

Comments on the Quarterly Financial Accounts for Q1 2013

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) ¹
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 ²
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

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

² Stocks and transactions have the AF code and the F code, respectively.

Quarterly Financial Accounts (transactions) for Q1 2013

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 first quarter of 2013, the net debtor position of the Slovak economy declined and therefore so did the net creditor position of the rest of the world sector.³ Net lending⁴ amounted to €1.3 billion, due to a higher increase in financial assets than in financial liabilities. Among institutional sectors,⁵ the most significant contribution to this result came from financial transactions in the financial corporations sector (S.12), where transactions on the asset side exceeded those on the liability side by €1.3 billion. By contrast, the worst result in the first quarter was reported by general government (S.13), as the debtor position of this sector rose by €0.6 billion.

³ 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 decreases (or its creditor position increases), the rest of the world's creditor position vis-à-vis the domestic economy will automatically decrease (or its indebtedness will increase). Whether a change occurs in a debtor or creditor position depends on the total amount of net assets, i.e. the outstanding claims and liabilities.

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

⁵ 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

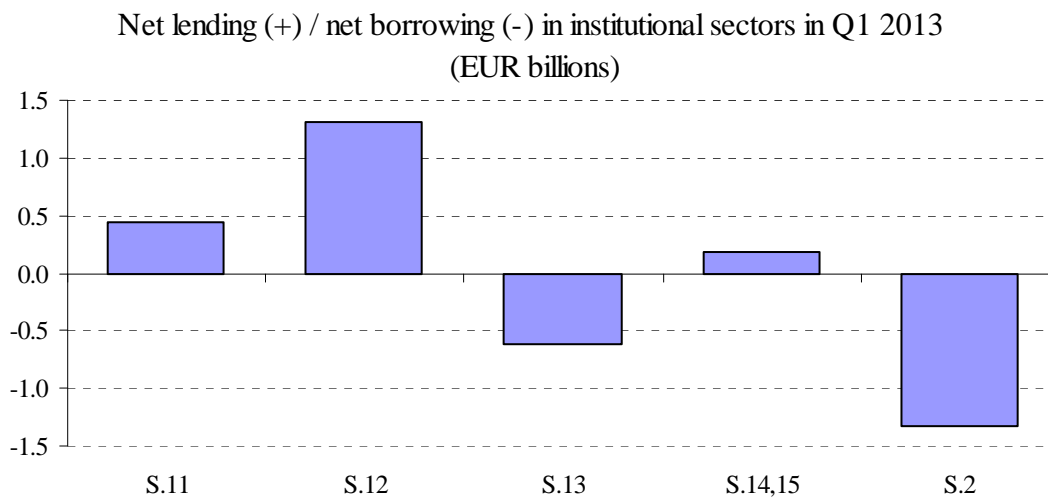
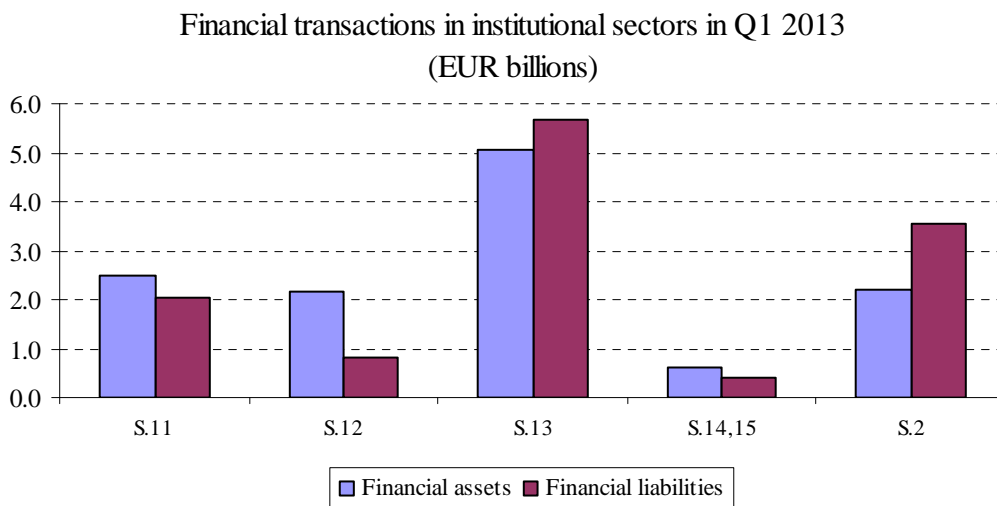


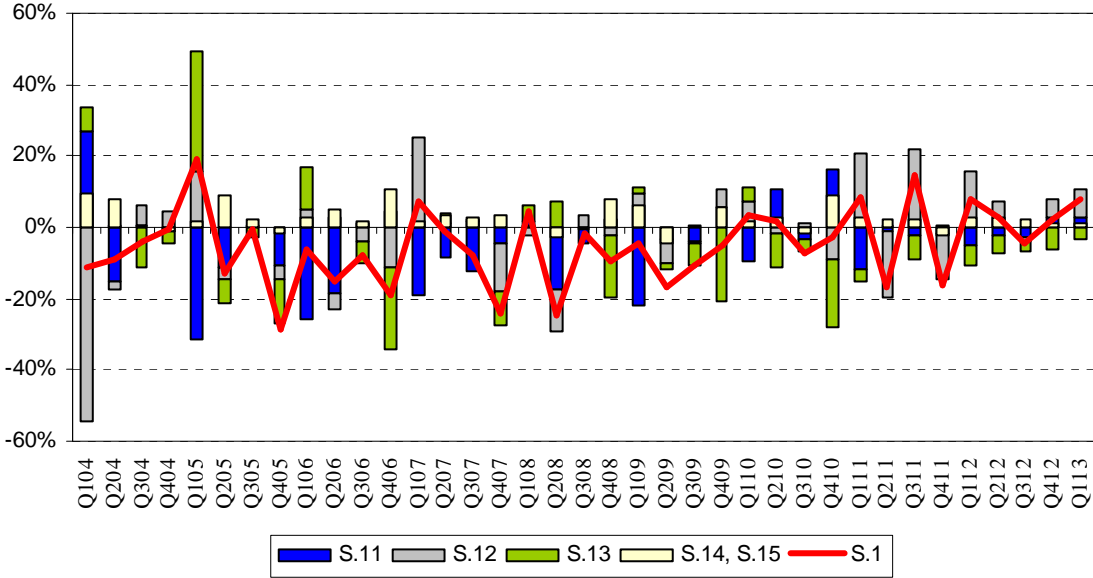
Chart 2



For the first quarter of 2013, net financial assets of the national economy stood at €1.3 billion, meaning that the financial position of the economy as a percentage of GDP for the respective quarter improved by 7.9%.

Chart 3

Net financial assets (transactions) as a percentage of GDP



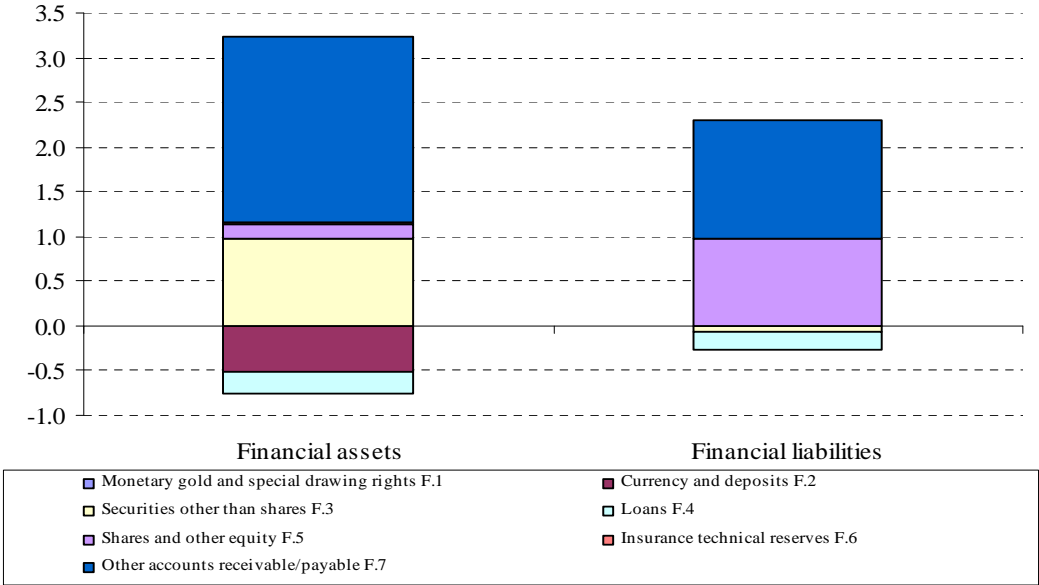
Quarterly financial accounts broken down by institutional sector

S.11 Non-financial corporations

The indebtedness of non-financial corporations decreased as a result of financial assets increasing more than financial liabilities.

Chart 4

Financial assets and liabilities (transactions) of non-financial corporations in Q1 2013 (EUR billions)



On the asset side of the sectoral balance sheet for non-financial corporations, holdings of government bonds increased by €0.9 billion and trade credits to non-residents rose by €0.8 billion.

As for transactions on the liability side, new funding was obtained largely through increases in the amount of unquoted shares issued to non-residents (+€0.7 billion) and in trade credits from within the S.11 sector (+€0.7 billion). The increase in liabilities was mitigated by the repayment to non-residents of short-term loans amounting to €0.3 billion.

Chart 5

NFC's financial assets (transactions) in Q1 2013 broken down by sector

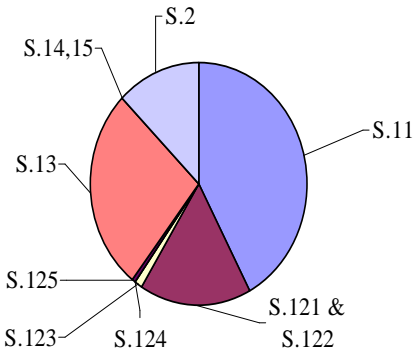
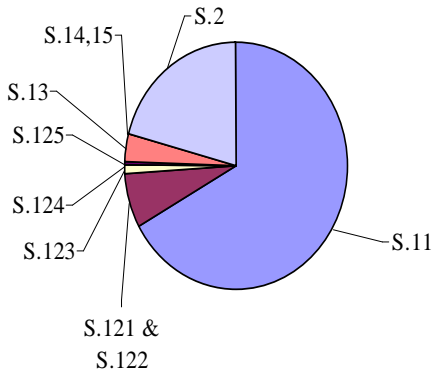


Chart 6

NFC's financial liabilities (transactions) in Q1 2013 broken down by sector



S.12 Financial corporations

The financial corporations sector (S.12) recorded net lending in the first quarter of 2013, accounted for largely by the balance sheet of the central bank.

Chart 7

Net lending (+) / net borrowing (-) of financial corporations in Q1 2013 (EUR billions)

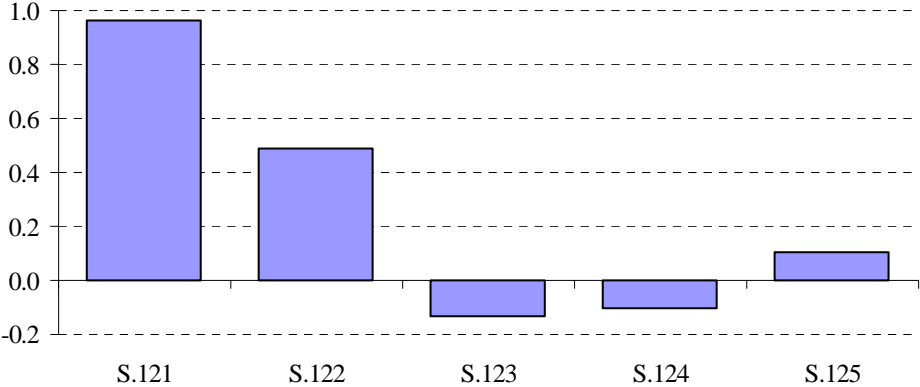
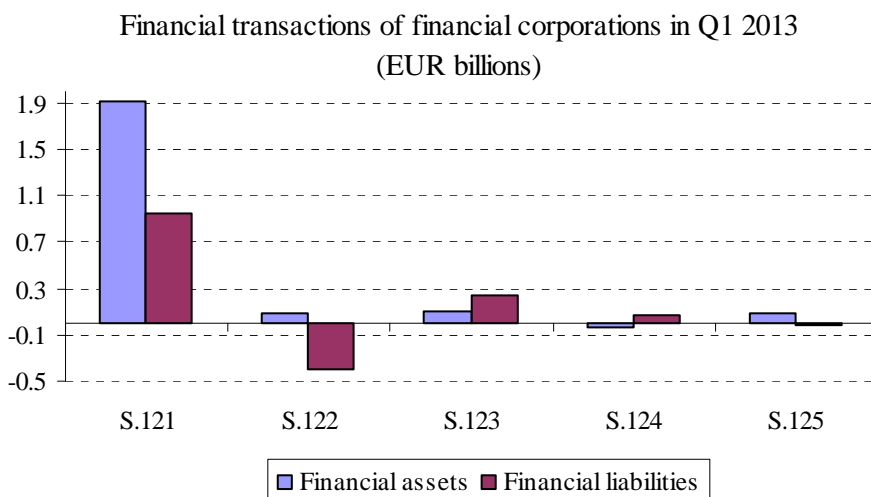


Chart 8



Overall transactions of the central bank (S.121) were positive in net terms, owing to a higher increase in assets than in liabilities. The main factor in the overall result of the central bank was an increase in deposits held with non-residents (+€3.7 billion). The main sources of these deposits were, on the asset side, commercial bank loan repayments amounting to €1.3 billion and, on the liability side, an inflow of deposits from general government entities amounting to €1.5 billion.

The sub-sector of other monetary financial institutions (S.122) reported net lending of €0.5 billion, as liabilities declined and assets increased moderately. The rise in assets was mostly attributable to other deposits placed with domestic banks, which increased by €0.4 billion, and with the central bank, which increased by €0.2 billion. The main movements on the liability side were the partial redemption of loans to the central bank and a decline in deposits received from non-financial corporations (-€0.6 billion).

In the sub-sector of other financial intermediaries S.123, the increase in liabilities was higher than in assets by €0.1 billion. In the case of assets, the largest rise was in the amount of loans to non-residents (+€0.1 billion), while the highest increase in liabilities was observed in mutual fund shares (+€0.1 billion), held predominantly by households.

Net financial transactions in the financial auxiliaries sub-sector (S.124) were negative owing to a greater decline on the asset side than on the liability side. The S.124 result reflected mainly a decline in deposits held with banks (-€0.1 billion) and, on the liability side, an inflow of new financial loans from domestic banks (+€0.1 billion).

The balance sheet of insurance corporations and pension funds (S.125) improved, as assets increased while liabilities declined moderately. The net equity of households in the pension saving system fell by €0.1 billion, and therefore household savings in the system recorded a first-ever decline.

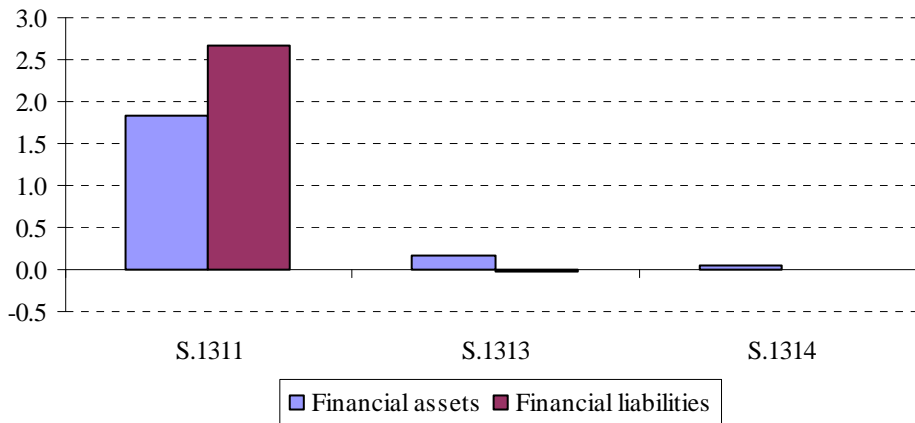
S.13 General government

The general government sector increased its debtor position by €0.6 billion during the first quarter of 2013. The central government sub-sector (S.1311) made the largest negative

contribution (-€0.8 billion), while net borrowing of the local government sub-sector (S.1313) increased by €0.2 billion.

Chart 9

Financial transactions of general government in Q1 2013 (EUR billions)



The overall result of the central government sub-sector was based mainly on debt securities issued, which increased by €3.0 billion, with €1.9 billion of that amount held by non-residents. The amount of central government funds deposited with domestic banks increased by €1.8 billion.

Net financial transactions of the local government sector were positive, at €0.2 billion, largely owing to an increase in deposits held with banks and with the State Treasury (which in total rose by €0.1 billion). The liability side saw the partial repayment of loans to domestic banks.

S.14, 15 Households (including NPISHs)

The sector of households (including non-profit institutions serving households) increased its overall creditor position in the first quarter of 2013, as financial assets increased more than financial liabilities.

On the asset side, deposits held with banks increased by €0.4 billion and mutual fund savings rose by €0.1 billion, while pension fund savings declined by €0.1 billion.

The rise in liabilities was mostly accounted for by the outstanding amount of long-term loans from banks, which increased by €0.4 billion.

Chart 10

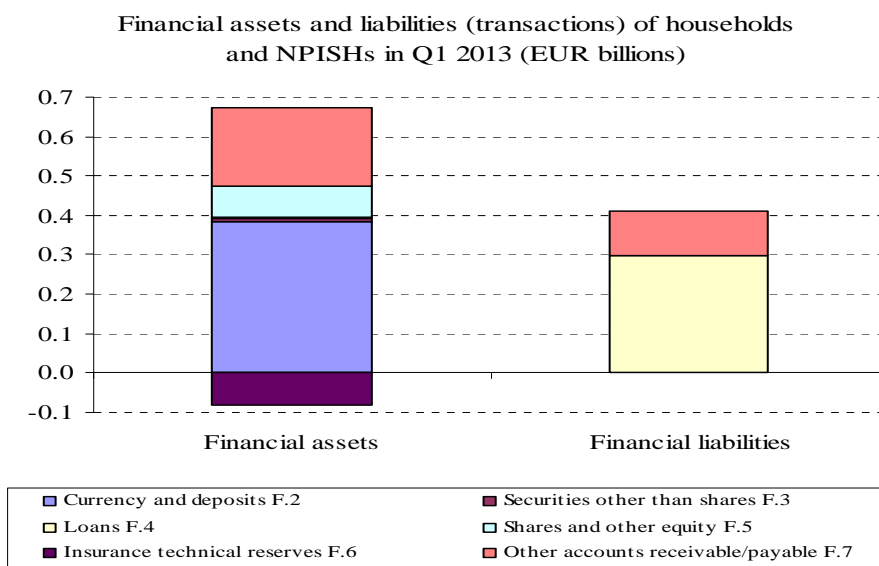


Chart 11

Financial assets (transactions) of households and NPISHs in Q1 2013 broken down by sector

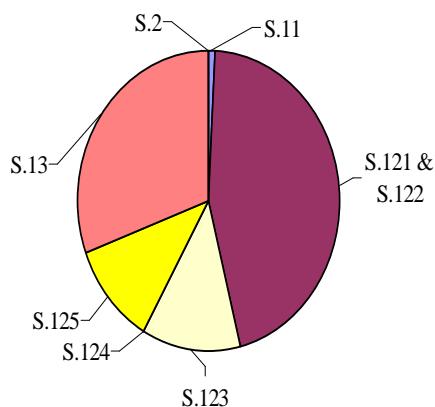
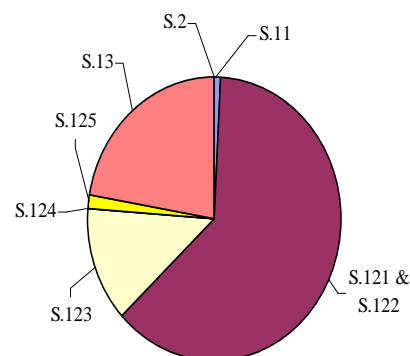


Chart 12

Financial liabilities (transactions) of households and NPISHs in Q1 2013 broken down by sector



S.2 Rest of the world

The overall creditor position of the rest of the world sector in relation to the national sectors decreased as a result of liabilities increasing more than assets.

The result for this sector reflected mainly increases in deposits received from the central bank (+€3.7 billion) and in trade credits from non-financial corporations (+€0.8 billion).

The largest increases on the asset side were in non-residents' holdings of Slovak government bonds (+€2.0 billion) and unquoted shares of non-financial corporations (+€0.7 billion).