

Short note – Fixed Income Research – August 13, 2009

Slovakia: GDP flash for 2Q09

Annual contraction of real GDP moderated to 5.3%

- Real GDP contracted by 5.3% y/y in 2q09 according to the flash estimate of the Statistical Office. This means slight improvement from -5.6% seen in 1q09. The figure was better than we and the market expected (our call: -6.3%, market's average was -6.0%).
- **The Statistical Office also released** (for the first time) quarterly seasonally adjusted GDP change, showing **stronger-than-expected quarterly growth of 2.2%**. We read this as a correction after a sharp fall by 11.0% q/q in 1q09. While the structure is not known yet, we assume that improvement on quarterly basis owes to industry (reflecting improved foreign demand), while sales in trade and services indicated worsening as compared to the 1q09.
- On consumption side, we expect similar structure as in 1Q09, which means that annual decline was caused by lower exports, decline in household consumption and investments. Inventories might be less of a drag than in 1Q, when companies reacted strongly on falling demand by destocking.
- **Released figure** (without knowing detailed structure) **does not change our expectation for the full-year decline within -5 and -6%** (size depends on whether the SUSR revises last year's data). This morning, the GDP data released from Germany and France brought some optimism, showing both economies increasing by 0.3% q/q. However, the growth was likely boosted by fiscal measures (such as scrap subsidy) and uncertainty regarding speed of economic recovery remains high. We expect rather gradual recovery in Slovakia and expect growth in annual terms no earlier than in 1q 2010.

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