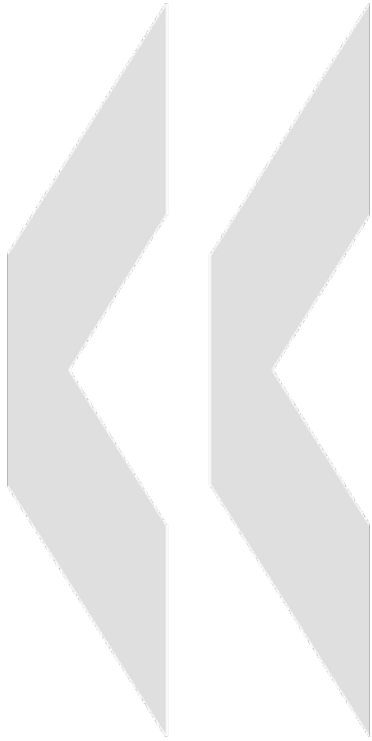




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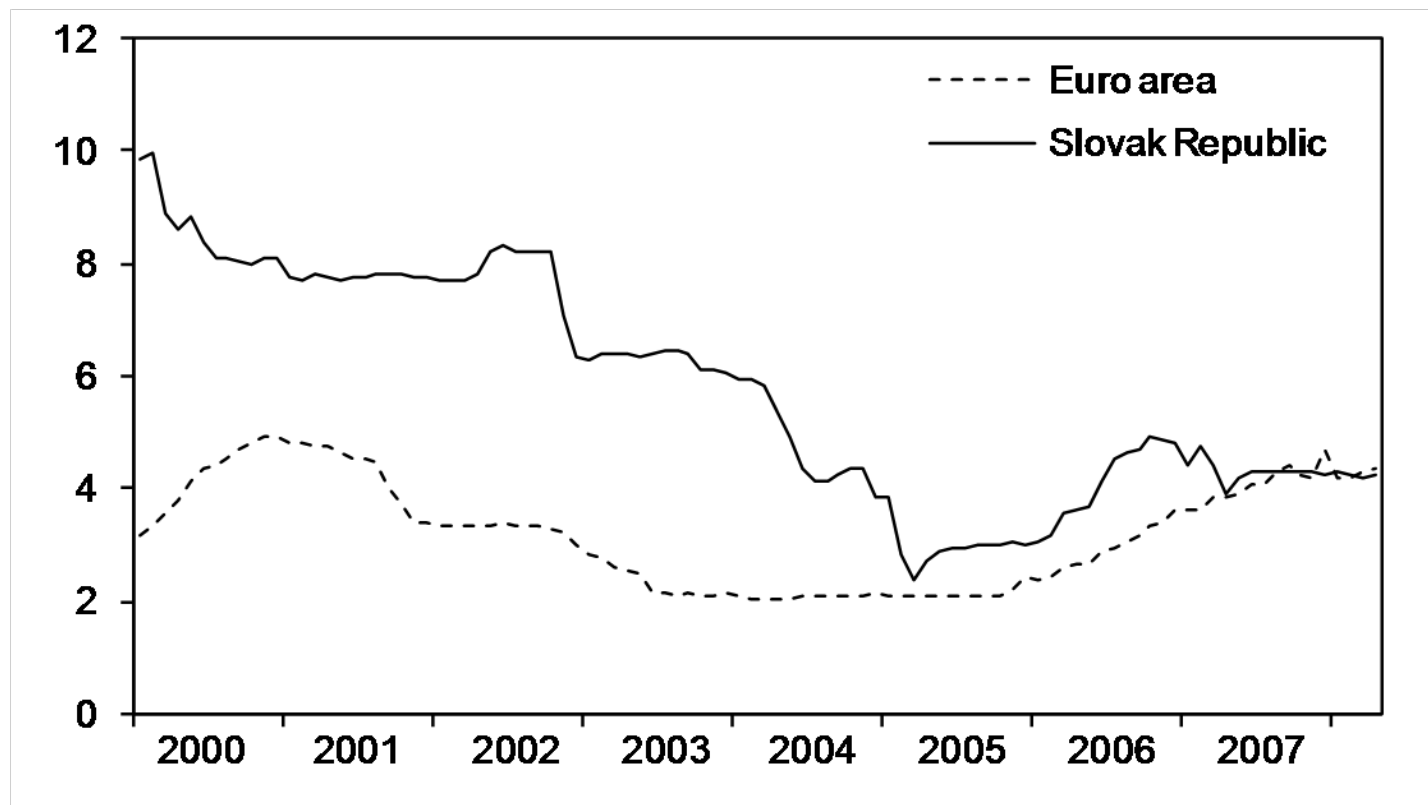


Background Paper 2: The impact of euro adoption on interest rates in the Slovak Republic

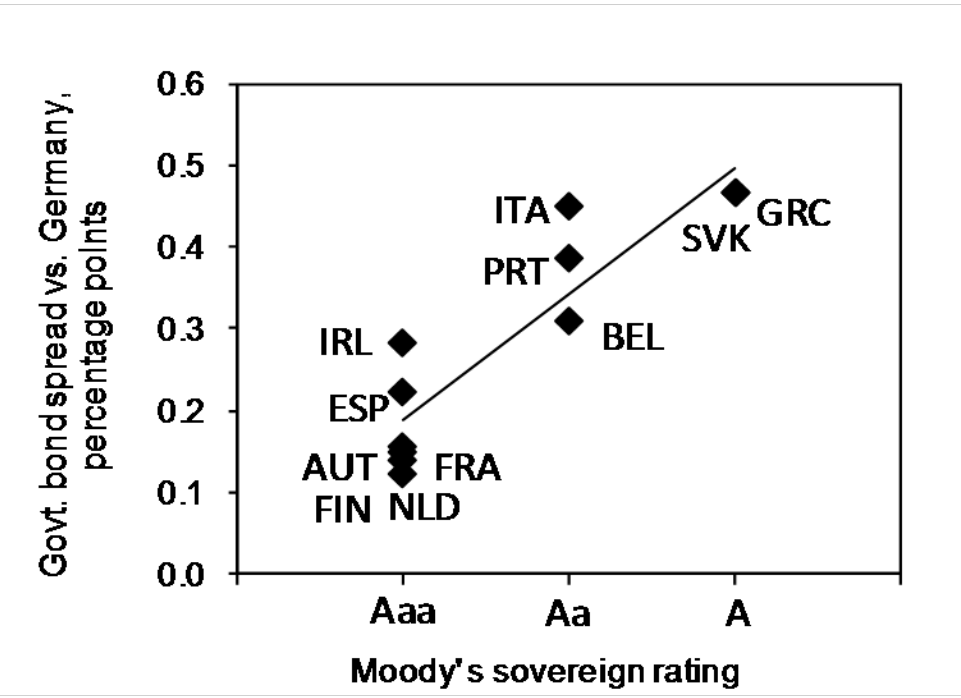
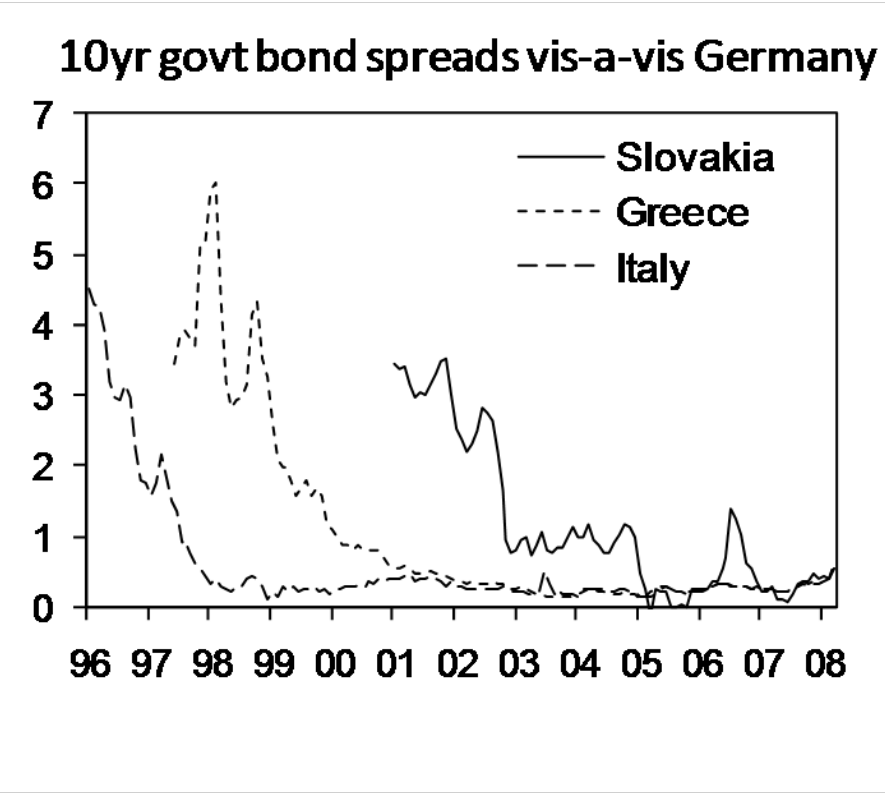
Felix Hübner, OECD

Money market interest rates have converged to euro area levels

One-month interbank rates



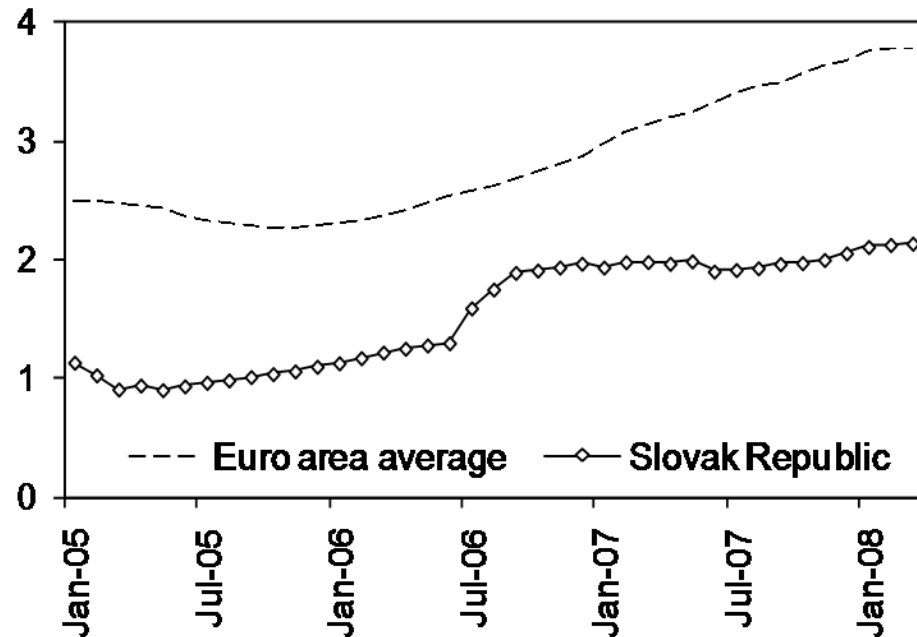
Long-term interest rate differential vis-à-vis Germany has diminished



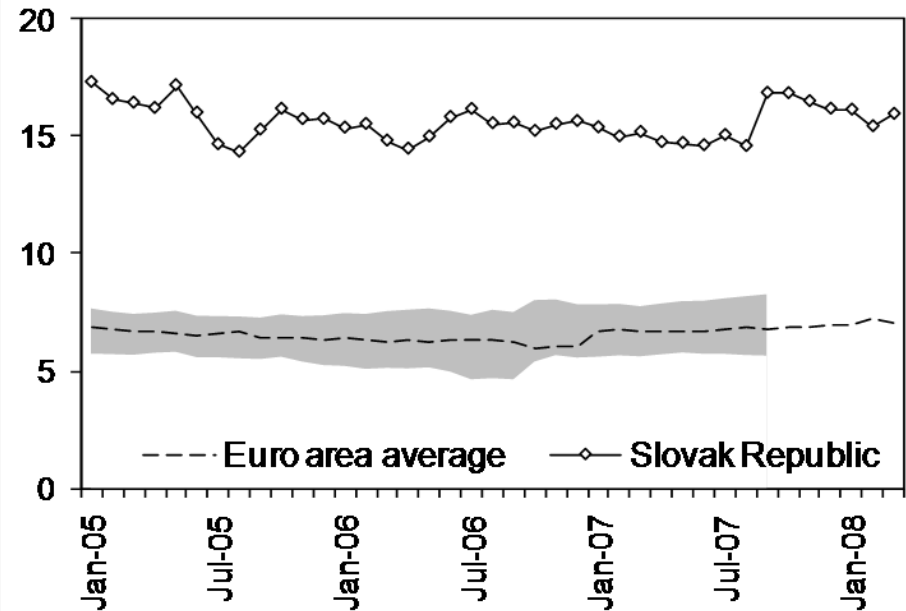
Measures of default risk suggest that the current interest rate differential vis-à-vis Germany will persist after euro adoption.

Retail interest rates with large convergence potential

Interest rate on deposits
(redeemable at notice > 3months)

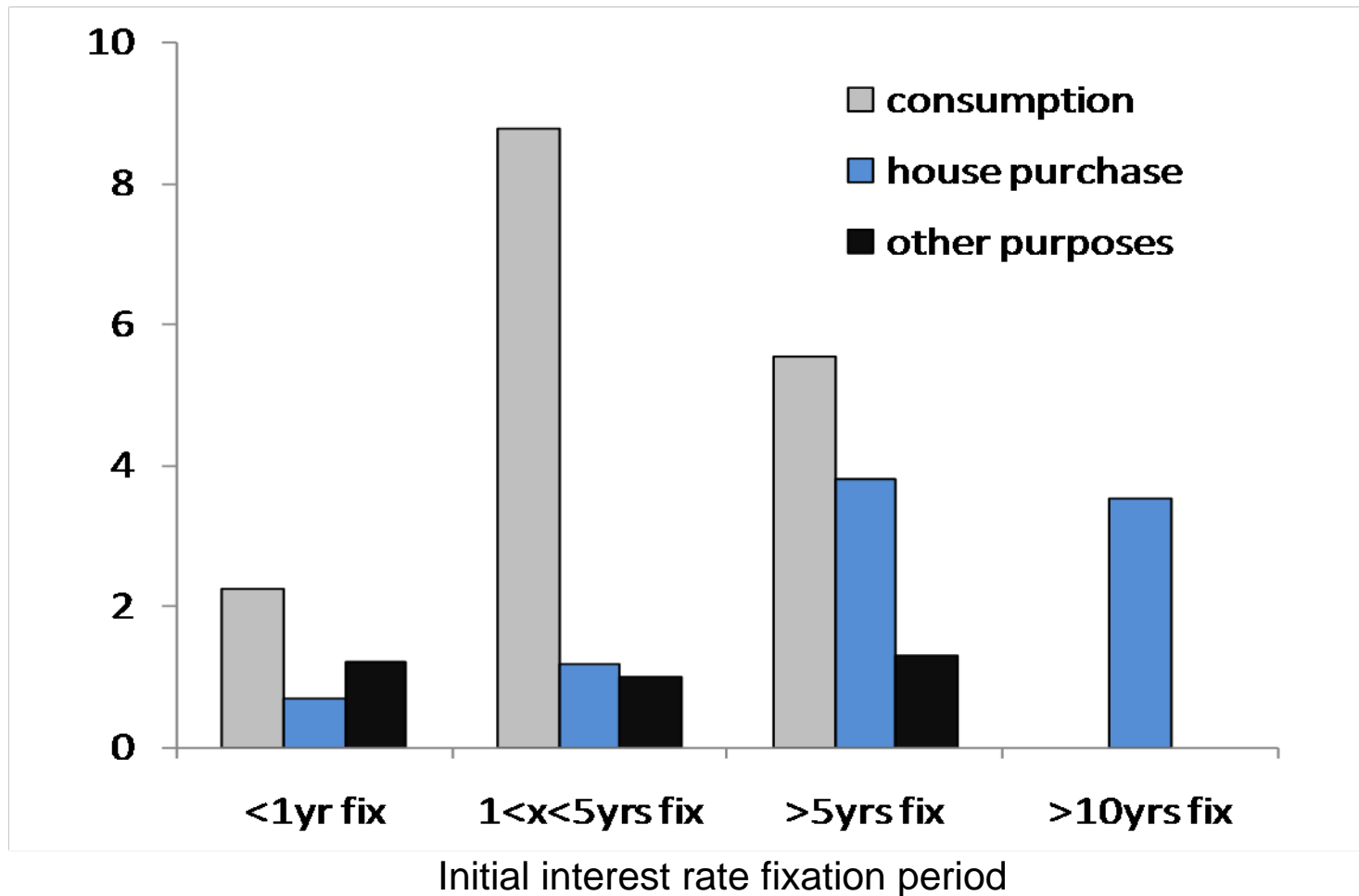


Interest rate on consumption loans
(interest rate fixation over 1yrs/below 5 yrs)



Differences to euro area interest rate levels vary among loan categories

Average interest rate differentials for household loans vis-à-vis euro area in 2008q1



Interest rate differentials larger for households than for non-financial companies

Average interest rates for new business in 2008Q1

(sub-categories weighted with outstanding amounts by maturity from bank balance sheets in Slovakia)

			Slovakia	Euro area	Δ
Loans	Households	Consumption	15.01	7.70	7.31
		Housing	8.52	5.06	3.46
		Other	6.81	5.57	1.24
	Non-financial comp		5.77	5.43	0.34
Deposits	Households		3.13	3.90	-0.77
	Non-financial comp		3.74	4.13	-0.39