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Abbreviations

CPI	Consumer Price Index
EA	euro area
ECB	European Central Bank
EC	European Commission
EMEs	emerging market economies
EONIA	euro overnight index average
ESA 2010	European System of Accounts 2010
ESI	Economic Sentiment Indicator (European Commission)
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
Ifo Institute	Leibniz Institute for Economic Research at the University of Munich
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)
NACE	Statistical Classification of Economic Activities in the European Community (Rev. 2)
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
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
ÚRSO	Úrad pre reguláciu sieťových odvetví – Regulatory Office for Network Industries
USD	US dollar
VAT	value-added tax
ZEW	Das Zentrum für Europäische Wirtschaftsforschung – The Centre for European Economic Research

Symbols used in the tables
. – Data are not yet available.
- – Data do not exist / data are not applicable.
(p) – Preliminary data

1 Summary

Euro area economic growth slowed to 0.2%, year on year, in the third quarter of 2018. This moderate cooling, expected on the basis of monthly indicators, was caused mainly by a sharp drop in car production related to the industry's slow adaptation to new emission standards. This decline, most pronounced in Germany, is assumed to have been a blip, and the euro area economy is expected to return to stronger growth in subsequent quarters.

In contrast to the euro area economy, the Slovak economy maintained its elevated growth trend in the third quarter, expanding by 1.1% in quarter-on-quarter terms. Consumer demand and net exports are expected to have been the main drivers of GDP growth, albeit to a lesser extent than they were in the second quarter. Monthly data for the quarter imply the continuation of robust growth in car exports; nevertheless, part of the automotive industry was affected by adverse developments in the euro area that weighed on the export performance of suppliers in Slovakia. Export growth in the electronics industry also moderated.

As part of the regular revision of GDP data, Slovakia's GDP figures for the years from 2015 to 2018 were adjusted. The downward revision of GDP for 2017 resulted in GDP growth rates in 2018 being revised up by around 0.2 percentage point. Thus, annual GDP growth for the third quarter was 4.6% (after 4.5% in the second quarter – revised up from 4.2%).

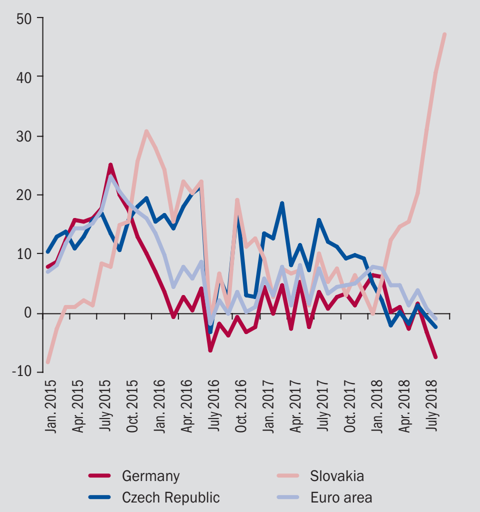
Net job creation remained positive, while the labour market tightened further. Employment growth was relatively high in the third quarter, at 0.4%, but it is expected to slow in an environment of labour shortages. The unemployment rate fell to 6.4% in October, while the share of job vacancies filled by foreigners continued to increase. Wage growth remained strong (7.4%) in the third quarter, reflecting the impact of labour shortages, which are most pronounced in the sectors of industry and services.

The annual inflation rate fell slightly in October, to 2.5%, owing to the expected fading of last-year's supply side shock in food prices. Vehicle fuel price inflation remained relatively high. Given recent oil price developments, however, this component is expected to moderate in subsequent months.

As for monetary indicators in the third quarter, year-on-year credit growth slowed further (to 9.9%, from 10.6% in the second quarter), due largely to trends in the non-financial corporation (NFC) sector. Lending to households continues to be supported by all-time low interest rates.

Despite deteriorating economic sentiment in the external environment and a decline in car production in the euro area, exports of passenger cars from Slovakia are recording double-digit growth. These exports are strong because domestic carmakers have revamped their output and are responsive to a shift in consumer demand from diesel to petrol cars. In addition, domestic carmakers were able to take advantage of a drop in car production in surrounding European countries, which resulted from delays in the emissions testing of existing models. Notwith-

Chart of the month
Passenger car exports (annual percentage changes; three-month moving average; current prices)



Sources: Eurostat and NBS calculations.

standing, however, the intensive export activity of domestic carmakers, Slovakia's overall export growth slowed in the third quarter, since suppliers of components to the European market were affected by stagnating production in the European automotive supply chain.

Table 1 Macroeconomic indicators released since the previous monthly bulletin

Indicator	Unit	Period	Current period	Previous period
Euro area				
Confidence indicators				
PMI	index	*November 2018*	52.4	53.1
Economic Sentiment Indicator	long-run average = 100	*October 2018*	109.8	110.9
Economic indicators				
Gross domestic product	annual percentage change, constant prices	*Q3 2018*	1.7	2.2
Industrial production index	annual percentage change	*September 2018*	0.9	1.1
Retail sales	annual percentage change, constant prices	*September 2018*	0.8	2.2
Unemployment rate	percentage	*September 2018*	8.1	8.1
HICP inflation	annual percentage change	*October 2018*	2.2	2.1
Oil price in USD[1)]	level	*November 2018*	**68.2**	80.5
EUR/USD exchange rate[1)]	level	*November 2018*	1.137	1.148
Slovakia				
Confidence indicators				
Economic Sentiment Indicator	long-run average = 100	*October 2018*	98.9	97.3
Industrial confidence indicator	percentage balance	*October 2018*	-0.3	2.6
Consumer confidence indicator	percentage balance	*October 2018*	-4.3	-4.3
Economic indicators				
Gross domestic product	annual percentage change, constant prices	*Q3 2018*	4.6	4.5
Aggregate sales	annual percentage change, constant prices	*September 2018*	8.2	6.8
Industrial production index	annual percentage change	*September 2018*	0.8	2.2
Private sector credit	annual percentage change	*September 2018*	9.9	10.1
Employment	annual percentage change	*September 2018*	3.4	3.7
Unemployment rate	percentage	*October 2018*	6.4	6.5
Nominal wages	annual percentage change	*September 2018*	**6.0**	7.1
HICP inflation	annual percentage change	*October 2018*	2.5	2.7

Sources: SO SR, European Commission, Markit, Macrobond and NBS calculations.
1) The average for the current period is for the period from the start of the month.

Table 2 Qualitative impact of indicators on projections for key macroeconomic indicators

Indicator	Unit	Period	Current projection	Qualitative shift
Gross domestic product – Slovakia	quarterly percentage change, constant prices	*Q4 2018*	1.1	=
Gross domestic product – euro area	quarterly percentage change, constant prices	*Q4 2018*	0.4	↓
Employment (ESA) – Slovakia	quarterly percentage change	*Q4 2018*	0.4	=
Nominal wages – Slovakia	annual percentage change	*Q3 2018*	6.2	=
HICP inflation – Slovakia	annual percentage change	*Q4 2018*	2.4	=

Source: NBS calculations.
Notes: **Values in bold show a significant deviation.** *In the case of macroeconomic indicator values for the euro area,* **deviations are calculated/determined** *by comparing the values with market expectations, and in the case of macroeconomic indicator values for Slovakia, including the oil price and exchange rate, by comparing them with their three-month averages. The qualitative impact of indicators on projections for key macroeconomic indicators is determined on the basis of the difference between the current nowcast and the most recent published forecast for the given variable. Deviations from the forecast are indicated by arrows. The method of constructing threshold intervals for values in the table which are in bold or which deviate from the forecast are described in the NBS's August 2018 Monthly Bulletin.*

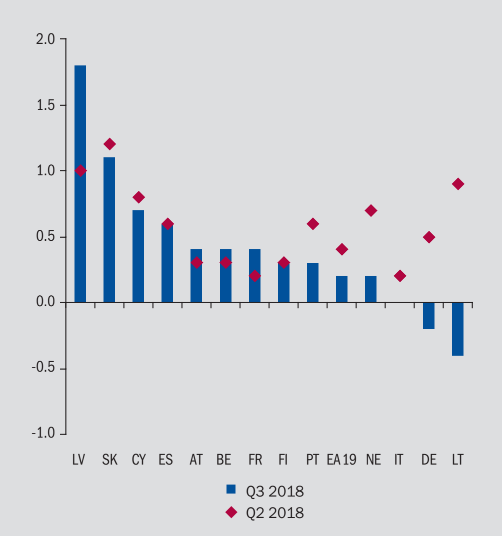
2 The real economy[1]

2.1 EXTERNAL ENVIRONMENT

According to Eurostat's flash estimate, the euro area economy grew by 0.2%, year on year, in the third quarter of 2018, which was 0.2 percentage point lower than its growth in the second quarter. Looking at the larger euro area national economies, GDP growth remained strong in Spain (at 0.6%, the same as in the previous quarter) and France (0.4%, up from 0.2%), while the Netherlands' GDP growth slowed significantly (to 0.2%, from 0.7%) and Germany's fell (by 0.2%) after increasing by 0.5% in the second quarter.

According to short-term indicators,[2] construction production growth moderated in the third quarter (to 0.9%, from 1.3% in the second quarter), as did retail trade growth (to 0.0%, from 0.8%). Industrial production fell slightly (by 0.1%), after increasing by 0.1% in the second quarter). Based on information from national statistical offices and from short-term indicators, the main causes of the third-quarter slowdown in euro area economic growth are expected to have been the one-off factor of the introduction of new emission standards, a softening of consumer demand, and weaker export growth.

Chart 1 Euro area GDP (quarter-on-quarter percentage changes)



Source: Macrobond.
Note: GDP growth data for Q3 2018 were not available for Estonia, Greece, Ireland, Luxembourg, Malta and Slovenia.

Turning to the latest readings of **leading indicators** for the euro area, the European Commission's **Economic Sentiment Indicator (ESI)** stood at 109.8 in October, 1.1 points lower than in September, and thus continued a downward trend going back to the start of 2018. But despite having fallen by 5.1 points since January, the ESI remains above its long-run average. Looking at the sectors covered by the ESI, confidence fell most sharply in retail trade and more moderately in industry, services, and construction. Only the consumer confidence indicator showed a slight improvement. The flash composite Purchasing Managers' Index (**PMI**) for the **euro area** fell to 52.4 in November, after previously falling to 53.1 in October. The overall PMI reflected lower output growth in **manufacturing** (the Manufacturing PMI Output Index declined to 50.4, from 51.3 in October) and **lower activity growth in services** (the Services PMI Activity Index dropped to 53.1, from 53.7). Probably owing to a temporary weakening of car sales, euro area PMI was lower in November than at any time since December 2014. New orders and employment also recorded slower growth.

In the **European Commission's autumn 2018 European Economic Forecast (EEF)**, **euro area GDP growth is projected to moderate** from its ten-year high of 2.4% in 2017 to 2.1% in 2018, and then to 1.9% in 2019 and 1.7% in 2020. According to the EEF, last year's exceptionally benign global environment helped to underpin economic activity and investment in the euro area. Despite increasing uncertainty, all Member States' economies are expected continue growing, albeit at a slower pace, with growth driven by robust domestic consumption and strong investment. Unemployment should fall further and the number of job vacancies should increase substantially. The baseline scenario for Europe's economic growth outlook is, however, exposed to an increasing number of downside risks, including mounting global uncertainty, international trade tensions, and rising oil prices.

1 *All month-on-month and quarter-on-quarter changes mentioned in the text have been seasonally adjusted using NBS internal models.*
2 *Data for individual indicators are available for the whole third quarter (the average for the quarter is calculated from the available monthly data for the given quarter).*

The **price of a barrel of Brent crude oil** stood at just above USD 66 in mid-November, representing a drop of around 17% from its mid-October level. This **significant decrease** stemmed from rising oil production in the United States, as well as from the granting to certain countries of waivers from sanctions against Iran. By allowing China, India, South Korea, Japan, Italy, Greece, Taiwan and Turkey to continue importing Iranian oil, the 180-day waivers improved market supply outlooks and contributed to the fall in oil prices.

At its monetary policy meeting on 1 November 2018, the Bank Board of the Czech central bank, **Česká národní banka (CNB), increased the bank's base interest rate** (the two-week repo rate) by 25 basis points, to 1.75% with effect from 2 November 2018. According to CNB's explanation of the decision, the balance of risks to the forecast at the monetary policy horizon was assessed as being slightly inflationary; the view was taken that monetary policy should tighten monetary conditions in response an inflation rate that has for a long period been in the upper half of the tolerance band around its target, especially with the exchange rate component having been weaker than projected for an extended period.

2.2 THE SLOVAK ECONOMY

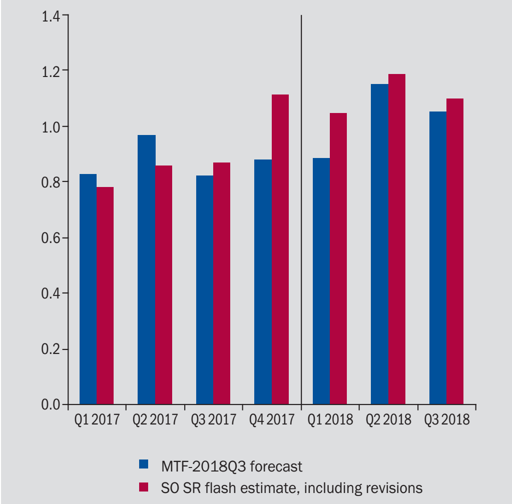
2.2.1 Economic activity indicators[3]

Slovakia's GDP growth accelerated to 4.6%, year on year, in the third quarter, from 4.5% in the second quarter (the revised and seasonally adjusted figure). **In quarter-on-quarter terms,** the Slovak economy grew by **1.1%** in the third quarter.

The main cause of the rise in annual GDP growth was the regular November revision of historical data (in this case, the data from the first quarter of 2015 to the second quarter of 2018). The downward revision of the GDP figures for 2017 resulted in year-on-year GDP growth for the second quarter of 2018 being revised up from 4.2% to 4.5%, and also in GDP growth in the third quarter being higher than projected in the MTF-2018Q3 forecast. Given the GDP revisions, GDP growth for the whole of 2018 is expected to be higher than previously projected.

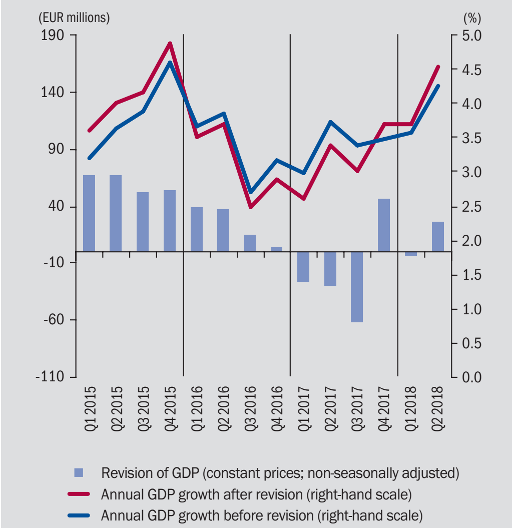
The composition of economic growth in the third quarter will not be known until the beginning of December. Looking at monthly data, the continuing growth in retail sales indicates increasing consumption demand, while export growth was lower than projected in the MTF-2018Q3 forecast and import growth was higher. Given these foreign trade developments, net exports may have had a negative impact on GDP growth in the third quarter, in contrast to the positive contribution envisaged in the forecast.

Chart 2 Quarter-on-quarter GDP growth – flash estimate and forecast (percentages; constant prices)



Sources: SO SR and NBS calculations.

Chart 3 GDP revisions



Sources: SO SR and NBS calculations.

3 September's monthly economic indicators are not described, since the GDP flash estimate, which aggregates these data, is already available.

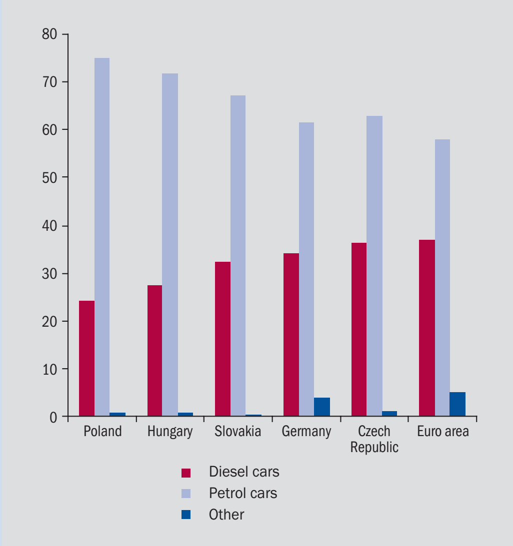
Box 1

SHIFT IN CONSUMER DEMAND FROM DIESEL TO PETROL CARS

Slovakia exports both petrol and diesel cars. In the years from 2013 to 2016 the ratio between the two remained at around 60:40 in favour of petrol cars, but now it is approaching 70:30.

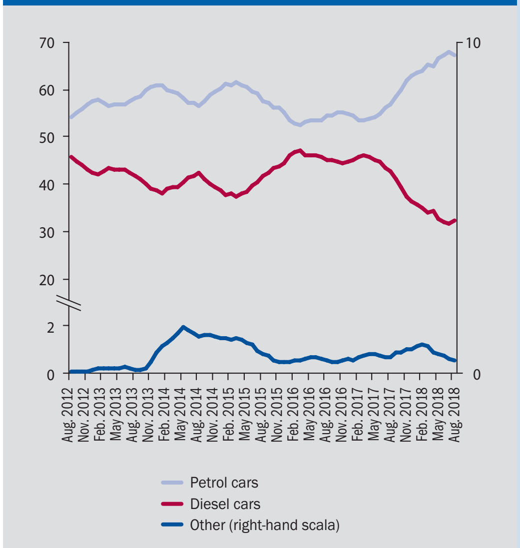
The car export figures show that carmakers in Slovakia have been able to adapt their output in response to falling demand for diesel cars. They have compensated for that lower demand by increasing exports of petrol cars.

Chart B Value structure of passenger car exports in the first half of 2018 (percentages)



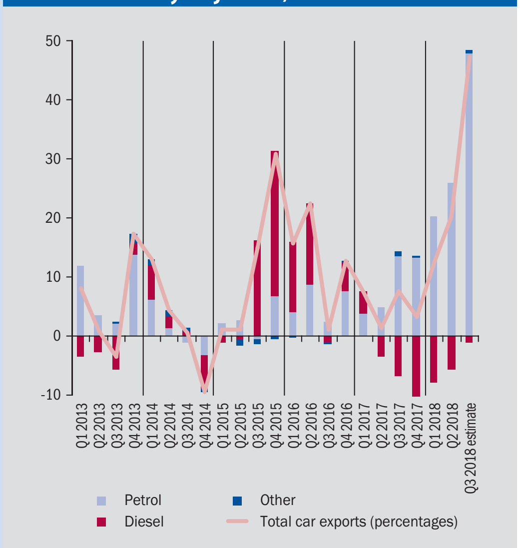
Sources: Eurostat and NBS calculations.

Chart A Value structure of passenger car exports from Slovakia (percentages)



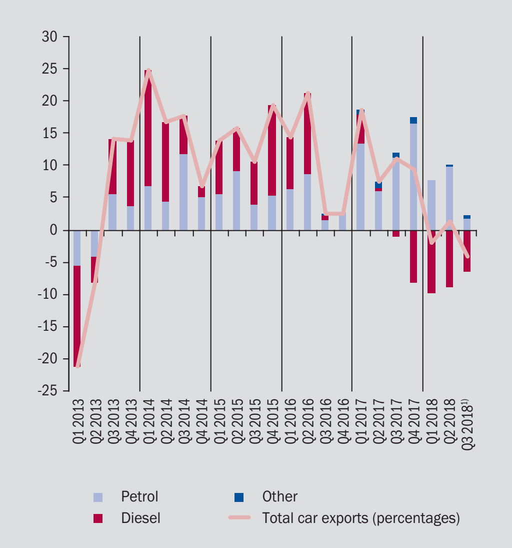
Sources: Eurostat and NBS calculations.

Chart C Passenger car exports from Slovakia (annual percentage changes; percentage point contributions; current prices; non-seasonally adjusted)



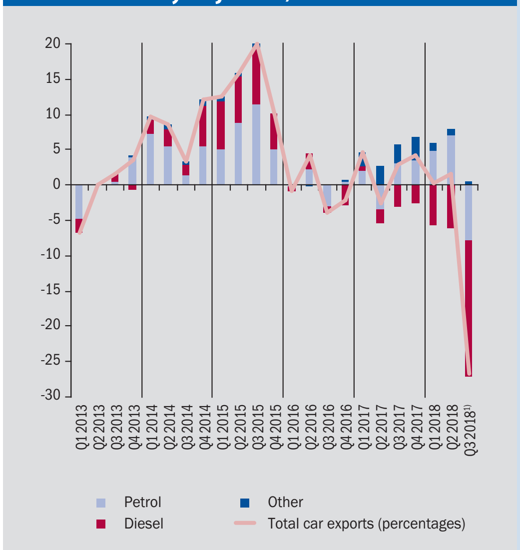
Sources: Eurostat and NBS calculations.

Chart D Passenger car exports from the Czech Republic (annual percentage changes; percentage point contributions; current prices; non-seasonally adjusted)



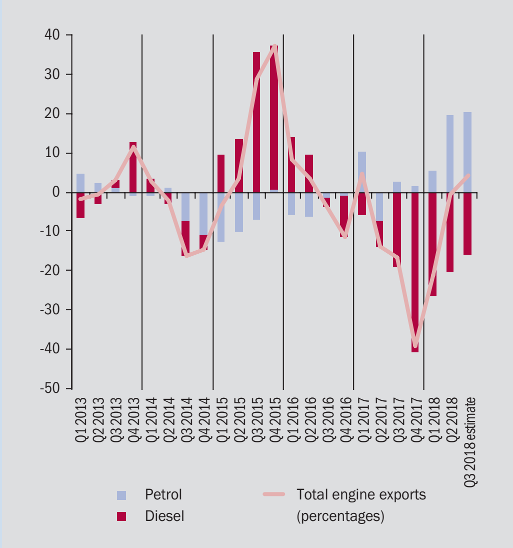
Sources: Eurostat and NBS calculations.
1)Q3 2018 – July and August 2018 compared against July and August 2017.

Chart E Passenger car exports from Germany (annual percentage changes; percentage point contributions; current prices; non-seasonally adjusted)



Sources: Eurostat and NBS calculations.
1) Q3 2018 – July and August 2018 compared against July and August 2017.

Chart F Car engine exports from Slovakia (annual percentage changes; percentage point contributions; current prices; non-seasonally adjusted)



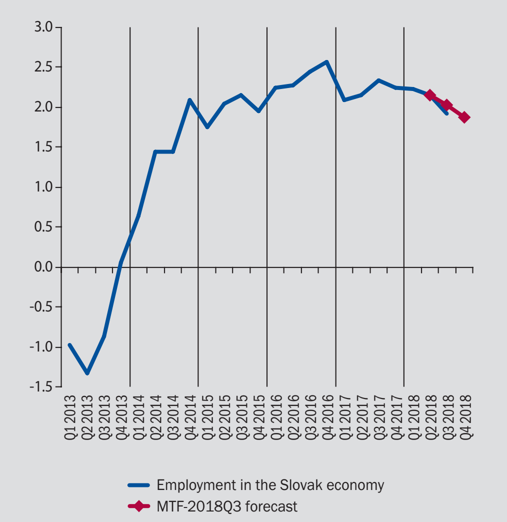
Sources: Eurostat and NBS calculations.

At precisely this time of changing consumer preferences, carmakers in Slovakia have been revamping their output. Given the timeliness of the production of new car models in regard to meeting changes in demand (and given also that domestic carmakers were able to take advantage of a third-quarter drop in car exports from surrounding European countries, which resulted from delays in the emissions testing of existing models), growth in Slovak car exports moved into double figures. On the other hand, the scope for exporting diesel engines produced in Slovakia has diminished, although not to the extent that would undermine Slovakia's total exports (and this area of production is expected to be modified).

2.2.2 Labour market

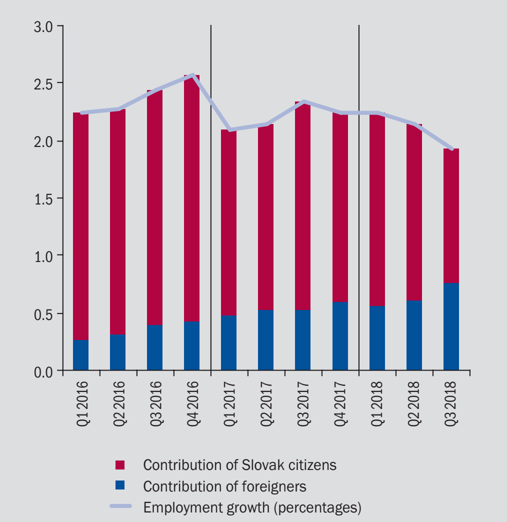
According to the SO SR's flash estimate, employment increased by 1.9%, year on year, in the third quarter (after growing by 2.1% in the second quarter). In quarter-on-quarter terms, employment grew by 0.4% in the third quarter (0.5% in the second). The slowing of job growth indicates that employers are facing labour shortages. At the same time, since the domestic labour force cannot satisfy labour demand, the share of foreigners in headcount employment growth continues to increase and reached almost 40%, year on year, in the third quarter. Preliminary monthly data suggest that job growth in the third quarter was strongest in the sectors of construction and trade and was more moderate in industry

Chart 4 Employment according to ESA 2010 methodology – trend and forecast (annual percentage changes)



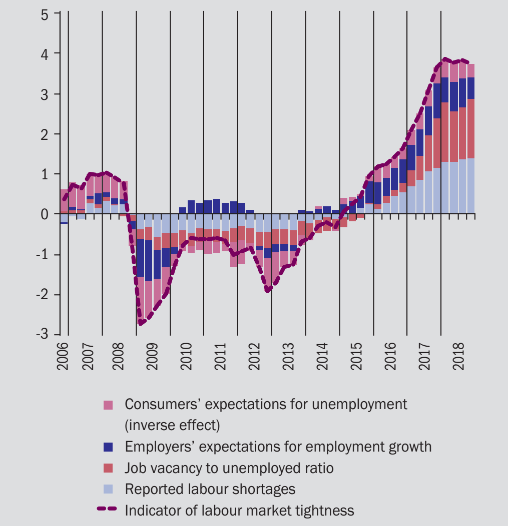
Sources: SO SR and NBS calculations.

Chart 5 Headcount employment growth broken down by origin of new recruits (annual percentage changes; percentage point contributions)



Sources: ÚPSVR, SO SR and NBS calculations.

Chart 6 Indicator contributions in the calculation of labour market tightness (standardised indicators and their weighted average; level)

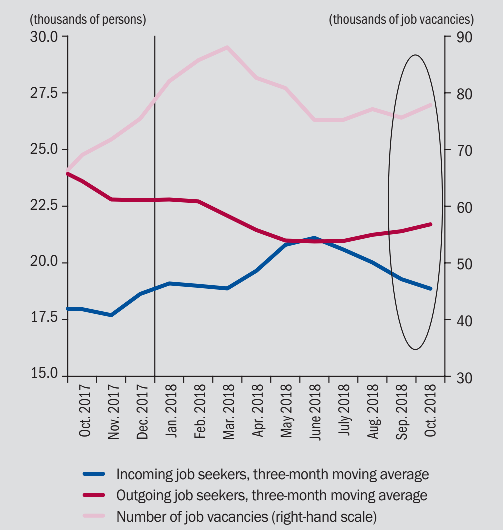


Sources: European Commission and NBS calculations.
Note: The Q4 2018 figure is imputed using ARIMA models.

and services. Employment developments were broadly in line with the MTF-2018Q3 forecast, which projected job growth in the third quarter to be 0.45% quarter on quarter and 2% year on year. The only available data for the fourth quarter are leading survey-based indicators for October, which fell from levels that were signalling substantial optimism. Therefore, in the near term, employment growth is expected to maintain a slight moderating trend.

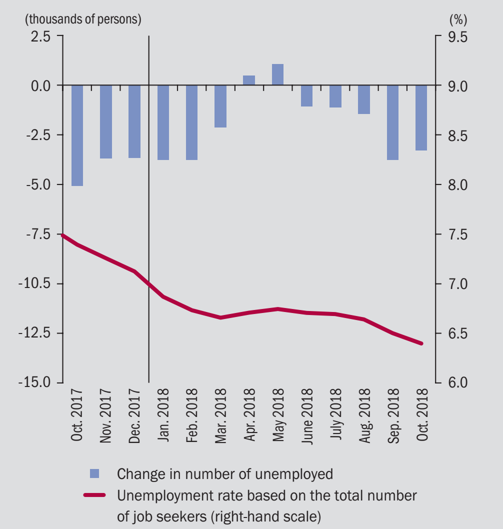
The number of unemployed fell by around 3,300, month on month, in October, and so the unemployment rate based on the total number of job seekers edged down by 0.1 percentage point (after seasonal adjustment by NBS), to a new historical low (6.4%). At the same time, however, the unemployment rate's downward trend is gradually moderating. The long-term unemployment rate has also been declining, with support from government measures. The number of job vacancies remains elevated, reflecting the labour market situation and shortages of skilled labour. The jobs for which most vacancies were filed in October were plant and machine operators and skilled and craft workers; over the long-term, however, vacancies for these manual positions are the most sought-after. On the positive side, both short-term and long-term unemployment are currently falling.

Chart 7 Labour market trends according to ÚPSVR records



Sources: ÚPSVR and NBS calculations.
Note: The number of incoming job seekers is calculated as the sum of the change in the total number of job seekers and the number of outgoing job seekers.

Chart 8 Total unemployment

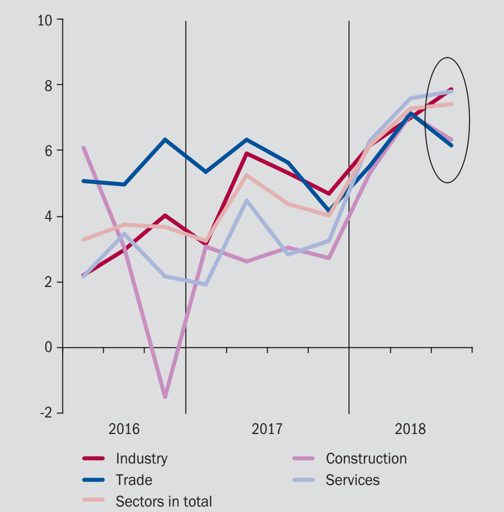


Sources: ÚPSVR and NBS calculations.

Average annual wage growth stood at 6% in September 2018. Owing to a stronger result in the previous month, wage growth increased by 7.4% in the third quarter as whole (after rising by 7.3% in the second quarter). September's slower wage growth (but still relatively high in year-on-year terms) stemmed mainly from wages in industry, as their rate of increase moderated by almost 2.5 percentage points, to 5.2%. The manufacturing industries in which wage growth fell most sharply were transport equipment and electronics; each recorded a slight decline in the number of hours worked per person, which may have been partly related to a softening of exports in parts of the industries not related to car manufacturing. At the same time, however, industry is the sector with the most pronounced labour shortages, which in coming months may put upward pressure on wage growth in the sector. Furthermore, the carmaker Jaguar Land Rover is beginning production at its new plant in Slovakia, and this may have a partial impact on variable wage components and the number of hours worked. In the electronics manufacturing sector, another factor behind the lower wage growth may be that the timing of variable wage components this year is different from last year, and so there may be a return to stronger wage growth in the following month.

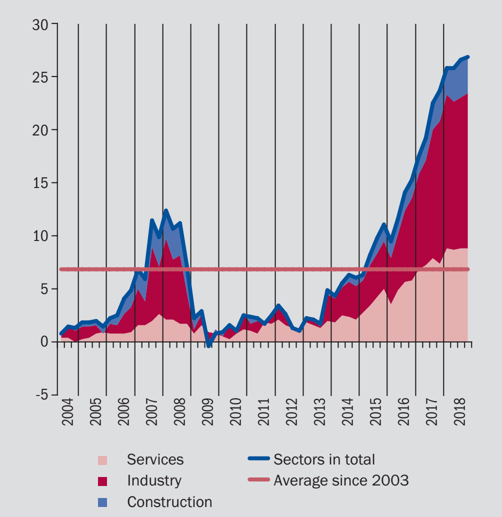
The moderate acceleration of average annual wage growth in the reviewed sectors in the third quarter was largely accounted for by industry and services. Private sector wage growth is expected to remain robust for the rest of the year. In the public sector, some slowdown in wage growth is envisaged, probably related to an expected lower rate of increase in bonuses and to the base effect of teachers' salary increases introduced from September 2017. Average wage

Chart 9 Wage level by sector based on monthly figures (annual percentage changes)



Sources: SO SR and NBS calculations.

Chart 10 Labour shortages in the Slovak economy (percentage of respondents reporting a shortage)



Sources: European Commission and NBS calculations.
Notes: The time series 'Sectors in total' represents a weighted average of the individual sectors based on the employment levels in each of them. Construction sector figures based on October data.

growth in the economy as a whole in 2018 is therefore expected to be around 6%, broadly in line with the MTF-2018Q3 projection.

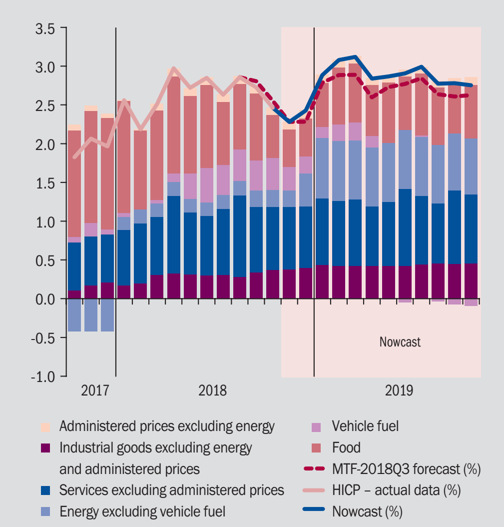
2.2.3 Prices

The annual HICP inflation rate in Slovakia fell to 2.5% in October (from 2.7% in September), which was basically in line with the MTF-2018Q3 forecast. In month-on-month terms, the overall price level increased moderately.

The slowdown in annual HICP inflation from September to October was caused almost entirely by an expected decrease in annual food price inflation. The year-on-year rate of increase in petrol and diesel prices remained relatively high, but given the recent sharp decline in the Brent crude oil price, it is expected to fall below 10% in November.

Headline inflation is projected to ease further in November owing to the impact of the food and fuel components. After reaching a short-term low, it is expected to pick up by almost

Chart 11 Contributions of components to HICP inflation (percentage point contributions; annual percentage changes)



Sources: SO SR and NBS calculations.

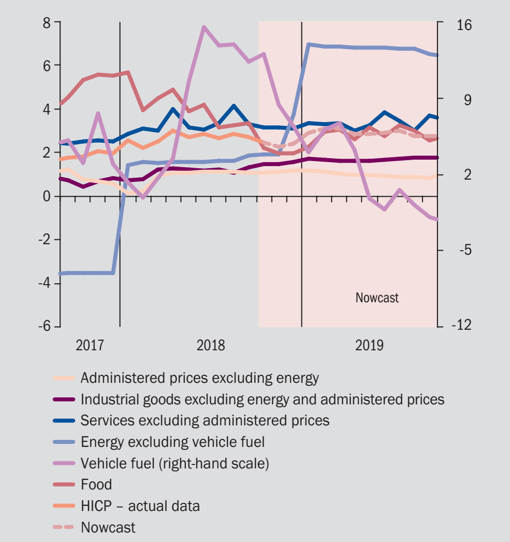
Table 3 HICP components – comparison of projected and actual rates of change (percentages; percentage point contributions)

			Non-energy industrial goods	Energy	Food	Services	HICP	Demand-pull inflation excluding vehicle fuel	Administered prices excluding energy
Year-on-year changes	A	October 2018 – MTF-2018Q3 forecast	1.5	4.1	2.1	3.2	**2.56**	2.6	1.1
	B	**October 2018 – actual figure**	**1.4**	**4.3**	**2.2**	**2.7**	**2.47**	**2.3**	**1.1**
	B-A	October 2018 – actual figure minus forecast	0.0	0.2	0.1	-0.4	-0.1	-0.3	-0.1
	(B-A) * weight	**Contribution to overall forecast error[1)]**	**-0.01**	**0.03**	**0.02**	**-0.13**	**-0.09**	**-0.14**	**-0.01**

Sources: SO SR and NBS calculations.
1) Projections taken from NBS's September 2018 Medium-Term Forecast (MTF-2018Q3).

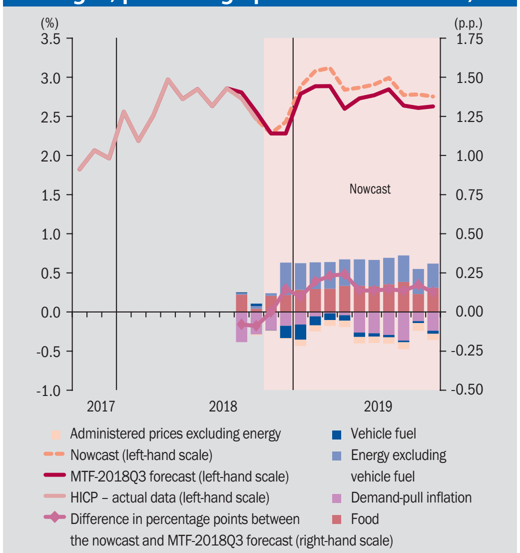
0.2 percentage point in December on the back of increases in household gas prices (household electricity and heat prices are due to be raised in January 2019). There is a significant upside risk to the inflation outlook in the form of current

Chart 12 HICP inflation and its components (annual percentage changes)



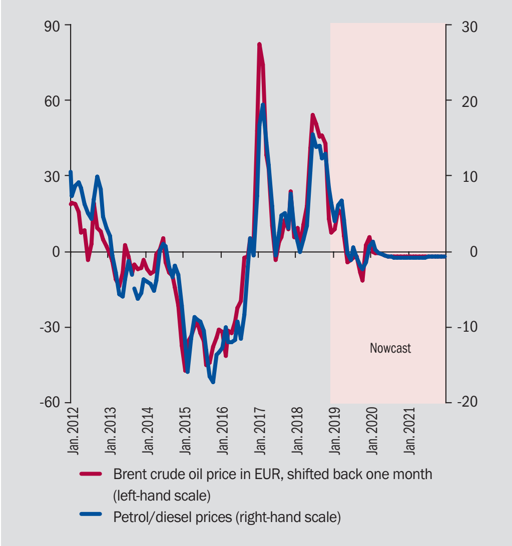
Sources: SO SR and NBS calculations.

Chart 13 HICP inflation and its components – comparison between the nowcast and MTF-2018Q3 forecast (annual percentage changes; percentage point contributions)



Sources: SO SR and NBS calculations.
Note: Demand-pull inflation comprises the following: industrial goods excluding energy and administered prices; and services excluding administered prices.

Chart 14 Vehicle fuel prices in Slovakia (annual percentage changes)



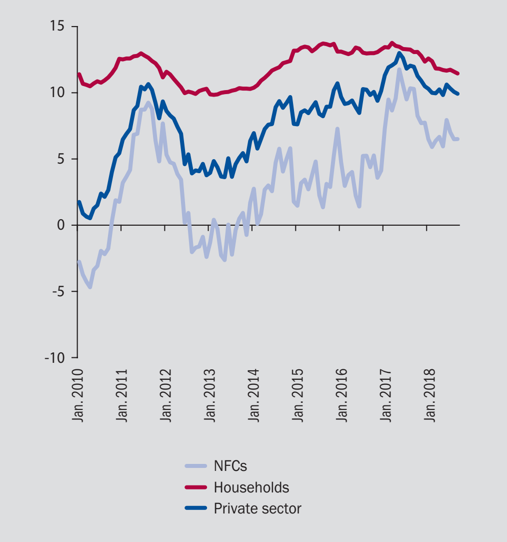
Sources: SO SR and NBS calculations.

proposals for imposing a special levy on retail chains. Inflation could come under downward pressure if legislators approve a draft law on the free-of-charge provision of catering for nurseries and primary schools.

2.2.4 Loans and deposits

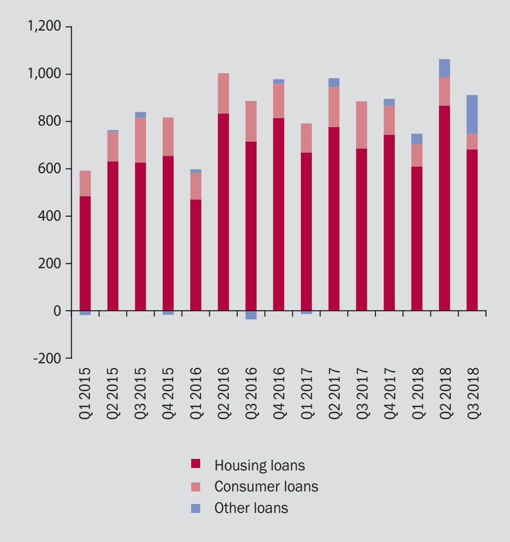
Private sector credit growth fell to 9.9%, year on year, in the third quarter of 2018 (from 10.6% in the second quarter). The main cause of the slowdown was lower growth in loans to non-financial corporations (in both year-on-year and quarter-on-quarter terms), which was due in large part to the redemption of loans to NFCs in the electricity and gas supply sector and in the transportation and storage sector. Leaving aside these transactions, there was an increase in NFC credit demand, which was also recorded in the bank lending survey (BLS). The demand growth was driven by NFCs in the industry and trade sectors and centred mainly on long-term loans, implying that corporate investment activity continued to hold up in the third quarter. Favourable lending conditions supported demand for bank loans. Lending rates for NFCs are just above 2%, and rates are almost the same for loans to SMEs (loans of between €0.25 million and €1 million) and large enterprises (loans of over €1 million). Interest rates on loans to micro enterprises, which are riskier, fluctuated between 4% and 5%.

Chart 15 Total loans (annual percentage changes)



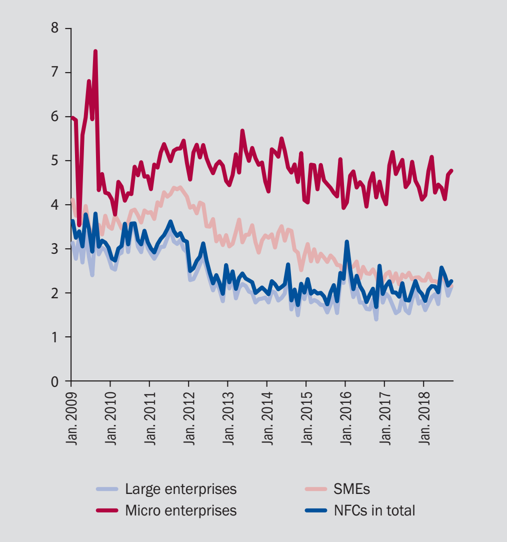
Sources: ECB and NBS calculations.

Chart 17 Breakdown of household credit growth (EUR millions)



Sources: ECB and NBS calculations.

Chart 16 Lending rates (percentages)



Sources: ECB and NBS calculations.

Household credit growth fell marginally in the third quarter, by 0.2 percentage point to 11.5%. The rate reflected the opposite effects of two factors. On the one hand, credit standards[4] – in particular, loan-to-value (LTV) ratios – are being tightened in response to macroprudential policy measures. On the other hand, credit demand is being stoked by historically low interest rates, by the continuing improvement in the labour market situation, and, according to the BLS, by longer loan maturities. Housing loans account for most of total household credit, but the share of other loans has increased in the last two quarters owing mainly to a methodological change.[5]

The year-on-year increase in total private sector deposits slowed to 6.0% in the third quarter of 2018 (from 6.5% in the second quarter). This resulted from lower growth in NFC deposits. Total household deposits increased slightly, reflecting the effects of accelerating wages and unprecedently high employment. Despite low deposit rates, households continue to keep a large proportion of their funds in the form of bank deposits repayable on demand, the interest rates on which are close to 0%. In seeking to attract relatively favourable funding, banks are offering households higher interest rates on deposits with an agreed maturity (term deposits). These rates are notably higher than the euro area average and that gap has widened in recent months.

4 Based on the euro area bank lending survey (BLS).

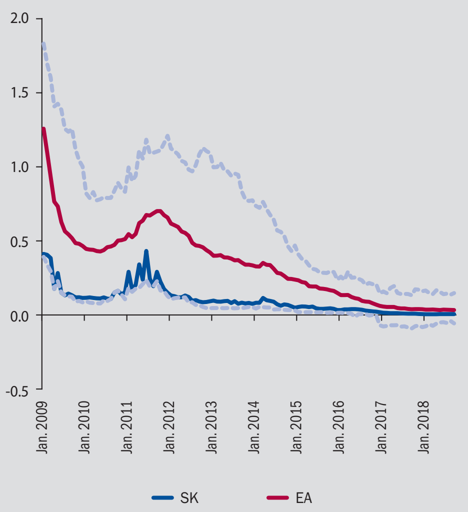
5 Banks have begun reporting so-called American mortgages under 'other loans' after previously reporting them under 'housing loans'.

By contrast, deposit rates for NFCs are almost 0%, which is lower than the euro area average. It should be noted, however, that banks in some countries have for some time also been charging negative interest rates on NFC deposits repayable on demand.

Chart 18 Interest rates on household deposits with an agreed maturity (percentages)

Source: ECB.
Note: The dashed lines denote the minimum and maximum interest rates in the euro area.

Chart 19 Interest rates on NFC deposits repayable on demand (percentages)



Source: ECB.
Note: The dashed lines denote the minimum and maximum interest rates in the euro area.

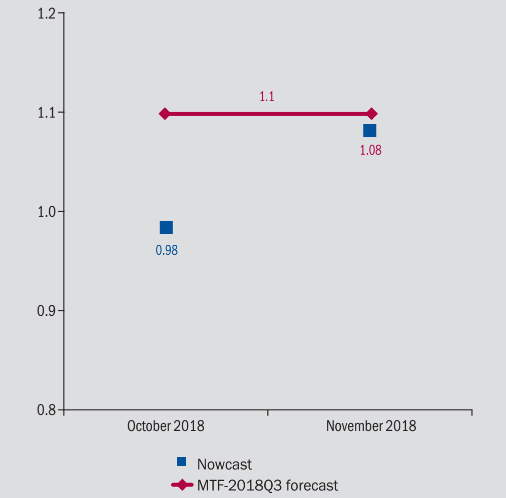
3 Indicative impact on the forecast

The latest nowcast for GDP growth in the fourth quarter of 2018 indicates a higher rate than did the previous nowcast and is therefore closer to the projection made in NBS's September 2018 Medium-Term Forecast (MTF-2018Q3). The employment growth nowcast indicates that the rate of job growth in the fourth quarter will be slightly lower than projected in the forecast.

Chart 20 Nowcast for employment (quarter-on-quarter percentage changes)[6]

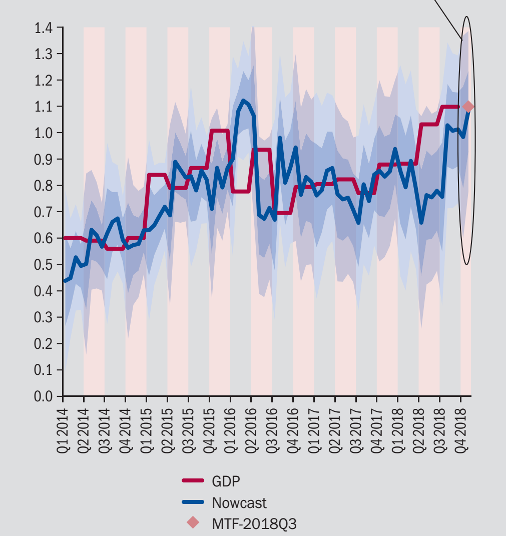
Sources: SO SR and NBS calculations.

Chart 21 Nowcast for GDP in Q4 2018 (quarter-on-quarter percentage changes)



Sources: SO SR and NBS calculations.

Chart 22 Nowcast for GDP (quarter-on-quarter percentage changes)[6]



Sources: SO SR and NBS calculations.

6 The band around the point estimate denotes +/- 1 to 2 times the root mean square error. 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 a forecasting error in a past quarter cannot affect current projections. Further details can be found in the commentaries on the GDP nowcasts and employment nowcasts.

Overview of main macroeconomic indicators for Slovakia

Table 4 Selected economic and monetary indicators for Slovakia

(annual percentage changes, unless otherwise indicated)

	Gross domestic product	HICP	Industrial producer prices	Employment ESA 2010	Registered unemployment rate[1]	Unemployment rate based on the total number of job seekers[1]	Industrial production index	Total sales of sectors[2]	Economic Sentiment Indicator (long-term average=100)	M3 (for analytical use)[3]	Loans to private sector[4]	Loans to non-financial corporations[4]	Loans to households[4]	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	18	19
2010	5.0	0.7	-2.7	-1.5	12.5	14.2	12.5	8.1	98.6	7.8	5.3	1.6	12.5	-4,436.1	-7.5	41.2	-4.7	-0.1	1.3257
2011	2.8	4.1	2.7	1.8	13.2	14.6	3.5	6.2	98.7	2.9	9.3	7.6	11.1	-3,275.7	-4.3	43.7	-5.0	-0.1	1.3920
2012	1.7	3.7	3.9	0.1	13.6	15.0	4.3	4.4	93.8	8.8	3.8	-2.3	10.3	-3,810.7	-4.3	52.2	0.9	3.4	1.2848
2013	1.5	1.5	-0.1	-0.8	14.1	15.4	2.1	1.9	90.0	6.4	6.4	1.7	10.3	-2,023.3	-2.7	54.7	1.9	3.9	1.3281
2014	2.8	-0.1	-3.5	1.4	12.8	14.3	2.9	2.6	100.2	2.5	7.7	1.9	13.2	-2,923.4	-2.7	53.5	1.1	3.6	1.3285
2015	4.2	-0.3	-4.2	2.0	11.5	13.1	6.1	7.3	99.6	11.5	10.7	7.3	13.1	-1,932.6	-2.6	52.3	-1.7	1.3	1.1095
2016	3.1	-0.5	-4.3	2.4	9.5	11.1	3.8	4.1	101.5	6.1	10.2	4.2	13.3	-980.3	-2.2	51.8	-2.2	2.0	1.1069
2017	3.2	1.4	1.9	2.2	7.1	8.3	2.9	4.5	103.3	7.8	10.5	7.8	12.3	-1,220.1	-0.8	50.9	-2.0	0.8	1.1297
2017 Q4	3.7	2.0	1.9	2.2	6.0	7.3	3.6	4.1	103.3	7.8	10.5	7.8	12.3	-	-1.4	50.9	-2.0	1.0	1.1774
2018 Q1	3.7	2.4	3.0	2.2	5.6	6.8	0.0	3.6	103.2	8.8	9.9	6.3	11.8	-	-0.4	50.0	-0.8	1.2	1.2292
2018 Q2	4.5	2.9	4.8	2.1	5.5	6.7	3.2	5.3	102.6	7.0	10.6	7.9	11.7	-	-0.5	51.8	-1.3	2.0	1.1915
2018 Q3	4.6[5]	2.7	6.4	1.9[5]	5.4	6.6	1.8	7.8	98.5	6.1	9.9	6.5	11.4	-	.	.	.	.	1.1629
2017 Nov.	-	2.1	1.7	-	6.0	7.3	4.8	4.7	101.8	7.9	10.9	7.7	12.8	-229.7	-	-	-	-	1.1738
2017 Dec.	-	2.0	2.1	-	5.9	7.1	-0.9	4.4	101.8	7.8	10.5	7.8	12.3	-238.7	-	-	-	-	1.1836
2018 Jan.	-	2.6	2.6	-	5.7	6.9	2.7	3.9	99.2	8.4	10.3	6.5	12.6	146.9	-	-	-	-	1.2200
2018 Feb.	-	2.2	3.2	-	5.6	6.7	1.2	4.2	105.7	7.8	10.0	5.9	12.4	-488.6	-	-	-	-	1.2348
2018 Mar.	-	2.5	3.4	-	5.5	6.7	-3.5	2.7	104.7	8.8	9.9	6.3	11.8	-113.2	-	-	-	-	1.2336
2018 Apr.	-	3.0	4.2	-	5.5	6.7	5.9	3.3	103.5	8.3	10.2	6.7	11.8	-96.1	-	-	-	-	1.2276
2018 May	-	2.7	4.5	-	5.5	6.7	2.0	4.9	102.6	7.3	9.8	5.9	11.7	-174.2	-	-	-	-	1.1812
2018 June	-	2.9	5.6	-	5.5	6.7	2.0	7.8	101.7	7.0	10.6	7.9	11.7	151.3	-	-	-	-	1.1678
2018 July	-	2.6	6.9	-	5.5	6.7	2.6	8.4	100.5	7.2	10.3	7.1	11.7	188.9	-	-	-	-	1.1686
2018 Aug.	-	2.9	6.2	-	5.4	6.6	2.2	6.8	97.7	6.2	10.1	6.5	11.6	-357.6	-	-	-	-	1.1549
2018 Sep.	-	2.7	6.2	-	5.3	6.5	0.8	8.2	97.3	6.1	9.9	6.5	11.4	133.1	-	-	-	-	1.1659
2018 Oct.	-	2.5	.	-	5.3	6.4	.	.	98.9	.	.	.	.	195.9	-	-	-	-	1.1484

Sources: Statistical Office of the Slovak Republic, MF SR, the European Commission and NBS.
1) Monthly and quarterly data based on seasonal adjustment of NBS.
2) Constant prices (seasonally adjusted).
3) Currency in circulation in M3 refers to money held by the public (according to methodology in place prior to 2008).
4) Adjusted for sales and securitisation.
5) Flash estimate of the Statistical Office of the Slovak Republic.

More detailed time series for selected macroeconomic indicators
http://www.nbs.sk/_img/Documents/_MonthlyBulletin/2018/StatisticsMB1118.xls