Expected Macroeconomic Developments in Slovakia

NBS Economic and Monetary Analyses Department

In the second quarter, the Slovak economy reported a continued dynamic growth of 0.8%. This time however, it was not driven by exports, but domestic demand. The major increase was seen in investment, which, except for private investment, was significantly supported by EU funds absorption. In the near term, the similar pace of economic growth is expected to continue, whereas exports will be boosted by foreign demand. The economy is expected to grow by 3.2% this year, 3.4% in 2016 and by 3.3% in 2017. This should encourage new job creation, while the unemployment rate is expected to fall markedly below 10% towards the end of the forecast horizon. Low inflation is likely to remain also in the next year and its rise should be hampered by lower energy prices. Following a slight decrease in this year, price levels should gradually pick-up to 1.0% in 2016 and 1.9% in 2017. (p. 2)

New highways are not enough to reduce unemployment in regions

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The article presents panel-data tests that, applying econometric models, examine relations between the opening of new highway or motorway sections and the unemployment rate in respective regions of Slovakia. In the tests, no strongly positive and sustained effects of new roads on the regional unemployment rate have been observed, which would confirm that long-term unemployment was reduced in particular districts. New roads, however, led to a decreased district unemployment rate in pre-crisis periods. At the same time, the results showed that the effects of new road opening have been temporary and never lasted more than two years. Besides opening new roads, other factors also seem necessary in order to decrease unemployment. Relevant additional long-term strategies may include investment to education, promotion of science, improvement of market environment, or enhanced quality of law and its better enforcement. (p. 4)

Slovak export competitiveness in the light of new indicators

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The economic crisis emphasized a need to improve competitiveness in order to reach higher and sustainable growth. At the same time, the increased availability of detailed information on foreign trade and the introduction of global input-output tables have enabled more precise analyses of developments in individual countries. Taking account of several new indicators, a detailed analysis of Slovakia's export competitiveness suggests that the country's international competitiveness maintained a positive trend also in the challenging period after 2008, while the important role was played by non-price factors. (p. 11)

New survey data on labour cost adjustments during the recent recovery in Slovakia

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This paper summarizes the results of a new survey on labour cost adjustment strategies applied by Slovak firms during the recent recovery. The survey was conducted in cooperation with the Wage Dynamics Network of the European Central Bank. The main findings are broadly in line with macroeconomic data, such as the uneven recovery of demand across sectors, the stagnation of employment and the increase in wages. The detailed qualitative information in the survey allows us to make further insights into the adjustment process. First, the coverage of Slovak workers by collective agreements is at a medium level compared to the rest of Europe and is concentrated in large firms. Second, the application of inflation indexation rules in wage setting (i.e. the presence of real rigidities) is quite widespread. However, the most important factor preventing wage cuts is the fear of losing the most productive workers. Third, most of the labour cost adjustments were carried out by large firms, which pay higher wages and face lower adjustment costs. In other words, the presence of trade unions, downward wage rigidities and the leading role of large firms seem to explain the particular labour market response to the crisis in Slovakia. (p. 17)

Information model for developing structured description of statistical data – Part I

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The article outlines a procedure for efficiently describing the meaning or content of statistical data. It starts with a brief introduction to the issue of metadata (i.e. information about data), followed by an example of traditional data presentation in tables where data and metadata overlap. With the increasing amount of data, a need has arisen to organise them effectively. Several systems have been developed to link data with their description and to further work with them. The article briefly introduces two systems for data transmission, GESMES/TS and XBRL, which have been created to satisfy the need for efficient data transmission among institutions. The information models of these systems (in particular of the GESMES/TS) served as an inspiration behind the principles of the NBS information model. The second part of the article, to be included in the next issue of the journal, will describe these principles, outline the process of building the NBS data model and evaluate what has been included in the statistics collection portal and how successfully it has been handled. (p. 25)

War loans in Slovakia in the years 1914 – 1918

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The author analyses the monetary situation in Slovakia after the outbreak of the First World War in 1914, when inflationary issuance of paper money occurred as a result of huge expenditures, and lead to devaluation of the Austro-Hungarian currency. The second channel of inflation was the conversion of war loan bonds into cash at up to 75% of their face value through Lombard (deposit) loans from financial institutions and later from the Austro-Hungarian Bank. The state mobilised cash and provided funding for the costly war by subscribing the so called war loans. Eight such issues occurred in the period 1914-1918. The amount subscribed in Hungary was 18.6 billion crowns and in Austria 35.1 billion crowns. The subscription of war loans was a kind of credibility test for banks, where differences were observed in the attitude of Slovak and Austro-Hungarian banks in Slovakia. Slovak financial institutions and their clients participated in the subscription of only 22.6 billion crowns in Hungarian and Austrian war loans. On the other hand, Austro-Hungarian financial institutions and their clients invested 1,148.4 million crowns, which was an incredible amount in the Slovak environment. As a result, the huge engagement of Austro-Hungarian banks in war loans was one of the sources of their severe crisis after the formation of Czechoslovakia. (p. 30)