



## LITHUANIA'S ENTRY INTO THE EURO AREA CHANGES THE VOTING SYSTEM OF THE ECB GOVERNING COUNCIL

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On 1 January 2015, Lithuania will become the last Baltic state to join the euro area. However, the country with around 3 million inhabitants and gross domestic product corresponding to 0.003% of the euro area GDP will bring a significant institutional change to the Eurosystem. As the number of governors in the ECB's highest decision-making body will exceed 18, a new voting mechanism of the ECB Governing Council members will be activated. Article 10.2 of the Statute of the European System of Central Banks provides that, as from that moment, the number of members of the Governing Council will not be equal to the number of voting rights at their meetings. The total number of votes in the 25-member decision-making body will drop to 21 and the voting rotation system in the Governing Council of the ECB will become officially operational. Under this system, some Governors will have to waive their voting rights at regular monthly intervals, even on decisions related to the monetary policy of the Eurosystem. (p. 2)

## EXPECTED MACROECONOMIC DEVELOPMENT IN SLOVAKIA

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The Slovak economy continued to grow relatively fast also in the second quarter of 2014, with domestic demand being the main contributor. Economic growth is expected to be slightly slower in the second half of 2014 on account of worsening sentiment in the euro area. In the medium-term horizon, GDP growth of Slovakia should accelerate in line with the expected stronger recovery in the euro area. In 2014, economic growth is expected at 2.3%, with subsequent acceleration to 2.9% in 2015 and 3.5% in 2016. The real economy should create new jobs and thus reduce unemployment. While prices should stagnate this year, inflation is expected to grow gradually in the coming years due to a stronger recovery in demand. (p. 5)

## SLOVAK FINANCIAL SECTOR: TRENDS AND RISKS IN THE FIRST HALF OF 2014

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Despite continued signs of economic improvement in the Slovak Republic and relatively calm situation on the global financial markets, risks remain that might negatively affect the stability of the Slovak financial sector. The article therefore focuses on the identification of the most significant risks arising from economic and geopolitical developments abroad, as well as from developments within the Slovak financial sector. The article also includes description of trends in individual sectors of the financial market. (p. 8)

## COMPENSATIONS IN SLOVAKIA VS. NEIGHBOURING COUNTRIES: STATE OF PLAY

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This contribution aims to describe and compare developments in employee compensation – a key source of

consumption coverage and a highly sensitive indicator for both employees and employers. The article deals with nominal compensations and compensations based on purchasing power parity. It compares their development with comparable price levels and labour productivity. It also evaluates compensations in terms of convergence of living standards and in terms of competitiveness. (p. 14)

## FISCAL MULTIPLIERS WITH DUAL REGIME IN CONVERGING COUNTRIES – SIMPLIFIED ANALYSIS BASED ON THE STVAR MODEL

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This article examines the impact of fiscal policy on the economic cycle in the V4 countries. It is analysed on the basis of a simplified vector autoregressive model with a smooth transition between regimes. This method consists in the estimation of a composite model comprising two vector autoregressive models with the time-variable weighting. In our case, the resulting non-linear estimation is transformed into a series of linear estimates from which an optimal estimate is then selected. The estimated parameters of the model imply the presence of two regimes in fiscal policy, which are linked to economic expansion and recession. This results in different impulse-response functions (output gap reactions to public consumption) during the times of expansion and recession. Transformation of these functions into multipliers confirms that long-term effects of fiscal policy have different nature: in the time of expansion the multipliers culminate below one and converge to zero in the long run, while during recession they grow more rapidly than during expansion and remain significantly above one in the long run. (p. 17)

## NON-MATERIAL DAMAGE IN RELATION TO COMPULSORY CONTRACTUAL MOTOR VEHICLE THIRD PARTY LIABILITY INSURANCE

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In Slovakia, surviving dependents of deceased victims of road traffic accidents have in recent years started resorting to the courts to claim damages for the infringement of their personal rights caused by the death of their next of kin, such infringement being also known as non-material damage (i.e. emotional injury). Although courts have considered these claims in different ways, they have, as a rule, awarded damages against the defendant, who was usually also prosecuted for the respective death. A turning point in the interpretation of this right to compensation came with the decision of the European Court of Justice in Case C-22/12 Haasová, based on a request for a preliminary ruling from the Regional Court in Prešov. (p. 20)

## DISPARITIES IN HOUSEHOLD WEALTH AMONG SLOVAK REGIONS

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This article is an extract from Messner and Zavadil (2014). It summarises the key findings from the first wave of the Slovak Household Finance and Consumption Survey. The analysis is conducted at the regional level and presents results on household assets, liabilities, net wealth, income and consumption. (p. 25)