



MACROECONOMIC PROJECTIONS FOR SLOVAKIA ACCORDING TO THE MARCH 2018 MEDIUM-TERM FORECAST (MTF-2018Q1)

Slovakia's economic growth continues to be driven mainly by private consumption. This year should see the positive contribution of exports increase significantly, following the launch of new production in the automotive sector. Economic growth is projected to accelerate to 4.2% in 2018 and 4.7% in 2019. As the growth-supporting impulses fade, growth is forecast to slow to 4.0% in 2020. The labour market is expected to continue improving, with employment growing and vacancies increasingly being filled by the unemployed, as well as by foreigners and Slovaks returning from employment abroad. The unemployment rate should fall below 6% in the last quarter of 2020. The rising demand for labour will be reflected in strong wage growth, resulting in higher demand-pull inflation. The headline inflation rate is expected to stay slightly above 2%. (p. 2)

ECB MONETARY POLICY OPERATIONS AND THE MONEY MARKET SITUATION IN 2017

Roman Kostelný, Národná banka Slovenska

In the euro area, no market indicators were suggesting potential shifts in key ECB interest rate trends, nor, with regard to non-standard measures, were there any significant expectations of adjustments to the asset purchase programme (APP), since the APP settings for the whole of 2017 had been announced in advance. The attention of professionals was more focused on projected improvements in inflation developments or economic growth in the euro area, and on whether the accommodative monetary policy was being implemented to an appropriate extent. (p. 4)

SIDE EFFECTS OF LABOUR SHORTAGES IN SLOVAKIA

Alexander Karšay, Národná banka Slovenska

The article presents the current imbalances in the labour market and the processes taking place in the background, using detailed information on the behaviour of economically active people who are seeking a job or already have one. Increasing demand for labour and adverse demographic trends are generating a significant number of job vacancies that are proving difficult to fill. Firms are having to compete for labour, and therefore wage competition is increasing and wage growth is accelerating. In response, employers are to an increasing extent hiring from sectors of the population that traditionally have a lower propensity to be economically active, hiring foreigners, and employing people on a part-time basis. Despite visible progress, however, labour shortages persist. Measures aimed at improving labour force availability would support employment, production, living standards and the state of public finances. (p. 9)

INCOME INEQUALITY AND ECONOMIC GROWTH

Juraj Zeman, Národná banka Slovenska

In the past three decades, practically all statistics concerning the distribution of income in different countries show an increasing disparity between the incomes of the rich and the poor in most countries. The share of income from labour has been falling continuously in the majority of advanced economies and emerging market economies, since its growth rate has not kept pace with productivity growth. Almost all the increase in income from higher economic growth has been directed to the highest income

groups. The aim of this article is to analyse how the change in income distribution has affected the situation in two economies – the small and highly open Slovak economy, and the large and relatively closed euro area economy. (p. 15)

DEVELOPMENTS IN THE SLOVAK REAL ESTATE MARKET FROM A REGIONAL PERSPECTIVE

Mikuláš Cár, Národná banka Slovenska

The Slovak residential real estate (RRE) market can be divided, for the sake of simplicity, into the market around Bratislava and the market in other parts of Slovakia. However, a deeper analysis provides interesting facts about the market's development in different regions, and even in certain specific areas. This article outlines selected characteristics of the supply and demand sides of the RRE market, including several aspects of property price developments at the regional level. (p. 17)

WHAT TRIGGERED PRIVATE CONSUMPTION GROWTH?

Ján Beka, Národná banka Slovenska

Private consumption's recovery in the post-crisis period and its return to pre-crisis levels have been accompanied by a significant rise in demand for durable goods. These are always vital for consumer demand growth as they are more pro-cyclical than other types of goods. The private consumption recovery in Slovakia started in 2014 with support from improvements in the labour market situation, sentiment, credit demand (resulting from accommodative monetary policy measures), and the need to renew durable goods in the light of their increasing average age profile. (p. 24)

THE POSSIBILITY OF ESTIMATING HOUSEHOLDS' LOAN REPAYMENT SAVINGS STEMMING FROM THE ACCOMMODATIVE MONETARY POLICY STANCE

Ján Beka, Národná banka Slovenska

Households have been able to make significant savings on loan interest payment over the past six years of falling interest rates. The total savings in 2017 were estimated to be approximately €830 million. On the other hand, the loss of interest on deposits stood at around €330 million. Overall, falling interest rates had a positive impact on households and were reflected mainly in their savings. The impact on private consumption, however, remains to be seen; it could be rather negative and further amplified by higher loan principal repayments. (p. 26)

CASH CIRCULATION IN SLOVAKIA IN 2017

Milada Vlnková, Národná banka Slovenska

The article aims to inform readers about developments in cash circulation in Slovakia during the nine years since the introduction of the euro in the country. In comparison with the value of the Slovak korunas in circulation before the euro adoption, the cumulative net issuance was almost double as at 31 December 2017, standing at €12.2 billion. The article also evaluates the use of the second series of euro banknotes in cash circulation in Slovakia. The €50 banknote, the fourth in the Europa series, was issued on 4 April 2017. At the end of 2017, the E2 €50 notes accounted for 40.8% of all €50 banknotes issued. The article brings selected information from an ECB study on the use of cash in the euro area. (p. 29)