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CONTENTS

| | | | | |
|----------|--|-----------|---|-----------|
| 1 | SUMMARY | 5 | Chart 10 Economic sentiment indicators for Germany | 9 |
| 2 | THE REAL ECONOMY | 6 | Chart 11 Industrial production | 10 |
| 2.1 | GDP flash estimate | 6 | Chart 12 Industrial production – principal contributions to monthly rate of change | 10 |
| 2.2 | Sales | 7 | Chart 13 Construction production | 10 |
| 2.3 | Forward-looking indicators | 8 | Chart 14 Construction production | 10 |
| 2.4 | Industrial and construction production | 9 | Chart 15 Goods exports | 11 |
| 2.5 | Trade balance | 11 | Chart 16 Twelve-month cumulative trade balance | 11 |
| 3 | THE LABOUR MARKET | 12 | Chart 17 Employment – monthly rate of change by sectoral contributions | 12 |
| 4 | PRICES | 15 | Chart 18 Rates of change in employment | 12 |
| 5 | PUBLIC FINANCES | 17 | Chart 19 Comparison of the current forecast and employment as defined in ESA 95 | 12 |
| 6 | QUALITATIVE IMPACT ON THE FORECAST | 19 | Chart 20 Unemployment | 13 |
| | OVERVIEW OF MAIN MACROECONOMIC INDICATORS FOR SLOVAKIA | 21 | Chart 21 Nominal wages – annual rate of change by sectoral contribution | 13 |
| | LIST OF TABLES | | Chart 22 Wage developments in the economy | 13 |
| Table 1 | HICP components – comparison of projected and actual month-on-month percentage changes | 15 | Chart 23 Composition of annual inflation | 15 |
| Table 2 | Selected economic and monetary indicators for the SR | 21 | Chart 24 Headline inflation rate | 15 |
| | LIST OF CHARTS | | Chart 25 Comparison of general government deficit targets in the draft GGB for 2014–2016 and in the Stability Programme for 2013–2016 | 17 |
| Chart 1 | Forward-looking indicators and euro area GDP growth | 6 | Chart 26 Comparison of public deficit targets in the draft GGB for 2014–2016 and in the Stability Programme for 2013–2016 | 17 |
| Chart 2 | GDP growth compared with the latest forecast | 7 | Chart 27 Ratio of liquid financial assets to public debt | 18 |
| Chart 3 | Total sales | 7 | Chart 28 GDP, industrial production and sales | 19 |
| Chart 4 | Total sales by contributions of selected sectors | 7 | Chart 29 GDP and the economic sentiment indicator | 19 |
| Chart 5 | Internal trade sales by contributions of selected segments | 8 | Chart 30 Employers' expectations and the annual rate of change in employment | 19 |
| Chart 6 | Economic sentiment indicator | 8 | Chart 31 Consumers' inflation perceptions and HICP inflation | 19 |
| Chart 7 | Industrial confidence indicator | 8 | | |
| Chart 8 | Competitiveness in industry | 9 | | |
| Chart 9 | Economic sentiment indicator | 9 | | |



ABBREVIATIONS

| | |
|----------|--|
| CPI | Consumer Price Index |
| EA | euro area |
| ECB | European Central Bank |
| EC | European Commission |
| EIA | Energy Information Administration |
| EMU | Economic and Monetary Union |
| EONIA | euro overnight index average |
| ESA 95 | European System of National Accounts 1995 |
| EU | European Union |
| Eurostat | Statistical Office of the European Communities |
| FDI | foreign direct investment |
| Fed | Federal Reserve System |
| EMU | Economic and Monetary Union |
| EURIBOR | euro interbank offered rate |
| FNM | Fond národného majetku – National Property Fund |
| GDP | gross domestic product |
| GNDI | gross national disposable income |
| GNI | gross national income |
| HICP | Harmonised Index of Consumer Prices |
| IMF | International Monetary Fund |
| IPI | industrial production index |
| IRF | initial rate fixation |
| MFI | monetary financial institutions |
| MF SR | Ministry of Finance of the Slovak Republic |
| MMF | money market fund |
| NARKS | National Association of Real Estate Offices of Slovakia |
| NBS | Národná banka Slovenska |
| NEER | nominal effective exchange rate |
| NPISHs | Non-profit Institutions serving households |
| OIF | open-end investment fund |
| p.a. | per annum |
| p.p. | percentage points |
| qoq | quarter-on-quarter |
| PPI | Producer Price Index |
| REER | real effective exchange rate |
| SASS | Slovenská asociácia správcovských spoločností – Slovak Association of Asset Management Companies |
| SO SR | Statistical Office of the Slovak Republic |
| SR | Slovenská republika – Slovak Republic |
| ULC | unit labour costs |
| VAT | value-added tax |
| yoy | year-on-year |

Symbols used in the tables

- . – Data are not yet available.
- – Data do not exist / data are not applicable.
- (p) – Preliminary data



1 SUMMARY¹

The euro area emerged from recession in the second quarter of 2013, with the economy growing by 0.3% over the previous quarter according to Eurostat's flash estimate. The quarterly GDP data were surprisingly strong, given that "soft" indicators had been pointing to flat growth in the second quarter. The German and French economies performed substantially better than projected, albeit largely due to increases in domestic demand. The Czech Republic's economic growth was also unexpectedly robust. The pick-up in euro area economic growth had a positive effect on the Slovak economy, which according to SO SR's flash estimate grew by 0.3% in real terms, thereby exceeding our projections. Only the "hard" indicators had been pointing to positive growth, and when converted into quarter-on-quarter terms they accurately indicated the published level of economic growth. Although net exports declined month-on-month in June, they were still the main driver of growth. In the second quarter, nominal exports increased over the previous quarter by 2.1% and nominal imports fell again; thus with net exports reflecting a continuing moderate rise in exports and decline in imports, the trade surplus increased. The retail trade data indicate that private consumption may have ended a long negative trend and made

a moderately positive contribution to economic growth. The stronger than expected GDP figures represent an upside risk to the full-year forecast for economic activity.

In the labour market, total employment in the sectors under review² increased in June for a second successive month. Despite the upturn over those two months (which was probably related to the survey methodology), employment in the economy as a whole, under the ESA 95 methodology, fell by 0.4% in quarter-on-quarter terms according to the flash estimate. Thus the moderate growth in economic activity is not being reflected in sufficient job creation. Labour productivity increased, however, and consequently had an upward effect on wages. Wages declined month-on-month, although, for the second quarter as a whole increased quite sharply. Unemployment declined in July (both in the registered rate and the overall rate), possibly suggesting a gradual recovery of employment in the longer run. The inflation rate continued to decelerate based on a marked decline in prices of food and non-energy industrial goods as well as on services price inflation, which remained low amid sluggish domestic demand. Inflation is expected to maintain this trend for the rest of the year and then to accelerate gradually.

¹ All month-on-month and quarter-on-quarter changes mentioned in the text have been seasonally adjusted using internal seasonal models.

² The SO SR monthly figures summarise employment in sectors accounting for only 60% of the whole economy; they do not cover non-standard workers.



2 THE REAL ECONOMY

2.1 GDP FLASH ESTIMATE

Euro area growth surprisingly strong and a turnaround in the Czech economy

According to Eurostat's flash estimate, euro area GDP grew by 0.3% in the second quarter of 2013, after contracting in the previous six quarters. The growth was surprisingly stronger than projected, and it was probably driven by developments towards the end of the quarter given that at the beginning of the period both "hard" and "soft" indicators were pointing to zero or slight growth. According to monthly indicators, industrial production increased significantly in the second quarter and the decline in construction production moderated. The services sector is expected to have made a slightly positive contribution to euro area economic growth.

Breaking down the growth by country, Germany and France contributed positively to the headline figure while the Italian, Spanish and Dutch economies all contracted. After remaining flat in the first quarter, the German economy recorded unexpectedly strong growth of 0.7% in the second quarter, with domestic demand accounting for most of the improvement. Not only did private and government consumption increase, investment picked up sharply, too, thanks to the catch-up process following a long and cold winter. Net exports also made a positive contribution to GDP growth. The French economy grew by 0.5% in the second quarter, after contracting in the previous two quarters. Both private and government consumption increased, while investment declined over the previous quarter. The contribution of net exports was neutral with both exports and imports picking up.

It appears from the stronger than expected second-quarter growth in the euro area's largest economies, as well as from current forward-looking indicators, that positive tendencies are continuing and that euro area growth could accelerate in the second half of the year.

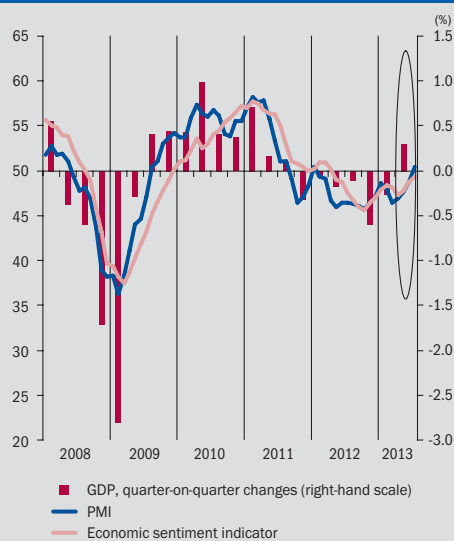
An upturn has also been observed in the Czech economy, which grew by 0.7% in the second quarter of 2013 after six successive quarters in recession.

Slovak economic growth also outperformed expectations

According to the SO SR's flash estimate, real seasonally-adjusted GDP growth for the second quarter of 2013 was 0.3% quarter-on-quarter (0.9% in year-on-year terms). The full composition of this growth will be published on 4 September 2013.

Slovakia's economic growth was higher than projected in the most recent Medium-Term Forecast (MTF-2013Q2). Its acceleration both month-on-month and year-on-year was accompanied by positive developments in monthly indicators (sales, industrial production index, sentiment in the euro area and Germany). The indications are that growth remains driven by net exports, with the trade surplus increasing further and exports continuing to rise (exports increased by 2.1%, seasonally adjusted, over the previous quarter, while imports declined slightly).

Chart 1 Forward-looking indicators and euro area GDP growth



Source: Eurostat, Bloomberg and European Commission.
Note: The GDP figure for Q2 2013 is Eurostat's flash estimate.

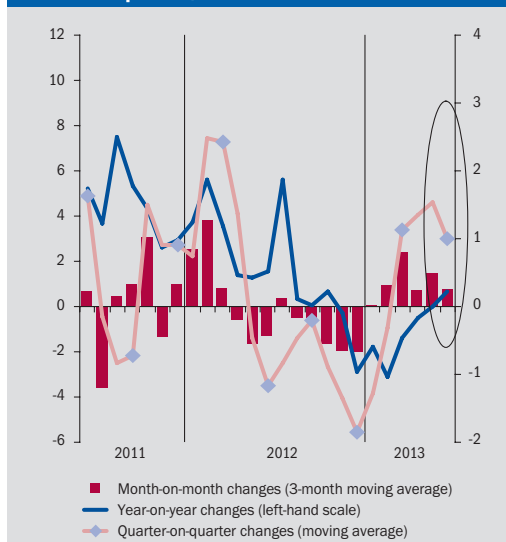
Chart 2 GDP growth (%) compared with the latest forecast



Source: SO SR and NBS.

Note: The GDP figure for Q2 2013 is the SO SR's flash estimate. Compared with the projection in the Medium-Term Forecast (MTF-2013Q2), it was higher by 0.3%.

Chart 3 Total sales (percentage changes at constant prices)



Source: SO SR, NBS calculations.

Note: Internal calculation for constant prices.

On the domestic side of the economy, consumer confidence strengthened and an increase in retail sales probably reflected a rise in household consumption. Falling investment is expected to have again had the most pronounced effect on this side of the economy.

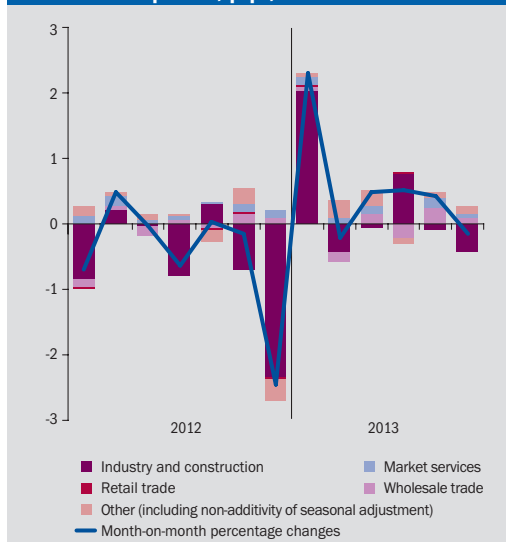
With economic sentiment strengthening in the euro area – and in Slovakia, too, in July – it appears that Slovakia's economic activity in the months ahead could continue to be boosted by external demand.

2.2 SALES³

Sales in the second quarter increased over the previous quarter despite decelerating in June

In June 2013, total sales in the economy declined marginally month-on-month (by 0.2%) owing to the base effect of higher sales in May (a result of catch-up after temporary shutdowns in the manufacturing segments of refined petroleum products and plastics in primary forms). In year-on-year terms, however, sales growth remains high and the volume of sales is at a post-crisis peak. Sales figures for the second quarter indicate that gross production may have stabilised after

Chart 4 Total sales by contributions of selected sectors (month-on-month changes at constant prices; p.p.)



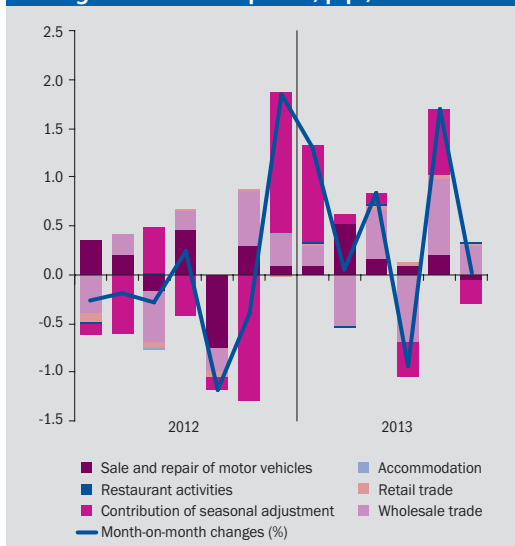
Source: SO SR, NBS calculations.

Note: Internal calculation for constant prices.

slumping in the first quarter. Although business tendency surveys for June and July 2013 showed pessimism in industry to be more widespread than in previous months, the sentiment indicator was higher for the second quarter than for the first quarter.

³ Turnover in internal trade and selected sectors is the most informative "hard" indicator of GDP developments.

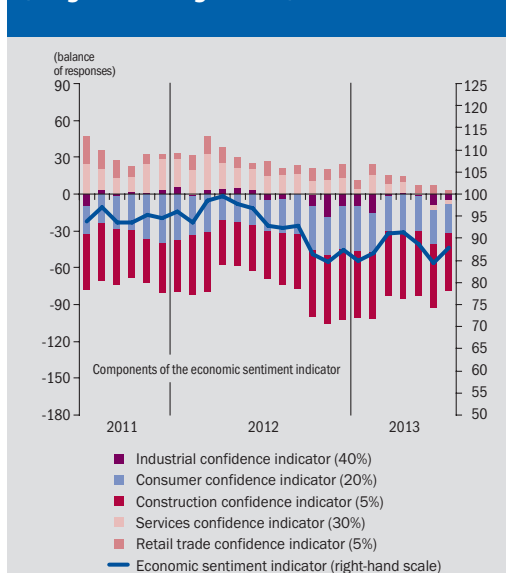
Chart 5 Internal trade sales by contributions of selected segments (month-on-month changes at constant prices; p.p.)



Source: SO SR, NBS calculations.

Note: Internal calculation for constant prices.

Chart 6 Economic sentiment indicator (long-run average = 100)



Source: European Commission.

Note: The percentages in the legend represent the weights of the respective components in the ESI.

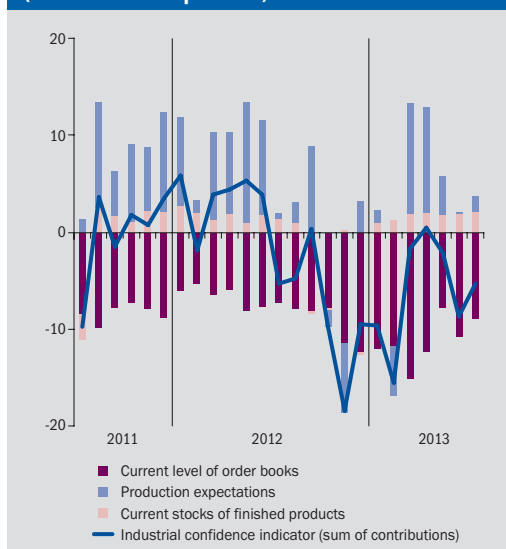
Retail trade remained virtually flat, although its growth for the second quarter as a whole is a sign of the expected recovery in household final consumption growth. Furthermore, business tendency surveys for July confirmed the upward trend observed in consumer confidence since the beginning of the year.

2.3 FORWARD-LOOKING INDICATORS

In July, the economic sentiment indicator (ESI) for Slovakia increased by 3.4 points, to 87.8, after declining in the previous two months. In year-on-year terms the ESI fell by 5 points. The upturn in the ESI was broadly based across all components apart from the retail trade confidence indicator, which declined.

The industrial confidence indicator made the largest positive contribution to the overall indicator, with order books being more positively assessed (especially in the manufacturing segments of metals and fabricated metal products, electrical equipment, and transport equipment) and production expectations rising. According to the results of a quarterly survey of firms, assessments of overall demand for products are particularly positive, while export expectations

Chart 7 Industrial confidence indicator (balance of responses)

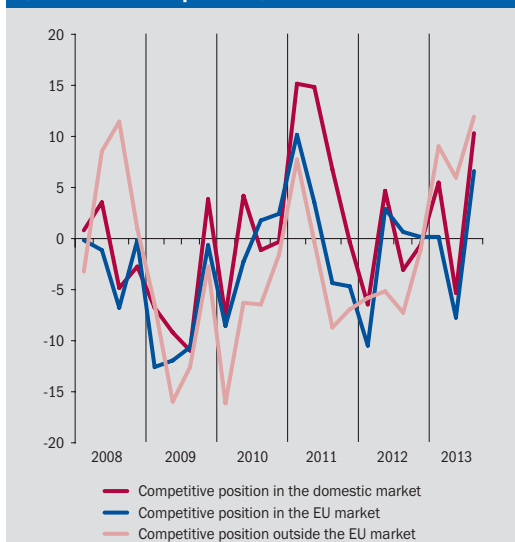


Source: European Commission.

have worsened. Marked improvements were observed in assessments of firms' competitive position in the domestic market as well as in markets within and outside the European Union.

In the services sector, assessments of both current and future demand improved, with the

**Chart 8 Competitiveness in industry
(balance of responses)**



Source: European Commission.

**Chart 10 Economic sentiment indicators for
Germany**



Source: European Commission, Ifo institute, ZEW.

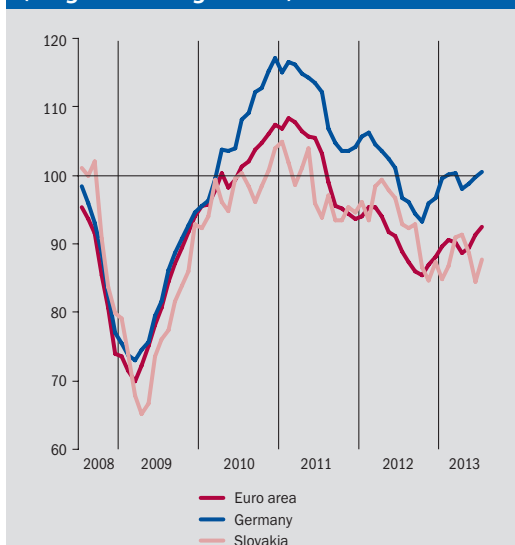
Note: ESI (long-run average = 100), Ifo index (2005 = 100), ZEW (balance of responses).

most significant increases in demand expected to be seen in real estate activities and in professional, scientific and technical activities. Sentiment in the construction sector was buoyed mainly by employment expectations. Consumer confidence strengthened largely on consumers expectations of an improvement in the financial situation of their households and

an increase in their savings. In retail trade, the worsening of sentiment stemmed mainly from firms dissatisfaction with both the present and future business situation.

The improving sentiment in the Slovak economy was led by a strengthening of euro area confidence indicators; consequently, economic growth is expected to recover moderately in the third quarter.

**Chart 9 Economic sentiment indicator
(long-run average = 100)**



Source: European Commission.

Forward-looking indicators for the euro area and Germany maintained their upward trend in August. The euro area PMI, standing at 51.7, points to moderate economic growth, while Germany's PMI, at 53.4, indicates stronger growth. Further evidence of the positive trends in Germany are provided by the ZEW and Ifo indices for August, which increased substantially.

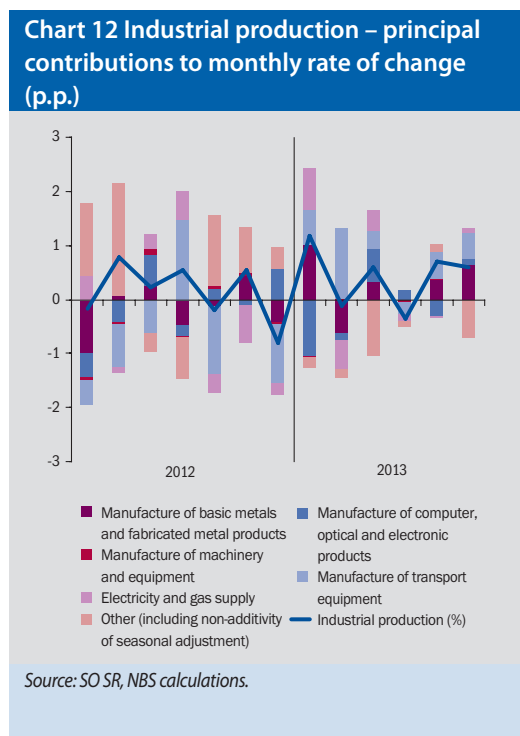
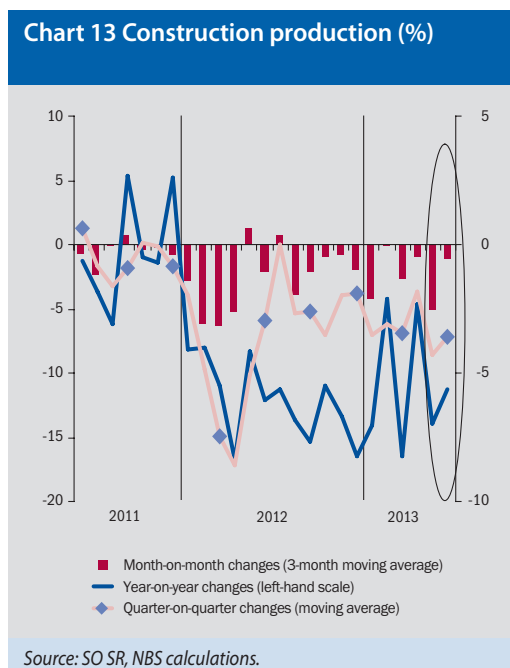
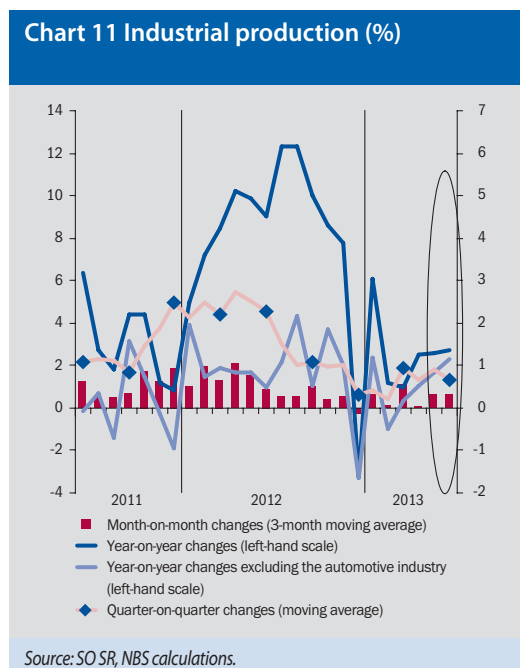
2.4 INDUSTRIAL AND CONSTRUCTION PRODUCTION

Industrial production growth based mainly on metals and car production

Industrial production in June 2013 increased by 0.6% over the previous month, with most of the improvement coming from the metals

and automotive industries. In year-on-year terms industrial output increased by 2.7%, and compared with the previous quarter it was also higher, thanks mainly to the car industry but also to manufacture of metals and manufacture of electronics. Car production in Slovakia continues to have a positive effect on overall

production, despite registering record growth last year and despite sluggish demand for cars in Europe. Car makers in Slovakia continue to profit from sales in non-European markets. Current expectations for the automotive industry do not suggest there will be any significant drop-off in its production in the months ahead.





Construction production increased moderately in June 2013, by 0.2% month-on-month (after falling by almost 2% in May). The year-on-year decline moderated to 11.2%, from 14% in May. The improvement in construction production was driven mainly by the repair and maintenance segment as well as by domestic firms' construction production in other countries. The decline in the civil engineering segment also eased.

2.5 TRADE BALANCE

Second-quarter foreign trade figures were positive despite weaker exports in June

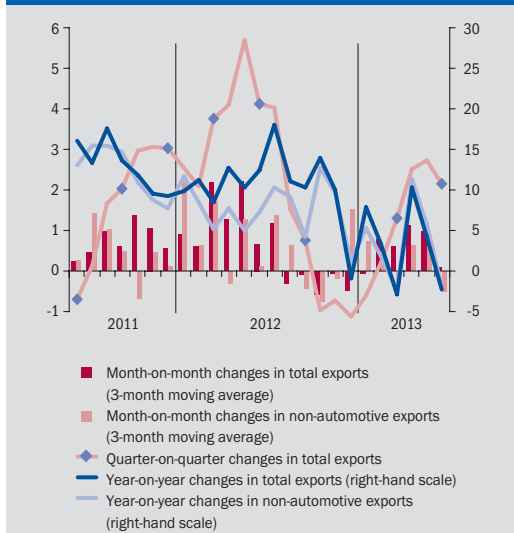
Goods exports declined moderately in June 2013, by 4% over the previous month and by 2.3% compared to June 2012. The drop in exports included a slight slowdown in automotive exports, but stemmed mainly from worsening developments in other sectors of the economy.

Despite declining in June, goods export growth in the second quarter was, at 2.1%, higher than in the previous quarter, due largely to the automotive industry's increased exports in April and May 2013. Export growth in other sectors of the economy recovered only moderately, to 1%, with most of that improvement attributable to the chemical and electronics industries.

Goods imports fell in the second quarter by 0.8% over the previous quarter, indicating that domestic demand remains as weak as in the first quarter.

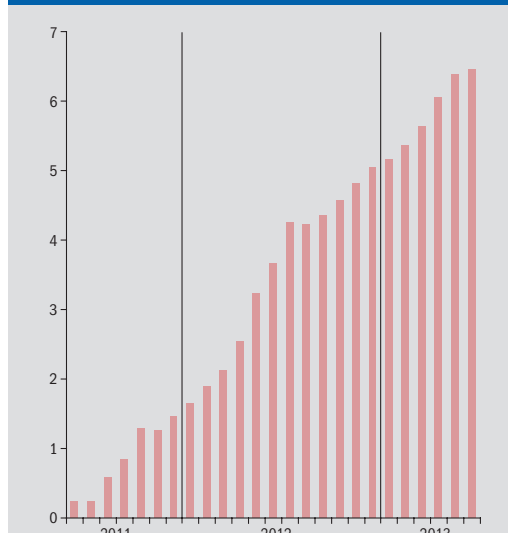
The combination of export growth and falling imports resulted in a substantial trade surplus, with the 12-month cumulative balance increasing by 0.9 percentage point quarter-on-quarter, to 6.5% of GDP. The strong trade balance for the first half of 2013 makes it highly likely that the trade surplus for the full year will exceed the projected level of 5.8% of GDP.

Chart 15 Goods exports (%)



Source: NBS and SO SR.

Chart 16 Twelve-month cumulative trade balance (% of GDP)



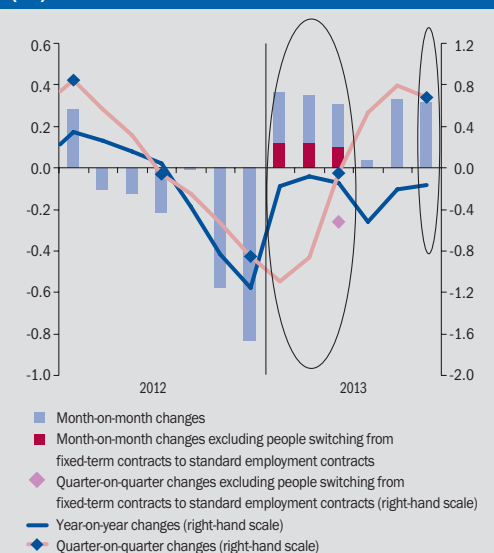
Source: NBS and SO SR.

3 THE LABOUR MARKET

Employment increased in June by 0.3% month-on-month, providing further evidence that it is on a growth path. Employment rose in all sectors with the exception of construction. Unlike in May, employment in industry increased, too. According to monthly figures, employment for the second quarter rose by 0.7% over the previous quarter; however, according to the SO SR's flash estimate, total employment in the economy dropped by 0.4% (around 7,900 people). This implies that the labour situation may be somewhat worse in those sectors of the economy not captured by the monthly data, such as the financial sector, agriculture and small enterprises. The monthly figures may have been further distorted by significant numbers of fixed-term contract workers switching to standard employment contracts, nor do they capture any continuation in the termination of such non-standard employment contracts.

Total employment in the second quarter was worse than NBS projected in its most recent Medium-Term Forecast (MTF-2013Q2). Looking at firms' expectations, no improvement can be expected in the months ahead. However, as economic growth continues to gather pace, the labour market may gradually begin to recover.

Chart 18 Rates of change in employment (%)



Source: SO SR, NBS calculations.

Note: The time series of rates of change that exclude the effect of people switching from fixed-term contracts to standard employment contracts was estimated using reports submitted to the SO SR by larger firms (PROD 3-04).

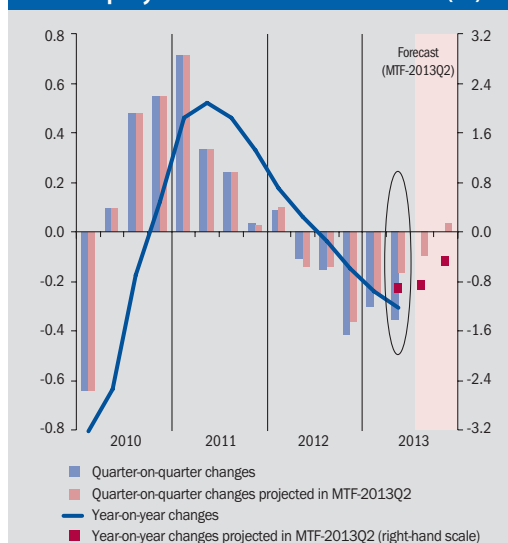
Although employment expectations are not showing signs of improvement, the unemployment figures are providing grounds to assume

Chart 17 Employment – monthly rate of change by sectoral contributions (p.p.)



Source: SO SR, NBS calculations.

Chart 19 Comparison of the current forecast and employment as defined in ESA 95 (%)



Source: SO SR, NBS calculations.

moderately more favourable developments in the third quarter. The total number of unemployed fell by 4,700 people (seasonally adjusted), and the unadjusted unemployment rate dropped by 0.27 percentage point, to 13.99%. Around half of the decline in unemployment was, however, accounted for by people being taken off the unemployment register for reasons other than placement in the labour market (for example, because they failed to cooperate with the labour office or did not meet the statutory conditions for registration). Nevertheless, the total number of job seekers showed a positive development, as their inflow declined and an increasing number of them found employment.

Based on developments in July, the unemployment rate in the third quarter is expected to be more favourable than the increase of one-tenth of a percentage point projected in the MTF-2013Q2 forecast.

The annual rate of change in nominal wages fell sharply in June, to 2.2%, in line with expectations stated in the previous NBS Monthly Bulletin. Wages at the beginning of the year were pushed up by one-off factors⁴ whose effect seems to

have gradually faded, and wage growth has now moderated at a level more in accord with the currently subdued economic developments. Furthermore, wages in June may have been

Chart 21 Nominal wages – annual rate of change by sectoral contribution (3-month moving average; p.p.)

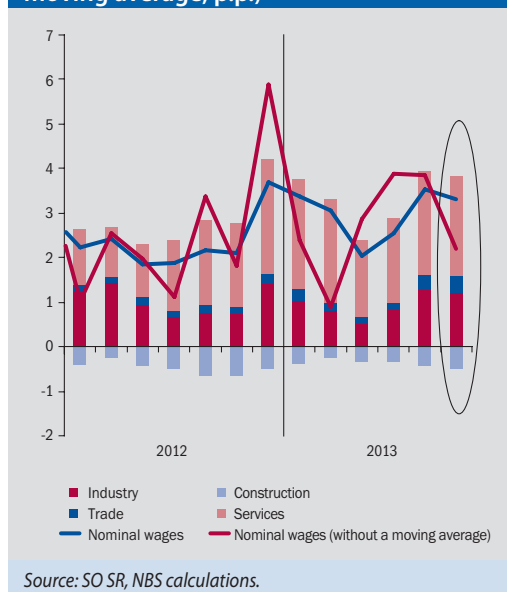


Chart 20 Unemployment (%)

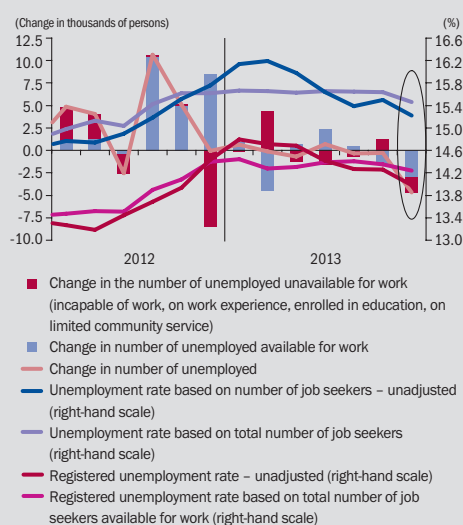
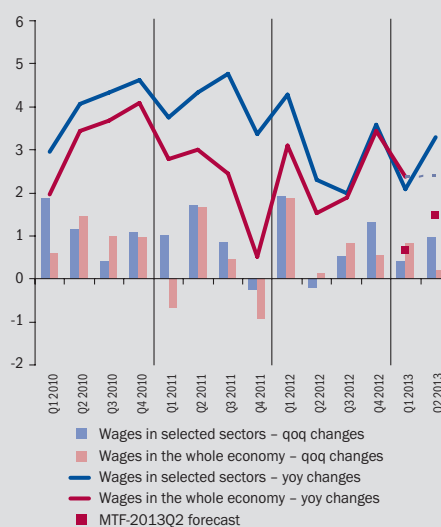


Chart 22 Wage developments in the economy (annual and quarterly percentage changes)



⁴ For further details, see the NBS Monthly Bulletin for May 2013.



adversely affected by a temporary weakening of economic activity (e.g. lower industry sales and exports) and by a fall in the number of hours worked. Wage growth decelerated in the sectors of industry, services, trade and construction.

Owing to the effect of one-off factors early in 2013, year-on-year wage growth in the economy as a whole will probably be higher than projected by NBS in the MTF-2013Q2 forecast, not only for the second quarter but also for the full year.



4 PRICES

Inflation fell to 1.6%

Annual HICP inflation for July 2013 slowed to 1.6%, down by 0.9 percentage point from its level at the beginning of the year. The annual rate of change in the inflation rate was 0.1 percentage point lower than projected. Prices fell month-on-month by 0.1%, after rounding.

Annual inflation in July was moderately lower than in the previous month, owing mainly to lower annual rates of change in prices of non-energy industrial goods and food. The food

component reflected a month-on-month drop in vegetable prices, but despite its annual rate of decline it accounted for more than half of the headline HICP inflation rate.

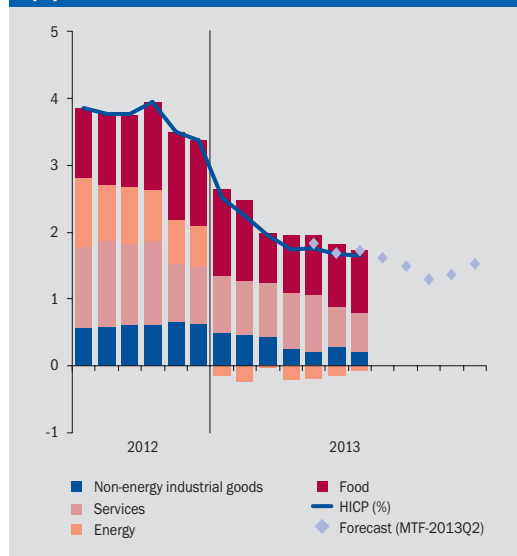
Inflation in services and in non-energy industrial goods is expected to end its downward trend in coming months. Based on projections for domestic and external factors, it may be expected to accelerate gradually from the beginning of 2014. In the short-term horizon, external pressures on the inflation rate are expected in the form of low import prices and oil price volatility

Table 1 HICP components – comparison of projected and actual month-on-month percentage changes (p.p.)

| | Projections for July 2013 | Actual data | Difference in contributions: actual – projections |
|-----------------------------|---------------------------|--------------|---|
| Non-energy industrial goods | 0.11 | -0.28 | -0.12 |
| Energy | 0.13 | 0.16 | 0.00 |
| Food | -0.35 | -0.43 | -0.02 |
| Services | 0.16 | 0.27 | 0.03 |
| HICP in total | 0.02 | -0.08 | -0.10 |

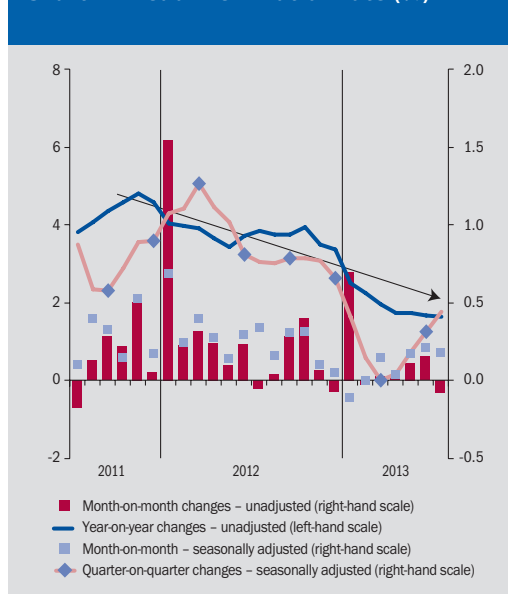
Source: SO SR, NBS calculations.

Chart 23 Composition of annual inflation (p.p.)



Source: SO SR, NBS calculations.

Chart 24 Headline inflation rate (%)



Source: SO SR, NBS calculations.



stemming from developments in the Middle East. On the domestic front, consumer demand is showing signs of revival. Food prices, which have so far not shown any significant volatility, are expected to respond to harvest outcomes towards the end of the year. Over the short term, HICP inflation is assumed to slow gradually, to below 1.5%.



5 PUBLIC FINANCES

In the draft general government budget (GGB) for 2014–2016, targets for the general government deficit and public debt are less ambitious than those set out in the Stability Programme (SP) for 2013–2016. The deficits targeted in the SP were set lower than the minimum required to prevent activation of the 57 percent of GDP debt brake.⁵ Instead of aiming for lower deficits in order to prevent debt escalation, the policy now is to use extraordinary dividends, privatisation revenues, and the release of liquid reserves, while the target deficit for next year remains unchanged at 2.9% of GDP. **The new target deficits are close to projections in the MTF-2013Q2 forecast and therefore do not represent an upside demand risk.** At the same time, however, even to meet the less ambitious targets set by the Slovak Finance Ministry necessitates **the adoption of further austerity measures**⁶ amounting to an estimated €71 million (0.1% of GDP) in 2013, €703 million (0.9% of GDP) in 2014, €1,099 million (1.4% of GDP) in 2015, and €1,506 million (1.8% of GDP) in 2016.

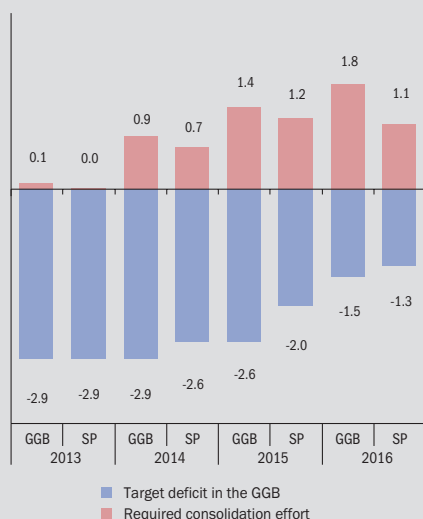
Furthermore, the draft GGB for 2014–2016 outlines only some of the measures required

to close this fiscal gap, which are projected to be at the level of around €514 million (0.8% of GDP) in 2014. In addition, the estimated benefits of the measures in terms of improving public administration efficiency and tackling tax evasion are not sufficiently specified and their quantification may be considered risky. Further risks are associated with potential changes resulting from the introduction of the ESA 2010 methodology, which is due to be implemented in autumn 2014 (and to be applied retrospectively for 2013).⁷ Another risk is the regular and repeated tensions in local authority and health sector budgets⁸.

Public debt projections

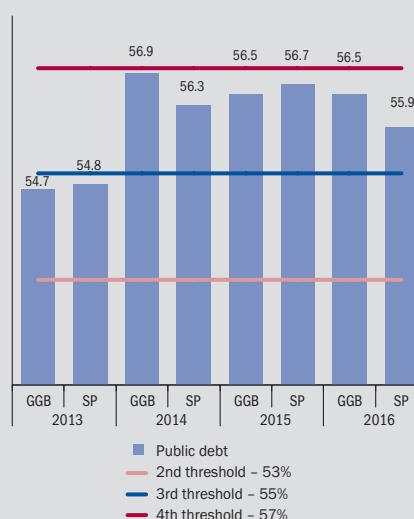
The outlook for general government debt is worse in the draft GGB than in the SP by 0.6 percentage point in both 2014 and 2016, even though the draft GGB assumes the **release of reserves** acquired from increased sales of government bonds in 2012, amounting to €2.1 billion (2.9% of GDP) and revenues from superdividends and privatisation. The draft GGB assumes that the threshold debt-to-GDP ratio

Chart 25 Comparison of general government deficit targets (% of GDP) in the draft GGB for 2014–2016 and in the Stability Programme for 2013–2016



Source: NBS and MFSR.

Chart 26 Comparison of public deficit targets (% of GDP) in the draft GGB for 2014–2016 and in the Stability Programme for 2013–2016



Source: NBS and MFSR.

- 5 See the Monthly Bulletin for April 2013, pages 15–16. For example, the Stability Programme set the deficit target for next year at 2.6% of GDP, even though a deficit of 2.9% would suffice to meet the minimum consolidation effort required by the European Commission (0.5% of GDP).
- 6 Since the shortfall in revenue is greater than projected in the Stability Programme.
- 7 For example, the use of one-off revenues from Pillar II of the pension system by transferring assets amounting to €236 million.
- 8 No hospital borrowing is projected for next year.



of 55% will be exceeded in 2014 and therefore, in accordance with the Fiscal Responsibility Act, that 3% cuts will be triggered in selected government spending lines (probably from May 2015; this represents an upside risk since it is not clear whether and to what extent the draft GGB reckons on spending cuts). According to the draft GGB there will be no crossing of the 57% debt-to-GDP ratio, which would force the Slovak Government to submit a balanced budget, although the projected public debt for 2014 (56.9% of GDP) is **expected to be attacking** that threshold.⁹

Liquid financial asset projections

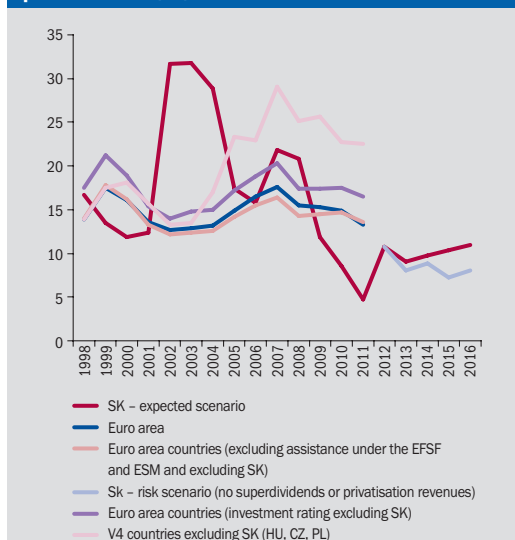
One of the key causes of public debt growth in 2012 was the increasing of reserves for the purposes of liquidity management (it accounted for 28% of the total increase). According to the SP, the ratio of reserves to government debt (i.e.

central government debt) is currently below its long-term average. Since 2005, the LFA to public debt ratio in Slovakia has been lower than that in any other V4 country, and the latest euro-area average data also point to a lower LFA ratio in Slovakia. The budget assumes that public debt funding will include superdividend revenues amounting to €0.4 billion in 2013 and privatisation revenues of €1 billion in 2015 (under the so-called “expected scenario” – Chart 27). In that case, the LFA-gross public debt ratio would remain relatively stable at current levels; if these revenues did not materialise (under the “risk scenario”), the ratio would continue to decline. The actual development of this ratio will therefore depend on the extent to which these substantial one-off revenue projections materialise.¹⁰

Utilisation of EU funds

The draft GGB does not envisage full utilisation of EU funds available under the National Strategic Reference Framework for 2007–2013. Even assuming that 2015 or 2016 will be the last year when this allocation can be used, the draft budget projects the amount lost by not using the full allocation within the stipulated period to be around €1.2 billion (while assuming that 89% of the approved funds will be utilised). Given the low utilisation of the current allocation of EU funds, the utilisation of EU funds under the new financial framework for 2014–2020, within the horizon of the draft GGB, may be seen as an overestimate. This relates also to the draft GGB’s overestimation of the funds earmarked for EU co-funded projects (€390 million). On the other hand, improved utilisation of EU funds could help stem the decline in investment and thereby contribute positively to economic growth. The draft GGB does not represent a risk to the MTF-2013Q2 forecast, since the forecast already takes into overall lower revenues from the EU.

Chart 27 Ratio of liquid financial assets to public debt (%)



Source: NBS (expected scenario specified following technical consultations with the Financial Policy Institute of the Slovak Finance Ministry), and Eurostat.

⁹ In the draft GGB, the debt erroneously includes the assumption of hospital liabilities in 2013 totalling €100 million, which would cause the 57% threshold to be exceeded in 2014. On the other hand, however, there is a positive risk from government bonds issued at a discount, which may to a large extent offset such an operation.

¹⁰ General government liquid financial assets comprise the sum of consolidated items in the general government sector of the financial accounts: AF.2 Currency and deposits + AF.3 Securities other than shares + AF.511 Quoted shares. The indicator is similarly defined in the latest Stability Programme for 2013–2016, Chart 20. The SP states that the government debt figures in 2012 “remained moderately below the average for the period 2006–2010”. It should be added that the Financial Policy Institute of the Slovak Finance Ministry prefers for the time being to use future funding needs as the basis for calculating relative cash reserves.



6 QUALITATIVE IMPACT ON THE FORECAST

The latest flash estimate showed higher than expected economic growth in Slovakia, which in terms of its carry over effect would represent

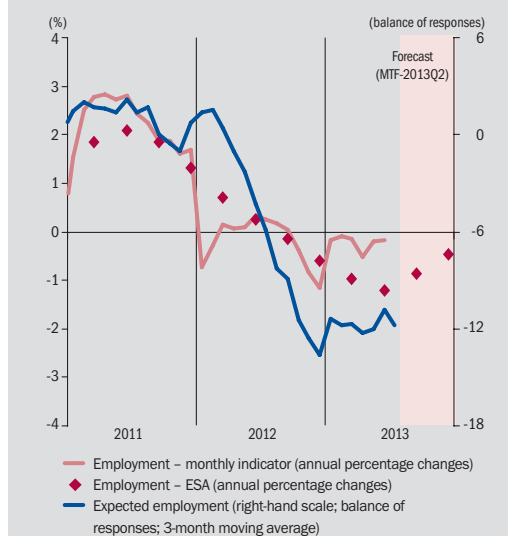
additional growth of around 0.2 percentage point. The composition of the growth is expected to include larger positive contributions from net

Chart 28 GDP, industrial production and sales (annual percentage changes)



Source: SO SR and NBS.
Note: The GDP figure for Q2 2013 is SO SR's flash estimate.

Chart 30 Employers' expectations (balance of responses) and the annual rate of change in employment (%)



Source: SO SR, NBS and European Commission.
Note: The employment figure (ESA) for Q2 2013 is the SO SR's flash estimate.

Chart 29 GDP (annual percentage changes) and the economic sentiment indicator



Source: SO SR, NBS and European Commission.
Note: The GDP figure for Q2 2013 is the SO SR's the flash estimate.

Chart 31 Consumers' inflation perceptions (balance of responses) and HICP inflation (annual percentage changes)



Source: SO SR and European Commission.



exports and also from private consumption. Labour market developments were worse than projected, and the greater decline in employment may have a downward effect on the full-year figure. The forecast, however, will also take into account monthly indicators, economic growth and firms' expectations for the coming months. Wage growth according to the monthly figures exceeded the latest forecast, and therefore, depending on the quarterly figures, it may be necessary to revise up the full-year wage growth

forecast. Inflation is in line with expectations, with the latest data not suggesting any need to revise the inflation forecast for coming months. Forward-looking indicators for July do not point to a change in the economy's direction. Economic activity in Slovakia is still expected to accelerate gradually in the second half of the year, although there are upside risks to the forecast, particularly in the form of future developments in Germany. The target deficits set out in the draft GGB are consistent with the forecast's assumptions.



OVERVIEW OF MAIN MACROECONOMIC INDICATORS FOR SLOVAKIA

Table 2 Selected economic and monetary indicators for the SR*(annual percentage changes, unless otherwise indicated)*

| | Gross domestic product | HICP | Industrial producer prices | Employment ESA 95 | Unemployment rate (%) | Industrial production index | Total receipts of sectors | Economic sentiment indicator (long-term average =100) | M3 for analytical purposes ¹⁾ | Loans to non-financial corporations | Loans to households | State budget balance (EUR mil.) | General government balance as % of GDP | Debt ratio (general government gross debt as % of GDP) | Current account (% GDP) | Balance of trade (% GDP) | USD/EUR exchange rate (average for the period) |
|-----------|------------------------|------|----------------------------|--------------------|-----------------------|-----------------------------|---------------------------|---|--|-------------------------------------|---------------------|---------------------------------|--|--|-------------------------|--------------------------|--|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
| 2005 | 6.7 | 2.8 | 3.8 | 1.6 | 16.2 | - | - | 105.5 | 7.8 | - | - | -1,124.8 | -2.8 | 34.2 | -8.5 | -5.0 | 1.2441 |
| 2006 | 8.3 | 4.3 | 6.4 | 2.1 | 13.3 | - | - | 111.8 | 15.3 | - | - | -1,051.5 | -3.2 | 30.5 | -7.8 | -4.7 | 1.2556 |
| 2007 | 10.5 | 1.9 | 1.8 | 2.1 | 11.0 | - | - | 113.8 | 12.9 | 25.4 | 28.6 | -781.0 | -1.8 | 29.6 | -5.3 | -1.2 | 1.3705 |
| 2008 | 5.8 | 3.9 | 6.1 | 3.2 | 9.6 | - | - | 98.2 | 4.9 | 15.3 | 25.3 | -704.2 | -2.1 | 27.9 | -6.0 | -1.1 | 1.4708 |
| 2009 | -4.9 | 0.9 | -2.6 | -2.0 | 12.1 | -15.5 | -18.6 | 77.0 | -2.8 | -3.3 | 11.0 | -2,791.3 | -8.0 | 35.6 | -2.6 | 1.5 | 1.3948 |
| 2010 | 4.4 | 0.7 | -2.7 | -1.5 | 14.4 | 8.1 | 7.9 | 97.9 | 7.8 | 1.6 | 12.5 | -4,436.1 | -7.7 | 41.0 | -3.7 | 1.2 | 1.3257 |
| 2011 | 3.2 | 4.1 | 2.7 | 1.8 | 13.5 | 5.3 | 8.9 | 97.9 | 2.9 | 7.6 | 11.1 | -3,275.7 | -4.9 | 43.3 | -2.0 | 1.5 | 1.3920 |
| 2012 | 2.0 | 3.7 | 3.9 | 0.1 | 14.0 | 8.1 | 5.2 | 93.2 | 8.8 | -2.3 | 10.3 | -3,810.7 | -4.3 | 52.1 | 2.3 | 5.1 | 1.2848 |
| 2012 Q3 | 2.1 | 3.8 | 4.0 | -0.1 | 13.7 | 11.4 | 5.6 | 92.7 | 4.3 | -1.7 | 9.8 | - | -3.2 | 51.2 | 0.6 | 3.7 | 1.2502 |
| 2012 Q4 | 0.7 | 3.6 | 4.0 | -0.6 | 14.4 | 4.7 | 2.7 | 86.2 | 8.8 | -2.3 | 10.3 | - | -6.4 | 52.1 | 2.3 | 5.4 | 1.2967 |
| 2013 Q1 | 0.6 | 2.2 | 1.8 | -1.0 | 14.5 | 2.7 | -0.5 | 87.5 | 7.3 | -0.3 | 9.9 | - | -3.2 | 54.9 | 4.3 | 7.7 | 1.3206 |
| 2013 Q2 | 0.9 ²⁾ | 1.7 | 0.1 | -1.3 ²⁾ | . | 2.6 | 2.5 | 88.1 | 7.4 | -0.1 | 10.0 | - | . | . | . | . | 1.3062 |
| 2012 Aug. | - | 3.8 | 4.1 | - | 13.2 | 12.2 | 4.0 | 92.3 | 3.4 | -2.2 | 9.9 | -2,675.5 | - | - | - | - | 1.2400 |
| 2012 Sep. | - | 3.8 | 4.4 | - | 13.4 | 10.0 | 3.9 | 92.9 | 4.3 | -1.7 | 9.8 | -2,585.6 | - | - | - | - | 1.2856 |
| 2012 Oct. | - | 3.9 | 4.2 | - | 13.7 | 8.6 | 5.1 | 86.5 | 4.7 | -1.7 | 10.1 | -2,466.0 | - | - | - | - | 1.2974 |
| 2012 Nov. | - | 3.5 | 3.9 | - | 13.9 | 7.9 | 3.3 | 84.7 | 4.5 | -0.8 | 10.2 | -2,743.5 | - | - | - | - | 1.2828 |
| 2012 Dec. | - | 3.4 | 3.9 | - | 14.4 | -3.2 | -0.4 | 87.4 | 8.8 | -2.3 | 10.3 | -3,810.7 | - | - | - | - | 1.3119 |
| 2013 Jan. | - | 2.5 | 3.1 | - | 14.8 | 6.1 | 1.7 | 84.9 | 7.7 | -1.3 | 9.9 | -62.5 | - | - | - | - | 1.3288 |
| 2013 Feb. | - | 2.2 | 1.5 | - | 14.7 | 1.3 | -1.1 | 86.7 | 7.9 | 0.4 | 9.9 | -713.4 | - | - | - | - | 1.3359 |
| 2013 Mar. | - | 1.9 | 0.8 | - | 14.7 | 1.0 | -1.9 | 91.0 | 7.3 | -0.3 | 9.9 | -952.7 | - | - | - | - | 1.2964 |
| 2013 Apr. | - | 1.7 | 0.9 | - | 14.4 | 2.4 | 5.4 | 91.3 | 7.7 | -2.2 | 10.0 | -1,076.1 | - | - | - | - | 1.3026 |
| 2013 May | - | 1.8 | -0.3 | - | 14.3 | 2.7 | 1.6 | 88.7 | 5.8 | -2.7 | 10.0 | -1,601.4 | - | - | - | - | 1.2982 |
| 2013 June | - | 1.7 | -0.3 | - | 14.3 | 2.8 | 0.6 | 84.4 | 7.4 | -0.1 | 10.0 | -1,664.8 | - | - | - | - | 1.3189 |
| 2013 July | - | 1.6 | . | - | 14.0 | . | . | 87.8 | . | . | . | -1,625.6 | - | - | - | - | 1.3080 |

Sources: Statistical Office of the Slovak Republic, MF of the SR, NBS, the European Commission.

1) Currency in circulation in M3 refers to money held by the public (according to methodology in place prior to 2008).

2) Flash estimate of Statistical Office of the SR.

More detailed time series for selected macroeconomic indicators

http://www.nbs.sk/_img/Documents/_MonthlyBulletin/2013/StatisticsMB0813.xls