

Comments on the Quarterly Financial Accounts for Q3 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 Q3 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 third quarter of 2013, the net debtor position of the Slovak economy increased slightly and therefore so did the net creditor position of the rest of the world sector.³ Net borrowing⁴ amounted to €0.04 billion, due to a higher increase in financial liabilities than in financial assets. Among institutional sectors,⁵ the most significant contribution to this result came from financial transactions in the general government sector (S.13), where transactions on the liability side exceeded those on the asset side by €0.3 billion. By contrast, the best result in the third quarter was reported by the sectors of households and NPISHs (S.14 and S.15), as their aggregate creditor position increased by €0.4 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 amounts of claims and liabilities.

⁴ Net borrowing represents a negative difference between financial assets and financial liabilities. A positive difference denotes net lending.

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

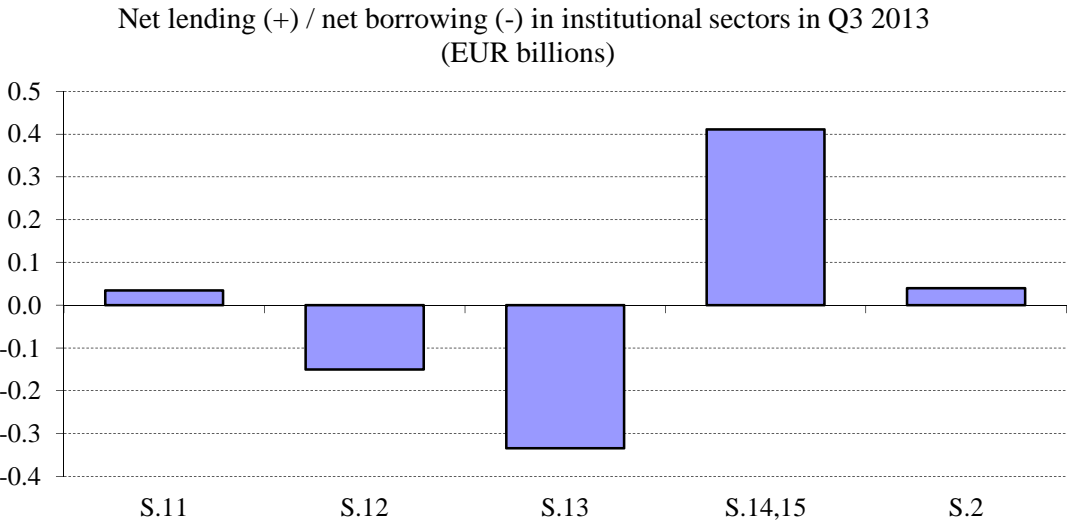
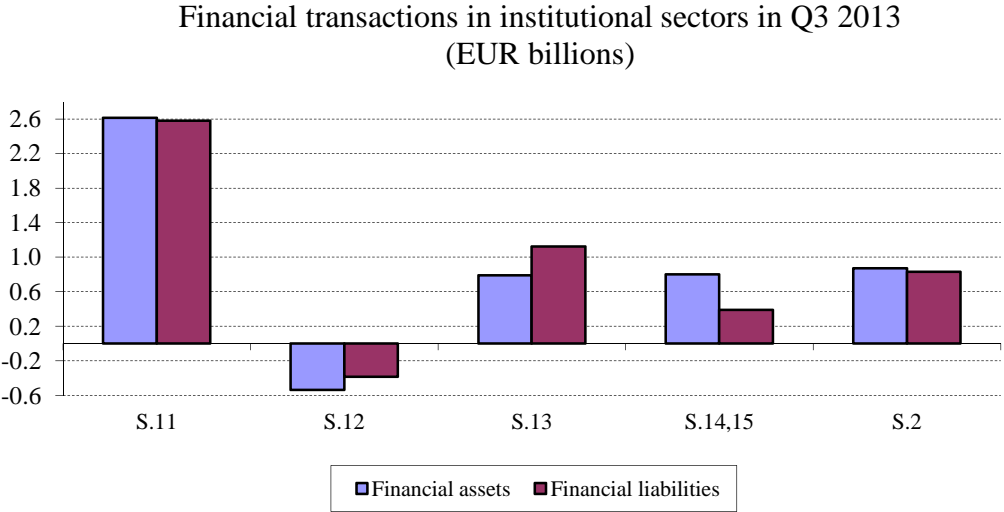
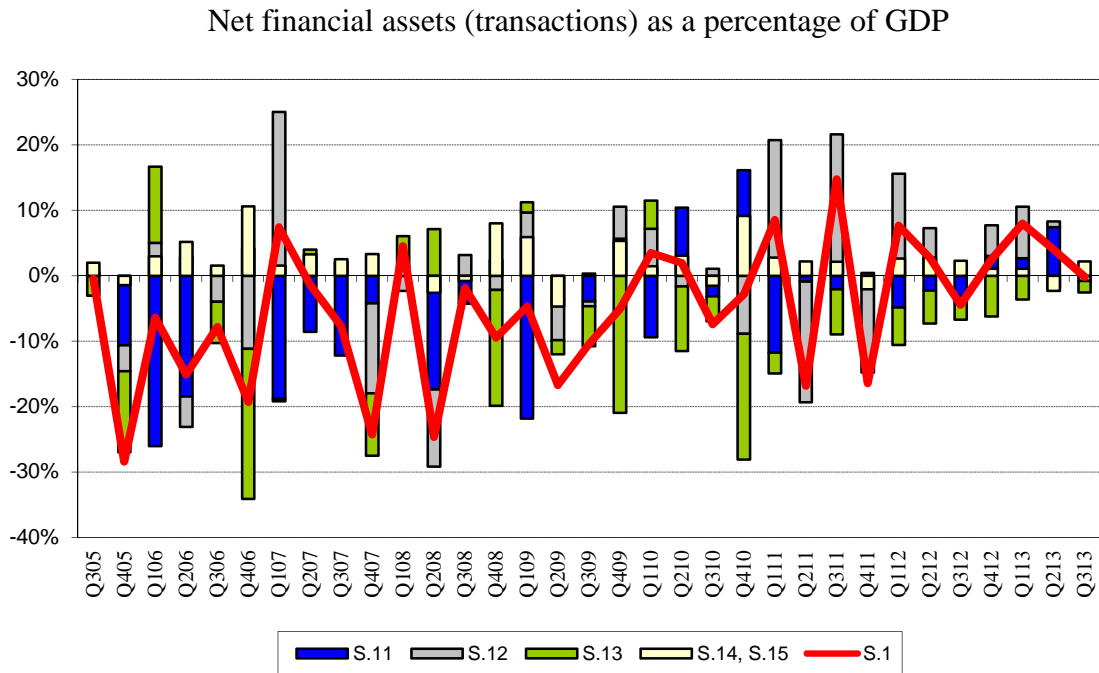


Chart 2



For the third quarter of 2013, net financial assets of the national economy stood at -€0.04 billion, representing a moderate deterioration equivalent to 0.2% of GDP for that quarter.

Chart 3



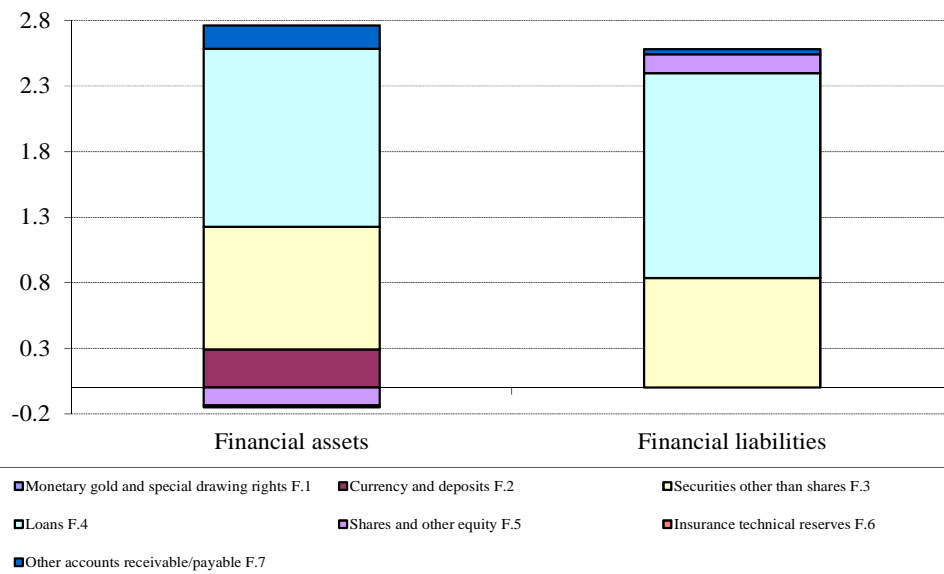
Quarterly financial accounts broken down by institutional sector

S.11 Non-financial corporations

A moderately positive development was the decline in indebtedness of the non-financial corporate sector, as the increase in the financial assets of non-financial corporations (NFCs) exceeded the increase in their financial liabilities.

Chart 4

Financial assets and liabilities (transactions) of non-financial corporations in Q3 2013 (EUR billions)



The most substantial transactions on both the asset and liability sides of the sectoral balance sheet were in loans and debt securities, but since these transactions were mostly inter-firm, they did not have a significant effect on net financial assets.

The asset side contributed positively to the sectoral result through increases in NFCs' deposits with domestic banks (+€0.4 billion) and in the amount of their loans to non-residents (+€0.2 billion).

As for transactions on the liability side, the amount of trade credits that NFCs received from non-residents increased by €0.8 billion and the amount of NFCs' shares held by non-residents increased by €0.1 billion.

Chart 5

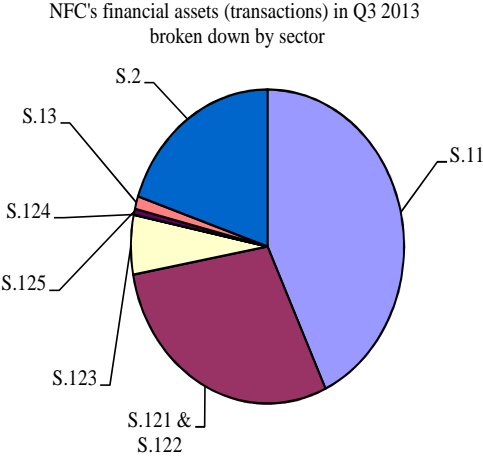
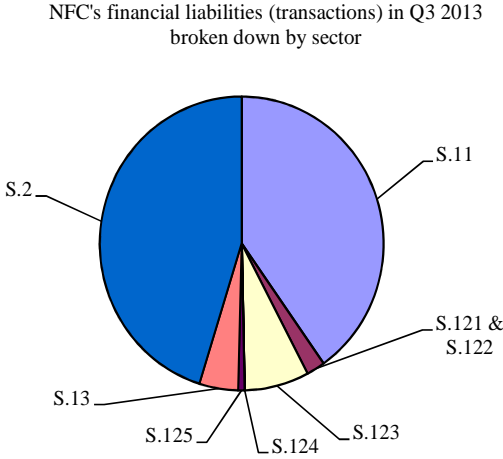


Chart 6



S.12 Financial corporations

The financial corporations sector (S.12) recorded net borrowing in the third quarter of 2013, owing mainly to transactions in the sub-sector of other financial intermediaries (S.123).

Chart 7

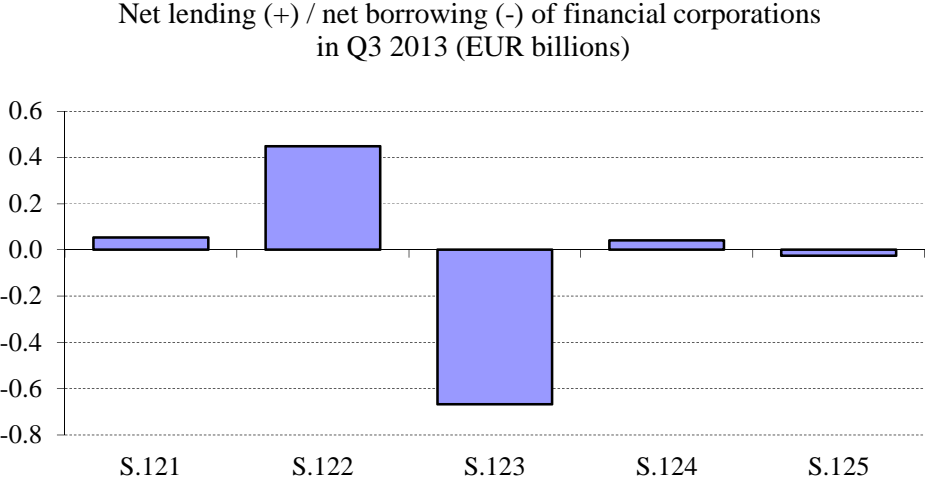
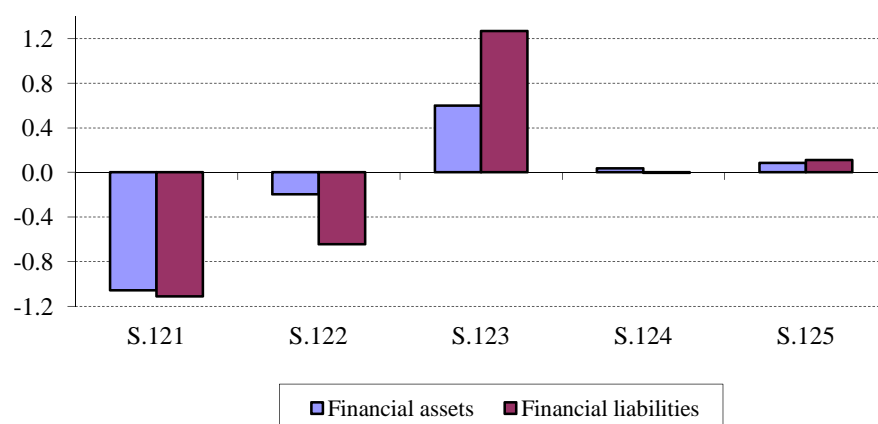


Chart 8

Financial transactions of financial corporations in Q3 2013
(EUR billions)



Overall transactions of the central bank (S.121) were positive in net terms, owing to a higher decline in liabilities than in assets. The overall result of the central bank was determined mainly by a decline in deposits received from central government entities (-€1.0 billion). On the asset side, the central bank reduced its deposits with non-residents (-€0.4 billion) and holdings of debt securities issued by non-residents (-€0.3 billion).

The sub-sector of other monetary financial institutions (S.122) reported net lending of €0.4 billion, which as with the central bank's result was based on liabilities declining more than assets. Contributing most to the fall in liabilities were decreases in deposits received from non-residents (-€0.3 billion) and from households (-€0.2 billion), and a decline in the amount of unquoted shares held by non-residents. The principal movements on the asset side were declines in the holdings of government bonds (-€0.3 billion) and in deposits with the central bank (-€0.1 billion).

In the sub-sector of other financial intermediaries (S.123), the increase in liabilities was higher than the increase in assets by a substantial €0.7 billion. In the case of liabilities, the largest rises were in households' holdings of mutual fund shares (+€0.7 billion) and in borrowings from non-residents (+€0.3 billion).

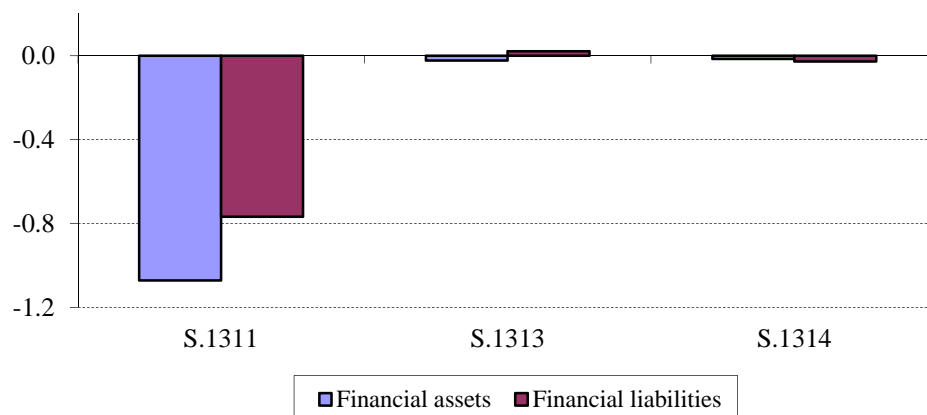
The balance sheet of insurance corporations and pension funds (S.125) deteriorated slightly, as liabilities increased more than assets. On the liability side, the largest increase was in households savings in pension funds (+€0.2 billion) and on the asset side it was in holdings of bonds issued by non-residents (+€0.1 billion).

S.13 General government

The general government sector's debtor position increased by €0.3 billion during the third quarter of 2013 owing mainly to the central government sub-sector (S.1311), which reported an overall result of -€0.3 billion. The balance sheet of the local government sub-sector (S.1313) also worsened slightly.

Chart 9

Financial transactions of general government in Q3 2013
(EUR billions)



The main factor in the central government result was a decline in deposits held with domestic banks (-€1.0 billion). This outflow of deposits was probably related to decreases in the government bond holdings of non-residents and banks (-€0.2 billion) and in banks' holdings of Treasury bills (-€0.2 billion).

S.14,15 Households (including NPISHs)

The sector of households (including non-profit institutions serving households) saw its overall creditor position increase by €0.4 billion in the third quarter of 2013, as financial assets increased more than financial liabilities.

On the asset side, households increased their investments in mutual funds (+€0.7 billion) and pension funds (+0.2 billion), while their deposits with banks declined by €0.1 billion. As for liabilities, the amount of bank loans to households increased by €0.6 billion.

Chart 10

Financial assets and liabilities (transactions) of households
and NPISHs in Q3 2013 (EUR billions)

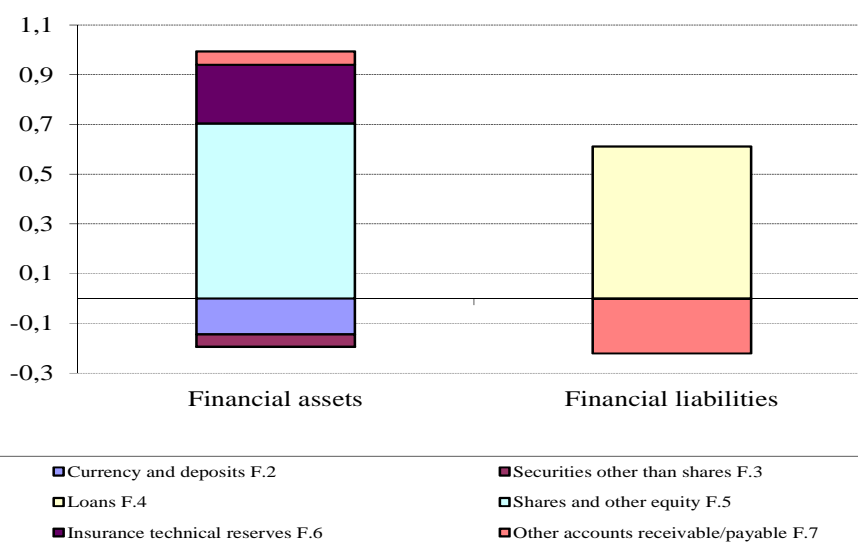


Chart 11

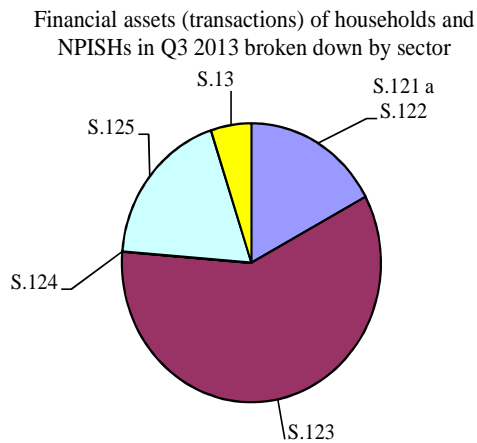
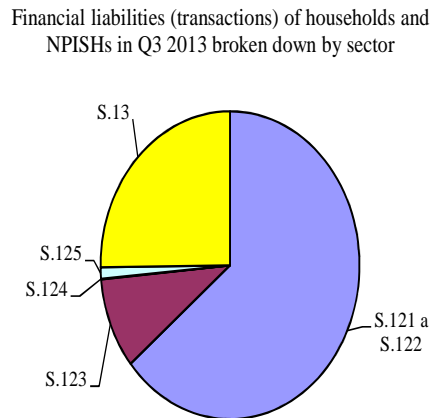


Chart 12



S.2 Rest of the world

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

The sector's result reflected mainly increases in lending to other financial intermediaries (+€0.3 billion) and to non-financial corporations (+0.2 billion). On the liability side, non-residents reported increases in loans received from banks (+€0.5 billion) and in trade credits from non-financial corporations (+€0.1 billion).