

Legislative and Policy Updates

JULY & AUGUST 2023

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SLOVAKIA

Prosperity Index of Slovakia

Index introduced by Slovenská sporiteľňa on 22 August 2023 defined five critical categories, shining lighter on the “state of affairs in Slovakia” and suggest ways for further economic growth in near future. In key areas such as Economy, Society, Households, Education and Sustainability the index compares position of Slovakia with other EU member states, leaving other countries apart. The EU membership itself defines a favorable position for Slovakia to rank amongst the TOP 25 % of the wealthiest economies of the world, however the index clearly demonstrates Slovakia has stopped converging vis-à-vis EU liberal democracies and is lagging behind in all monitored areas. Overall Slovakia is ranked 23rd out of 27 EU member states.

23/8/2023 <https://www.slsk.sk/sk/index-prosperity>

Minimum wage

Gross minimum wage will rise from current €700 to €750 by the beginning of year 2024. The deal was announced jointly by representatives of employers, unions and members of the Government following the first official tripartite meeting since the interim Cabinet assumed office in May. The agreement also sees the six levels of severity being preserved in the Labor Code, anchoring the minimum wage to be a basis for calculating various level of remuneration depending on the severity of work.

22/8/2023 <https://sita.sk/vofinanciach/minimalna-mzda-sa-na-slovensku-zvysi-o-50-eur-vzrastu-aj-dalsie-naroky/>

Housing Costs

Slovakia is facing significant challenges in housing affordability, with the country now ranked as the least accessible for housing in Europe. According to a study by consultancy firm Deloitte, it takes an average of 14 gross annual salaries for a Slovak to purchase a new 70-square-metre flat. This was the highest relative price among 27 surveyed countries. Bratislava, the capital city, has emerged as one of the toughest cities for housing access, surpassing even Prague. The Slovak capital ranks second in housing access challenges after Amsterdam. Despite the ranking, Amsterdam's prices are almost double Bratislava's, and disparities between the capitals and other cities are larger. This situation highlights the mismatch between income levels and housing prices, where even though the availability of housing has increased, the struggle for affordability persists.

18/8/2023 <https://spectator.sme.sk/c/23206495/report-slovakia-has-the-highest-relative-housing-costs-in-europe.html>

Inflation

Following the European harmonized methodology, consumer prices in July 2023 rose by 10.3% annually, in June 2023 this value was 11.3%. The month-on-month HICP inflation reached negative value of -0.2% in July. The average annual rate of HICP inflation (comparing change in the average price level for the average of the harmonized consumer price indices for the last 12 months compared to the average of the previous 12 months) reached in July 2023 the value 13.7%, in June 2023 it was 13.9%. The average annual HICP inflation rate is an important indicator of a country's price stability, its level is also considered as one of the four so-called Maastricht criteria that an EU Member State must meet before adopting the euro.

18/8/2023
https://slovak.statistics.sk/wps/portal/ext/products/informationmessages/inf_sprava_detail!/ut/p/z1/tZHNUslwFIWfhmUmt81fsywMtkVkBKzSbJy0TaUCaYFO1bc3OG7UAceFWSQ3k3PvfCcHK7zCyuq-ftJd3Vi9dfdM8ce5SILh0AsBhIMCyeR6OYtHV36UMvzwVRDMFmNI7sLbaDGhHICG1eX-e6ywKmzXdmucNfIRr5GxqLYV0ptuAK5oDjtH01uDju1B928D6l-m27iTcyZKERhkSAGIGiaRIL6PeM6FL7kn3OtpfFvUjC50WXp5wQOU04oiKmWFAuY2UVQIK00ljRHf7fzkPdmBMysE168-JKMoJkmYAgTTiEESxulCzgmBkHwKLszIHIM4y-A5yL42Lzi1p5_Z4uUfLcaAJ7-l4mKvn_d7FbpsGtuZ1w6v_iOcdpfuAvKGNtXNmFCVvQMz0x03/dz/d5/L2dBISEvZ0FBIS9nQSEh/

Economic Growth

The Slovak economy continues to grow. Despite economic problems with high inflation, unpredictable energy prices and high interest rates, Slovakia has still not been hit by recession, unlike other economies. Slovak gross domestic product (GDP) increased by 0.4 percent quarter-on-quarter in the second quarter of 2023. It grew 1.5 percent in constant prices year-on-year, according to the Slovak Statistics Office. Macroeconomic data suggests the economy was mainly driven by domestic carmakers. An easing of 'bottlenecks' enabled them to restart production, which persisted in the second quarter, while higher output in the domestic automotive sector also positively influenced Slovakia's trade balance.

16/8/2023 <https://spectator.sme.sk/c/23205437/slovak-economic-data-delivers-pleasant-surprise.html>

Renewable Energy

As part of the Green Deal and focus on sustainable sources of energy, the plans of both the European Union and the Slovak government rely on a rapid increase in the production of wind electricity. Investors who want to pour tens of millions of euros into new turbines in Slovakia are piling up. Unlike photovoltaic panels, wind turbines had a very weak start and only 6 of them have been built in Slovakia.

16/8/2023 <https://spectator.sme.sk/c/23205293/investors-plan-on-building-200-wind-turbines-all-over-slovakia.html>

Nuclear Energy

Slovakia is expected to become an energy self-sufficient country by the end of this year. The third unit of the Mochovce nuclear power plant, supposed to be completed a decade ago, is already operating at 90 percent of its maximum producing capacity. An increase in capacity to 100 percent and final tests to commission the new unit are expected in September or October, Slovenské Elektrárne said. The company is Slovakia's largest electricity producer. The full functionality of the unit will be confirmed by a 144-hour demonstration run at 100 percent power, which will end the energy start-up stage.

15/8/2023 <https://spectator.sme.sk/c/23205494/nuclear-power-plant-mochovce-milestone-slovakia.html>

Slovaks abroad

The highest number of Slovak citizens living abroad in history have expressed their interest in casting a vote in the upcoming early elections. As many as 72,993 citizens had applied to vote from abroad by August 9, which was the registration deadline. More than 3,000 people have already voted. Most applications were made via an application launched by the Interior Ministry as a novelty for the elections. Only 477 voters decided to apply via paper form.

10/8/2023 <https://spectator.sme.sk/c/23203759/slovaks-living-abroad-form-their-largest-voting-block-in-history-before-2023-election.html>

EUROPE & WORLD

Carbon Border Adjustment Mechanism

The European Commission adopted today the rules governing the implementation of the Carbon Border Adjustment Mechanism (CBAM) during its transitional phase, which starts on 1 October of this year and runs until the end of 2025. The Implementing Regulation published today details the transitional reporting

obligations for EU importers of CBAM goods, as well as the transitional methodology for calculating embedded emissions released during the production process of CBAM goods.

17/8/2023 https://ec.europa.eu/commission/presscorner/detail/en/ip_23_4186

US Labor Shortage

The USA is facing a worker shortage crisis as there are too many open jobs without people to fill them. The Worker Shortage Index, published by the US Chamber of Commerce, indicates the number of available workers for every job opening. States with a higher ratio have more workers available to fill open jobs. The vast majority of states have more job openings today than it had before the pandemic, while labor force participation remains below pre-pandemic levels. The U.S. has lost millions of workers since the start of the pandemic. As of June 2023, the national labor force participation rate is 0.7% below pre-pandemic levels. That equates to 1.9 million workers who have left the workforce since the start of the pandemic in February 2020.

10/8/2023 <https://www.uschamber.com/workforce/the-states-suffering-most-from-the-labor-shortage>

EU-Latin American partnership

After eight years without bi-regional dialogue at a high political level, the EU and the Community of Latin American and Caribbean States (CELAC) held the third Summit of Heads of State and Government in Brussels on 17-18 July. The EU, Latin America and the Caribbean (LAC) share common values as well as strong cultural, economic and political ties. Latin America in particular can play an important role in the green transition for the EU and Europe's access to the transition minerals that are widely used in clean technology.

28/7/2023 <https://www.amchameu.eu/news/eu-latin-america-%E2%80%93-renewing-strategic-partnership>

Cyber Resilience Act

New cyber resilience rules adopted earlier in July will establish a uniform set of cybersecurity requirements for all digital products in the European Union. The draft cyber resilience act approved by the Industry, Research and Energy Committee aims to ensure that products with digital features, e.g. phones or toys, are secure to use, resilient against cyber threats and provide enough information about their security properties. MEPs propose more precise definitions, feasible timelines, and a fairer distribution of responsibilities. The draft rules put products into different lists based on their criticality and the level of cybersecurity risk they pose.

19/7/2023 <https://www.europarl.europa.eu/news/en/press-room/20230717IPR03029/cyber-resilience-act-meps-back-plan-to-boost-digital-products-security>

EU Electricity Market

The reform of the electricity market, to make it more stable, affordable and sustainable, received the support of the Energy Committee of the EU Parliament earlier in July. In their amendments to the draft legislation, MEPs propose to further strengthen consumer protection against volatile prices. Consumers should have the right to fixed-price contracts, dynamic price contracts, as well as more key information on the options they sign up to, banning suppliers from being able to unilaterally change the terms of a contract. The aim is to ensure that all consumers, as well as small businesses, would benefit from long-term, affordable and stable prices and to mitigate the impact of sudden price shocks.

19/7/2023 <https://www.europarl.europa.eu/news/en/press-room/20230717IPR03028/meps-back-plans-for-a-more-affordable-and-consumer-friendly-electricity-market>

Reconstruction of Ukraine

The costs of rebuilding Ukraine and its economy are already projected to be 2.6 times greater than the country's entire 2022 GDP. The World Bank's most recent estimates for reconstruction and recovery in Ukraine have grown to US \$411 billion. Along with the European Commission and the United Nations, the World Bank has produced a "Rapid Damage and Needs Assessment" that evaluates the impacts of Russia's war with Ukraine across 20 different sectors. The highest needs are related to transportation (22%), housing (17%), energy (11%), and social protection and livelihoods (10%). They found that \$135 billion will be needed just to address physical damage to buildings and infrastructure, and that damage to the energy sector created the sharpest rise in needs over the last year—largely a result of Russia's continued targeting of Ukraine's electrical grid and energy hubs.

27/6/2023 <https://www.wilsoncenter.org/blog-post/ukraine-reconstruction-costs-hopefully-rise>

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