



NÁRODNÁ BANKA SLOVENSKA
EUROSYSTEM



NBS MONTHLY BULLETIN

APRIL 2015

Published by:
© Národná banka Slovenska

Address:
Národná banka Slovenska
Imricha Karvaša 1, 813 25 Bratislava
Slovakia

Contact:
+421/2/5787 2146

<http://www.nbs.sk>

Debated by the NBS Bank Board on 28 April 2015.

All rights reserved.
Reproduction for educational and non-commercial
purposes is permitted provided that the source is
acknowledged.

ISSN 1337-9526 (online)



CONTENTS

1	SUMMARY	5	Chart 9 Retail sales broken down by store category	8
2	THE REAL ECONOMY	6	Chart 10 Sale of cars to households	9
2.1	'Hard' indicators of economic activity	6	Chart 11 Economic sentiment indicators for Germany	9
2.2	Leading 'soft' indicators	9	Chart 12 Economic sentiment indicator	9
3	THE LABOUR MARKET	12	Chart 13 GDP growth estimate for the euro area in Q1, Q2 and Q3 2015	10
4	PRICES	15	Chart 14 Germany – Ifo index and annual GDP growth	10
5	PUBLIC SECTOR	17	Chart 15 Expectations for industrial production	10
6	QUALITATIVE IMPACT ON THE FORECAST	19	Chart 16 Expectations for exports and overall demand and real exports	10
	OVERVIEW OF MAIN MACROECONOMIC INDICATORS FOR SLOVAKIA	21	Chart 17 Employment – sectoral contributions to the three month-on-three month rate of change	12
	LIST OF TABLES		Chart 18 Rates of change in employment	12
Table 1	HICP components – comparison of projected and actual rates of change	15	Chart 19 Unemployment	13
Table 2	Estimations of the business cycle's impact on public finances	17	Chart 20 Number of unemployed	13
Table 3	Selected economic and monetary indicators for the SR	21	Chart 21 Wage developments in the economy	13
	LIST OF CHARTS		Chart 22 Wage growth	14
Chart 1	Sales, industrial production and exports	6	Chart 23 Composition of annual inflation	16
Chart 2	Automotive industry indicators	6	Chart 24 HICP broken down by price-change intervals	16
Chart 3	Industrial production – principal contributions to three month-on-three month rate of change	6	Chart 25 HICP inflation in EU countries in March 2015	16
Chart 4	Goods exports	7	Chart 26 Price developments compared with forecast	16
Chart 5	Real non-automotive retail sales	7	Chart 27 Structural deficit	17
Chart 6	Real private consumption	7	Chart 28 Required fiscal consolidation effort	17
Chart 7	Private consumption and selected indicators	8	Chart 29 GDP, industrial production and sales	19
Chart 8	Household and retail trade confidence	8	Chart 30 GDP and the economic sentiment indicator	19
			Chart 31 Employers' expectations and employment	19
			Chart 32 Consumers' inflation perception and HICP inflation	19



ABBREVIATIONS

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

Symbols used in the tables

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



1 SUMMARY¹

Positive sentiment in the euro area is gradually beginning to reflect more firmly in monthly economic figures. Growth in industrial production and retail sales imply a further acceleration of economic activity in the first quarter of 2015. Leading indicators recorded a slight correction in April, mostly with regard to future developments. This may stem from concerns about slow progress in the search for an agreement between Greece and its creditors.

In Slovakia, monthly economic data are supporting projections. Industrial production increased in the first two months, thanks largely to the car industry. The upturn in this sector, after its weaker performance in the second half of 2014, is contributing to export growth. On the expenditure side of GDP, the first months of 2015 saw a moderate decline in retail sales, possibly implying that projections for private consumption growth in the first quarter have not materialised. There were, however, exceptional increases in other indicators for consumption, such as employment, sale and repair of motor vehicles, and services sector sales. Consumer lending growth accelerated and new car registrations

for households increased significantly, in line with expectations for purchases of durable goods. Overall, the monthly figures were broadly consistent with NBS's current forecast.

The labour market situation returned to its favourable trend, after experiencing a blip in January. Employment growth was higher than expected, and wage growth, too, increased moderately. This may provide a positive impulse to private consumption, particularly with consumer confidence at relatively high levels. The unemployment rate fell notably in March, to 11.8%², suggesting a further improvement in the labour market.

The price level decreased more moderately in March, by 0.4% year-on-year³, after its record decline in February. The shift reflected rising prices of food and fuel. Over the months ahead, the annual inflation rate is expected to become gradually less negative.

The available data for the first two months do not necessitate any revision to projections for the main macroeconomic indicators.

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 Annual rate of change in the price level as measured by the HICP.

2 THE REAL ECONOMY

2.1 'HARD' INDICATORS OF ECONOMIC ACTIVITY

February figures for sales, production and exports support expectations of higher GDP growth for the first quarter of 2015; automotive industry experiences an upturn

After a stronger showing in January, sales growth increased further in February (measured as the average for three months against the average for the previous three months). Although sales in wholesale and retail trade continued to have a negative impact, overall sales growth increased by 3.2% thanks to results in industry and construction. In view of developments in construction production, it may be assumed that the sales growth was largely attributable to the realisation of infrastructure projects. Industrial production growth (0.8% for the three months to end-February) was driven not only by the metal and electronics manufacturing industries, but also by a pick-up in the car and electrical equipment industries. Car output is expected to continue growing in the subsequent period. Another significant contribution to activity growth came from the energy supply sector.

Chart 1 Sales, industrial production and exports (per cent, three month-on-three month; moving average, constant prices)

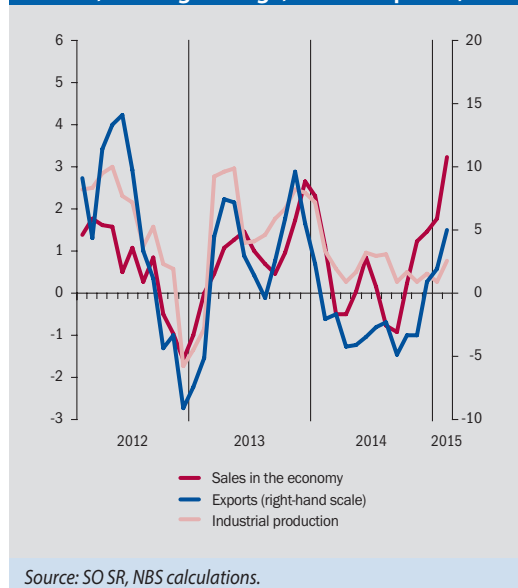


Chart 2 Automotive industry indicators (per cent, three month-on-three month; moving average, constant prices)



As for goods exports, at constant prices, their average for the three months to end-February was 3.9% higher than that for the previous three months. Like the production figures, this growth included a positive contribution from the car

Chart 3 Industrial production – principal contributions to three month-on-three month rate of change (p. p.; moving average)

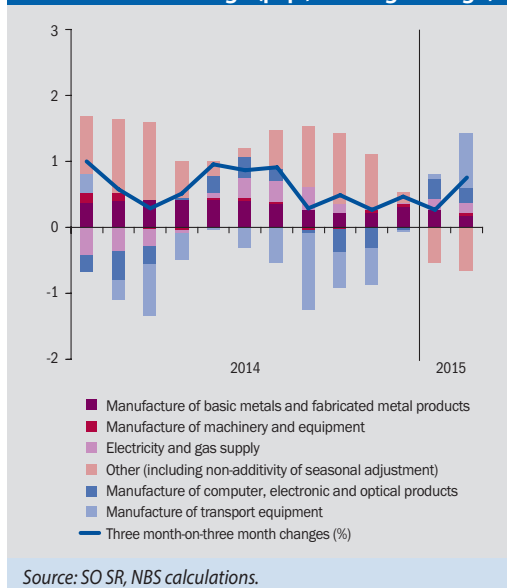


Chart 4 Goods exports (per cent; constant prices)

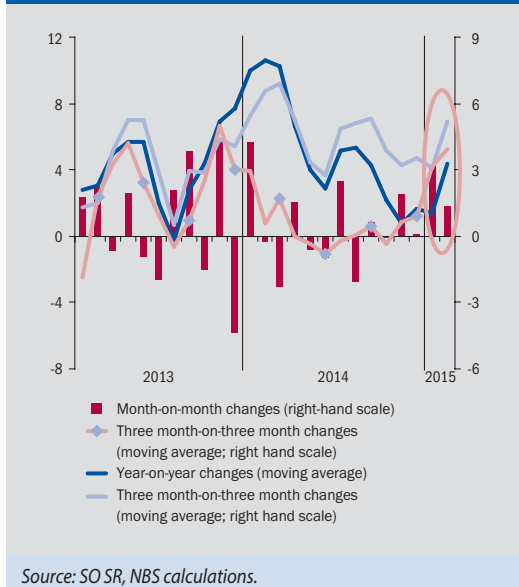
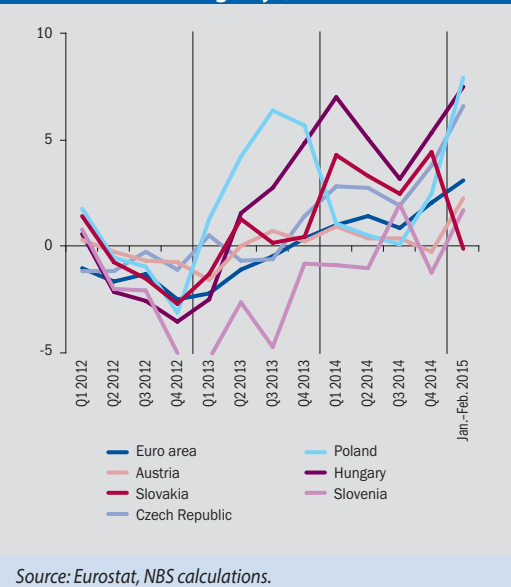


Chart 5 Real non-automotive retail sales (annual percentage changes, adjusted for number of working days)



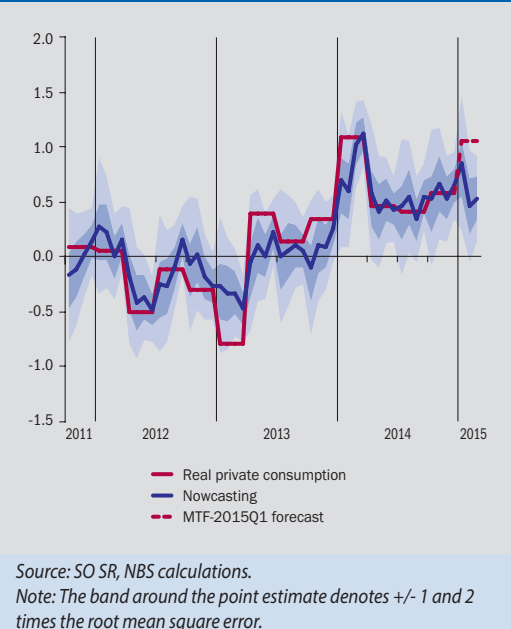
industry. Exports in the national accounts could increase more than projected in the current NBS Medium-Term Forecast (MTF-2015Q1), but only assuming that the falling export prices in the monthly figures pass through to the quarterly export deflator.

The growth rates in overall sales, production and exports more than support expectations that GDP growth for the first quarter will be higher, quarter-on-quarter, than projected in the MTF-2015Q1 forecast.

Weak retail trade may result in only a slight adjustment to the private consumption outlook

Average retail sales for the three months to end-February were broadly unchanged from the previous three months. It may seem, at first, that retail trade figures are moderating expectations of both NBS and retailers for strong consumption in the first quarter of 2015, especially since there is also a commensurate decline in imports for retail chains. Nevertheless, the overall weakness of retail sales in the first two months of this year was more than compensated by high sales in the sector of sale and repair of motor vehicles, which were concentrated mainly in the household sector. It may not be only the redirection of demand to car purchases that diminishes the

Chart 6 Real private consumption (quarter-on-quarter percentage changes)



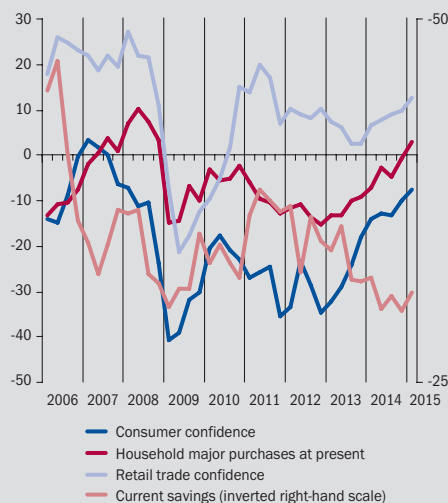
predictive power of retail sales for consumption in the first quarter; consumer sentiment surveys show an increase in households planning substantial home renovations, too. Most EU countries have reported sales growth since the beginning of the year, confirming expectations for private consumption growth.

Private consumption growth in the first quarter of 2015 is expected to have been based on a combination of strong consumption-friendly fundamentals: low interest rates and growth in lending to households; improvements in household and retail confidence indicators (back up to their strongly positive pre-crisis levels); the positive impact of disinflation; an increase in the taxes collected on goods and services in a disinflation environment; and continuing favourable trends in the labour market. As regards lending to households, consumer loan growth accelerated and an increasing number of borrowers took advantage of favourable refinancing conditions, often increasing the principal and therefore providing a further spur to consumption.

Base wage growth, although decelerating (due to high wage growth at the beginning of the year) continues to generate additional funds for private consumption. In addition, an apparent reduction in household savings may be further contributing to household expenditure.

A slackening of imports for retail chains was further evidence of falling sales in non-specialised stores (hypermarkets, supermarkets), but while these imports remain a key indicator of sales volumes in retail trade, consumer demand for goods from certain specialised stores is growing.

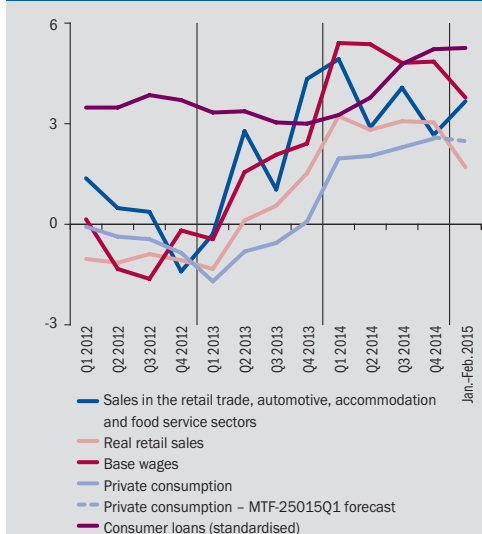
Chart 8 Household and retail trade confidence (balance of responses)



Source: European Commission, NBS calculations.

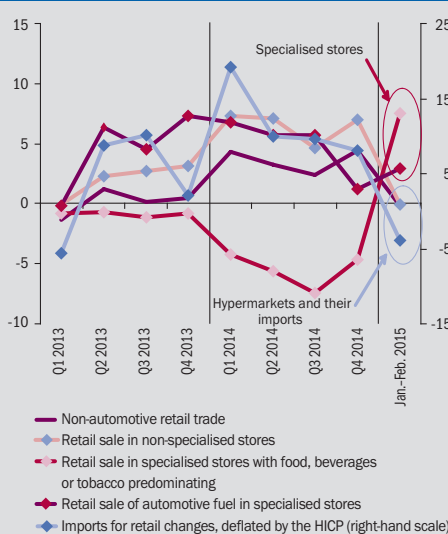
In the retail trade statistics, however, neither that trend nor the increase in non-store retail sales managed to compensate for the decline in sales in non-specialised retail chains. The volume of (Slovak) retail sales constitutes around 45% of the volume of (domestic) private consumption. The greater part of consumption is accounted for not by products sold by retailers, but mainly by services and by the sale and repair of motor vehicles and motorcycles.

Chart 7 Private consumption and selected indicators (annual percentage changes; constant prices)



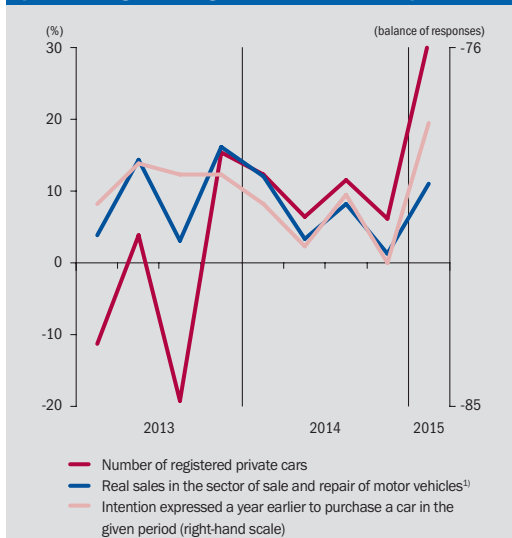
Source: SO SR, MF SR, and NBS calculations.

Chart 9 Retail sales broken down by store category (annual percentage changes; constant prices)



Source: SO SR, NBS calculations.

Chart 10 Sale of cars to households (annual percentage changes; balance of responses)



Source: SO SR, Slovak Interior Ministry, European Commission, and NBS calculations.

1) Data for 2015Q1 do not include data for March 2015 (only for January and February 2015).

Chart 11 Economic sentiment indicators for Germany



Source: European Commission, Ifo institute, ZEW Centre.

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

Sales in the sector of sale and repair of motor vehicles have risen markedly since the beginning of the year. Although these figures include firms' non-consumer purchases, households clearly outweighed firms in their share of the number of new car registrations in the first quarter of 2015. This was consistent with previous consumer sentiment surveys that pointed to an increase in consumer demand for cars at the beginning of the year. The combined sales figures for the sectors of retail trade, sale and repair of motor vehicles, and accommodation and food service activities are far less negative than those for retail trade alone. Sales growth in passenger transportation remained respectable, supported mainly by rail transport. This serves to underpin the continuing growth in private consumption, even though retail trade and consumer goods imports faltered in January and February.

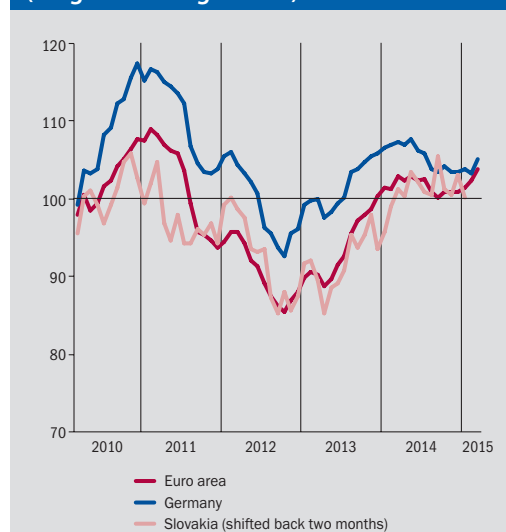
2.2 LEADING 'SOFT' INDICATORS

Expectations in the external environment deteriorated slightly

The economic sentiment indicators for the euro area as a whole and Germany increased in March, with consumer confidence showing the strongest

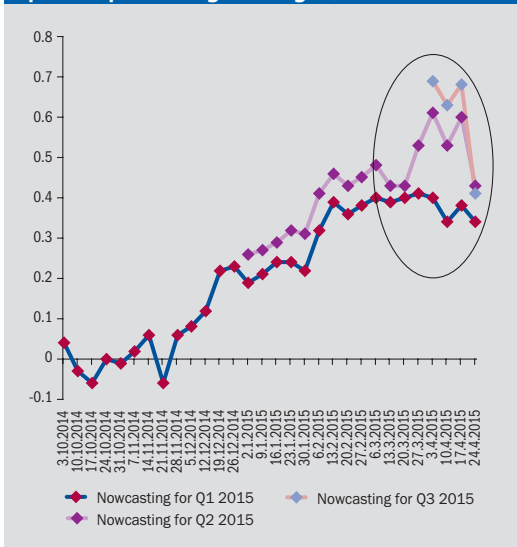
improvement in each case. Looking at the PMI index in April, in the euro area it fell to 53.5 (from 54.0 in March) while in Germany it dropped to 54.2 (from 55.4 in March). In both cases the cause was slower growth in services and manufacturing output. According to Germany's ZEW index for April, confidence in the country's future economic

Chart 12 Economic sentiment indicator (long-run average = 100)



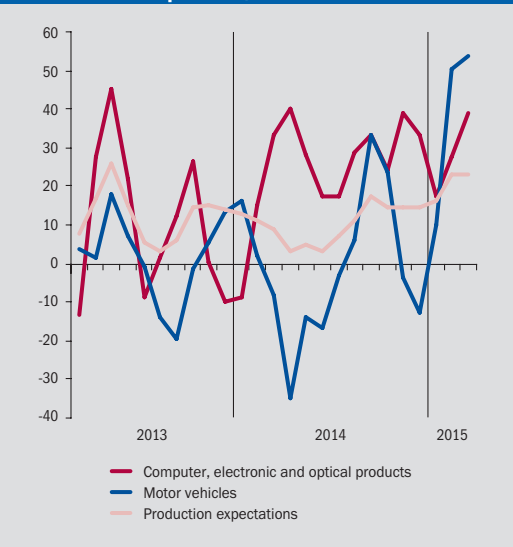
Source: European Commission.

Chart 13 GDP growth estimate for the euro area in Q1, Q2 and Q3 2015 (quarter-on-quarter percentage changes)



Source: Now-Casting Economics Ltd.

Chart 15 Expectations for industrial production (three-month moving average; balance of responses)



Source: European Commission.

situation fell by 1.5 points (to 53.3), whereas the same survey for the previous month had shown a marked improvement in assessments of the current economic situation (up by 15.1 points, to 70.2). The Ifo Business Climate Index for Germany improved in April (by 0.7 point, to 108.6), based on firms' favourable assessments of the current situation. However, expectations for the next six months deteriorated (by 0.4 point, to 103.5).

All surveys showed positive assessments of the current situation, but moderately worsening appraisals of future developments. This may stem from concerns about slow progress in the search for an agreement between Greece and its creditors.

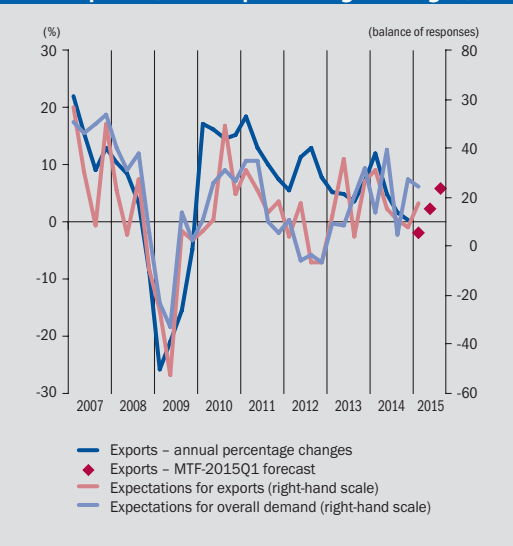
The economic sentiment indicator (ESI) for Slovakia declined in March, by 3 points month-

Chart 14 Germany – Ifo index (2005 = 100) and annual GDP growth



Source: Eurostat, Ifo Institute, and NBS calculations.

Chart 16 Expectations for exports and overall demand (balance of responses), and real exports (annual percentage changes)



Source: SO SR, European Commission, and NBS calculations.



on-month, to 100.1. Hence it was not yet affected by the improvement in European sentiment observed early in the year. Looking, however, at the composition of the ESI's component indicators there are signs of recovery in industry confidence based mainly on rising optimism in the automotive and electronics/electrical equipment industry. This brightening

of sentiment among producers, supported by the strengthening of their competitive position in world markets, was reflected in rising export expectations.

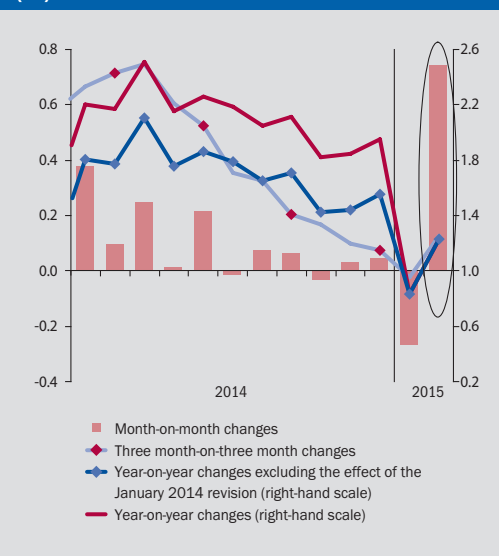
The prevailing positive sentiment in the euro area and Germany implies that the decline in sentiment in Slovakia is only temporary.

3 THE LABOUR MARKET

Annual employment growth was higher in February than in January, at 1.2%, while the month-on-month increase in employment was the largest since January 2011. Such strong figures after January's slowdown in job growth were not expected, and consequently there is scope for a slight upward revision of the employment outlook as stated in the MTF-2015Q1 forecast. Even so, employment growth remains lower in the first quarter than it was in the last quarter of 2014. The growth rate in February reflected positive contributions from industry and, to an even greater extent, services (hotels and restaurants, transportation, IT and communication, and other market services). Based on the expectations of employers, the outlook for the near term is relatively benign and the growth trend in employment is expected to continue. This trend should be supported by ongoing growth in exports and production in the Slovak economy, as well as by expected favourable domestic demand.

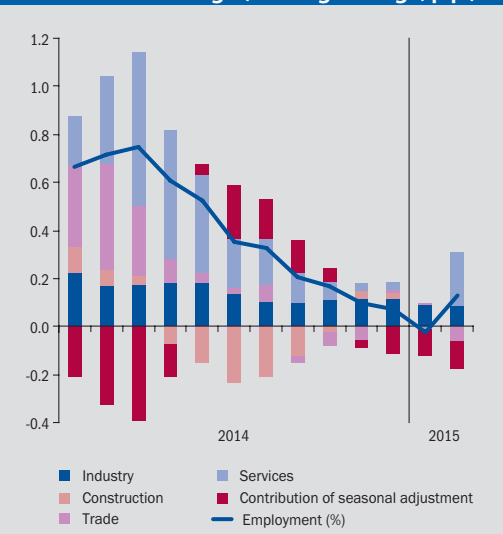
The number of unemployed continued falling in March, while the rate of decline was slightly higher than the average for the second half of 2014⁴. The unemployment rate based on the total

Chart 18 Rates of change in employment (%)



Source: SO SR, NBS calculations.

Chart 17 Employment – sectoral contributions to the three month-on-three month rate of change (moving average; p.p.)



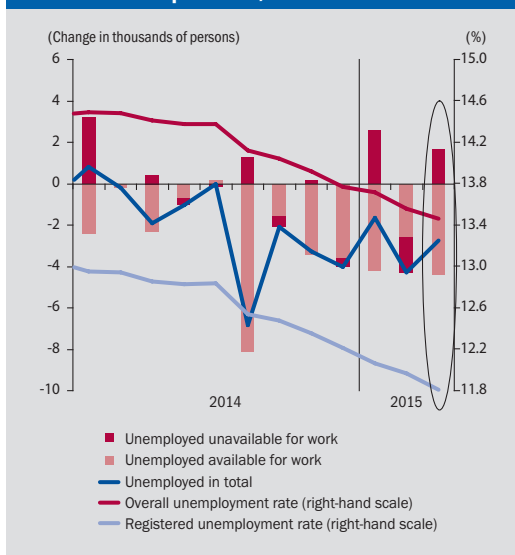
Source: SO SR, NBS calculations.

number of unemployed, seasonally adjusted, fell by 0.1 percentage point to 13.46%. The slightly larger decrease in the unemployed available for work may be attributed to people moving from this category to the category of unemployed unavailable for work (since there was a moderate rise in the number of unemployed in training, incapacitated for work, or on labour activation schemes). A corollary of the overall decline in unemployment was that the number of job seekers finding work was greater than the number of new job seekers who were previously in employment. Hence there continues to be net job creation in the labour market. The trend in the outflow of job seekers has been falling slightly in recent months, although this owes more to a declining number of people being removed from the unemployment rolls for administrative reasons (lack of cooperation, etc.), than to fewer people finding work. The number of registered job vacancies at the end of the month was higher than at any other time in the post-crisis period, which is another positive sign for the further trajectory of unemployment.

The current trend in registered unemployment is favourable and, as with employment in selected

⁴ The registered unemployment rate, seasonally unadjusted, decreased month-on-month by 0.26 percentage point, to 12.06%. The unemployment rate based on the total number of job seekers fell by 0.25 percentage point, to 13.70%.

Chart 19 Unemployment (per cent; thousands of persons)



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

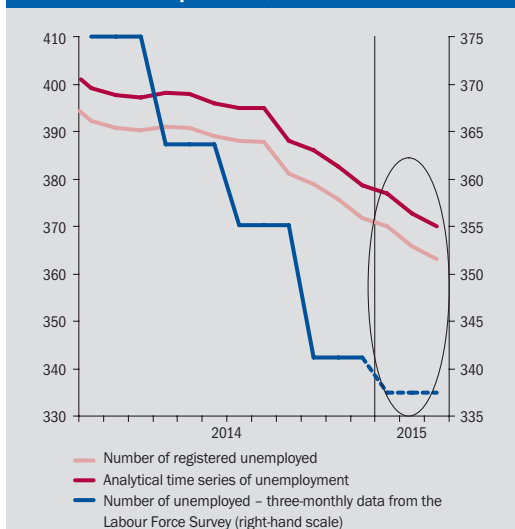
January. Nevertheless, wage growth was lower in the first months of 2015 than in the fourth quarter of 2014. This is due mainly to weaker wage growth in the trade and services sectors, as well as to the still somewhat modest wage growth in construction. Only in industry are wages increasing appreciably. Such heterogeneity between the principal sectors is explained by the above-mentioned shortage of labour in industry (according to business surveys) and in the temporary decline in activity (and therefore presumably in overtime requirements) in trade and services, after their strong performance towards the end of last year. A longer-term factor contributing to lower nominal wage growth in 2015 could be that collectively bargained wage increases were kept moderate by last year's weaker labour productivity growth (nominal labour productivity) and lower profits. The zero-inflation environment may also have acted as a constraint on the negotiation of higher wages.

sectors, indicates that both employment and unemployment figures for the first quarter of 2015 may be better than projected in the MTF-2015Q1 forecast.

Wage growth below the level of the last quarter of 2014 (and of last year as a whole) is projected in the MTF-2015Q1 forecast. This view is supported by moderate wage growth in selected sectors,

Average annual wage growth across selected sectors increased to 3% in February, from 1.5% in

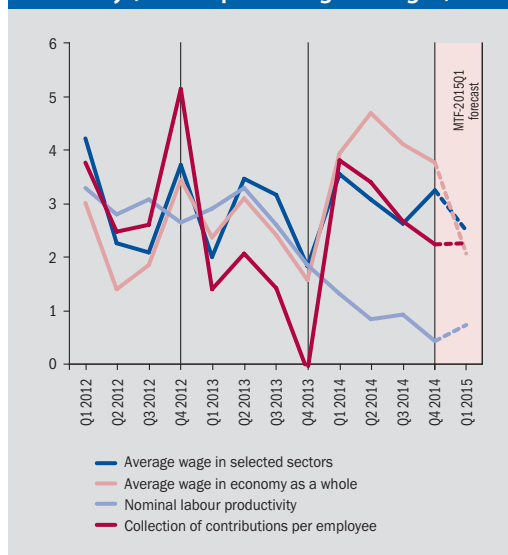
Chart 20 Number of unemployed (thousands of persons)



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

Note: For Q1 2015, the number of unemployed (Labour Force Survey) is based on the MTF-2015Q1 forecast. The analytical time series of unemployment is described in the MTF-2014Q3 forecast.

Chart 21 Wage developments in the economy (annual percentage changes)

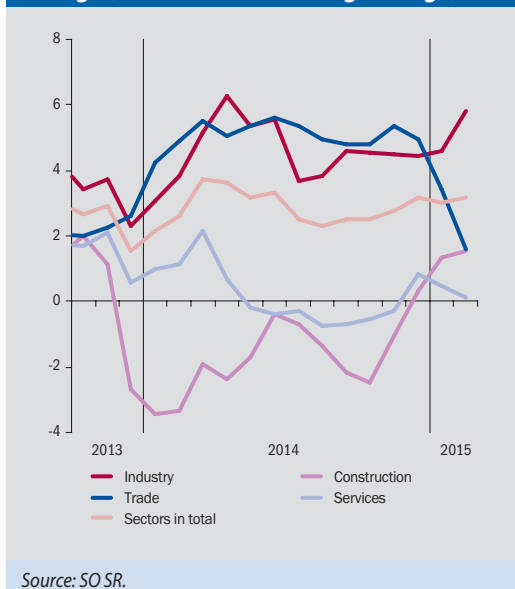


Source: SOSR and Social Insurance Agency.

Note: The average wage for the economy as a whole and nominal labour productivity in Q1 2015 are the projections given in the MTF-2015Q1 forecast. Contributions for accident insurance paid by employers to the social insurance agency (based on cash developments in January and February 2015). The number of employees in Q1 2015 is based on the MTF-2015Q1 forecast. The average wage for the selected sectors is based on data for January and February and on an ARIMA-model forecast for March.



Chart 22 Wage growth (annual percentage changes; three-month moving average)



but also by level of social contributions collected by the Social Insurance Agency (Chart 22). The available figures for each of these variables in the first quarter are in line with the forecast⁵.

⁵ The latest available figures from the Social Insurance Agency are for January (accrual basis).



4 PRICES

The negative annual inflation rate moderated in March 2015 from its record low in the previous month

The negative rate of annual HICP inflation moderated in March to -0.4% (from a record low of -0.6% in February), in line with expectations of a gradually easing deflationary trend. The month-on-month inflation rate was 0.2%.

The rates of change in food and fuel prices in particular were slightly more positive than projected.

The lower year-on-year decrease in the price level (from -0.6% in February to -0.4% in March) was largely attributable to a lower annual rate of decrease in prices of food and fuel. In almost all EU countries, energy prices had a significant impact on the March HICP inflation rate.

The month-on-month increase in automotive fuel prices in Slovakia reflected the rise in oil prices in the previous month. The Brent oil price is now on an upward path, and therefore fuel prices in Slovakia are expected to rise again

in April. Net inflation excluding fuel has been stable for several months (at 1.0%). It is notable that services price inflation is lower than non-energy industrial goods inflation. The low year-on-year increase in services prices stems mainly from a decline in regulated prices (e.g. rail transport prices). By contrast, non-regulated services prices have recorded a year-on-year increase of between 1.4% and 1.5% since June 2014. The highest price increases in the services sector were observed in cultural, sporting, personal care, and financial services. The pass-through of growth in consumer demand and real wages to services price inflation is still probably limited. Clearly it is dampened by favourable developments in certain cost-push factors, such as food and energy. The assumption is that real income growth will be reflected first in sales growth in the services sector and in greater utilisation of capacities in services.

Since the negative annual inflation rate is expected to moderate further in April, to -0.3%, the average inflation rate for 2015 as a whole should be slightly less negative than previously projected.

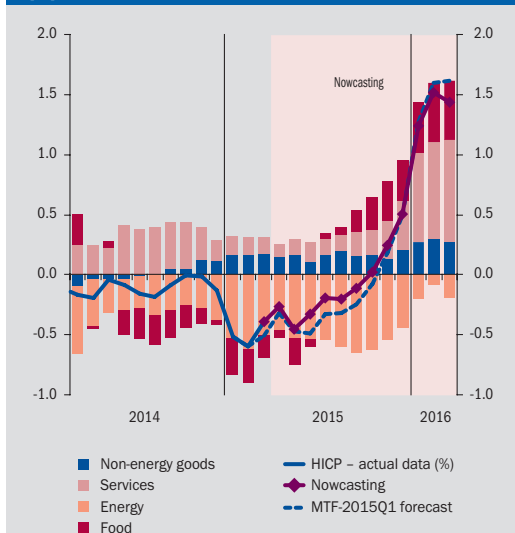
Table 1 HICP components – comparison of projected and actual rates of change (in per cent unless otherwise stated)

		Non-energy industrial goods	Energy	Food	Services	HICP	Net inflation excluding fuel	
Month-on-month change	A	March 2014 – actual figure	0.0	-0.1	-0.2	0.1	0.0	0.1
	B	March 2015 – forecast	-0.1	0.5	0.0	0.1	0.1	0.0
	C	March 2015 – actual figure	0.0	0.7	0.2	0.1	0.2	0.1
	BC	Difference in contribution to month-on-month rate of change (p.p.)	0.03	0.03	0.06	0.00	0.12	0.03
Year-on-year change	D	February 2015 – actual figure	0.6	-4.0	-1.2	0.5	-0.6	1.0
	E	March 2015 – forecast	0.5	-3.4	-1.0	0.4	-0.5	0.9
	F	March 2015 – actual figure	0.6	-3.3	-0.8	0.4	-0.4	1.0
	AC	Base effect	insignificant	significant	moderate	insignificant	moderate	insignificant
	EF	Difference in contribution to year-on-year rate of change (p.p.)	0.03	0.03	0.06	0.00	0.12	0.03

Source: SO SR, NBS calculations.

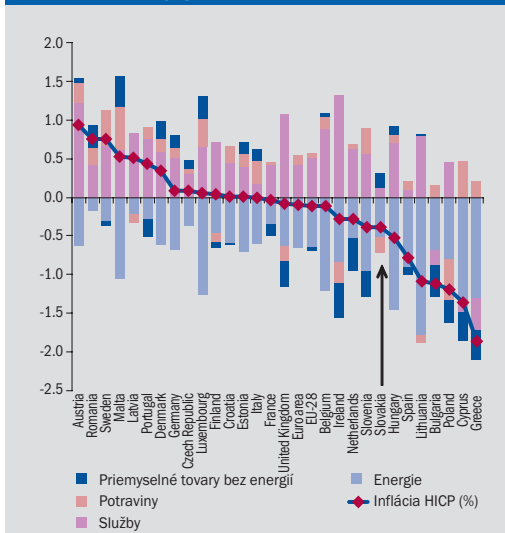


Chart 23 Composition of annual inflation (p.p.)



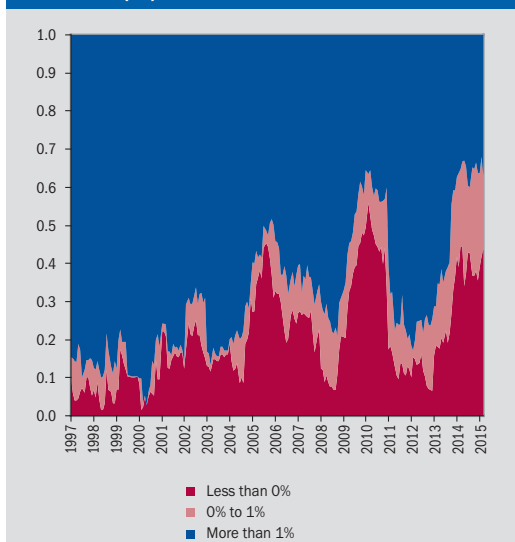
Source: SO SR, NBS calculations.

Chart 25 HICP inflation in EU countries in March 2015 (p.p.)



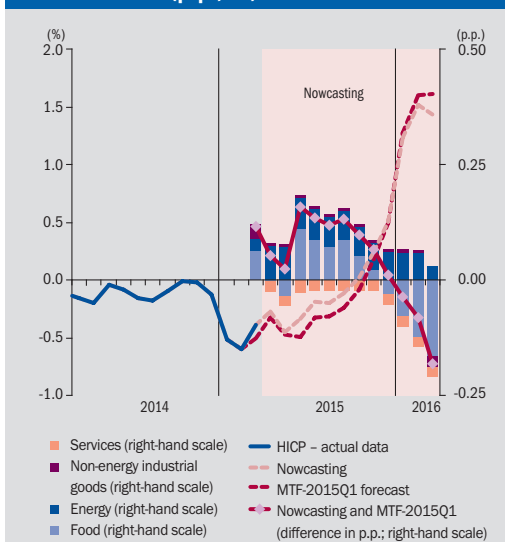
Source: SO SR, NBS calculations.

Chart 24 HICP broken down by price-change intervals (%)



Source: NBS calculations.

Chart 26 Price developments compared with forecast (p.p., %)



Source: SO SR, NBS calculations.

5 PUBLIC SECTOR

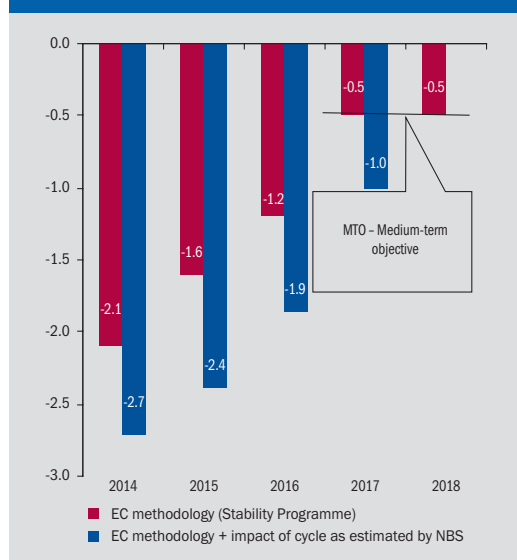
Stability Programme for 2015–2018

The draft Stability Programme (SP) of the Slovak Republic for 2015-2018 – produced by the Finance Ministry and now in the process of interdepartmental review – presents the government's medium-term fiscal strategy. Each Member State is required to produce such a programme once a year and to submit it to the European Commission for assessment. According to the draft SP, the general government deficit for 2015 is projected to be 2.55% of GDP, slightly higher than the fiscal target (2.49% of GDP). The planned budget deficits for subsequent years were set higher by around 0.5 percentage point, at 1.93% GDP in 2016, 0.88% of GDP in 2017, and 0.53% of GDP in 2018. Thus the horizon for bringing the nominal deficit down to 0.5% of GDP has been extended by one year⁶.

The medium-term objective (MTO) – a structural deficit of 0.5% of GDP – remains unchanged for 2017. This, however, is due to the European Commission's estimation of the output gap (according to its harmonised methodology), which both NBS and the Slovak Finance Ministry (MF SR) consider to be unrealistically negative⁷. Based on NBS's estimation of the output gap, a far greater degree of fiscal consolidation would be required. Since the level of the business cycle directly affects the extent of fiscal consolidation, **there is a risk that if the cycle's impact as estimated by the EC methodology⁸ is revised, the fiscal effort will have to be increased significantly in order to meet the MTO in 2017⁹.**

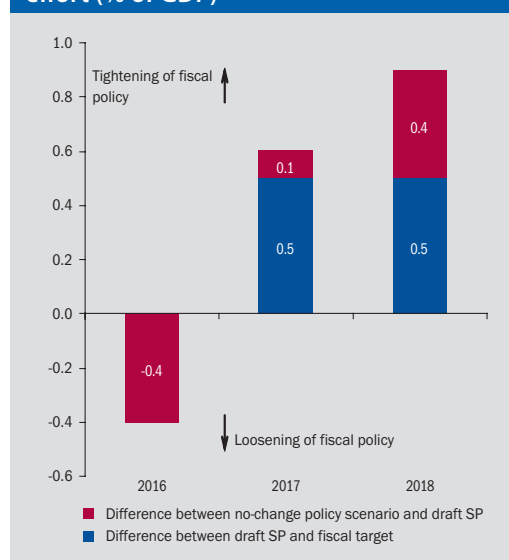
In the draft SP, the **required fiscal adjustment is estimated at 0.6% of GDP in 2017 and**

Chart 27 Structural deficit (% of GDP)



Source: MF SR and NBS.

Chart 28 Required fiscal consolidation effort (% of GDP)



Source: MF SR.

Table 2 Estimations of the business cycle's impact on public finances (% of GDP)

	2014	2015	2016	2017	2018
NBS (MTF-2015Q1 forecast)	-0.5	-0.2	0.0	0.1	-
EC (Stability Programme 2015-18)	-1.1	-1.0	-0.7	-0.4	0.0
EC (Stability Programme 2014-17)	-1.1	-0.7	-0.3	0.2	-

Source: MF SR and NBS.

6 At the same time, public debt is expected to decrease from 53.6% of GDP in 2014, to 50.3% of GDP in 2018.

7 The output gap estimates produced by the MF SR and NBS are similar. The EC currently estimates the output gap to be more negative than it was at the beginning of the Great Recession. The EC estimate shows a considerable degree of instability over time, which subsequently causes volatility in the cyclical sensitivity of public finances. For that reason, NBS shows the cyclical sensitivity as estimated using the methodology of the European System of Central Banks (ESCB).

8 The EC's estimation of the output gap could gradually converge with that of the MF SR or NBS.

9 The difference in the structural deficit for 2017 is 0.5% of GDP.



0.9% of GDP in 2018 (the difference between the established fiscal targets and the no-policy change scenario). **In 2016, by contrast, the fiscal effort could be eased by 0.4% of GDP¹⁰.**

Since the NBS outlook reckons on higher expenditure next year, such easing does not represent an upside risk to the MTF-2015Q1 forecast.

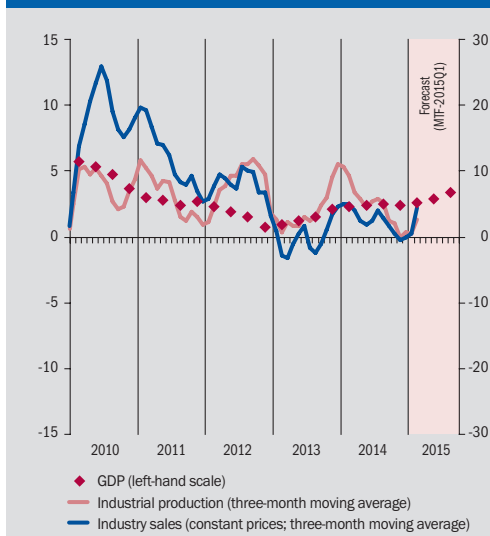
10 According to the SP, the additional capacity will be used for local authority investment and intermediate consumption.

6 QUALITATIVE IMPACT ON THE FORECAST

Neither the 'soft' nor 'hard' monthly figures for the Slovak economy necessitated any revision to the projections for economic activity given

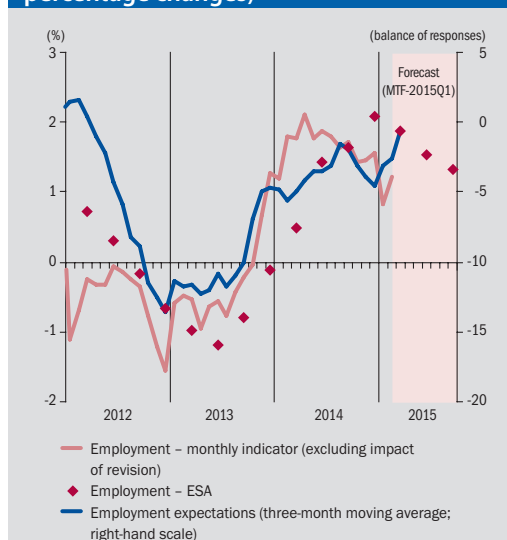
in the latest NBS Medium-Term Forecast (MTF-2015Q1). Growth rates in sales, industrial production and exports are consistent with the

Chart 29 GDP, industrial production and sales (annual percentage changes)



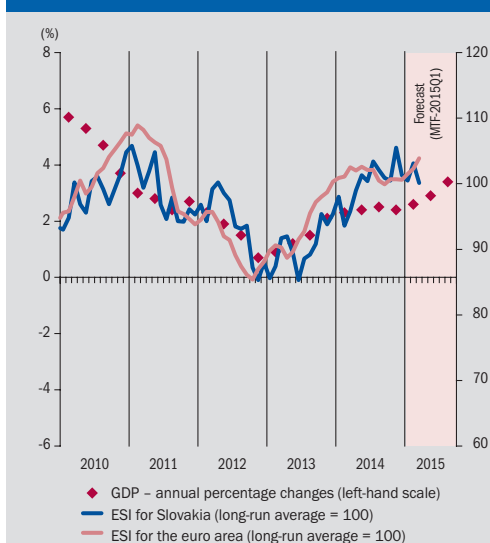
Source: SO SR and NBS.

Chart 31 Employers' expectations (balance of responses) and employment (annual percentage changes)



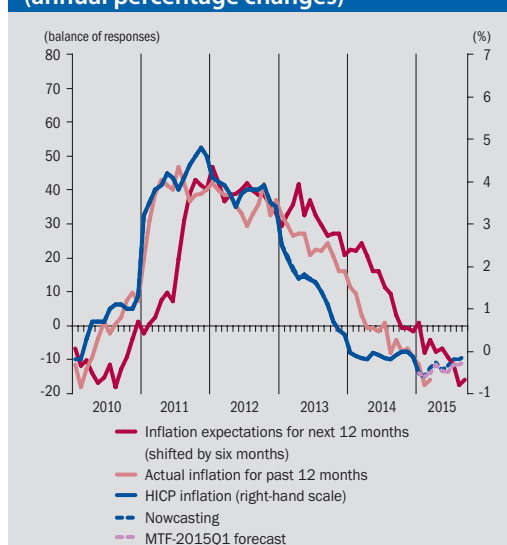
Source: SO SR, NBS and European Commission.

Chart 30 GDP and the economic sentiment indicator



Source: SO SR, NBS and European Commission.

Chart 32 Consumers' inflation perception (balance of responses) and HICP inflation (annual percentage changes)



Source: SO SR, NBS and European Commission.



current outlook. The labour market situation was better than projected, and if it maintained that trend in coming months, the outlook for labour market indicators would have to be revised.

Inflation was broadly in line with expectations and therefore no adjustment to its outlook is required.



OVERVIEW OF MAIN MACROECONOMIC INDICATORS FOR SLOVAKIA

Table 3 Selected economic and monetary indicators for the SR*(annual percentage changes, unless otherwise indicated)*

	Gross domestic product	HICP	Industrial producer prices	Employment ESA 2010	Unemployment rate	Industrial production index	Total sales of sectors	Economic Sentiment Indicator (long-term average=100)	M3 ¹⁾ (for analytical use)	Loans to non-financial corporations	Loans to households	State budget balance (EUR mil.)	Deficit ratio (general government deficit 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
2007	10.7	1.9	1.8	2.1	11.0	16.7	-	114.9	12.9	25.4	28.6	-781.0	-1.8	29.6	-	-	1.3705
2008	5.4	3.9	6.1	3.2	9.6	2.9	-	99.1	4.9	15.3	25.3	-704.2	-2.1	27.9	-6.3	-1.8	1.4708
2009	-5.3	0.9	-2.6	-2.0	12.1	-15.6	-18.3	77.5	-2.8	-3.3	11.0	-2,791.3	-8.0	35.6	-3.5	0.4	1.3948
2010	4.8	0.7	-2.7	-1.5	14.4	8.2	8.0	98.6	7.8	1.6	12.5	-4,436.1	-7.5	41.0	-4.7	-0.1	1.3257
2011	2.7	4.1	2.7	1.8	13.6	5.3	8.9	98.7	2.9	7.6	11.1	-3,275.7	-4.8	43.6	-5.0	-0.1	1.3920
2012	1.6	3.7	3.9	0.1	14.0	8.0	4.9	93.9	8.8	-2.3	10.3	-3,810.7	-4.2	52.1	0.9	3.5	1.2848
2013	1.4	1.5	-0.1	-0.8	14.2	5.2	2.4	90.4	5.2	1.7	10.2	-2,023.3	-2.6	54.6	1.5	4.6	1.3281
2014	2.4	-0.1	-3.5	1.4	13.2	3.7	2.1	100.2	1.3	1.2	13.1	-2,923.4	.	.	0.1	4.5	1.3285
2014 Q2	2.6	-0.1	-3.7	1.4	13.2	5.4	2.9	100.2	3.6	2.4	11.6	-	-1.7	55.6	1.0	5.9	1.3711
2014 Q3	2.4	-0.1	-3.4	1.4	12.9	2.3	1.6	102.1	2.0	3.9	12.1	-	-2.4	55.4	-0.7	3.8	1.3256
2014 Q4	2.4	-0.1	-3.5	2.1	12.6	0.7	0.7	102.4	1.3	1.2	13.1	-	.	.	-2.4	1.8	1.2498
2015 Q1	.	-0.5	.	.	.	.	.	101.2	.	.	.	-	.	.	.	.	1.1261
2014 Apr.	-	-0.2	-4.4	-	13.0	3.5	3.4	99.0	3.5	2.6	11.1	-430.4	-	-	-	-	1.3812
2014 May	-	0.0	-3.6	-	12.8	4.2	2.7	101.3	3.6	2.8	11.3	-362.8	-	-	-	-	1.3732
2014 June	-	-0.1	-3.3	-	12.8	8.4	2.8	100.4	3.6	2.4	11.6	-90.6	-	-	-	-	1.3592
2014 July	-	-0.2	-2.8	-	12.7	4.6	3.0	103.4	4.0	4.6	11.7	-182.9	-	-	-	-	1.3539
2014 Aug.	-	-0.2	-3.6	-	12.6	2.7	1.1	102.1	2.9	5.7	11.8	-266.9	-	-	-	-	1.3316
2014 Sep.	-	-0.1	-3.8	-	12.4	0.2	0.7	100.9	2.0	3.9	12.1	579.6	-	-	-	-	1.2901
2014 Oct.	-	0.0	-3.9	-	12.3	3.2	2.1	100.5	-0.1	4.5	12.2	-283.8	-	-	-	-	1.2673
2014 Nov.	-	0.0	-2.9	-	12.2	-3.5	-0.7	105.5	1.8	5.3	12.3	-181.2	-	-	-	-	1.2472
2014 Dec.	-	-0.1	-3.7	-	12.3	2.7	0.7	101.3	1.3	1.2	13.1	-618.4	-	-	-	-	1.2331
2015 Jan.	-	-0.5	-3.9	-	12.4	2.2	0.5	100.5	2.9	0.9	13.1	-60.5	-	-	-	-	1.1621
2015 Feb.	-	-0.6	-4.4	-	12.3	3.2	2.7	103.1	2.8	2.5	13.3	-619.5	-	-	-	-	1.1350
2015 Mar.	-	-0.4	.	-	12.1	.	.	100.1	.	.	.	-271.7	-	-	-	-	1.0838

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/2015/StatisticsMB0415.xls