

A hand holding a silver fountain pen is shown writing on a document. The document has some faint text and a table-like structure. A dark blue geometric shape, resembling a large 'A' or a stylized letter, is overlaid on the image. The background is a blurred office setting with people in business attire.

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GROUP

Slovakia Analysis Report

Framework:

- Introduction
- Economic View
- Growth & Consumer Credit Reports
- Opportunities
- Conclusion

Introduction

Since the establishment of the Slovak Republic in January 1993, Slovakia has undergone a transition from a centrally planned economy to a free market economy; a process which some observers were to believe was slowed in the 1994–98 period due to the crony capitalism and other fiscal policies of Prime Minister Vladimír Mečiar's government. While economic growth and other fundamentals improved steadily during Mečiar's term, public and private debt and trade deficits also rose, and privatization was uneven. Real annual GDP growth peaked at 6.5% in 1995 but declined to 1.3% in 1999.

Two governments of the "liberal-conservative" Prime Minister Mikuláš Dzurinda (1998–2006) pursued policies of macroeconomic stabilization and market-oriented structural reforms. Nearly the entire economy has now been privatized, and foreign investment has picked up. Economic growth exceeded expectations in the early 2000s, despite recession in key export markets. In 2001 policies of macroeconomic stabilization and structural reform led to spiralling unemployment. Unemployment peaked at 19.2% (Eurostat regional indicators) in 2001 and though it has fallen to (depending on the methodology) 9.8% or 13.5% as of September 2006, it remains a problem. Solid domestic demand boosted economic growth to 4.1% in 2002. Strong export growth, in turn, pushed economic growth to a still-strong 4.2% in 2003 and 5.4% in 2004, despite a downturn in household consumption. Multiple reasons entailed a GDP growth of 6% in 2005. Headline consumer price inflation dropped from 26% in 1993 to an average rate of 7.5% in 2004, though this was boosted by hikes in subsidized utilities prices ahead of Slovakia's accession to the European Union. In July 2005, the inflation rate dropped to 2.0% and is projected at less than 3% in 2005 and 2.5% in 2006. In 2006, Slovakia reached the highest economic growth (8.9%) among the members of OECD and the third highest in the EU (just behind Estonia and Latvia). The country has had difficulties addressing regional imbalances in wealth and employment. GDP per capita ranges from 178% of EU average in Bratislava to only 49% in Eastern Slovakia.

Economic View

GDP Annual Growth:

The gross domestic product (GDP) measures of national income and output for a given country's economy. The gross domestic product (GDP) is equal to the total expenditures for all final goods and services produced within the country in a stipulated period of time. The Gross Domestic Product (GDP) in Slovakia was worth 87.26 billion US dollars in 2015. The GDP value of Slovakia represents 0.14 percent of the world economy. GDP in Slovakia averaged 42.85 USD Billion from 1982 until 2015, reaching an all-time high of 100.76 USD Billion in 2014 and a record low of 5.80 USD Billion in 1984.



GDP Last 10 years

The Slovak economy expanded 3.1 percent year-on-year in the first quarter of 2017, following 3 percent growth in the previous period and in line with market expectations. On a seasonally adjusted quarterly basis, the GDP advanced 0.8 percent, at the same pace as in the previous period. GDP Annual Growth Rate in Slovakia averaged 3.68 percent from 1998 until 2016, reaching an all-time high of 13.50 percent in the fourth quarter of 2007 and a record low of -6.10 percent in the second quarter of 2009.



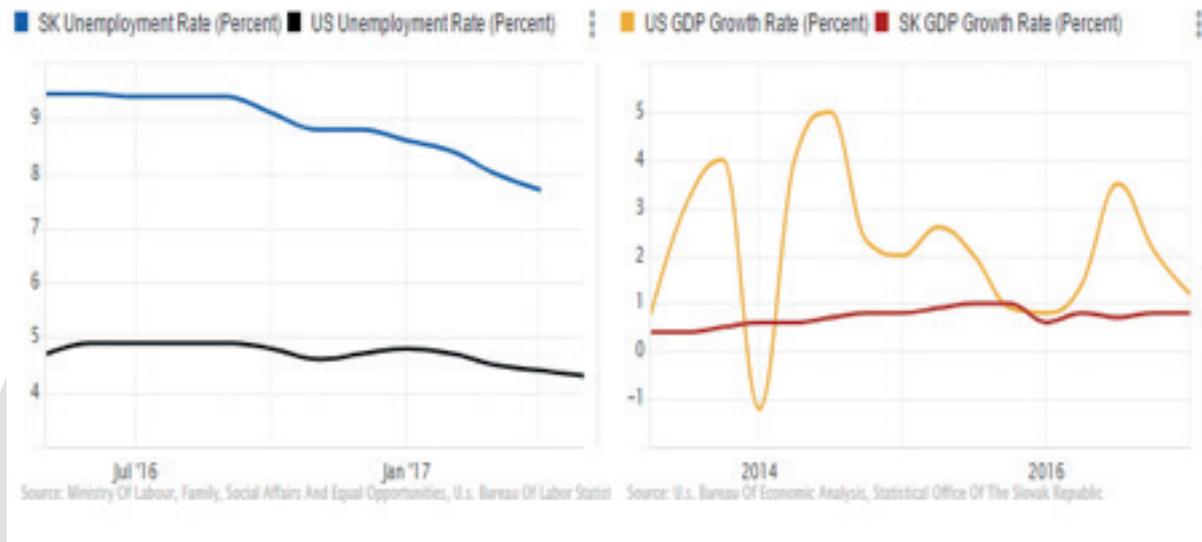
GDP Annual Growth from Last 5 years

The data of last 5 year on the basis of GDP growth rate, annual growth rate, constant price, fixed capital formation, national product, per capita income, agriculture is following:

Slovakia GDP	Last	Previous	Highest	Lowest	Unit	
GDP Growth Rate	0.80	0.80	9.00	-7.60	percent	[+]
GDP Annual Growth Rate	3.10	3.00	13.50	-6.10	percent	[+]
GDP	87.26	100.76	100.76	5.80	USD Billion	[+]
GDP Constant Prices	19934.75	19807.53	19934.75	9847.00	EUR Million	[+]
Gross Fixed Capital Formation	4.75	4.04	5.63	2.24	EUR Billion	[+]
GDP per capita	18643.15	17973.16	18643.15	7676.04	USD	[+]
GDP per capita PPP	28254.26	27237.62	28254.26	11632.75	USD	[+]
GDP From Agriculture	0.59	1.22	1.22	0.20	EUR Billion	[+]
GDP From Construction	1785.00	1738.00	2162.00	600.00	EUR Million	[+]
GDP From Manufacturing	4469.00	4576.00	4671.00	1017.00	EUR Million	[+]
GDP From Public Administration	2.39	2.21	2.62	1.35	EUR Billion	[+]
GDP From Services	3314.00	3867.00	3867.00	1820.00	EUR Million	[+]

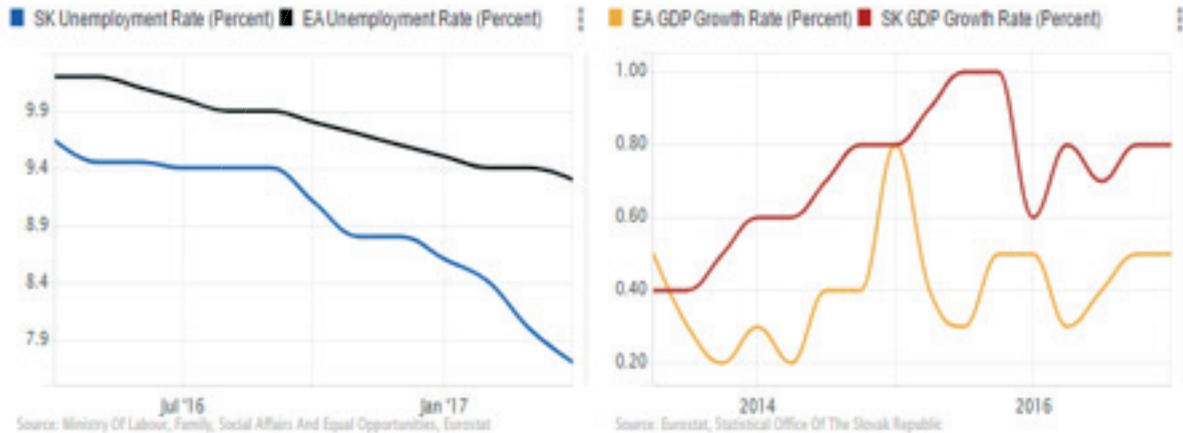
Growth & Consumer Credit Reports

To compare the growth & to understand the economic situation of Slovakia in a better way we can take a view of comparison of Slovakia with the most strong economies of the world & The results are quite surprising that scenario is almost similar hence the investment opportunities in Slovakia can be said similar to the investment in the best economies of the world. Let`s go through the comparison summary:



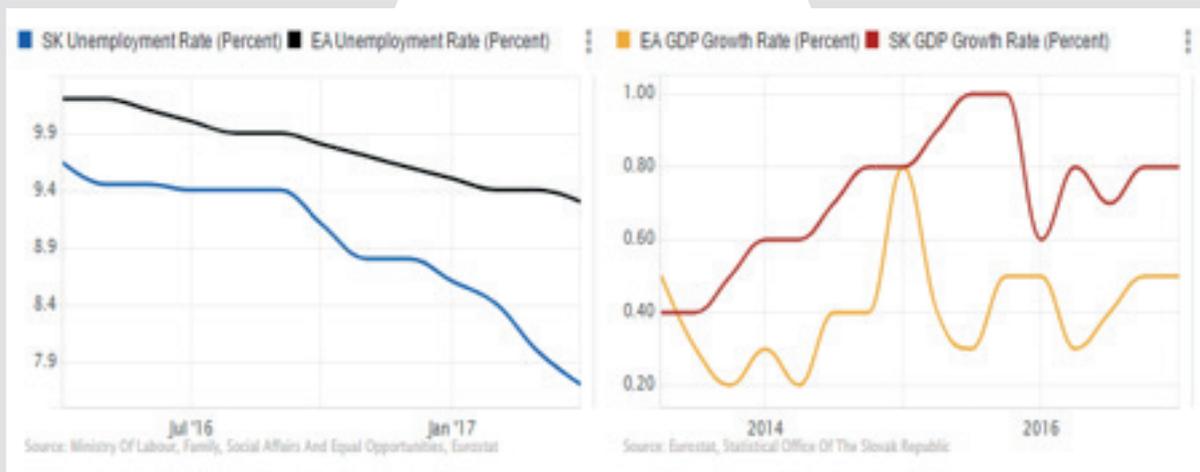
Slovakia Vs. United States

Unemployment Rate in Slovakia went down to 7.70 percent in Apr 2017 from 8.00 percent in Mar 2017. United States Unemployment Rate declined to 4.30 percent in May 2017 from 4.40 percent in Apr 2017. GDP Growth Rate in the United States went down to 1.20 percent in Q1 2017 from 2.10 percent in Q4 2016. Slovakia GDP Growth Rate was reported at 0.80 percent in Q1 2017.



Slovakia Vs. Euro Area

Unemployment Rate in Slovakia went down to 7.70 percent in Apr 2017 from 8.00 percent in Mar 2017. Euro Area Unemployment Rate declined to 9.30 percent in Apr 2017 from 9.40 percent in Mar 2017. GDP Growth Rate in the Euro Area was last registered at 0.50 percent in Q1 2017. Slovakia GDP Growth Rate was reported at 0.80 percent in Q1 2017.



Slovakia Vs. United Kingdom

Unemployment Rate in Slovakia went down to 7.70 percent in Apr 2017 from 8.00 percent in Mar 2017. United Kingdom Unemployment Rate declined to 4.60 percent in Mar 2017 from 4.70 percent in Feb 2017. GDP Growth Rate in Slovakia was last registered at 0.80 percent in Q1 2017. United Kingdom GDP Growth Rate declined to 0.20 percent in Q1 2017 from 0.70 percent in Q4 2016.

Consumer Credit:

The term consumer credit refers to all kinds of credit employed by individuals that are not collateralized by real estate or financial assets such as stocks and bonds and not used for business purposes. It includes instalment credit for automobiles, home repair and modernization, appliances, education, large recreational items, and revolving credit on credit cards. There are many ways to classify consumer credit into categories, including use, method of generation (direct and indirect closed-end credit, non-instalments credit, and open-end credit), and kind of financial institution generating the loan (depository institutions, finance companies, credit unions, others).

Consumer credit is considered a good indicator of the potential future spending levels seen in the Personal Consumption and Retail Sales reports, and shows the extent to which benchmark interest rates such as the fed funds rate and prime rate have manifested themselves at the consumer level (it can take six months to a year for macro interest rates to work their way down to consumers).

These factors are important when investors consider that consumers make up more than two-thirds of total GDP consumption. If consumers stop spending or face a credit crunch, GDP will not be able to grow much. Investors in consumer cyclical stocks should be keenly interested in consumers' ability to spend more in the future.

Consumer credit figures have a lot of seasonal and inherent volatility, so investors should always review the current report for adjustments to prior periods, paying particular attention to revisions to year-over-year growth. Long-term trends are the most studied portion of the report, both in the total outstanding balances as well as the change in overall interest rates being charged.

The Conference Board has tapped consumer credit as a lagging indicator, and uses a ratio of consumer credit to personal income as a component of its Index of Lagging Indicators. The Fed operates on the theory that consumers will not significantly increase their borrowing levels until their personal incomes increases enough to justify the higher debt load. As such, borrowing may show the largest increases when the economy is already coming out of a recession, rather than during the worst of it.

How helpful consumer credit reports are for investors can be listed out in points as follows:

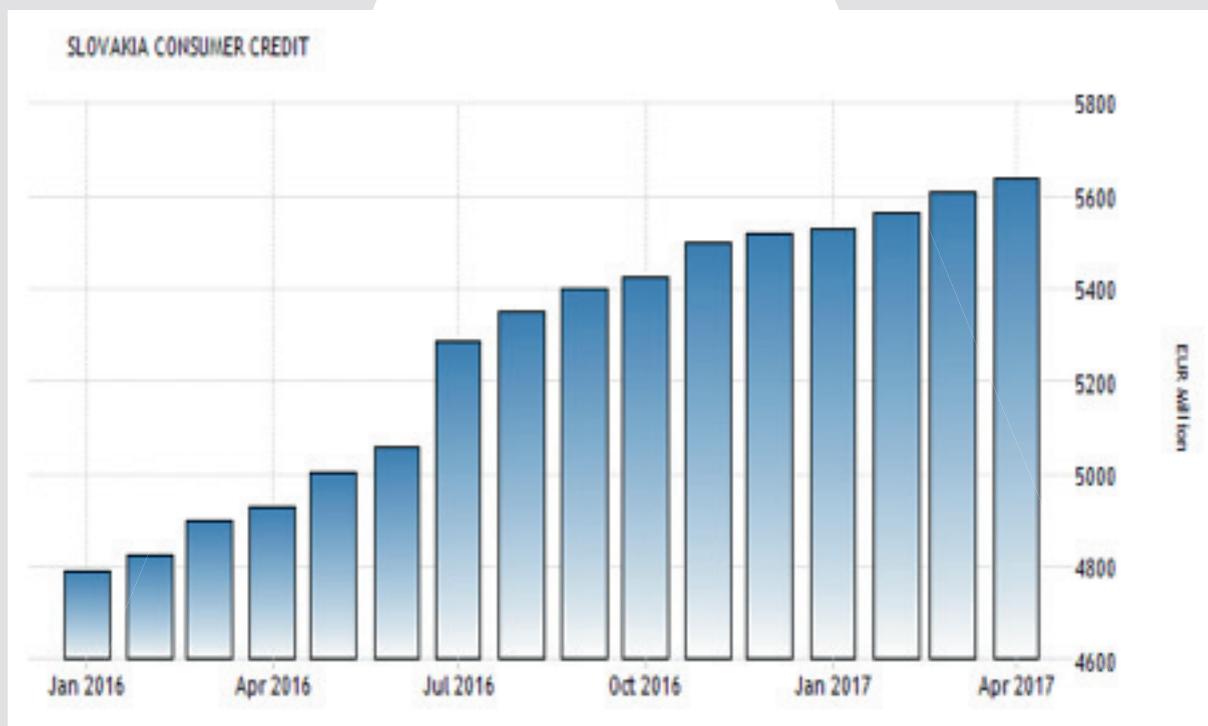
Strengths:

- Contains detailed breakdown of loan figures, such as average maturity and prevailing interest rates.
- Data is provided with and without seasonal adjustments.
- Release shows comparisons against previous month, previous year, and also against results from the last five years.

Weaknesses:

- Only total growth in outstanding loans is shown; there is no way of knowing if consumer payments have fallen off or if new loan growth has slowed based on a falling consumer credit number (and vice versa).
- Absence of home-equity debt provides for an incomplete picture.
- Because it comes out after the consumer confidence report and retail sales reports for the month, some analysts will not look as intently at the consumer credit figures month to month, instead reviewing multi-period trends once or twice a year.

Consumer Credit in Slovakia increased to 5636 EUR Million in April from 5606 EUR Million in March of 2017. Consumer Credit in Slovakia averaged 3017.44 EUR Million from 2006 until 2017, reaching an all-time high of 5636 EUR Million in April of 2017 and a record low of 987 EUR Million in February of 2006.



Consumer Spending in Slovakia increased to 10.25 EUR Billion in the fourth quarter of 2016 from 10.17 EUR Billion in the third quarter of 2016. Consumer Spending in Slovakia averaged 8.25 EUR Billion from 1997 until 2016, reaching an all-time high of 10.25 EUR Billion in the fourth quarter of 2016 and a record low of 5.59 EUR Billion in the first quarter of 1997.



So here we can see the increase which is an indicator of that attraction of consumers has been moved a lot towards credit facilities. Following has been the consumer credit trend in last 5 years:

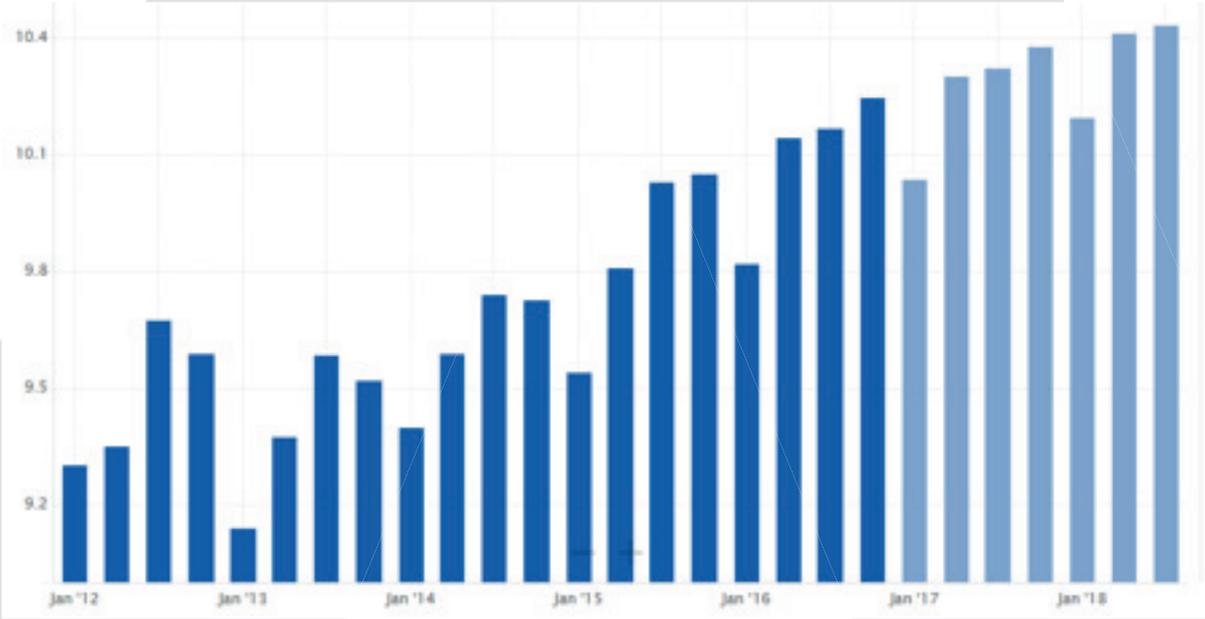
Slovakia Consumer	Last	Previous	Highest	Lowest	Unit	
Consumer Confidence	-3.90	-6.90	6.50	-49.40		[+]
Retail Sales MoM	1.50	-0.40	16.70	-14.00	percent	[+]
Retail Sales YoY	7.50	5.60	28.60	-14.30	percent	[+]
Consumer Spending	10.25	10.17	10.25	5.59	EUR Billion	[+]
Disposable Personal Income	13234.00	11931.00	13234.00	2435.00	EUR Million	[+]
Personal Savings	2270.00	1110.00	2545.00	120.00	EUR Million	[+]
Consumer Credit	5636.00	5606.00	5636.00	987.00	EUR Million	[+]
Bank Lending Rate	2.98	3.08	4.73	2.68	percent	[+]
Economic Optimism Index	102.80	104.00	119.00	71.90	Index points	[+]
Gasoline Prices	1.32	1.29	2.04	0.61	USD/Liter	[+]
Households Debt To Income	57.55	53.64	57.55	6.80	percent	[+]

Opportunities

Strong economic growth is set to continue, reaching 3.8% in 2018. An improving labor market will underpin household spending. Investment is expected to recover, as a slowdown in projects financed by EU funds in 2016 will be compensated by other new public infrastructure spending and stronger business investment. Exports will continue to benefit from the expansion in the automotive sector, which is ramping up production.

The euro area monetary policy stance remains supportive, but a more ambitious structural reform program is needed to share prosperity widely across society. In particular, measures to improve efficiency in health care and education services are important to enhance well-being and make growth more inclusive and sustainable.

Strong fiscal revenues driven by the improving cyclical position and better tax collection will provide tailwinds for the government’s plan to reduce the deficit, as population ageing presents a serious medium-term challenge. Nevertheless, improving public-sector efficiency and changing the composition of spending can provide fiscal space to finance extra growth-enhancing measures in areas such as education and R&D. Additional support can come from rebalancing the tax mix away from direct taxes and social security contributions towards property and environmentally related taxes.



Consumer credit scenario of the country cannot be predicted for the coming years but if we analysis the last trends and see for the coming terms from March 2017 to T+2 and T+3 (which is 2 month & 3 Month term onwards) the following coming trends can be predicted:

Economic	Latest	Unit	T+1	T+2	T+3
Slovakia Consumer Spending	10.25	EUR Billion	10.1992	10.0371	10.3019
Slovakia Consumer Confidence	-3.90		-7.5912	-4.5346	-5.2849
Slovakia Consumer Credit	5636.00	EUR Million	5638.1824	5668.9641	5701.7896
Slovakia Government Spending	4.24	EUR Billion	4.2198	3.3205	3.5186
Slovakia Government Spending to GDP	41.60	percent	46.3586	40.5448	42.4161
Slovakia Harmonised Consumer Prices	100.56	Index Points	100.4076	100.6244	100.673

Conclusion

Interest Rate in the Euro Area was last registered at 0.00 percent in 05/31/2017. GDP Growth Rate in Slovakia was recorded at 0.80 percent. Inflation Rate declined to 0.80 percent (previously reported at 1.00 percent) and Unemployment Rate fell to 7.70 percent from 8.00 percent.

GDP Growth Rate in Slovakia all-time average stands at 0.91 percent and its projection for Q1 2017 is 0.87. Inflation Rate averaged 2.93 percent since Jan 2002 and is projected to be 1.06 in Apr 2017. Unemployment Rate is forecasted to be 7.77 in Apr 2017.