

# Comments on the Quarterly Financial Accounts for Q3 2012

**The ESA 95 system employs the following classification of institutional sectors and sub-sectors:**

Non-financial corporations	S.11
Financial corporations	S.12
Central Bank	S.121
Other monetary financial institutions	S.122 (commercial banks and money market mutual funds)
Other financial intermediaries	S.123 (other mutual funds, leasing, factoring, and hire purchase)
Financial auxiliaries	S.124 (PFMCs, SPMCs, IFs, SE, CD, MFMCs) <sup>1</sup>
Insurance corporations and pension funds	S.125
General government	S.13
Central government	S.1311
Regional government	S.1312
Local government	S.1313
Social security funds	S.1314
Households	S.14
Non-profit institutions serving households (NPISHs)	S.15
Rest of the world (non-residents)	S.2
The European Union (EU)	S.21
The member countries of the EU	
European Monetary Union (EMU)	S.211
Member States and EU institutions	S.212
Third countries and international organisations	S.22

**The ESA 95 system employs the following classification of financial instruments:**

Monetary gold and special drawing rights	(A)F.1 <sup>2</sup>
Monetary gold	(A)F.11
Special drawing rights (SDRs)	(A)F.12
Currency and deposits	(A)F.2
Currency	(A)F.21
Transferable deposits	(A)F.22
Other deposits	(A)F.29
Securities other than shares	(A)F.3
Securities other than shares, excluding financial derivatives	(A)F.33
Short-term	(A)F.331
Long-term	(A)F.332
Financial derivatives	(A)F.34
Loans	(A)F.4
Short-term	(A)F.41
Long-term	(A)F.42
Shares and other equity	(A)F.5
Shares and other equity, excluding mutual fund shares	(A)F.51
Quoted shares	(A)F.511
Unquoted shares	(A)F.512
Other equity	(A)F.513
Mutual fund shares	(A)F.52
Insurance technical reserves	(A)F.6
Net equity of households in life insurance reserves and in pension funds reserves	(A)F.61
Net equity of households in life insurance reserves	(A)F.611
Net equity of households in pension funds reserves	(A)F.612
Prepayments of insurance payments and reserves for outstanding claims	(A)F.62
Other accounts receivable/payable	(A)F.7
Trade credits and advances	(A)F.71
Other	(A)F.79

<sup>1</sup> PMFCs – pension funds management companies, SPMCs – supplementary pension management companies, IFs – investment firms, SE – stock exchange, CD – central depository, MFMCs – mutual funds management companies.

<sup>2</sup> Stocks and transactions have the AF code and the F code, respectively.

## Quarterly Financial Accounts (transactions) for Q3 2012

### The link between quarterly non-financial (GDP) accounts and financial accounts

Financial accounts are linked to non-financial accounts through the *net lending/borrowing* balancing item. This item provides information about a country's overall debtor or creditor position vis-à-vis the rest of the world. Slovakia has a long-term debtor position (mainly as a result of inflows of foreign direct investment). Any decrease/increase in the Slovak economy's indebtedness is reflected in the amount of net lending/borrowing.

Net lending/borrowing by the domestic economy vis-à-vis the rest of the world is calculated from the amount of gross disposable national income, less final consumption expenditure in the sectors of households (including NPISHs) and general government. The result represents the total savings in the national economy. If savings in a given quarter (adjusted for net capital transfers) are higher (lower) than gross capital formation, it means that the economy has lent (borrowed) funds to/from non-residents and thus reduced (increased) its overall debtor position vis-à-vis the rest of the world. The amount of net lending/borrowing is then entered into the quarterly financial accounts. Its utilisation within the domestic economy is analysed below.

### Overall development

In the third quarter of 2012, the net debtor position of the Slovak economy increased and therefore so did the net creditor position of the rest of the world sector<sup>3</sup>. Net borrowing<sup>4</sup> amounted to €0.8 billion, due to a higher increase in financial liabilities than in financial assets. Among institutional sectors<sup>5</sup>, the most significant contribution to this result came from financial transactions in the non-financial corporations sector (S.11), where the amount of transactions on the liability side exceeded those on the asset side by €0.6 billion. By contrast, the best result in the third quarter of 2012 was reported by households (including NPISHs) (S.14, S.15), with their creditor position increasing by €0.4 billion.

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<sup>3</sup>The sum of financial assets and liabilities in the sectors of domestic economy (S.1) and rest of the world (S.2) must equal 0. This means that if the domestic economy's indebtedness increases (or its creditor position decreases), the rest of the world's creditor position vis-à-vis the domestic economy will automatically increase (or its indebtedness will decrease). Whether a change occurs in a debtor or creditor position depends on the total amount of net assets, i.e. the outstanding amounts of claims and liabilities.

<sup>4</sup> Net borrowing represents a negative difference between financial assets and financial liabilities. A positive difference is an indication of net lending.

<sup>5</sup> The detailed classification of institutional sectors with codes assigned in accordance with the ESA 95 national accounts classification is shown on page 2.

Chart 1

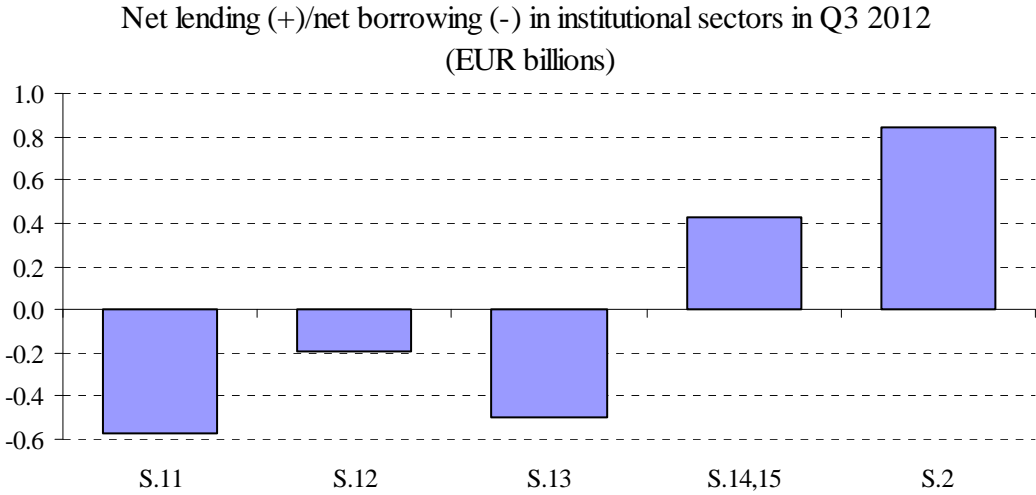
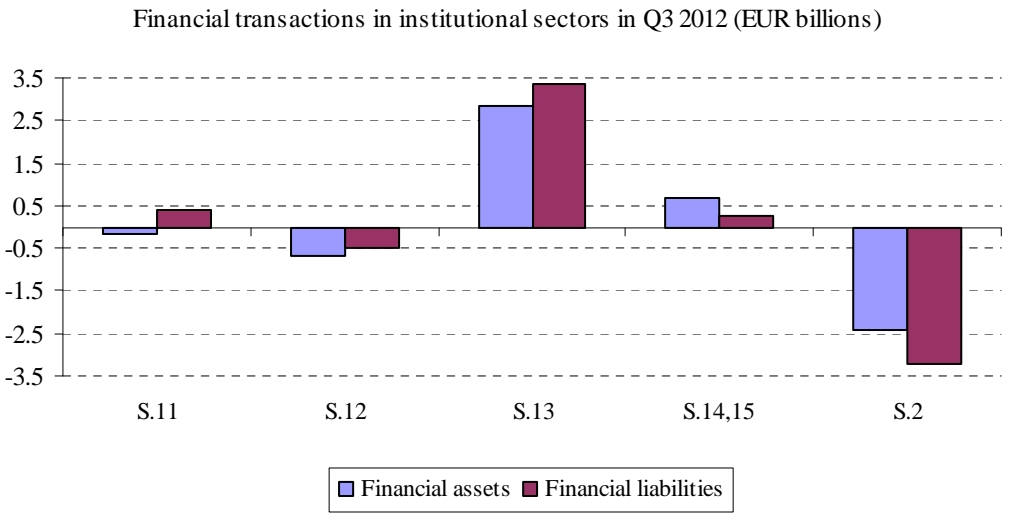


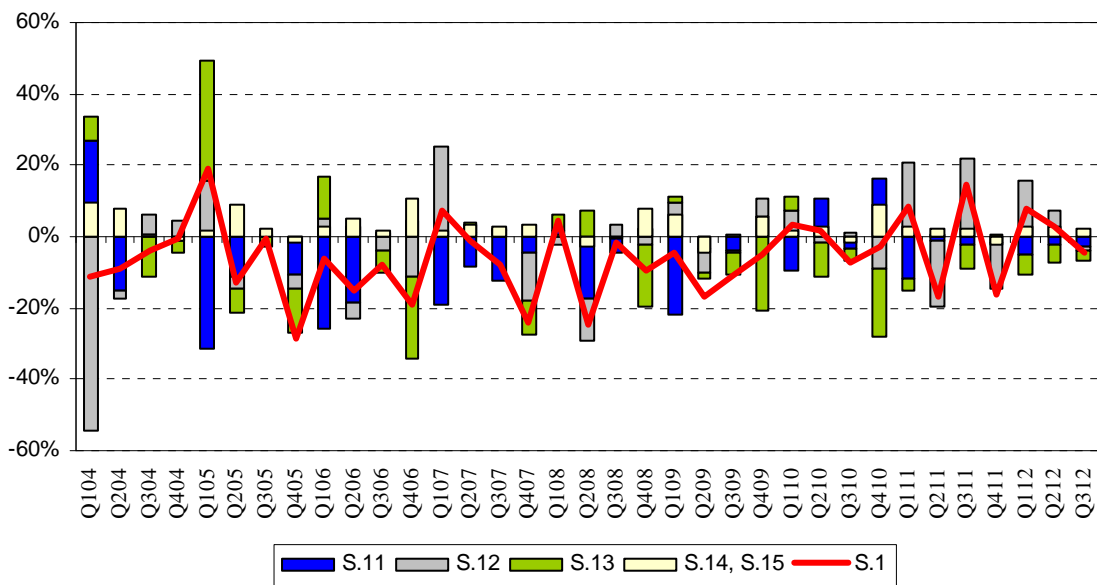
Chart 2



For the third quarter of 2012, net financial assets of the domestic economy stood at -€0.8 billion, meaning that the financial position of the economy as a percentage of GDP deteriorated by 4.5%.

Chart 3

Net financial assets (transactions) as a percentage of GDP



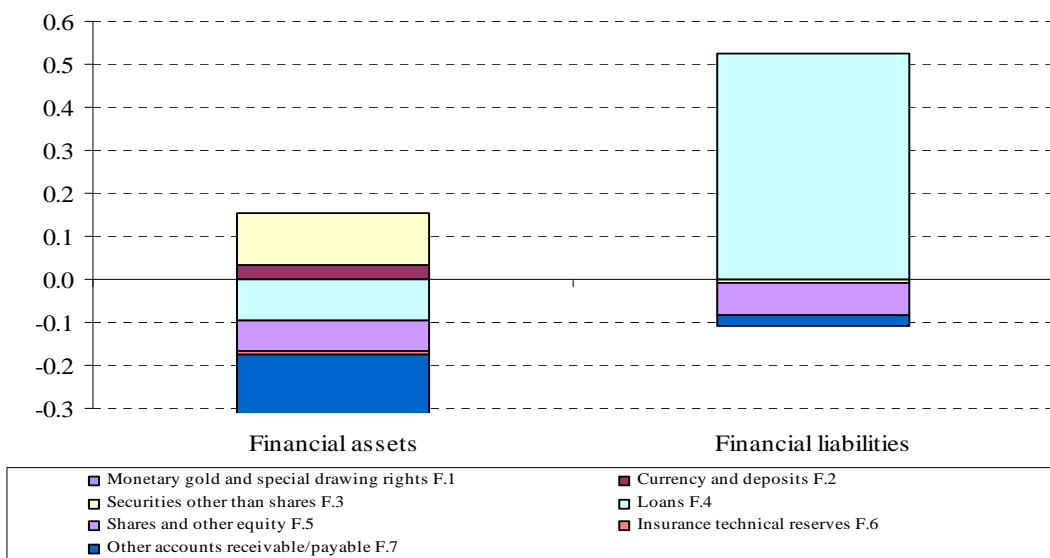
Quarterly financial accounts broken down by institutional sector

S.11 Non-financial corporations

The indebtedness of non-financial corporations increased, with their financial liabilities rising and financial assets falling.

Chart 4

Financial assets and liabilities (transactions) of non-financial corporations in Q3 2012 (EUR billions)



On the liability side of the S.11 balance sheet, the largest increases were in long-term financial loans (€0.3 billion) and trade credits from non-residents (€0.2 billion).

On the asset side, short-term loans to non-residents recorded a drop (-€0.4 billion), as did bank deposits (-€0.3 billion), other claims on non-financial corporations (-€0.4 billion) and other claims on financial institutions (-€0.1 billion).

Chart 5

NFC's financial assets (transactions) in Q3 2012 broken down by sector

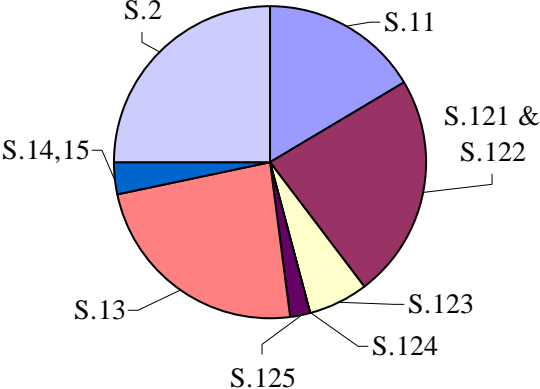
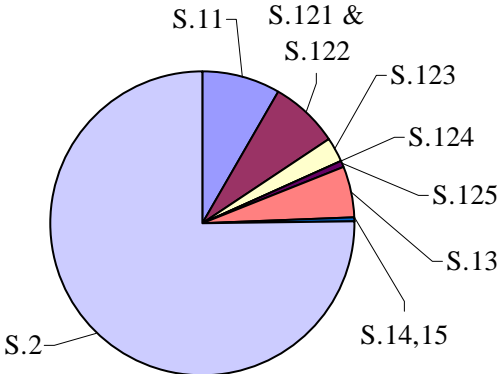


Chart 6

NFC's financial liabilities (transactions) in Q3 2012 broken down by sector



S.12 Financial corporations

The financial corporations sector (S.12) recorded net borrowing in the third quarter of 2012, owing mainly to the negative balance sheet of the other financial institutions sub-sector (S.122).

Chart 7

Net lending (+)/net borrowing (-) of financial corporations in Q3 2012 (EUR billions)

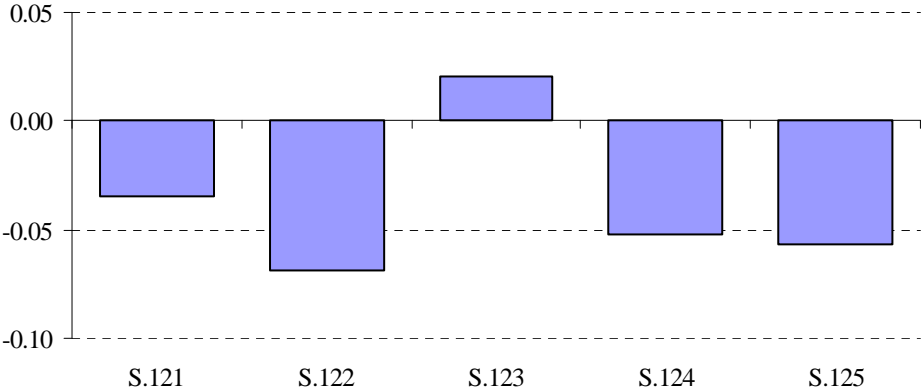
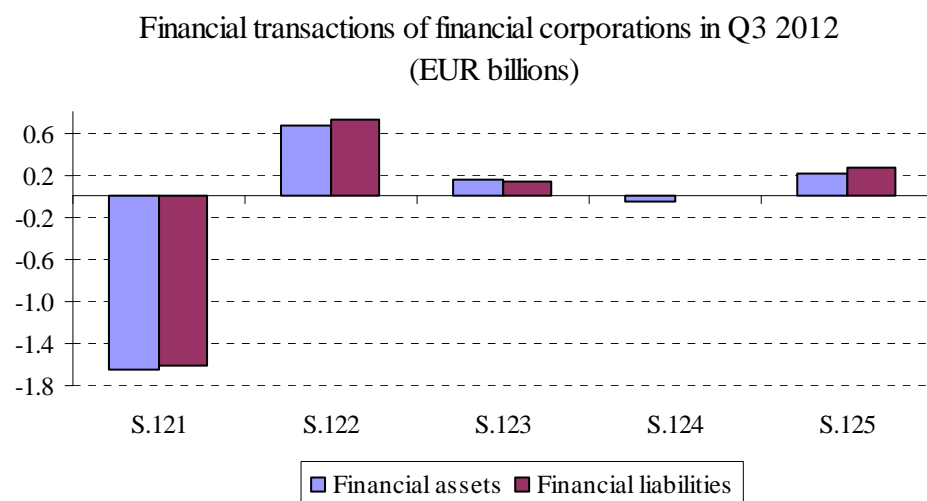


Chart 8



Overall transactions of the central bank sub-sector (S.121) were negative in net terms, since the decline in assets was larger than in liabilities. The main factor in the overall result of the central bank was holdings of foreign bonds, which declined by €1.2 billion. On the liability side of the central bank balance sheet, short-term deposits from non-residents fell markedly, by €3.7 billion, while deposits from central government increased by €2.2 billion.

The sub-sector of other monetary financial institutions (S.122) reported net borrowing (-€0.1 billion), with a higher increase in financial liabilities than in financial assets. The rise in liabilities was largely attributable to short-term deposits received from non-financial corporations and from non-residents (each increased by €0.2 billion) and to the issue of new bonds (€0.2 billion), the bulk of which remained in the S.122 portfolio. On the asset side, new bank loans to households amounted to €0.4 billion and holdings of Slovak government bonds increased by €0.4 billion).

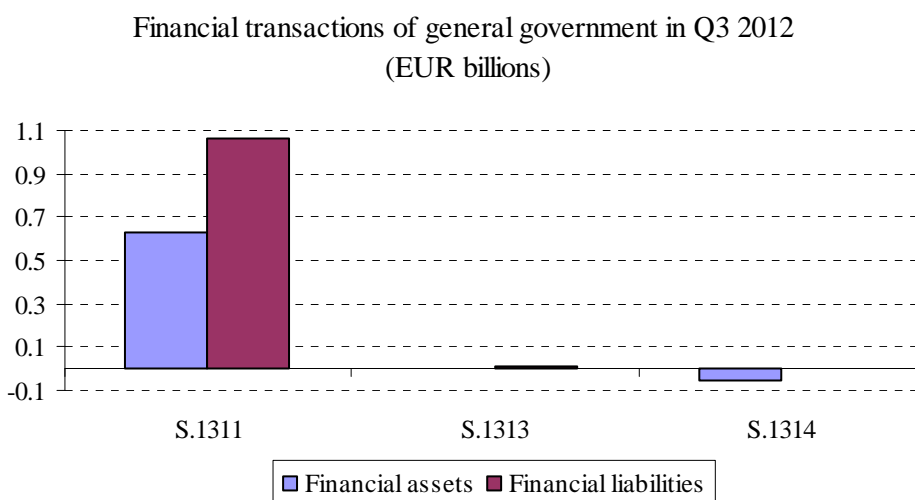
In the sub-sector of other financial intermediaries (S.123), the net creditor position rose moderately due to a higher increase in financial assets than in liabilities. Looking at assets of S.123 sub-sector, bank deposits held with domestic banks increased by €0.1 billion and financial loans to households declined by €0.1 billion. On the liability side, mutual fund shares were issued in the amount of €0.2 billion, while financial loans received from resident and non-resident financial institutions totalled €0.1 billion.

The balance sheet of insurance corporations and pension funds (S.125) deteriorated due to a slightly lower increase in financial assets than in liabilities. The liability item that recorded the highest growth was pension savings obtained from households by pension funds management companies and supplementary pension management companies, which totalled €0.3 billion. Most of the investments by participants in the S.125 sub-sector were in non-resident mutual funds (they amounted to €0.2 billion).

### S.13 General government

The general government sector increased its debtor position by €0.5 billion during the third quarter of 2012. The central government sub-sector (S.1311) made the largest negative contribution, with its debt rising by €0.4 billion.

Chart 9



The overall result of the *central government* sub-sector was determined mainly by government bonds issued, which increased by €1.0 billion with the bulk of the issues held by resident financial and non-financial corporations. The increase in the general government sector's total debt was moderated by deposits held with the central bank, which grew by a marked €2.2 billion. The central government obtained more than half of these funds (€1.3 billion) from deposits abroad and another part (€0.2 billion) from saving accounts with commercial banks

### S.14, 15 Households (including NPISHs)

The sector of households (including non-profit institutions serving households) increased its overall creditor position in the third quarter of 2012 based on a higher increase in financial assets than in financial liabilities.

On the asset side of the balance sheet, bank deposits and pension fund savings increased by €0.3 billion).

The growth in liabilities was mostly accounted for by the outstanding amount of long-term loans to households from banks and other financial intermediaries, which increased by €0.3 billion).



Chart 10

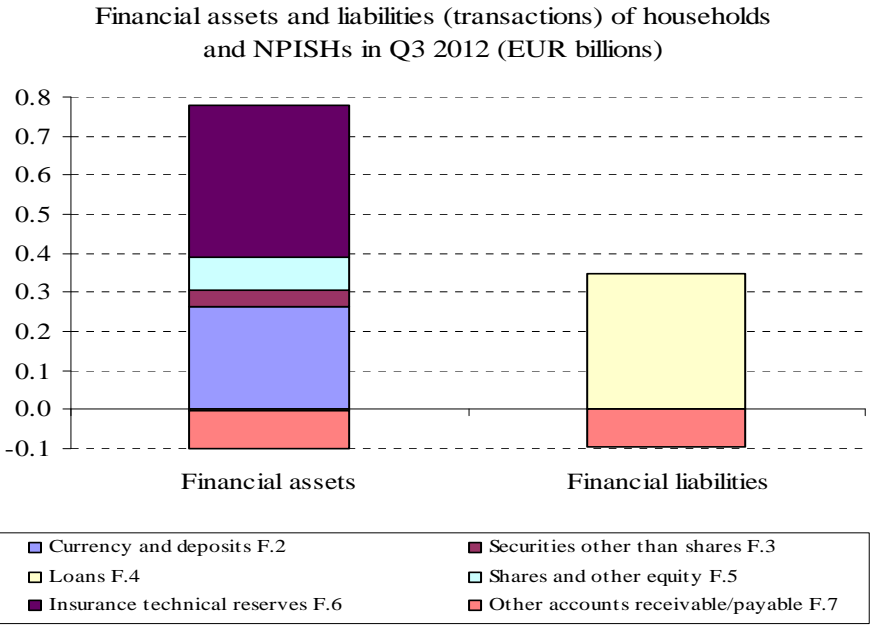


Chart 11

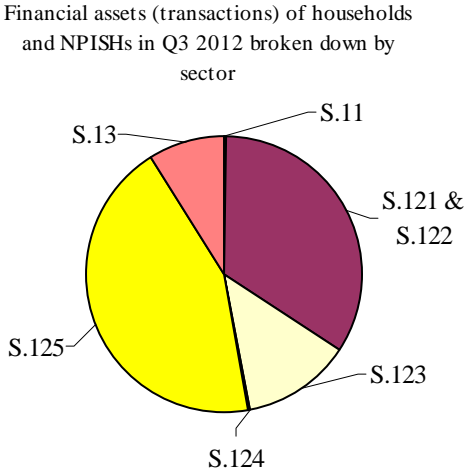
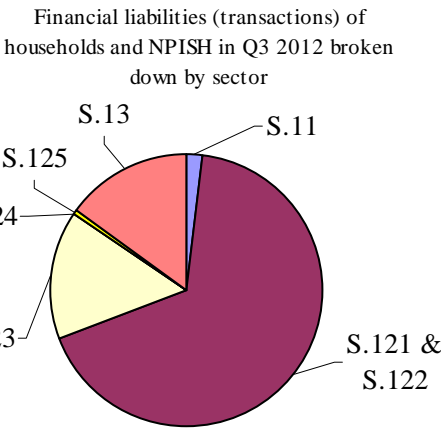


Chart 12



S.2 Rest of the world

The overall creditor position of the *rest of the world* sector in relation to the national sectors increased due to a larger decline in liabilities than in assets. The main developments on the liabilities side of the balance sheet were the withdrawal of deposits by the national central government (-€1.3 billion) and by financial corporations (-€0.6 billion), and a decline in the central bank's bond holdings (-€1.2 billion). On the asset side, non-residents' deposits with the central bank declined by €3.7 billion and currency holdings fell by (€0.2 billion). On the other hand, new financial loans to enterprises increased by €0.3 billion and those to central government entities rose by €0.5 billion.