



## EXPECTED MACROECONOMIC DEVELOPMENTS IN SLOVAKIA

Monetary Policy Department  
Národná banka Slovenska

The debt crisis in the euro area is causing the continuation of investor and consumer uncertainty regarding further developments, which is being reflected in the global economic activity slowdown. The growth of the Slovak economy in the first half of 2012 was based mainly on a supply shock in the automobile industry. The weak labour market and uncertainty caused a moderate decline of private consumption. Investment was falling due to the uncertainty and partially also due to tightening of credit conditions. After the inclusion of relevant current information, the prediction of main macroeconomic indicators has been substantially worsened compared with the previous one. The economic growth should slow down as well as growth of employment, affecting real household income and consumption. The moderation in GDP growth should continue also in 2013 taking into account the impact of fiscal consolidation measures. The prediction is based on a renewal of confidence abroad and in the Slovak Republic, which could moderately revive domestic demand. A slowdown of inflation is expected in both 2013 and 2014. In 2014, global demand should accelerate. Domestic demand should be supported by growth of household incomes, while investors should remain cautious and the labour market should improve gradually. (p. 2)

## MAIN FEATURES OF ECONOMIC CONVERGENCE OF SLOVAKIA AND OTHER EUROPEAN COUNTRIES IN TIME OF DEBT CRISIS

Ing. Tibor Lalinský, PhD.  
Národná banka Slovenska

In 2011, Slovakia maintained positive developments in a number of real convergence indicators. The growth dynamics placed the country among the best growing EU countries. Employment rose slightly and the unemployment rate fell. The current account of the balance of payments recorded a surplus. According to the latest estimate, the economy's relative performance stagnated, however, since the domestic price level rose more sharply than the average price level in the EU. Slovakia as well as most of the EU Member States and candidate countries (including the new candidate country of Serbia) did not meet the fiscal and inflation criteria of nominal convergence. The growth outlook signals further deterioration of economic situation in Europe in 2012 followed by improvement in 2013. Nominal convergence could also pick up in a number of countries including Slovakia. Among those non-euro area Member States that want to join the euro area, only Latvia has the potential to comply with all the Maastricht criteria. Actual developments of nominal and real convergence in the period ahead will be strongly dependent on the further course of the sovereign debt crisis. (p. 4)

## SELECTED ASPECTS OF HOUSING MARKET IN SLOVAKIA

Mikuláš Cára  
Národná banka Slovenska

This article presents a detailed review of the demand and supply side of the Slovak housing market which has been flat for a longer time. The structure of population, rising divorce rate, low level of

apartment possession in comparison with the European average, changing life style and other demographic factors offer a significant potential for the future possible recovery in the Slovak housing market. Buying property is a serious investment which is significantly conditional on the current income situation as well as on households' expectations about the future. At present, the demand for housing reaches its historic high in Slovakia and it has a tendency to continue at least for the next ten years. This seems to be a positive sign and instigation to investment in this segment. (p. 12)

## FISCAL SUSTAINABILITY AND EXTERNAL ECONOMIC IMBALANCES

Ing. Juraj Lazový  
Pan-European University, Bratislava

Fiscal sustainability, external economic imbalances and financial stability are three major risks to the future global economic development. Fiscal expansion, as a measure for solving the global financial crisis of 2007-09, and the loss of competitiveness of peripheral euro area countries have brought about massive debt growth of advanced economies and caused the latest debt crisis in the euro area. To improve fiscal sustainability of advanced economies to stand at standard levels will require long-term budget surpluses, which do not look feasible at present. Long-term increasing imbalances on the current account of the balance of payments together with the under-developed and under-regulated global financial system generate a risk that free trade and capital movement will be hampered and hence a significant decrease of global GDP may occur. Possible solutions are the co-ordinated macroeconomic policy of major countries (USA, China) and more effective regulation of cross-border financial markets. (p. 18)

## FISCAL POLICY AND COORDINATION IN EUROPE

Radoslav Peter  
Národná Banka Slovenska

The National Bank of Slovakia has organized a research conference on Fiscal Policy and Coordination in Europe on September 13-14, 2012. Keynote speeches were delivered by Charles A. Goodhart (LSE) and Daniel Gros (CEPS). In total 38 speakers from academia, central banks, international organizations and think-tanks presented their positions and research results at the conference. NBS aims to organize a research conference on a topical economic issue biennially. (p. 24)

## Silver collector coin ANTON BERNOLÁK – THE 250TH ANNIVERSARY OF THE BIRTH

Ing. Dagmar Flaché  
Národná banka Slovenska

In September of this year, Národná banka Slovenska prepared the issue of a silver collector coin commemorating the 250th anniversary of the birth of Anton Bernolák, one of the most notable figures in Slovak history and a leading personality of Slovak national life in the late 18th and early 19th centuries. Bernolák was a Catholic priest and prominent linguist who became the first person to codify the Slovak language. In addition, he was an active promoter of Slovak national life and education. (p. 26)