Balance as at 31. 12. in %**
1996	34 345	11 334	467	46 146	–
1997	51 159	7 220	–272	58 107	125.9
1998	58 107	18 582	1 879	78 568	134.2
1999	78 568	16 689	781	96 038	123.1
2000	96 038	99 561	–19 447	176 152	183.4
2001	176 152	57 342	–7 155	226 339	128.5

Source: NBS

1996 – change in methodology – introduction of CZK among convertible currencies

1997 – change in methodology – inclusion of capital also in SKK (in 1993 – 1996 only capital in foreign currency)

* FDI – shareholding stake, this meaning of FDI applies throughout this article.

** – The preceding year always represents 100%.

With deepening privatisation, FDI inflow in the form of equity has also strengthened, with this beginning to be used more significantly last year, i.e. following liberalisation of the conditions for FDI inflow to Slovakia. In comparable surrounding countries the level of FDI inflow into the country against that of total investment has for several years now been around 50%.

In 2001 the structure of the target sectors for FDI in Slovakia altered significantly. Most often it was directed at the financial industry, in consequence of the privatisation of the main Slovak banks. We recorded also a decrease in the share of FDI inflow into industry, where the inflow is

Graph 1 Volume of foreign direct investment inflow

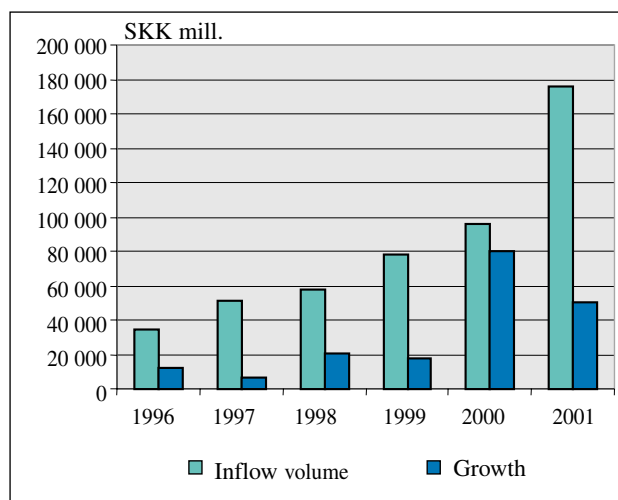


Table 2 Classification of FDI by target industry – balance as at 31. 12.

Industry	Year 1999		Year 2000		Year 2001	
	SKK mill.	%	SKK mill.	%	SKK mill.	%
Agriculture and forestry	188	0.2	188	0.1	187	0.1
Minerals extraction	1 042	1.1	1 881	1.1	1 668	0.7
Industrial production	47 629	49.6	93 498	53.1	97 378	43.0
Gas and electricity production and distribution	426	0.4	435	0.2	383	0.2
Construction	1 788	1.9	2 060	1.2	1 440	0.6
Wholesale and retail	17 642	18.4	20 369	11.6	25 481	11.3
Hotels and restaurants	1 236	1.3	1 302	0.7	1 562	0.7
Transport, warehousing and communications	3 199	3.3	29 725	16.9	31 536	13.9
Finance and Insurance	17 860	18.6	21 106	12.0	59 326	26.2
Property, letting and business services	4 485	4.7	4 967	2.8	6 587	2.9
Health and social care	18	0.0	68	0.0	78	0.0
Other public, social and personal organisations	525	0.5	545	0.3	642	0.3
Extraterritorial organisations and associations	–	–	8	0.0	71	0.0
Total	96 038	100.0	176 152	100.0	226 339	100.0

Source: NBS

Table 3 Classification of FDI by country

Country	Year 1999		Year 2000		Year 2001	
	SKK mill.	%	SKK mill.	%	SKK mill.	%
Germany	21 498	22.4	50 380	28.6	51 577	22.8
Austria	16 924	17.6	25 476	14.5	39 704	17.5
Holland	13 566	14.1	42 897	24.4	47 278	20.9
USA	11 672	12.2	12 145	6.9	13 687	6.0
Czech Republic	8 086	8.4	10 192	5.8	11 223	5.0
Great Britain	7 943	8.3	5 624	3.2	8 746	3.9
Fance	4 061	4.2	5 664	3.2	4 684	2.1
Italy	1 730	1.8	2 707	1.5	24 241	10.7
Belgium	1 467	1.5	2 715	1.5	5 199	2.3
Hungary	1 373	1.4	8 616	4.9	8 821	3.9
Other countries	7 718	8.0	9 736	5.5	11 179	4.9
Total	96 038	100.0	176 152	100.0	226 339	100.0

Table 4 Classification of FDI by region – as at 31.12.

Country	Year 1999		Year 2000		Year 2001	
	SKK mill.	%	SKK mill.	%	SKK mill.	%
Bratislavská region	57 082	59,4	98 532	55,9	143 121	63,2
Trnavská region	8 539	8,9	9 654	5,5	9 794	4,3
Trenčín region	6 473	6,7	6 769	3,8	6 946	3,1
Nitra region	3 645	3,8	4 503	2,6	6 601	2,9
Žilina region	3 392	3,5	8 515	4,8	9 863	4,4
Banská Bystrica reg.	4 759	5,0	5 343	3,0	7 568	3,3
Prešov region	4 233	4,4	5 504	3,1	5 413	2,4
Košice region	7 915	8,2	37 332	21,2	37 033	16,4
Total	96 038	100,0	176 152	100,0	226 339	100,0

Source: NBS

minimal and represents a decline of 10 percentage points. The actual items in the stated years have moved more or less within the scope of only minor deviations.

The structure of FDI inflow to Slovakia by country of origin has for the last two years been relatively evenly balanced. Germany, Austria and Holland continued to occupy the first three places. Of the other countries, Italy became more significantly involved, other countries more or less maintained the same level as in previous years. As regards the orientation of FDI inflow into the individual regions of Slovakia, the Bratislava region unequivocally was the destination for the highest volume of FDI, this in particular being in consequence of the privatisation of the large banks. It is expected that this trend will continue also in 2002, since the privatisation of SPP is to continue along with the privatisation of other financial institutions. The structure in other regions of Slovakia is relatively evenly balanced.

FDI outflow from Slovakia

FDI outflow from Slovakia has recorded only a slight

Table 5 FDI outflow as at 31. 12. 2001 in SKK mill.

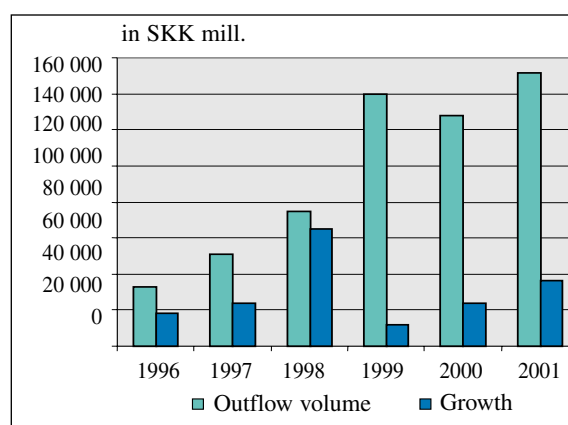
Year	Balance as at 1.1.	Net change	Exchange rate difference	Balance as at 31.12.	Balance as at 31.12. in %*
1996	3 285	1 801	30	5 111	–
1997	5 116	3 170	–817	7 469	146.0
1998	7 469	4 876	1 644	13 989	187.3
1999	13 989	–16 371	15 183	12 801	91.5
2000	12 801	1 074	1 304	15 179	118.6
2001	15 179	3 147	506	18 832	124.1

Prameň – source

1996 – change in methodology – introduction of CZK among convertible currencies

1997 – change in methodology – inclusion of capital also in SKK

* – The preceding year always represents 100%.

Graph 3 Volume of foreign direct investment outflow

growth, which is a reflection of the lack of available funds in domestic businesses.

The structure of FDI outflow from Slovakia has a gradually improving level. A positive trend is increasingly the higher volume directed into production or servicing services.

Nonetheless, purely Slovak businesses, some of which are now also exporting commodities to their subsidiaries, developing their foreign activity. Apart from this also joint ventures, seeking points to catch hold of in potential foreign markets are exporting abroad.

Slovakia's international ratings

The latest results of the ratings magazine Euromoney have been favourable. In comparison with the previous year Slovakia moved seven points in the overall evaluation. Apart from Slovenia, which maintained the same position, the Czech Republic and Poland also improved their position, both countries by four points. On the other hand Hungary, surprisingly, fell by four points.

Political risk, which is defined as the risk of non-payment for goods and services provided, loans, dividends or a the prevention of capital repatriation, which in total represents a lack of trustworthiness from the side of trading

**Table 6 Classification of FDI outflow by target industry – balance as at 31. 12.**

Industry	Year 1999		Year 2000		Year 2001	
	SKK mill.	%	SKK mill.	%	SKK mill.	%
Agriculture and forestry	166	1.3	19	0.1	60	0.3
Fishing	–	–	4	0.0	0	0.0
Minerals extraction	995	7.8	1 138	7.5	1 171	6.2
Industrial production	3 767	29.4	4 776	31.5	7 430	39.5
Gas and electricity production and distribution	1 640	12.8	1 489	9.8	1 587	8.4
Construction	44	0.3	577	3.8	452	2.4
Wholesale and retail	1 212	9.5	1 357	8.9	867	4.6
Hotels and restaurants	8	0.1	0	0.0	2	0.0
Transport, warehousing and communications	163	1.3	163	1.1	163	0.9
Finance and Insurance	4 201	32.8	4 671	30.8	3 992	21.2
Property, letting and business services	430	3.4	824	5.4	2 701	14.3
Health and social care	22	0.2	25	0.2	24	0.1
Other public, social and personal organisations	153	1.2	136	0.9	383	2.0
Total	12 801	100.0	15 179	100.0	18 832	100.0

Table 7 Ratings March 2001

Country	Overall ranking	Political risk	Economy efficiency	Indebtedness	Credit rating	Access to international finance	Total
Ma. no. of points	–	25	25	20	10	20	100.00
Hungary	32	18.45	11.76	18.95	6.67	16.26	72.07
Slovenia	33	17.72	13.73	19.73	7.71	12.94	71.83
Czech Rep.	41	17.58	10.78	19.43	6.46	9.96	64.20
Poland	45	17.50	10.97	19.26	6.25	9.42	63.40
Slovakia	53	13.73	9.88	19.29	4.38	9.63	56.90

Source: Euromoney, March 2001.

Table 8 Ratings March 2002

Country	Overall ranking	Political risk	Economy efficiency	Indebtedness	Credit rating	Access to international finance	Total
Ma. no. of points	–	25	25	20	10	20	100.00
Slovenia	33	16.81	12.38	19.36	6.88	18.30	73.82
Hungary	36	18.41	10.73	17.62	6.67	16.74	70.17
Czech Rep.	37	18.41	10.13	18.49	5.83	15.62	68.48
Poland	41	17.10	9.74	18.15	5.63	15.19	65.81
Slovakia	46	15.56	8.74	20.00	4.17	14.07	62.54

Prameň: Euromoney, March 2002.

partners in the country, slightly improved in the case of all the countries monitored, most however in the case of Slovakia by 1.83 points, whereby we have now substantially approached the level of our neighbours in comparison with preceding years, when we recorded exactly the opposite trend.

Access to international finance reflects the possibility of the country's fast access to international capital will markets. A significant shift of several points ahead was recorded in all countries other than Hungary.

The indicator economic efficiency takes into account economic growth, monetary stability, development of the current account in the balance of payments, public finances and the rate of unemployment. In the framework of this indicator there occurred a slight decline in the case of all the countries monitored, approximately by 0.5 to 1 point.

In the framework of indebtedness the level reflects an evaluation of the country in relation to its debt servicing in comparison to exports, the current account balance to GDP and foreign debt to GDP, as well as the state of restructuring foreign debt of the country. Here Slovakia achieved the highest number of points, i.e. 20, which means first place in the framework of the monitored countries.

The credit rating, which here represents the average evaluation of the country by the rating agencies Moody's, Standard & Poor's and IBCA, records from the aspect of their development a slight decline in the monitored countries other than Slovenia and Poland.