AmCham Slovakia

Legislative and policy update

JUNE

Slovakia

1. Export and import

Measures adopted in connection to the COVID-19 pandemic during April 2020 significantly contributed to the development of Slovakia's foreign trade. The total export of goods decreased by 43% and the total import of goods by 36.6% compared to the previous year. The total export of goods amounted to €3.7489 billion in April 2020, while the total import of goods decreased to €4.241 billion. The foreign trade balance was thus in deficit, amounting to €492.1 million, €388.2 million year-on-year higher than last year.

09/06/2020, https://spectator.sme.sk/c/22422166/slovakia-experienced-record-drop-in-export-and-import-in-april.html

2. Inflation

The annual rate of price increase in Slovakia in May 2020 was the slowest since December 2018. The year-on-year inflation rate amounted to only 2% in total, down from April's 2.1 percent. The core inflation reached 2% in total, while net inflation amounted to 0.9%, the data published by the Statistics Office on June 15 shows.
15/06/2020, https://spectator.sme.sk/c/22426189/annual-inflation-slows-down-to-2-percent-in-may-2020-in-slovakia.html, https://spectator.sme.sk/c/22404869/inflation-drops-to-lowest-level-since-late-2018.html

3. Digital economy

According to the European Commission, Slovakia ranked 22nd among the 28 EU member states in the Digital Economy and Society Index (DESI) 2020. Based on data before the pandemic, Slovakia slightly increased its rating. This result was reached thanks to improvement in the fields of connectedness, use of internet services and digital public services. However, most of the indicators did not improve as to keep up with the EU average. Slovakia dropped in the field of human resources and use of internet services to 20th place. More than a quarter of Slovaks has more than basic digital skills, the best score in the V4 region, but far from the EU average of 33%.

16/06/2020, https://spectator.sme.sk/c/22427040/digital-economy-index-slovakia-at-bottom-ranks-among-eu-states.html

4. Slovakia's competitiveness

Slovakia fell in the competitiveness ranking. It placed 57th in the recent IMD World Competitiveness Yearbook 2020, down four positions compared to last year. Slovakia scored the worst of its closest neighbours. The best of the Visegrad Group (V4) region was the Czech Republic, which ranked 33rd (the same as last year), Poland ranked 39th (down one place), Hungary 47th (the same as last year) and Ukraine ranked 55th. According to the yearbook, the biggest challenges for Slovakia in the field of competitiveness is the stabilisation of costs and a return to a balanced budget, the strengthening of digitalisation in all sectors and the reform of the education system so that it will be suitable for employers' needs.

17/06/2020, https://spectator.sme.sk/c/22427887/slovakia-dropped-in-competitiveness.html

5. EU financial assistance

On June 19, the European Commission approved three Slovak financial assistance and guarantee schemes with a total budget of four billion euros to support companies affected by measures taken against the spread of a new coronavirus pandemic. Financial support will take the form of direct grants and loan guarantees. The aim of these schemes is to provide liquidity to companies affected by the new coronavirus, thus helping to continue their activities, make investments and maintain pre-pandemic employment levels.

19/06/2020, https://www.teraz.sk/ekonomika/brief-ek-v-suvislosti-s-koronakrizou/475078-clanok.html

6. Unemployment

The unemployment rate, driven by the COVID-19 pandemic, keeps increasing in Slovakia while analysts expect the growth to reach its peak only in autumn. May's registered unemployment, i.e. the rate of those job seekers able to take a job immediately, amounted to 7.2% or 219,159, up by 0.63% or 19,504 people month-on-month and by 2.32% or 64,000 people year-on-year, according to data published by the Labour, Social Affairs and the Family Centre (ÚPSVR) on June 19.

22/06/2020, https://spectator.sme.sk/c/22431470/jobless-rate-keeps-growing.html

7. Economic recession

At the end of June the Slovak Finance Ministry estimated that the country will experience an economic downturn of 9.8%, worsening its estimate by 2.6 percentage points compared to April. The country's economic recovery is to start in the second half of this year, with a projected growth of 7.6 percent in 2021. The ministry claimed the Slovak economy will return to its pre-coronavirus figures in late 2022. Domestic and foreign demand is expected to decrease, and businesses are expected to defer their investments. At the same time, unemployment is expected to increase while wage pressures will ease. A possible second wave of a new coronavirus pandemic would drag the Slovak economy back into recession in the fourth quarter. In this case, the economy would fall by as much as 12.4% for the whole year.

23/06/2020, https://spectator.sme.sk/c/22432484/experts-warn-of-deeper-recession-if-covid-19-cases-spike.html

8. Innovation

The Slovak Spectator informed that Slovakia belongs to a group of Moderate Innovators, with a score below the EU average. However, its performance has increased relative to that of the EU in 2012. Slovakia scores particularly well on Employment in fast-growing enterprises of innovative sectors, Sales of new-to-market and new-to-firm product innovations, Medium and high-tech product exports, and New doctorate graduates. Finance and support, Innovators and Intellectual assets are the weakest innovation dimensions. Overall, Slovakia's lowest indicator scores include Venture capital expenditures, R&D expenditures in the business sector, Lifelong learning, and Opportunity-driven entrepreneurship. On the other hand, it shows the highest positive difference to the EU in Total Entrepreneurial Activity, Value-added share foreign-controlled enterprises and Average annual change in GDP, and the biggest negative difference in Top R&D spending enterprises, GDP per capita and Buyer sophistication.

24/06/2020, https://spectator.sme.sk/c/22432892/slovakia-is-a-moderate-innovator.html

9. Slovak business environment

On June 24, the government approved 114 changes that should improve the business environment and help kick-start the Slovak economy after the COVID-19 pandemic. The so-called "lex korona" should be approved by the parliament at the next sitting in an abbreviated legislative procedure in July. Slovak employers welcomed the approval of a package of 114 measures to improve the business environment. At the same time, companies expect that the government will not slow down in the emerging trend of improving conditions for business and will present another package of measures in the foreseeable future, in the preparation of which they are ready to cooperate.

24/06/2020, https://www.teraz.sk/ekonomika/lex-corona-navrh-opatreni-na-zlepsen/476221-clanok.html

10. Review of the 13th pensions

The Constitutional Court of the Slovak Republic will review the constitutionality of the amendment to the Social Insurance Act, which introduced the 13th pension in Slovakia. In the submission to the Constitutional Court, the President did not express objection to the content of the challenged law, but to the legislative process in which it was adopted. The amendment to the law was approved by the National Council of the Slovak Republic in a abbreviated legislative procedure, four days before the parliamentary elections at the time of the peak election campaign. "The challenged law is the result of arbitrary action by a legislator who, by carrying out an abbreviated legislative procedure without meeting the legal conditions for its implementation, seriously violated the constitutional principles of democracy and the rule of law, legality, non-arbitrariness and protection of free competition of political forces in democratic society. , "said the head of state in the submission.

24/06/2020, https://www.teraz.sk/ekonomika/us-prijal-navrh-prezidentky-sr-presk/476215-clanok.html

11. Robotization of production

The last three recessions in the last 30 years have shown that the labor market has recovered from them by greater automation of production. According to a study by researchers at the University of Cambridge, a similar scenario will occur after the COVID-19 pandemic. Low-skilled jobs will be particularly sensitive to automation, while in Slovakia up to 34% of jobs in industrial production such as car manufacturing, are endangered by robotics, said Lenka Buchláková, an analyst at Slovenská sporiteľňa. "Currently, there are 151 robots per 10,000 employees in industrial production. The global average is at the level of 85 robots per 10,000 employees. Germany is leading the way in robotics in Europe, where there are three times more robots in industrial production per year than in Slovakia," she said.

27/06/2020, https://www.teraz.sk/ekonomika/covid-19-urychli-robotizaciuv-priemys/476829-clanok.html

12. Education for the marginalized

The Ministry of Education communicated with the European Commission on the topic of the elimination of segregation and discrimination of Roma children, for which Slovakia may be facing a lawsuit. State Secretary of the Ministry of Education Monika Filipová stated during a press conference on June 29 that insufficient quality and unsuitable conditions for the education of children from marginalized Roma communities represent a long-term problem in Slovakia. "Our goal is to gradually eliminate the existing segregation of Roma children and prevent the further emergence of segregated classes and schools. The Commission's initial response to our other response clearly indicates the appreciation of the new and open approach to communication, "said Filipová.

30/06/2020, https://euractiv.sk/section/socialna-politika/news/ministerstvo-skolstva-pripravuje-plan-ako-zo-vzdelavania-odstranit-segregaciu-romskych-deti/

13. Protection for companies during the COVID-19 pandemics

On June 30, TASR informed that the adoption of a law on extraordinary measures in the judiciary, which allowed companies to defend themselves against the threat of bankruptcy or execution during the corona crisis, saved 5,000 endangered jobs by the end of June. This follows from the analysis of the Slovak Information and Marketing Society (SIMS). According to data published in the Commercial Gazette, companies like Decodom, Chemes and Nexis Fibers were among the ones who applied for the temporary protection from creditors from larger companies.

30/06/2020, https://www.teraz.sk/ekonomika/analyza-ochrana-firiem-zachranila-500/477527-clanok.html

14. Economy

In June, the National Bank of Slovakia (NBS) predicted the GDP to contract by 10.3% over 2020 while analysts from commercial banks forecasted its drop by 8.8% this year. However, bank analysts predicted that the economy will recover next year, when the GDP is expected to rise by 6.9%. This prediction is still 0.3% higher than the one from May. One reason for the negative economic development is the increase in the unemployment rate to 8.8 %, and the slow-down in nominal wage increasing to 1.2%. As a result, real salaries are expected to fall, with harmonised inflation predicted to account for 1.9%. Yet, these indicators will improve next year too. The unemployment rate should drop to 8.2%, while the nominal wages will rise to 3.6%. The price increase will slow down to 1.3%.

29/06/2020, https://spectator.sme.sk/c/22436590/another-gloomy-prediction-bank-analysts-expect-the-economy-to-contract-by-9-percent.html

15. Government's priorities after the pandemic

In the area of work and employment, the government of four parties promised to pursue measures to keep employment and create workplaces while reducing payroll taxes as a means of increasing citizens' incomes. The Government Manifesto prioritises the improvement of the business environment, the fight against corruption and red tape, a prudent fiscal policy, and tackling tax evasion. The business sector took a positive view of the manifesto, pointing to the plans to reform payroll taxes and to enhance the flexibility of the Labour Code. Flexibility is pinpointed as key, particularly during the crisis and its aftermath. The Labour Ministry pledged, in its part of the Manifesto, to consult on changes to the labour legislation with social partners.

30/06/2020, https://spectator.sme.sk/c/22436864/the-governments-priority-is-to-keep-existing-workplaces-and-create-new-ones.html

Europe and the world

1. EU tax

European Commission proposed the creation of new own resources through European taxes or fees to be able to repay the loans guaranteed by the European budget which the commission agreed upon in May. Some of them were already included in the multiannual financial framework draft presented in 2018 which included new, simplified source based on value added tax, a levy on non-recycled plastic packaging and emissions trading revenues. These also appear in the new proposal which also includes three new potential sources: carbon tax, digital tax and tax imposed on multinational corporations.

03/06/2020, https://e.dennikn.sk/1917946/tyzden-v-europskej-ekonomike-opat-sa-otvara-diskusia-o-europskych-daniach/?ref=list

2. European private sector

The decline in the private sector activity in the EU slowed down in May, following a devastating fall in the previous two months as countries in the region began imposing blockades to prevent the spread of coronavirus. However, there are indications that the worst period for the private sector may have passed by now, although it will take months for it to return to grow significantly. The results from May showed that business activity in all Euroregion countries remained weak, further highlighting the extent and breadth of the downturn in the bloc's economy. As a result, the euro area's gross domestic product (GDP) will fall in an unprecedented fall in the second quarter, accompanied by the largest rise in unemployment in the history of the EU.

03/06/2020, https://ekonomika.sme.sk/c/22418027/sukromny-sektor-v-eurozone-ma-najhorsie-za-sebou.html

3. EU minimum wage

The European Commission launched a second phase of consultation with European trade unions and employers' organizations on how to ensure fair minimum wages for all workers in the European Union. The second phase of the consultation sets out possible EU steps to ensure that minimum wages are of an appropriate level and protect all workers. Ensuring that all workers in the EU have a dignified life is important for economic recovery as well as for building fair and resilient economies, with minimum wages playing an important role in this context, the commission said.

03/06/2020, https://ekonomika.sme.sk/c/22418483/zacali-sa-konzultacie-o-minimalnych-mzdach-v-eu.html

4. Pandemic Emergency Purchase Program

The European Central Bank (ECB) loosened monetary policy a little more than expected. The Governing Council of the ECB had increased the volume of the Pandemic Emergency Purchase Program (PEPP) by € 600 billion to a total of € 1.35 trillion and extended it until at least the end of June 2021. The market expected an increase of only € 500 billion. The adjustment of the PEPP program was a response to the reduction in the inflation forecast due to the negative impact of the new coronavirus pandemic. According to the ECB, the expansion of the PEPP is a way to loosen monetary policy and support financing in the real economy.

04/06/2020, https://euractiv.sk/section/ekonomika-a-euro/news/europska-centralna-banka-rozsirila-pandemicky-program-o-dalsich-600-miliard-eur/

5. New Chairman of the Board of Governors EIB

On June 9, the Slovak Minister of Finance Eduard Heger (OĽaNO) took over the position of Chairman of the Board of Governors of the European Investment Bank (EIB), of which EU finance ministers are members. It is the highest governing body of the bank. Heger will replace the Slovenian Minister of Finance, Andrej Šircelj.

9/06/2020, https://euractiv.sk/section/ekonomika-a-euro/news/eduard-heger-sa-stal-predsedom-rady-guvernerov-europskej-investicnej-banky/

6. Artificial Intelligence

MEP Miriam Lexmann (EPP) drew attention to the phenomenon of artificial intelligence which is close to massive common use, which means that it is necessary to focus on its consequences for humans, which can be unprecedentedly beneficial, but also very dangerous. Lexmann opened a social discussion on this topic and will organize an international conference with the participation of domestic and foreign professional and scientific leaders, as well as the general public. The event will take place in the spring of next year. Significant changes related to digitization, automation and their social consequences are expected especially in the labor market. "New technologies must not become a tool for dehumanisation here," she said.

11/06/2020, https://ekonomika.sme.sk/c/22423720/fenomen-umelej-inteligencie-je-blizko-beznemu-pouzivaniu.html

7. International trade

The United Nations Conference on Trade and Development (UNCTAD) informed that international trade is expected to fall by 27% in the second quarter and is expected to decline by about 20% for the full year. According to UNCTAD, the reason is the pandemic which led to the collapse of key sectors such as energy and automotive. While these two sectors have virtually collapsed, trade in agro-commodities was relatively stable. The organization added that trade in emerging economies fell "sharply" in April. Its decline was much more pronounced than in the case of industrialized economies. Imports to emerging economies fell by 19% in April and exports fell by 18%.

11/06/2020, https://ekonomika.sme.sk/c/22424330/medzinarodny-obchod-by-mal-v-druhom-stvrtroku-klesnut-o-27-percent.html

8. US- China relations

According to the Chinese government adviser Zhu Guangyao, China and the United States should resume discussions on trade as well as other issues as soon as possible. The pandemic exacerbated the already broken relations between Washington and Beijing after US President Donald Trump accused China of withholding information about the spread of the new coronavirus and threatened with further tariffs on Beijing. Zhu Guangyao said at a briefing in Beijing on June 11 that there was a need to discuss not only trade but other important issues as the world's two largest economies are way too interconnected to be separated.

11/06/2020, https://ekonomika.sme.sk/c/22424132/cina-a-usa-by-mali-obnovit-rokovania-o-obchode.html

9. EU import & export

The foreign trade balance of the euro area and the European Union (EU) as a whole was also significantly affected in April by the blockades and the measures put in place by the Member States to prevent the spread of the new coronavirus. According to the first estimate of the European statistical office Eurostat, both exports and imports in both blocks fell sharply in April and their trade surplus fell sharply too. Specifically, exports of goods from the euro area abroad fell by 29.3% year on year in April 2020 to 136.6 billion euros. And imports fell 24.8% to 133.7 billion euros.

15/06/2020, https://ekonomika.sme.sk/c/22426139/export-aj-import-eurozony-v-aprili-citelne-klesol.html

10. Global trade

On June 23, the World Trade Organization (WTO) announced that the most pessimistic scenario of a massive decline in world trade is unlikely to materialize, as several economic indicators point to the beginning of a recovery. In its annual forecast published in April, the WTO predicted that global trade could fall by 13 to 32% in 2020. Most recently, the decline could be as low as 13%, assuming modest growth in trade over the next two quarters. "As it stands, it would be enough for trade to increase by only 2.5% quarter on quarter to meet a more optimistic estimate," the WTO said. In the first quarter of 2020, the volume of global trade in goods decreased by 3% compared to the first three months of 2019. The WTO most recently estimates that global trade will fall by 18.5% year on year in the second quarter of 2020 due to a new coronavirus pandemic.

23/06/2020, https://www.teraz.sk/ekonomika/wto-odhaduje-ze-globalny-obchod-v-2/475898-clanok.html

11. European economy: IMF

The IMF expects the world economy to decline by 4.9% this year. In April, IMF predicted a contraction of 3% and in January, before the outbreak of the pandemic, the institution predicted an increase of 3.3%. The fund also worsened its forecast for 2021 and it expects an increase of 5.4% (5.8% in April). The main reason for the expansion next year is the low basis for comparison after a sharp decline this year. In the event of another major epidemic of Covid-19 in 2021, growth could reach only 0.5%, the fund warned.

24/06/2020, https://www.teraz.sk/ekonomika/brief-mmf-vyrazne-zhorsil-prognozu-v/476200-clanok.html

12. EU budget

On June 24, The European Commission proposed an EU budget of € 166.7 billion for 2021. It wants to add € 211 billion in grants and € 133 billion in loans to EU member states through a multi-annual recovery plan called the “New generation EU”. The recovery plan and resilience plan of the proposed € 750 billion was proposed by the EC with the aim of revitalizing the European economy after the negative effects of the crisis. The EC's annual budget and billions for the Recovery and Resilience Instrument represent investments to address the immediate economic and social damage caused by the coronavirus pandemic, kick-start a sustainable economic recovery, as well as protect existing and create new jobs.

24/06/2020, https://www.teraz.sk/ekonomika/eu-navrh-rozpoctu-na-rok-2021-je-zam/476217-clanok.html

13. European economy: eurocoin

The economic situation in the euro-paying region deteriorated again in June. This indicates a decline in the relevant indicator of the economic cycle– eurocoin. According to the latest survey which maps the current economic situation in the countries of the monetary union every month, the value of this indicator decreased to -0.37 points in June from -0.32 points in May. The indicator is still negatively affected by the decline in industrial production in the region, regardless of the improvement in business and consumer confidence.

26/06/2020, https://www.teraz.sk/ekonomika/ekonomicka-situacia-v-eurozone-sa-v-j/476746-clanok.html

14. Positive influence of the pandemic on some economy sectors

According to the analysis conducted by PwC CEE, the crisis triggered a significant acceleration of the digital transformation of the global economy. In the technology, media and telecommunications (TMT) sector, the economic impact of the crisis is largely neutral, and even positive for some segments. In this sector, the pandemic affected the media and entertainment sector the most, insofar as cinemas, theatres and concert halls were closed. Classic advertising also declined and rather transitioned to digital advertising, where the biggest winners, according to the analysis, were players such as Google and Facebook.

28/06/2020, https://www.teraz.sk/ekonomika/itekonomicky-dosah-koronakrizy-moze/476966-clanok.html

15. The economic sentiment index

According to the European Commission, confidence in the euro area economy rose sharply in June. The Economic Sentiment Index (ESI) rose by 8.2 points to 75.7 points. Despite the strong growth, however, it fell short of the expectations of economists, who expected it to increase to 80 points. The mood has improved in several areas such as industry, services or from the point of view of consumers. The relevant index in industry rose from -27.5 points in May to -21.7 points. Confidence in the services sector also increased, from -43.6 points to -35.6 points in May. In both cases, however, the result fell short of expectations, as the index was expected to improve to -20.5 points for industry and to -27 points for services. Consumers have also improved their mood. The relevant index rose to -14.7 points in June.

29/06/2020, https://www.teraz.sk/ekonomika/dovera-v-ekonomiku-eurozony-sa-v-juni/477175-clanok.html

16. Inflation

On June 30 Eurostat informed that the year-on-year growth in consumer prices in the euro area this month accelerated to 0.3% from the May growth of 0.1%. Looking at the main components of euro area inflation, food, alcohol & tobacco was expected to have the highest annual rate in June (3.1%, compared with 3.4% in May), followed by services (1.2%, compared with 1.3% in May), non-energy industrial goods (0.2%, stable compared with May) and energy (-9.4%, compared with -11.9% in May).

30/06/2020, https://ec.europa.eu/eurostat/documents/2995521/10294972/2-30062020-AP-EN.pdf/4d9c6e1d-b92c-431d-384a-2ab18f6eeaa6