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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 Summary[1]

Economic activity in the euro area continued to rise in February at a moderate pace. This has been confirmed by the monthly statistics for industrial production. Industrial production in the euro area as a whole increased by 0.2% in February. Another positive signal came from consumption, where retail sales continued growing for the second consecutive month. This growth, along with the dynamic growth in construction in the first two months of 2014, led to accelerated growth in the first quarter of 2014. The latest forward-looking indicators suggest that the relatively strong growth will continue in the second quarter, too. They indicate no deterioration in the economic sentiment in connection with the situation in Ukraine.

The positive developments in Germany are also reflected in the Slovak economy. Although the strong growth in industrial production was followed by stagnation in January, this was attributable to a correction in the automotive industry. Abstracting from the automotive industry, industrial production would probably have increased somewhat. The same effect in February was recorded in foreign trade, where car exports declined slightly, but exports from the rest of the economy expanded. A positive signal came from retail sales, which increased to a significant extent. Thus, the gradual growth in consumer confidence has started to be reflected in the 'hard indicators', which points to a revival in private consumption in line with the current forecast. The construction sector recorded a correction of the previous growth, but, in view of the positive expectations, construction activity may pick up somewhat in 2014. The positive developments in the real economy have started to be reflected in the labour market, too. Employment shows a rising tendency and new jobs are being created in numerous sectors. The continuing positive trends in employment in March were reflected in the falling unemployment rate. Wages underwent a slight correction subsequent to a steep increase in January. Prices followed a trend that was fully in line with the current forecast. Inflation recorded another slight year-on-year fall in March, mainly as a result of a slower rise in services prices and a faster decline in fuel prices.

Overall, the new data do not deviate from the trends predicted in the MTF-2014Q1 forecast. Hence, the individual macroeconomic indicators are not expected to be revised substantially.

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

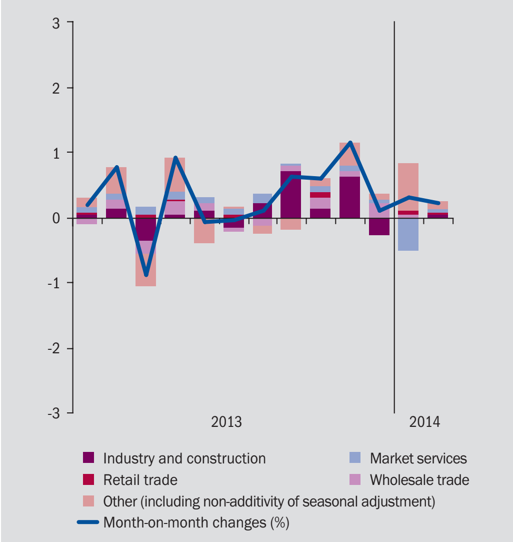
2 Real economy

2.1 SALES[2]

Sales in February were more or less stagnant

In February 2014, total sales in the economy grew by 0.2%, mainly as a result of increased sales in transportation and storage, especially in storage and ancillary transport-related services (due to the extension of industrial and logistic parks). In addition, a significant contribution to total sales growth came from proceeds from selected market services. Industrial sales were more or less stagnant. They were dampened mainly by energy supply, the manufacture of basic metals and metal products, and the manufacture of electronic products. By contrast, industrial sales were positively influenced by car sales, which, unlike industrial production, increased. The effect of car sales probably appeared in the economy with a delay, because last month's car sales increased to a lesser extent than car production itself.

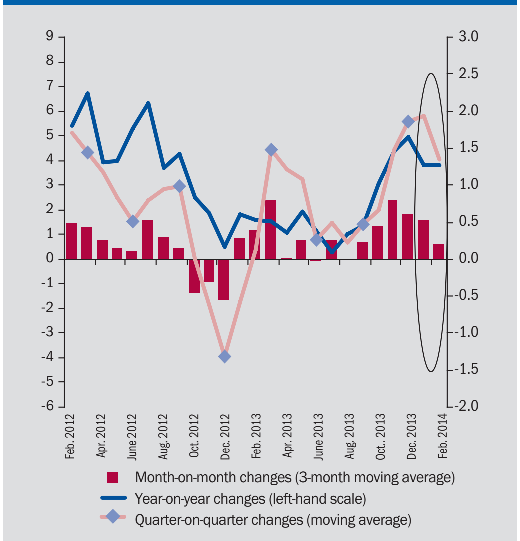
Chart 2 Total sales by contributions of selected sectors (month-on-month changes at constant prices; p.p.)



Source: SO SR, NBS calculations.
Note: NBS calculation for constant prices.

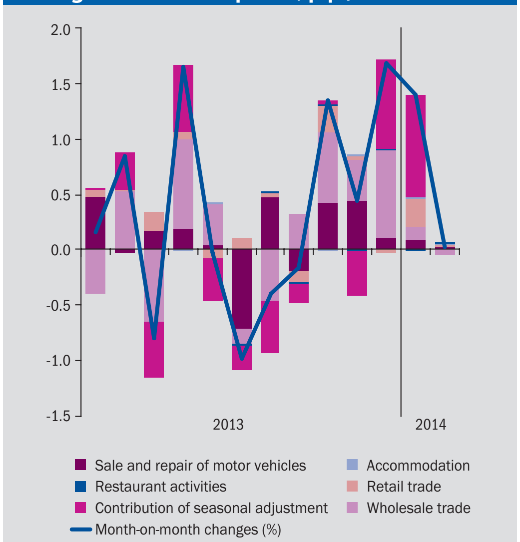
Trade sales were more or less stagnant, too. In view of the massive increase recorded in the previous month, their month-on-month stagnation was not a negative signal. In year-on-year terms, trade sales were growing at a very fast pace; more rapid growth was only observed before the crisis. A positive trend was

Chart 1 Total sales at constant prices (%)



Source: SO SR, NBS calculations.
Note: NBS calculation for constant prices.

Chart 3 Domestic trade sales by contributions of selected segments (month-on-month changes at constant prices; p.p.)



Source: SO SR, NBS calculations.
Note: NBS calculation for constant prices.

2 *Turnover in domestic trade and selected sectors is the most informative 'hard' indicator of GDP developments.*

the continuing growth in retail trade sales in both month-on-month and year-on-year terms (by 0.1% and 4% respectively).

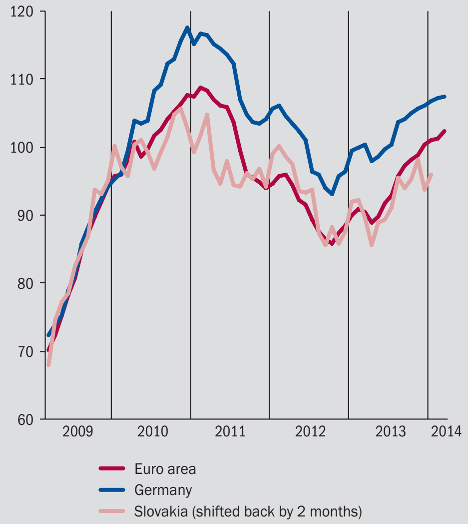
While sales in the individual sectors are expected to remain weaker in the first quarter (compared with the last quarter of 2013), which moderates the optimistic expectations of faster GDP growth in 2014, trade sales are expected to grow relatively rapidly in quarter-on-quarter terms. This may support the expectations of faster growth in private consumption according to the latest NBS forecast for the first quarter of 2014, though the positive sentiment in retail trade weakened.

2.2 FORWARD-LOOKING INDICATORS

The economic sentiment indicators for the euro area and Germany have remained favourable. In March the economic sentiment indicator (ESI) for the euro area rose to 102.4 points and that for Germany increased to 107.5 points. According to the ZEW index for April, confidence in the economic outlook for Germany weakened somewhat, but assessments of the current situation improved considerably. The positive assessments of the current situation, as well as the favourable expectations, were reflected in the Ifo index, which rose to 111.2 in April. The PMI index for the euro area rose to 54.0 in April, representing a 35-month maximum. The same index for Germany improved to 56.3.

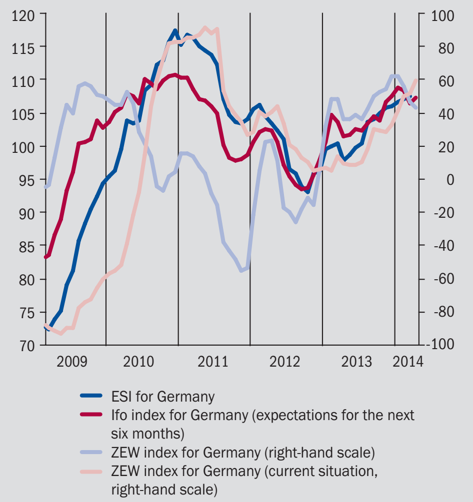
The relevant indicators remained at a high level, indicating that the favourable trend in the German economy, as well as in the euro area economy, continued during the first half of the year.

Chart 5 Economic sentiment indicator (long-run average = 100)



Source: European Commission.

Chart 4 Economic sentiment indicators for Germany

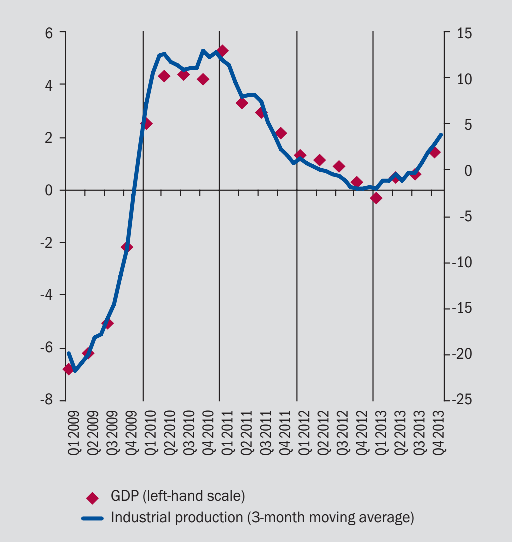


Source: European Commission, Ifo Institute, ZEW Centre.
Note: ESI (long-run average = 100), Ifo index (2005 = 100), ZEW index (balance of responses).

Chart 6 Euro-area GDP growth estimate for Q2 2014 (quarter-on-quarter percentage changes)

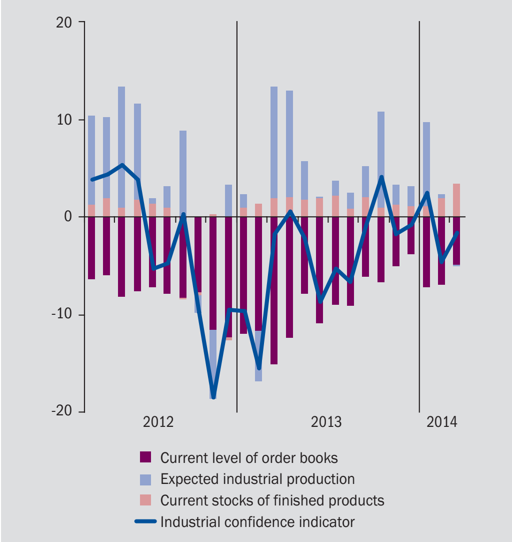
Source: Now-casting.com

Chart 7 GDP and industrial production in Germany (annual percentage changes)



Source: Eurostat.

Chart 9 Industrial confidence indicator for Slovakia (balance of responses)

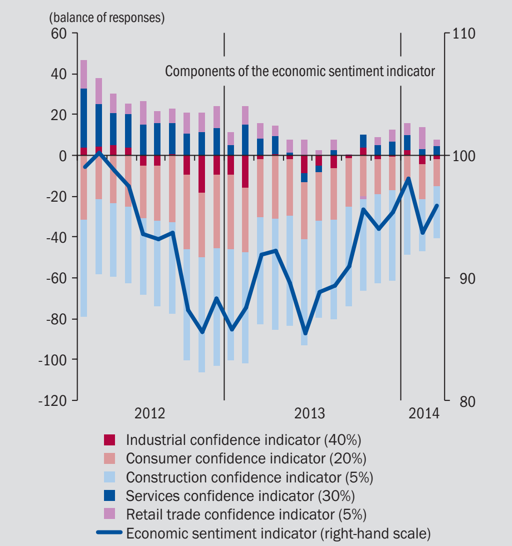


Source: European Commission.

The economic sentiment indicator for Slovakia increased by 2.2 points month-on-month to 95.9 in March. An improvement was recorded in all components of this indicator, except for retail trade.

The growing confidence in industry was boosted by favourable assessments of the current level of demand for industrial products, mainly for electrical equipment, wood and wood products, chemicals and chemical products. Confidence in services increased mainly as a result of improved demand expectations, mainly in real estate activities, entertainment and recreation, and professional and scientific activities. Confidence in construction reached a new five-year high, mainly as a result of an expected increase in the number of employees. All components of these indicators (economic development, expected unemployment, savings, and expected financial situation) were assessed by consumers as positive.

Chart 8 Economic sentiment indicator for Slovakia (long-run average = 100)



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

The economic sentiment indicator partially corrected the effect of its deterioration from the previous month, thus pointing to the continuance of economic growth in Slovakia.

2.3 INDUSTRIAL AND CONSTRUCTION PRODUCTION

Industrial production stagnated, owing to a decline in car production

After growing relatively dynamically in the previous month, industrial production was more or less stagnant (+0.1%) in February 2014. In year-on-year terms, the rate of growth in industrial production slowed to 9.1%, from 12.8% in

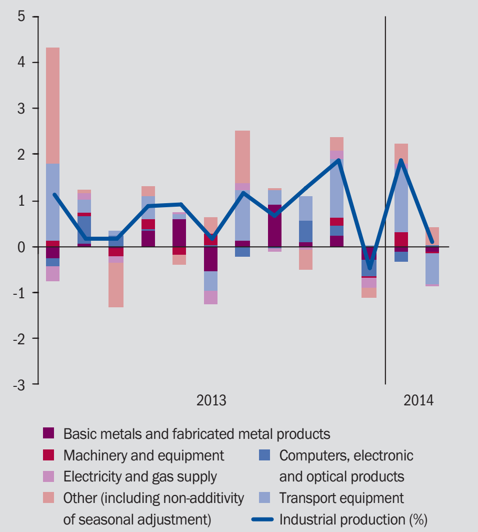
January. This is due mainly to a correction in car production at the beginning of this year.

The decline in the automotive industry was partly corrected by the petroleum refining industry and the manufacture of electrical equipment. Despite its weak performance in February, car production is expected to increase in the first quarter of 2014, owing to the ongoing revival in car sales in Europe, the introduction of new models, and the penetration of new markets by car manufacturers based in Slovakia.

As a result of strong growth in January, industrial production is expected to continue growing in quarter-on-quarter terms, in line with the projected quarter-on-quarter GDP growth. This is also indicated by a more optimistic assessments of the current trend in production on the part of entrepreneurs in business tendency surveys for March.

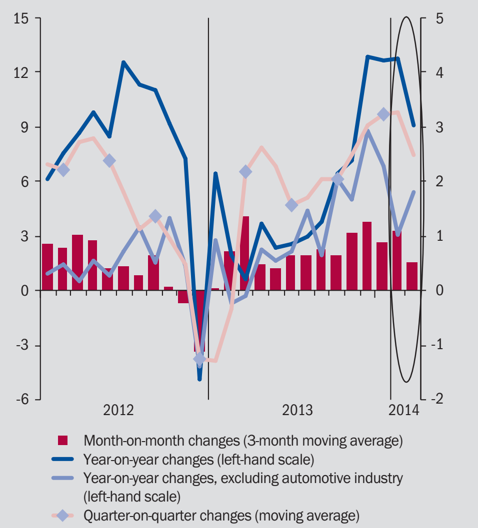
In February 2014, production in the construction sector declined by 1.7% month-on-month and 3.5% year-on-year. Thus, after growing for three months, construction production returned to negative territory. The decline took place in domestic construction, mostly in new projects. Construction activity also weakened in civil engineering construction. This year, however, construction production is expected to increase somewhat in comparison with the previous year. This is also indicated by the sentiment indicators for the construction sector, where optimism has been growing since the beginning of 2014 (according to business tendency surveys), mainly in regard to the current level of construction activity and the expectations regarding employment.

Chart 11 Industrial production – principal contributions to monthly rate of change (p. p.)



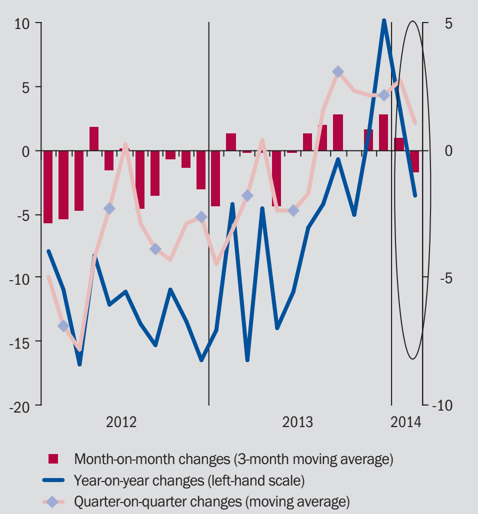
Source: SO SR, NBS calculations.

Chart 10 Industrial production (%)



Source: SO SR, NBS calculations.

Chart 12 Construction production (%)

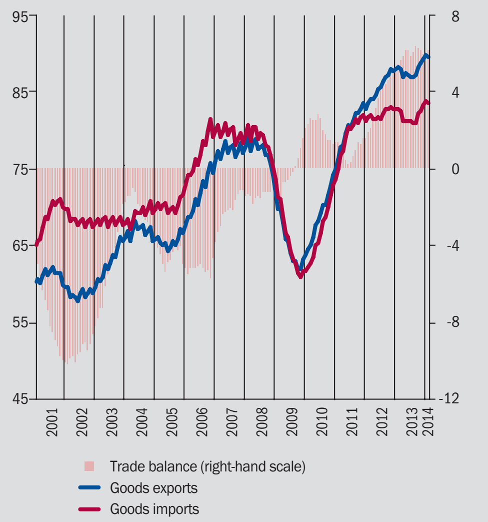


Source: SO SR, NBS calculations.

Chart 13 Construction production (monthly percentage changes; trend; constant prices)

Source: SO SR.
Note: Building construction accounts for around 70% of total construction production.

Chart 14 Twelve-month cumulative trade balance (% of GDP)



Source: NBS and SO SR.

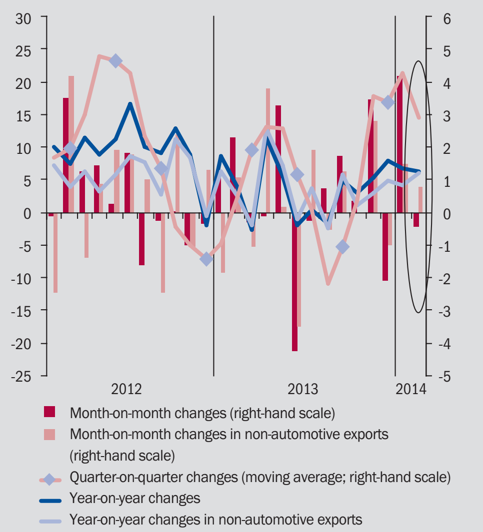
2.4 TRADE BALANCE

The lower exports in February represented a partial correction of the strong growth in car exports in January

In February 2014, Slovakia posted a trade surplus of €537.1 million (€125.9 million more than in February 2013). Good exports and imports increased year-on-year by 6.3% and 4% respectively.

Compared with the previous month, goods exports decreased by 0.4% in nominal terms and by roughly the same figure in real terms, owing to the virtually unchanged export prices of producers. While non-automotive exports increased as in the previous month, car exports in February were weaker and thus offset partly the effect of strong growth from January.

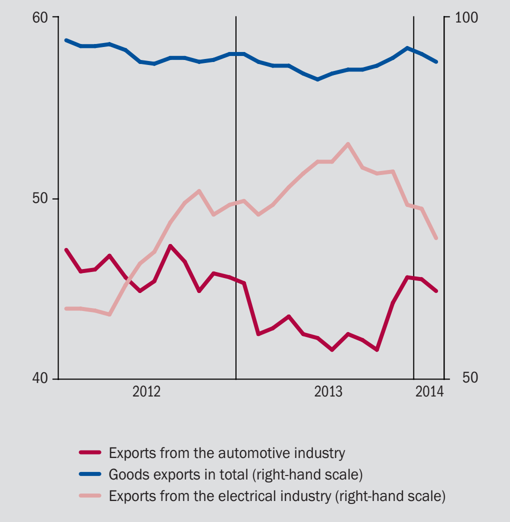
Chart 15 Goods exports (%)



Source: NBS and SO SR.

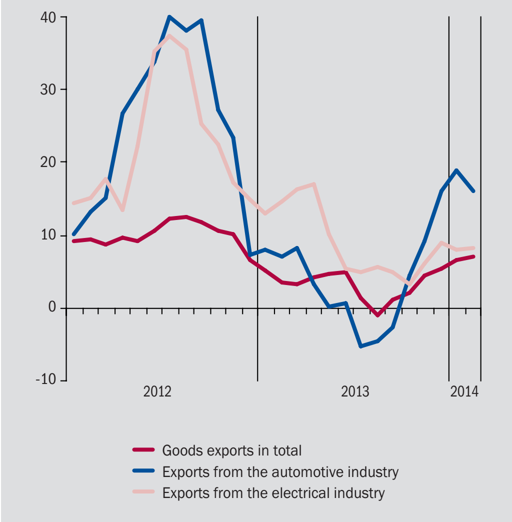
After mutual compensations in the individual months, exports in the last three months were 3% higher than in the previous three months. This growth resulted from developments in January, which was, despite a downward correction in the statistical data, one of the strongest months in the last few years (in terms of exports). The accelerated export growth in the automotive industry and other sectors exceeded the growth in imports, which was 2.2% faster in the last three months, compared with the previous three months. This led to an improvement in the trade balance, which indicates that the external sector contributed positively to the quarter-on-quarter rate of GDP growth.

Chart 16 Import intensity (amount of imports in euro per €100 of exports; 3-month moving average)



Source: SO SR, NBS calculations.

Chart 17 Year-on-year export growth in selected sectors (in percent; 3-month moving average)



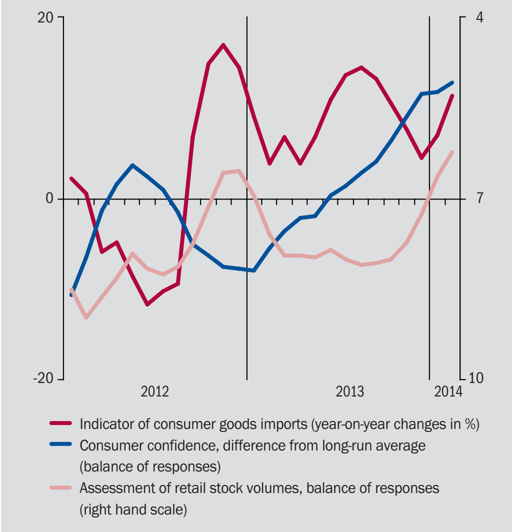
Source: SO SR, NBS calculations.

The weakening imports led to a fall in the import intensity of total exports, which was higher at the end of last year, mainly as a result of higher investment imports. The import intensity of the electrical industry continued to decrease. Following a temporary rise in the last quarter of 2013, the import intensity of the automotive industry fell to a level close to its long-term average. The higher investment imports into the automotive industry at the end of last year have increased the sector's production capacity, which may lead to a rise in car exports.

As for consumer goods imports, retail chains have been replenishing their inventories of imported consumer goods since the beginning of this year. At the same time, retailers' assessments of the stock volumes have improved and consumer confidence has grown still further. In conjunction with the growing consumer confidence, trade has remained prepared for a recovery in consumer demand, in accordance with the NBS forecast.

Exports in February partially corrected the high rate of upside risk arising from the January growth, but the upside risk to the latest NBS forecast for foreign trade has persisted.

Chart 18 Amount of consumer goods imports and retailers' assessments of stock volumes



Source: SO SR, European Commission and NBS calculations.
Note: Indicator of consumer goods imports – monthly volumes of goods imported by the largest retail chains (2% of total imports).

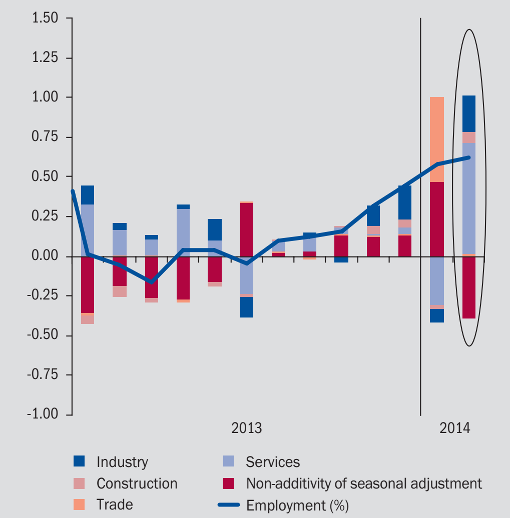
3 Labour market

February saw another increase in employment across the selected sectors (+0.6% month-on-month), causing the annual rate of employment growth to accelerate to 2.2%. Thus, the labour market situation has started to improve with a certain delay, as a result of an increase in the economic performance of enterprises in Slovakia and in Slovakia's main trading partners. In line with expectations from the previous monthly bulletin, employment in selected market services recorded a one-off fall, because the number of persons in employment returned to higher levels in February. This points to a gradually accelerating rise in employment. New employees are being recruited in industry (in most of the key subsectors), services and, in smaller numbers, in construction. Employment in trade, accommodation and food service activities reflected the upward effect of the January revision, and the figures for these sectors rose steeply, probably as a result of unrevised data from 2013. Hence, the quarter-on-quarter dynamics of monthly data may be overestimated. The expectations regarding employment still show an improving tendency, which indicates that a similar trend may be observed in the coming months. Weaker employment figures in the monthly statistics were recorded only in transportation and storage.

The aforementioned upward revision in employment growth in January was reflected in the figures for wholesale trade (from -1.8% to 7.8% year-on-year), retail trade (from -0.9% to -0.5%), accommodation (from 0.2% to 8.5%), and food service activities (from -0.8% to 9.8%). The reason for revision was that the Statistical Office of the SR had updated the January figures according to the new administrative sources of data. Since the 2013 figures have not been revised, the accelerated employment growth cannot be attributed to the improved labour market situation. Such revision in the quarterly employment figures is unlikely for the time being.

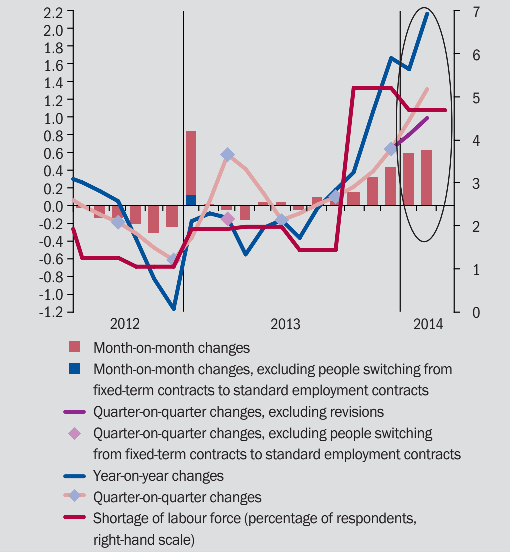
Excluding the upward effect of revision, the expectation of a quarter-on-quarter employment growth rate of 0.3% for the first quarter of 2014 from the MTF-2014Q1 forecast appears to be realistic.

Chart 19 Employment – monthly rate of change by sectoral contribution (p. p.)



Source: SO SR, NBS calculations.

Chart 20 Rates of change in employment (%)

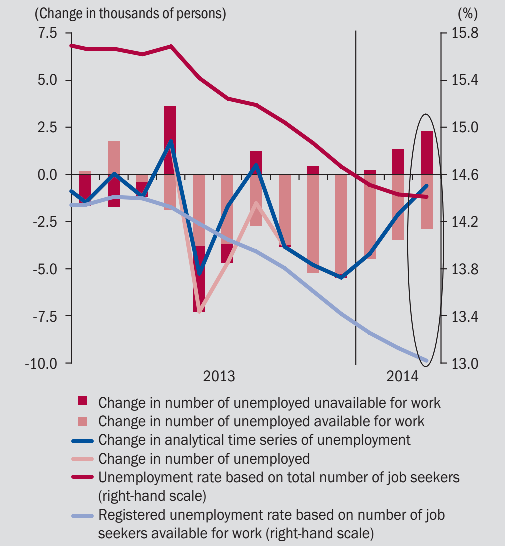


Source: SO SR, European Commission, NBS calculations.
Note: The rate of change time series excluding the effect of people switching from fixed-term contracts to standard employment contracts was estimated using reports submitted to the SO SR by larger firms (PROD 3-04). The indicator "shortage of labour force" is included in EC business surveys.

The decrease in the unemployment rate moderated in March. The registered unemployment rate (seasonally unadjusted) dropped by 0.22 percentage point, to 13.28%. Seasonal adjustment constitutes an improvement of 0.11 percentage point. Despite this, the seasonally adjusted unemployment rate based on the total number of job seekers fell by only 0.02 percentage point, which was much less than the figures recorded in the previous months. The difference between these two indicators lies in the growing number of job seekers unavailable for work, because part of the job seekers were probably reassigned from the 'available for work' category to labour activation schemes (minor municipal services). Another interesting phenomenon was an increase in the number of newly registered unemployed, which offset the effect of steady growth in the number of people finding work (deregistered as unemployed). Since the number of formerly employed job seekers was relatively stable, part of the newly registered unemployed probably came from outside the job market. Over the first quarter, the seasonally adjusted number of unemployed decreased by 11,100. This decrease was similar to the figure recorded in the previous quarter. Thus, the labour market situation is improving in comparison with 2012 and the beginning of 2013.

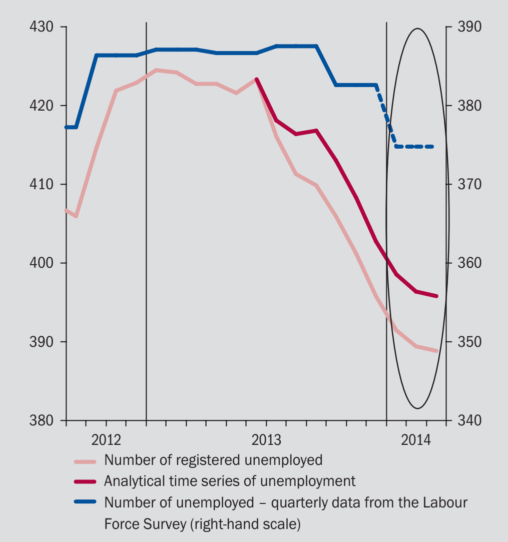
The MTF-2014Q1 forecast projects a fall of 0.3 percentage point in the unemployment rate for the first quarter, to 13.8%. This projection is supported by a smaller number of job seekers recorded at the beginning of the year.

Chart 21 Unemployment (percent; thousands of persons)



Source: Central Office of Labour Social Affairs and Family, NBS calculations.

Chart 22 Number of unemployed (thousands of persons)

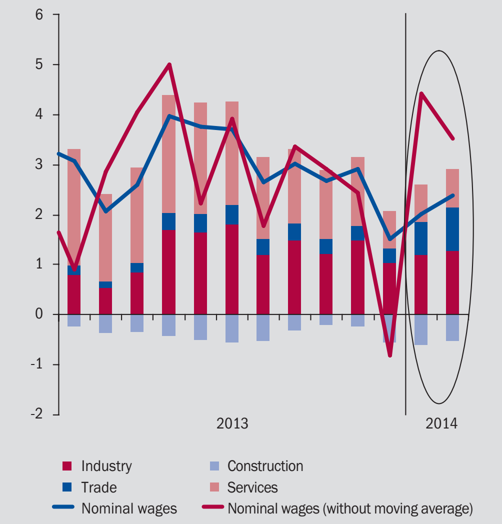


Source: Central Office of Labour Social Affairs and Family, NBS calculations.
Note: The number of unemployed (Labour Force Survey) for the first quarter of 2014 is the projection given in the MTF-2014Q1 forecast.

Annual wage growth reached 3.5%, which represented a slight correction of the figure for January (4.4%). Despite this, the annual wage growth at the beginning of this year was more pronounced than in the second half of the previous year. Wage growth could also be affected by the pick-up in the real economy, indicated by accelerated sales growth. A downward correction was recorded mainly in construction and trade. A slowdown was expected mainly in construction, where unpaid wages from the previous months could be paid in January. Accelerated wage growth compared with the end of last year was recorded mainly in industry, wholesale trade, IT and communications. In these sectors, as well as in retail trade and transportation, relatively strong wage growth was recorded. By contrast, wages in selected market services and restaurant activities were lower than a year earlier.

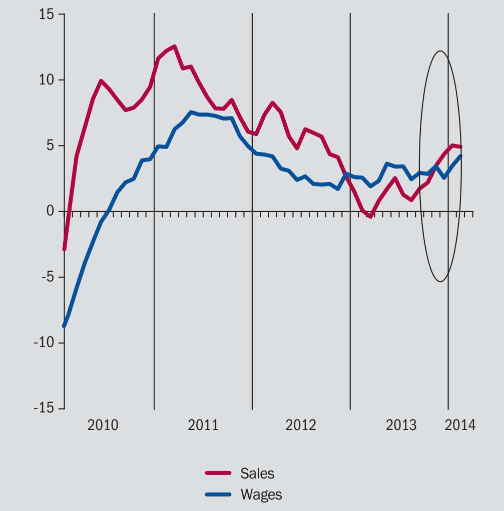
The MTF-2014Q1 forecast assumes that, after a slowdown at the end of the year, wage growth will recover in the first quarter of 2014. This has been confirmed by the monthly statistics, but there is a risk that wages will grow somewhat faster than predicted, as a result of renewed wage growth in selected sectors.

Chart 23 Nominal wages – annual rate of change by sectoral contribution (3-month moving average; p.p.)



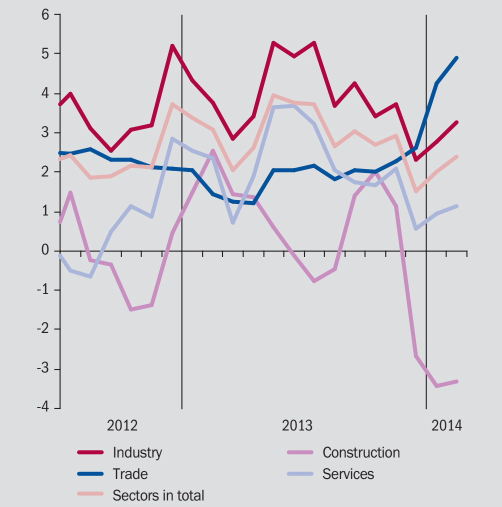
Source: SO SR, NBS calculations.

Chart 25 Sales and wages in selected sectors (annual percentage changes; 3-month moving average)



Source: SO SR, NBS calculations.
Note: The volume of wages is calculated as the average wage multiplied by employment in the selected sector.

Chart 24 Wage developments (annual percentage changes; 3-month moving average)



Source: SO SR.

4 Prices

The general price level in March was 0.2% lower than a year earlier

In year-on-year terms, prices declined at a slightly accelerated pace in March 2014. In month-on-month terms, however, price levels remained stagnant. The annual rate of decline was in line with the NBS forecast.

The slowdown in HICP inflation was caused by a modest slowdown in the annual rate of increase in services prices, coupled with a slight acceleration in the negative rate of change in energy prices. Services prices showed very weak year-on-year dynamics in comparison with the long-term average. This was due to weaker demand impulses, combined with an administrative measure (cancellation of the mortgage loan account fee), which had a downward effect on price dynamics until May 2014. Real wage growth in 2014 may boost, through consumer demand growth, the gradually accelerating annual rate of increase in services prices. The modest acceleration in the annual rate of decline in energy prices was connected with the month-on-month fall in fuel prices.

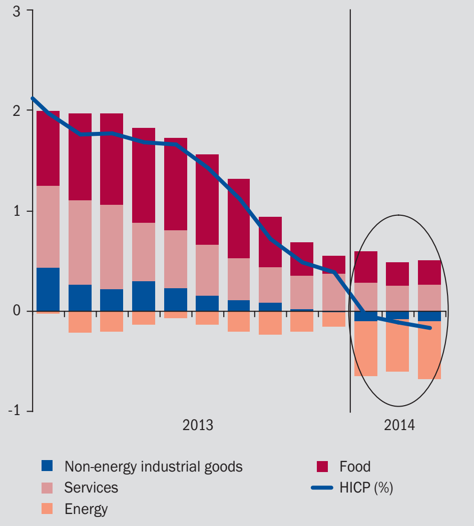
Over the short-term horizon, the annual rate of change in the general price level, as measured by the HICP, is expected to fluctuate over the next two months at below, but close to, 0%. The year-on-year decline in non-energy industrial goods prices is expected to accelerate somewhat in the coming months, under the influence of import prices. On the other hand, the year-on-year decline in energy prices is expected to slow in April 2014, owing to the fading of the base effect of a fall in electricity prices in April 2013. On the basis of the current price developments and technical conditions, the average year-on-year price increase in 2014 is expected to remain very low. At the end of the year, the HICP inflation rate is expected to reach a level close to 1.2%.

Table 1 HICP components – comparison of projected and actual rates of change (in percent unless otherwise stated)

			Non-energy industrial goods	Energy	Food	Services	HICP
Month-on-month change	A	March 2013 – actual figure	0.0	0.1	-0.2	0.1	**0.0**
	B	March 2014 – forecast	-0.1	0.0	0.0	0.0	**0.0**
	C	**March 2014 – actual figure**	**0.0**	**-0.1**	**-0.2**	**0.1**	**0.0**
	BC	Direction of deviation, if any					**stagnation as projected**
	BC	**Difference in contribution to month-on-month rate of change (p.p.)**	**0.01**	**-0.01**	**-0.04**	**0.03**	**-0.02**
Year-on-year change	D	February 2014 – actual figure	-0.3	-3.3	1.0	0.9	**-0.1**
	E	March 2014 – forecast	-0.4	-3.4	1.1	0.8	**-0.2**
	F	**March 2014 – actual figure**	**-0.3**	**-3.4**	**1.0**	**0.8**	**-0.2**
	AC	Base effect	insignificant	insignificant	insignificant	insignificant	**insignificant**
	DF	**Movement of prices compared with previous month**					**moderate slowdown**
	EF	Direction of deviation, if any					**as projected**
	EF	**Difference in contribution to year-on-year rate of change (p.p.)**	**0.01**	**-0.01**	**-0.04**	**0.03**	**-0.01**

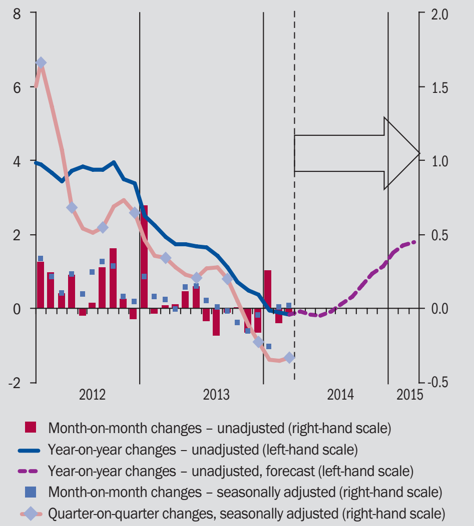
Source: SO SR, NBS calculations.

Chart 26 Composition of annual inflation (p.p.)



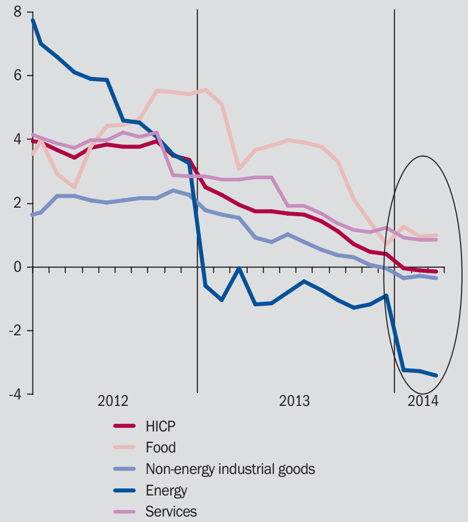
Source: SO SR, NBS calculations.

Chart 27 Headline inflation rate (%)



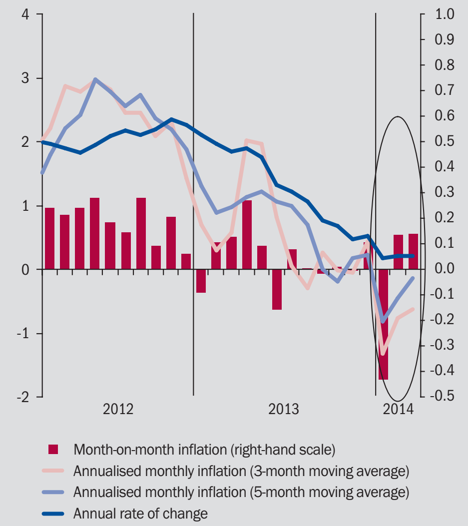
Source: SO SR, NBS calculations.

Chart 28 Selected inflation components (annual percentage changes)



Source: SO SR, NBS calculations.

Chart 29 Annualised net inflation, excluding fuel prices (percent; seasonally adjusted)



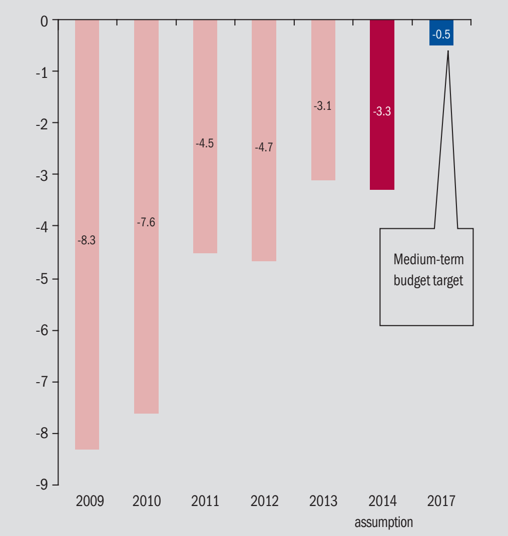
Source: SO SR, NBS calculations.
Note: Net inflation comprises non-administered prices of services and non-administered prices of non-energy industrial goods.

5 Public finances

The general government deficit reached -2.8% of GDP **last year** (**spring notification)** vs. the fiscal deficit target for 2013 (2.9% of GDP)**.** The lower general government deficit was achieved **despite** the Eurostat's decision **not to include**, in budget revenues, the one-off income of €465 million (**0.6% of GDP**) from the sale of emergency oil reserves. Thus, **the structural consolidation achieved was higher than expected (1.4% of GDP).** The positive results in public finances were largely attributable to lower drawdowns from EU funds, income from the opening of the second pension pillar, improved budgetary performance in higher territorial units and public universities. Tax revenues remained below the fiscal target (despite improved VAT collection). A negative contribution also came from non-tax revenues, the absence of income from the sale of digital dividends, corrections in EU funds, and the above-mentioned exclusion of oil reserve sales from fiscal revenues. On the other hand, public debt reached 55.4% of GDP (owing to the inclusion of oil reserves), and thus exceeded the 55% limit. This will necessitate the activation of another debt brake, i.e. the blocking of 3% of total public spending with effect from this May[3] and the freezing of budget expenditures for the coming years. **As regards the MTF-2014Q1 assumptions, more severe restrictions will be imposed in the coming years in connection with this debt brake**[4]. Since the autumn notification will probably not recognise the income from the opening of the second pension pillar under the new methodology, the deficit may increase to a level above, but close to, 3% of GDP. Hence, the MTF-2014Q1 assumption about the sustainability of the 20% VAT rate will not yet be changed for the coming year.

The stability programme has set essentially the same fiscal targets for the coming years (a reduction of 0.1% of GDP for next year; an increase of 0.1% of GDP for 2016). Compared with the approved budget, an extraordinary revenue of €176 million (0.2% of GDP) is expected this year from of a special levy on business activity in regulated sectors in connection with a change in the ownership structure of SPP (Slovak Gas Industry) and a revenue of €45 million (0.1% of GDP) from a penalty imposed by the Antimonopoly Office of the SR on six construction firms acting like a cartel during road infrastructure construction.

Chart 30 Structural balance (EC methodology) (% of GDP)



Source: NBS (output gap estimate according to NBS).

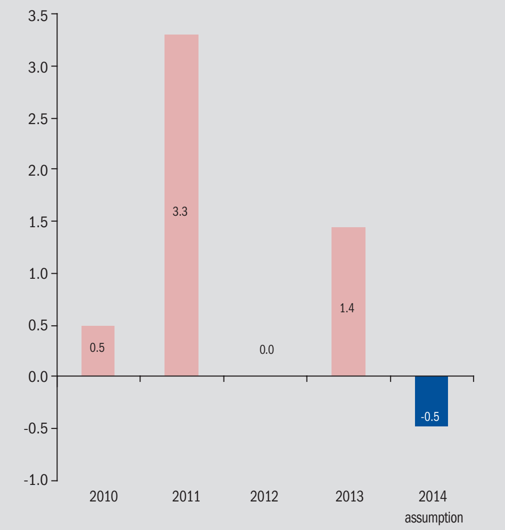
Table 2 Comparison of RVS 2014-2016 deficits and general government budget proposals for 2015-2017 (% of GDP)

		2014	2015	2016	2017
1	RVS 2014- 2016 – budget targets	-2.6	-2.6	-1.5	-
2	RVS 2015- 2017 assumptions – with new measures	-2.8	-2.8	-2.0	-1.3
3	RVS 2015- 2017 assumptions – budget targets	-2.6	-2.5	-1.6	-0.5
4 = 3-2	Need for additional measures	0.2	0.3	0.4	0.7
5	Need for additional measures when the debt brake is activated[1)]	-	0.1	0.4	0.5

Source: MF SR and NBS.
1) Provided that the additional measures (4) are expenditure-related.

3 *Since a substantial part of the provisions has already been created, this blocking will have no major macroeconomic impact this year.*
4 *Additional impact compared with that projected in the MTF-2014Q1 forecast. In the case of municipalities and higher territorial units, the budget (expenditure side) is to be approved at the level of the previous year (a state budget is to be submitted to parliament).*

Chart 31 Consolidation effort (national methodology) (% of GDP)



Source: NBS (output gap estimate according to NBS).

Chart 32 Fiscal impulse (% of GDP)

Source: NBS (output gap estimate accounting to NBS).

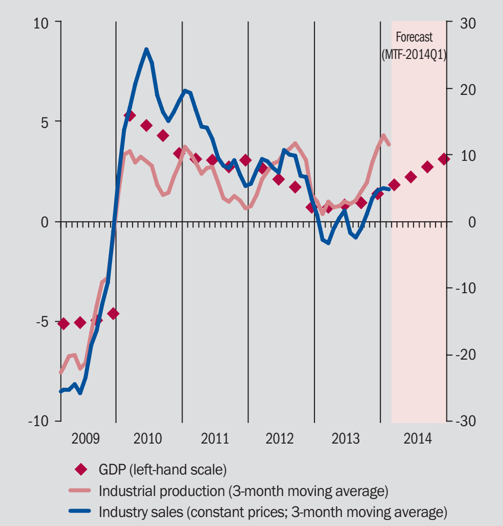
Since one-off factors in the final nominal deficit for 2013 were much smaller in volume terms (by 0.7% of GDP)[5], budgetary performance in 2013 was more favourable in terms of long-term sustainability. **The consolidation effort** (under national methodology) reached 1.4% of GDP (vs. the projected 0.9% of GDP). Thus, the restrictive nature of the **fiscal impulse** to the economy increased by 0.8% of GDP. By contrast, the expansive effect of the fiscal impulse to the economy in 2014 is expected to reach -0.7% of GDP. According to the latest information, fiscal policy in 2014 is expected to have an expansive effect on the economy.

5 *Not including revenues from the sale of emergency oil supplies.*

6 Qualitative impact on the forecast

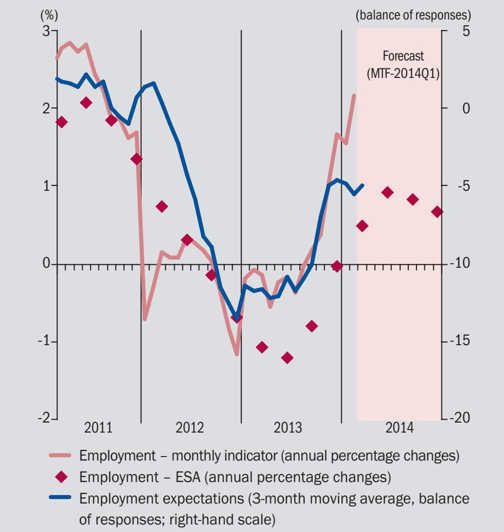
All the monthly data published in this bulletin are in line with the NBS assumptions about the real economy and price developments. The hard indicators suggest that the modest growth in the Slovak economy will continue in the first quarter of 2014, in accordance with the current forecast.

Chart 33 GDP, industrial production and sales (annual percentage changes)



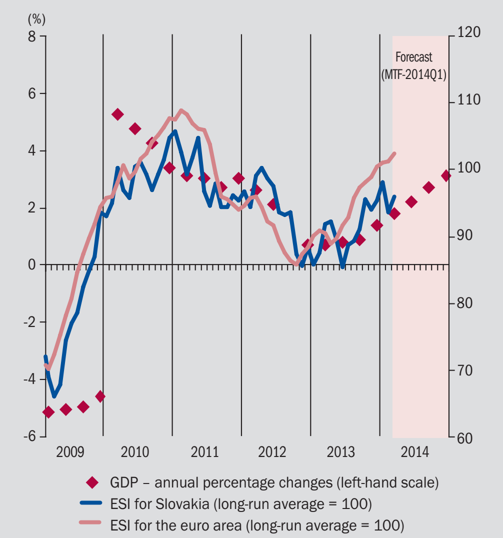
Source: SO SR and NBS.

Chart 35 Employers' expectations (balance of responses) and annual rates of change in employment (%)



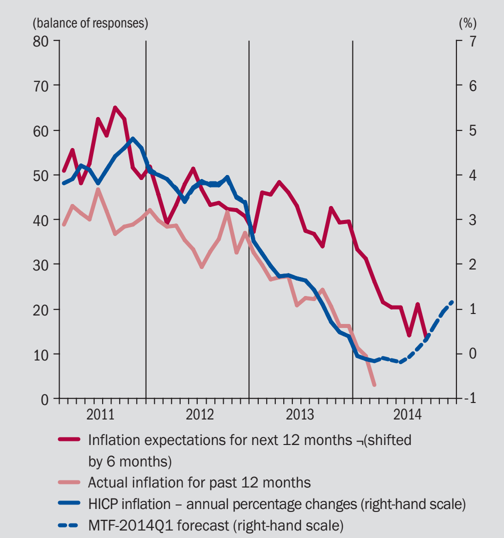
Source: SO SR, NBS, European Commission.
Note: The future figures are based on the MTF-2014Q1 forecast.

Chart 34 GDP and economic sentiment (annual percentage changes; long-run average = 100)



Source: SO SR, NBS, European Commission.

Chart 36 Consumers' inflation perceptions (balance of responses) and HICP inflation (annual percentage changes)



Source: SO SR, NBS, European Commission.

Retail sales give grounds for more optimism than expected, confirming the ongoing revival in private consumption. The labour market follows a favourable trend. It appears that the strengthening economic activity have started to create new jobs. This is fully in line with the NBS expectations. Price levels recorded a slight year-on-year fall in March, confirming the expectations of a gradual price decline or stagnation. According to the data available, it is not yet necessary to revise the tendencies predicted by the current forecast.

OVERVIEW OF MAIN MACROECONOMIC INDICATORS FOR SLOVAKIA

Table 3 Selected economic and monetary indicators for the SR

(annual percentage changes, unless otherwise indicated)

	Gross domestic product	HICP	Industrial producer prices	Employ-ment ESA 95	Unem-ployment rate (%)	Industrial produc-tion index	Total receipts of sec-tors	Economic sentiment indicator (long-term average =100)	M3 for ana-lytical pur-poses[1)]	Loans to non-financial corpora-tions	Loans to house-holds	State budget balance (EUR mil.)	General govern-ment balance as % of GDP	Debt ratio (general govern-ment 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
2006	8.3	4.3	6.4	2.1	13.3	-	-	112.5	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	-	-	114.6	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	-	-	99.1	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	-15.4	-18.6	78.0	-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	8.0	7.9	98.7	7.8	1.6	12.5	-4,436.1	-7.5	41.0	-3.7	1.2	1.3257
2011	3.0	4.1	2.7	1.8	13.5	5.3	8.9	98.6	2.9	7.6	11.1	-3,275.7	-4.8	43.6	-3.8	1.5	1.3920
2012	1.8	3.7	3.9	0.1	14.0	7.7	5.2	94.0	8.8	-2.3	10.3	-3,810.7	-4.5	52.7	2.2	5.0	1.2848
2013	0.9	1.5	-0.1	-0.8	14.2	5.3	2.1	90.6	5.2	1.7	10.2	-2,023.3	-2.8	55.4	2.1	5.9	1.3281
2013 Q2	0.8	1.7	0.1	-1.3	14.0	2.9	2.5	89.1	7.4	-0.1	10.0	-	-2.1	57.9	4.8	8.6	1.3062
2013 Q3	0.9	1.4	-0.7	-0.9	14.1	4.5	1.8	89.7	6.2	0.4	10.3	-	-1.4	57.1	1.1	4.5	1.3242
2013 Q4	1.5	0.5	-1.7	0.1	14.2	10.8	4.3	95.0	5.2	1.7	10.2	-	-4.8	55.4	-0.9	3.6	1.3610
2014 Q1	.	-0.1	.	.	.	.	.	95.9	.	.	.	-	.	.	.	.	1.3696
2013 Apr.	-	1.7	0.9	-	14.4	3.7	5.4	92.2	7.7	-2.2	10.0	-1,076.1	-	-	-	-	1.3026
2013 May	-	1.8	-0.3	-	14.3	2.4	1.6	89.6	5.8	-2.7	10.0	-1,601.4	-	-	-	-	1.2982
2013 June	-	1.7	-0.3	-	14.3	2.6	0.6	85.5	7.4	-0.1	10.0	-1,664.8	-	-	-	-	1.3189
2013 July	-	1.6	-0.5	-	14.0	3.0	1.6	88.8	5.7	-2.2	10.1	-1,625.6	-	-	-	-	1.3080
2013 Aug.	-	1.4	-0.7	-	13.7	3.9	0.4	89.4	6.3	-0.5	10.2	-1,916.6	-	-	-	-	1.3310
2013 Sep.	-	1.1	-0.8	-	13.8	6.4	3.2	91.0	6.2	0.4	10.3	-1,978.0	-	-	-	-	1.3348
2013 Oct.	-	0.7	-1.4	-	13.7	7.1	3.0	95.6	9.0	1.0	10.2	-1,971.5	-	-	-	-	1.3635
2013 Nov.	-	0.5	-2.0	-	13.5	12.9	4.2	94.0	6.5	-0.6	10.3	-1,962.8	-	-	-	-	1.3493
2013 Dec.	-	0.4	-1.7	-	13.5	12.7	5.9	95.4	5.2	1.7	10.2	-2,023.3	-	-	-	-	1.3704
2014 Jan.	-	0.0	-2.5	-	13.6	12.9	4.9	98.1	4.8	2.8	10.2	-122.9	-	-	-	-	1.3610
2014 Feb.	-	-0.1	-3.7	-	13.5	9.0	3.9	93.7	5.0	0.0	10.5	-877.1	-	-	-	-	1.3658
2014 Mar.	-	-0.2	.	-	13.3	.	.	95.9	.	.	.	-1,085.8	-	-	-	-	1.3823

Sources: Statistical Office of the Slovak Republic, MF of the SR, the European Commission and NBS.
1) Currency in circulation in M3 refers to money held by the public (according to methodology in place prior to 2008).

More detailed time series for selected macroeconomic indicators
http://www.nbs.sk/_img/Documents/_MonthlyBulletin/2014/StatisticsMB0414.xls