Slovakia is growing, but it is lagging behind and not catching up

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A current look at the convergence of the Slovak economy towards the EU average shows that although the domestic economy's growth is relatively strong, it is not catching up with the EU average in terms of performance and productivity. Productivity growth in Slovakia is being adversely affected by (among other things) the presence of inefficient firms. So says NBS's latest regular convergence report, which also provides other interesting findings about, for example, the favourable impact that adopting the euro has had on Slovakia's economic growth, and the narrowing of differences in economic performance between EU countries. The main risk to the maintenance of real convergence in the long term appears to be a falling behind in the implementation of structural and institutional reforms. (p. 2)

Are Slovak households better off?

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The aim of this article is to describe the current state of convergence in prices and wages, as well as in individual consumption. For this purpose, it is necessary to see where Slovakia stands in comparison with neighbouring countries and how that position has changed over time. The authors also refer to documents (articles, flash commentaries) that have already been published in this area. Their analysis shows that the income level in Slovakia, and therefore also the price level, is catching up with that of advanced EU economies and is doing so more quickly than are the levels in neighbouring countries. Convergence is set to continue, albeit not as fast as before. Income will be rising, so naturally will be putting upward pressure on prices and bringing them closer to advanced economy levels. (p. 6)

Current trends and risks in the Slovak financial sector

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A sound functioning financial system is a prerequisite of sustainable economic development. The financial sector can be deemed stable if it is able to fulfil its core functions while being able to withstand serious shocks that may come from the domestic or external economic environment or from the financial system itself. In this context, it is vital to analyse the most significant current trends and the risks arising from these developments. This article examines current developments and risks in the Slovak financial sector from a financial stability perspective, and it is drawn from the November 2018 Financial Stability Report published by Národná banka Slovenska. (p. 12)

Administrative sanctions and enforcement under the Single Supervisory Mechanism

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This article focuses on administrative sanctions and enforcement under the specific conditions of the European Central Bank's Single Supervisory Mechanism (SSM). The SSM sanctions regime can be described as 'hybrid.' It consists of a relatively complex mix of powers divided between the ECB and national supervisory authorities, underpinned by legislation at the European and national levels. The article looks mainly at the functioning and processes of the SSM, at the ECB's relatively recently defined role as the banking supervisory authority for the euro area, and at the Administrative Board of Review (ABoR) as an independent authority whose role is to impartially review supervisory decisions of the ECB. At the end, the author tries to outline some of the future challenges which will probably face the ECB, European lawmakers and European courts. (p. 17)

The impact of oil prices on gas and electricity prices

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When deriving prices of energy, i.e. gas and electricity, oil prices are usually seen as a key factor. This article attempts to concretely quantify this relationship using econometric techniques and also to examine how it changes over time. The techniques employed include simple regression equations, Markov switching models, state-space models, and Bayesian state-space models. All the approaches show that the relationship between prices of oil and energy changes over time. In the pre-crisis period, the impact of oil prices on electricity prices had an elasticity of between around 0.6 and 0.8. From 2009 to 2015 that elasticity remained stable at around 0.2, but from 2016 it began to increase and is now in the region of between 0.4 and 0.6. The gas price in the pre-crisis period was dependent on long-term, oil-indexed contracts. An analysis of data available after the end of the 2010 shows that the relationship between oil and gas prices was marginal until mid-2015. Since then, however, it has been gradually strengthening and today its elasticity is close to 0.4. (p. 20)

Forecast model for consumer electricity and gas prices

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Energy prices make up a significant part of the consumption basket, so forecasting them at a high standard has an impact on the overall forecast for headline inflation. Regulatory price-setting is a relatively complex process that must take into account all price components (commodity, supply, reasonable profit, distribution, and transportation). Thus, a more suitable model for forecasting gas and electricity prices has been constructed, one based on the provisions of regulatory decrees and regulatory legislation. In the case of household gas and electricity, the basic parameter for estimating their future prices is based on information about the composition (component weights) of the average end-user supply price. (p. 24)

Antonín Basch – the teacher of Imrich Karvaš

Ivan Figura

This article looks at the career of the economist doc. JUDr. Antonín Basch. It begins in pre-war Czechoslovakia, focusing on his teaching at Comenius University in Bratislava and his connection with the first published work of his student Imrich Karvaš and with Karvaš's main area of research: currency and finance. It then goes on to describe Basch's post-1939 activities, which, after his emigration to the United States, included teaching at universities in the United States, cooperating with the London-based Czechoslovak government-in-exile, joining the exiled government's delegation to the Bretton Woods Conference in June 1944, and working for the World Bank after the war. Based on his extensive publications, Basch may be described as a liberal economist. (p. 29)