



EXPECTED MACROECONOMIC DEVELOPMENTS IN SLOVAKIA

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The medium-term forecast for March was prepared in the period when financial market confidence stabilised and the euro area expectations gradually anchored. It was also influenced by positive data on the Slovak economic development in the last quarter of the previous year, as well as by projections of a slightly lower foreign demand. As a result, the extensive revisions of the overall developments of the Slovak economy and prices were not necessary, and the projections of macroeconomic fundamentals' development remained close to their December figures. Similar to all relevant institutions that published their forecasts, the projections of the National Bank of Slovakia were based on the expectation that solutions to the debt crisis would be found, financial markets would stabilise and confidence would be gradually regained. The horizon of the current forecast was extended until 2014. The medium-term forecast was also based on the ECB technical projections and common expectations of the foreign demand developments as of 16 February 2012. (p. 2)

CAN SPAIN AND ITALY ASK FOR HELP FROM THE EUROPEAN FINANCIAL STABILITY FACILITY?

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In 2011, serious concerns occurred that after Greece, Ireland and Portugal, also Spain and Italy would have to apply for help from the EU rescue mechanisms. Public finances and macroeconomic indicators markedly deteriorated in the two countries during the four years of the crisis, and a significant risk lies also with the banking sector. Though political representatives submitted ambitious recovery plans for their economies, their fulfilment seems doubtful. The article brings answers to questions concerning the estimated amount of funds required by the two countries during the years 2012 to 2014 and the existing capacity of the rescue mechanisms. (p. 4)

TRADING OF DOMESTIC BANKS ON THE EURO AREA MONEY MARKETS IN 2011

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The article deals with the analysis of domestic banks' behaviour during their third year of trading within the ECB common monetary policy area and on the euro money markets. The analysis studied possible impacts of negative sentiment related to the persisting debt crisis in Europe on domestic entities and potential changes in their behaviour, which consisted in covering their liquidity needs through the money market or making use of the extended framework of the ECB monetary policy transactions. The analysis of domestic banks is complemented with aggregate data on trading activities of prominent European banks. (p. 7)

THE SHORT-TERM IMPACT OF THE EU BUDGET ON THE SLOVAK ECONOMY

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Each member of the EU becomes part of the financial flows between the common EU and individual national budgets. Slovakia is currently in a position of net beneficiary, owing mainly to the subsidies on the cohesion policy. The analysis focuses on identifying the short-term effect of these budgetary relations on the economic growth of Slovakia. The calculations are based on final production demand multipliers derived from the static input-output model. They are applied to data on income from the EU budget and the related national co-financing. The analysis

studies primary effects on the GDP while leaving out of consideration a secondary impact on the economic potential or competitiveness. Historical data for the period from the accession to the EU until 2011 are analysed. (p. 14)

THE IMPACT OF THE REAL EXCHANGE RATE ON THE SLOVAK ECONOMIC DEVELOPMENT

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Exchange rate fluctuations are usually associated with internal and external economic shocks that have undesirable effects on economic growth and stability. Countries' exposure to negative implications of exchange rate volatility represents one of the key areas for discussions on the fixed versus flexible exchange rates. As a result, the rigorous estimation of exposure of macroeconomic development to exchange rate fluctuations is definitely one of the key factors in assessing a wide range of aspects that relate to the exchange rate policy and regimes. In the article, we analyze vulnerability of selected macroeconomic variables to primitive shocks to exchange rate in the Slovak Republic during the period of 2000-2007. We estimate six variables of the VAR model. Structural shocks are identified using Cholesky's decomposition of innovations. The crisis period is also analysed by comparing the results with the model for the extended period of 2000-2010. (p. 18)

FINANCIAL SITUATION OF SLOVAK HOUSEHOLDS

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In 2010 the National Bank of Slovakia conducted the first wave of the Household Finance and Consumption Survey (HFCS) in Slovakia. This survey is the Eurosystem's project coordinated by the European Central Bank. The main aim of the HFCS is to gather micro-level structural information on the euro area households' assets and liabilities. The survey collects information on demographics, real and financial assets, liabilities, consumption, savings, income, employment, future pension entitlements, intergenerational transfers, gifts, and attitudes to risk, in order to analyse the economic decisions taken by households. In this article, we present the HFCS realized in Slovakia and show the first results that we obtained from the collected data. (p. 23)

THE LIFE-CYCLE OF SMALL AND MEDIUM-SIZED ENTERPRISES AND THEIR FINANCIAL NEEDS

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Small and medium-sized enterprises (SMEs) constitute an important part of the economy; they represent a stabilising element of the economic system, as well as a sector with the highest growth potential. The role of small and medium-sized enterprises is irreplaceable particularly in relation to job creation, balanced regional development and introduction of innovations to the economic practice. Therefore it is important to create adequate conditions for their development. What are the possibilities of SME financing in different phases of their life-cycle? Do they have enough opportunities to obtain funds they need to finance their business? The article deals with the access of SMEs to funds mainly in the phase of their development, as the financing of SMEs' development activities can be regarded as most critical for their further growth. It analyses the present situation in the financing of SMEs and outlines available opportunities. The article is the first of three articles dealing with the problems of SME financing. (p. 28)