

**Innovation and Technology
Forum III
Turkey and Slovakia**

**Slovakia's Success Story and
Opportunities in Slovakia**

*Istanbul
June 19, 2012*

Introduction

- **Global Financial Crisis and Recession**
- **Slovakia's Economic Development**
- **Opportunities**
- **Conclusion**

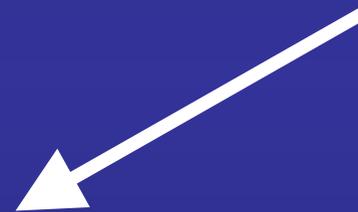
Global Financial Crisis and Recession

World Economy – EMU - is at a Critical Juncture

**Financial
Stability**

**Fiscal
Sustainability**

**Social
Stability**

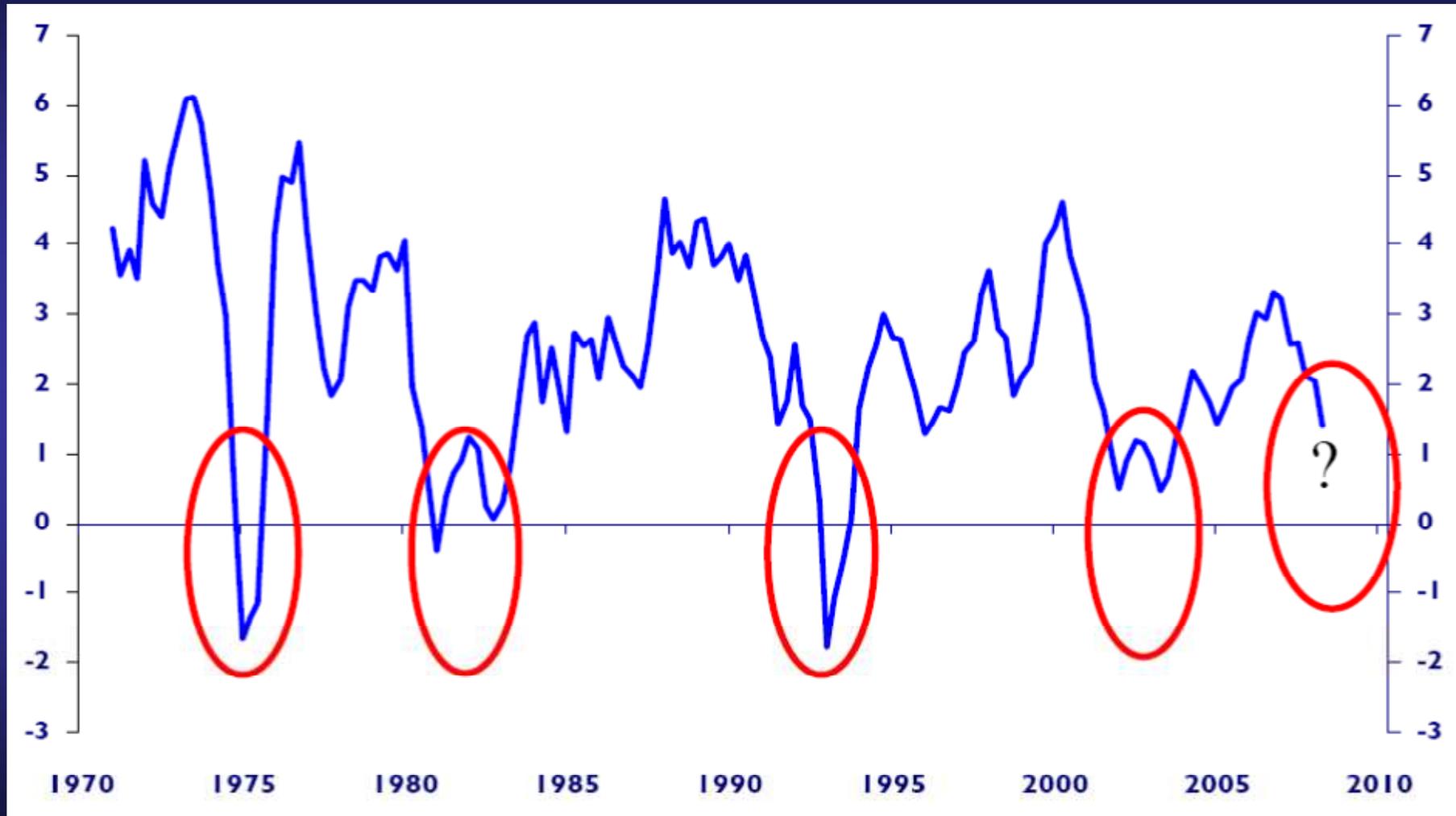


**Strong -
Sustained -
Balanced
Growth**

Where does Europe Stand?



Development of GDP in Eurozone



Source: Eurostat

International Rescue Packages in CEE/SEE

Iceland

- No



Lithuania

- No talks yet, but according to Moody's and S&P this could soon be the case

Latvia

- € 1,7bn Standby agreement with the IMF
- in talks with EU on additional 1 bn €

Poland

- US \$ 20,5bn credit line for strongly performing economies requested (one-year-precautionary arrangement)

Belarus

- US \$ 2,5bn Standby agreement with the IMF

Hungary

- EUR 20bn Standby agreement with the IMF (12,5 bn €), World Bank (1 bn €) and EU (6,5 bn €)

Ukraine

- US \$ 16,4bn Standby agreement with the IMF

Bosnia-Herzegovina

- NB governor expressed interest in appr, EUR 1bn
- Talks with IMF due mid April

Romania

- EUR 20bn Standby agreement with the IMF (13 bn €), EU (5 bn €), World Bank (1 bn €) and EBRD (1 bn €), no board approval yet

Montenegro

- EUR 0,2-0,3bn requested in case downturn further deepens

Serbia

- EUR 0,4bn Standby agreement with the IMF

Turkey

- US \$ 10,8bn Standby agreement with the IMF (since 2001)

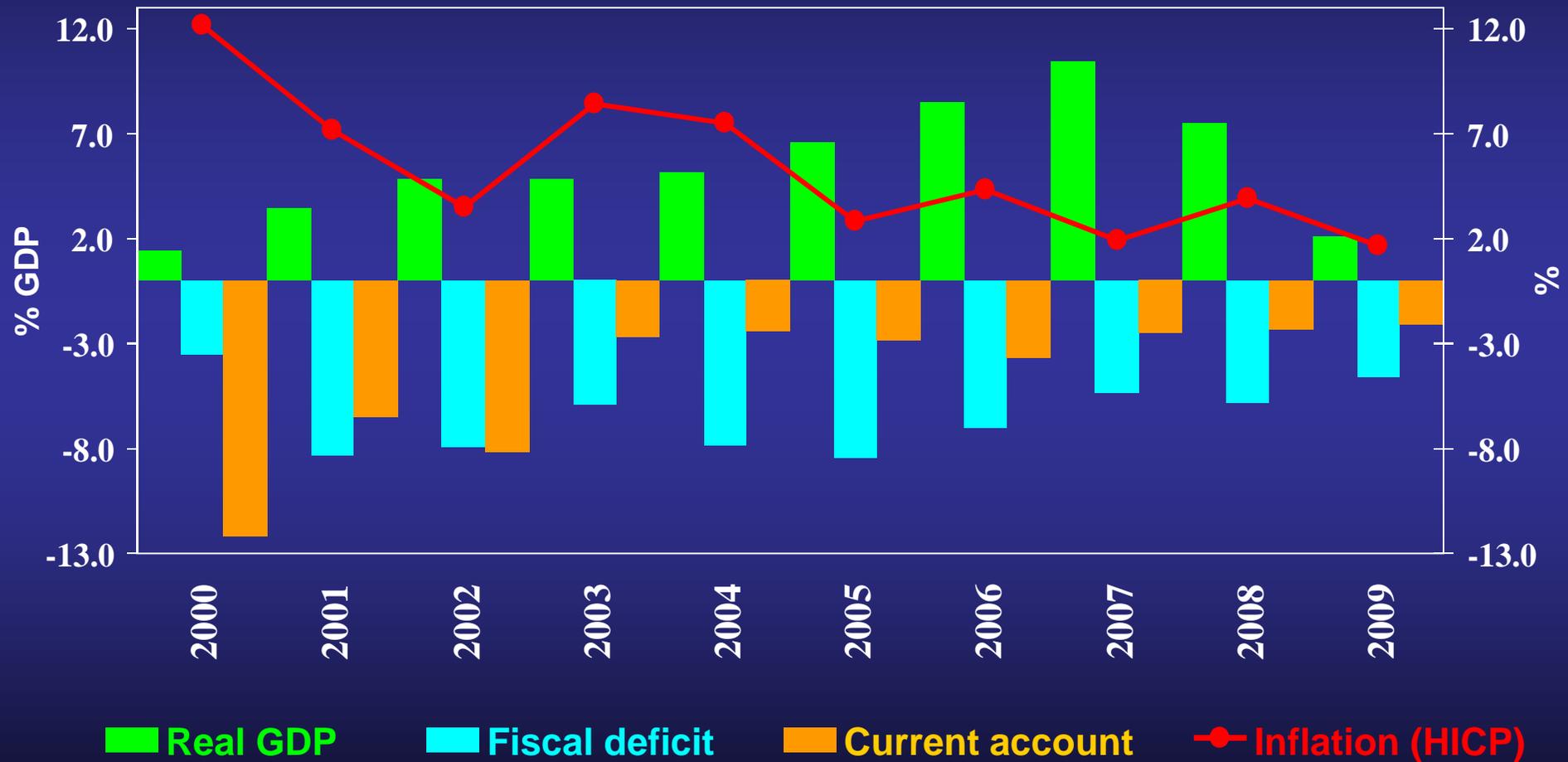
Slovakia's Economic Development

Real Economic Shocks...

- Real
- External
- Asymmetric



Macroeconomic Indicators



Source: ECB, EC, NBS, MFSR

Impact of the Crisis on CEE

Annual GDP growth (in %)

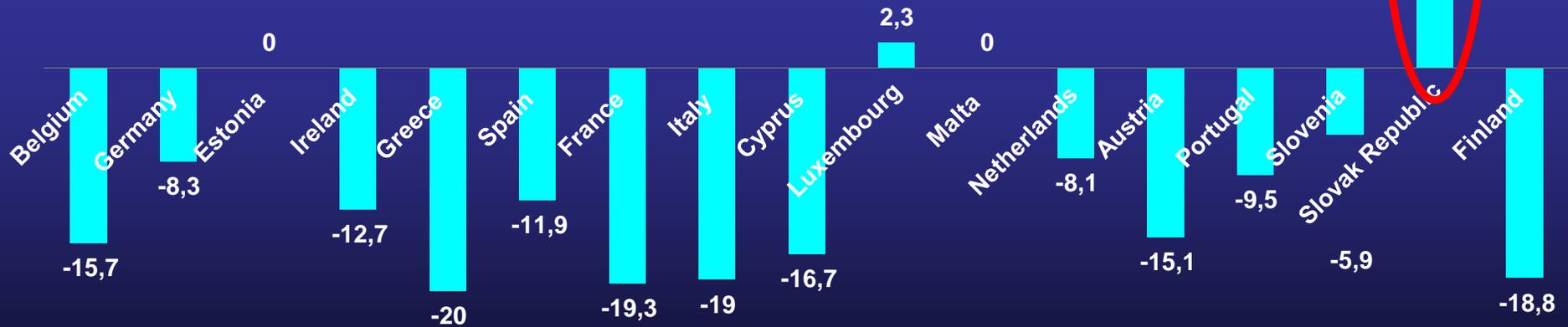
	2008	2009	2010
SI	3,5	-3,4	0,7
SK	6,4	-2,6	0,7
€	0,8	-4,0	-0,1
BG	6,0	-1,6	-0,1
CZ	3,2	-2,7	0,3
EE	-3,6	-10,3	-0,8
LV	-4,6	-13,1	-3,2
LT	3,0	-11,0	-4,7
HU	0,5	-6,3	-0,3
PL	4,8	-1,4	0,8
RO	7,1	-4,0	0,0
EÚ	0,9	-4,0	-0,1

The Best Export Share

Export market shares (5 years % change)

Threshold: -6%

■ Export market shares (5 years % change)



Sources: Eurostat data

The Lowest Private Sector

Private sector **Debt** (% of GDP)
Threshold: 160%

■ Private sector debt (% of GDP)



Most CEE/SEE Countries Can Afford it



Financial Crisis – no Direct Impact on the Financial Sector

- **Banks have conservative models**
- **Banks did not invest in financial engineering**
- **Banks have enough liquidity**
- **Some credit risks are lowering**
- **Banks are very prudent in providing credits**

Investment Opportunities

Strengths in Slovakia



What was encouraging?

- High share of export on GDP (2)
- Significant real GDP growth (3)
- Dynamic real growth of productivity (5)

What was driving the economy forward?

- Good ratio between productive and nonproductive population (1)
- Low labor costs (3)
- Strong investment incentives (3)
- Pracovné právo podporujúce podnikanie (3)
- Low tax rate (4)

Weaknesses



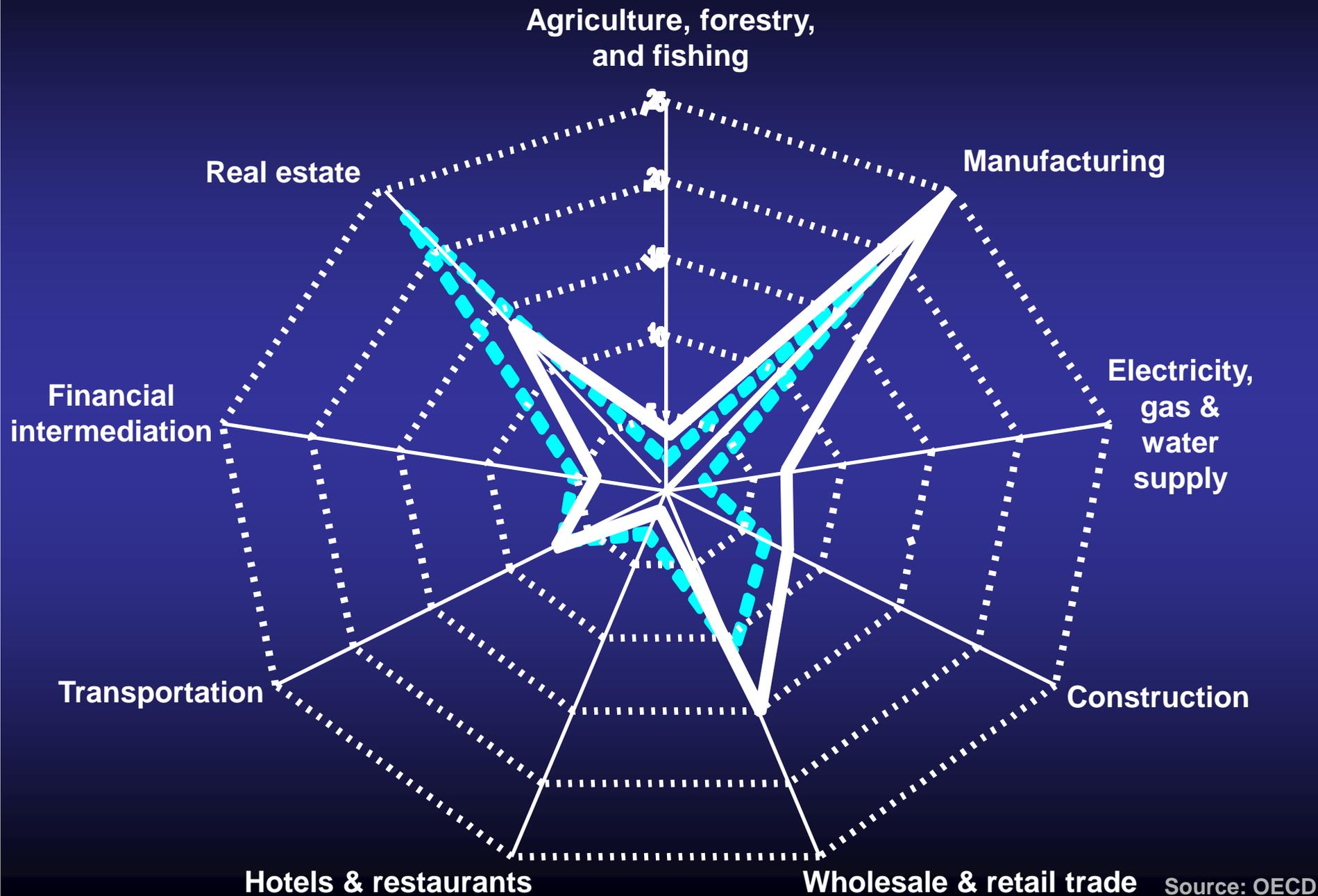
In which areas SVK is behind?

- High level of unemployment (25)
- High ratio of energy consumption (23)
- Low level of employment (21)

What should be done?

- Increase expenditure for research and development (25)
- Create better conditions for part-time jobs (25)
- Increase a share high-tech products on export (24)
- Increase the quality of education
- Improve infrastructure

Gross Value Added by Activity



Source: OECD

Unit Labor Costs

	2000	2001	2002	2003	2004	2005	2006	2007	2008 ^e	Jan-Feb 2009 ^e
EU15	22,9	22,8	23,6	24,6	25,6	26,3	27,0	27,7	28,3	28,3
V4 average	3,7	4,2	4,6	4,7	5,0	5,5	6,0	6,8	7,5	6,9
Slovakia	3,0	3,1	3,5	4,0	4,4	4,6	5,2	6,3	7,0	7,1
Slovakia, % in average EU15	13,2	13,6	14,8	16,2	17,1	17,6	19,3	22,8	24,8	24,9
Slovakia, % in average V4	82,4	74,0	76,3	85,3	88,0	83,5	87,4	93,5	93,0	101,6

Source: European Commission, Eurostat data

Slovakia Has the Best Rating in the Region

	Standard & Poor's	Moody's	Fitch Rating	R&I	JCR
Slovakia	A+ Stable outlook	A1 Stable outlook	A+ Stable outlook	A Stable outlook	A+ Stable outlook
Czech Republic	A Stable outlook	A1 Stable outlook	A+ Stable outlook	A Stable outlook	A Stable outlook
Poland	A- Stable outlook	A2 Stable outlook	A- Stable outlook	A- Stable outlook	A- Stable outlook
Hungary	BBB- Negative outlook	Baa1 Negative outlook	BBB Negative outlook	BBB+ Negative outlook	BBB+ Negative outlook

Source: Standard & Poor's, Moody's, Fitch Rating, R&I, JCR

Diverse Approaches, Diverse Results

World Competitiveness Index (15th from 23)

Global Competitiveness Index (18th from 27)

Economic Freedom of the World Index (21st from 27)

Index of Economic Freedom (18th from 27)

Doing Business (14th from 24)

EBRD Transition Indicators (5th from 10)

+ other approaches focusing on particular areas

Conclusion

Summary - Slovak Economy

- Monetary policy – easing and helpful
- Fiscal policy – the most effective use sources from the EU, PPP projects for infrastructure
- Structure measures – support SMEs
- Measures on labor market
- 100% guarantee on bank deposits
- Other measures should be adopted



Thank you for your attention