



EXPECTED MACROECONOMIC DEVELOPMENT IN SLOVAKIA

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The euro area economy returned to grow in the second quarter of 2013 after six quarters of recession. Positive development in the euro area, as well as in the Visegrad Four countries, provided a boost to the Slovak economy. This was observed particularly in Slovak exports growth, but, after a longer period, in higher domestic demand as well. This trend should continue and the growth of our economy should accelerate over the projection horizon from 0.9% this year to 2.1% in 2014 and 3.2% in 2015. The situation on the labour market is expected to stabilize in the second half of 2013 and then gradually improve next year along with a stronger recovery of economic activity. The rise in prices should further decelerate, while the inflation rate is projected to decline to 1.7% this year and 1.5% in 2014. However, by the end of projection horizon, inflation should accelerate again to 1.8%, owing to a significant recovery of foreign and domestic demand. (p. 2)

NOMINAL CONVERGENCE CONTINUES TO DOMINATE, WHILE REAL CONVERGENCE STAGNATES IN THE EU

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Differences in EU countries' dynamics have remained high despite their year-on-year moderation. With the negative growth figures of the EU, even the low growth rate of the Slovak economy resulted in the convergence of domestic real economy indicators with the EU average. However, the estimates of further development suggest that real convergence will stop for some time. Slight improvement on the labour market and some progress in the real convergence of Slovakia and other EU member and candidate countries can only be expected in 2014 at the earliest. Recession in Europe and a need for public finance consolidation have been reflected in the year-on-year improvement of nominal convergence indicators. It is possible that the majority of countries under review will report a deficit of below 3% of GDP in 2014. Inflation should also remain at relatively low levels. However, the only EU country outside the euro area that will meet all Maastricht criteria in 2014 will be Denmark, an EU Member State with derogation. The article summarizes the main findings of the Analysis of the Slovak Economic Convergence to the EU Mean (NBS 2013) and, at the same time, provides an updated view on the fulfilment of Maastricht criteria and development of the real economy. (p. 5)

ASSESSMENT OF LONG-TERM GUARANTEES IN SLOVAKIA (PART 2)

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The influence of proposed changes to insurance sector regulation, mainly on long-term guaranteed products and annuity products in non-life insurance, was tested in EU Member States in the first half of 2013 in accordance with

the European Commission's requirements. The related impact study consisted of two parts, namely a quantitative calculation of solvency capital requirements for insurance undertakings and a qualitative questionnaire on the proposed changes to the regulatory regime. The quantitative calculation involved the calculation of technical reserves using 13 different scenarios.

The assessment of data from participating insurance companies licensed in Slovakia, i.e. the impact analysis of scenarios 0 to 3, was included in the previous issue of the *Biatic* journal. The second part of the article analyses the remaining scenarios, i.e. scenarios 4 to 6. (p. 12)

DEVELOPMENTS AND RISKS IN THE SLOVAK FINANCIAL SECTOR IN THE FIRST HALF OF 2013

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Despite a relatively calm situation in the global financial markets and signs of macroeconomic improvement, there remain some risks to the future development. In this context, the article focuses on identifying the most significant risks which could have an adverse impact on the financial stability of the Slovak Republic. It also describes the situation and development trends in different segments of the financial market. The article is based on analytical publications of Národná banka Slovenska, in particular the Analysis of the Slovak Financial Sector for the first half of 2013 and the Financial Stability Report for May 2013. (p. 16)

THE IMPACT OF THE LOAN-TO-VALUE POLICY OF SLOVAK BANKS ON LOSSES UNDER THE SCENARIO OF FALLING REAL-ESTATE PRICES

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The growing importance of mortgage lending in the Slovak banking sector has been observed since bank restructuring and privatization in the late 1990s. In this relatively short history, housing loans have become an important source of robust interest income essential to banking sector stability. However, housing loans were also closely related to the excessive growth of the housing market in 2006–2008, while loan-loss provisioning, which followed the burst of the bubble in 2009, hit the profitability of banks. Therefore, the Slovak housing market and related lending policies of banks are indispensable for any macroprudential analysis in this region. (p. 22)

SOME CONSIDERATIONS OF THE BITCOIN VIRTUAL CURRENCY

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With an increased interest of the public in trading in Bitcoins, numerous economic and legal issues related to this virtual currency have come into fore. The article presents a brief analysis of Bitcoins and outlines some considerations of their regulation. (p. 25)