



## EXPECTED MACROECONOMIC DEVELOPMENTS IN SLOVAKIA

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*The euro area deepened recession has already begun to weigh on the Slovak economic activity. The resulting uncertainty and lack of investor and consumer confidence are expected to continue until the middle of the year. In its second half, however, the economy of the euro area should gradually recover, promoting the improvement in foreign demand for Slovak goods and services. Economic growth is expected to accelerate to 2.8% and 3.8% in 2014 and 2015, respectively, after a slowdown of 0.7% in 2013. The labour market should pick up in 2014 and inflation is assumed to fluctuate around 2% throughout the projection horizon. (p. 2)*

## DOMESTIC BANKS' PARTICIPATION IN ECB MONETARY POLICY OPERATIONS AND THEIR ACTIVITY ON THE EURO AREA MONEY MARKET IN 2012

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*The article brings a brief overview of the ECB's monetary policy decisions and mentions some crucial events that have impacted on developments on both the global financial market and the euro money market. At the national level, the participation of domestic counterparties in monetary policy operations is described. Moreover, the article deals with the impact of lower minimum reserve requirements and the implementation of the zero deposit facility rate that has significantly affected liquidity management. Domestic banks' trading activity is also studied, with the money market having been the primary source to cover their liquidity needs. Based on the selected criteria, trading behaviour is considered at the aggregate level. Finally, trading activity on the money market is compared with domestic banks' trading activity, with the aim to describe their similarities and differences. (p. 4)*

## CASH CIRCULATION IN SLOVAKIA

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*The article examines cash circulation in Slovakia four years after the euro introduction. According to the author, the cumulative net issuance at the end of 2012 (€8.3 billion) showed some signs of gradual stabilisation, while a relatively narrow difference (€140 million) occurred between the cumulative net issue of euro banknotes and the NBS's share in the value of currency in circulation in the euro*

*area. Almost 4 billion Slovak koruna banknotes and coins (2.4% of total currency issued) still remained in circulation at the end of 2012. In the same year, NBS processed more than 335 million euro banknotes and 316 million euro coins. Public polls have revealed that people are satisfied with the quality of banknotes in circulation. In 2012, 4,538 counterfeit banknotes and coins were seized in Slovakia, of which 4,451 were the euro currency. The share of counterfeit money in the total volume of circulating euro banknotes and coins has remained negligent, the probability that people come across counterfeit euros is thus very low. (p. 13)*

## ESTIMATED IMPACT OF FISCAL CONSOLIDATION ON GDP GROWTH IN THE SR

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*The Slovak economy is experiencing another crucial phase of fiscal consolidation in its history. Unlike in previous episodes of major consolidation (2003-2005 and 2011), our economy cannot now "rely" on a soft cushion formed by a favourable global economic situation, integration and new capacities in the automotive industry. The main objective of this article is to estimate the size of fiscal multipliers in Slovakia in order to quantify the impact of fiscal packages in 2011 and 2013. The results show that the expenditure-based consolidation has higher costs in the form of lost growth. However, it is less painful in the medium to long term. The effect of the consolidation package on GDP growth in 2011 is estimated at -0.99 percentage point, while in 2013 we assume that fiscal consolidation will dampen growth by 0.68 percentage point. (p. 20)*

## LEGAL ASPECTS OF FINANCIAL INSTITUTIONS CROSS-BORDER BUSINESS ACTIVITIES IN THE EUROPEAN UNION

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*Recently, 14 foreign branches of credit institutions from the EEA countries are registered in Slovakia, while more than 300 credit institutions provide their cross-border services there. Cross-border business has also fully emerged in other sectors of the financial market. This article is aimed at explaining in detail the principles and historical developments of the legal mechanisms that allow financial institutions<sup>1</sup> to establish their branches in the EEA and give them freedom to provide their services there. The article concerns banks, but it could equally apply to other financial market participants. (p. 28)*