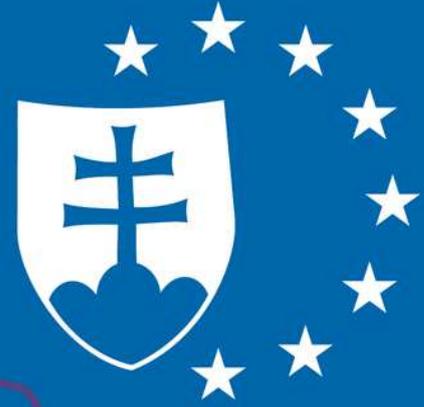


# Legislative and policy update

AUGUST



## Slovakia

### 1. Labor market

According to a survey conducted by Profesia.sk, only one in five job offers (21%) published on their website in 2020 requires some kind of university degree. Thus, the number of jobseekers with university education is much higher than the Slovak labor market actually needs. Only one-tenth of them asks for graduates with a master's or engineer degree. Employers are seeking mostly for graduates with school leaving exam (maturita exam)– the share of such offers on the total number of job ads has been as high as 41%.

06/08/2020, <https://spectator.sme.sk/c/22461952/the-number-of-university-graduates-far-exceeds-market-needs.html>

### 2. Export

Slovakia's foreign trade reached a record surplus in June as well as a significant recovery in exports. The increase in car exports pushed the trade-balance surplus to a record-high €710 million, beating the so-far record of €665 million from May 2014. June exports increased by more than a third month-on-month, resulting from the increase in exports of machinery and transport equipment, which also includes car exports. This category even reported an increase of 2.1% y-o-y. In June it made up as much as two-thirds of the total export, or €4.3 billion, up from May's €2.074 billion.

10/08/2020, <https://spectator.sme.sk/c/22464149/slovakias-export-has-recovered-from-the-corona-crisis-decline.html>

### 3. Innovation

The European Commission has approved a Slovak funding scheme worth EUR 25 million to support innovative companies with limited access to credit instruments in connection with the

outbreak of the COVID-19 pandemic. Public support will take the form of convertible loans with a maturity of 18 to 36 months and will be available to companies with an innovative product applicable at different levels or a service with growth potential on international markets.

11/08/2020, <https://ekonomika.sme.sk/c/22465540/eurokomisia-schvalila-slovensky-system-financnej-pomoci-pre-inovacne-spolocnosti.html>

#### 4. Industry

In June, the production of Slovak industry strengthened month-on-month most significantly within the countries of the European Union, by 21.7%. Slovakia was followed by Hungary (17.1%) and Romania (16.3%). Belgium (-1.4%) and Finland (-0.8%) recorded a month-on-month decline in industry within the EU countries for which data were available. Compared to the same month last year, the production of Slovak industry in June was still lower by 8.6%. The largest year-on-year decline in industry was recorded in Portugal (-14.8%), Germany and Spain (both -14.1%) and Italy (-13.7%).

12/08/2020, <https://ekonomika.sme.sk/c/22466015/slovensky-priemysel-v-juni-medzimesacne-vzrastol-najviac-v-eu.html>

#### 5. Inflation

The year-on-year increase in consumer prices fell in July 2020 for the fifth month in a row. Prices grew by only 1.7%, the lowest value since October 2017, the Statistics Office informed. July's inflation was mainly influenced by a month-on-month decline of 0.8%. Seasonal food prices, such as those of fruit, vegetables and meat mostly fell and were cheaper than expected for the summer season. Thus, the food prices reduced the m-o-m increase of overall inflation by about one-tenth. On the other hand, the price of bakery goods, milk, cheese, eggs and sugar increased slightly in July.

13/08/2020, <https://spectator.sme.sk/c/22467213/inflation-marked-by-its-lowest-values-in-more-than-2-5-years.html>

#### 6. Slovak economy outlook

The contraction of Slovakia's economy during the second quarter of 2020 was smaller than originally expected. Unless the situation with the COVID-19 pandemic worsens to the point of re-closing economies in the second half of the year, the full-year decline may be lower than estimated and revival may take a V-shape. The country's GDP fell by 12.1% y/y for constant prices during the second quarter of 2020, which is the deepest fall in Slovakia's history so far. The average estimate of analysts was -15.4% y/y. The economy contracted by 8.3% compared with the first quarter of 2020.

14/08/2020, <https://spectator.sme.sk/c/22467487/slovakias-economy-contracted-by-12-1-y-y-during-the-second-quarter-of-2020.html>

## 7. Digitalization

The use of digital technologies in Slovak companies is within the average European countries. Slovakia is in the top twenty in the ranking of digitalisation of companies in Europe. This is the result of DESI (Digital Economy and Society Index) rankings.

18/08/2020, <https://euractiv.sk/section/digitalizacia/snews/digitalizacia-firiem-na-slovensku-nenapreduje/>

## 8. Competitiveness Council

On August 17, Minister of Economy Richard Sulík proposed establishment of The Council of the Government of the Slovak Republic for Competitiveness and Productivity. The Council should be an advisory, coordinating and initiative body of the Cabinet to promote increased competitiveness and productivity and to better regulation policy. According to the statute, its basic task will be to evaluate the competitiveness and productivity of business entities in Slovakia and to bring proposals for measures in the field of innovation, business environment, education and increasing the efficiency of public administration.

17/08/2020, <https://ekonomika.sme.sk/c/22469360/na-slovensku-by-mala-vzniknut-rada-vlady-pre-konkurencieschopnost-a-produktivitu.html>

## 9. Labor Code

Slovakia will launch an employment protection fund, a kind of permanent “kurzarbeit” scheme inspired by similar schemes in Germany and Austria. The Labour Ministry plans to introduce the scheme as of January 2022 to ensure there is enough time to prepare this new labour market instrument. “We based our scheme on the German model, but we simplified it so it better suits Slovak conditions,” said Labour Minister Milan Krajniak (Sme Rodina) as cited by the TASR newswire. “This scheme should work not only for a crisis such as the current coronavirus one but also, for example, for floods or other local problems.”

19/08/2020, <https://spectator.sme.sk/c/22471071/permanent-kurzarbeit-scheme-closer-to-reality.html>

## 10. Regional development

The government cabinet of Igor Matovič has re-evaluated the list of approved projects from the annual 2020 priorities in the least developed districts, so some projects will not be financially supported by the state. The total amount of the regional contribution will be reduced by four million from the original approximately EUR 16.5 million. However, these funds will increase the budget for the least developed districts for this year, and this money can be used, for example, to mitigate the effects of the corona crisis.

19/08/2020, <https://ekonomika.sme.sk/c/22471063/vlada-skrtila-podporu-niektorych-projektov-v-regionoch-zvysi-im-vsak-rozpocet.html>

## 11. Temporary business protection

The government could extend the temporary protection from creditors for companies affected by the crisis caused by the new coronavirus pandemic until the end of this year. This follows from the draft legislation proposed by the Ministry of Justice. The law on temporary protection of viable companies should be effective from the beginning of January, and the current legislation on temporary protection is valid only until the end of September.

19/08/2020, <https://www.teraz.sk/ekonomika/docasnu-ochranu-podnikov-by-mohla-vla/487649-clanok.html>

## 12. Unemployment

In July, the jobless rate of those ready to take up a job immediately rose only slightly, increasing from June's 7.40% to July's 7.65%. In absolute numbers, the number rose by 6,200 to 209,786 people. Thus, the total unemployment rate increased from 8.22 in June to 8.44 in July. The labour offices registered 231,504 people without job, 6,996 more than in June.

20/08/2020, <https://spectator.sme.sk/c/22472039/some-66000-people-have-lost-jobs-since-the-coronavirus-outbreak.html>

## 13. Minimum wage

The minimum wage next year should be 623 euros, instead of 620 euros, and should therefore be 57% of the average wage last year. The proposal to introduce a starting wage will also be abandoned and the system for setting six levels of the minimum wage according to the degree of work intensity will be changed, and a new flat rate increase of EUR 43 will be introduced. In addition, a fixed amount of allowances will be set.

24/08/2020, <https://ekonomika.sme.sk/c/22473911/odborari-odisli-z-rokovania-tripartity-prekonanie-ministra-krajniaka.html>

## 14. EU support

The European Commission (EC) is submitting to the Council proposals for decisions to provide € 81.4 billion in financial support under the SURE instrument for 15 Member States. The proposed financial support for Slovakia is EUR 631 million. Once the Council has approved these proposals, financial support will be provided in the form of loans from the EU with favorable conditions for Member States.

24/08/2020, <https://ekonomika.sme.sk/c/22474268/eurokomisia-chce-poskytnut-slovensku-na-zachovanie-zamestnanosti-631-milionov-eur.html>

# World

## 1. ECB

The European Central Bank is committed to supporting the euro area's economy amid the coronavirus pandemic, using its massive bond purchases as its main tool, chief economist Philip Lane said on 4 August. Lane's comments were likely to fuel market expectations the ECB would increase its €1.35 trillion Pandemic Emergency Purchase Programme (PEPP) as soon as September when the central bank updates its economic forecasts.

04/08/2020, <https://www.euractiv.com/section/economy-jobs/news/ecb-committed-to-stimulus-with-outlook-highly-uncertain-chief-economist-says/>

## 2. EU retail

According to Eurostat, retail sales grew by 5.7 percent in the euro area and 5.2 percent in the EU in June. After growing about 20 percent in May, when most countries began to loosen security measures, it has returned to the level of February 2020. However, the recovery is not uniform, while in some countries the volume of retail trade is higher than in the same month last year (in Ireland up to 10.2%), in others it is below it - in Bulgaria up to 18.1%. Slovak retail grew by 9.3% month-on-month in June but is still 1.5% below last year's level. In terms of groups of goods, retail and online shopping are the main drivers.

06/08/2020, <https://euractiv.sk/section/ekonomika-a-euro/snews/maloobchod-eu-aj-eurozone-je-spat-na-predkrizovej-urovni/>

## 3. Brexit

Britain's top minister overseeing Brexit talks said on 7 August he was confident a free trade deal would be clinched with the EU as there had been a distinct change of tone from the bloc in recent weeks. The UK left the EU on 31 January but the main terms of its membership remain in place - including being in the EU customs union and single market - during a transition period until the end of this year, during which time both sides hope to negotiate a new free-trade accord.

07/08/2020, <https://www.euractiv.com/section/uk-europe/news/uk-says-its-confident-of-brex-it-trade-deal-as-eu-changing-tone/>

## 3. Eurozone international trade

The first estimate for euro area exports of goods to the rest of the world in June 2020 was €170.3 billion, a decrease of 10.0% compared with June 2019 (€189.3 bn). Imports from the rest of the world stood at €149.1 bn, a fall of 12.2% compared with June 2019 (€169.9 bn). As a result, the euro area recorded a €21.2 bn surplus in trade in goods with the rest of the world in June 2020, compared with +€19.4 bn in June 2019. Intra- euro area trade fell to €150.6 bn in June 2020, down by 7.3% compared with June 2019.

14/08/2020, <https://ec.europa.eu/eurostat/documents/2995521/10545447/6-14082020-BP-EN.pdf/b2a37ef5-8ecc-e661-36eb-5ce6541d94fc>

#### 4. EU employment

On 14 August, Eurostat informed that the number of employed persons decreased by 2.8% in the euro area and by 2.6% in the EU during Q2 2020, compared with the previous quarter. These were the sharpest declines observed since time series started in 1995. In the first quarter of 2020, employment had decreased by 0.2% in the euro area and by 0.1% in the EU.

14/08/2020, <https://ec.europa.eu/eurostat/documents/2995521/10545332/2-14082020-AP-EN.pdf/7f30c3cf-b2c9-98ad-3451-17fed0230b57>

#### 5. EU & euro area GDP

In the second quarter of 2020, still marked by COVID-19 containment measures in most Member States, seasonally adjusted GDP decreased by 12.1% in the euro area and by 11.7% in the EU compared with the previous quarter, according to a flash estimate published by Eurostat, the statistical office of the European Union. These were by far the sharpest declines observed since time series started in 1995. In the first quarter of 2020, GDP had decreased by 3.6% in the euro area and by 3.2% in the EU.

14/08/2020, <https://ec.europa.eu/eurostat/documents/2995521/10545332/2-14082020-AP-EN.pdf/7f30c3cf-b2c9-98ad-3451-17fed0230b57>

#### 6. US-China relations

A sharp escalation in tensions with the United States has stoked fears in China of a deepening financial war that could result in it being shut out of the global dollar system. Chinese officials and economists have been discussing worst-case scenarios under which China is blocked from dollar settlements, or Washington freezes or confiscates a portion of China's huge US debt holdings. Those concerns have galvanised some in Beijing to revive calls to bolster the yuan's global clout as it looks to decrease reliance on the greenback. Some economists even float the idea of settling exports of China-made COVID-19 vaccines in yuan and are looking to bypass dollar settlement with a digital version of the currency.

13/08/2020, <https://www.euractiv.com/section/global-europe/news/in-china-fears-of-financial-iron-curtain-as-us-tensions-rise/>

#### 7. EU inflation

Year-on-year inflation in the euro area accelerated to 0.4% in July from 0.3% in June. Across the European Union, it rose to 0.9% from the previous 0.8%.

19/08/2020, <https://ekonomika.sme.sk/c/22470802/inlacia-v-eurozone-aj-v-eu-sa-v-juli-zrychlila.html>

#### 8. Recovery of the EU economy

After a historic slump, the euro area economy will record the strongest quarter-on-quarter growth in its history in the third quarter, according to economists. It will take two years, or

even longer, for the euro area economy to fully recover from the deepest recession in its history, economists said in a recent survey. At the same time, they pointed out that the current, relatively favorable, situation on the labor market may take a wrong turn at the end of the year.

20/08/2020, <https://euractiv.sk/section/ekonomika-a-euro/news/uplne-zotavenie-ekonomiky-eurozony-z-recesie-potrva-minimalne-2-roky/>

## 9. US economy

The leading indicator of the development of the US economy rose again in July, for the third month in a row, although less than in the previous two months. In particular, the Leading Economic Index (LEI), which forecasts the development of the US economy over the next six months, rose by 1.4% in July to 104.4 points after rising by 3% in June and by 3.1% in May.

20/08/2020, <https://ekonomika.sme.sk/c/22472182/rast-klucoveho-ukazovatela-vyvoja-americkej-ekonomiky-sa-v-juli-spomalil.html>

## 10. EU private sector

The euro area private sector lost momentum in August after recovering from a crisis caused by a new coronavirus pandemic in July. The pace of growth in its activity has slowed this month. This was mainly due to a sharp slowdown in the services sector. The bad news is also that companies across the euro area are reducing their workforce. The combined Purchasing Managers Index (PMI) for the service and manufacturing sectors in the euro area, a key indicator of future business activity, fell to 51.6 points in August from 54.9 points in July after adjusting for seasonal effects, thus reaching the lowest point in two months.

21/08/2020, <https://ekonomika.sme.sk/c/22472671/sukromny-sektor-eurozony-stratil-v-auguste-dynamiku.html>

## 11. Digital tax

Representatives of the Organization for Economic Co-operation and Development (OECD) should soon agree on basic proposals for a digital tax and a minimum corporate tax, said German Finance Minister Olaf Scholz. However, in June, the United States stopped participating in tax negotiations within the OECD for corporations such as Amazon and Google, which seek to pay taxes in low-rate countries rather than in those where they generate revenue. Swiss Finance Minister Ueli Maurer warned that the new international tax framework must not create administrative barriers and should not enter into force too soon.

25/08/2020, <https://ekonomika.sme.sk/c/22474913/oecd-by-sa-podla-scholza-coskoro-mohla-dohodnut-na-navrhu-digitalnej-dane.html>