



MACROECONOMIC PROJECTIONS FOR SLOVAKIA ACCORDING TO THE SEPTEMBER 2017 MEDIUM-TERM FORECAST (MTF-2017Q3)

(Accelerating economic growth is starting to have an increasing impact on wages and prices)

Slovakia's economy continues to expand at an accelerating pace, driven by growing domestic demand on the back of the improving labour market. Export growth was slightly weaker, but it is expected to pick up again over the forecast period due to the launch of new production in the car industry. Domestic and external demand should remain strong over the forecast period, with Slovakia's GDP growing by 3.3% in 2017 and then accelerating to 4.2% in 2018 and 4.6% in 2019. This will create new jobs, while the unemployment rate should reach new all-time lows. The tightening of the labour market and growing labour productivity should contribute to higher nominal wages and, consequently, to higher inflation. (p. 2)

INCREASING CONCENTRATION OF SLOVAK EXPORTS IN CARS

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The already high concentration of Slovak exports in cars has continued to increase owing to growing car production. In such an environment of elevated and increasing export concentration, external shocks may be somewhat mitigated through product and destination diversification of car exports, as well as through product heterogeneity across other exports. It should be noted that the arrival of car producers in Slovakia has supported its economic growth, but car production itself is not able to add new book value to the materials being processed. Compared with carmakers, subcontractors in the car industry achieve higher value added and a higher share of wages in value added. In addition, their links with domestic services are stronger. A rebalancing of production in the domestic automotive industry that results in the share of car parts and accessories increasing at the expense of car production could therefore support value added growth in the Slovak economy. (p. 5)

HOUSING PRICES ARE CURRENTLY IN LINE WITH ECONOMIC FUNDAMENTALS

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Housing usually becomes a topical theme when prices of apartments and houses are rising, and therefore making the purchase or renting of residential property more financially demanding. Housing price developments are closely monitored not only by those searching for a place to live, but also by numerous housing market professionals. This article describes various approaches to evaluating current trends in housing prices based on the latest available data. Such data, however, should be treated only as indicative, since there is no universal indicator or method for evaluating property prices. (p. 10)

ASSESSING BORROWERS' ABILITY TO REPAY CREDITS RELATING TO RESIDENTIAL IMMOVABLE PROPERTY

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The main purpose of this article is to take a closer look at the provisions of Act No 90/2016 Coll. concerning credit agreements covering credit for consumers secured by a mortgage or otherwise relating to residential immovable property. This in particular includes an obligation to carry out a creditworthiness assessment before granting a credit, details of which are laid down in NBS Decree No 10/2016, which entered into force on 1 January 2017. The article focuses on the methodology for calculating the indicator of a borrower's ability to repay a credit relating to residential immovable property and the assumptions underlying this calculation, with the aim of bringing a broader perspective to the issue. (p. 16)

MORTGAGE BONDS VERSUS COVERED BONDS II: THE CURRENT STATE OF THE LEGISLATION FRAMEWORK AND REASONS BEHIND ITS AMENDMENT

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This article describes the current legislative framework of the Slovak mortgage banking sector and reasons behind its amendment, focusing on the framework's particularities which were preventing further development in the mortgage bond and lending markets. These specific features of the Slovak mortgage sector have either been removed or updated by a new covered bond programme concept. The purpose of the amendment is to strengthen the liquidity and credit quality of covered bonds, to expand portfolios of underlying assets for covered bonds issues, to support competition, to increase interest in covered bonds in capital markets, and to bring the Slovak framework more in line with European Banking Authority recommendations aimed at harmonising covered bond frameworks across the EU. (p. 20)

CROWDFUNDING

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Crowdfunding is an alternative form of financing that emerged as a result of financial technology (FinTech) developments. In the first half of 2017 the European Commission launched an open public consultation within the framework of the Capital Markets Union (CMU) and the CMU action plan, its aim being to find ways of supporting further FinTech solutions in the area of non-bank financing. One aim of the CMU is to create an optimal environment for ordinary investors in which they can invest their own funds directly in business and social projects of their choice. The Commission is now analysing the conditions and needs of such environment, as well as determining what legal regulations will be required. Slovakia will contribute to this endeavour as a member of CROWD-FUND-PORT, a Central European project funded within the Interreg CENTRAL EUROPE programme. (p. 25)