



Decide with Confidence

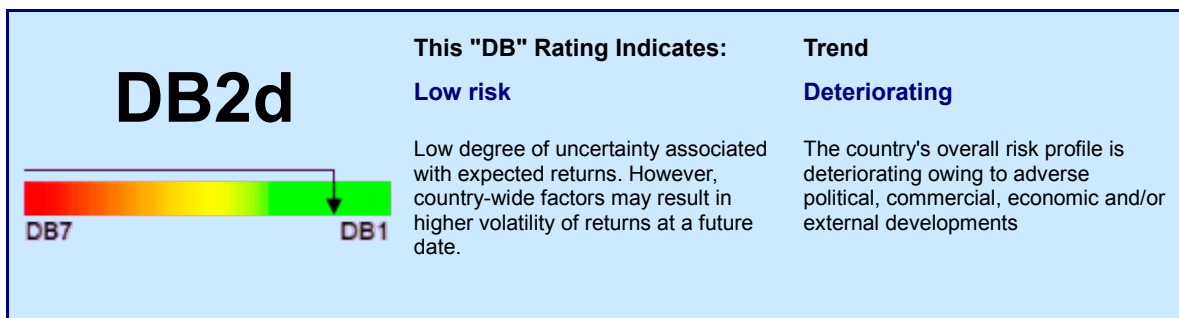
D&B Country RiskLine Report

SLOVAKIA

Region : Eastern Europe

Edition : April 2013

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

Population:	5.5m
Surface area (sq km):	48,850
Capital:	Bratislava
Timezone:	GMT +01:00
Official language:	Slovak
Head of government:	Prime Minister Iveta RADICOVA
GDP (USD):	95.9bn
GDP per capita (USD):	17,528
Life expectancy (years):	74
Literacy (% of adult pop.):	99.6

Country Overview:

Slovakia is a landlocked country in Central Europe bordering the Czech Republic (with which it formed Czechoslovakia until 1993), Austria, Poland, Hungary and Ukraine. The country joined the EU in 2004 after making substantial political and economic reforms. In January 2009, Slovakia became the second former communist country to adopt the euro (following Slovenia in 2004). However, unemployment remains high and living standards have yet to reflect economic improvements.

The share of the industrial sector in the overall economy has been rising since 1999. Successive governments have maintained a broadly business-friendly policy orientation, helping to attract foreign manufacturers to set up facilities in the country, to take advantage of low corporate taxes and a relatively well educated, inexpensive workforce. The launch of production at two large car assembly plants in 2007 are good examples.

Trade & Commercial Environment

Trade Terms

Minimum Terms:	SD
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:	LC
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D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:	0-30 days
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Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

Local Delays:	0-1 month
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The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:	0-1 month
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The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

Judicial independence in Slovakia is the weakest in the EU. Although the courts enforce property and contractual rights, the judicial process is slow and inefficient, and the courts are subject to bribery and political influence. On the upside, the Chamber of Commerce and Industry has a court of arbitration for alternative dispute resolution, and Slovakia accepts binding international arbitration. However, many investors have little faith in the capacity of the courts to offer legal remedy and instead agree to settle out of court, an arrangement that can result in significant losses. Investors should factor this into their business plans and investigate the options for insuring themselves against losses derived from the limitations of the domestic court system.

Export Credit Agencies

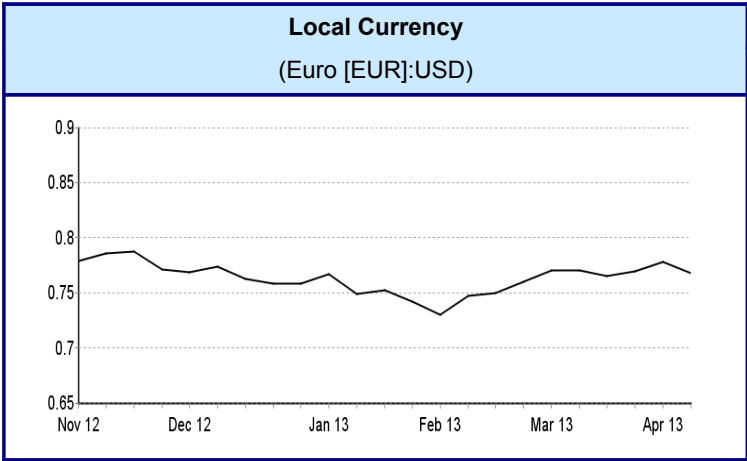
US Eximbank	Full cover subject to commercial bank guarantee
Atradius	Full ST cover available
ECGD	Full cover available
Euler Hermes UK	Full ST cover available

Economic Indicators

	2010	2011	2012	2013f	2014f
Real GDP growth, %	4.4	3.2	2.1	1.2	1.6
Inflation, annual ave, %	0.7	4.1	2.8	2.2	2.5
Govt balance, % GDP	-7.7	-4.9	-4.9	-3.0	-2.9
Unemployment, %	14.5	13.6	13.7	12.4	11.0
C/A balance, % GDP	-3.4	0.0	1.2	-0.1	-0.6

Currency Information

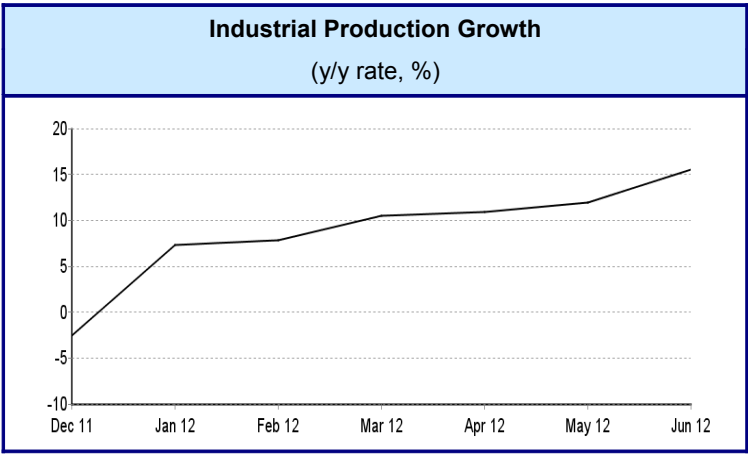
Exchange Rates	
(London, 18 Mar 13)	
GBP	1.1581
JPY*	0.8048
USD	0.7653
*(x 100)	



Local Currency
(Euro [EUR]:USD)

	Nov 12	Dec 12	Jan 13	Feb 13	Mar 13	Apr 13
Week 1	0.778	0.769	0.767	0.730	0.770	0.778
Week 2	0.786	0.774	0.749	0.747	0.770	0.768
Week 3	0.787	0.763	0.752	0.750	0.765	
Week 4	0.771	0.758	0.742	0.760	0.769	
Week 5		0.758				

Industrial Production Growth



Data Table

Dec 11	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12
-2.53	7.27	7.78	10.48	10.88	11.95	15.49

Risk Factor

Stagnation in the euro zone is starting to have a pronounced impact on Slovakia's GDP, and we now expect growth to come in at just 1.2% in 2013 and 1.6% in 2014. Private consumption will be constrained by rising unemployment, falling real wages, income tax rises for higher income earners, and sharply negative consumer confidence, and will continue to fall in 2013 (following a decline of 1.2% in 2012). Public consumption will be dented by the government's drive to bring the deficit below 3% of GDP as part of the EU's Excessive Deficit Procedure. Meanwhile, domestic investment will decline due to government cuts to infrastructure projects, low absorption of EU structural funds, and tightening lending conditions. From a supply-side perspective, industrial production (and primarily car production) will be the sole engine of growth, although even this will be limited. The largest three automobile manufacturers in the country (Volkswagen, Kia and PSA Peugeot Citroen) have all pledged to maintain output levels in 2013 after raising production in Slovakia to a record 900,000 vehicles in 2012, up 40% year on year (y/y). However, none of these expects to increase production significantly until growth returns to key markets in the euro zone such as Germany and France where consumer demand is highly constrained; as such, any rise at all in production will be due to growth in export markets outside the EU, such as Asia.

In this context, the main demand-side driver of GDP growth over the forecast period will be net exports. On the one hand, exports will rise only slightly, if at all, for the reasons just described. On the other, imports will fall, due to the limits on domestic purchasing power. Accordingly, Slovakia will record a current account deficit of just 0.1% of GDP in 2013. With FDI continuing to flow in (mainly from outside the EU, reflecting Slovakia's inherent virtue as an investment location) we expect Slovakia's overall balance of payments to be positive over the forecast period. One consequence of this will be a rise in the volume of Slovakia's FX reserves, especially since Slovakia's external debt obligations are fairly modest by international standards. The country should therefore not face any difficulty meeting FX obligations to foreign residents in the forecast period.

Meanwhile, financial sector risk is declining following concerted efforts by Slovakia's banks to pay off loans borrowed from the ECB under its long-term refinancing operations. However, deleveraging comes at the price of limiting the finance available for investment and consumption. Longer-term, Slovakia's banking system remains vulnerable to the risk of increased stress in the euro zone, something which could lead foreign-owned banks to shore up parent banks by repatriating euros, further limiting the availability of funds for domestic lending.

Glossary & Definitions

DEFINITIONS

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Recommended Terms:

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Usual Terms:

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Local Delays:

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F/X Bank Delays:

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C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

Customer Service & Support

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