

# Slovak economy as of September 15, 2010

## (monthly indicators)

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The aim of this report is to present the main indicators which are used by the FPI to monitor the development of the real economy on a monthly basis. The first page of the report includes main messages which arose from the analysis of monthly indicators. Following two pages present the data in tabular form, the last page consists of graphs. The overview is compiled by the 15th day of the month as most of the indicators are available at this time (a lag of one and half month).

### Positive news:

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- ✓ The year-on-year growth in manufacturing continued in July despite the seasonally adjusted month-on-month drop by 2.8%. The year-on-year growth of **industrial production index** reached 16.8%. The fastest growing sectors were the manufacturing of computer, electronic and optical products (58.1%), manufacturing of non-classified machinery (50.7%) and manufacturing of transportation vehicles (48.2).
- ✓ **Nominal wages in selected sectors** (almost two thirds of total employment) continued to grow on a year-on-year basis in July, with the growth reaching 4.0%. The fastest growth was recorded in the energy supply sector (13.1%).
- ✓ The stabilization of the **labor market** continues. Although the **employment in selected sectors** has fallen by 2.7% compared to the previous year, the fall is gradually leveling off and the number of employees grew by over 2.8 thousand compared to previous month. The only sector that recorded a growth of employment was the energy supply.
- ✓ The year-on-year growth of the **stock of loans** has stabilized after a significant slowdown (1.6% in August) and loans continued to grow on a month-on-month basis for four months in a row.
- ✓ The year-on-year growth in **export of goods** by 22.8% continues to confirm growing foreign demand.

### Negative news:

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- ✗ After the year-on-year growth in the previous month the **retail sales** in July dropped again by 1.6%.
- ✗ The economic sentiment in Germany measured by the **ZEW and IFO indicators** decreased for a fourth month in a row, indicating negative expectations for our largest trading partner for the second half of 2010.
- ✗ The year-on-year drop of **car registrations** by 18.6% is caused mainly by the car scrapping scheme, which positively influenced the numbers in the previous year.

### Main message

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**Monthly indicators imply a positive trend for Slovak industrial production in the upcoming period, even though there are increasing risks for the German economy as our largest trading partner (ZEW index). However, the job creation remains subdued for now.**

Production, sales, international trade	Unit	2009												2010											
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Industrial production index, 2005=100	WDA	102.1	106.3	125.2	116.5	116.5	118.7	110.5	115.3	133.1	139.7	144.0	116.5	122.7	128.0	148.7	140.5	149.9	146.6	129.0					
Industrial production index	%, WDA, YoY	-28.3	-24.1	-12.2	-19.4	-23.5	-18.8	-21.5	-8.7	-7.4	-6.2	1.4	11.8	20.2	20.4	18.8	20.6	28.7	23.5	16.8					
Industrial production index	%, SA, MoM	-3.9	3.2	3.4	1.0	-4.3	4.9	1.6	2.8	3.0	1.0	2.1	-2.4	3.1	2.8	1.6	2.3	2.2	0.6	-2.8					
Sales in selected sectors	%, c.p., YoY	-21.2	-22.8	-15.6	-21.0	-19.9	-17.3	-18.1	-13.3	-15.3	-14.3	-7.5	-4.4	5.8	8.3	8.8	11.0	13.1	11.9	7.3					
Sales in retail sector	%, c.p., YoY	-6.5	-14.6	-11.8	-9.2	-12.3	-11.3	-11.1	-9.6	-9.2	-10.3	-9.8	-9.2	-2.9	-2.9	0.2	-5.4	-3.1	1.0	-1.6					
Industrial orders	%, YoY	-36.9	-36.8	-27.4	-37.6	-30.8	-23.6	-25.5	-2.9	-11.9	-6.0	3.6	22.8	24.6	32.3	31.9	35.9	41.8	30.1	22.9					
Car registrations	%, YoY	-39.2	-37.9	18.2	43.5	46.4	57.4	38.8	26.2	-4.6	-34.2	-23.9	-33.3	0.3	5.3	-16.8	-50.5	-41.8	-40.6	-43.4	-18.6				
Export of goods	%, YoY	-34.7	-33.7	-20.4	-25.8	-29.3	-25.2	-25.6	-15.3	-16.3	-11.2	0.0	11.3	13.9	18.5	22.9	16.5	32.8	28.7	22.8					
Trade balance	mil. €	-283	20	23	322	137	8	29	217	241	396	145	-67	78	121	295	465	531	669	575					

Labour market	Unit	2009												2010											
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Average nominal wage in selected sectors	%, YoY	5.1	3.2	2.7	3.4	0.9	2.4	2.4	1.5	1.4	-0.9	0.0	0.4	2.7	3.9	5.0	4.7	3.5	4.9	4.0					
Employment in selected sectors	%, YoY	1362	1346	1322	1303	1285	1275	1261	1257	1249	1246	1244	1238	1237	1223	1219	1224	1225	1224	1227					
Employment in selected sectors	ths. pers.	-3.0	-4.8	-7.4	-8.2	-9.5	-10.4	-11.5	-11.9	-12.1	-12.1	-11.6	-10.7	-9.2	-9.2	-7.8	-6.0	-4.6	-3.9	-2.7					
Employment in selected sectors	ths. pers., MoM	-23.6	-15.9	-23.8	-19.4	-17.7	-10.3	-13.4	-3.7	-8.4	-3.0	-1.8	-6.6	-0.9	-14.1	-3.9	5.2	1.4	-0.9	2.8					
Unemployment rate, registered	%	9.0	9.7	10.3	10.9	11.4	11.8	12.1	12.1	12.5	12.4	12.4	12.7	12.9	13.0	12.9	12.5	12.2	12.3	12.3	12.2				
Unemployment rate, registered SA	%	8.8	9.4	10.1	10.8	11.3	11.7	12.0	12.3	12.5	12.8	12.9	12.8	12.6	12.6	12.5	12.4	12.3	12.3	12.4	12.4				
Number of registered unemployed	ths. pers.	239.3	257.6	273.8	289.3	301.9	313.1	320.0	319.0	329.9	328.6	328.6	335.5	346.4	348.4	346.1	336.4	328.8	331.7	331.2	327.5				
Change in number of registered unemployed	ths. pers., YoY	29.0	53.0	75.8	96.8	107.9	119.6	125.0	127.3	133.2	132.7	125.2	116.6	107.1	90.9	72.3	47.0	26.9	18.6	11.3	8.1				
Change in number of registered unemployed	ths. pers., MoM	20.3	18.3	16.2	15.6	12.5	11.2	6.9	-0.6	10.5	-1.3	0.1	6.9	10.9	2.0	-2.3	-9.7	-7.6	2.8	-0.4	-3.8				

Deposits, credits, interest rates, risk premium	Unit	2009												2010											
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Deposits in the economy, stock	%, YoY	13.6	11.2	14.1	9.7	11.7	12.4	10.1	9.5	6.4	2.2	1.5	-7.1	-5.5	-3.0	-2.6	2.5	1.2	0.3	-0.4					
Deposits in the economy, stock	%, MoM	-3.4	-1.9	-0.3	-1.8	2.7	0.5	-1.1	1.1	-1.6	-1.5	1.5	-1.3	-1.8	0.7	0.1	3.3	1.3	-0.4	-1.7					
Credits in the economy, stock	%, YoY	13.2	12.2	11.1	9.4	9.4	7.5	4.9	4.4	3.8	2.9	1.7	1.0	1.0	0.6	0.2	0.5	0.9	1.3	1.9					
Credits in the economy, stock	%, MoM	0.0	0.4	0.3	-0.2	0.4	0.0	0.0	0.9	0.2	0.2	0.2	-1.4	0.1	0.0	-0.2	0.1	0.8	0.4	0.6					
Interest rate on stock of deposits	%	1.7	1.6	1.5	1.3	1.2	1.1	1.1	1.0	1.0	1.0	0.9	0.9	0.9	1.0	0.9	0.9	0.9	0.9						
Interest rate on new deposits	%	0.9	0.8	0.7	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4						
Interest rate on stock of credits	%	5.9	5.8	5.5	5.4	5.4	5.3	5.3	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.3	5.3	5.3	5.3					
Interest rate on new credits	%	4.5	4.2	4.5	4.4	4.7	4.5	4.4	4.2	4.3	4.4	4.5	4.2	4.0	4.2	4.2	4.4	4.6	4.4	4.7					
Interest rate on new credits to non-fin. corp.	%	3.6	3.3	3.4	3.1	3.8	3.4	2.9	3.8	3.0	3.2	3.1	3.0	2.8	2.7	3.0	3.1	3.6	3.1	3.6					
Interest rate on new credits to households	%	7.8	7.7	7.7	8.2	7.7	7.5	7.4	7.5	7.6	7.8	7.8	7.6	7.2	7.5	7.3	7.0	6.8	6.8	7.1					
ECB key rate (1 week)	%, end-of-month	2.00	2.00	1.50	1.25	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00					
10Y Yield German government bonds	%	3.1	3.1	3.0	3.1	3.4	3.5	3.3	3.3	3.3	3.2	3.2	3.1	3.3	3.2	3.2	3.1	2.8	2.6	2.7	2.4				
Spread between 10Y SK and DE bonds	ppts	1.6	1.6	1.7	1.8	1.7	1.6	1.7	1.6	1.4	1.1	1.0	1.0	0.9	0.9	0.9	1.0	1.2	1.4	1.3	1.4				

Prices	Unit	2009												2010											
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
HICP - consumer price inflation (harmonised)	%, YoY	2.7	2.4	1.8	1.4	1.1	0.7	0.6	0.5	0.0	-0.1	0.0	0.0	-0.2	-0.2	0.3	0.7	0.7	0.7	1.0	1.1				
HICP - consumer price inflation (harmonised)	%, MoM	0.3	0.0	-0.3	-0.1	0.1	0.0	-0.1	-0.2	-0.1	0.2	0.3	-0.1	0.1	0.0	0.1	0.4	0.1	0.0	0.1	-0.1				
CPI - consumer price inflation (domestic)	%, YoY	3.5	3.0	2.5	2.1	1.9	1.8	1.7	1.3	0.6	0.4	0.4	0.5	0.4	0.4	0.8	1.3	1.2	1.0	1.1	1.0				
CPI - consumer price inflation (domestic)	%, MoM	0.4	0.0	-0.2	-0.1	0.1	0.2	0.0	-0.1	0.0	0.1	0.3	-0.1	0.2	0.0	0.1	0.4	0.1	0.0	0.1	-0.1				
Core inflation	%, YoY	2.5	2.0	1.3	0.9	0.6	0.5	0.2	-0.2	-0.6	-0.8	-0.5	-0.5	0.2	0.4	0.9	1.5	1.5	1.1	1.4	1.2				
Net inflation	%, YoY	2.8	2.2	1.7	1.7	1.6	1.8	1.6	1.2	0.5	0.4	0.7	1.0	1.1	1.1	1.3	1.5	1.5	0.9	0.7	0.5				
PPI - Producer price index	%, YoY	3.6	1.7	0.5	-0.8	-2.4	-3.2	-4.2	-4.6	-5.2	-5.8	-5.6	-4.9	-5.4	-7.4	-6.1	-4.4	-3.1	-1.9	-0.7					

Euro area - production	Unit	2009												2010											
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Industrial production index, euro area	%, WDA, YoY	-16.8	-19.1	-19.3	-21.3	-17.9	-16.9	-15.8	-15.0	-12.7	-11.2	-6.9	-3.7	2.1	4.3	7.7	9.4	9.9	8.3	7.2					
Industrial production index, euro area	%, SA, MoM	-2.9	-3.4	-1.1	-0.8	1.0	1.1	1.0	0.6	1.1	-0.4	1.6	-0.8	2.3	-0.7	1.8	0.8	1.1	-0.2	0.1					
Industrial orders, euro area	%, YoY	-34.4	-34.4	-26.0	-35.4	-30.5	-25.8	-24.7	-23.5	-16.3	-14.8	-0.4	9.8	7.5	12.6	20.5	22.1	23.2	22.6						
Car registrations, euro area	%, YoY	-26.9	-18.0	-9.1	-11.9	-4.4	3.0	3.3	3.3	6.3	11.6	26.9	16.4	12.9	3.0	10.8	-7.4	-9.3	-6.9	-18.6					

Expectations	Unit	2009												2010											
		I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII
Economic sentiment indicator SR	2005=100	79.3	76.5	73.2	68.8	66.3	67.6	70.1	73.3	75.2	77.4	79.4	82.4	84.8	87.1	89.0	90.3	90.5	91.2	92.5	93.6				
Economic sentiment indicator, euro area	2005=100	72.7	71.2	70.6	73.0	75.6	78.3	80.8	84.8	86.7	89.6	91.9	94.1	96.0	95.9	97.9	100.6*	98.4*	98.9*	101.1*	101.8*				
German ZEW index of economic sentiment	-	-31.0	-5.8	-3.5	13.0	31.1	44.8	39.5	56.1	57.7	56.0	51.1	50.4	47.2	45.1	44.5	53.0	45.8	28.7	21.2	14.0				
IFO index (business climate, Germany)	-	-39.2	-35.8	-34.5	-30.0	-25.5	-18.1	-16.2	-7.1	-5.9	-3.9	0.0	0.3	3.8	4.3	6.5	10.6	9.9	7.4	13.6	12.9				
Purchasing manager index PMI	-	38.3	36.2	38.3	41.1	44.0	44.6	47.0	50.4	51.1	53.0	53.7	54.2	53.7	53.7	55.9	57.3	56.4	56.0	56.7	56.2				
SK Export (in USD) forecast for the following year	%, YoY	6.7	6.5	4.9	4.7	5.0	4.9	6.5	7.0	5.5	8.3	8.3	10.2	5.9	5.8	7.1	7.1	5.9	4.9	4.0	4.7				
Index DJ Euro STOXX 50	2005=100	72.9	67.3	62.2	70.4	75.7	76.3	76.7	84.2	88.1	89.3	88.6	90.5	91.1	85.0	90.1	91.6	82.2	82.3	83.2	84.5				
Crude oil (BRENT)	USD/bbl	43.6	43.4	46.7	50.2	57.4	68.9	64.7	73.0	67.7	73.1	76.9	74.7	76.6	74.2	78.9	84.8	75.8	75.0	76.4	77.9				

**List of abbreviations:**

WDA – working days adjusted; SA – seasonally adjusted; YoY – year-on-year MoM – month-on-month; c.p. – constant prices; bp – basis point; \* - data for May is classified in accordance with NACE rev. 2, it should therefore be interpreted with caution

**Glossary:**

**Deposits and credits in the economy** – represents the deposits and credits of all sectors in the economy (including non-residents) without the sectors 121 and 122 monetary financial institutions, i.e. residents and non-residents sectors S.11 – Non-financial corporations, S.123 S.124 – Financial corporations, S.125 – Insurance corporations and pension funds, S.13 – General government, S.15 – Non-profit institutions serving households, S.141 S.142 – Households (own-account workers), S.143 S.144 S.145 – Households .

**ECB key rate** – so-called main refinancing operations rate; the most important rate set by the European Central Bank; interest rate at which the ECB lends financial resources to commercial banks in refinancing operations with a periodicity and maturity of one week.

**Core inflation** – part of consumer price inflation not affected by administrative measures, i.e. total inflation without the effect of taxes and regulated prices.

**Net inflation** – part of consumer price inflation not affected by administrative measures and food prices, i.e. total inflation without the effect of taxes and regulated prices and without the effect of food prices

**CDS – credit default swap** - is a swap contract in which the buyer of the CDS makes a series of payments to the seller and, in exchange, receives a payoff if a credit instrument (typically a bond or loan) goes into default (fails to pay).

**Economic sentiment indicator SR and euro area** - represents a composite indicator which aims to show actual state of expectations of all participants in the economic environment. It consists of aggregated data from business cycle surveys in manufacturing industry, construction, retail trade, services and from the survey of consumer opinions about the actual economic situation.

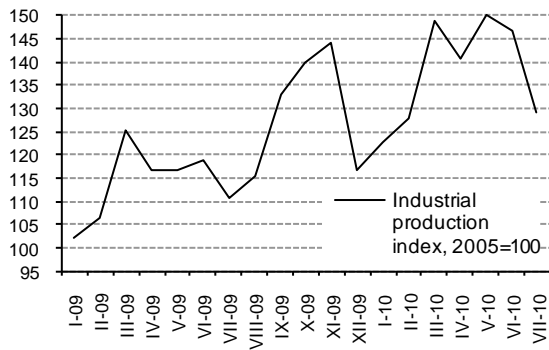
**German ZEW index of economic sentiment** - calculated as the difference between the percentage share of optimistic and pessimistic answers of the analysts regarding the expected economic situation in Germany in the following 6 months. Thus, a positive value means a higher share of optimistic answers and vice versa.

**IFO index (business climate, Germany)** - calculated as the difference between the percentage share of optimistic and pessimistic answers of the analysts regarding the expected economic situation in Germany in the following 6 months. Thus, a positive value means a higher share of optimistic answers and vice versa.

**Purchasing manager index PMI** – represents a composite index based on answers of businesses regarding production, new orders, inventories, employment and prices in the manufacturing sector, construction, retail trade and services. If the index value is lower than 50, it indicates a slowdown of the economy.

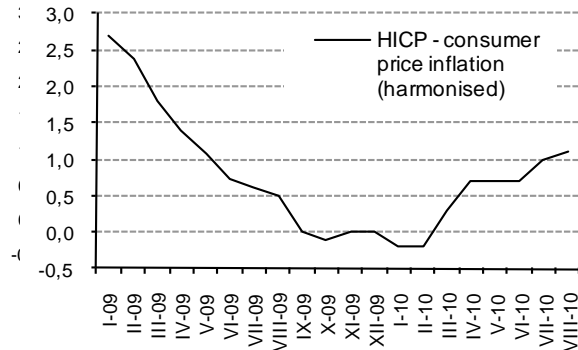
**Export of goods (in USD) forecast for the following year** – represents the Slovak export of goods forecast according to monthly consensual survey by ConsensusEconomics for the following year, i.e. data in the year 2009 reflect the forecast of the export of goods growth in 2010.

**Industrial production in the SR (index, 2005=100)**



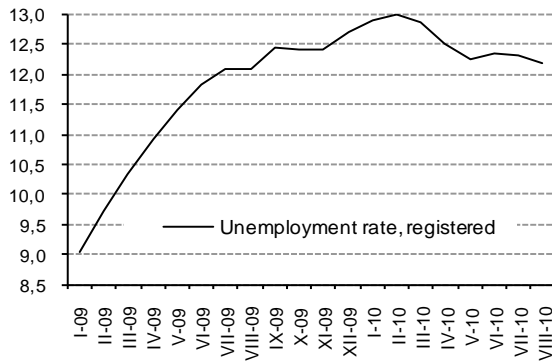
Source: Statistical Office of the Slovak Republic

**Consumer price inflation HICP (year-on-year, %)**



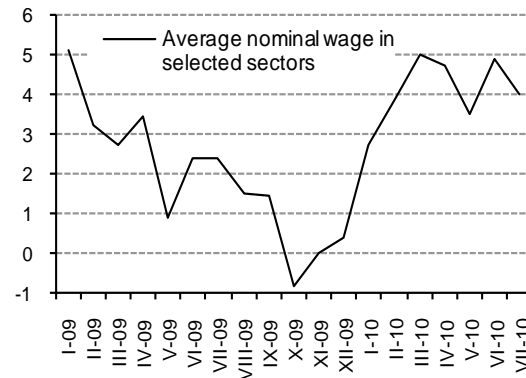
Source: Eurostat

**Unemployment rate (%)**



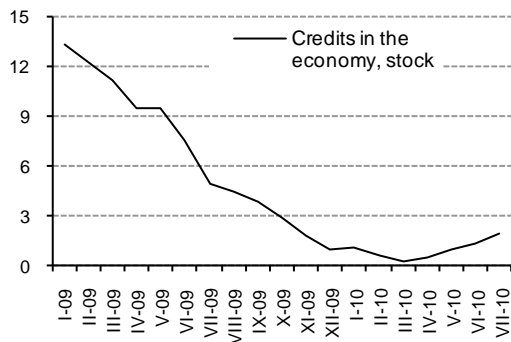
Source: Statistical Office of the Slovak Republic

**Nominal wage growth (year-on-year, %)**



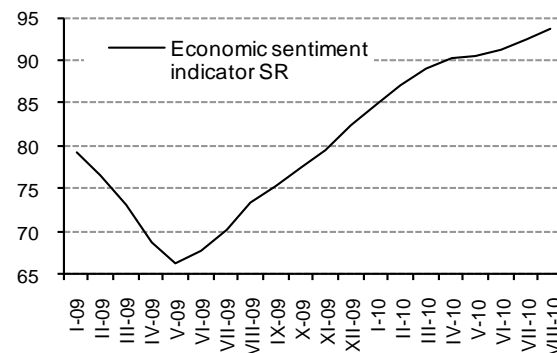
Source: Statistical Office of the Slovak Republic

**Growth of credits in the economy (year-on-year, %)**



Source: National Bank of Slovakia

**Economic sentiment indicator SR**



Source: Eurostat