

Short note – Fixed Income Research – May 15, 2009

## Slovakia: GDP flash for 1Q09

### GDP fell by surprising 5.4% y/y

- Today, the Slovak Statistical Office released a flash GDP estimate for the 1Q09. **The real GDP contracted by 5.4% y/y, well below our and market expectations.** We expected quarterly seasonally adjusted decline to be broadly in line with the development in Euro area (i.e. we assumed decline at around 3% q/q), however, decline after seasonal (and cigarettes pre-stocking) adjustment was likely more than double, assuming that the 4Q growth at 2.5% y/y was not revised downwards.
- The structure will be known on June 3<sup>rd</sup>. Due to large drop we expect deterioration in all segments (notably in investments). It is possible that household consumption declined as well.
- The released figure implies that recession in the Euro area hits Slovakia in full extent. For the whole year 2009 the Slovak economy might contract even more than Eurozone (the market currently expects contraction in Euro area at around 3.6%). We will accordingly revise our full-year forecast of Slovak GDP in coming days.
- Employment in domestic concept fell by 0.4% y/y, while after seasonal adjustment remained unchanged at the level of the previous year.

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