NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

NBS
Monthly Bulletin

September 2014

Published by:

Address:
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http://www.nbs.sk

Debated by the NBS Bank Board on 30 September 2014.

ISSN 1337-9526 (online)

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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]

The stagnation of the euro area economy was confirmed by the second-quarter national accounts published for the area as a whole and the individual member countries. The lack of overall growth was largely attributable to the economic situation in Germany, which was affected by the base effect of a mild winter in the first quarter and by a lower number of working days. Looking at the composition of euro area GDP growth, the main negative contributions were from changes in inventories and from investment demand, which was partly related to the geopolitical situation. At its meeting in September, the ECB's Governing Council responded to low inflation in the euro area (0.4% in August), declining projections for inflation in the medium term, falling inflation expectations and the stalling of the euro area recovery by cutting interest rates and adopting further non-standard measures to support lending.

In Slovakia, **economic growth remained relatively robust in the second quarter, at 0.6%, which was in line with projections.** The composition of that growth, however, diverged from the forecast. For the first time since the crisis year of 2009, domestic demand was the main driver of growth and managed to more than offset a decline in exports. Within domestic demand, private consumption increased on the basis of a marked rise in income and employment. With job creation boosted by domestic demand, **employment increased quarter-on-quarter by 0.5%**. Investment demand was supported mainly by a pick-up of investment in fixed assets. Public consumption also contributed positively to GDP growth. The changes in growth composition were incorporated into the latest Medium-Term Forecast (MTF-2014Q3).

July's data for sales and industrial production indicated a slight slowdown in activity. The labour market, too, saw a moderate correction of the buoyant developments observed in the second quarter. In August, employment fell slightly and the unemployment rate remained unchanged (at 12.9%).[2]

The economic sentiment indicator for Slovakia declined, albeit only moderately, affected by several months of deteriorating sentiment in the euro area. Forward-looking indicators in the euro area and Germany maintained a downward trend and point to a slowdown in activity.

Price developments in August were slightly more subdued than projected. **The annual rate of change in the inflation rate was -0.2%,[3] with most of the decrease accounted for by falling food prices.** These prices represent the greatest risk to the inflation forecast for the months ahead.

The MTF-2014Q3 forecast takes into account all the latest published data except for forward-looking indicators for September.

1 All month-on-month and quarter-on-quarter changes mentioned in the text have been seasonally adjusted using NBS internal models.
2 Registered unemployment rate, seasonally adjusted by NBS.
3 The annual rate of change in the price level as measured by the HICP.

2 The real economy

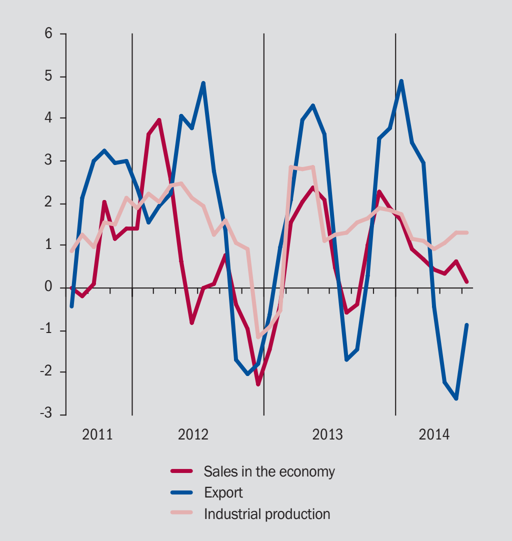
2.1 'HARD' INDICATORS OF ECONOMIC ACTIVITY

Sales growth fell in July owing mainly to slower sales in the automotive industry. Export volumes did not reflect this slowdown, which was probably due to exports lagging sales in the second quarter. Industrial production continued to increase on a three month-on-three month basis, and at present it is does not imply a third-quarter slowdown in GDP growth.

While automotive sales fell, overall sales increased thanks to contributions from other sectors of industry

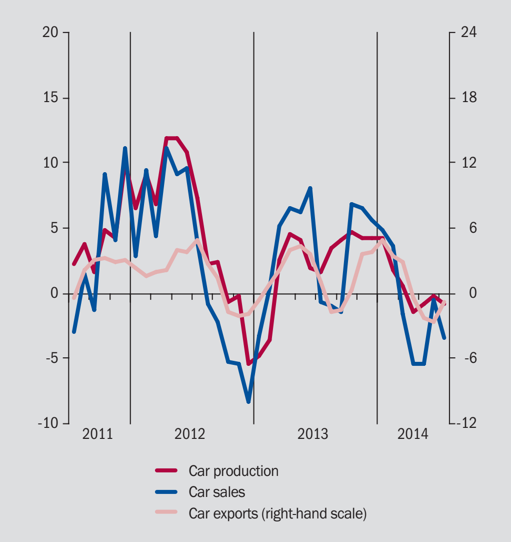
Looking at total sales in the economy, their three-month moving average for May-July was 0.2% higher than that for the previous three months (down from an increase of 0.6% in the average for April-June). As in the previous period, sales growth was driven mainly by sales in industry, as well as by sales in wholesale and retail trade. For some time now, overall sales have reflected significant contributions from wholesale trade, as well as retail trade, which may indicate that domestic demand will remain favourable in line with NBS expectations. With consumer confidence at a post-crisis peak, and prices remaining flat, assumptions for consumer demand remain positive.

Chart 1 Sales, industrial production and exports (percent; three-month moving average compared against average for previous three months)



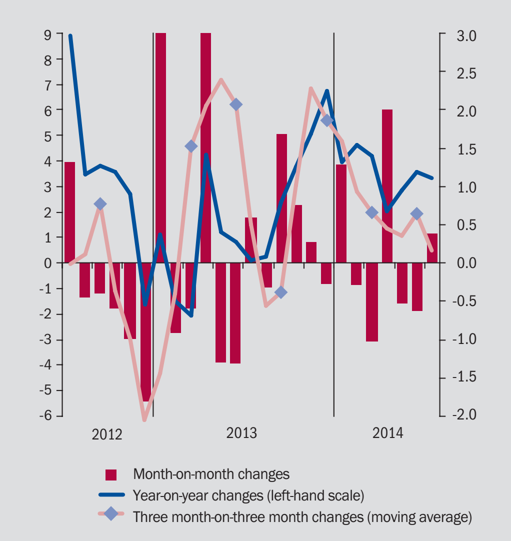
Source: SO SR, NBS calculations.

Chart 2 Automotive industry indicators (percent; three-month moving average compared against average for previous three months)



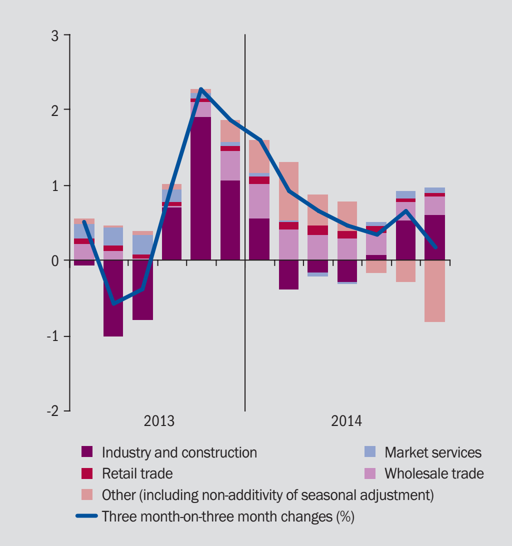
Source: SO SR, NBS calculations.

Chart 3 Total sales at constant prices (%)



Source: SO SR, NBS calculations.

Chart 4 Total sales by contributions of selected sectors to three-monthly rate of change (p.p.; constant prices)



Source: SO SR, NBS calculations.

In industry, the sales growth was largely accounted for by the metal sector and the electrical and electronics sector. On the other hand, weakening sales in the automotive sector began to weigh significantly on overall industry sales.

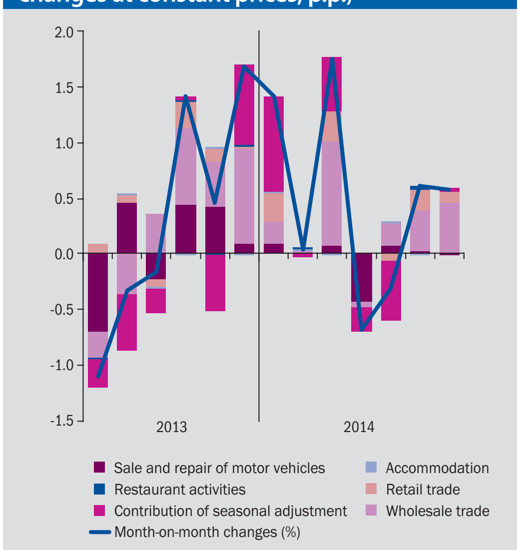
In month-on-month terms, overall sales growth in July was driven by both trade and industry, in particular by sales in the petrochemical and electrical/electronic industries, which in the previous month had declined.

Industrial production not significantly affected by holiday period

Industrial production's three-month moving average for May-July was 1.3% higher than the average for the previous three months. This was unchanged from the difference between the averages for April-June and January-March. These two positive levels of industrial production growth may indicate that GDP growth will be maintained in the third quarter of 2014, with domestic demand expected to make the largest positive contribution. The growth rate in the May-July moving average was largely accounted for by the metal sector, electrical/electronics sector, and energy supply sector. The automotive sector's contribution to the increase in the three-month moving average was slightly negative in the April-June rate and became more negative in the May-July rate. This sector together with the chemical industry had the largest downward impact on industrial production growth.

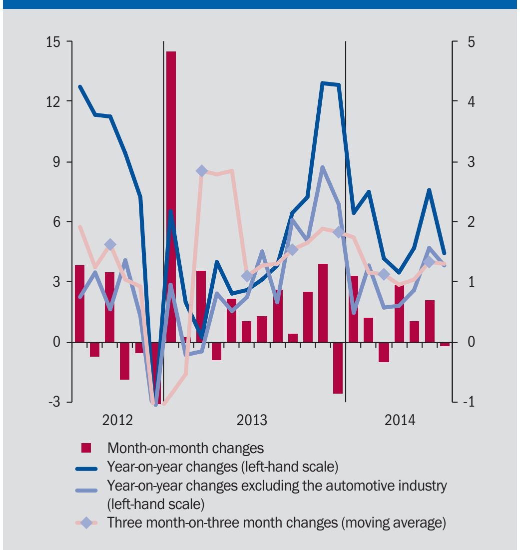
Although industrial confidence recorded a further moderate improvement in August, industry order books (Chart 8) fell again in the same month – particularly so in the automotive sector – and may signal greater uncertainty in the period ahead.

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



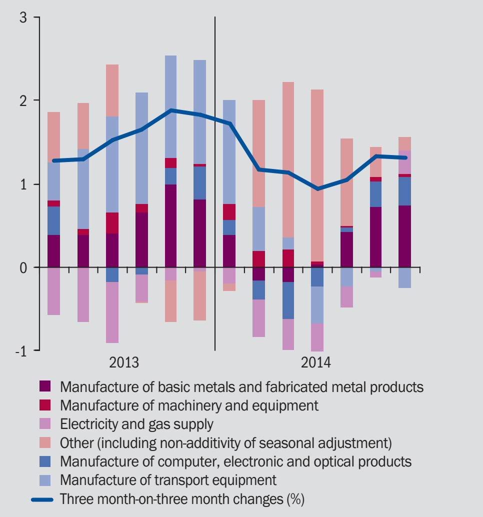
Source: SO SR, NBS calculations.

Chart 6 Industrial production (%)



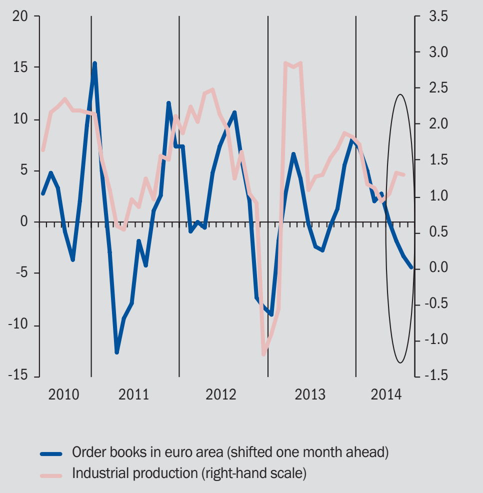
Source: SO SR, NBS calculations.

Chart 7 Industrial production – principal contributions to three-monthly rate of change (p.p.; moving average)



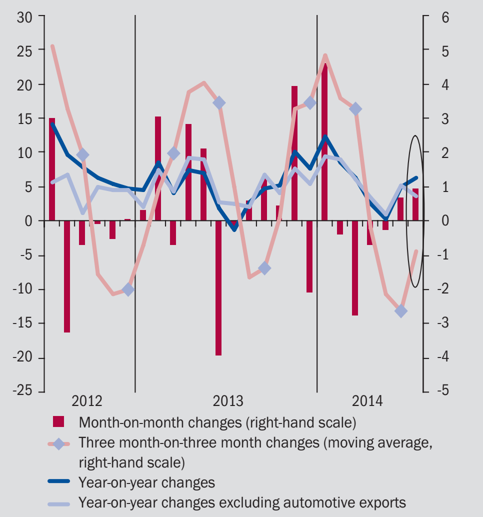
Source: SO SR, NBS calculations.

Chart 8 Industrial order books and production (three month-on-three month percentage changes)



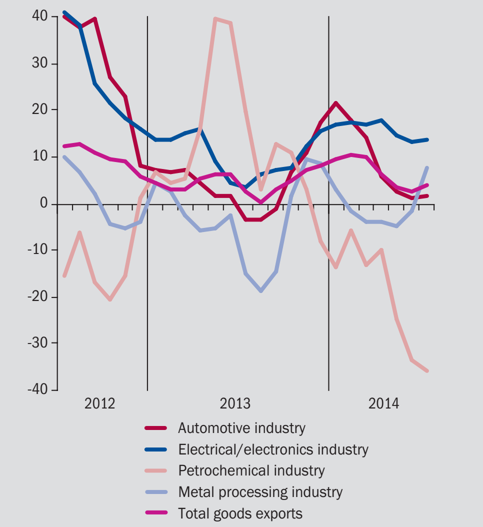
Source: SO SR, NBS calculations.
Note: New orders are converted into constant prices using the producer price index.

Chart 9 Goods exports (percent; constant prices)



Source: SO SR, NBS calculations.
Note: Converted by NBS into constant prices.

Chart 10 Annual percentage changes in exports in selected sectors (3-month moving average; constant prices)

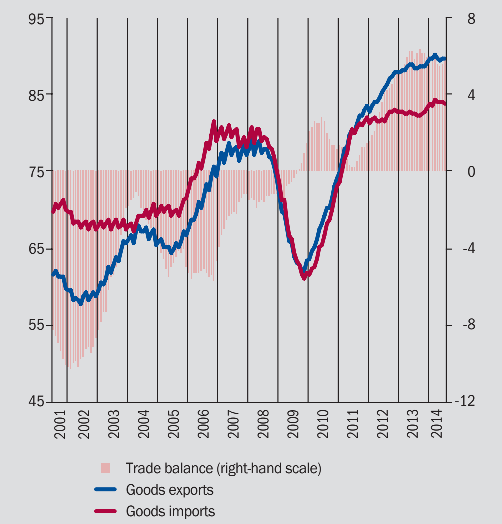


Source: SO SR, NBS calculations.
Note: Converted by NBS into constant prices.

Exports at constant prices increased in July

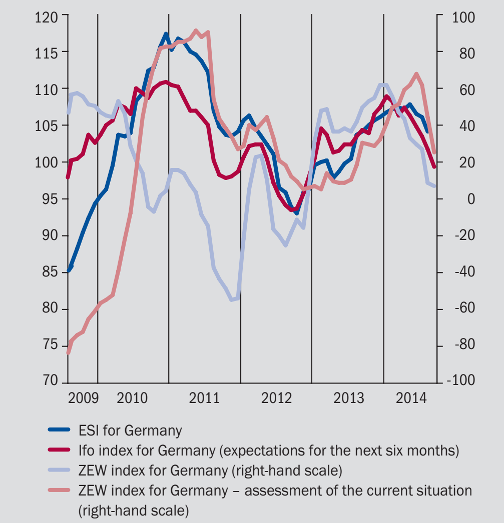
Turning to goods exports, at constant prices, their three-month moving average for May-July was 1% lower than that for the previous three months (by comparison, the April-June average was 2.5% lower than the January-March average). Real export growth continues to be supported by falling export prices. July saw a marked decrease in export prices in transport equipment manufacture, which stemmed what had a been significant downward trend in car exports.

Chart 11 Ratios to GDP (12-month percentages)



Source: SO SR, NBS calculations.

Chart 12 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).

Exports of consumer electronics and computers picked up in July after falling in previous months (albeit more moderately than car exports). Exports of metals and metal products also increased after a less successful second quarter. On the other hand, exports of refined petroleum products remain subdued, probably owing to continuing investment-related shutdowns that have temporarily reduced production and exports. Looking at industrial order books in the euro area, as well as the slowdown in forward-looking indicators, exports may be expected to decline, and that assumption is incorporated into the MTF-2014Q3 forecast.

Goods imports, after an estimated conversion into constant prices, reported a three-month moving average for May-July that was 1.8% lower than the average for the previous three months. Goods imported for intermediate consumption in car plants fell (supporting expectations of a decline in external demand), but the most marked drop was in imports of refined petroleum products.

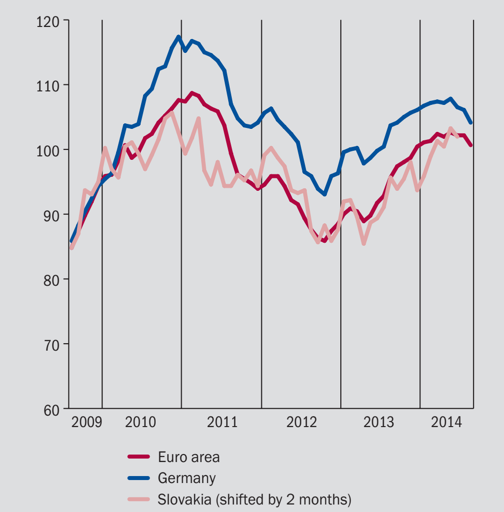
The 12-month trade surplus in July amounted to €464.7 million (seasonally unadjusted), or 6% of GDP. This ratio was approximately the same as that for the same period of the previous year.

2.2 FORWARD-LOOKING ‘SOFT’ INDICATORS

Continuing scepticism in the euro area and Germany

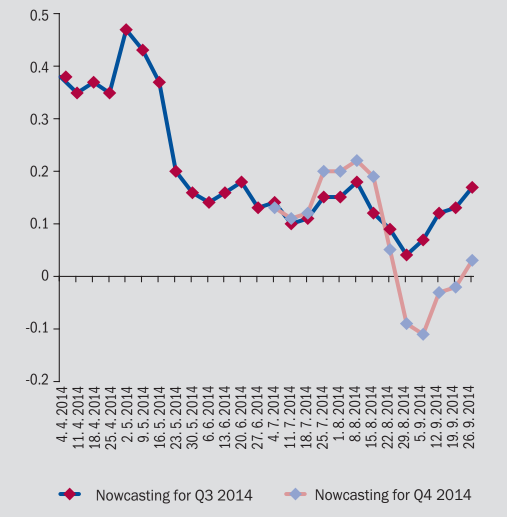
In August, the economic sentiment indicators for both the euro area and Germany declined sharply amid deteriorations in all ESI components. In

Chart 13 Economic sentiment indicator (long-run average = 100)



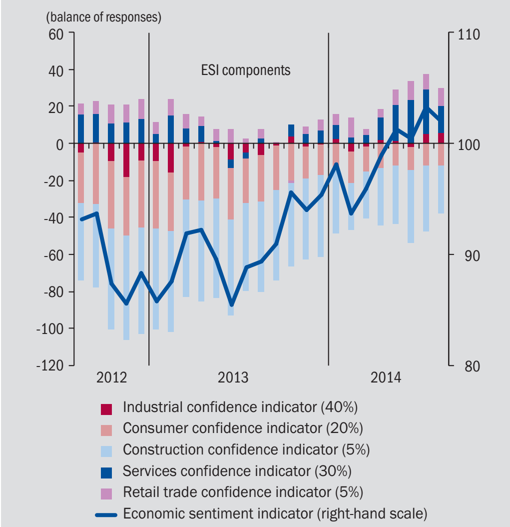
Source: European Commission.

Chart 14 Euro-area GDP growth estimate for Q3 and Q4 2014 (quarter-on-quarter percentage changes)



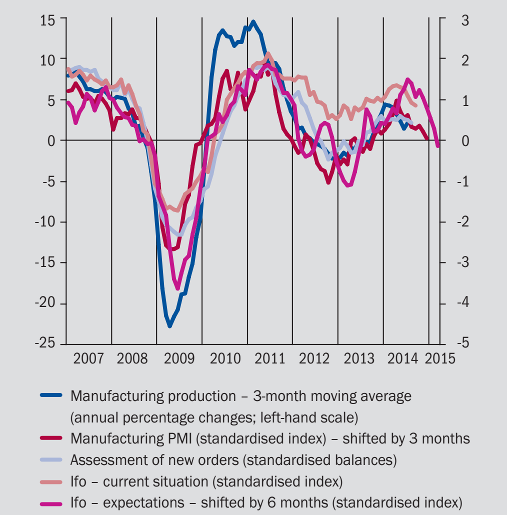
Source: Now-Casting.com

Chart 16 Economic sentiment indicator for Slovakia (long-run average = 100)



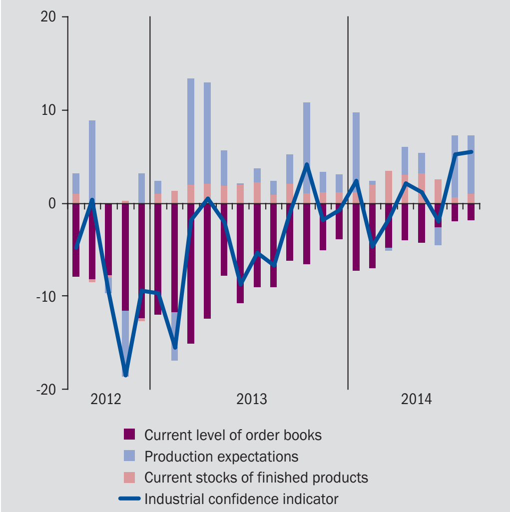
Source: European Commission.
Note: The percentages in the legend represent the weights of the respective components in the ESI.

Chart 15 Germany – industrial production and forward-looking indicators



Source: Eurostat.

Chart 17 Industrial confidence indicator for Slovakia (balance of responses)



Source: European Commission.

September, Germany's ZEW index and Ifo index both fell again. Looking at the PMIs for the euro area and Germany in September, the euro area index dropped slightly, to 52.3 (from 52.5 in August), while the German index increased moderately, to 54.0 (from 53.7 in August).

The downbeat mood among German firms, as well as in the wider euro area, represents an ongoing risk to the economic growth outlook for the second half of the year.

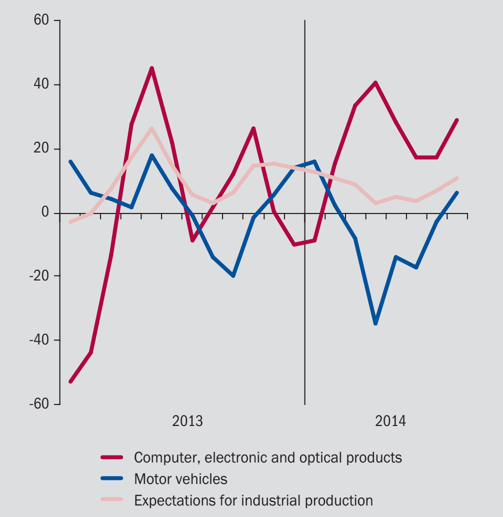
Economic sentiment in Slovakia affected by weak confidence in the euro area

The economic sentiment indicator (ESI) for Slovakia fell month-on-month in August by 1.3 points, to 102.0. This deterioration was entirely accounted for by services confidence, with all the other ESI components recording some improvement.

All components of the services confidence indicator declined, but the largest drop was in demand expectations, particularly in the sectors of transportation and storage, information and communication, and entertainment and recreation. Industry confidence brightened marginally, based mainly on improved assessments of the level of current order books. Construction confidence was significantly boosted by improved employment expectations for coming months and more positive appraisals of the level of order books. A rise in retail trade confidence stemmed from increased optimism about the expected business situation. Consumer confidence increased slightly with improved assessments of all components apart from future unemployment.

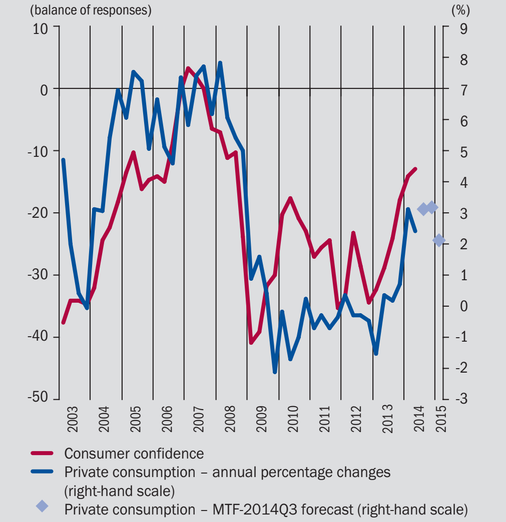
The deterioration of economic sentiment in the euro area and Germany is expected to be reflected in the industrial component of Slovakia's ESI. This assumption is incorporated in the revised estimate for GDP growth in the MTF-2014Q3 forecast.

Chart 18 Industrial production expectations (balance of responses; 3-month moving average)



Source: European Commission and NBS.

Chart 19 Consumer confidence and private consumption



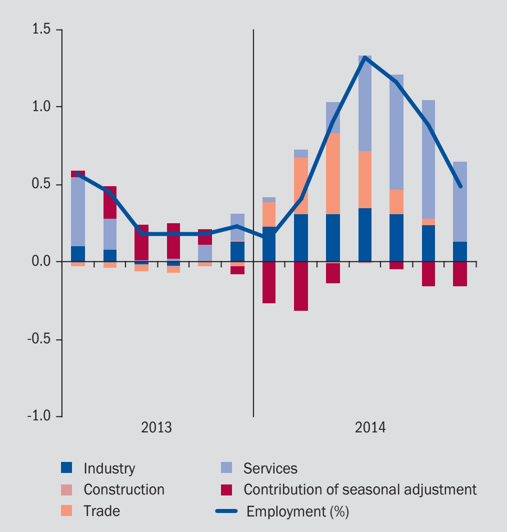
Source: SO SR, European Commission and NBS.

3 Labour market

The revival of employment in the economy as a whole in the first half of 2014 was confirmed by quarterly employment figures. Employment data in selected segments of the private sector for the first six months sent a similar message. In July, however, employment fell month-on-month by 0.3% (or around 3,800 people), while its year-on-year increase remained unchanged from the previous month, at 2.2%. The upward trend in services employment came to an end (except in the information and communication sector, where employment has been rising for more than a year). Other sectors, too, experienced a correction in employment growth, albeit less marked than that in services. In August, on the other hand, employers were relatively optimistic that employment would pick up in the period ahead. Furthermore, job creation in the economy is increasing, which suggests that July's decline in employment may not necessarily presage a longer-term trend.

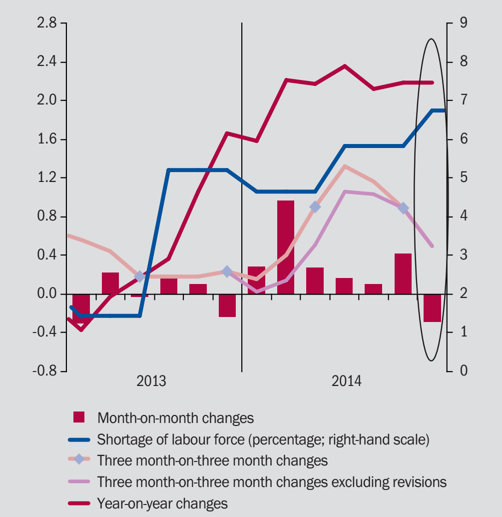
In line with these developments and the slight deterioration of confidence in euro area economies, employment growth in the third quarter is expected to be lower than in the previous quarter.

Chart 20 Employment – sectoral contributions to the three-monthly rate of change (p.p.)



Source: SO SR, NBS calculations.

Chart 21 Rates of change in employment (%)



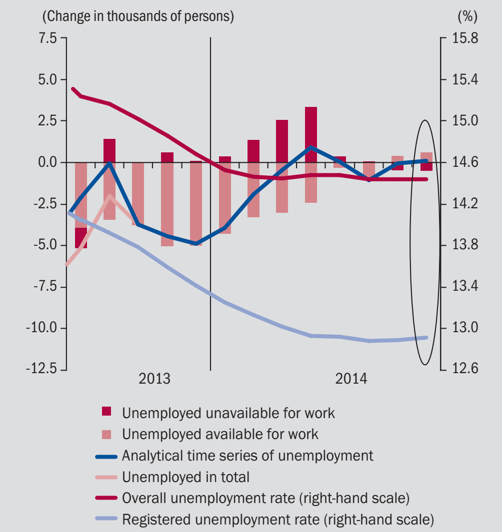
Source: SO SR, NBS calculations.
Note: The indicator 'shortage of labour force' is included in EC business surveys. In January, upward revisions were made to employment growth in the segments of business activities, accommodation, and restaurants. At the same time, the figures for 2013 were not revised and hence there was probably no upward effect on the labour market situation.

The number of unemployed registered with labour offices continued to remain flat in August. The total number of unemployed was unchanged after seasonal adjustment, while the number of unemployed available for work increased by 0.2%.[4] This marginal increase resulted from a slight drop in the number of unemployed unavailable for work. It may be concluded that the number of unemployed has remained broadly unchanged since March (partly owing to an inflow of economically-inactive people reclassified as unemployed and to people returning from work abroad to sign on at labour offices). The lack of improvement in unemployment in July and August may indicate that the recovery of the labour market and economy as a whole will decelerate in the second half of the year.

Consistent with these developments, the MTF-2014Q3 forecast assumes that unemployment will decrease more slowly in

4 *The seasonally unadjusted rate of registered unemployment fell by 0.11 percentage point, to 12.56%. The unemployment rate based on the total number of job seekers fell by 0.12 percentage point, to 14.11%.*

Chart 22 Unemployment (%)

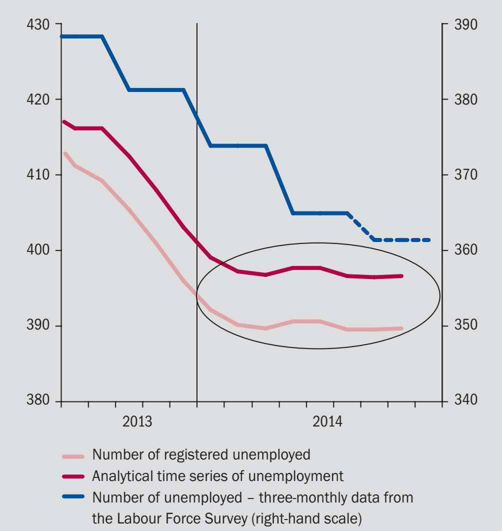


Source: Central Office of Labour Social Affairs and Family, NBS calculations.

the second half of 2014 than it did in the first half. The projected quarter-on-quarter drop is around 3,400 people (based on Labour Force Survey methodology). That the decrease in registered unemployment since March 2014 is almost zero may partly be because the number of people removed from unemployment rolls for administrative reasons (for example, due to non-cooperation, voluntary deregistration) is below its historical average. Abstracting from this administrative effect, the registered unemployment figure for the third quarter would be closer to the quarter-on-quarter decline projected in the MTF-2014Q3 forecast.

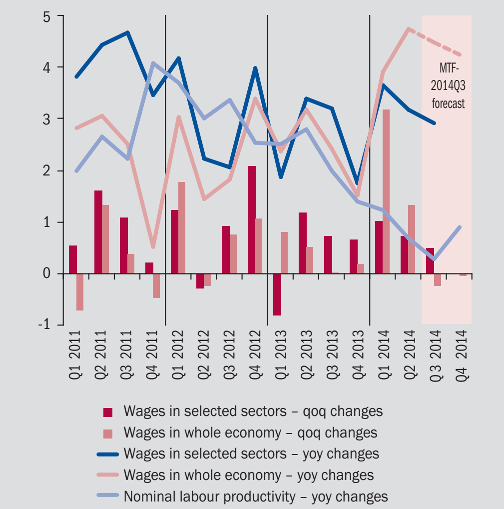
Annual wage growth in July fell to 2% in July, from an average of around 3.5% for the first half of the year. Nominal labour productivity growth is very subdued, reflecting a negative rate of change in producer prices and relatively modest economic growth. A slowdown in wage growth is not surprising given that the high increase in the first half is assumed to have reflected not simply higher base wages, but also the payment of ad hoc bonuses. Such bonuses are expected to be less generous in the second half of the year. July saw wage growth fall in most sectors, but particularly so in industry and construction. In services, wage growth remains slightly negative,

Chart 23 Number of unemployed (thousands of persons)



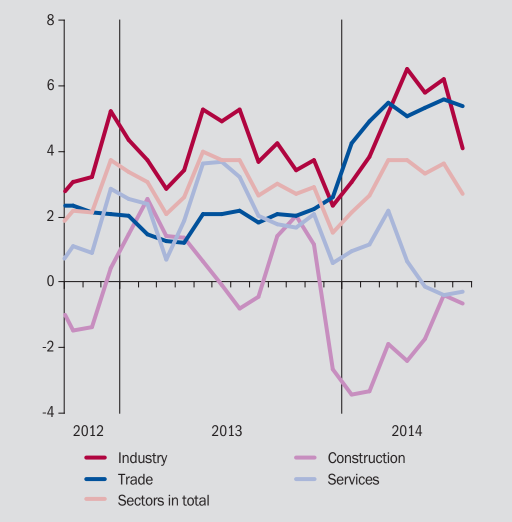
Source: Central Office of Labour Social Affairs and Family, SO SR, and NBS calculations.
Note: The number of unemployed (Labour Force Survey) for Q2 and Q3 2014 is based on the MTF-2014Q2 forecast.

Chart 24 Wage developments in the economy (annual and quarter-on-quarter percentage changes)



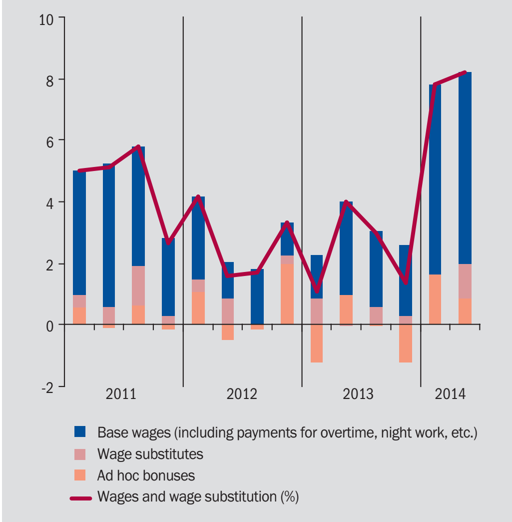
Source: SO SR.
Note: Wage growth in the selected sectors for Q3 2014 is calculated using the SO SR's monthly data for July and an estimate for August and September based on ARIMA modelling. The wage growth figures for the economy as a whole in Q3 to Q4 2014 are the projections given in the MTF-2014Q3 forecast. The nominal labour productivity figures follow the MTF-2014Q3 forecast.

Chart 25 Wage growth (annual percentage changes; 3-month moving average)



Source: SO SR.

Chart 26 Bonuses and principal wage components (annual percentage changes; components in p.p.)



Source: SO SR, NBS calculations.
Note: This data is from statistics for a cohort of firms that employ 20 or more people (including also companies performing financial intermediation and all non-business organisations regardless of how many employees they have) and a cohort of firms that have fewer than 20 employees and annual production worth €5 million or more.

probably owing to the recruitment of new lower-paid staff. In business activities, however, wage growth remains above 5% despite a slight deceleration.

Given these facts, annual wage growth is expected to be higher in the first half of the year than in the second half, and that assumption is incorporated in the MTF-2014Q3 forecast.

4 Prices

Prices fell moderately in August

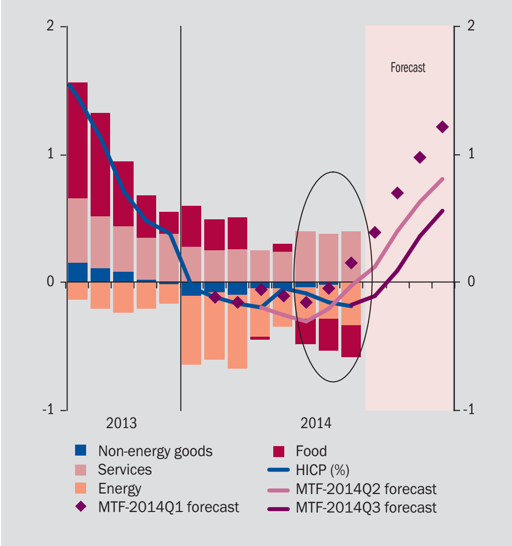
The annual rate of change in the HICP inflation rate was the same in August as in July, at -0.2%. This decrease was slightly greater than the projected figure of -0.1%. The month-on-month inflation rate was also -0.2%.

The main reason for annual inflation remaining flat at -0.2% was the lack of movement in food price inflation. Increased inflation rates in both services and non-energy industrial goods were offset by a decline in energy prices.

Despite its negative contribution to the overall HICP index, food price inflation is expected to shift into positive territory. This view is based on current developments in commodity prices, which, despite a good harvest and expected embargo effects, assume a gradual increase in food prices. In the short-term horizon, however, food prices continue to represent the most significant risk to the inflation forecast, especially with regard to geopolitical developments.

The steady improvements in consumer sentiment and trade sector confidence in Slovakia are expected to have a lagged upward effect on prices, partly through an increase in household final consumption. It is assumed that real household consumption growth will later, through a substitution effect, be reflected in consumption of higher-quality goods and services (without affecting price developments).

Chart 27 Composition of annual inflation (p.p.)



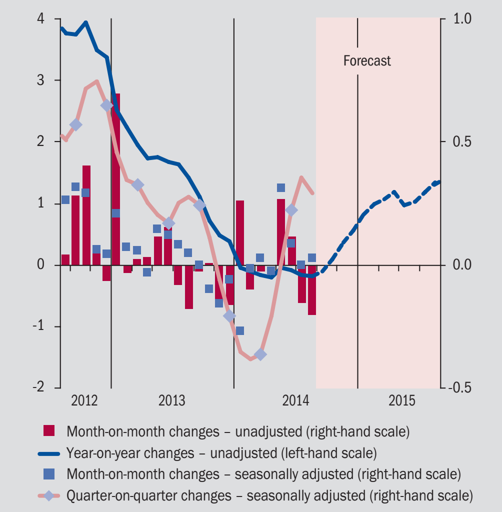
Source: SO SR, NBS calculations.

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	Net inflation excluding fuel
Month-on-month change	A	August 2013 – actual figure	-0.2	0.2	-0.7	0.1	**-0.2**	-0.1
	B	August 2014 – forecast	0.0	-0.1	-0.6	0.2	**-0.1**	0.1
	C	**August 2014 – actual figure**	**-0.1**	**-0.2**	**-0.7**	**0.1**	**-0.2**	**0.0**
	BC	**Difference in contribution to month-on-month rate of change (p.p.)**	**-0.04**	**-0.02**	**-0.03**	**-0.03**	**-0.11**	**-0.04**
Year-on-year change	D	July 2014 – actual figure	-0.1	-1.7	-1.0	1.2	**-0.2**	0.5
	E	August 2014 – forecast	0.1	-2.0	-0.9	1.4	**-0.1**	0.7
	F	**August 2014 – actual figure**	**0.0**	**-2.1**	**-1.0**	**1.3**	**-0.2**	**0.6**
	AC	Base effect	insignificant	moderate	insignificant	insignificant	**insignificant**	insignificant
	EF	**Difference in contribution to year-on-year rate of change (p.p.)**	**-0.04**	**-0.02**	**-0.03**	**-0.03**	**-0.11**	**-0.04**

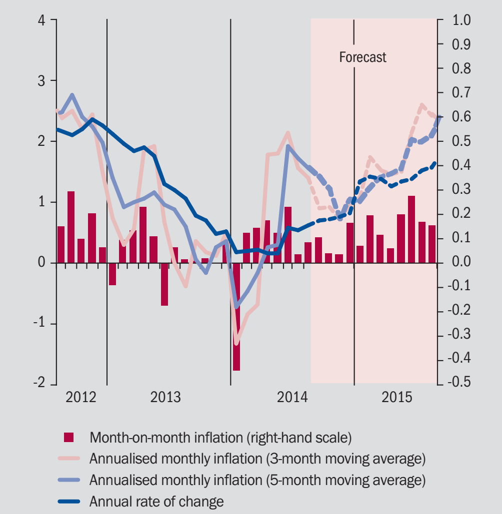
Source: SO SR, NBS calculations.

Chart 28 Headline inflation rate (%)



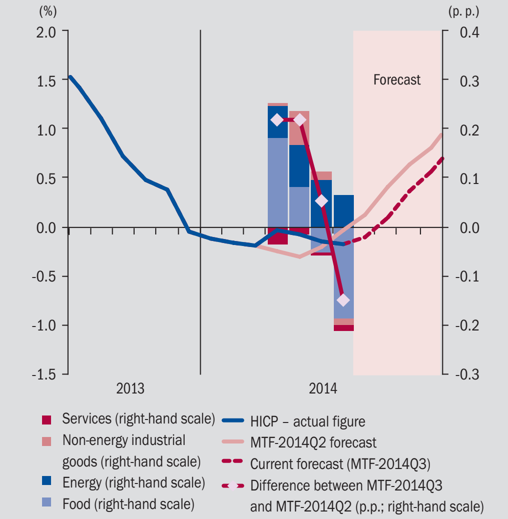
Source: SO SR, NBS calculations.

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.

Chart 30 Comparison of price developments



Source: SO SR, NBS calculations.

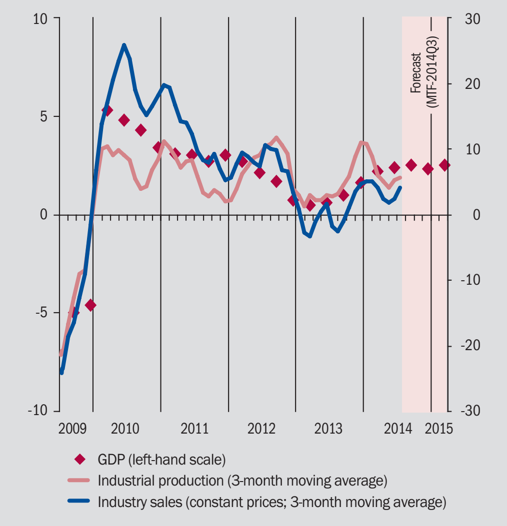
This could subsequently boost demand for services, causing their prices to rise gradually. At present, wage growth is expected to have a moderate cost-push effect on services prices.

Based on developments in August and technical assumptions, NBS assumes the average annual inflation rate for 2014 will be 0%. In the short term, the annual inflation rate is expected to be -0.1% in September and a slightly positive 0.1% in October.

5 Qualitative impact on the forecast

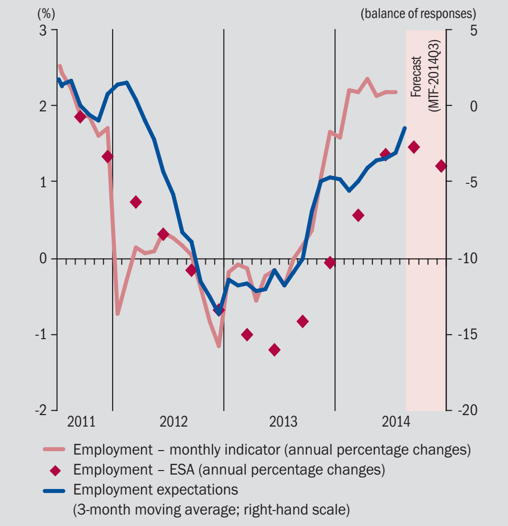
All relevant information and statistics have been incorporated into the latest Medium-Term Forecast (MTF-2014Q3), including the most recent developments in euro-area forward-looking indicators (published in mid-August, after the cut-off date for the ECB's projections). The forecasted composition of economic growth has been revised significantly on the basis of the published national accounts. The current outlook assumes weaker exports and a substantially

Chart 31 GDP, industrial production and sales (annual percentage changes)



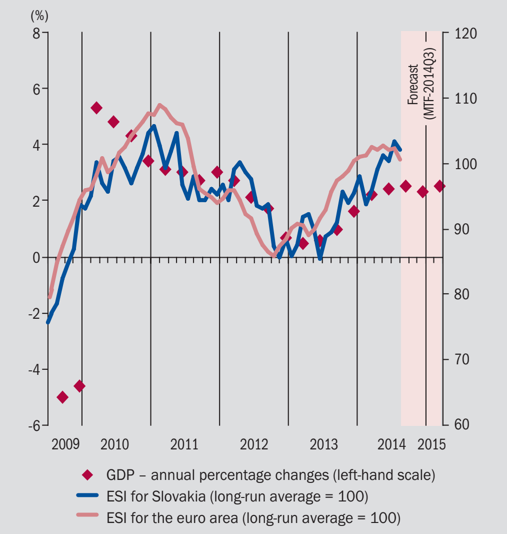
Source: SO SR and NBS.

Chart 33 Employers' expectations and the annual rate of change in employment (%)



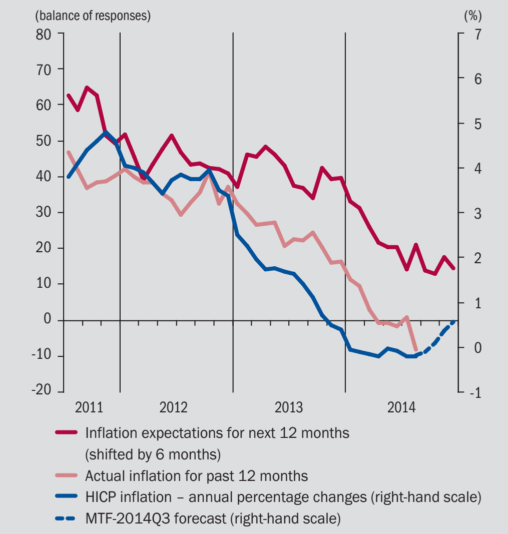
Source: SO SR, NBS and European Commission.

Chart 32 GDP and the economic sentiment indicator



Source: SO SR, NBS and European Commission.

Chart 34 Consumers' inflation perceptions and HICP inflation



Source: SO SR, NBS and European Commission.

increased domestic demand component, which should be the main driver of growth this year. In response to positive labour market indicators, both employment and wage growth projections have been revised up. With the inflation rate slightly lower than expected, the price growth projection for this year has been revised down slightly, while technical assumptions for food prices resulted in a lower inflation estimate for next year, too.

QUARTERLY REPORT ON THE INTERNATIONAL ECONOMY

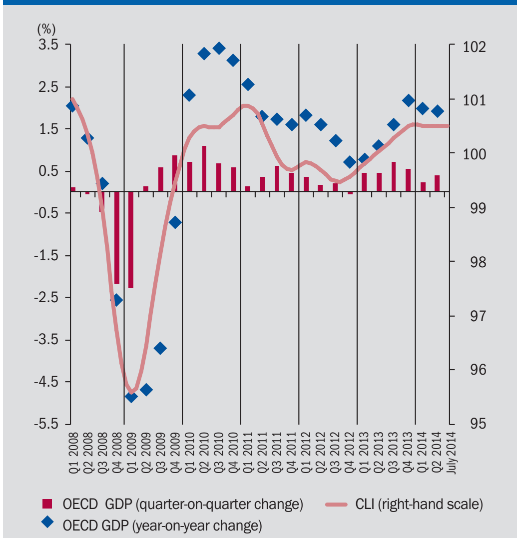
THE GLOBAL ECONOMY

The gradual but uneven recovery of the global economy continued in the second quarter of 2014. Notwithstanding some short-run volatility in certain countries, economic growth in advanced countries strengthened in the period under review. Activity in emerging economies also showed signs of revival, but remained heterogeneous across regions. After a sharp decline in the first quarter of 2014 caused by the cold winter, followed by a marked change in the volume of inventories, the American economy continued to expand in the second quarter. The global economy was also influenced positively by Great Britain, where economic activity profited from the growing consumer confidence and real estate market. Overall, the euro area economy had a neutral effect on the global economy, since the positive contribution of private consumption and net exports was dampened by the investment demand. After a VAT rate increase in April, the Japanese economy suffered a downturn in the second quarter of 2014, in line with expectations, but the central bank continued to pursue an eased monetary policy in support of economic recovery. The region of emerging economies was driven first and foremost by China, whose economic growth accelerated as a result of fiscal stimuli and dynamic lending growth. Central and Eastern European economies profited from the recovery of domestic demand and, especially, of investment. They had not yet been markedly affected by the weakening economic performance of Russia and Ukraine, resulting from the geopolitical conflict. The economies of Latin America followed different trends. While economic activity in Brazil was dampened by the weak business environment coupled by strict financial conditions and uncertainty in Argentina increased after the state bankruptcy at the end of July, economic growth in Mexico strengthened in the period under review.

Overall, economic growth in OECD countries accelerated to 0.4% in the second quarter of 2014, from 0.2% in the previous quarter. In year-on-year terms, however, economic growth slowed somewhat (by 0.2 percentage point, to 1.9%). The modest revival in the global economy over the short-term horizon was also confirmed by the Composite Leading Indicator (CLI)[5] of economic sentiment, which stagnated in all OECD countries over the second quarter of 2014 and continued to stagnate in July, too.

Global economic activity is likely to strengthen gradually, but the pace of recovery is expected to remain moderate. In advanced countries, the slower private sector restructuring, more moderate fiscal consolidation, improving labour market conditions, and favourable real estate market developments are supposed to boost confidence and thus strengthen domestic demand. This is also expected to have a positive influence on emerging economies, though these are unlikely to achieve such growth as before the crisis (due to structural reforms). Some of the emerging economies may be dampened by the monetary policy normalisation in advanced countries. On the other hand, the forward-looking indicators point to a deterioration in economic sentiment in certain regions as a consequence of the persisting geopolitical tensions between Russia and Ukraine, the further escalation of which represents a risk for the global economy.

Chart 35 Annual/quarterly percentage changes in GDP as implied by CLIs



Source: OECD.
Note: CLIs – Composite Leading Indicators.

5 *The CLI indicators are published by OECD on a monthly basis – the latest available data, released in September 2014, are for July 2014.*

The global rise in consumer prices accelerated in the second quarter of 2014, compared with the previous quarter. Owing to the existence of free capacities and well-anchored inflation expectations, however, price developments remained depressed in that period. The last few months have seen a price acceleration in the majority of advanced countries outside Europe. Emerging economies have also contributed to the accelerated global rise in consumer prices. There are strong price pressures in these countries. Different price developments were recorded in euro area, where inflation fell still further in the second quarter.

The dynamic consumer price increase in OECD countries in the period under review was influenced by all components. Accelerated price rise was mainly observed in April and May. This was followed by price stabilisation in June. The inflation rate rose from 1.6% in March to 2.1% in June, mainly as a result of energy prices. Their dynamics increased in this period by 2.2 percentage points (to 3.1%), while the year-on-year rise in food prices accelerated by 0.4 percentage point (to 2.1%). Core inflation rose to 2% in April 2014, for the first time since the end of 2011. It increased over the second quarter from 1.7% in March to 1.9% in June. Headline inflation in OECD countries fell to 1.9% in July, owing to a slowdown in energy prices (food price inflation and core inflation remained unchanged).

Global price developments in the period ahead may be influenced by several factors. Inflationary pressures are expected to be dampened by commodity prices. Food commodity prices have fallen considerably over the last few months in reaction to the favourable weather conditions. Oil prices are expected to rise only until the end of this year. In the following period, they are likely to fall and thus dampen the price increase. The expected growth in the global economy indicates that the output gap will close only slowly and thus free capacities will remain a factor limiting the inflationary pressures. Furthermore, information from surveys and financial markets points to anchored inflationary expectations.

COMMODITIES

The Brent oil price fluctuated over the second quarter of 2014 between US$103 and 115 per barrel. The average price stood at US$110/barrel and was roughly US$2/barrel higher than in the previous quarter. During the first half of April, oil prices showed a rising tendency in reaction to the persisting tensions between Russia and Ukraine. At the same time, the unfavourable prospects of additional oil supply from Libya and positive news from the American labour market were pushing the price of oil upwards. It rose in that period from US$103/barrel, by approximately US$7/barrel. In the following period (i.e. until the middle of June), oil prices were relatively stable. The subsequent escalation of the conflict in Iraq and problems with supplies from the second largest OPEC country, however, led to a rise in oil prices to a nine-month maximum (US$115/barrel). The further rise was dampened by a tightening of the security measures concerning oil fields by the Iraqi government. The resulting easing of concerns about the security of supplies from Iraq led to a fall in oil prices. The falling trend continued until the middle of August. This was due partly to renewed oil exports from Libya. At the end of August, crude oil was traded at the level of around US$100/barrel.

The average prices of non-energy commodities rose slightly in the second quarter of 2014. This rise was caused exclusively by food commodity prices, since metal prices declined in the second quarter, owing to the surplus of supply over demand and to concerns about the weakening demand in China. However, food and metal prices rose only in April; in May and June, they fell in month-on-month terms. The falling trend in food prices continued until August and resulted from the abundant wheat crops in the world and from the improving conditions for maize and soya bean growing in the United States. In July, metal prices started to rise in reaction to the tightened demand-side conditions. August saw no marked change in metal prices.

UNITED STATES

After a severe downturn in the first quarter of 2014, which was caused by the cold winter, the US economy staged a quick recovery in the second quarter. The annualised quarterly rate of growth increased quarter-on-quarter from -2.1% to 4.2%. In year-on-year terms, the pace of economic growth accelerated from 1.9% in the first quarter to 2.5% in the second quarter. This growth was stimulated by all components, except net exports. More than half of the quarter-on-quarter growth was determined by gross private investment (2.6 percentage points), especially by inventories and non-resident fixed investments. Private consumption, which fell in the first quarter of 2014 owing to the cold winter, underwent a revival (1.7 percentage points), too. Dynamic growth was mainly recorded in spending on consumer durables (motor vehicles). The government sector's contribution to GDP growth increased in quarter-on-quarter terms (to 0.3 percentage point), mainly as a result of government investment at the federal level.

Consumer price inflation in the United States rose in the second quarter of 2014, from 1.5% in March to 2.1% in June. A factor in the faster price increase was a fall in free capacities recorded in certain sectors of the economy. The rise in inflation (0.6 percentage point) took place in all components, but half of this rise was caused by energy prices. Food prices also increased more dynamically than in the previous quarter, owing to the delayed effect of the cold winter. A significant contribution to the rise in overall inflation came from core inflation, which rose from 1.6% in March to 1.9% in June. In May, core inflation reached a 16-month maximum (2%). Its course over the period under review was determined by rents and health care prices. In July, core inflation remained at the level of 1.9%. The rise in food prices accelerated in this period, while the energy price increase slowed considerably. As a result, headline inflation in the United States fell to 2.0%.

At its meetings in April, June, July and September, the Federal Open Market Committee (FOMC) decided to leave its target range for the federal funds rate unchanged, at 0% to 0.25%. The Committee signalled, that in determining how long to maintain the current rates at this level, the FOMC would assess progress (both realised and expected) towards its objectives of maximum employment and 2% inflation. The said assessment will also take into account additional information such as labour market conditions, inflationary pressure indicators, inflationary expectations, and financial performance. As regards its monetary policy stance, the Committee confirmed that it likely would be appropriate to maintain the current target range for the federal funds rate for a considerable time after the asset purchase programme ended, especially if projected inflation continued to run below the Committee's 2% longer-term goal, and provided that longer-run inflation expectations remained well anchored. Within the asset purchase programme, the Committee decided at these meetings to reduce the amount of asset purchases again by US$10 billion with effect from May, July, August, and/or October. Thus, subsequent to the September meeting, the amount of asset purchases was reduced to US$15 billion.

THE EURO AREA

After growing for four quarters in a row, the euro area economy came to a halt in the second quarter of 2014 (0% growth, compared with 0.2% in the previous quarter). The economic stagnation was, to some extent, a negative surprise, because, despite a certain deterioration, most of the forward-looking indicators pointed to modest economic growth. This result was, to a certain extent, influenced by the mild winter, which caused a marked upturn in construction activity in the first quarter, followed by a downturn in the second quarter. This was mainly reflected in Germany, the economy of which declined by

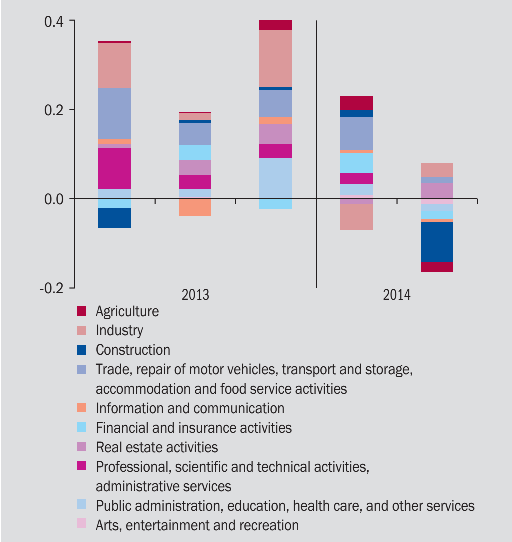
Chart 36 Economic growth (at 2005 constant prices, percentage changes)

Source: Eurostat.

0.2% quarter-on-quarter. Economic decline was also recorded in Italy (-0.2%), while the French economy remained stagnant. Economic growth in this period was reported from the Netherlands and Spain. The euro area economy's stagnation was also reflected in its annual growth rate, which slowed from 1.0% to 0.7%.

In terms of structure, economic growth was dampened by a fall in inventories and a fall in investment demand. The weakening investment demand was a consequence of the mild winter, the effects of which are expected to fade away in the next quarter. Adverse effects, however, may also be expected from the current geopolitical tensions, which have caused a deterioration in sentiment among economic entities. This may lead to a lack of interest in investment. By contrast, private and government consumption rose somewhat in the second quarter. Household consumption grew for the fifth quarter in a row, with the rate of growth accelerating slightly. The economy was also influenced favourably by exports, which grew at an accelerated pace, exceeding the growth in imports. Thus, net exports made a positive contribution to economic growth. Since exports grew even when manufacturing production was falling, which is indicated by the supply side of the economy, exports were probably supplied from the inventories.

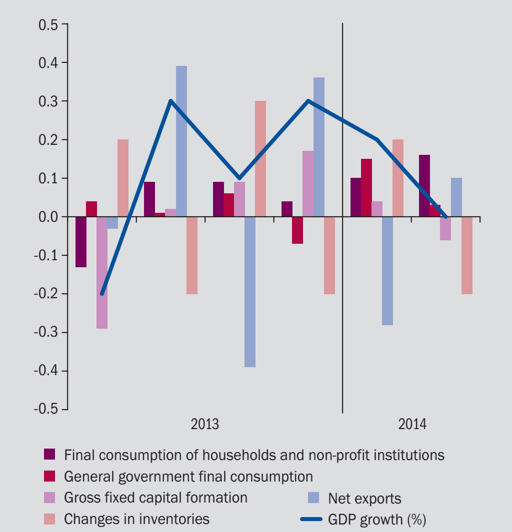
Chart 38 Contributions of value added by sector to quarterly GDP growth (percentage points)



Source: Eurostat and NBS calculations.

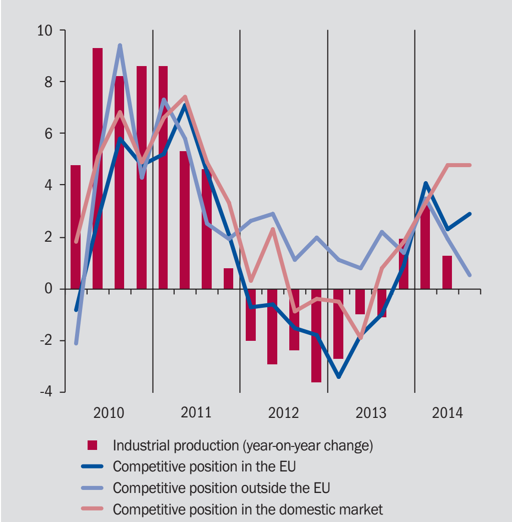
On the supply side of the economy, value added decreased by 0.1%. The sharpest decrease took place in construction, mainly as a result of the mild winter. By contrast, industry recorded a modest increase in value added. A negative trend in industry was a value added decrease in manufacturing, which represents a significant sector in terms of export performance. Thus,

Chart 37 Contributions to quarterly GDP growth by component (percentage points)



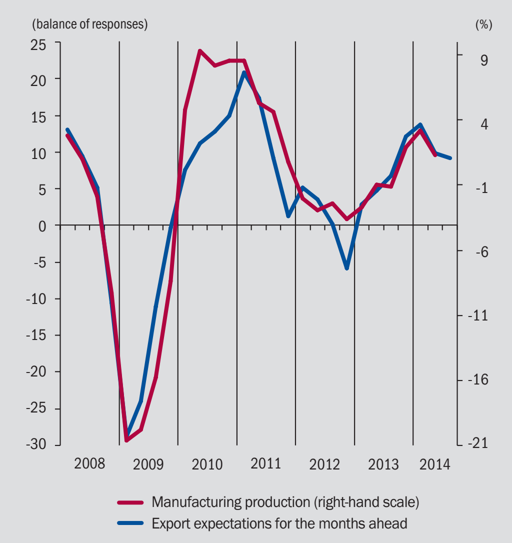
Source: Eurostat and NBS calculations.

Chart 39 Competitiveness in industry (balance of responses) and industrial production (annual percentage changes)



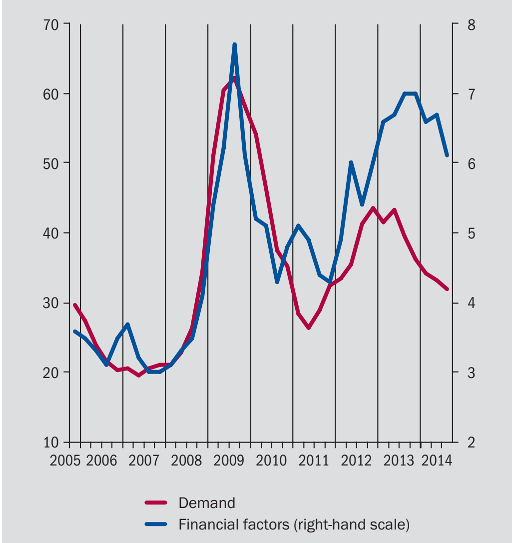
Source: European Commission, Eurostat and NBS calculations.

Chart 40 Export expectations in industry (balance of responses) and year-on-year growth in manufacturing production (%)



Source: European Commission, Eurostat and NBS calculations.

Chart 41 Production-limiting factors in industry (%)



Source: European Commission.

value added in industry was created mainly in power engineering and in other subsectors.

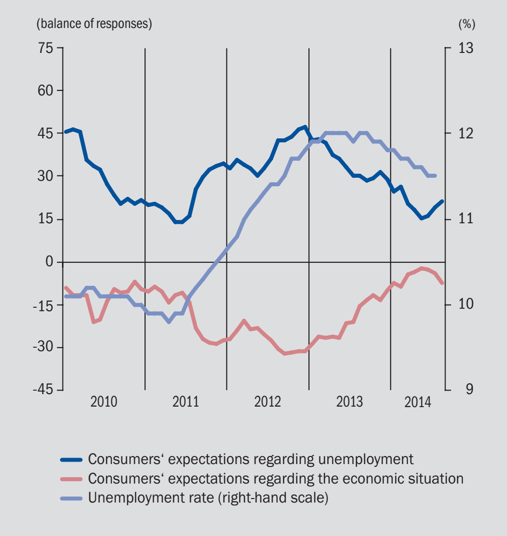
After growing over the previous four quarters, manufacturing production fell in the second quarter of 2014. Its year-on-year growth slowed, too. This corresponded to the sector's weakening competitive position in EU and non-EU markets, as well as to the weaker export expectations. Surveys indicate that industrial companies also perceived a deterioration in their competition position in non-EU markets in the third quarter, probably as a result of the current geopolitical tensions. The sector's competitive position as perceived in EU-markets improved somewhat, while that in the domestic market remained stable. At the same time, export expectations for the period ahead fell only slightly. They do not yet signal a profound negative change in manufacturing production.

Chart 42 Production-limiting factors in industry (%)

Source: European Commission.

Although the perception of demand as a production-limiting factor weakened in the third quarter of 2014 (for the fifth quarter in a row), demand remained at a low level. The perception of financial factors as limitations to production also weakened in the third quarter, probably as a result of a cut in the key ECB interest rates in June and the launch of targeted long-term refinancing operations. Although the perception of such factors as limitations to production remained at a relatively high level, recent developments point to an improvement in the approach of industrial companies to financing. The other monetary-policy measures of the ECB, approved by the Governing Council in September, are also expected to contribute to this favourable trend. The perception of equipment

Chart 43 Unemployment (%) and consumers' expectations regarding the economic situation and unemployment in the next 12 months (balance of responses)



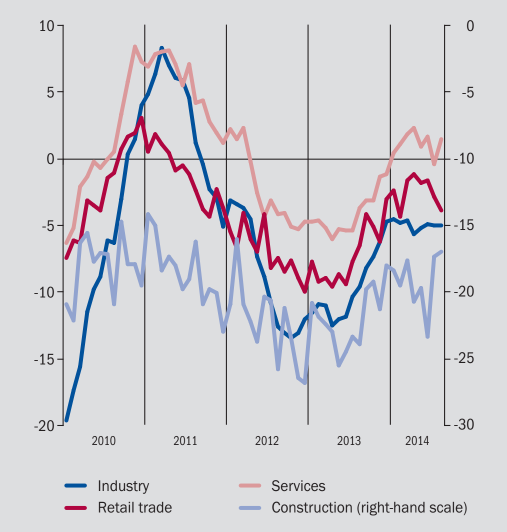
Source: European Commission and Eurostat.

as a production-limiting factor weakened, too. This, however, may be an indication of waning interest in new investment. By contrast, the perception of labour as a production-limiting factor strengthened somewhat, indicating an improvement in the labour market conditions.

Although the labour market still represents a weak link in the economy, the unemployment rate fell slightly again in the second quarter of 2014, by 0.2 percentage point to 11.5% (and remained at this level in July, too). The expectations of consumers regarding the economic situation and unemployment in the future, however, began to show signs of pessimism in June (owing to the geopolitical tensions). The expectations regarding employment diverged across sectors. While remaining more or less stable in industry and services, they have been improving over the last two months in construction. Expectations in construction, however, are rather volatile; hence they must be interpreted with caution. By contrast, the expectations regarding employment in retail trade have been worsening since May.

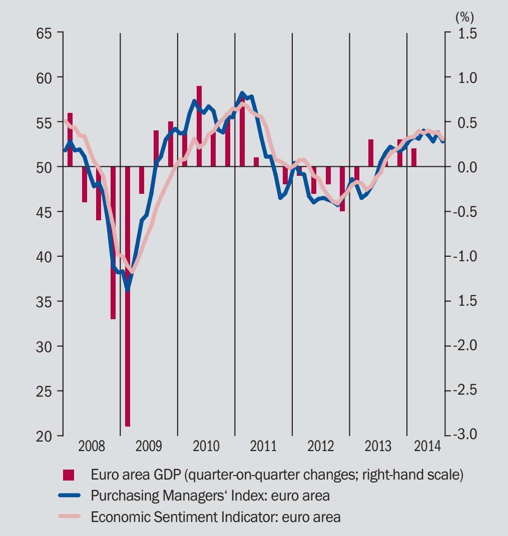
The available forward-looking indicators have been worsening over the last few months. After improving temporarily in July, the composite Purchasing Managers' Index (PMI) worsened considerably in August for both the euro area and Germany. However, it still indicated economic growth in both cases. After fluctuating in the previous months, the Economic Sentiment Indicator (ESI) also fell significantly in August, when confidence weakened in all sectors. Consumer confidence weakened for the second consecutive month. The weakening

Chart 44 Employment expectations by sector (balance of responses)



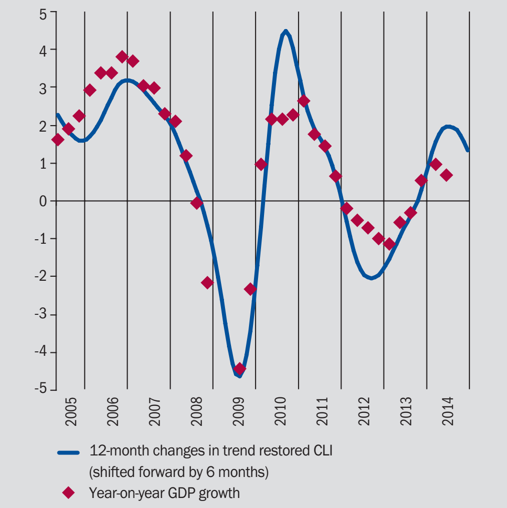
Source: European Commission.

Chart 45 Euro area forward-looking indicators and GDP growth



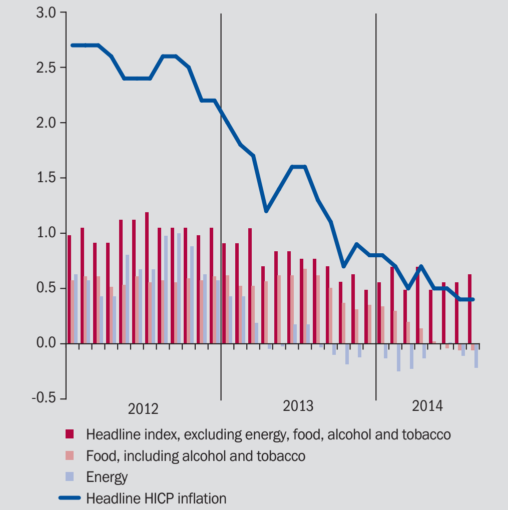
Source: European Commission, Eurostat, Bloomberg, and NBS calculations.

Chart 46 The OECD Composite Leading Indicator (expectations) and annual GDP growth (%)



Source: OECD and Eurostat.

Chart 47 Annual headline HICP inflation (%) and contributions of selected components (percentage points)



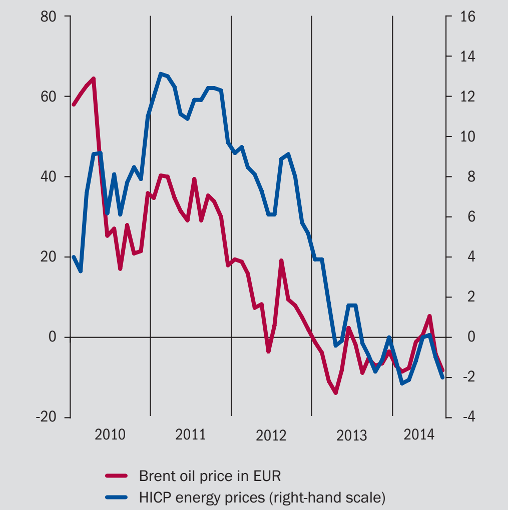
Source: Eurostat and NBS calculations.

consumer confidence may result in weaker consumer demand with a subsequent negative impact on economic growth. Other forward-looking indicators for Germany pointed to a deterioration, too. Apart from the composite PMI, the ESI indicator also worsened in August, as well as the IFO and ZEW indices. The ZEW index decreased for the eighth month in a row, with the sharpest fall recorded in August, when the index dropped to a 20-month low (a level below the long-term average). September saw another slight decrease. The worsening forward-looking indicators reflect the escalating geopolitical tensions and the growing concerns of economic entities. These factors represent a real risk for economic growth in the euro area. On the other hand, a positive stimulus may be provided by the growing output of the US economy, as well as by the monetary-policy measures adopted in June and September. Both measures caused the exchange rate of the euro to weaken to some extent. The exchange rate on the tenth day of September was approximately 8% weaker than this year's maximum recorded at the beginning of May. The weaker exchange rate may stimulate stronger economic growth in the euro area.

The inflation rate remained virtually unchanged, at low levels over the second quarter of 2014. After a temporary rise as a result of the Easter holidays, inflation fell to the level of March and remained at this level until the end of June (0.5%). In July, the headline HICP inflation rate fell to 0.4% and remained at this level in August, too.

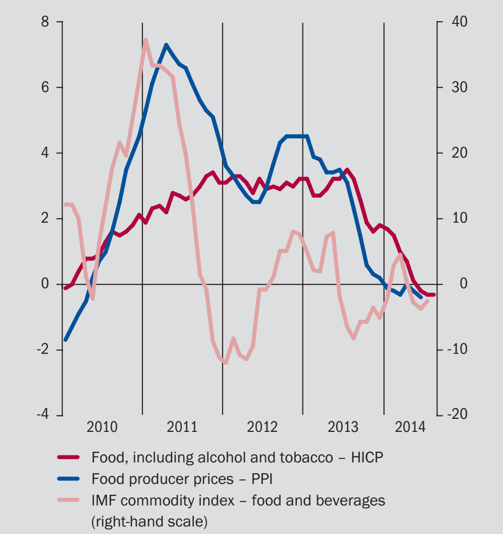
During the first quarter, price inflation was dampened by the weakening year-on-year dynamics of food prices, which entered negative

Chart 48 Oil and energy prices in the HICP index (annual percentage changes)



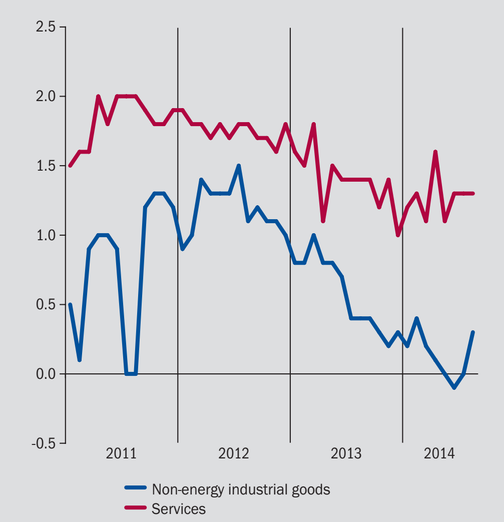
Source: Eurostat and IMF.

Chart 49 Effect of food commodity prices on producer prices and food prices for consumers (annual percentage changes)



Source: Eurostat and IMF.

Chart 50 Goods and services prices (annual percentage changes)



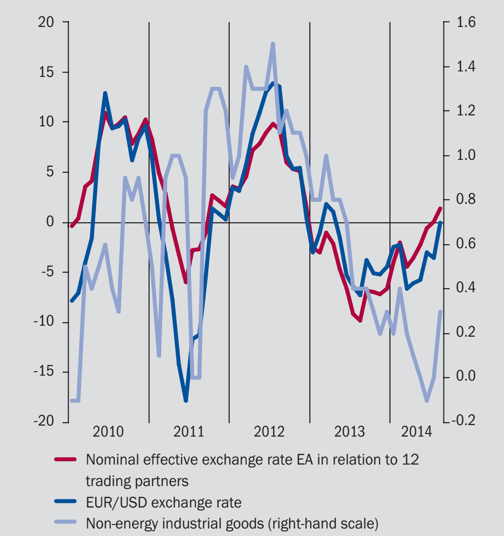
Source: Eurostat.

territory in March. By contrast, the energy price increase accelerated and continued to reflect the year-on-year dynamics of oil prices on world markets. Thus, energy price inflation rose gradually, from negative values recorded at the end of the first quarter to slightly positive values in June. Starting from July, however, oil price dynamics on world markets weakened again, back into negative territory. This trend was also reflected in energy prices for consumers, which fell again in year-on-year terms in both July and August. The year-on-year decline in food prices deepened still further in July, in line with the trend observed in the commodity markets. The weakening dynamics of overall inflation in the first two months of the third quarter were markedly influenced by these supply-side factors.

Inflation, excluding energy, food, alcohol and tobacco prices, but including the components most sensitive to demand, rose slightly in the second quarter (from 0.7% in March to 0.8% in June), as well as in August (to 0.9%).

The intense price competition, coupled with weak consumer demand, continued to dampen the rise in prices for demand-sensitive components. Non-energy industrial goods prices continued to influence the euro exchange rate. Thus, the nominal exchange rate against the US dollar, as well as the effective exchange rate, strengthened in year-on-year terms (for more than a year). Although the exchange rate started to weaken in month-on-month terms in April 2014 and the annual rate of appreciation moderated in the second quarter of 2014, exchange rate developments continued to have a dampening effect on non-energy industrial goods prices.

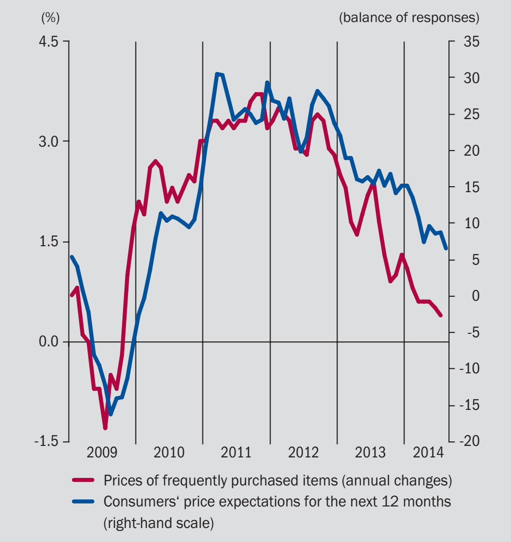
Chart 51 Non-energy industrial goods prices and the nominal exchange rate (annual percentage changes)



Source: Eurostat a ECB.

Their increase slowed gradually, from 0.2% in March to negative territory in July (-0.1%). In July and August, the nominal exchange rate of the euro against the US dollar weakened again and ceased to appreciate in year-on-year terms as well (it even depreciated slightly). Thus, exchange rate developments contributed to the discontinuation of the slowdown in non-energy industrial goods prices and to the acceleration of their increase to positive territory (0.3% in August). Prices for services were relatively volatile in the second quarter, owing to the different timing of the Easter holidays in comparison with the previous year (in 2013 in March, in 2014 in April). Overall, the decreasing trend in price dynamics, continuing since the middle of 2011, came to a halt in the first eight months of the year. The rise in services prices fluctuated slightly above the level of 1% over the second quarter (except in April, owing to the effect of Easter), and remained at similar levels in July and August (1.3%).

Chart 53 Prices of frequently purchased items and consumers' price expectations



Source: European Commission and Eurostat.

Selling price expectations have remained depressed. In the period since the beginning of 2014, they decreased mainly in retail trade and industry. The sharpest fall in these expectations was recorded in the first quarter. In the following months (until August), they were more or less stable, but rather low. Price expectations in industry also fell slightly in August, so they ceased to show signs of a price increase. This was probably connected with the trend in commodity prices, especially in oil and food prices, because, in an environment of strong competition, industrial companies are likely to transfer the lower input prices into their selling prices. A sharp decrease was also observed in the inflation expectations of consumers, which fell in August to their lowest level recorded since April 2010. The inflation expectations of consumers are strongly influenced by the prices of frequently purchased items, which have shown a falling tendency since the end of 2011 and reached a minimum in July (the lowest level since November 2009).

Chart 52 Price expectations in industry (balance of responses) and producer prices (annual percentage changes)

Source: European Commission and Eurostat.

At its first monetary-policy meeting in June (2nd quarter of 2014), the Governing Council of the European Central Bank (ECB) decided to lower its key interest rates by 10 basis points with effect from 11 June 2014 as follows: the interest rate on the main refinancing operations of the Eurosystem to 0.15%, the rate on the marginal lending facility to 0.40%, and the rate on the deposits facility to -0.10%. In addition to overnight sterilisation operations, this negative rate will also apply to average reserve holdings in excess of the minimum reserve requirements and to other deposits held with the Eurosystem.[6] At its September meeting (3rd quarter of 2014), the Governing Council decided to lower its key interest rates by another 10 basis points with

6 *More detailed information is available at www.ecb.europa.eu*

effect from 10 September 2014 as follows: the interest rate on the main refinancing operations to 0.05%, the rate on the marginal lending facility to 0.30%, and the rate on the deposit facility to -0.20%.

At its meeting on 5 June 2014, the Governing Council of the ECB adopted further monetary-policy measures[6] to enhance the functioning of the monetary policy transmission mechanism by supporting lending to the real economy within the scope of its mandate to maintain price stability. In particular, the Government Council decided to conduct a series of targeted longer-term refinancing operations (TLTROs) aimed at improving bank lending to the euro area non-financial private sector, excluding loans to households for house purchases, over a window of two years. The Governing Council also decided to intensify preparatory work related to outright purchases of asset-backed securities (ABS). In addition, the Governing Council decided to continue conducting its main refinancing operations (MROs) as fixed rate tender procedures with full allotment for as long as necessary, and at least until the end of the Eurosystem's reserve maintenance period ending in December 2016. Furthermore, the Governing Council decided to conduct the three-month longer-term refinancing operations (LTROs) to be allotted before the end of the Eurosystem's reserve maintenance period ending in December 2016 as fixed rate tender procedures with full allotment. The rates in these three-month operations will be fixed at the average rate of the MROs over the life of the respective LTRO. The Governing Council also decided to discontinue the Eurosystem's special-term refinancing operations with a maturity of one maintenance period, following the operation to be allotted on 10 June 2014. Finally, the Governing Council decided to suspend the conduct of weekly fine-tuning operations sterilising the liquidity injected under the Securities Market Programme, following the operation to be allotted on 10 June 2014.

At its meeting on 3 July 2014, the Government Council announced a change in the schedule of monetary policy meetings. The frequency of these meetings will change to a six-week cycle, with effect from January 2015. Other meetings will be held at least once a month. The reserve maintenance period will be extended to six weeks to match the new schedule, from 2015. Moreover, the Governing Council announced a commitment to publish regular accounts of its monetary policy meetings, with effect from the January 2015 meeting. Such accounts will be published before the next monetary policy meeting. The Governing Council also decided on specific modalities for the targeted longer-term refinancing operations (TLTROs), which were introduced to enhance the functioning of the monetary policy transmission mechanism by supporting bank lending to the real economy.

At its monetary policy meeting in September, the Governing Council decided to purchase a broad portfolio of simple and transparent asset-backed securities (ABSs) with underlying assets consisting of claims against the euro area non-financial private sector under an ABS purchase programme (ABSPP). The Governing Council also decided to purchase a broad portfolio of euro-denominated covered bonds issued by MFIs domiciled in the euro area under a new covered bond purchase programme (CBPP3). Interventions under these programmes will start in October 2014. The detailed modalities of these programmes will be announced after the Governing Council meeting of 2 October 2014. The extended monetary policy decisions are to support the signalling of future changes in the key ECB interest rates and to take into account the differences in the monetary policy cycles of euro area economies. These decisions are also supposed to support the firm anchoring of inflation expectations over the medium to long term in line with the ECB's aim of maintaining inflation rates below, but close to, 2%.

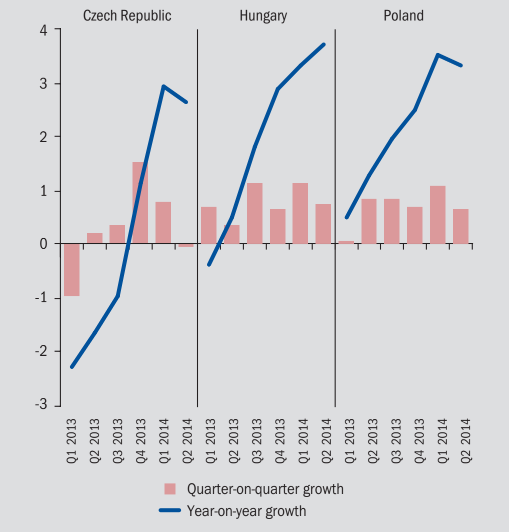
DEVELOPMENTS IN THE CZECH REPUBLIC, HUNGARY AND POLAND

In the second quarter of 2014, the only country to record an improvement in economic performance in year-on-year terms was Hungary whose economy grew by 3.7%, compared with 3.3% in the previous quarter. By contrast, economic growth in the Czech Republic and Poland slowed by 0.2 percentage point, to 2.7% and 3.3% respectively.

In quarter-on-quarter terms, the pace of economic growth slowed in all countries under

6 *More detailed information is available at www.ecb.europa.eu*

Chart 54 GDP growth (%)

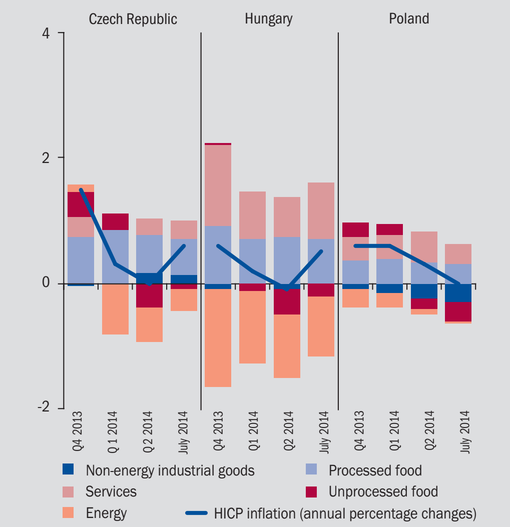


Source: Eurostat.

review: in Hungary by 0.3 percentage point (to 0.8%), in Poland by 0.5 percentage point (to 0.5%), and in the Czech Republic by 0.8 percentage point (stagnation). The stagnating economic growth in the **Czech Republic** was attributable to a slowdown in household final consumption and a fall in general government consumption. Investment demand suffered a decline in quarter-on-quarter terms, which contributed negatively to the economic result achieved. By contrast, a positive contribution to GDP growth was made by inventories. A negative contribution came from net exports, as exports declined and imports slowed down significantly (though continued growing). The slowdown in economic growth in **Hungary** was caused mainly by general government final consumption, which fell in the second quarter (after rising in the previous quarter). A negative contribution also came from net exports, though it was smaller than in the previous quarter. The other components increased and contributed positively to economic growth. The slowdown in economic growth in **Poland** was caused primarily by net exports, when a decline in exports could not be offset by a slowdown in the pace of import growth. The slowdown in GDP growth was also fuelled by investment demand, the growth of which moderated. Growth was stimulated by domestic demand and a change in inventories.

Over the second quarter of 2014, the 12-month rate of consumer-price inflation slowed in quarter-on-quarter terms in the Czech Republic, Poland, as well as in Hungary. Consumer prices in Hungary began to show signs of deflation (-0.1%). The slowdown in inflation in the **Czech Republic** (by 0.3 percentage points to 0.0%) was caused mainly by unprocessed food prices, which, after rising at the end of the first quarter, fell significantly at the end of June. The rise in processed food prices slowed somewhat, too. By contrast, price levels were pushed upwards by the prices of industrial goods, excluding energy and services. The overall consumer-price dynamics in the Czech Republic increased to 0.6% in July. Consumer-price inflation in **Hungary** slowed by 0.3 percentage point, to -0.1% at the end of the quarter under review. This slowdown was caused primarily by unprocessed food prices, which fell still further in comparison with the end of the previous quarter. Inflation, however, was also dampened by non-energy industrial goods prices and the rise in services prices slowed, too. As in the other economies under review, the energy price decline also moderated in Hungary over the second quarter. The general consumer price level in Hungary increased again in July (by 0.5%). **Poland's** headline inflation rate slowed by 0.3 percentage point, to stand at 0.3% as at the end of the second quarter. The slowdown was caused mainly by a decline in unprocessed

Chart 55 Contributions to HICP inflation (percentage points)



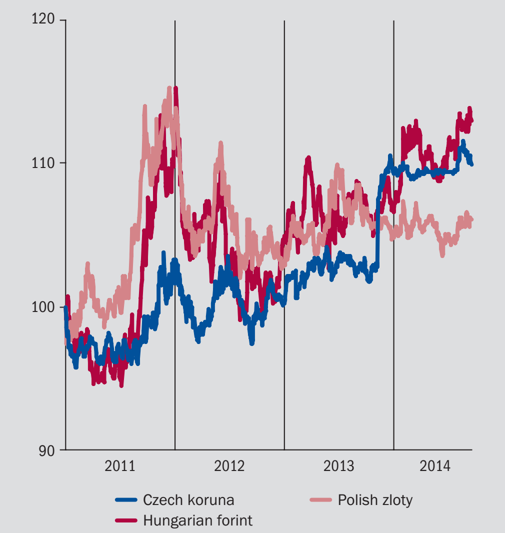
Source: Eurostat and NBS calculations.

food prices and, to a lesser extent, by non-energy industrial goods prices, the decline of which deepened still further, and by processed food prices, the dynamics of which decreased somewhat. By contrast, the decline in energy prices moderated in comparison with the end of the first quarter, while the rise in services prices accelerated. Poland's inflation rate fell to 0.0% in July.

The Hungarian forint and Polish zloty showed a slightly appreciating trend in the second quarter of 2014, compared with the previous quarter. The Czech koruna's exchange rate continued to strengthen as a result of the central bank's decision to make foreign exchange interventions in order to maintain the eased monetary-policy conditions. The exchange rates under review were influenced positively in this period by the signs of recovery shown by the respective economies and by the euro area economy. On the other hand, they were negatively influenced by investors' concerns about the impact on economic growth of the geopolitical crisis in Ukraine and by the growing concerns regarding inflation.

The Czech koruna fluctuated around the level of CZK/EUR 27.5 throughout the quarter under review, when the effect of any positive information on the Czech economy was more than offset by the asymmetrical commitment of CNB to prevent the exchange rate from falling (strengthening) below the level of CZK/EUR 27. In view of the worsening inflation outlook, this commitment should be maintained until the beginning of 2016 or longer. The Hungarian forint was positively influenced over the quarter under review by the country's balance of payments and by the related external debt reduction. The perception of risks by investors improved partly as a result of the Hungarian central bank's decision to change the monetary policy instruments applied. The forint began to depreciate at the end of quarter, owing to the deepening Ukrainian crisis. After appreciating in May, the Polish zloty started to depreciate gradually as a result of concerns regarding the continuation of economic revival and inflation. The impact of the deepening crisis in Ukraine materialised in July.

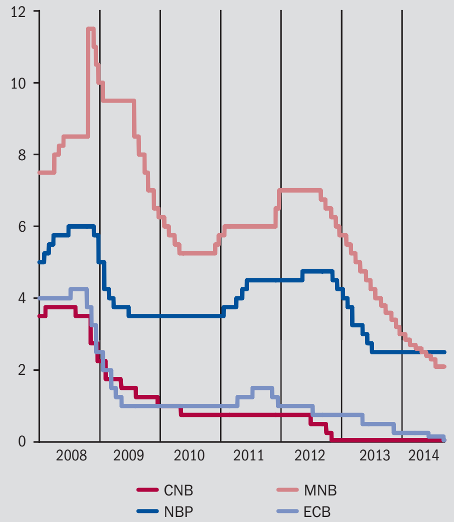
Chart 56 Exchange rate indices of the V4 currencies vis-à-vis the euro (3 January 2011 = 100)



Source: Eurostat and NBS calculations.
Note: A fall in value denotes appreciation.

In the second quarter of 2014, the only central bank within the group of countries under review to use its base rate to change the monetary policy conditions was the Hungarian central bank. In the Czech Republic, the central bank rate remained unchanged, at 0.05% (technical zero). At its meetings held in the second quarter of 2014, **Česká národní banka** (CNB) confirmed its decision to use the exchange rate as a monetary policy tool through foreign exchange interventions with the aim of maintaining price stability in the Czech economy in line with the inflation target. The exchange rate of the koruna is to be maintained at a level close to CZK/EUR 27. At its July meeting, the CNB Board confirmed its commitment, but the date of potential replacement of the current regime was postponed until 2016. **Magyar Nemzeti Bank** (MNB) lowered its base rate on three occasions in the second quarter of 2014, always by 0.1 percentage point, down to 2.30% as at the end of the quarter. As in the previous cases, the rationale behind this decision was the persisting low inflation environment, dampened by inflationary pressures over the medium term and by the high level of free capacities in the economy. MNB assumed that inflation would remain below the inflation target throughout 2014, and would then gradually return to the target level in the second half of 2015. In April 2014, the MNB decided, with the aim of

Chart 57 Key interest rates of the V4 national central banks (%)



Source: National central banks and ECB.

reducing the national debt in foreign currency, to introduce new monetary policy instruments (with effect from 16 June 2014), i.e. interest rate swaps, long-term credit facilities with a flexible interest rate, and securities swaps. With effect from 1 August 2014, the MNB began to use two-week credit facilities (instead of two-week repo operations) as its main monetary policy tool. In July, the MNB lowered its base rate once again by 0.2 percentage point to 2.10%, and announced that the nearly two-year process of monetary policy easing (aimed at returning inflation to the inflation target in support of the economy) had been completed. In August, MNB left its base rate unchanged. **Narodowy Bank Polski** (NBP) left its base rate unchanged in the second quarter of 2014 (at 2.50%) and stated that the gradual recovery of the Polish economy was likely to continue in the coming quarters and inflationary pressures to remain subdued. In July, the NBP Board signalled that inflation might fall below zero level on a temporary basis. At its last meeting, the Board confirmed that its further decisions would be based on the actual developments, as uncertainty regarding the continuation of economic revival was transformed into uncertainty regarding the return of inflation to the inflation target.

Quarterly report on the real economy

The real economy in the second quarter of 2014

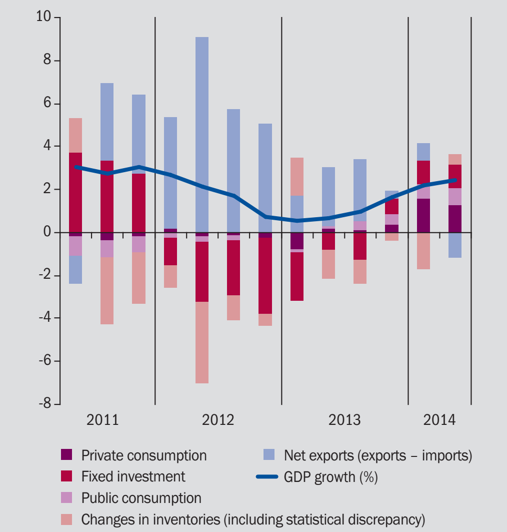
Gross domestic product

The Slovak economy grew in the second quarter of 2014 by 0.6% compared with the first quarter, when it expanded by 0.7% quarter-on-quarter. Seasonally unadjusted GDP grew by 2.5% year-on-year (compared with 2.4% in the first quarter).

Economic growth in the second quarter was driven by domestic demand. Its contribution to the quarterly rate of GDP growth remained at the level of the previous quarter (0.9 percentage points), while the negative contribution of net exports deepened in the second quarter (to -0.5 percentage point, from -0.1 percentage point in the first quarter).

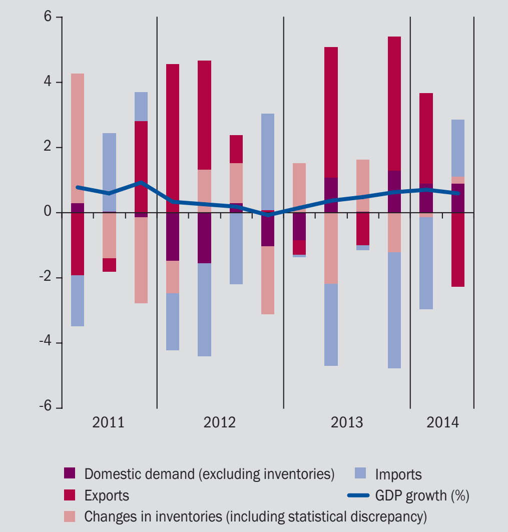
Increases were recorded in all basic components of domestic demand, especially in fixed investment. The pace of investment accelerated in real estate activities and in all market and financial services. Real estate activities include indirectly measured (not paid in reality, only estimated on the basis of the market price that a tenant would pay to the owner) apartment services for the own needs of house owners, i.e. the renting and administration of residential and non-residential buildings such as garages and storage facilities, including

Chart 58 Contributions to annual GDP growth (percentage points)



Source: SO SR.

Chart 59 Contributions to quarterly GDP growth (percentage points)



Source: SO SR.

Table 2 GDP by expenditure (quarter-on-quarter percentage changes; at constant prices)

	2013					2014	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Gross domestic product	**0.1**	**0.4**	**0.5**	**0.6**	**0.9**	**0.7**	**0.6**
Final consumption	-0.4	0.7	0.5	0.6	**0.3**	1.1	0.7
Households and NPISHs	-0.8	1.2	-0.1	0.5	**-0.1**	1.5	0.5
General government	0.3	0.1	1.9	0.6	**1.4**	1.5	1.0
Gross fixed capital formation	-2.5	2.4	-1.3	4.9	**-4.3**	-0.6	2.4
Exports of goods and services	-0.4	4.0	-1.0	4.0	**4.5**	2.6	-2.1
Imports of goods and services	0.1	2.9	0.2	4.1	**2.9**	3.1	-1.9

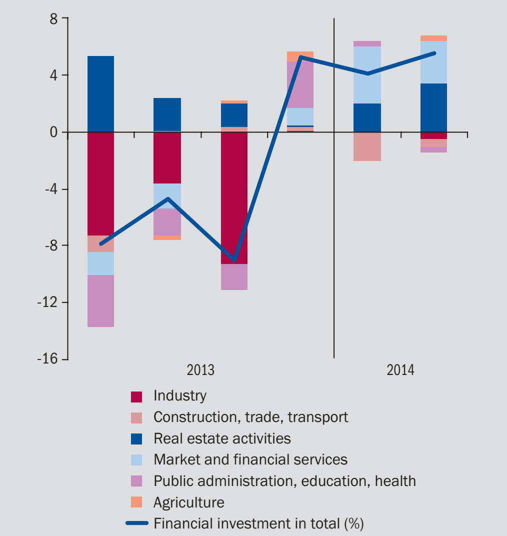
Source: SO SR.

the preparation of construction and home improvement projects. The imputed investments of house owners accounted for almost 26% of the total volume of investments in the second quarter (for comparison, investment in residential buildings in all sectors represented 11%). The residential services of house owners contributed 3.2 percentage points to fixed investment growth (5.5% year-on-year at current prices), more than in the first quarter (1.9 percentage points, to 4.1%).

Further 3 percentage points were contributed to fixed investment growth by a broad spectrum of market and financial services (accommodation, information, computer, financial, scientific, legal, administrative, advertising, and other services), which is a unique phenomenon, supported to some extent by the continuing growth in domestic demand. The source of massive investment in the past two successive quarters was retained profits. The driving force was the preceding suspension of investment activity. After stagnating for two years, investment in market services returned to its average level from 2011 (in volume terms).

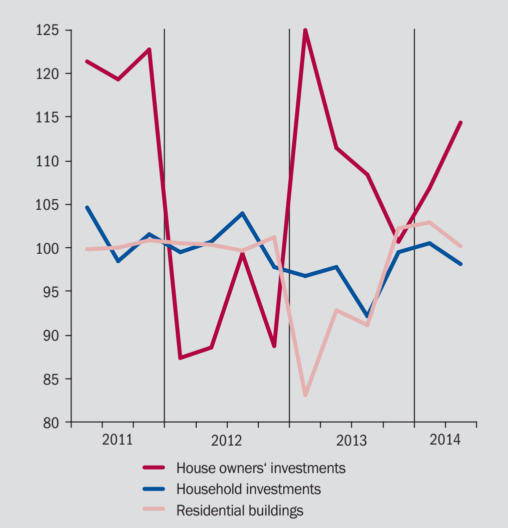
In industry as a whole (with a negative contribution of -0.5 percentage point), the volume of investments did not increase for the sixth quarter in a row. Significant investments

Chart 60 Year-on-year changes in fixed investment by sector (percentage points, at current prices, seasonally unadjusted)



Source: SO SR and NBS calculations.

Chart 61 Year-on-year percentage changes in selected areas of investment (at current prices)



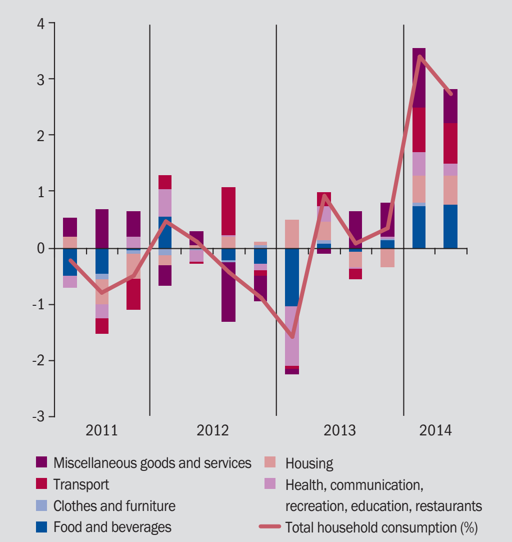
Source: SO SR and NBS calculations.

were only made by manufacturers of machinery and equipment, which earned enough profits, and by oil refineries, despite their weakening financial performance. In addition to general revisions after smaller investments in the past years, oil refineries launched a production capacity extension programme.

Household consumption continued to grow, though at a more moderate pace than in the previous quarter, in line with the trend in the total amount of wages paid. Wage growth was less dynamic than in the previous quarter (when large amounts were paid in benefits) but sufficed to generate an increase in consumption, as well as an increase in the propensity of households to save (to create reserves for the case of a shortage of disposable income). As in the first quarter, households did not need to use their savings to maintain the standard level of consumption. On the contrary, through increased saving, they have created conditions for consumption in the future.

Consumption growth was also supported by the low inflation rate, mainly in the food and energy segments, which probably influenced the structure of household consumption, too. Unlike in the previous quarters, the structure of consumption in the second quarter was virtually identical to that in the first quarter, when consumption was dominated by transport, food and beverages,

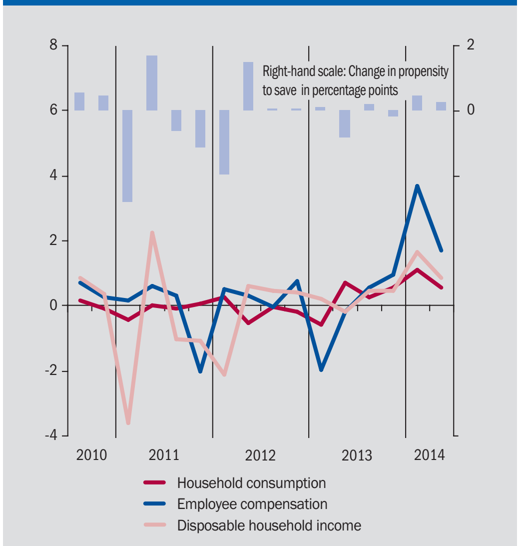
Chart 62 Contributions of consumer groups to year-on-year growth in household consumption (percentage points, at constant prices)



Source: SO SR and NBS calculations.

housing, and miscellaneous goods and services. The slowdown in consumption growth in the second quarter (compared with the first quarter) was caused primarily by the restriction of spending on miscellaneous goods and services in the household sector (e.g. goods for personal care, financial services for households).

Chart 63 Sources of household consumption growth (quarter-on-quarter percentage changes, at constant prices)



Source: SO SR and NBS calculations.

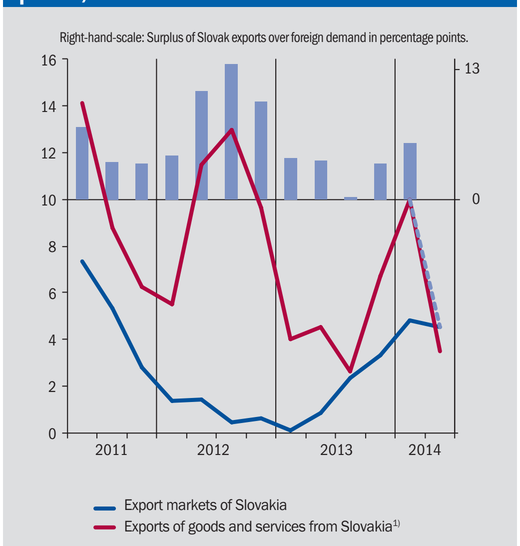
Faster growth than in household consumption – in line with the long-term trend – was recorded in government consumption, which was supported by the payments of health insurance corporations, the compensation of general government employees, and by intermediate consumption.

In the context of weakening sentiment and unexpected stagnation in the euro area, exports declined in the second quarter. The weakening demand in the countries of our main trading partners pushed Slovakia's exports down in the second quarter, to a level without a market share surplus (in contrast to the previous surplus of Slovak exports over foreign demand).

Excluding the loss in refined oil products exports caused by an investment shutdown, the decline in total exports moderated from -2.1% to approximately -1% quarter-on-quarter, but exports still remained at a level without a market share surplus.

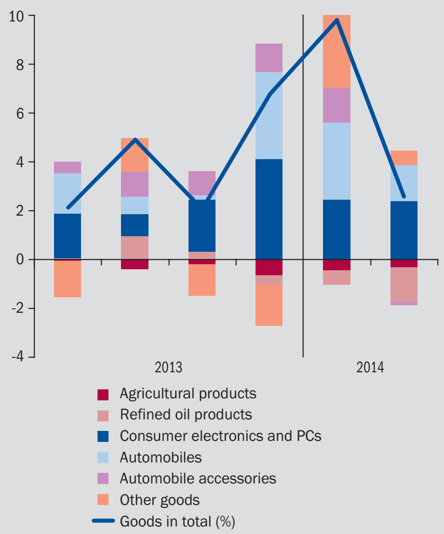
Apart from the exports of refined oil products, the exports of automobile accessories, some transport equipment, and a broad spectrum of other products decreased, too. It seems probable that Slovak exports already reflect the negative consequences of the geopolitical

Chart 64 Developments in Slovakia's export markets compared with Slovak exports (year-on-year percentage changes, at constant prices)



Source: SO SR and NBS calculations.
1) Exports are adjusted for refined oil products.

Chart 65 Contributions to year-on-year changes in exports (percentage points, estimates at constant prices)



Source: SO SR and NBS calculations.

tensions between Russia and Ukraine, though GDP growth is not yet affected as the decline in exports has been offset by an upturn in domestic demand. Domestic demand boosts the imports of investments and consumer goods and moderates the downturn in imports, which started with the decline in exports.

On the production side, GDP growth at constant prices was stimulated by value added creation in manufacturing and in market services, while being negatively influenced by construction, trade, and public administration.

WAGES AND LABOUR PRODUCTIVITY

Labour market developments can be characterised as relatively favourable. After a period of weak growth or decline in 2012 and 2013, employment is currently recovering, with the unemployment rate falling (mainly according to the Labour Force Sample Survey). The number of self-employed is on the decrease, but this form of employment is being transformed into employment with joint stock or limited liability companies. The falling number of hours worked per employee may also be explained by the spread of hours worked over a greater number of employees. Wages and employee compensation continued to grow dynamically in the quarter under review, in both the private and public sectors. This growth took place mostly in irregular bonus payments, but were also reflected in the basic wages. This represents an stimulus for private consumption growth. As a result, the labour costs of employers increased significantly.

The strong wage growth from the beginning of this year has continued into the second quarter, with the year-on-year rate of growth reaching 4.8%, representing a modest acceleration. In quarter-on-quarter terms, the average wage increased by 1.3% in the second quarter, after rising by 3.2% in the first quarter. In line with the results of the economy as a whole, wages grew dynamically in both the private and public sectors, including health services (by 4.7% and 5.2% respectively). This growth took place in the basic wage components, as well as in irregular

Table 3 GDP and its components (quarter-on-quarter changes in percentage points, at constant prices)

	2013					2014	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Quarter-on-quarter GDP growth in %	**0.1**	**0.4**	**0.5**	**0.6**	**0.9**	**0.7**	**0.6**
Gross value added in percentage points	-0.2	0.3	0.1	0.7	**0.5**	0.6	0.6
of which:							
Manufacturing	-0.2	2.0	-0.2	-0.4	**0.8**	-0.1	0.5
Construction	-0.2	0.0	0.0	-0.1	**-0.6**	-0.1	-0.2
Trade	-0.2	0.0	0.3	-0.1	**0.4**	0.2	-0.1
Business and administrative services[1)]	0.9	0.1	0.2	-1.0	**0.1**	0.7	0.6
Public administration, health, education	-0.1	-0.2	0.3	-0.1	**-0.2**	0.3	-0.1[2)]

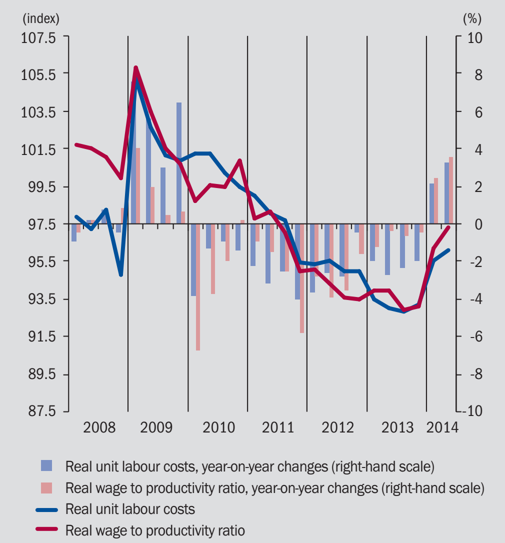
Source: SO SR.
1) Professional, scientific, and technical activities, administrative and support service activities.
2) The volume of value added in public administration, health and education in the second quarter markedly exceeded the average quarterly level of 2013, but remained below the high level recorded in the previous quarter. The contribution of these sectors to the quarterly rate of GDP growth was negative, mainly as a result of a correction in the figure for the previous quarter.

bonus payments. Owing to the absence of inflation, real and nominal wages increased equally by 4.8%, which represents a significant support for domestic demand.

Accelerated wage growth in year-on-year terms was recorded in the private sector, as well as in sectors connected with the public sector. Within the private sector, accelerated wage growth was observed in manufacturing; professional, scientific, and technical activities; and, to a lesser extent, in entertainment and recreation. At the same time, the wage decline in construction moderated. The majority of other sectors saw a modest slowdown in the pace of wage growth. Outside the private sector, wage dynamics exceeded 5% in health care and education. Wages in public administration and related activities rose by 3.4%.

Compensation per employee followed a similar trend. The annual rate of growth accelerated from 3.6% to 4.2% (in the private sector from 3.7% to 4.1%). The quarterly rate of growth reached 0.6%, compared with 2.6% in the first quarter. Broken down by sector, the trend in employee compensation was also similar to that observed in wages, though the year-on-year growth rates recorded in the IT and communications sector and in construction were faster, owing to the different

Chart 66 Real labour productivity and real labour costs (index 2004Q1 = 100, %)



Source: SO SR and NBS calculations.
Note: Real unit labour costs as defined in the ESA 95 methodology. CPI deflated real wages from quarterly statistical reports. All data are seasonally adjusted.

history of the time series used. Real compensation increased by 4.6% in year-on-year terms.

Real productivity growth in the quarter under review reached only approximately 1% to 2% year-on-year. Price developments remained depressed and the economy was growing only at a moderate pace. This does not apply to employee compensation and wage developments. Companies were probably compensating their employees for the sluggish wage growth in the crisis years, when productivity grew more rapidly than wages, which lead to a long-term decline in real unit labour costs and to the recovery of profitability. At the present time, however, unit labour costs are rising again. The persistence of this trend may exert pressure for a gradual price increase.

HOUSEHOLD INCOME AND EXPENDITURE

The current income of households increased by 3.8% year-on-year, to €15.2 billion in the second quarter of 2014. Compared with the first quarter, the rate of growth accelerated by 1.1 percentage points. This acceleration was caused mainly by strong year-on-year growth in employee compensation, accompanied by a modest increase in social benefits. The slightly negative dynamics of current income were influenced by property income, the negative year-on-year dynamics of which deepened still further.

Like income, the current expenditure of households (expenses paid to other sectors and not used for direct consumption) showed stronger dynamics in the second quarter, and increased year-on-year by 5.1%. Compared with the previous quarter, the growth rate accelerated by 1.4 percentage points. This was due partly to taxes and social contributions paid.

The gross disposable income of households (current income less current expenditure) amounted to €11.1 billion, which was 3.3% more than a year earlier. This represented an acceleration of 1 percentage point compared with the previous quarter. A seasonal adjustment by NBS pointed to a quarter-on-quarter increase of 0.8%. The increase on the income side had a positive effect on household savings, the annual growth rate of which accelerated from

Table 4 Generation and use of income in the household sector (current prices)

Item	EUR billion		Annual rate of change (%)		Percentage share	
	Q2 2013	Q2 2014	Q2 2013 / Q2 2012	Q2 2014 / Q2 2013	Q2 2013	Q2 2014
Employee compensation (all sectors)	7.0	7.4	0.8	6.1	47.8	48.8
of which: Gross wages and salaries	5.5	5.8	1.4	6.4	37.4	38.3
Gross mixed income	4.1	4.2	3.1	1.9	28.2	27.7
Property income – received	0.4	0.4	12.8	-10.4	2.9	2.5
Social benefits	2.6	2.7	1.8	3.9	17.5	17.5
Other current transfers – received	0.5	0.5	7.9	-1.6	3.6	3.4
Current income in total	**14.7**	**15.2**	**2.2**	**3.8**	100.0	100.0
Property income – paid	0.1	0.1	-17.1	22.0	2.7	3.1
Current taxes on income, property, etc.	0.6	0.6	5.4	5.6	14.5	14.6
Social contributions	2.7	2.8	0.1	5.6	66.7	67.1
Other current transfers – paid	0.6	0.6	5.4	-0.5	16.1	15.2
Current expenditure in total	**4.0**	**4.2**	**1.1**	**5.1**	100.0	100.0
Gross disposable income	**10.7**	**11.1**	**2.6**	**3.3**	-	-
Adjustment arising from changes in net assets of households in pension fund reserves	0.1	0.1	-56.9	-4.4	-	-
Household final consumption	10.2	10.4	2.3	2.2	-	-
Gross household savings	0.7	0.8	-16.3	17.5	-	-

Source: SO SR.

Table 5 Gross disposable income (index, same period a year earlier = 100, at current prices)

	2013					2014	
	Q1	Q2	Q3	Q4	Year	Q1	Q2
Gross disposable income (1)	102.6	102.6	101.9	101.2	102.0	102.3	103.3
Adjustment (pension funds) (2)	53.1	43.1	51.9	60.7	51.3	93.4	95.6
Household final consumption (3)	100.5	102.3	101.2	101.2	101.3	102.5	102.2
Gross household savings (4)	142.6	83.7	93.0	97.5	96.5	90.9	117.5
Savings ratio [%, (4)/((1)+(2))]	3.2	6.1	6.2	16.4	8.3	2.8	7.0

Source: SO SR and NBS calculations.

-9.1% to 17.5%. Since household consumption grew somewhat less than gross disposable income, the seasonally adjusted savings ratio also rose slightly in nominal terms (from 8.7% to 8.9% quarter-on-quarter).

EMPLOYMENT AND UNEMPLOYMENT

The second quarter of 2014 saw an increase in job creation, as a result of which employment as defined in the ESA methodology rose by 0.5% quarter-on-quarter (compared with 0.4% in the first quarter). Thus, the accelerated economic growth this year is positively reflected in the labour market, too. The annual rate of growth reached 1.4%, representing an acceleration of 0.8 percentage point compared with the previous quarter. The quarterly rate of growth according to the Labour Force Survey (LFS) was identical to the figure according to the ESA methodology, but the annual growth rate reached only 1.1%. The factors behind the weaker dynamics according to this methodology are Slovak citizens employed abroad and people on labour activation schemes. The number of persons in these two categories fell slightly in the second quarter in year-on-year terms. According to statistical reports of SO SR, employment increased in both quarter-on-quarter and year-on-year terms (by 0.6%[7] and 1.2% respectively). Thus, all three methodologies point to an acceleration in the pace of employment growth in the second quarter.

Regarding the structure of employment, the number of employees increased in the second quarter (by 1% quarter-on-quarter) to the detriment of self-employed persons, whose number decreased by 2.5%. Evidently, there is a certain migration from the latter category to the former one, which can be attributed to the increased contribution payment burden imposed on the self-employed. In year-on-year terms, the number of employees increased by 2.3% (an acceleration of 1.3 percentage points), while the number of self-employed decreased by 3.2% (a deepening of 1.9 percentage points).

The quarter-on-quarter growth in employment according to the ESA methodology was caused mainly by developments in the private sector. Broken down by sector, the level of employment was positively influenced by developments in manufacturing, business activities, and in numerous services (except real estate activities). Over the first half-year period, employment also rose relatively significantly in sectors connected with the public sector (public administration, health care, and education). By contrast, employment in construction has been steadily falling since 2009.

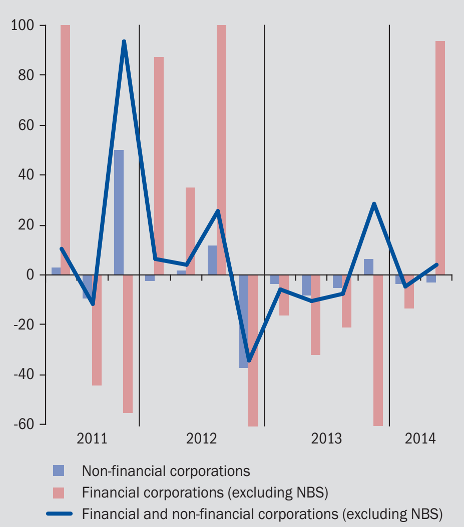
Despite the growing employment, the number of hours worked in the economy remained unchanged in quarter-on-quarter terms. This was due to conflicting trends in the public and private sectors. The number of hours worked in the latter sector increased by 0.2% quarter-on-quarter. The number of hours worked per capita fell somewhat in quarter-on-quarter terms (the length of an average working week decreased from 36.8 to 36.6 hours). An exception to this trend was manufacturing and professional, scientific, and technical activities, where a slight increase was recorded. The number of hours worked increased by 0.3% year-on-year, representing a slowdown of 0.8 percentage point compared with the previous quarter.

According to LFS data, the number of unemployed in the second quarter decreased by 6.2% year-on-year, to 356,400 persons. Thus, the positive trend from the end of last year continued, though unemployment was still high compared with its pre-crisis level. After seasonal adjustment, a decrease of 9,000 persons was recorded (compared with 7,300 in the first quarter). This decrease was smaller than the increase in the number of people employed (approximately 11,000). This was due partly to an inflow of persons to the Slovak labour market from abroad, and to the return of part of the inactive persons to the economy (this was indicated by individual LFS data for the first quarter). This factor consequently limited the decrease in the number of unemployed. The number of economically active persons increased by 2,500 quarter-on-quarter. As a result of these facts, the unemployment rate fell by 'only' 0.3 percentage point, to 13.4%. At the same time, the number of unemployed registered with labour offices decreased by only 0.06% (approximately 250 persons). The average registered unemployment rate reached 12.85%, representing an improvement of 1.5 percentage points year-on-year and 0.2 percentage point quarter-on-quarter (after seasonal adjustment).

FINANCIAL RESULTS

In the second quarter of 2014, the total profits of financial and non-financial corporations

Chart 67 Total profits in the economy (excluding NBS, year-on-year percentage changes)



Source: SO SR and NBS calculations.

7 *Seasonally adjusted by NBS.*

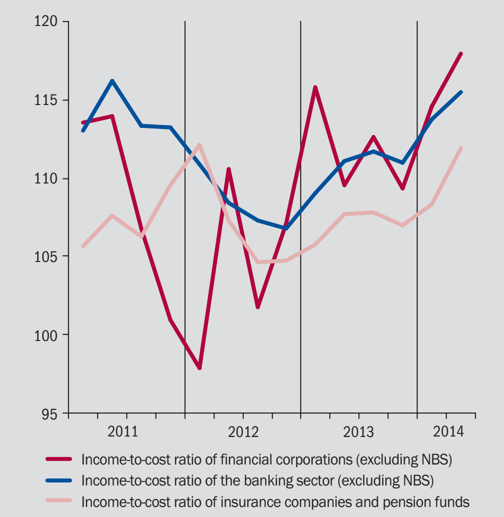
(excluding NBS), expressed in seasonally adjusted terms, increased by 4.1% year-on-year, after falling in the previous quarter by 4.8%. In quarter-on-quarter terms, total profits grew by 3.7%, after declining in the first quarter of 2014 by 17.1%. A marked increase in profitability was recorded in the financial corporations sector (excluding NBS), while the non-financial corporations sector's profit decreased.

The financial results of **non-financial corporations** continued to deteriorate in the second quarter of 2014 (declining in quarter-on-quarter terms to -2.2%, from -5.5% in the previous quarter). This was caused by the negative financial results of corporations in construction, agriculture, electricity and gas supply, transport and storage, and in accommodation and food service activities. The fall in profits was

Chart 68 Investments and profits of non-financial corporations (year-on-year percentage changes)

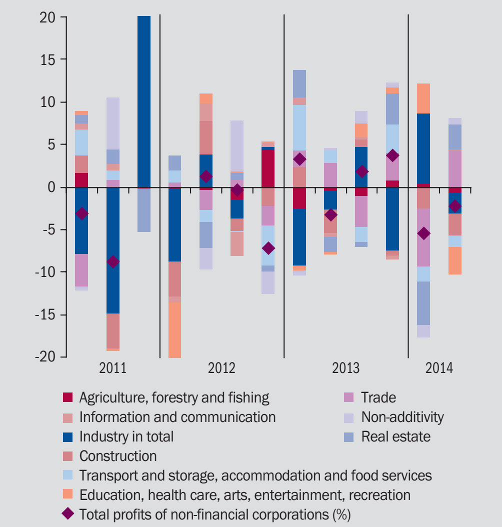
Source: SO SR and NBS calculations.

Chart 70 Income-to-cost ratios of financial corporations (%)



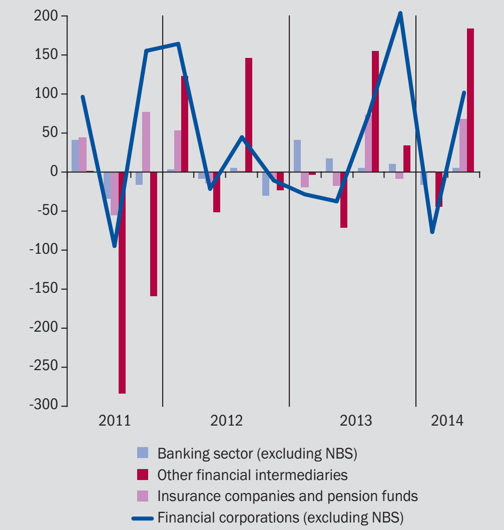
Source: SO SR and NBS calculations.

Chart 69 Total profits of non-financial corporations and their quarterly rate of change by sector (percentage points)



Source: SO SR and NBS calculations.

Chart 71 Total profits of financial corporations and their quarterly rate of change (%)



Source: SO SR and NBS calculations.

partly offset by an increase in profits in trade, manufacturing, and real estate activities.

The **financial sector (excluding NBS)** reported a marked improvement in its financial results for the second quarter of 2014 (its profit doubled in quarter-on-quarter terms). This improvement was reflected in the growing profits of all types of institutions, mostly in the other financial intermediaries sector, where profits increased by 183% quarter-on-quarter. The banking sector's financial result (+5.8% quarter-on-quarter) reflected the growing net income from fees and commissions. Growth in profits, however, was stimulated primarily by net interest income.

Overview of main macroeconomic indicators for Slovakia

Table 6 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
2006	8.3	4.3	6.4	2.1	13.3	15.6	-	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	16.7	-	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	2.9	-	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	-18.2	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	7.6	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	13.6	5.3	9.0	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	5.0	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	2.3	90.6	5.2	1.7	10.2	-2,023.3	-2.8	55.4	2.1	5.9	1.3281
2013 Q3	0.9	1.4	-0.7	-0.9	14.1	4.6	1.4	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	4.5	95.0	5.2	1.7	10.2	-	-4.8	55.4	-0.9	3.6	1.3610
2014 Q1	2.4	-0.1	-3.4	0.6	14.1	6.0	4.0	95.9	4.1	0.8	10.9	-	-3.1	58.4	2.9	7.3	1.3696
2014 Q2	2.5	-0.1	-3.7	1.4	13.2	5.2	2.3	100.2	3.7	2.4	11.6	-	.	.	2.3	7.3	1.3711
2013 Sep.	-	1.1	-0.8	-	13.8	6.4	2.4	91.0	6.2	0.4	10.3	-61.4	-	-	-	-	1.3348
2013 Oct.	-	0.7	-1.4	-	13.7	7.1	3.3	95.6	9.0	1.0	10.2	6.5	-	-	-	-	1.3635
2013 Nov.	-	0.5	-2.0	-	13.5	12.9	5.3	94.0	6.5	-0.6	10.3	8.7	-	-	-	-	1.3493
2013 Dec.	-	0.4	-1.7	-	13.5	12.7	4.8	95.4	5.2	1.7	10.2	-60.5	-	-	-	-	1.3704
2014 Jan.	-	0.0	-2.5	-	13.6	6.4	5.2	98.1	4.8	2.8	10.3	-122.9	-	-	-	-	1.3610
2014 Feb.	-	-0.1	-3.7	-	13.5	7.5	3.5	93.7	4.9	0.2	10.5	-754.2	-	-	-	-	1.3658
2014 Mar.	-	-0.2	-4.0	-	13.3	4.1	3.2	95.9	4.1	0.8	10.9	-208.7	-	-	-	-	1.3823
2014 Apr.	-	-0.2	-4.4	-	13.0	3.5	1.7	99.0	3.6	2.6	11.1	-430.4	-	-	-	-	1.3812
2014 May	-	0.0	-3.6	-	12.8	4.6	2.5	101.3	3.7	2.8	11.3	-362.8	-	-	-	-	1.3732
2014 June	-	-0.1	-3.3	-	12.8	7.6	2.7	100.4	3.7	2.4	11.6	-90.6	-	-	-	-	1.3592
2014 July	-	-0.2	-2.8	-	12.7	4.4	2.2	103.3	4.0	4.6	11.7	-182.9	-	-	-	-	1.3539
2014 Aug.	-	-0.2	.	-	12.6	.	.	102.0	.	.	.	-266.9	-	-	-	-	1.3316

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/StatisticsMB0914.xls