



## BANKING SECTOR DEVELOPMENT IN 2011

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Developments in the banking sector during 2011 were shaped by two different six-monthly periods. Many positive trends from the end of 2010 continued also in the first half of 2011, whereas in the second half of 2011, banks reported certain adverse tendencies. A key factor contributing to developments in the second half of the year was the external development and in particular the euro area sovereign debt crisis. This situation impacted banks directly, through their bond portfolios, and indirectly, as a result of weakened confidence in the real economy. The growth rate of bank loans to households and firms slowed and bank profitability exhibited certain negative trends. However, in terms of stability of the sector, it is important that the capital and liquidity positions of the banking sector remained strong. (p. 2)

## SLOVAK ECONOMY IN 2011: MACRO VIEW OF DEVELOPMENTS IN THE REAL SECTOR

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After the economic recession hitting Slovakia in 2009, its macroeconomic performance has improved again. Nevertheless, the pre-crisis performance of 2008 was regained only in 2011, that is after three years. The article reveals that this situation resulted from the development and structure of aggregate demand. On the backdrop of the aggregate demand analysis, developments in the real sector of the Slovak economy in 2011 are also analysed and interpreted, i.e. GDP, inflation, wages and labour market. (p. 7)

## COSTS AND BENEFITS OF SLOVAKIA ENTERING THE MONETARY UNION: A QUANTITATIVE EVALUATION

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Entering monetary union brings both benefits and costs. The loss of an independent monetary policy, including the loss of exchange rate policy, constrains the ability to stabilize the domestic economy in the event of asymmetric shocks. This leads to more volatile business cycles and hence lower utility of risk-averse agents in the economy. On the other hand, the common currency reduces transaction costs, thus increasing trade and growth. The objective of this article is to quantitatively evaluate these costs and benefits, using an estimated two-country DSGE model for Slovakia and the euro area. (p. 11)

## ACCESS TO FINANCING AS A KEY BARRIER TO SMEs DEVELOPMENT, PART 2 FINANCE GAP IMPACT ON SMEs GROWTH AND DEVELOPMENT

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Small and medium-sized enterprises (SMEs) are believed to be key to economic growth, innovations and job creation and flexibility. Access to funds needed for their continued development is thus crucial. The collapse of market for potential money providers and SMEs led to the so-called finance gap for SMEs. As a result, currently available financial services only partially cover SMEs' financial needs. Where entrepreneurs have no access to necessary funds through a formal financial system, they may not start their business at all or quit it, which means a potential loss for the economy as a whole. There is also a threat that they may disregard the formal system and be active

in the shadow economy circumventing tax-payments and various regulations. Their contribution to the economic growth and job creation would then not be complex. The article analyses the roots of this finance gap for SMEs, describes differences among countries and discusses possible ways of the gap measurement. The article is the second of three articles dealing with the problems of SME financing. (p. 13)

## A FEW COMMENTS ON MONEY COUNTERFEITING

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The presented article is divided into two parts. The first one describes the situation on counterfeit money seized before it was put into circulation and that withdrawn from circulation in the Slovak Republic. It also provides information on the counterfeit euro currency and other currencies (namely the USD) seized in Slovakia. The second part of the article mentions the applicable provisions of the Slovak Penal Code which cover money counterfeiting, and describes the basic security features of euro banknotes and the ways of banknote verification. (p. 17)

## COIN COUNTERFEITING AT THE END OF MEDIEVAL TIMES (PARTICULARLY IN SPIŠ AND GEMER REGIONS OF SLOVAKIA)

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Since ancient times, coins have been forged by imitating their value or themes, and always by also reducing their precious-metal content. Counterfeiting in Slovakia was most obvious at the end of medieval times, particularly during the Hussite wars and the Brethren movement of the 15th century. The counterfeiting activities were hidden in premises of fortified castles and dilapidated feudal residences, or hardly accessible caves. The systematic study, undertaken mainly in the last ten years, confirmed that this illegal activity, severely punished in the medieval period (usually by capital punishment), was conducted in caves in the Slovak counties of Spiš (Scepusium) and Gemer (Gömörinum). In the former county, forgery workshops have been confirmed in the territory of the villages of Betlanovce, Letanovce, Poráč, Slovinky and Spišská Teplica. Currently, an investigation is under way in a workshop in Drienčanský kras, the Gemer county (where another workshop has already been found in Chvalovská jaskyňa cave). Here a damaged iron stamping die and many other objects needed in a forgery workshop were discovered as the first finds of this kind in Slovakia. All these finds from workshops date back to the 15th century. Among them are valuable counterfeit coins of M. Redwitz, the Camber Count of Transylvania and a Count of the Order of the German Knights, (in Letanovce cave) and of King Albrecht (in Drienčanský kras cave), as well as counterfeit parvi and quartings of Sigismund of Luxemburg and denarii of Matthias Corvinus found in all the mentioned caves. (p. 22)

## ADDED VALUE OF KNOWLEDGE AND EDUCATION

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The empirical evidence confirms the historically proven fact that wages increase with the level of education. Our analysis is based on the quarterly statistical reporting on costs of work (ISCP form 1-04 of the Slovak Ministry of Labour). The article focuses on the assessment of wages in the financial and insurance sectors. The results show the average gross monthly salary in the period of 2007-2011 broken down by education, age, sex, firm size and job position. (p. 26)