

# Slovakia

## MARKET REVIEW

**Macroeconomic developments.** The Slovak economy has grown by 2.4% in 2014, measured in GDP, the fastest pace since 2011. Compared to the previous year, when GDP went up by only 1.4%, it is a significant improvement. Published data represents good news showing that the slow down witnessed in Europe had not touched Slovakia too much. Of course, the performance of the German economy had driven the Slovak growth.

The main factors of the growth remain domestic demand, household consumption and investment. Within all three major components of its structure, fixed investment increased the most, by 5.7%.

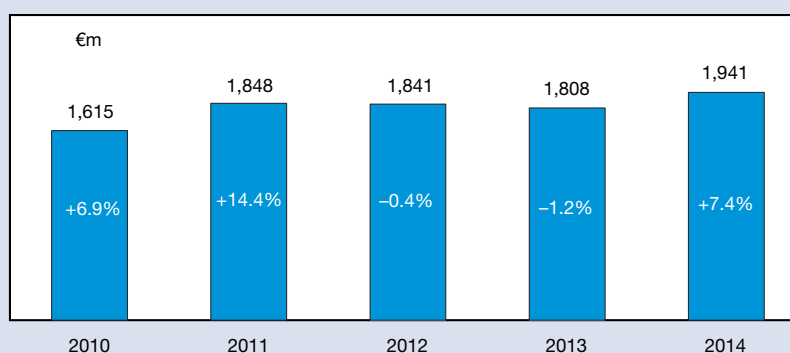
In 2014, we have seen a boost in domestic consumption, in

particular coming from substantial improvement within the labour market and a dynamic rise of real wages. On the one hand, industrial production and weaker development of foreign trade fluctuated; on the other hand, there was a positive development of retail sales and continued improvement in the labour market.

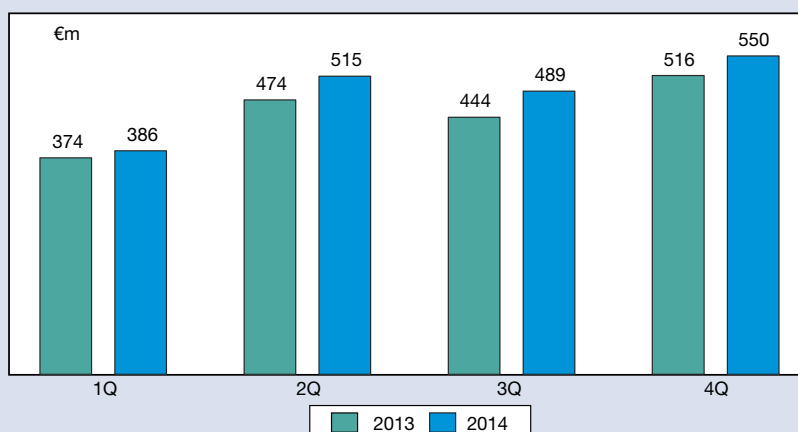
The largest volume of funds for the creation of gross fixed capital formation (+5.7%) was invested into industrial production (+10.3%). Capital expenditure in construction investment also grew fast, at 5.8%. Slow growth was seen in the volume of investments into machinery and equipment and means of transport, which increased by 1.3%.

The main export items are cars, with three major automotive producers – VW, PSA and KIA. In 2014 Slovakia repeatedly has justified its leadership in car production per capita. It seemed to

**Table 1: Leasing market development in Slovakia**



**Table 2: Leasing market quarter-on-quarter 2013–14**



## ASSOCIATION

### THE ASSOCIATION OF LEASING COMPANIES OF THE SLOVAK REPUBLIC

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Legislation for leasing has changed substantially, where the methods of depreciation are vitally important. Up to 2013, there were three forms of writing off – straight-line, accelerated and leasing method. But the government passed new rules in depreciation and ruled out so called “leasing depreciation” after 25 years of its use. The leasing association objected, saying it would be bad for investment incentives, mainly for SMEs. However, the

association supported by strong entrepreneur’s associations did not manage to persuade the Ministry of Finance to retain this popular system of depreciation. Nevertheless, the negative impact did not come as leasing companies used long-term popularity of financing by leasing and offering good conditions in their contracts to SMEs. The impact did not touch consumers at all, as they did not use any depreciation method.

be that the Slovak Republic reached the upper limit of car production in 2012. Nevertheless, it still managed to rise in 2013 and again in 2014 to approximately 980,000 cars. The results in 2013 showed that car production was 181 cars for 1,000 inhabitants, the first place in the world.

In general, foreign trade in 2014, compared with 2013, showed certain positive trends. Total exports increased by 1% and total imports by 0.4%. Faster growth in exports over imports increased the balance level. So the positive balance amounted to nearly €5bn. It was historically the largest surplus of the trade balance.

A prediction of GDP for 2015 is even better, due to a real GDP growth in the first half of the year 2015, namely by 3.1% in Q1 2015 and 3.2% in Q2 2015, respectively.

**Legislation.** Leasing operations are governed by Trade Code provisions and also partly by the Civil Code. Leasing companies and leasing activities are not directly subject to bank supervision, only indirectly through parent banks, if they are in groups.

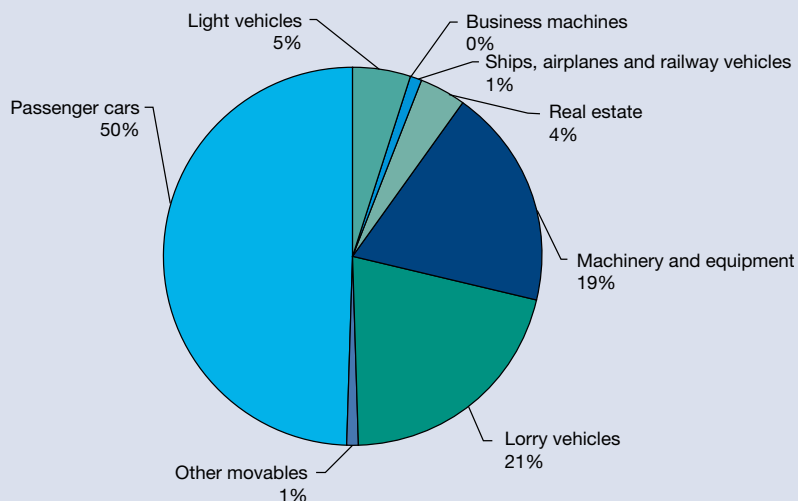
In 2015 new laws were approved which aim to adopt EU legislation, to largely protect consumers. Of course, there was widely spread advertising of “easy” financing, what need to be limited. New legislation was implemented to ensure that consumer credits have a licence from the National Bank of Slovakia. But it was framed over the EU legislation, which brought much more administration and higher costs for companies doing fair practices in their business.

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**Table 3: Leasing by asset type 2013–14**

Asset type	Production 2013 (€m)	Production 2014 (€m)	YoY (%)
Passenger cars	878	968	10.3
Light commercial vehicles	85	96	12.9
Lorry vehicles	367	402	9.5
Machinery and equipment	356	365	2.5
Business machines	10	7	-30.0
Ships, aircraft and railway vehicles	39	12	-69.2
Others	12	19	58.3
<b>Total movable assets</b>	<b>1,747</b>	<b>1,869</b>	<b>7.0</b>
Real estate	61	72	18.0
<b>Total</b>	<b>1,808</b>	<b>1,941</b>	<b>7.4</b>

**Table 4: New leasing business by asset type 2014**



**Leasing market in 2014.** New business provided by leasing companies in 2014 reached over €1.9bn. The market rose by 7.4%, compared to 2013 when it decreased by 1.2%. Although the growth was not the highest in the last five years (14.4% in 2011), the volume is the highest in this period, trying to reach €2bn (see Table 1).

Comparing the development by quarter, we can see a constant growth in all quarters. The summer and winter periods are the strongest, both exceeding €0.5bn. In 2013 this threshold was surmounted only once, at the end of the year (see Table 2).

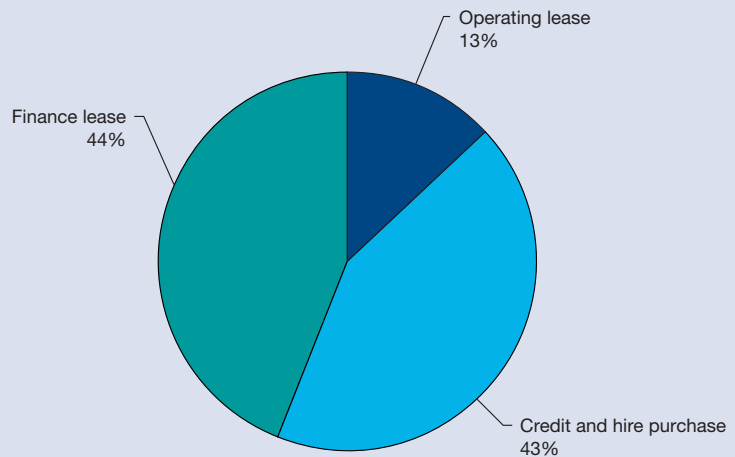
**Leasing by asset type.** The largest proportion of the leasing market was movable assets with 93.7%. Real estate leasing plays only a small role in the market with a 3.7% share. Despite this, real estate leasing grew very fast, by 18%.

Passenger cars, a popular asset to be financed, increased by 10.3%. Light commercial vehicles grew by 12.9%, the highest growth rate in 2014. The third highest growth was reached by lorry vehicles, with 9.5%.

**Table 5: Type of financing**

Type of financing	Production 2013 (€m)	Production 2014 (€m)	YoY (%)
Financial lease	784	814	3.8
Operational lease	188	244	29.8
Credits and hire purchase	775	811	4.6
<b>Total market – movables</b>	<b>1,747</b>	<b>1,869</b>	<b>7.0</b>

**Table 6: Type of contract 2014**



*New business provided by leasing companies in Slovakia in 2014 reached over €1.9bn.*

Machinery and equipment, an important asset for small and medium-sized entrepreneurs, also went up, but only increasing by 2.5%. The other asset types only recorded a small volume (see Table 3).

Similar to the analysis of growth by assets are their proportions in the market. Half of the new leasing business was represented by passenger cars. They are the most popular asset for businesses and consumers. Lorry vehicles took 21% of the market and machinery and equipment held a 19% share. Altogether these three asset types totalled 90% of the leasing market. All types of vehicles (cars, LCVs and lorries) are the strongest sector with a 76% share (see Table 4).

#### Leasing by type of contract.

There are three basic types of contract in Slovakia – finance leasing, operating leasing, and credits and hire purchase, mentioned together because of their similarity and due to simplification of collecting data from respondents. In the past when collecting both sets of data, hire purchases were approximately 10% of this group of data.

Finance leases increased by only 3.8% in 2014, while operating leases increased by nearly 30%, confirming a continuous growth year-on-year. Credits and HP increased by 4.6%. In 2014 proportions of finance leasing and credits and HP were almost the same, at a level of 44% and 43%, respectively (see Tables 5 and 6).

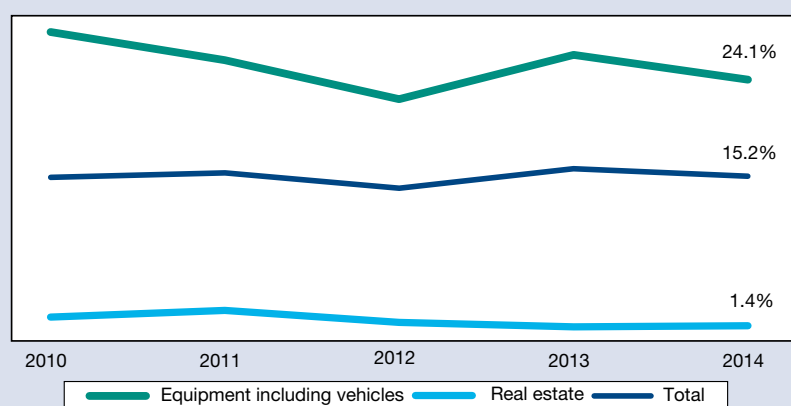
**Finance by sectors.** The business sector is the main client zone. It rose by 6.2% with an 82% share of the market. The retail sector is considerably smaller with a 17% share of the market, increasing by 12.5% year-on-year. The public sector is literally negligible (see Table 7).

**Leasing penetration.** In macro-economic terms, leasing and other forms of funding the economy play an important role, contributing to the growth of creation of gross fixed capital. On average, leasing penetration was 15.2% of investment. Equipment alone, but including vehicles, got nearly a quarter of all investment. On the other hand, real estate penetration is only 1.4% of investment. It is still an undeveloped sector, not desired by clients. In the retail sector, consumers prefer bank financing for their needs (see Table 8).

**Table 7: New business by sector**

Type of financing	Production 2013 (€m)	Production 2014 (€m)	YoY (%)	Proportion %
Business sector	1,448	1,538	6.2	82%
Retail sector	288	324	12.5	17%
Public sector	11	7	-36.4	1%
<b>Total market – movables</b>	<b>1,747</b>	<b>1,869</b>	<b>7.0</b>	<b>100%</b>

**Table 8: Leasing penetration 2010–14**



**Table 9: Ranking of leasing companies in 2014**

No.	Company	Volume (€m)
1	ČSOB Leasing	364
2	VOLKSWAGEN Finančné služby Slovensko	236
3	UniCredit Leasing Slovakia	216
4	VÚB Leasing	149
5	Tatra-Leasing	131
6	Mercedes-Benz Financial Services Slovakia	128
7	VB LEASING SK	108
8	IMPULS-LEASING Slovakia	83
9	S Slovensko	72
10	Oberbank Leasing	50
11	Consumer Finance Holding	45
12	Scania Finance Slovak Republic	40
13	SG Equipment Finance Czech Republic	34
14	Deutsche Leasing Slovakia	34
15	VFS Financial Services Slovakia	32
16	LeasePlan Slovakia	32
17	Home Credit Slovakia	28
18	ALD Automotive	20
19	PSA Finance Slovakia	20
20	s Autoleasing SK	18

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