

Slovakia: Brief Profile

March 2009

Domestic Economy

- Slovakia's real GDP slowed down to an estimated 6.8% in 2008 as compared to the growth of 10.4% recorded in the previous year, primarily due to weak household consumption and business investment.
- In absolute terms, GDP was an estimated US\$ 88.2 bn in 2008 and GDP per capita was US\$ 16,036.4.
- Consumer price inflation increased to an estimated 4.6% in 2008 from 2.8% in 2007, due to higher global food and energy prices.
- Services had a share of 67.2% of GDP in 2007 (as per latest data available) followed by industry (29.4%) and agriculture (3.5%).

Trade and External Sector

- Slovakia's exports stood at an estimated US\$ 74.2 bn in 2008, representing an increase of 29% over that of the previous year.
- Machinery & transport equipment dominated exports, accounting for 53.6% of total export revenue in 2007 (as per latest data available). Other principal exports were intermediate manufactured goods (21.5% of total exports), miscellaneous manufactured goods (9.2% of total exports), and chemicals (4.8% of total exports).
- Major export destinations of Slovakia in 2007 (as per latest data available) included Germany (21.6%), Czech Republic (12.7%), France (6.4%) and Italy (6.2%).
- Imports registered an increase of 29.3% from US\$ 58.4 bn in 2007 to an estimated US\$ 75.5 bn in 2008.

- Machinery and transport equipment were the main import items, accounting for 43.8% of total imports in 2007 (as per latest data available). Other principal imports in the same year were intermediate manufactured products (17.4%), fuel (11.3%), and chemicals (8.7%).
- Germany is also the major source for Slovakia's imports, accounting for 22.8% in 2007 (as per latest data available) followed by Czech Republic (17.8%), Russia (9.5%) and Hungary (6.9%).
- Trade deficit fell in 2008 increased to an estimated US\$ 1.3 bn from US\$ 0.9 bn in the previous year, mainly due to growth of imports slightly over exports.
- The current account deficit stood at an estimated US\$ 5.4 bn in 2008 as compared to US\$ 4 bn in the preceding year, primarily due to higher deficit in trade and income account.

Currency, Foreign Exchange & External Debt

- The currency of Slovakia was Slovak koruna (Sk). Slovakia adopted the Euro in January 2009 at a conversion rate of Sk 30.126: Euro 1. Euro depreciated against the dollar by 7.3% from Euro 1: US\$ 1.37 in 2007 to Euro 1: US\$ 1.47 in 2008.
- The total international reserves decreased to an estimated US\$ 18.8 bn in 2008 from US\$ 19 bn in 2007. Reserves represent an import cover for 3 months.
- Total external debt was an estimated US\$ 45.7 bn (51.8% of GDP) in 2008, up from US\$ 36.8 bn in the previous year.

Country Risk Ratings

- *Euromoney*, in its September 2008 risk ratings of 186 countries, placed Slovakia at the 39th position, which is a rise of five places from

its previous ranking in March 2008. India is placed at 56th in the same ranking.

- *Institutional Investor's* in its September 2008 risk ratings placed Slovakia at the 38th position, which is the same as its previous ranking in March 2008. India has a rank of 54 in the same ranking.
- *The Export Credit Guarantee Corporation of India Ltd. (ECGC)* ranks countries in seven groups (A1, A2, B1, B2, C1, C2 and D), according to increasing order of risk. It placed Slovakia in Group B1 of countries in December 2008.

Bilateral Trade Relations with India

- India recorded exports of US\$ 47.7 mn in 2007-08 to Slovakia, representing an increase of 32.5% from US\$ 36 mn in 2006-07.
- Imports from Slovakia amounted to US\$ 44.5 mn in 2007-08 representing a increase of 124.6% from US\$ 19.8 mn in 2006-08.
- Thus, India's trade surplus with Slovakia decreased from US\$ 16.2 mn in 2006-07 to US\$ 3.3 mn in 2007-08.
- India's main exports to Slovakia during 2007-08 were leather footwear components (US\$ 25.3 mn), RMG of cotton incl. accessories (US\$ 3.8 mn), pharmaceutical products (US\$ 3.6 mn), electronic goods (US\$ 2.5 mn), machinery & instruments (US\$ 1.9 mn), footwear of leather (US\$ 1.4 mn) and manufactures of metals (US\$ 1.2 mn).
- India's important items of import from Slovakia during 2007-08 were iron & steel (US\$ 15.8 mn), transport equipments (US\$ 10 mn), non-electrical machinery (US\$ 5.4 mn), electronic goods (US\$ 4.1 mn) and organic chemicals (US\$ 0.86 mn).

Macroeconomic Outlook

- GDP growth is expected to slow to 2% in 2009, as tighter lending conditions reduce domestic demand growth, and as recession in parts of the EU curtails export growth. Growth is expected to improve in 2010, but only to a limited degree, as the outlook for exports remains comparatively subdued.
- Consumer price inflation is expected to fall to 2.8% in 2009, owing to weaker domestic demand growth and lower energy prices. In 2010, inflation is expected to fall again slightly to 2.7%, as the underlying productivity growth of the economy remains strong.
- Euro is expected to average US\$ 1.35: Euro 1 in 2009 and US\$ 1.39: Euro 1 in 2010. It is expected that the US currency will continue to benefit from elevated levels of risk aversion, as well as concerns about the health of the euro zone economies.
- The current-account deficit is expected to decline as a share of GDP in 2009-10, as energy prices fall and income debits moderate compared with 2008.

Slovakia: Economic Structure

Economic Indicators	2004	2005	2006	2007	2008^b
GDP (US\$ bn)	42.2	47.9	56.0	75.1	88.2
GDP at market prices (Sk bn)	34	38	45	55	60
Real GDP growth %	5.2	6.6	8.5	10.4	6.8
Consumer price inflation %	7.5	2.7	4.5	2.8	4.6
Population (m)	5.4	5.4	5.5	5.5	5.5
Merchandise exports fob (US\$ bn)	27.6	31.9	41.6	57.5	74.2
Merchandise imports fob (US\$ bn)	29.2	34.3	44.2	58.4	75.5
Current-account balance (US\$ bn)	-3.3	-4.1	-3.9	-4.0	-5.4
Total international reserves (US\$ bn)	14.9	15.5	13.4	19.0	18.8
Total external debt (US\$ bn)	22.2	23.9	27.1	36.8	45.7
Average exchange rate (Euro 1: US\$)	1.35	1.18	1.32	1.37	1.47

^b Estimates

Source: EIU Country Report.