ING International Trade Study
Developments in global trade: from 1995 to 2017

Slovakia
Executive summary

Slovakia is expected to grow on average 3% in the coming years. This is relatively high compared to the average of other Central and Eastern European countries but relatively low compared to the global average of 3.7%. Because of its own economic growth and that of its main trading partners, Slovakia's exports are expected to grow 12.8% annually to US$ 163 bn in 2017, making Slovakia the 37th largest exporter worldwide. Similarly, import demand will grow with an average of 8.5% per year to US$ 126 bn in 2017, meaning that Slovakia will take the 38th position on the global list of largest importers. By 2017, Slovakia will mainly import office telecom & electrical equipment, fuels and other products, which together account for 41% of total imports of Slovakia. Similarly, Slovakia's exports will mainly consist of road vehicles & transport equipment, office telecom & electrical equipment and industrial machinery. Together these products will represent 55% of total exports in 2017. By 2017, Slovakia will mainly import products from the Czech Republic, Germany and Hungary, which together account for 48% of total imports of Slovakia. Slovakia’s main export markets will be Germany, the Czech Republic and Austria. Together these countries will account for 46% of total exports in 2017.

About the International Trade Study by ING

The ING International Trade Study aims to help ING’s (inter)national clients develop their knowledge and capabilities for doing business across borders, and to contribute to the public debate on internationalization. We do this by generating valuable insights on the current and future economic trends and international trade developments worldwide.

This report is part of a series of ING 2012 International Trade Study reports, which includes forecasts for 60 different country and 13 product group reports. These reports document trade developments over the past years and the ING forecasts (2012-2017) for future international trade patterns and business opportunities, by partner country and export product. These forecasts are derived from a model specifically developed by the ING Economics Bureau (see also Methodology), and complemented with the in-depth knowledge of ING economists in our offices around the world.
Slovakia

Exports by region

2011

Exports (bn) $78 Imports (bn) $77 Trade balance (bn) $1.80 Exports % of GDP 82%

Trade by products (bn)

Food & live animals
- Exports $2.76
- Imports $3.92

Crude materials, inedible, except fuels
- Exports $2.00
- Imports $2.71

Manufactured goods
- Exports $14.71
- Imports $11.90

Machinery & Transport equipment
- Exports $41.24
- Imports $30.61

Beverage & Tobacco
- Exports $0.15
- Imports $0.54

Animal and vegetable oils
- Exports $0.15
- Imports $0.32

Miscellaneous manufactured articles
- Exports $6.88
- Imports $8.40

Mineral fuels
- Exports $5.81
- Imports $11.29

Chemicals
- Exports $3.86
- Imports $6.75

Notes:
- *end period

International Trade

Economy 2012F 2013F 2014F

GDP growth (real): 2.0% 2.1% 3.7%
GDP nominal (bn): $ 95 $ 99 $ 104
Exchange rate* EUR/USD 1.22 1.28 1.30
Inflation: 3.7% 3.3% 3.6%
GDP composition by sector 2010
Agriculture: 3.9%
Industry: 34.9%
Services: 61.2%

Population 2011 2030
Population (mln): 5.5 5.5
GDP per capita: $ 17,344
Unemployment rate (avg.): 13.4%
Employment (mln persons): 2.351

Other indicators 2011 2012 2013
Competitiveness rank WEF 69 71
Ease of doing business rank: 43 48 46
Credit rating:
S&P A
Moody’s A2
Fitch: A+

*end period
Economic growth in the coming years will remain sluggish in developed markets. Especially the Eurozone will only experience limited growth as the region continues to struggle with the Eurocrisis. World output growth is strongly driven by emerging markets, in particular China and other developing Asian countries.

Slovakia is predicted to be above the European and CEE average, with 3.1% in 2013 and 3.6% in 2014.
Trade forecast

In the coming years, exports (in current dollar terms) are expected to increase with 12.8% annually. The rank of Slovakia in the list of largest exporters worldwide will increase to 37.

Demand for foreign products (imports) is also expected to increase in the next five years, with 8.5% annually. The rank of Slovakia in the list of largest importers worldwide will increase to 38.

Worldwide, the top three export and import countries in 2017 will be China, United States and Germany. The countries that show the greatest increase in demand for imports of foreign products are Vietnam, Indonesia and Taiwan.
Slovakian import demand

Slovakian import origins

The size of the bubble represents the size of imports
Demand for products: origins of imports

By 2017, Slovakia will mainly import products from the Czech Republic, Germany and Hungary, which together account for 48% of total imports of Slovakia. In volumes, the most important trade flows to Slovakia currently include fuels from Russia, office telecom & electrical equipment from Germany, and fuels from the Czech Republic. In the coming years, these flows are expected to change with 1%, 3% and 9% per year, respectively.

Top 10 largest import flows by product and country of origin*

<table>
<thead>
<tr>
<th>Import product</th>
<th>Origin</th>
<th>CAGR 2012-2017</th>
<th>Value 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuels</td>
<td>Russia</td>
<td>1%</td>
<td>4861</td>
</tr>
<tr>
<td>Office, telecom and electrical equipment</td>
<td>Germany</td>
<td>3%</td>
<td>2548</td>
</tr>
<tr>
<td>Fuels</td>
<td>Czech Republic</td>
<td>9%</td>
<td>2419</td>
</tr>
<tr>
<td>Road vehicles &amp; transport equipment</td>
<td>Germany</td>
<td>2%</td>
<td>2365</td>
</tr>
<tr>
<td>Industrial machinery</td>
<td>Germany</td>
<td>5%</td>
<td>1898</td>
</tr>
<tr>
<td>Road vehicles &amp; transport equipment</td>
<td>Czech Republic</td>
<td>7%</td>
<td>1738</td>
</tr>
<tr>
<td>Office, telecom and electrical equipment</td>
<td>Hungary</td>
<td>8%</td>
<td>1516</td>
</tr>
<tr>
<td>Other products</td>
<td>South Korea</td>
<td>11%</td>
<td>1511</td>
</tr>
<tr>
<td>Office, telecom and electrical equipment</td>
<td>Czech Republic</td>
<td>9%</td>
<td>1462</td>
</tr>
<tr>
<td>Other manufactures</td>
<td>Germany</td>
<td>6%</td>
<td>1454</td>
</tr>
</tbody>
</table>

*within the 60 countries and product flows included in the study
Demand for products: imports by product group

By 2017, Slovakia will mainly import office telecom & electrical equipment, fuels and other products, which together account for 41% of total imports of Slovakia.

Note: the sum of flows from 60 countries included in the study.
Where do Slovakian products go to?

The size of the bubble represents the size of exports.

Slovakian export markets

**Exports: key destination markets**

**Key destination markets of exports, 2011 and 2017**

Slovakia’s main export markets will be Germany, the Czech Republic and Austria. Together these countries will account for 46% of total exports in 2017. In volumes, the most important export flows from Slovakia currently consist of road vehicles & transport equipment to Germany, office telecom & electrical equipment to Germany, and industrial machinery to Germany. In the coming years, these flows are expected to change with 9%, 4% and 10% per year, respectively.
By 2017, Slovakia's exports will mainly consist of road vehicles & transport equipment, office telecom & electrical equipment and industrial machinery. Together these products will represent 55% of total exports in 2017.

Note: the sum of flows to 60 countries included in the study.
Methodology and data considerations

Our forecasts are derived from an econometric model of international trade in goods among 60 countries. Trade among these countries represents 87% of world trade in goods classified by SITC excluding SITC 9.

- Data (1990-2011) for exports from and among 60 countries (forming 3600 country pairs) at the SITC(rev.3) 2-digit product classification were obtained from UNCTAD International Trade Statistics.

- These were combined with several macroeconomic variables, including GDP, GDP growth, and unit labour costs (GDP/capita) (for both the origin and destination country; source: IMF), as well as geographical distance and cultural distance between the two countries in each country pair (source: CEPII; Hofstede).

- Forecasts for macroeconomic variables (GDP, GDP growth and ULC) for the 2012-2017 period were based on our own ING forecasts.

- The trade forecasts were derived from a single equation ADL, explaining 90% of the variance in the dependent variable, specified as follows:

\[
\text{LogExports}_{ijkt} = \alpha_j + \alpha_d + \beta_1 \text{LogExports}_{ijkt-1} + \beta_2 \left( \text{LogExports}_{ijkt-1} \right)^2 + \beta_d \text{LogExports}_{ijkt-1} \times d + \gamma X_{ijkt} + \epsilon_{ijkt}
\]

where \( \text{LogExports}_{ijkt} \) represents the logarithmic value of exports of country \( i \) to country \( j \) of product \( k \) at time \( t \), \( \alpha_j \) the set of partner fixed effects, \( \alpha_d \) the set of product group fixed effects, \( \text{LogExports} \times d \) the set of interactions between \( \text{LogExports} \) and the product group binary variables \( d \), and \( X \) the set of independent variables with their vector of coefficients \( \gamma \), and \( \epsilon_{ijkt} \) the residual.

The set of independent variables (\( X \)) includes (the log of) GDP; GDP growth and ULC for the reporter (\( i \)) and partner countries (\( j \)) and the geographical and cultural distance between them.
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The final text was completed on 1 November
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