

Forecast of the trend of Slovak Republic economic performance - the basis of opportunities for future development of enterprises

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Abstract: *Forecast of the trend of Slovak Republic economic performance - the basis of opportunities for future development of enterprises.* The Macroeconomic performance of the economics is one of the main factors of macro background of enterprises. It mentions the efficiency level of enterprises in different sectors and branches of economics. It is possible to estimate the expected trends in the efficiency of enterprises on the base of forecasts of future economic development. **The article deals with forecasting of the economic performance of Slovakia for period 2010 – 2015 with suggesting the opportunities for the future economic development and development of enterprises in SR.**

Keywords: performance of the economic, GDP, forecasts of the economics development, unemployment

INTRODUCTION

The standard of living, prosperity and development in each country depends mainly on the adjustment of economic and political system of the country. Phenomena that have significant impact on the economic of each state are defined as unemployment, inflation, changes in interest or tax rates, and many other economic occurrences and range of activities that need to be constantly reviewed and properly coordinated (*Biernacka, 2009*). Successful economic development of the country impacts largely investment development projects that are closely linked to the state's ability to repay successfully their debt. Investing has always been, and will be in the future, the right driver for each economy. **The aim of this paper is to present forecasting of the economic performance of Slovakia for period 2010 – 2015 with suggesting the opportunities for the future economic development and development of enterprises in SR.**

MATERIAL AND METHODS

The trend of the economic performance depends mainly on the success of the state economic politics. Economic policy creates and defines key and legal conditions of environment for the increase of the economics performance. Integrated conditions for functioning of the market are created this way. **Economic phenomena** and **forms of market system** are extremely important for building of economic policy and its economic and political system, which is aimed specifically at achievement of higher performance of the economy. We must not forget the legal form of a market system, which together form the economic mechanism. The **economic policy** itself can not be realized without the **policy**. **Political parties** are carriers of political opinion. The individual parties are different in their **economic and political programs** and **stated goals** that they want to achieve during the election period (*Vincúr, 2002*).

Forecast of the future trend of economic performance of Slovak republic is based on the development of macroeconomic indicators in the previous period since 1993. It was possible to use a statistical method of estimation of the future development of the temporal series and, at once, factors affecting the economic development of SR in the future period were

accounted. Forecasting of the future economic development of SR for period 2009 - 2015 is significantly affected by the current global economic crisis, which has sharply slowed divergent economic performance of SR. However, the forecasts themselves are not as negative as it was initially expected, but of course a significant drop of economic performance took place from year 2008 to years 2009 and 2010. The growth of economic was expected according the estimates of 5 % in October 2008 but due to the economic crises it was only 0,8 % in March 2009.

Significant factors that will affect the performance of the Slovak economy in the following period:

- **External factors** which will not be possible to be effected directly by domestic economic policy; mainly solving of the global economic crisis what will significantly affect the external demand.
- **Internal factors** that will affect the performance of Slovakia's economy are primarily: the tax systems, condition of the banking sector, direct instruments of government for the fight against the crisis impacts, and of course the new right-wing government in the period of years from 2010 to 2014.

RESULTS AND DISCUSSION

Slovak economy got into recession in 2009. It is expected the increase of the economic performance about 0.4% in the second half of the year 2010 and the revival of the global world economics from recession in the same time. Trend of the Gross Domestic Product (GDP) and the parts of it used after the year 2010 is questionable. From the presented reason, the forecast is cautious for this period, in view of GDP growth in the range of 3-6% per year. It is only the forecast of course, so the forecast period may not be in that range. The growth of domestic demand will contribute especially to the growth of GDP.

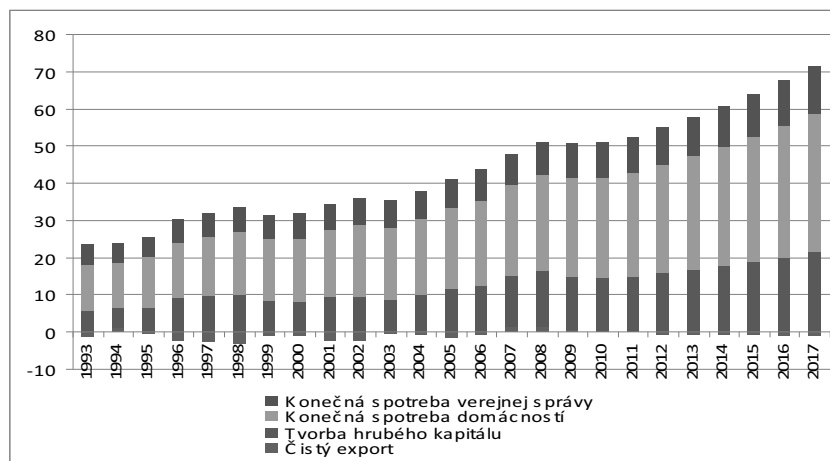


Fig. 1 Gross Domestic Product and parts of its using
(Source: Bureau of Statistics and model enumerations of authors)

Additional text:

Konečná spotreba verejnej správy = Final consumption by public administration, Konečná spotreba domácností = Final consumption by households, Tvorba hrubého kapitálu = Generation of gross capital, Čistý export = Net export

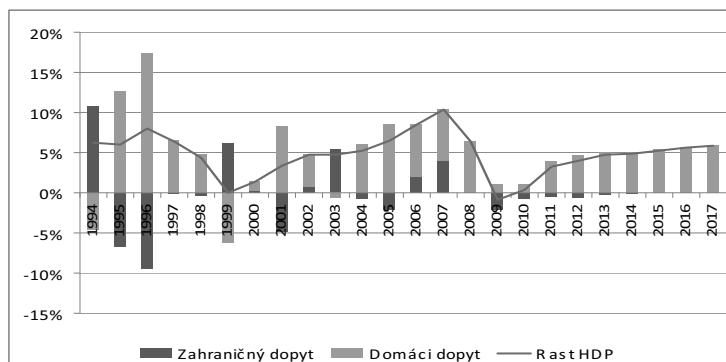


Fig. 2 The growth of Gross Domestic Product and contributions of domestic and foreign demand to its growth

(Source: Bureau of Statistics and model enumerations of authors)

Additional text: Zahraničný dopyt = Foreign demand, Domáci dopyt = Domestic demand, Rast HDP = Growth of GDP

Trend on the labour market is clearly marked by the simultaneous decreasing of demand, especially regarding industrially produced products; that will result in reduction of output, services, and further declines of employment. **The average employment** would have fallen by almost **25,000 employees in 2010**. It means decrease of more than 2%. This prognosis was made on the base of selected finding of labour power. **The unemployment rate** should increase to nearly **11-13%** by the assumptions about stable rate of growth of the economically active population as well as by the assumption that occupants of SR working abroad will come back (Figure 3). In the next period, the growth of demand for labour should have copied the trend of GDP, what means only a smooth growth.

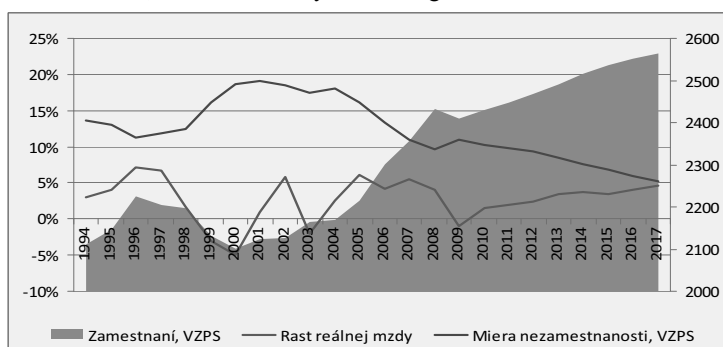


Fig. 3 Trend of basic indicators of the labour market
(Source: Bureau of Statistics and model enumerations of authors)

Additional text: Zamestnaní = Employed, Rast reálnej mzdy = Real wage, Miera nezamestnanosti = Rate of unemployment

The development of Slovakia's economic performance is strongly linked with the activity of a new government. If the government of Robert Fico had again succeeded, which was socially oriented, so the development of the economy would have progressed in a positive direction; but the positive effects would not be as significant as they are by the

current right-wing government of the SDKÚ- DS party with SAS party, which has, in its ranks, many experts in the individual branches. The government of the SDKÚ-DS managed to restore the balance and to boost its economic growth in the past, in years 1999 - 2006. In the following four-year period, the improving of economic performance and living standard will be therefore promoted through investment development programs, which contribute more effectively to the growth of the economy performance than government social programs of Robert Fico.

In consideration of suggestions for future opportunities for the successful development of economic performance, it is expressly necessary *to promote development programs focused on small and medium-sized enterprises*, which represent approximately 96% of all enterprises in Slovakia. The particular support of small and medium-sized enterprises should come in the form of minimizing of tax barriers for these companies.

The proposed solutions are:

- opportunity don't tax 40% profit before tax and the opportunity to apply for the so-called *return of investment capital* for these small and medium-sized enterprises,
- *to invest to the better orientation of the educational system for training of future entrepreneurs*, it means device economic and investment subjects to the education content of secondary grammar schools, high schools and vocational schools,
- *to improve the infrastructure of highways, to improve the quality of health services, and to support an entry of investors to the eastern Slovakia*, and to reduce gaping regional disparities to a minimum this way.

CONCLUSION

The performance of the Slovak economy has got the potential to move forward. The question is what kind of conditions will be created to its support. And therefore the economic actions of the new government, as well as the ability of the individual coalition parties to create a strong, stable, and particularly useful government coalition, will have the great importance for Slovakia in the future. This coalition have to use the existing potential hidden in the Slovak economy and have to really try to care about the maximization of improvements in macroeconomic indicators and about the maximization of environmental well-being of all occupants of Slovakia.

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Streszczenie: *Prognoza trendów ekonomicznych Republiki Słowacji – podstawa przyszłego rozwoju przedsiębiorstw.* Makroekonomiczna ocena ekonomii jest jedną z głównych podstaw makroekonomii przedsiębiorstw. Istnieje możliwość przewidywania bieżących trendów ekonomiki przedsiębiorstw na bazie prognoz rozwoju ekonomicznego. Artykuł dotyczy prognoz dla Słowacji w latach 2010-2015 wraz z sugestiami rozwoju ekonomicznego przedsiębiorstw.

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