

## BREAKING NEWS

**BUDGET:** Slovakia's state budget deficit at the end of May was 1.527 billion euros. In May alone it increased by almost 540 million euros. Nevertheless, the deficit remains below the level of last year, when compared to May 2014 the state budget deficit was 18.8 percent lower. Overall government revenue in five months of this year expanded by 13.6 percent to 4.961 billion euros, while expenses grew by 3.9 percent to 6.488 billion euros. The Finance Ministry published the state budget results on Monday. Solid double-digit growth in tax revenue continues to support the state budget balance also this year. Compared to the first five months of last year tax revenue was higher by 14.2 percent when it reached 3.908 billion euros. The finance department recorded a positive development also in revenue from corporate income tax that was higher by 291.1 million euros. Value added tax grew by 200.2 million euros and excise taxes by 36.9 million euros. Lower than last year was revenue from withholding tax by 11.5 million euros and from tax on international trade and transactions by 1.2 million euros.

## MACROECONOMICS & POLITICS

- TRADE:** Record surplus in foreign trade could rise further this year
- UNEMPLOYMENT:** Nearly 76,500 persons are out of work for more than four years
- TAXES:** SKOK party will propose higher turnover limit for new regime of VAT payment
- HEALTH CARE:** Number of occupational diseases increased by 23.9 percent y/y
- V4:** Prime ministers of V4 countries to meet with French President Hollande
- RESEARCH:** One in six premature or violent deaths was caused by alcohol
- BORDERS:** Southern border will be changed
- HEALTH CARE:** Suspicion of corruption can also be reported in hospital
- COURTS:** Specialized Penal Court will have new president
- PARLIAMENT:** Opposition MPs refuse to sit among parliamentary officials
- MIGRATION:** We will improve cooperation with Russia in fight against illegal migration

## CORPORATE & FINANCE

- CIVIL AVIATION:** Wizz Air to open a base in Kosice
- RAILWAYS:** RegioJet will add trains on the route from the Czech Republic to Zilina
- BANKS:** Banks provided nearly 592 million euros for housing in April
- CONSTRUCTION:** Antimonopoly Office has fined three building firms
- FOOD INDUSTRY:** Novofruct reports a profit of 702,100 euros for last year

## PHOTO OF THE DAY



**PRESIDENT:** President Andrej Kiska (in the middle) visiting the Pediatric Oncology and Hematology Clinic at the Children's Teaching Hospital with Policlinic in Banska Bystrica on the occasion of the International Children's Day.

## EXCHANGE RATES

USD	U.S. dollar	1.0944	↓
JPY	Japanese yen	135.79	↓
GBP	British pound	0.71925	↑
CZK	Czech crown	27.440	↑

## TOP EURO STOXX 50 UP

Title	Rate	Change (%)
IBERDROLA	6.34	+1.34
VIVENDI	23.39	+1.08
BAYER	130.30	+0.89

## TOP EURO STOXX 50 DOWN

Title	Rate	Change (%)
CARREFOUR	31.041	-1.99
BNP PARIBAS	54.91	-1.88
SAINT-GOBAIN	42.24	-1.41

## EXPECTED EVENTS

**PRIME MINISTER:** PM Robert Fico is paying a working visit to the Russian Federation

## ECONOMY

**TRADE:** The record surplus of foreign trade of Slovakia from last year could grow even more this year. A government's analytical paper about results and trends in Slovakia's foreign trade in 2014 states this. The material will be on the Cabinet's program on Wednesday. Last year, the country's trade surplus reached 4.649 billion euros, which was the highest value in history of the Slovak Republic. Positive development of trade balance is suggested by data for the last quarter of 2014 and January data of the Statistics Office. "Improving outlook of euro area economies should be reflected in accelerated growth in external demand due to higher export performance and partly due to cheaper exports into countries outside the euro area," says the analysis. Playing in the hands of Slovak exports should also be the looser monetary policy of the European Central Bank, which should more significantly support the economic performance of our business partners from the eurozone and thus positively influence foreign demand from these economies. On the other hand, growth in foreign demand could be dampened by slowing economic performance of emerging economies, especially of China and Russia. Overall, however, Slovakia's export markets should gradually recover based on which export growth in 2015 can be expected at 2.9 percent while imports should went up by 2.6 percent.

**UNEMPLOYMENT:** At the end of April this year, labor offices in Slovakia registered nearly 76,500 people who have been without work for more than four years. Compared to the end of last April, this represents an increase of almost 1,700 people. The number of unemployed who are registered with the labor office for more than one year, decreased by 16,600 to 196,100 persons in late April. This is according to statistics of the Central Labor, Social Affairs, and Family Office. The number of long-term unemployed, who have been registered for more than four years, increased compared to April last year in almost all regions of Slovakia. The most significant hike was registered in Kosice County, by 564 to 17,800 people.

**TAXES:** The turnover threshold of 75,000 euros for entrepreneurs who want to use the regime of VAT payment to the state only after their invoice is settled is laughably low, believes the party SKOK. This is true despite the fact that some 125,000 of the total of 202,000 VAT payers belong into this group, the party writes in its press release. This limit was set in the Cabinet-okayed proposal while lawmakers are yet to discuss and approve it. The party based its statement on the EU legislation according to which it is possible to set this limit for businesses with annual sales up to 500,000 euros. It is possible to hike this limit to 2 million euros, which, however, needs prior consultations with a permission from the European VAT committee. Because of this reason SKOK will propose in parliament to increase the turnover limit for firms that will be able to apply this regime of VAT payment to the maximum in line with European directives, i.e. to 500,000 euros.

**HEALTH CARE:** While in past years the number of occupational diseases gradually declined, last year, the trend reversed and the number of such diseases increased, namely by 23.9 percent on a year-on-year basis. The National Health Information Center (NCZI) was reported in 2014 a total of 373 cases of occupational diseases and professional poisonings, i.e. by 72 more than in the previous year. This means that an occupational disease did not avoid 16 persons from every one hundred thousand employed people. Those affected were mostly men, they accounted for up to 65 percent of all cases. In terms of age, diseases occurred most frequently among people aged 50 to 59 years; this group appeared in 49.1 percent of reports.

## POLITICS

**V4:** Prime ministers of the Visegrad Group countries will meet with French President Francois Hollande in Bratislava on June 19. This information stems from the proposal for an extended summit of prime ministers of the V4 countries with the president of the French Republic published on the Slovak government's legislation web portal. The proposal was submitted by the Ministry of Foreign and European Affairs, and it has already been sent to the Cabinet. Prime Minister Robert Fico invited Czech Prime Minister Bohuslav Sobotka, Prime Minister of Hungary Viktor Orban, Poland's Eva Kopacz, and French President Francois Hollande to the official summit marking the end of Slovakia's rotating presidency of in the Visegrad Group. According to the proposal, Slovak President Andrej Kiska and Prime Minister Robert should hold bilateral talks with the French head of state.

**RESEARCH:** Alcohol was the cause of one in six premature or violent deaths. This is the result of screening by researchers at Comenius University in Bratislava. The Institute of Forensic Medicine of Jessenius Faculty of Medicine in Martin (JLF UK) evaluated the 20-year dataset of 14,161 autopsies of sudden and premature deaths. Of these, in 2,317 cases heavy degree of intoxication was found (i.e. over two per mille of alcohol in the blood). Head of the Department of Public Relations at Comenius University in Bratislava Andrea Foldvaryova informed about the results of the research. The results confirmed the strong correlation between premature and violent deaths and alcohol consumption. Alcohol poisoning itself was identified as cause of death in four percent of autopsies. "The second largest group of violent and premature deaths caused by alcohol represented victims of traffic accidents, most often pedestrians under the influence of alcohol. However, frequent are also accidents when persons fall, drown, die of hypothermia, get run over by train while drunk," specifies the report.

**BORDERS:** The Interior Ministry intends to exchange parts of the territory of some 17 hectares with Hungary to make the state border fixed. Hungary will obtain several structures that are on the Slovak territory at present. The changes were suggested due to the Ipel River. The Interior Ministry argues that the flexible border that follows the changes in the river bed caused legal hassle. "Exchanged will be parts outside built-up areas in cadastral territories of concerned municipalities in the immediate vicinity of the Ipel River," the press service of the ministry specified. Last time Slovakia exchanged small parts of its territory near its border with Poland in 2005. The state also plans to modify borders with Austria and Poland in the future.

**HEALTH CARE:** Citizens can report cases of corruption suspicions not only at the Health Ministry but starting from Monday also on the anti-corruption line of the L. Pasteur University Hospital in Kosice or on the e-mail address [korupcia@unlp.sk](mailto:korupcia@unlp.sk). Health Minister Viliam Cislak informed at a press conference in Kosice on Monday, the Kosice hospital is the first one but it will be possible to report electronically suspicions of corruption in every state university and teaching hospital. This measure is part of the recovery plan of hospitals. Cislak said anti-corruption lines will begin working in the coming days in other hospitals founded by the ministry. The health department offers the possibility to also send suggestions to the e-mail address [office@health.gov.sk](mailto:office@health.gov.sk) or [info@health.gov.sk](mailto:info@health.gov.sk). "We have had such a line at the Health Ministry for almost five years and we have forwarded nine motions to the police. It may seem to some people that this is a low number but I believe that each and every patient, who has decided to take the initiative, pushed the topic of corrup-

tion in the health sector a significant step forward," said Minister Cislak.

**COURTS:** The Specialized Penal Court (STS) will have a new president. The term of office of its current head Oldrich Kozlik terminates on June 11. A selection procedure will be held at the Justice Ministry on Tuesday when Judge Michal Truban who had already been at the helm of the court in the past runs for the top job. Kozlik does not run for the post of president and remains at the court as a judge, spokeswoman for the court Katarina Kudjakova has confirmed. The term of office of the President of the Specialized Criminal Court lasts five years.

**PARLIAMENT:** KDH Chairman and Deputy Speaker of Parliament Jan Figel as well as other representatives of the opposition refuse to sit among parliamentary officials in the assembly hall of Parliament. Figel said that arrogance of SMER-SD within his absurd ousting sparked disapproval of a large part of public as well as resistance of the opposition. According to him, it was a desperate attempt to cover up the failure of the ruling power in the Vahostav case. "While Robert Fico finally withdrew his proposal, he did not apologize for buckets of dirt and slander nor did he change his behavior. This was also confirmed by the development in the election of the chairman of the Supreme Audit Office. During discussions Figel sits among KDH deputies. "I am positively surprised at the attitude of other elected colleagues from the opposition, starting with Erika Jurinova. After the government-Parliamentary theater and fraud in Vahostav none of them have returned to their seats. We did not suggest or organize it. It was a spontaneous reaction, which means our rejection of the arrogance of power, defense of fairness and principles," said Figel.

**MIGRATION:** In the fight against illegal migration the Interior Ministry wants to intensify cooperation with the Russian Federation. The document entitled Proposal for the Conclusion of the Agreement between the Interior Ministry of the Slovak Republic and the Federal Migration Service of the Russian Federation on the Cooperation in the Fight against Illegal Migration says that illegal migration represents a serious threat to national security, economic stability and leads to deterioration of the security situation in the territories of both countries. The aim of the agreement is to deepen relations between the contracting states through partnership in the field of migration with a view to further develop cooperation. The material is currently in interdepartmental review.

## CORPORATE & FINANCE

**CIVIL AVIATION:** Air carrier Wizz Air is opening its base at the airport in Kosice. It will facilitate new flights from Kosice to airports Milan Bergamo and Doncaster Sheffield. According to Aviation and Non-Aviation Marketing specialist at the Kosice Airport Juraj Toth, Wizz air, the biggest low-cost airline in Central and Eastern Europe, will place one Airbus A320 in Kosice. It will operate 14 flights a week and employ over 30 people in the eastern Slovak city.

**RAILWAYS:** Private passenger train operator RegioJet will add new express trains from Prague to Zilina starting mid-December of next year. Trains on Ex1 and Ex2 routes will travel from Prague via Ostrava, or Vsetin. As communications manager of RegioJet Ales Ondrj informed on Monday these routes should be covered in full, meaning one connection once every two hours. The extension of services and the introduction of new ones in the Czech Republic and Slovakia resulted in the expansion of the company's rolling stock fleet. In the past days the firm has concluded a contract for purchase of further 70 wagons that it is going to completely renovate. The RegioJet fleet will thus feature some 200 railway wagons. Moreover, from June it

starts deploying ten brand new wagons. The number of locomotives is to grow, too.

The Czech passenger train operator will also serve the eastern Slovak town of Presov on the Prague-Kosice route from this winter. The county town will have direct rail connection with the Czech capital for the first time ever. The timetable is not yet known.

**BANKS:** Banks provided to clients in April housing loans amounting to 591.8 million euros, which means a year-on-year increase of 30 percent. As the company Fincentrum further informed, a record was broken again in April of this year in the volume of housing loans. Although the interest rate on provided loans did not fall to a new minimum, according to the company the volume beat all expectations. Fincentrum informed that the housing loans market is growing this year at a dizzying pace. During four months of this year, borrowers received from banks over 1.9 billion euros, which is nearly 26 percent more than last year. "We expect that the limit of 600 million euros will fall in May the first time in history," expects Peter Vilagi, senior analyst with Fincentrum. According to Fincentrum, new business is driven mainly by refinancing of old loans. This is reflected in the view of Vilagi in the overall volume of loans provided for housing, which in April rose by less than 200 million euros to 17.5 billion euros. Fincentrum believes that nothing will change on the dominance of refinancing in the coming months either.

The National Bank of Slovakia reported on Monday that the volume of housing loans in April increased in monthly terms by 196.2 million euros. The overall amount of loans for real estate in Slovakia at the end of April reached 17.539 billion euros. So-called other real estate loans still make up a majority of them, amounting to 10.667 billion euros. Compared to March their volume increased by 136.7 million euros. They are followed by mortgages that increase month-on-month by 44.7 million euros to 4.792 billion euros. Home saving loans increased by 14.8 million euros to 2.079 billion euros.

## MACROECONOMICS DATA

GDP	1Q/15	4Q/14	4Q/13
y/y (%)	3.1	2.4	1.5
<b>State Budget</b>	<b>04/15</b>	<b>03/15</b>	<b>2014</b>
Balance (bn. €)	-0.991	-0.952	-2.923
<b>Unemployment</b>	<b>04/15</b>	<b>03/15</b>	<b>12/14</b>
Disposal rate (%)	11.68	12.06	12.29
<b>Inflation</b>	<b>04/15</b>	<b>03/15</b>	<b>12/14</b>
Headline - y/y (%)	-0.1	-0.3	-0.1
Core - y/y (%)	0.2	-0.1	0.2
Net - y/y (%)	0.3	0.3	0.4
<b>Producer prices</b>	<b>04/15</b>	<b>03/15</b>	<b>12/14</b>
Industry - y/y (%)	-2.9	-2.9	-3.5
Construction - y/y (%)	1.4	1.3	1.3
<b>Foreign Trade</b>	<b>03/15</b>	<b>02/15</b>	<b>2014</b>
Balance (bn. €)	0.579	0.512	4.649

**CONSTRUCTION:** Slovakia's Antimonopoly Office (PMU) has imposed sanctions on three construction companies. According to its findings they have restricted competition. It issued a fine totaling 257,000 euros for them. The authority's decision is not final yet, the companies may appeal it. According to the antimonopoly watchdog in 2009 businesses, through the exchange of sensitive information, coordinated their action when submitting bids in a public tender for supplying goods and services for the reconstruction of a recreational facility in Zilina County for some 1.2 million euros. "This coordination was aimed at awarding the contract in question to the candidate selected in advance and at the agreed price," said Andrea Wilhelmo of the Antimonopoly Office.

**FOOD INDUSTRY:** The food processing company Novofruct SK managed to improve its performance last year, as compared to the previous period it achieved higher sales and profit. While it closed 2013 with a profit of 680,500 euros, for last year it was 702,100 euros. Sales of goods, products, and services increased from 11.4 million euros 12.4 million euros last year, informed Novofruct. "We are satisfied with the development of sales and economic results of the company; we have achieved growth mainly by developing export as well as moderately rising sales on the local market," said managing director of Novofruct SK Pavol Uhrin. The company has set out as one of its goals an increase in the share of exports in total sales of goods and products. Over the past three years, the company managed to increase the share of exports from 35.8 percent in 2012 to 39.4 percent last year.

## MARKETS

**FOREX MARKET:** The euro fell on Monday after Greece failed to meet a self-imposed Sunday deadline for reaching an agreement with its lenders to unlock aid, keeping alive fears of a debt default and possible exit from the euro zone. Athens and its euro zone and International Monetary Fund (IMF) creditors have been locked in talks for months, with the single currency often reacting to signs of deadlock or breakthrough. Greece faces a payment to the International Monetary Fund on Friday and the expiration of its bailout program on June 30. The euro fell 0.7 percent against a broadly stronger dollar on Monday to trade at \$1.0926, retreating from Friday's one-week high of \$1.1006. Against the yen, the single currency slipped 0.7 percent to 135.46. Although strategists disagree on the extent to which Greece's protracted talks with its creditors have impacted on the single currency, most agree that as the country's IMF deadline draws closer, a potential default and "Grexit" is weighing more heavily on investors' minds. Against the yen, the greenback was little changed at 124.15. By 15:18 CEST at central European FOREX markets the Czech crown weakened by 0.11 percent to 27.440 CZK/EUR and Poland's zloty by 0.44 percent to 4.127 PLN/EUR. Hungary's forint boosted by 0.04 percent to 308.940 HUF/EUR.