

# ECONOMY & BUSINESS

. t a s r .

	DEŇ /MESIAC/ROK DAY/MONTH/YEAR
PONDELOK MONDAY	<b>24.06.12</b>
UTOROK TUESDAY	
STREDA WEDNESDAY	
ŠTVRTOK THURSDAY	
PIATOK FRIDAY	
SOBOTA SATURDAY	
NEDE 1/A SUNDAY	

TLAĚOVÁ AGENTÚRA SLOVENSKEJ REPUBLIKY  
SLOVAKIA

PRIBINOVA 23,  
819 28 BRATISLAVA

WEEKLY BULLETIN IN ENGLISH FROM TASR  
EXPORT DESK

TEL.: +421 /2/ 592 10 320, 592 10 459

*The opinions included herein are not necessarily those of the publisher. The selection of news and translations has neither legal nor official authority.*

*TASR Editor-in-chief : Marián Kolár, tel.: +421/2/ 592 10 310*

*Export Desk Editor-in-chief : Eliška Holásková, tel.: +421/2/ 592 10 459 (currently substituted by Zuzana Slančíková)*

*Responsible Editor : Eliška Holásková (currently substituted by Zuzana Slančíková)*

*Edited by the editorial staff : Jaroslav Bublinec, Martin Fabok, David Fairhurst, Tomáš Foltýn,  
Gabriela Kajtárová, Terence Moran*

*Contact : Tel.: +421/2/ 592 10 320*

*Marketing Department : Tel.: +421/7/ 592 10 152, 592 10 314*

*INTERNET : <http://www.tasr.sk/>*

*E-MAIL : [vydexp@tasr.sk](mailto:vydexp@tasr.sk)*

*© This publication is subject to copyright protection and may not be reproduced without the publisher's permission*



# Contents

Contents .....	1
Economic Policy .....	2
Sefcovic: Meeting EU 2020 Strategy Would Help Modernise Slovakia .....	2
NBS: Slovakia's Financial Stability Conditions Getting Worse .....	2
Fico: High Earners to Pay 25% Tax, Corporate Income Tax to Rise to 23% .....	3
Fico: Consolidation Measures to Leave 88% of Employees Unscathed .....	3
Labour Ministry Looking to Introduce Minimum Pension in 2014 .....	3
Mihal: Government Wants to Make Dirty Agreement with DSSs .....	4
Slovakia's Parliament Approves ESM (UPDATE) .....	4
Sulik: Parliament's Approval of ESM Buries Slovakia's Sovereignty .....	5
Stefanec: ESM Ensures Stability for Euro and Protects Jobs in Slovakia .....	5
Economic Reports .....	7
Unemployment Rate in May Up 0.35 p.p. Y-o-Y, Down 0.21 p.p. M-o-M .....	7
Firms and Companies .....	8
State to Speak to Energeticky a Prumyslový Holding on SPP Ownership .....	8
Miscellaneous .....	9
Figel: Fico's Consolidation Package Will Poison Economy .....	9
Gonda: Tax and Deduction Burden in Slovakia Higher in 2012 .....	9
Government Puts Stop to Mid-year Bonuses for State Officials This Year .....	10
Kalinak: Tax on Pensions of Police Officers and Soldiers Not Final .....	10

# Economic Policy

## **Sefcovic: Meeting EU 2020 Strategy Would Help Modernise Slovakia**

Bratislava, June 18 (TASR) - Meeting goals included in the EU 2020 strategy would have a considerable modernising effect on Slovakia, European Commission Vice-president Maros Sefcovic said on Monday.

"Slovakia would have a high employment rate reaching 70 percent, it would make more investments in science, research and innovations, which would create an even more attractive environment especially for industrial sectors that require a highly-skilled labour force, solid scientific support and high-quality infrastructure," said Sefcovic at the Europe 2020 conference organised by the American Chamber of Commerce (AmCham) and the European Commission Representation in Bratislava.

Further headway must be coupled with increasing the quality of the education sector, which would be tied more closely to the needs of the labour market and industry, he added.

"I believe that we'll treat energy resources better, that we'll have higher energy efficiency and that we'll be able to produce more energy from renewable sources," he asserted.

When it comes to the EU, the realisation of this long-term strategy would translate into preserving the position of the world's largest economy while maintaining its GDP volume at one-quarter of the world's total GDP.

Supporting the common market should be an important part of the EU 2020 strategy, added Sefcovic. Meanwhile, he expressed his hope that the results of the Sunday's general election in Greece will bring a stable euro, as the currency has bolstered the internal market by 5-15 percent.

"Thanks to the euro, we've raised investments in the countries in which the euro is used by 15-35 percent - depending on each particular country. I believe that we in Slovakia have also felt this effect considerably," said Sefcovic.

tf/df/bub

## **NBS: Slovakia's Financial Stability Conditions Getting Worse**

Bratislava, June 20 (TASR) - The conditions for financial stability in Slovakia are becoming more difficult due to the worsening external environment, the Slovak central bank (NBS) announced on Wednesday.

"The future risks this year and in 2013 lie especially in the external environment," said NBS research department head Martin Suster at a press conference in Bratislava.

According to him, the deterioration began in the second quarter on 2011 and the situation has continued to get worse ever since.

As the main factors for this, Suster highlighted the deepening debt crisis in Europe at the end of 2011 as well as the weaker prospects for economic growth in other eurozone countries that are important business partners for Slovakia.

gk/df

**Fico: High Earners to Pay 25% Tax, Corporate Income Tax to Rise to 23%**

Bratislava, June 21 (TASR) - The Government is set to preserve the flat-rate income tax of 19 percent only for monthly salaries of up to €3,246, while those who earn more will pay 25 percent, TASR learnt on Thursday.

"This concerns only 1 percent of people," said Prime Minister Robert Fico (Smer-SD) after a session of the Solidarity and Development Council.

The higher rate will also apply to state officials excluding judges and prosecutors even if their incomes don't reach the aforementioned threshold.

The premier also announced a blanket increase in corporate income tax from 19 to 23 percent. "This decision marks the definitive end of the flat-tax," said Fico, who went on to call the flat rate damaging, adding that only time will tell whether or not its effect on the Slovak economy has been favourable.

The Government is also set to continue to impose a levy on dividends that was introduced by former labour minister Jozef Mihal, with the levy now set to be increased to 14 percent.

In addition, the maximum assessment base for calculating contributions will be increased, with those earning over €1,200 per month to pay extra money to the state.

tf/df

**Fico: Consolidation Measures to Leave 88% of Employees Unscathed**

Bratislava, June 21 (TASR) - The consolidation of public finances is built on solidarity, and 88 percent of employees in Slovakia won't be affected by measures to this end, Prime Minister Robert Fico said on Thursday.

Speaking after a session of the Solidarity and Development Council, the premier said that low- and middle-income groups of people will emerge unscathed.

According to Fico, any government currently in power would have to introduce measures to generate extra revenues for the budget.

Fico went on to urge the opposition parties to come up with proposals of their own. That said, the premier claimed that the measures that the parties have put forward so far are anti-social and in stark contrast to what the sitting Cabinet is introducing.

As part of the Government's consolidation drive, he confirmed reports that the Government is thinking about doing away with up to two bank holidays - one 'state' and one 'Church'. This was a reference to Constitution Day falling on September 1 and to The Feast of Our Lady of Seven Sorrows, which is celebrated on September 15.

As regards the Church holiday, Fico asserted that he's found a way of introducing the planned change without having to amend Slovakia's treaty with the Holy See. "If it falls on a working day, it will be celebrated on Sunday," he said, adding that this will only be subject to an amendment to Slovak law.

The premier also said that some public holidays that fall on a working day between Monday-Thursday may well be 'transferred' to Friday as of 2013.

tf/df

**Labour Ministry Looking to Introduce Minimum Pension in 2014**

Bratislava, June 21 (TASR) - The Labour Ministry is looking to introduce a minimum pension that would factor in the number of years

that people have worked, Labour Ministry State Secretary Jozef Burian said at a 'Pension System Alternatives' conference on Thursday.

The aim of the move, according to Burian, would be to distinguish people who have worked for low salaries from those who haven't been working at all.

The state secretary thinks that it isn't fair for someone who has worked for 40 years to have to apply for basic needs allowance. "It's humiliating," he said, adding that the minimum pension would apply to people who have worked for 15-20 years.

Former labour minister Jozef Mihal (Freedom and Solidarity/SaS) concurs with the ministry's plan. The ministry during his tenure had similar intentions, but the early demise of Iveta Radicova's government after 20 months in power made it impossible to carry them out.

"I'll support the Government's initiative because I think that if someone has worked and paid social contributions for 30-35 years, he's entitled to a dignified pension," said Mihal.

The Government's measure should come into effect as of January 2014.

len/df/bub

### **Mihal: Government Wants to Make Dirty Agreement with DSSs**

Bratislava, June 21 (TASR) - An increase in the fees paid by savers to private pension-funds management companies (DSSs) would represent a nasty deal between the Government and these private companies managing people's money, said former labour minister Jozef Mihal (SaS) on Thursday.

Mihal was speaking after an expert conference of the Economic Policy Institute on alternatives for the pension system. He was opposing Labour Ministry State Secretary Jozef Burian, who presented proposals for changes in the second pillar. Increasing fees paid to DSSs for managing savers' accounts was among these.

Higher fees would have a motivating influence on DSSs and should force the companies to pursue higher revenues from peoples' deposits. "If a DSS has more, the saver has more," argued Burian.

Mihal claims, however, that the Government is trying to hush up DSSs before disadvantageous changes planned for the second pillar. "This is a dirty deal at the savers' expense. The Government wants to make a sordid agreement with the managing companies so that they will support its intentions vis-a-vis destroying the second pillar," said Mihal.

According to Burian, revenues in the second pillar are much lower than inflation and the measure would be aimed at upping them. "If we don't do something, people will be earning less in the second pillar than they do in the first one," he stated.

gk/df

### **Slovakia's Parliament Approves ESM (UPDATE)**

Bratislava, June 22 (TASR) - Slovakia's Parliament on Friday approved the international treaty on setting up the European Financial Stability Facility (ESM) with the votes of 118 out of 144 MPs present.

In order to be ratified, the treaty must also be signed by President Ivan Gasparovic. All practical matters pertaining to Slovakia's role in the scheme will be tackled by specific domestic legislation that is expected to be debated in Parliament next month.

All MPs from the governing Smer-SD party, Most-Hid and SDKU-DS and most KDH lawmakers voted for the permanent European bail-out mechanism, while the liberal eurosceptic Freedom and Solidarity (SaS)

voted against it unanimously. SaS was joined by most of Igor Matovic's Ordinary People (OlaNO), a party which as a modus operandi does not vote as a bloc but allows its MPs to vote as they see fit. KDH MP Monika Gibalova and Independents Daniel Lipsic and Jana Zitnanska (both ex-KDH) also voted against.

The House rejected SaS chief Richard Sulik's proposal on postponing the vote until Germany votes on ESM. KDH chairman and former eurocommissioner Jan Figel demanded the vote be postponed at the end of the current parliamentary session, but his proposal was also given the thumbs down.

KDH also wanted to introduce co-decisioning powers for Parliament in practical functioning of ESM. According to the proposal, finance minister would need Parliament's approval in providing specific aid from ESM and increasing its funds. Parliament rejected this proposal, too, however.

Slovakia's cash deposit into the ESM should reach €659.2 million. The total amount of Slovakia's commitments should come to €5.768 billion.

bub/tm

### **Sulik: Parliament's Approval of ESM Buries Slovakia's Sovereignty**

Bratislava, June 22 (TASR) - By approving the European Stability Mechanism (ESM) on Friday, the Slovak Parliament buried the country's sovereignty and dispatched Slovakia to economic vassalage, Freedom and Solidarity (SaS) chairman Richard Sulik said at a press conference on the same day.

Slovakia's participation in the bail-out scheme will mean that the country will soon slide into debt amounting to billions of euros.

"One hundred and eighteen MPs voted for the permanent bail-out mechanism, even though we can't withdraw from the treaty, it can't be scrapped, and shares in the ESM can be neither sold, nor advanced or given away. One hundred and eighteen MPs voted for ESM, even though the German Constitutional Court has expressed doubts about the treaty and asked President Joachim Gauck not to sign it. Gauck then announced that he won't sign it before the Constitutional Court wraps up its investigation," said Sulik.

Former parliamentary chairman Sulik further pointed out that Slovakia's Foreign Affairs Minister Miroslav Lajcak wasn't invited to the session of ten EU foreign affairs ministers who recently discussed the idea of establishing a United States of Europe. "All the while, we were ready to break our legs to approve ESM obediently," stated Sulik.

Sulik further lambasted top representatives of the governing Smer-SD party. As for Prime Minister Robert Fico, he is no statesman but a submissive caretaker of an eastern 'guberniya' of the EU, said Sulik.

"[Parliamentary Speaker] Pavol Paska trampled on democratic customs by refusing to convene a [parliamentary] gremium ... raping the Parliament in order to see the ESM approved today at all costs. It's a very black day for democracy and Slovakia," said Sulik.

bub/tm

### **Stefanec: ESM Ensures Stability for Euro and Protects Jobs in Slovakia**

Bratislava, June 22 (TASR) - The European Stability Mechanism (ESM) will ensure stability for the euro, thereby protecting jobs in Slovakia, SDKU-DS MP Ivan Stefanec said in reaction to the approval of the bail-out scheme in Slovakia's Parliament on Friday.

"At the same time, we stress that [ESM] can't be the sole solution, and so we're promoting responsible financial management,



structural changes and observing the rules. In line with our principles, we're promoting debates taking place in Parliament each time when [money] from the ESM is used," said Stefanec.

The Parliament earlier in the day approved the international treaty on setting up the European Financial Stability Facility (ESM) with the votes of 118 out of 144 MPs present.

In order to be ratified, the treaty must also be signed by President Ivan Gasparovic. All practical matters pertaining to Slovakia's role in the scheme will be tackled by specific domestic legislation that is expected to be debated in Parliament next month.

bub/tm

## Economic Reports

### **Unemployment Rate in May Up 0.35 p.p. Y-o-Y, Down 0.21 p.p. M-o-M**

Bratislava, June 20 (TASR) - The unemployment rate in Slovakia rose by 0.35 percentage points year-on-year in May to 13.19 percent, the Labour, Social Affairs and the Family Centre (UPSVaR) announced on Wednesday.

The unemployment rate fell by 0.21 percentage points month-on-month.

More than 356,000 people immediately ready to start work were registered at labour offices. The total number of people signing on at labour offices reached almost 400,000, however.

The highest unemployment rate was registered in Presov - 19.27 percent, while two other regions also exceeded the country's average: Banska Bystrica region - 19.12 percent, and Kosice region - 18.34 percent.

"All regions recorded month-on-month reductions in their unemployment rates. The most significant m-o-m reduction was registered in Banska Bystrica region - 0.37 p.p.," added UPSVaR.

bub/df

## Firms and Companies

### State to Speak to Energeticky a Prumyslovy Holding on SPP Ownership

Bratislava, June 18 (TASR) - The Economy Ministry in co-operation with the Slovak Property Fund (FNM) is to begin talks with Energeticky a Prumyslovy Holding (EHP) concerning a potential change in the ownership structure of Slovak gas utility Slovensky Plynarensky Priemysel (SPP).

This information has been included in a document prepared by the Economy Ministry that should be submitted to the Government at its upcoming session.

SPP currently has two shareholders - FNM, which owns 51 percent, and Slovak Gas Holding, which controls 49 percent of the shares and is owned by two foreign investors - German E.ON Ruhrgas and French company GDF Suez.

"The reason for initiating these negotiations lies in a letter from E.ON AG and GDF SUEZ stating that they've opened negotiations with Energeticky a Prumyslovy Holding concerning a potential change in the ownership structure of Slovak Gas Holding," states the document prepared for the Government session.

The opening of talks means that EPH, which is controlled by PPF Group (billionaire Petr Kellner being the majority shareholder), Daniel Kreditnsky and J&T financial group, may become SPP's co-owner and the state's partner in the utility.

The letter also states that based on an SPP General Meeting resolution dated May 11, 2011, EHP carried out a "due diligence" process, while negotiations between the stakeholders are going well, including all fundamental questions concerning the agreement on purchase and sale of the shares.

The proposed transaction should include re-financing the investment of Slovak Gas Holding and the immediate transfer of a 100-percent stake in Slovak Gas Holding to EPH.

gk/df

## Miscellaneous

### **Figel: Fico's Consolidation Package Will Poison Economy**

Bratislava, June 19 (TASR) - The package of austerity measures proposed by Robert Fico's Government won't make Slovakia's economy healthier but will poison it instead, Christian Democrat (KDH) chairman Jan Figel said at a press conference on Tuesday.

Fico's Cabinet is about to hike taxes and payroll deductions, and thereby also increase unemployment and weaken economic growth, said Figel, who added that the 'certainties' promised by Fico before the general election have turned out to be those of higher taxes and unemployment.

Fico on Monday sent a consolidation-measure package to all opposition leaders, stating that he expects the Opposition to come up with its own proposals on how to save €300 million in 2012 and €1.5 billion in 2013 by the next session of the Solidarity and Development Council.

Figel described Fico's move as an empty gesture and a piece of theatre.

"We won't take part in such a spectacle," said Figel, adding that KDH proposed a package of specific measures to Fico, but the premier rejected it. Figel added that he won't reply to Fico's letter this time, therefore.

bub/df

### **Gonda: Tax and Deduction Burden in Slovakia Higher in 2012**

Bratislava, June 20 (TASR) - Tax Freedom Day in Slovakia in 2012 will fall on June 21, six days later than in 2011 (June 15), according to a study carried out by New Direction-The Foundation for European Reform and Institut Economique Molinari (IEM).

Director of the Milan Rastislav Stefanik Conservative Institute Peter Gonda, who presented the results of the study at a press conference on Wednesday, said that the reason for the later date is an increase in the tax and deduction burden of the average Slovak employee from 45.2 percent in 2011 to almost 47 percent in 2012.

"If excise taxes and local taxes are taken into account, then the tax and deduction burden of the average Slovak employee exceeds 50 percent of their salary in 2012," said Gonda.

The study has confirmed that Slovak employees carry one of the heaviest tax and deduction burdens in the EU. In 2012, the burden in Slovakia was 2.1 percentage points higher than the EU average, while as many as 17 EU-member countries had lower tax and deduction burdens than Slovakia, noted Gonda.

The Association of Slovak Tax Payers and the F.A. Hayek Foundation went for June 1 as the 2012 Tax Freedom Day in Slovakia. The difference in the results of the two studies is due to the different methodology used. While New Direction-The Foundation for European and IEM used micro-economic methodology, the Association of Slovak Tax Payers and the F.A. Hayek Foundation applied a macro-economic analysis expressing the tax and deduction burden as a ratio of public spending and GDP.

bub/df

## **Government Puts Stop to Mid-year Bonuses for State Officials This Year**

Bratislava, June 20 (TASR) - Ministers and other heads of central state administration bodies won't be allowed to pay out blanket mid-year bonuses, the Government decided on Wednesday.

"This is a Government decision adopted in the form of a resolution. We expect that all ministers will respect it," said Finance Minister Peter Kazimir after the session, adding that the high state deficit is the reason for the move.

According to Kazimir, the measure should serve as a signal to the public that this isn't the right time for administrators to receive bonuses.

gk/df/tf

## **Kalinak: Tax on Pensions of Police Officers and Soldiers Not Final**

Bratislava, June 20 (TASR) - Whether a tax will be imposed on the pensions of soldiers and police officers, as reckoned with in the Government's package of consolidation measures, isn't definitive for now, Interior Minister Robert Kalinak (Smer-SD) said on Wednesday.

The ministries are still only working on changes to the social system vis-a-vis soldiers and police officers, said the minister. He went on to underscore that the planned alterations will be primarily designed to stabilise the system following what he called the destabilisation under the previous cabinet's tenure.

"It's of importance that we should discuss these issues directly with police officers, their trade unions, and to come up with a proposal that will be long-term in nature and in which no further changes will be needed," said Kalinak. "It's a reform that entails all pros and cons, and primarily it's a reform that will be backed by the masses of our employees," said Kalinak in reference to those to be affected by the overhaul.

Defence Minister Martin Glvac (Smer-SD) echoed Kalinak's view in that no final decision on the matter has been made to date. "That (the tax) is just one of the proposals," he said. That said, he underlined that the changes shouldn't ultimately deter people from serving as soldiers and police officers.

Hospodarske Noviny daily reported on Tuesday that the 33,000 soldiers and police officers who are entitled to a special kind of pension after a particular number of years of service will see the payments frozen as early as this year and that they are also set to face a tax as of next year as well. The average pension for a police officer is currently €619 per month, while the figure swells to €806 for soldiers.

tf/tm