

Slovakia: Economic prospects after EMU accession

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15th October 2008

Presentation outline

- The short-term global outlook
- Can Slovakia thrive in EMU?
 - Life with the €: a cautionary tale
 - Growth performance downgraded, but still a regional leader
- Conclusions

The global economy: severe slowdown underway

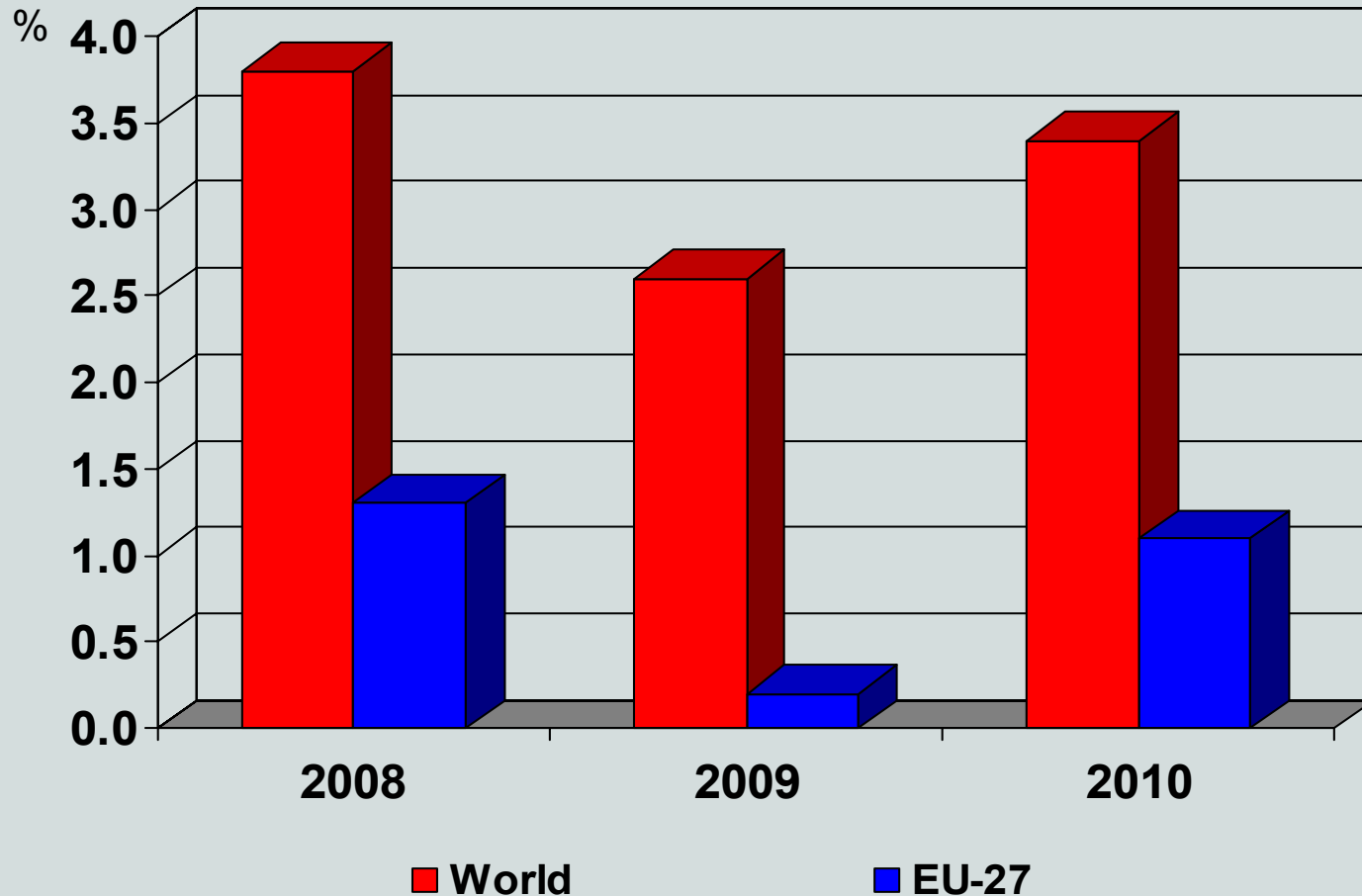
World GDP growth to slow to 2.6% in 2009
from 3.8% in 2008

- Lowest since 2002; caused by recession or near-recession in industrialised countries

EU-27 expected to barely grow in 2009,
modest pickup in 2010

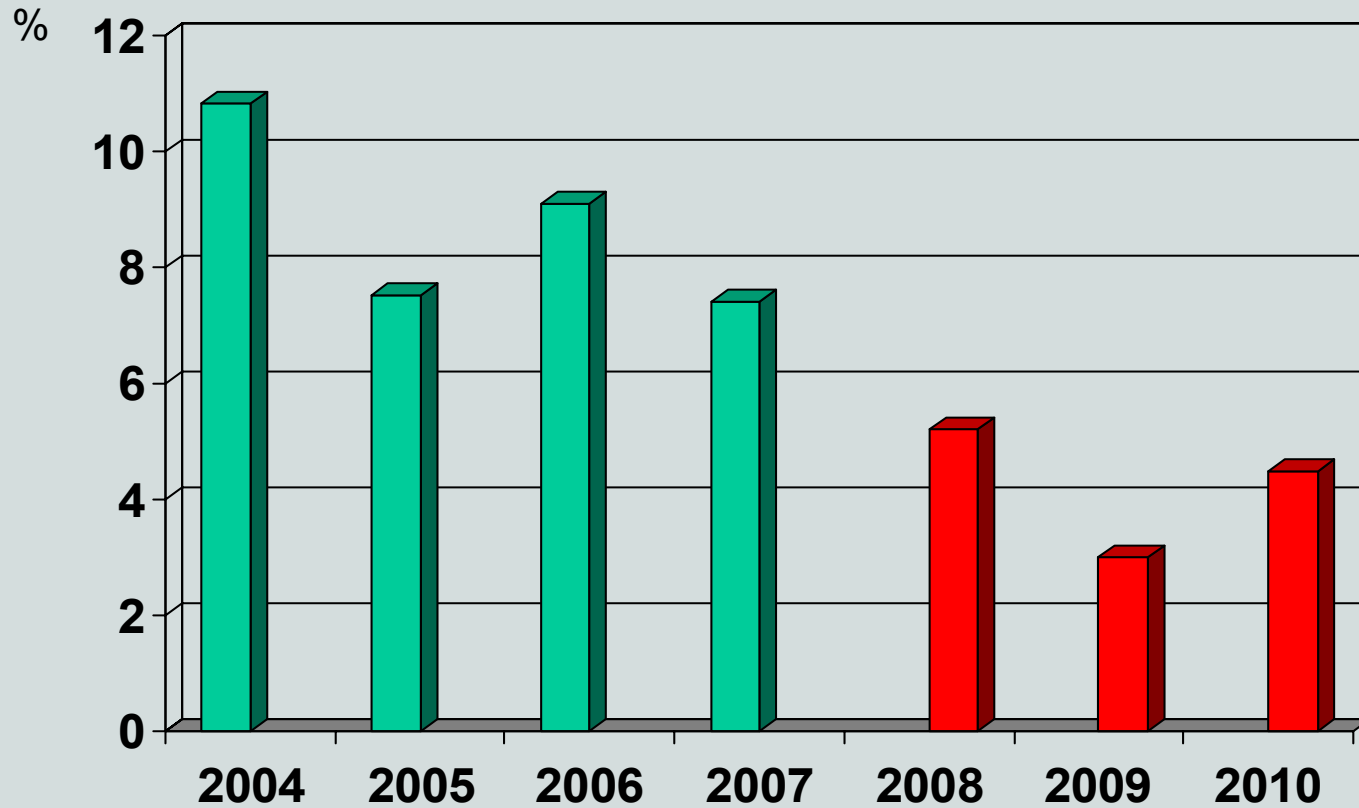
- Risks are to the downside

GDP growth: Europe and the world



Source: EIU global forecast

Slower global trade growth



Source: EIU global forecast

Major global risks to consider

Main risk

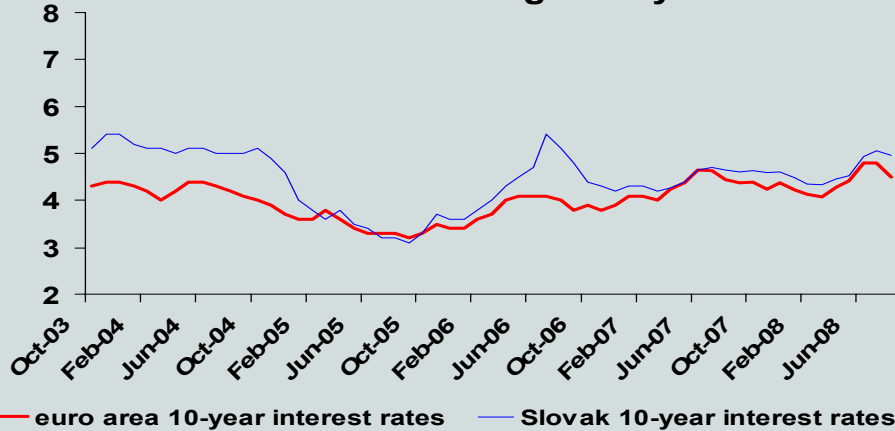
- The global financial crisis is more protracted and widespread than expected

Other risks:

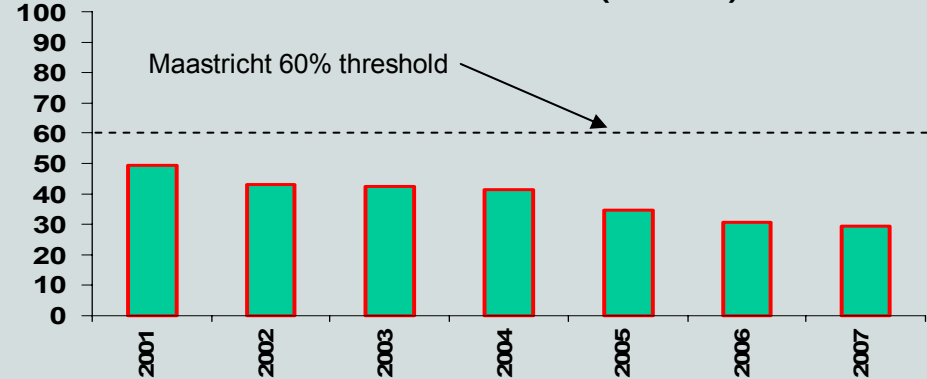
- Rising global inflationary pressures despite lower commodity prices

Slovakia looks financially sound...

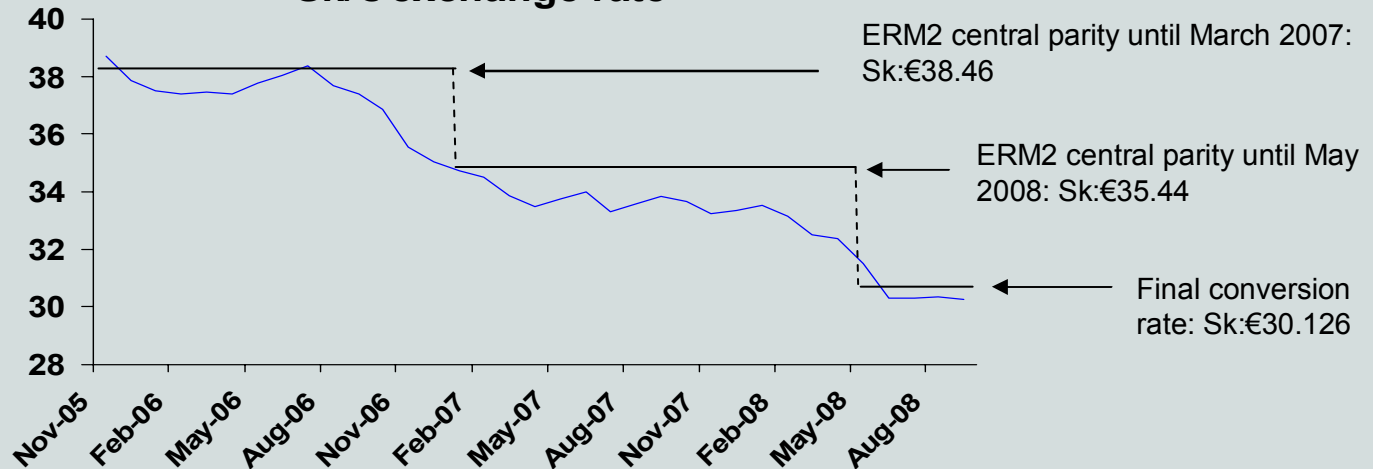
Slovak and € zone long-term yields



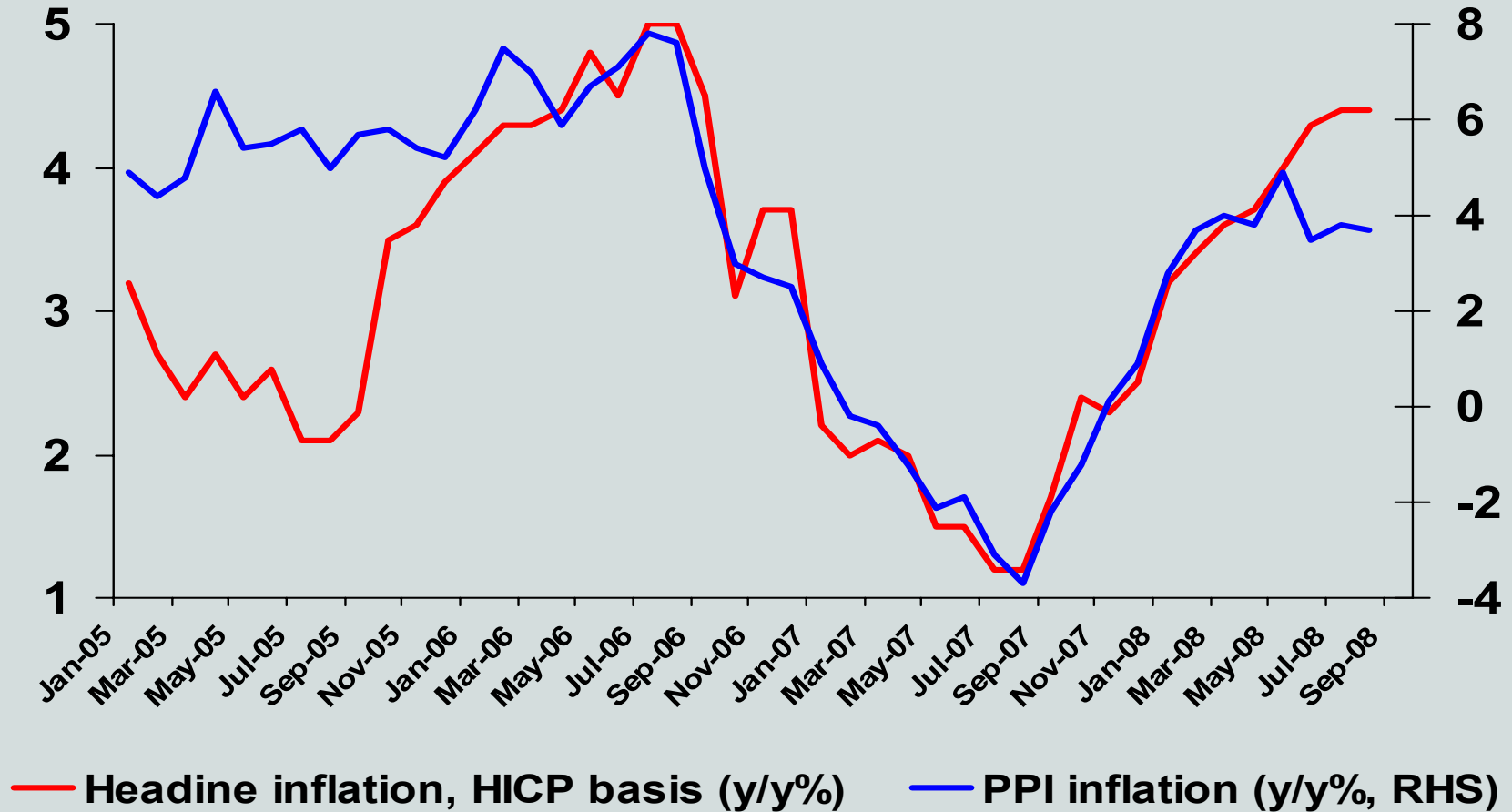
Public debt/GDP ratio (ESA95)



Sk/€ exchange rate

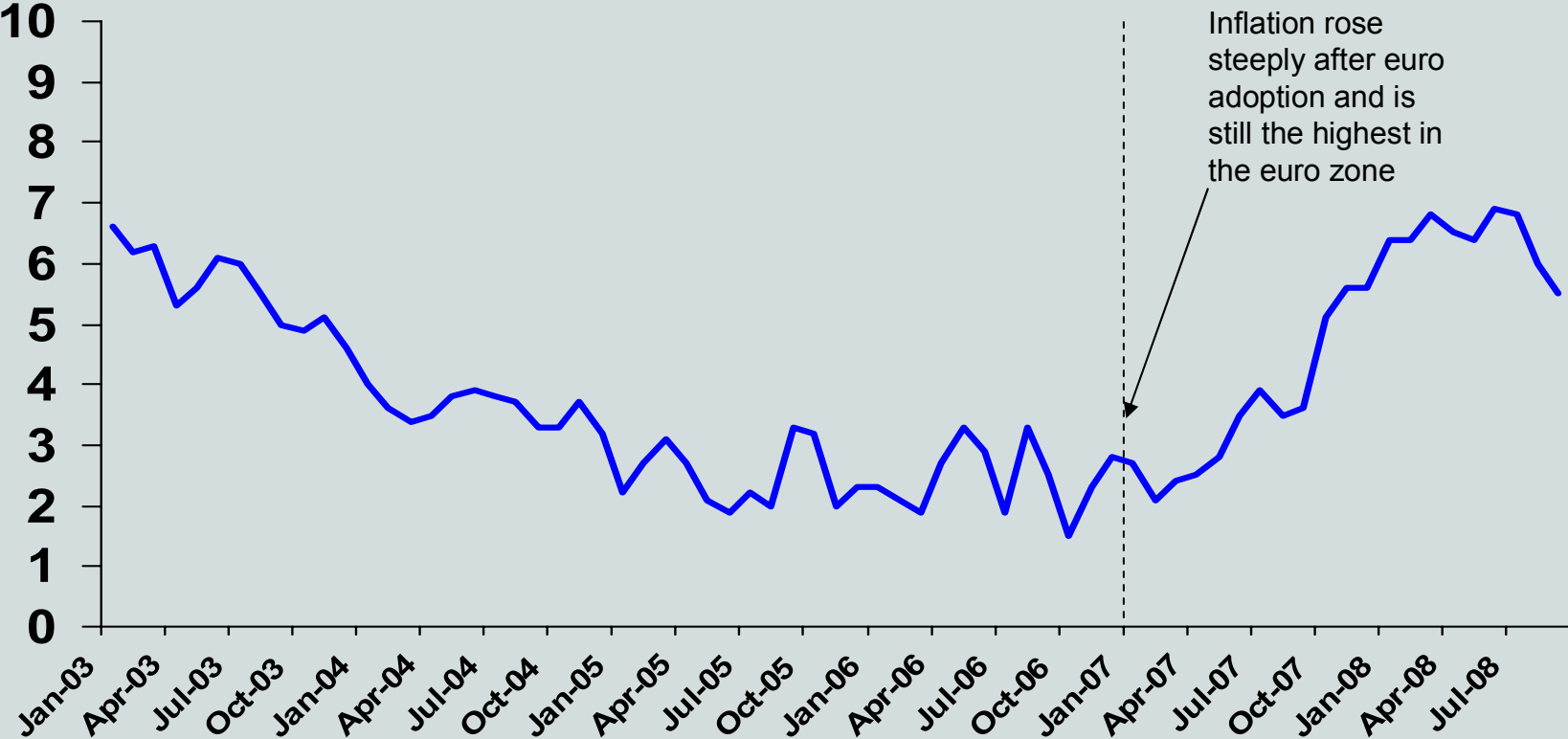


... but price pressures have increased



A cautionary tale: the case of Slovenia

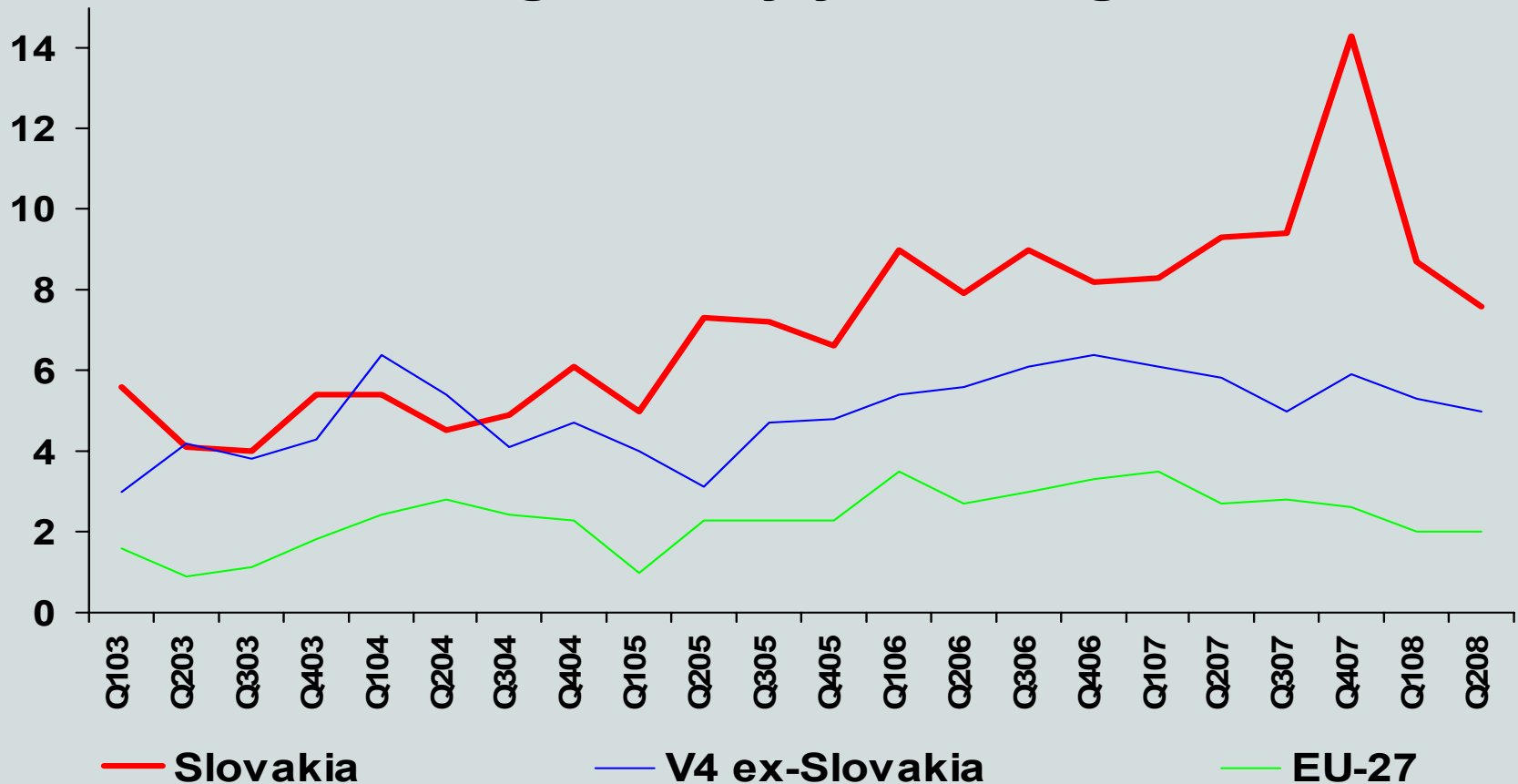
Headline inflation, y/y%



Inflation rose steeply after euro adoption and is still the highest in the euro zone

Growth is slowing across the region...

GDP growth, y/y % change



...but Slovakia should remain ahead of the pack

Real GDP growth, %	2008	2009	2010	2011	2012
<i>Slovakia</i>	7.0	5.0	5.7	5.4	5.2
<i>Poland</i>	5.3	3.5	3.9	4.0	4.1
<i>Czech Republic</i>	4.5	3.3	4.2	4.5	4.0
<i>Euro zone</i>	1.1	0.0	1.0	1.5	2.2

Source: EIU country forecasts

A positive overall assessment

- We expect that Slovakia will adapt well to the euro, but inflation will require close monitoring
- The Slovak financial system looks reasonably shielded from turbulence, although risks remain.
- Slovakia will continue to outperform its regional peers in coming years despite a slowdown

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