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CONTENTS

1 SUMMARY	5	Chart 5 Economic sentiment indicators for Germany	7
2 THE REAL ECONOMY	6	Chart 6 Germany – Ifo index and annual GDP growth	7
2.1 ‘Hard’ indicators of economic activity	6	Chart 7 Employment – sectoral contributions to three-month-on-three-month percentage changes in the three-month moving average	9
2.2 ‘Soft’ leading indicators	6	Chart 8 Indicator contributions to the nowcast for quarter-on-quarter employment growth	9
3 THE LABOUR MARKET	9	Chart 9 Unemployment	9
4 PRICES	12	Chart 10 Number of unemployed	10
5 INDICATIVE IMPACT ON THE FORECAST	14	Chart 11 Hours worked per employee in industry in July and August	10
OVERVIEW OF MAIN MACROECONOMIC INDICATORS FOR SLOVAKIA	16	Chart 12 Wage growth	11
LIST OF TABLES		Chart 13 Wage trends in the economy	11
Table 1 HICP components – comparison of projected and actual rates of change	12	Chart 14 Annual HICP inflation and contributions of components	12
Table 2 Selected economic and monetary indicators for Slovakia	16	Chart 15 HICP inflation	13
LIST OF CHARTS		Chart 16 Demand-pull inflation	13
Chart 1 Sales, industrial production and exports	6	Chart 17 HICP core inflation broken down by price-change intervals	13
Chart 2 Automotive industry indicators	6	Chart 18 Nowcast for GDP in Q3 2016	14
Chart 3 GDP growth estimate for the euro area in Q3 2016, Q4 2016 and Q1 2017	7	Chart 19 GDP nowcast	14
Chart 4 GDP growth estimate for Germany in Q3 2016, Q4 2016 and Q1 2017	7	Chart 20 Nowcast for GDP in Q4 2016	14
		Chart 21 Employment nowcast	14
		Chart 22 Private consumption nowcast	15
		Chart 23 Nowcast for goods and services exports	15



ABBREVIATIONS

CPI	Consumer Price Index
EA	euro area
ECB	European Central Bank
EC	European Commission
EMEs	emerging market economies
EMU	Economic and Monetary Union
EONIA	euro overnight index average
ESA 2010	European System of Accounts 2010
EU	European Union
EUR	euro
EURIBOR	euro interbank offered rate
Eurostat	statistical office of the European Union
FDI	foreign direct investment
GDP	gross domestic product
GNDI	gross national disposable income
GNI	gross national income
HICP	Harmonised Index of Consumer Prices
IMF	International Monetary Fund
MFI	monetary financial institutions
MF SR	Ministry of Finance of the Slovak Republic
MMF	money market fund
MTF	NBS's Medium-Term Forecast (published on a quarterly basis)
NARKS	National Association of Real Estate Offices of Slovakia
NBS	Národná banka Slovenska
NEER	nominal effective exchange rate
NFC	non-financial corporation
NPISHs	Non-profit institutions serving households
OECD	Organisation for Economic Co-operation and Development
p.a.	per annum
p.p.	percentage point
PMI	Purchasing Managers' Index
PPI	Producer Price Index
REER	real effective exchange rate
SASS	Slovenská asociácia správcovských spoločností – Slovak Association of Asset Management Companies
SME	small and medium-sized enterprise
SO SR	Statistical Office of the Slovak Republic
ULC	unit labour costs
ÚPSVR	Ústredie práce, sociálnych vecí a rodiny – Central Office of Labour, Social Affairs and Family
USD	US dollar
VAT	value-added tax

Symbols used in the tables

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



1 SUMMARY¹

Euro area industrial production began picking up again in August, as the impact of holiday shutdowns in the car industry faded. Retail sales growth was slightly lower in August than in the previous month. Hard indicators on both the output and expenditure sides still imply the continuation of euro area GDP growth. Leading indicators are likewise pointing to favourable economic activity trends in the period ahead.

In Slovakia, monthly indicators reflected the situation in the euro area, especially in the country's major trading partners. The pick-up in industrial production growth in August was driven mainly by the car industry, and translated into an increase in exports. Sales in the economy remained on an upward path, supported mainly by the industry, services and, to a lesser extent, trade sectors. Nevertheless, owing to slower sales growth in retail and wholesale trade in July and August, private consumption growth may not have accelerated in the third quarter. The GDP nowcast fell

back to the level it was at two months earlier (0.9%).

The labour market situation continues to improve. Employment growth was solid in August, with the services sector reporting the highest job creation. Wage growth accelerated, most notably in services. Perceptions of a labour shortage in some sectors and for certain positions are beginning to have an upward impact on wages. The unemployment rate remained unchanged in September, at 9.4%².

The annual inflation rate as measured by the harmonised index of consumer prices was less negative in September than in the previous month, at -0.5%. The factors keeping inflation negative continued to be food and energy price developments. However, the rate of decrease in energy prices has been moderating, supported in September mainly by an appreciable increase in automotive fuel prices. The headline inflation rate is expected to turn positive at the beginning of next year.

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

² The registered unemployment rate (seasonally unadjusted; source: ÚPVSR).

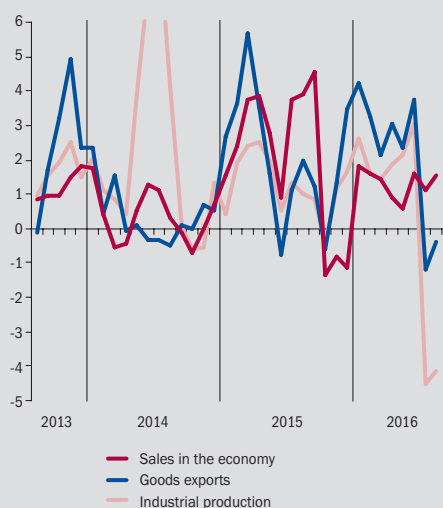
2 THE REAL ECONOMY

2.1 'HARD' INDICATORS OF ECONOMIC ACTIVITY

Monthly figures rebounded in August, as expected, after the previous set of data were subdued by holiday shutdowns, mainly in the car industry. Industrial production and foreign trade increased quite strongly in month-on-month terms, and sales also picked up. The cumulative monthly data for the summer months (smoothing out the one-off impact of car plant shutdowns) show that industrial production, exports and sales were all higher compared with the same period of the previous year. In terms, however, of their average for the three months to end-August compared with the corresponding average three months earlier, industrial production and exports did not perform so favourably, owing to the base effect of their relatively strong growth in the second quarter.

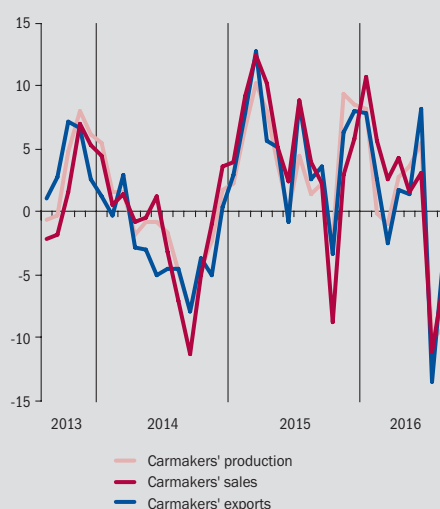
As for sales in the economy, they increased by 1.6% in three-month-on-three-month terms. Compared with production and exports, sales were less volatile in July and August and therefore less affected by the holiday season. Their

Chart 1 Sales, industrial production and exports (three-month-on-three-month percentage changes in the three-month moving average; constant prices)



Sources: SO SR and NBS calculations.

Chart 2 Automotive industry indicators (three-month-on-three-month percentages changes in the three-month moving average; constant prices)



Sources: SO SR and NBS calculations.

growth was driven mainly by industry sales and to a lesser extent by the services and trade sectors. Although combined sales in wholesale trade and the selling of motor vehicles picked up in August after their deterioration in July, the recovery did not make up all the ground lost in the previous month, and in the case of internal trade alone (mainly wholesale trade, retail trade and selling of motor vehicles), sales are expected to be weaker in the third quarter than in the second quarter.

As regards average goods exports and goods imports for the three months to end-August, each remained unchanged from the previous three months. Exporters had a relatively successful second quarter, with strong growth in market shares. Given that base effect, it is difficult to expect growth to increase significantly in the period ahead.

2.2 'SOFT' LEADING INDICATORS

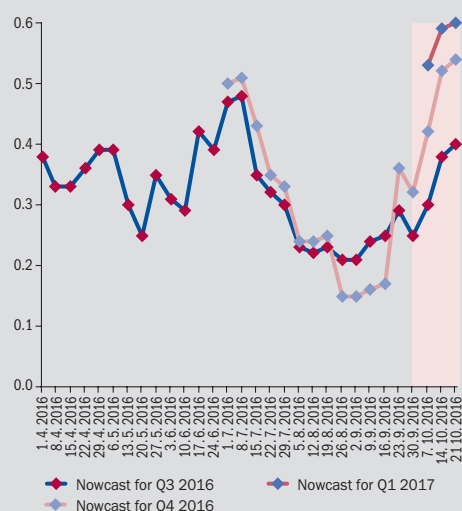
The European Commission's **Economic Sentiment Indicator** (ESI) for the euro area



increased in September, as did the ESI for Germany. Compared with their average levels in the second quarter, the euro area ESI for the third quarter as a whole was unchanged and the German ESI was higher. The **Ifo Business**

Climate Index for Germany improved considerably in September, based both on assessments of the current business situation and on expectations for the future climate. As for the **ZEW** surveys in Germany, both the econom-

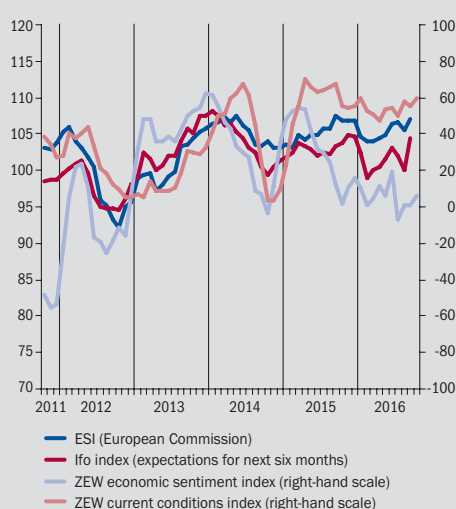
Chart 3 GDP growth estimate for the euro area in Q3 2016, Q4 2016 and Q1 2017 (quarter-on-quarter percentage changes)



Source: Now-Casting Economics Ltd.

Note: The highlighted area denotes developments since the previous Monthly Bulletin.

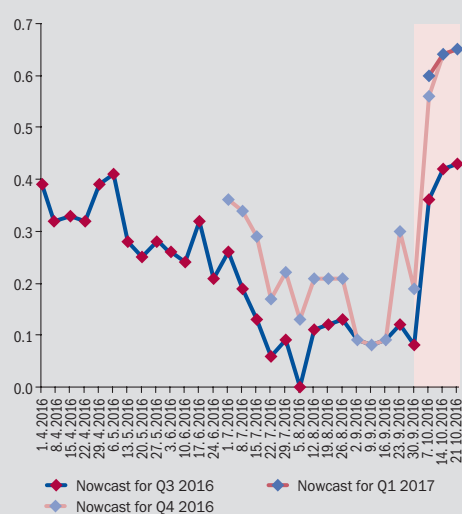
Chart 5 Economic sentiment indicators for Germany



Sources: European Commission, Ifo Institute and ZEW Centre.

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

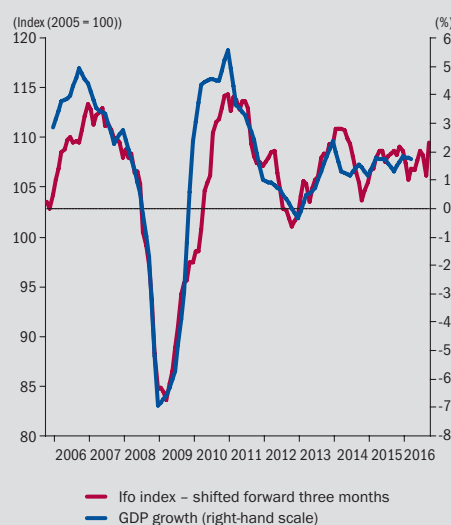
Chart 4 GDP growth estimate for Germany in Q3 2016, Q4 2016 and Q1 2017 (quarter-on-quarter percentage changes)



Source: Now-Casting Economics Ltd.

Note: The highlighted area denotes developments since the previous Monthly Bulletin.

Chart 6 Germany – Ifo index (2005 = 100) and annual GDP growth



Sources: Eurostat, Markit, Ifo Institute and NBS calculations.



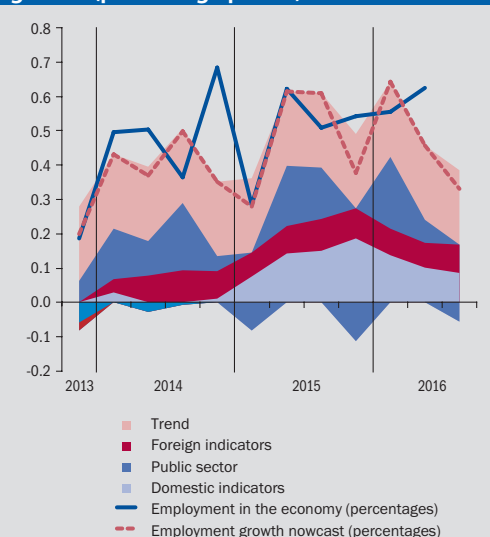
ic sentiment and current conditions indices picked up in October. The **Purchasing Managers' Indices (PMIs)** for the euro area and Germany both increased quite significantly in October, reflecting a marked acceleration of economic activity in the services sector.

In response to the favourable picture painted by leading indicators and to August's stronger industrial production figures for the principal euro area economies, nowcast projections for GDP growth in the euro area and in Germany in the third quarter have increased to solid levels.

3 THE LABOUR MARKET

Employment growth remained solid in August, at 0.4% month on month (2.7% year on year). However, the three-month moving average indicates that employment growth may be slightly lower for the third quarter as a whole than for the second quarter. The strongest job growth is currently in the services sector, particularly in the segments of transportation and storage, information technology, administrative and support service activities, and advisory activities. In business activities, however, job growth slowed slightly. Likewise in the industry sector, employment growth was moderately lower, reflecting developments in several segments. One exception was the metal manufacturing sector, where employment has begun to pick up after weak results earlier in the year. The nowcast for employment in the third quarter shows continuing quarter-on-quarter growth, albeit curbed by expected slower job growth in the sectors of public administration, health care and education, by a slightly more moderate fall in unemployment, and subdued production in the construction sector.

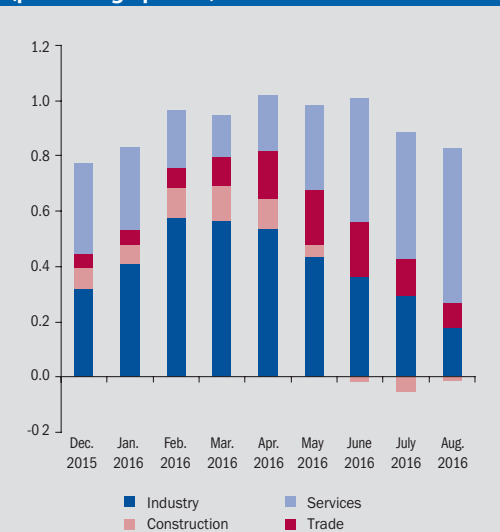
Chart 8 Indicator contributions to the nowcast for quarter-on-quarter employment growth (percentage points)



Sources: SO SR, ÚPSVR and NBS calculations.

Note: The public sector comprising public administration, education and human health as defined in the SK NACE statistical classification of economic activities.

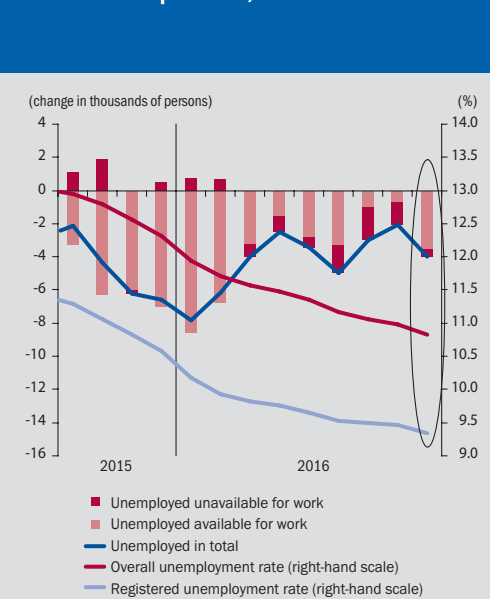
Chart 7 Employment – sectoral contributions to three-month-on-three-month percentage changes in the three-month moving average (percentage points)



Sources: SO SR and NBS calculations.

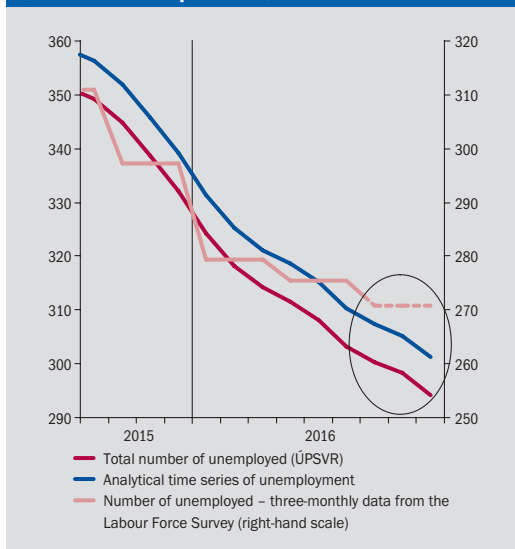
Note: The contribution of employment in trade and services does not include the impact of a methodological change in January 2016.

Chart 9 Unemployment (percentages; thousands of persons)



Sources: ÚPSVR and NBS calculations.

Chart 10 Number of unemployed (thousands of persons)



Sources: ÚPSVR and NBS calculations.

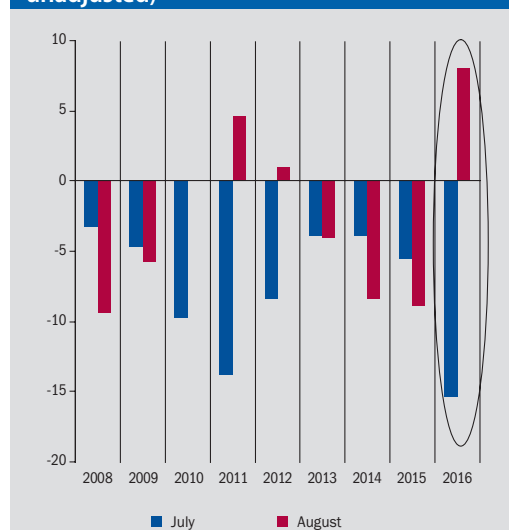
Note: The Labour Force Survey unemployment figure for Q3 2016 is the MTF-2015Q3 projection. The analytical time series of unemployment is based on ÚPSVR figures and is defined in the MTF-2013Q3 forecast.

The unemployment rate maintained its downward path in September. The total number of unemployed people fell by around 4,000 month on month³. The rate of decrease in unemployment was more moderate in the third quarter than in the first half of the year. The jobless total is on course towards its pre-crisis lows and, with the number of job vacancies remaining high, that trend is expected to continue in the next period. The drop in the number of registered unemployed was accounted for mostly by job seekers finding work.

Annual average wage growth in the sectors under review accelerated to 5.1% in August, after

slowing to 2.6% in July. Partly this was caused by the timing of holiday shutdowns in industry, which compared with the previous year were more heavily concentrated in July. The resulting impact of hours worked weighed on annual wage growth in July and had the opposite effect in August. Nevertheless, the acceleration of wage growth in August was greater than the slowdown in July. Furthermore, wage growth also accelerated in the services sector, and remained at a high level in the trade and construction sectors. The main cause of the pick-up in wage growth is therefore expected to have been rising labour demand supported by solid profitability in the economy. Some employers report having significantly increased basic salaries in order to retain and attract employees.

Chart 11 Hours worked per employee in industry in July and August (month-on-month percentage changes; seasonally unadjusted)

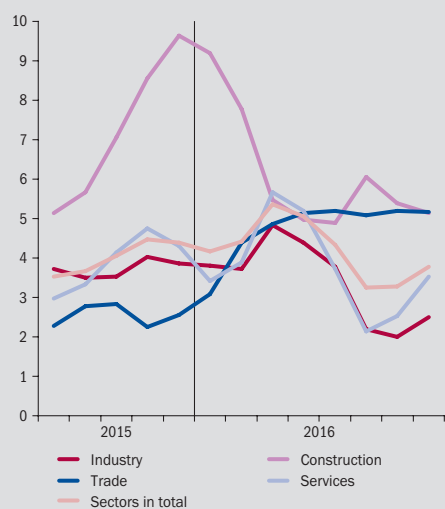


Sources: SO SR and NBS calculations.

³ In seasonally-unadjusted terms, the registered unemployment rate decreased month-on-month by 0.01 percentage point, to 9.42%, and the unemployment rate based on the total number of job seekers fell by 0.02 percentage point, to 10.83%.



Chart 12 Wage growth (year-on-year percentage changes in the three-month moving average)



Sources: SO SR and NBS calculations.

Chart 13 Wage trends in the economy (annual percentage changes)



Sources: SO SR and NBS calculations.

Note: The Q3 2016 figure for the average wage in the economy as a whole is the MTF-2016Q3 projection. The average wage in the sectors under review and social contributions up to the end of Q3 2016 are imputed using an ARIMA model.

4 PRICES

The annual HICP inflation rate for Slovakia was less negative in September (-0.5%) than in August (-0.8). In month-on-month terms, the price level remained flat, with an increase in automotive fuel prices being offset by a decrease in food prices.

The negative annual inflation rate moderated in September due mainly to the energy component, with petrol/diesel and gas prices falling at a slower rate in line with expectations. In month-on-month terms, petrol/diesel prices increased by 2.1%, while in September of the previous year they slumped by 4.4%. This turnaround directly supported the continuing pronounced moderation in their negative annual rate of change.

Food inflation is still expected to remain negative until the end of 2016. The expected increase in prices of staple food commodities is expected to be reflected in a gradual acceleration of food inflation. Given also that the reduction of VAT on selected food items will have a fading impact, annual food inflation is expected to turn moderately in early 2017.

Chart 14 Annual HICP inflation and contributions of components (annual percentage changes; percentage point contributions)

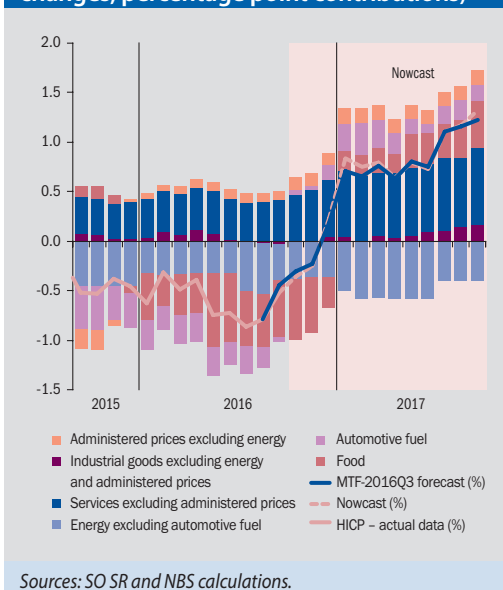


Table 1 HICP components – comparison of projected and actual rates of change (annual percentage changes; percentage point contributions)

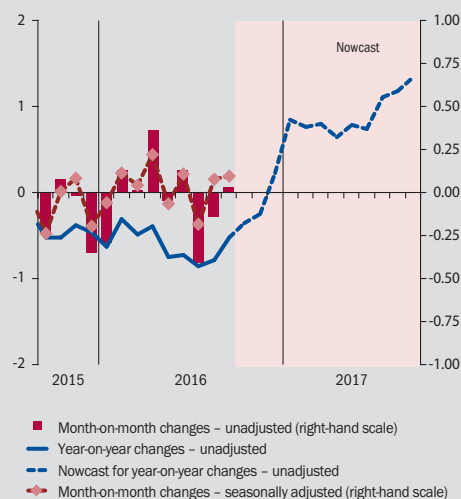
			Non-energy industrial goods	Energy	Food	Services	HICP	Net inflation excluding fuel
Year-on-year changes	A	August 2016 – actual figure	0.1	-4.7	-2.2	1.4	-0.8	0.7
		September 2016 – forecast	0.1	-2.5	-2.4	1.5	-0.4	0.8
	B	September 2016 – actual figure	0.0	-2.7	-2.4	1.4	-0.5	0.7
	B-A	September – actual figure minus forecast	-0.1	-0.2	0.0	-0.1	-0.08	-0.1
	(B-A) * weight	Contribution to overall forecast error (percentage point) ¹	-0.03	-0.02	-0.01	-0.02	-0.08	-0.04

Sources: SO SR and NBS calculations.

1) Projections taken from NBS's Medium-Term Forecast (MTF-2016Q3).

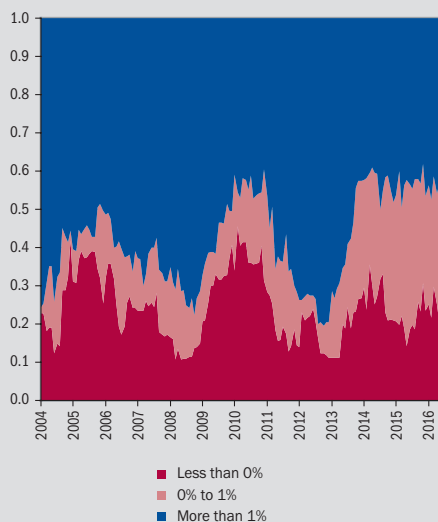


Chart 15 HICP inflation (percentage changes)



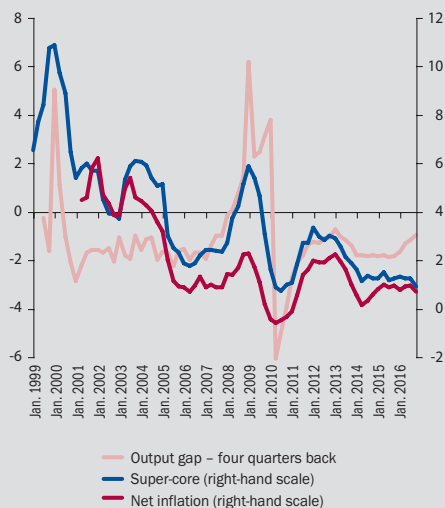
Sources: SO SR and NBS calculations.

Chart 17 HICP core inflation broken down by price-change intervals



Source: NBS calculations.

Chart 16 Demand-pull inflation (annual percentage changes; seasonally adjusted)



Sources: SO SR and NBS calculations.

Note: The net inflation index comprises non-administered prices of services and non-administered prices of non-energy industrial goods. The super-core index comprises sub-items in the HICP for which the output gap has predictive power with statistical significance.

The strength of the labour market may be starting to have an effect on the price level, albeit only a modest one. Services inflation excluding administered prices remained positive in September, at 0.2% month on month.

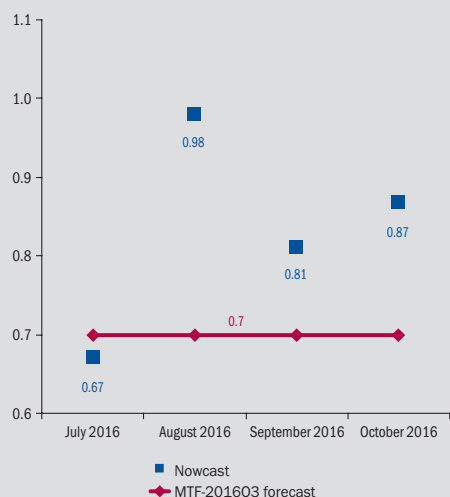
Average annual inflation in 2016 is expected to be as negative as projected in the MTF-2016Q3 forecast (-0.5%). The inflation rate is expected to be slightly less negative in October (at -0.4%) and to turn positive at the end of the year.

5 INDICATIVE IMPACT ON THE FORECAST

The nowcast for quarter-on-quarter GDP growth in the third quarter is higher than the projection in NBS's current Medium-Term Forecast (MTF-2016Q3). This difference reflects industrial production figures in Germany and Slovakia, and wage and sales figures in the sectors under re-

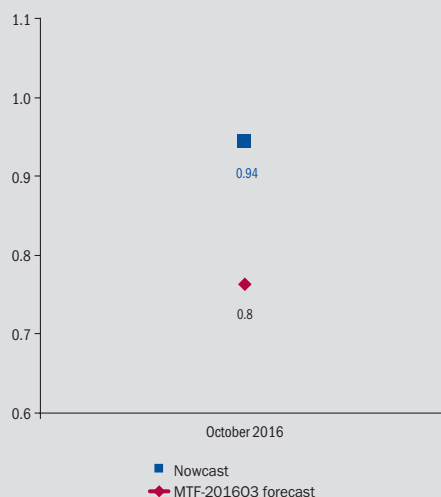
view. But while the nowcast shows a slight upside risk to the outlook for overall GDP, it also shows a downside risk to the outlook for two GDP components – exports and consumption. The nowcast for employment growth is line with the MTF-2016Q3 forecast.

Chart 18 Nowcast for GDP in Q3 2016 (quarter-on-quarter percentage changes)



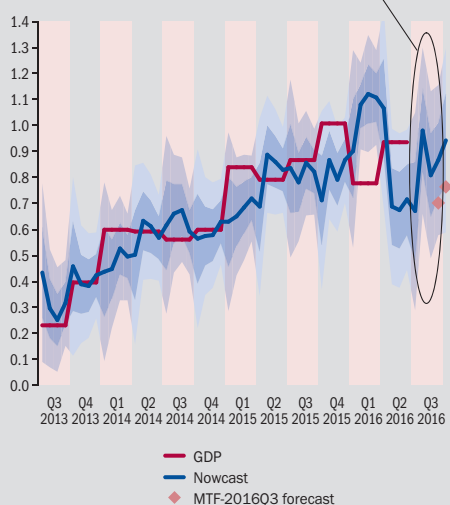
Sources: SO SR and NBS calculations.

Chart 20 Nowcast for GDP in Q4 2016 (quarter-on-quarter percentage changes)



Sources: SO SR and NBS calculations.

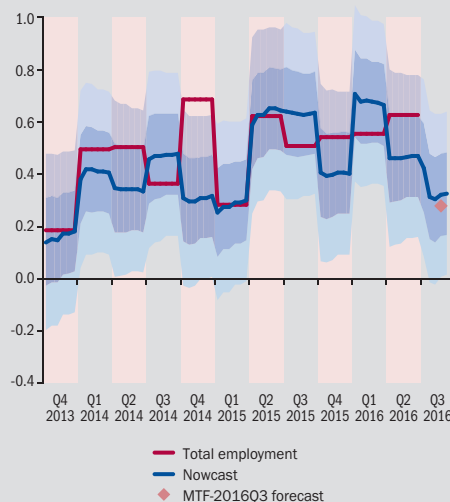
Chart 19 GDP nowcast (quarter-on-quarter percentage changes)⁴



Sources: SO SR and NBS calculations.

Note: The GDP growth nowcast excludes qualitative impacts and one-off effects (e.g. EU funds).

Chart 21 Employment nowcast (quarter-on-quarter percentage changes)⁴

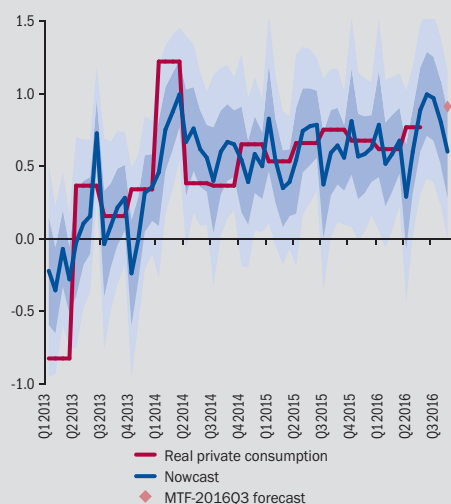


Sources: SO SR and NBS calculations.

⁴ The band around the point estimate denotes ± 1 and ± 2 times the root mean square error. Nowcasts are calculated using OLS time series models based on selected sets of monthly indicators (for employment, a factor model is used). Nowcasts provide a current estimate of future developments using available monthly figures from the current quarter, their future values forecast with ARIMA models, and their lagged values. The individual model projections are independent of each other and therefore forecasting error in a past quarter cannot affect current projections. Further details are available in the commentaries on the GDP nowcasts, private consumption nowcasts, export nowcasts and employment nowcasts.

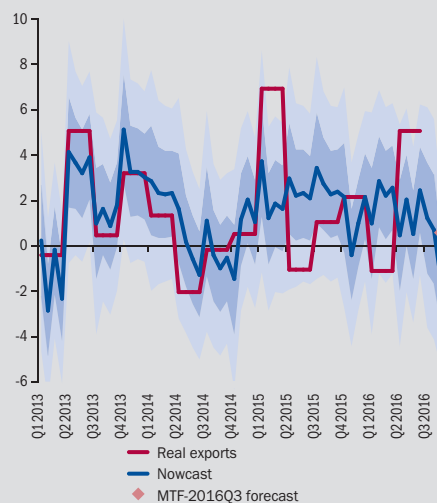


**Chart 22 Private consumption nowcast
(quarter-on-quarter percentage changes)⁴**



Sources: SO SR and NBS calculations.

**Chart 23 Nowcast for goods and services
exports (quarter-on-quarter percentage changes)⁴**



Sources: SO SR and NBS calculations.



OVERVIEW OF MAIN MACROECONOMIC INDICATORS FOR SLOVAKIA

Table 2 Selected economic and monetary indicators for Slovakia
(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 ¹⁾	Economic Sentiment Indicator (long-term average=100)	M3 (for analytical use) ²⁾	Loans to non-financial corporations	Loans to households	State budget balance (EUR mil.)	General government balance (% of GDP)	General government gross debt (% of GDP)	Current account (% of GDP)	Balance of trade (% of 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
2008	5.7	3.9	6.1	3.2	9.6	2.9	-	99.3	4.9	15.3	25.3	-704.0	-2.3	28.2	-6.2	-1.8	1.4708
2009	-5.5	0.9	-2.6	-2.0	12.1	-15.5	-16.6	77.3	-2.8	-3.3	11.0	-2,791.3	-7.9	36.0	-3.5	0.4	1.3948
2010	5.1	0.7	-2.7	-1.5	14.4	8.1	8.3	98.7	7.8	1.6	12.5	-4,436.1	-7.5	40.8	-4.7	-0.1	1.3257
2011	2.8	4.1	2.7	1.8	13.6	5.2	6.1	98.8	2.9	7.6	11.1	-3,275.7	-4.1	43.3	-5.0	-0.1	1.3920
2012	1.5	3.7	3.9	0.1	14.0	8.0	4.4	94.0	8.8	-2.3	10.3	-3,810.7	-4.3	52.4	0.9	3.5	1.2848
2013	1.4	1.5	-0.1	-0.8	14.2	3.9	1.8	90.4	6.4	1.7	10.2	-2,023.3	-2.7	55.0	2.0	4.1	1.3281
2014	2.5	-0.1	-3.5	1.4	13.2	8.6	2.6	100.4	2.5	1.2	13.1	-2,923.4	-2.7	53.9	0.1	3.8	1.3285
2015	3.6	-0.3	-4.2	2.0	11.5	7.0	7.3	99.7	11.5	6.8	13.0	-1,932.6	-3.0	52.9	-1.3	2.4	1.1095
2015 Q4	4.3	-0.5	-4.8	2.0	11.0	5.0	8.2	99.0	11.5	6.8	13.0	-	-5.2	52.9	-1.1	0.8	1.0953
2016 Q1	3.4	-0.5	-5.3	2.2	10.4	2.3	5.8	102.6	10.1	3.1	12.8	-	-1.9	52.2	-1.5	3.4	1.1020
2016 Q2	3.7	-0.6	-5.2	2.3	9.6	6.2	6.5	98.7	9.7	0.7	13.4	-	.	.	0.4	4.7	1.1292
2016 Q3	.	-0.7	.	.	.	.	.	102.4	.	.	.	-	.	.	.	.	1.1166
2015 Oct.	-	-0.5	-5.0	-	11.0	1.3	4.8	104.0	10.2	2.9	13.3	-29.1	-	-	-	-	1.1235
2015 Nov.	-	-0.4	-5.0	-	10.8	8.4	11.3	96.8	10.4	5.1	13.5	24.1	-	-	-	-	1.0736
2015 Dec.	-	-0.5	-4.5	-	10.6	5.7	9.0	96.3	11.5	6.8	13.0	-751.2	-	-	-	-	1.0877
2016 Jan.	-	-0.6	-5.2	-	10.4	1.9	2.2	102.5	11.3	4.4	12.9	8.6	-	-	-	-	1.0860
2016 Feb.	-	-0.3	-4.7	-	10.1	7.1	3.8	102.6	10.5	2.8	12.6	-842.7	-	-	-	-	1.1093
2016 Mar.	-	-0.5	-5.9	-	9.9	-1.8	5.0	102.8	10.1	3.1	12.8	-44.8	-	-	-	-	1.1100
2016 Apr.	-	-0.4	-5.6	-	9.6	7.4	12.2	99.6	10.9	3.3	12.9	232.8	-	-	-	-	1.1339
2016 May	-	-0.7	-5.6	-	9.5	9.1	8.5	98.0	10.8	1.5	13.3	-465.4	-	-	-	-	1.1311
2016 June	-	-0.7	-4.5	-	9.5	2.4	4.3	98.6	9.7	0.7	13.4	375.1	-	-	-	-	1.1229
2016 July	-	-0.9	-4.6	-	9.4	-14.0	-23.7	103.9	8.9	4.6	13.7	112.2	-	-	-	-	1.1069
2016 Aug.	-	-0.8	-4.8	-	9.4	17.5	29.6	99.9	9.0	4.7	13.0	13.1	-	-	-	-	1.1212
2016 Sep.	-	-0.5	.	-	9.4	.	.	103.4	.	.	.	-33.2	-	-	-	-	1.1212

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

1) Constant prices (seasonally adjusted).

2) 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/2016/StatisticsMB1016.xls