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Contents

Abbreviations

CPI	Consumer Price Index
EA	euro area
ECB	European Central Bank
EC	European Commission
EME	emerging market economy
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
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
IMF	International Monetary Fund
IPI	industrial production index
MFI	monetary financial institution
MF SR	Ministry of Finance of the Slovak Republic
MTF	NBS's Medium-Term Forecast (published on a quarterly basis)
NACE	Statistical Classification of Economic Activities in the European Community (Rev. 2)
NBS	Národná banka Slovenska
NEER	nominal effective exchange rate
NFC	non-financial corporation
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
SME	small and medium-sized enterprise
SO SR	Statistical Office of the Slovak Republic
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 Summary

In line with expectations, euro area economic growth eased to 0.2%, quarter on quarter, in the second quarter of 2019. The slowdown was caused largely by unfavourable developments in Germany, as indicated by monthly data and deteriorating sentiment. The German economy's contraction was also felt in other euro area countries, with growth decelerating in almost all of the large national economies. Short-term indicators of activity suggest that the weaker growth stemmed mainly from current trade wars and their adverse impact on export performance. These effects were to some extent offset by domestic demand growth. The most recent leading indicator readings in the third quarter have not shown any trend shift, so euro area GDP growth is expected to continue moderating.

Slovakia's annual GDP growth slowed significantly in the second quarter of 2019, to 1.9%. This was mainly due to a softening of industrial activity in June, when monthly data showed declines in sales, output and exports. This was reflected in key industries, including the automotive industry. Weakening foreign demand weighed on export performance, and firms were probably deferring investment amid a decline in their confidence. On the other hand, certain factors of a one-off nature (the timing of Easter, Slovakia's hosting of the Ice Hockey World Championship, and the introduction of holiday vouchers) supported consumer demand.

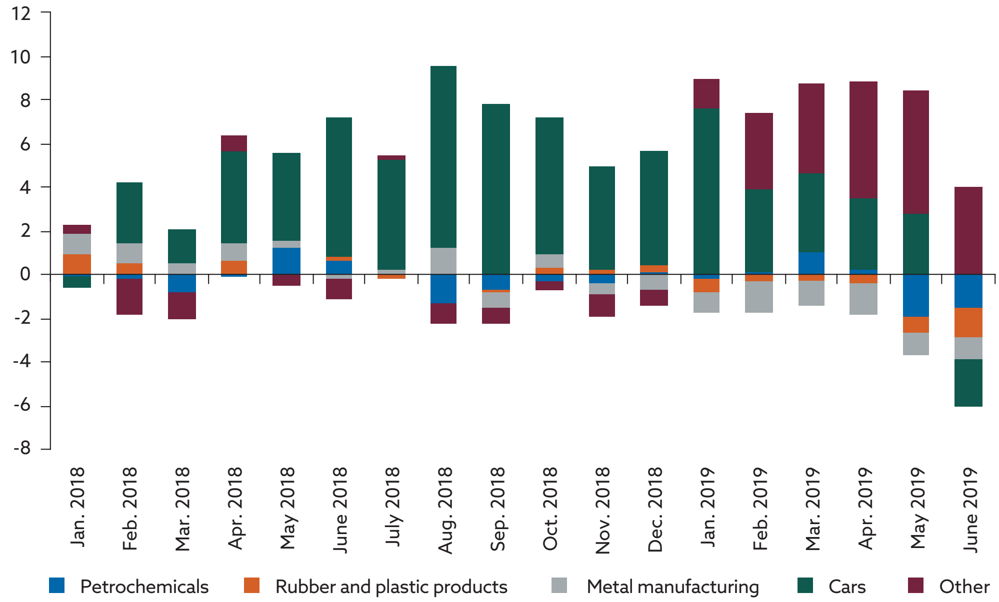
On the back of declining economic activity growth, employment growth eased in the second quarter of 2019. The job growth slowdown was most marked in industry, and particularly in the manufacturing sector with its greater exposure to adverse foreign demand trends. Weaker manufacturing activity was reflected in a decline in hours worked and consequently in slower wage growth.

The annual inflation rate increased in July, to 3.0%, reflecting rising prices of energy and food. The inflation rate is being affected by external factors (prices of energy and agricultural commodities) and to some extent by certain demand-driven items in the services component, e.g. accommodation prices.

Annual private sector credit growth slowed in June, to 7.1%, owing mainly to a decrease in the growth rate for loans to non-financial corporations. Growth in loans to households also continued moderating.

Chart of the month

Contributions to the annual rate of change in industrial production (percentage points)



Sources: SO SR and NBS calculations.

In June industrial production fell by 2.1%, year on year, which was its largest drop in more than two years. In May the car industry had been the main driver of industrial output growth, but in June car production fell by almost 8%.

Table 1 Macroeconomic indicators released since the previous monthly bulletin

Indicator	Unit	Period	Current period	Previous period
Euro area				
Confidence indicators				
PMI	index	*August 2019*	51.8	51.5
Economic Sentiment Indicator	long-run average = 100	*July 2019*	102.7	103.3
Economic indicators				
Gross domestic product	annual percentage change, constant prices	*2019 Q2*	1.1	1.2
Industrial production index	annual percentage change	*June 2019*	**-2.6**	-0.8
Retail sales	annual percentage change, constant prices	*June 2019*	**2.6**	1.0
Unemployment rate	percentage	*June 2019*	7.5	7.6
HICP inflation	annual percentage change	*July 2019*	1.0	1.3
Oil price in USD[1)]	level	*August 2019*	59.3	64.2
EUR to USD exchange rate[1)]	level	*August 2019*	1.115	1.122
Slovakia				
Confidence indicators				
Economic Sentiment Indicator	long-run average = 100	*July 2019*	93.4	97.0
Industrial confidence indicator	percentage balance	*July 2019*	**-12.4**	2.4
Consumer confidence indicator	percentage balance	*July 2019*	-6.7	-6.7
Economic indicators				
Gross domestic product	annual percentage change, constant prices	*2019 Q2*	1.9	3.7
Aggregate sales	annual percentage change, constant prices	*June 2019*	**-4.2**	2.0
Industrial production index	annual percentage change	*June 2019*	**-2.1**	4.7
Private sector credit	annual percentage change	*June 2019*	**7.1**	8.0
Employment	annual percentage change	*June 2019*	2.4	2.7
Unemployment rate	percentage	*July 2019*	6.1	6.1
Nominal wages	annual percentage change	*June 2019*	**1.7**	9.3
HICP inflation	annual percentage change	*July 2019*	3.0	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	*Q3 2019*	0.6	↓
Gross domestic product – euro area	quarterly percentage change, constant prices	*Q3 2019*	0.3	↓
Employment (ESA) – Slovakia	quarterly percentage change	*Q3 2019*	0.1	=
Nominal wages – Slovakia	annual percentage change	*Q2 2019*	6.7	=
HICP inflation – Slovakia	annual percentage change	*Q3 2019*	2.7	=

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 the values in bold or which deviate from the forecast are described in NBS's August 2018 Monthly Bulletin.

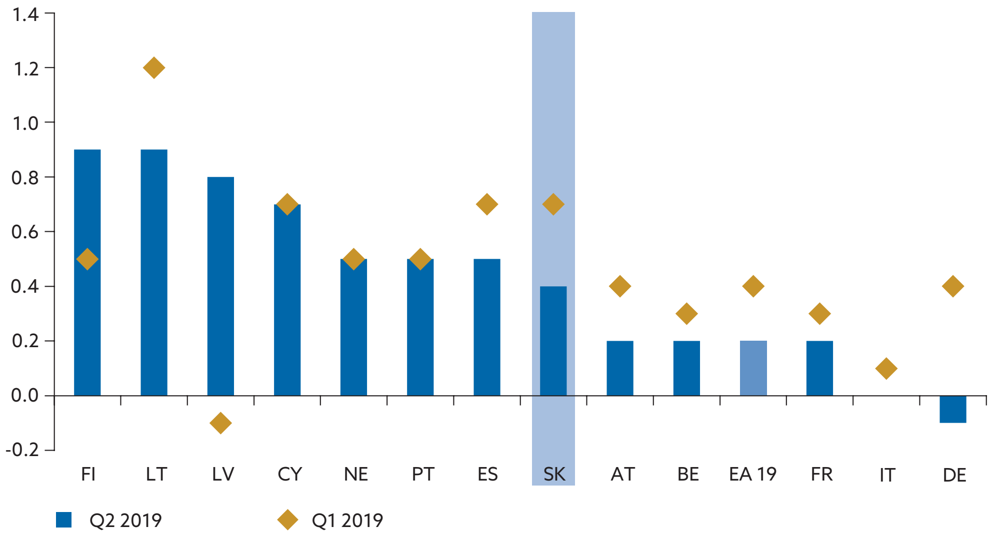
2 Real economy[1]

2.1 External environment

According to Eurostat's flash estimate, the euro area economy grew in the second quarter of 2019 by 0.2% quarter on quarter (1.1% year on year). As projected, this growth rate was 0.2 percentage point lower than that in the previous quarter (the year-on-year rate was 0.1 percentage point lower). Looking at the largest economies within the euro area, quarterly GDP growth in the Netherlands was unchanged from the previous quarter, while the growth rates in Spain and France slowed. In Italy, GDP remained flat, quarter on quarter, and in Germany[2] it declined. All other euro area countries reported GDP growth in the second quarter.

Chart 1

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



Source: Macrobond.
Note: GDP growth data for Q2 2019 were not available for Estonia, Ireland, Greece, Luxembourg, Malta and Slovenia.

Annual employment growth in the euro area also moderated in second quarter of 2019, to 0.2% (from 0.4% in the first quarter).

Euro area industrial production[3] fell by 0.6%, quarter on quarter, in the second quarter of 2019 (after increasing by 0.6% in the first quarter), **and**

1 All month-on-month and quarter-on-quarter changes mentioned in the text have been seasonally adjusted using NBS internal models.
2 As part of the main revision in 2019, all the calculations of Germany's national accounts back to 1991 were revised, and the reference year was changed to 2015. Further information can be found at https://www.destatis.de
3 The indicators' averages for the second quarter of 2019 are calculated from their available monthly readings, i.e. those for April, May and June.

construction production fell by 0.9% (after increasing by 1.5%). **As for retail trade, its quarterly growth rate slowed** (to 0.4%, from 0.8% in the first quarter). Industrial production declined in three of the major euro area economies – Germany (by 2.0%), the Netherlands (by 1.7%) and Italy (by 0.7%) – while it increased in Spain (by 0.8%) and France (0.3%). In year-on-year terms, euro area industrial production fell by 2.6% in June (-0.8% in the previous month), while retail trade and construction both increased, by 2.6% (1.0%) and 1.0% (1.7%) respectively.

The European Commission's Economic Sentiment Indicator (ESI) for the euro area fell in July (by 0.6 point) to 102.7. Turning to the ESI's sectoral breakdown, the most marked drop in confidence was in construction, which saw a sharp decline in employment expectations for the next three months as well as in assessments of the level of order books. Industry confidence registered a marked decrease, which moved this indicator clearly below its long-term average. Looking at the ESIs for the five largest euro area economies, there was a large drop in the ESI for Germany, no change in the ESI for France, and improvements in the ESIs for the Netherlands, Italy and Spain. The flash **composite PMI for the euro area edged up in August 2019,** to 51.8 (from 51.5 in July). The overall PMI reading encompassed a more moderate rate of decline in manufacturing output (with the manufacturing sub-index increasing to 47.8, from 46.9 in July), and a marginally higher rate of growth in services activity (with the services sub-index increasing to 53.4, from 53.2 in July).

At its meeting in July 2019, the Governing Council of the European Central Bank (ECB) decided to keep the key ECB interest rates unchanged and adjusted its forward guidance by saying that the rates were expected to remain at their present *or lower* levels at least through the first half of 2020. According to the post-meeting statement, the ECB will continue reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme (APP) for an extended period of time past the date when the Governing Council starts raising the key ECB interest rates. The Governing Council also underlined the need for a highly accommodative stance of monetary policy for a prolonged period of time, as inflation rates, both realised and projected, have been persistently below levels that are in line with its aim. It therefore stands ready to adjust all of its instruments, as appropriate, to ensure that inflation moves towards its aim. In this context, the Governing Council has tasked the relevant Eurosystem Committees with examining options, including ways to reinforce its forward guidance on policy rates, mitigating measures, such as the design of a tiered system for reserve remuneration, and options for the size and composition of potential new net asset purchases.

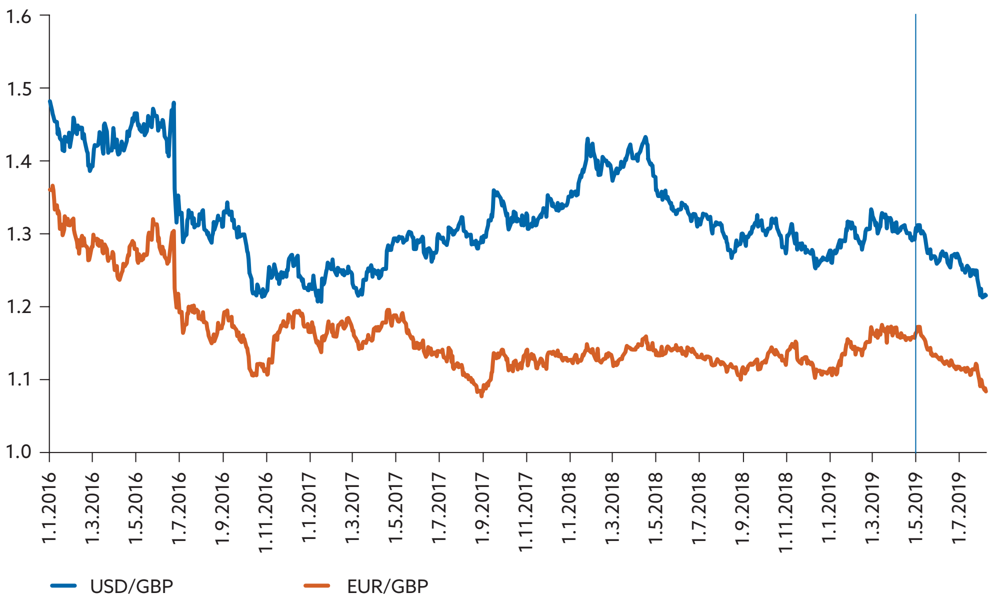
In its World Economic Outlook (WEO) Update published on 23 July 2019, the IMF revised its forecast for global GDP growth to 3.2% in 2019 (down from 3.6% in 2018) and 3.5% in 2020, with the projections for each year being 0.1 percentage point lower than the April WEO projections). The risks to the forecast remain mainly to the downside (they include further trade and technology tensions, an increase in risk aversion in financial markets, and mounting disinflationary pressures). The IMF envisages a relatively marked slowdown in global trade growth, and its projected rates for 2019 and 2020 are both revised down from the April WEO projections, by 0.9 and 0.2 percentage point respectively. Euro area economic growth is projected to slow from 1.9% in 2018 to 1.3% in 2019 (unchanged from April) and 1.6% in 2020 (revised up by 0.1 percentage point).

At its meeting at the end of July, the **Federal Open Market Committee (FOMC) decided to lower the target range for the federal funds rate by 25 basis points, to 2% to 2.25%, in view of the implications of global developments for the economic outlook as well as muted inflation pressures.** The FOMC's previous rate cut was in December 2008, more than ten years earlier. In its post-meeting statement, the FOMC said it would be monitoring the implications of incoming information for the economic outlook and would act as appropriate to sustain the expansion, with a strong labour market and inflation near its symmetric 2% objective. The FOMC also said that in August, two months earlier than previously indicated, it would conclude the reduction of its aggregate securities holdings in the System Open Market Account (i.e. securities accumulated during the global financial crisis).

At the start of August the US President announced that the United States would be imposing an additional 10% tariff on USD 300 billion worth of Chinese imports with effect from 1 September 2019. In response to this announcement, China halted purchases of US agricultural products and also allowed its currency to depreciate past the seven yuan per dollar level, to its weakest level since May 2008. This prompted the US Administration to accuse China of currency manipulation. The latest escalation of the US-China trade war had an immediate downward impact on global stock markets and fuelled expectations of further monetary policy accommodation in the United States. In mid-August the US Administration announced that the introduction of the 10% tariff on certain goods would be delayed until mid-December 2019 in order to protect shoppers from higher prices during a time of increased consumption (the start of the school year and holiday shopping season).

Mounting fears of a "no deal" Brexit following the appointment of a new UK prime minister resulted in the pound sterling plunging to its lowest level in two years. According to a Bloomberg survey of 13 banks at the beginning of August, there is now a 30% chance that the United Kingdom will leave the European Union without a deal, which is three times higher than the probability according to a similar survey conducted in February 2019.

Chart 2
The pound sterling exchange rate



Source: Macrobond.

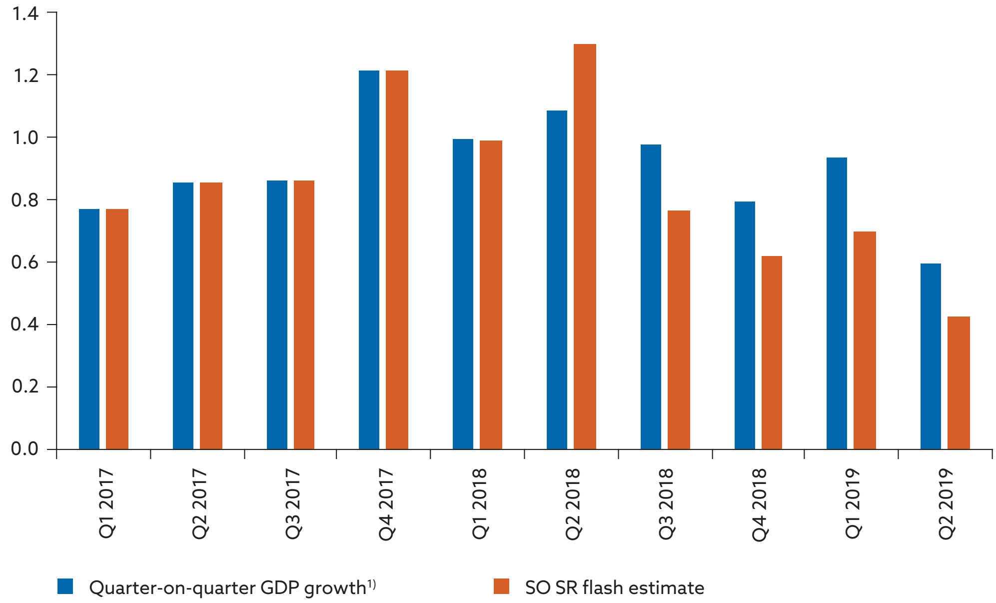
2.2 The Slovak economy

2.2.1 Economic activity indicators

Slovakia's economic growth in the second quarter of 2019 was far lower, 1.9% year on year, than its level in the first quarter (3.7%). In seasonally adjusted quarter-on-quarter terms, GDP growth slowed to 0.4%, more markedly than projected in NBS's June forecast.

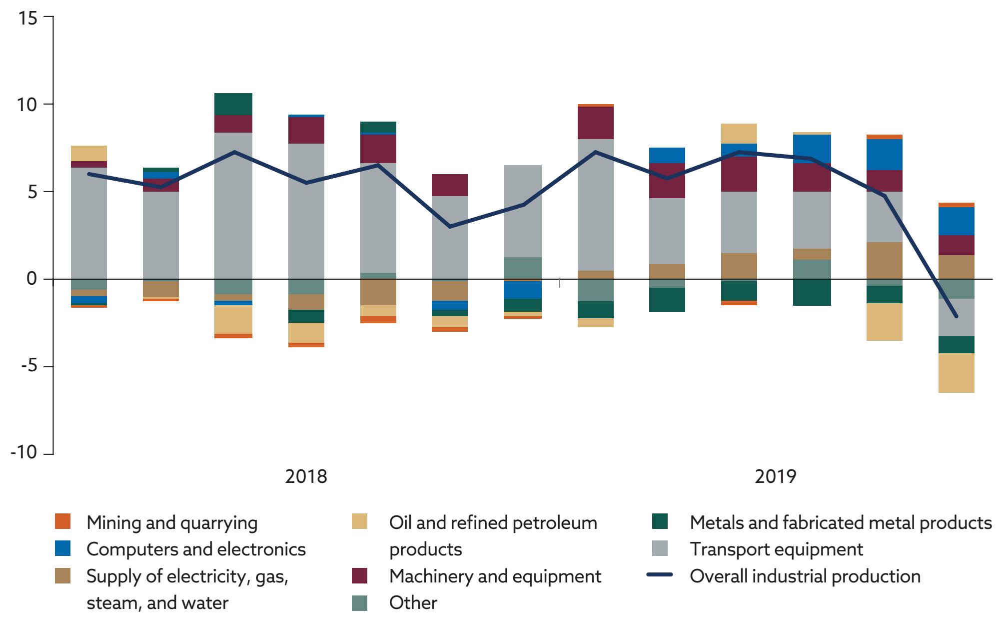
The weakening of sentiment and hard data in the external environment started to weigh on domestic monthly indicators. In April and May industrial production, sales and exports were increasing at a slower pace, but in June they actually declined. Even the car industry reported negative figures, after previously counterbalancing the slowdown in the rest of the economy. The gradual easing of economic activity resulted in shorter working weeks and consequently in a decrease in hours worked. The cooling of foreign demand affected mainly the metal manufacturing sector, which at the Europe-wide level has been similarly affected for some time already. Another cause of the slower economic growth in the second quarter was the temporary shuttering of oil refinery facilities as part of a planned overhaul.

Chart 3
Quarter-on-quarter GDP growth compared with flash estimates (percentages; constant prices)



Sources: SO SR and NBS calculations.
1) The growth figure for Q2 2019 is given as the MTF-2019Q2 projection.

Chart 4
Contributions to industrial production growth (annual percentage changes; percentage point contributions)



Sources: SO SR and NBS calculations.

Net exports are expected to have been the main factor behind slowdown in GDP growth, their impact being partly offset by an improvement in household consumption. The composition of the second quarter's GDP growth will not be known until early September. Based on monthly foreign trade data, however, it is expected that exports decreased year on year and import growth decelerated, but that since the slowdown in import growth was more moderate than the decrease in exports, there was a significant deterioration of the trade balance. It may also be envisaged that firms were reducing investment in response to unfavourable economic news from Slovakia's trading partners. The only area where there may have been some revival is household consumption, though that was probably due only to a combination of several one-off effects: the Easter shopping season falling in the second quarter (after falling in the first quarter in 2018); Slovakia's hosting of the Ice Hockey World Championship; and the uptake of new vouchers for domestic holidays). Monthly sales data appear to show that the impact of the continuing downtrend in retail sales growth was offset by double-digit growth in hotel and restaurant sales. The ongoing favourable labour market situation is also expected to have had a positive impact. Going forward, the Slovak economy may reflect the effects of intensifying negative risks. The escalation of the US-China trade war as well as expectations of a no-deal Brexit are likely to cause further weakening of foreign demand.

2.2.2 Labour market

Employment growth slowed significantly in the second quarter and is expected to continue moderating. Annual employment growth fell to 1.4% in the second quarter (down from 1.8% in the first quarter), and the quarter-on-quarter increase in employment stood at 0.3%. The recent slowdown in job growth is the most pronounced in two years, and in the second quarter it reflected mainly lower year-on-year job growth in the industry and trade sectors[4] (0% and -1.6% respectively). In industry, this stemmed from weaker employment trends in machinery manufacture and transport manufacture in particular, as well as in other industries such as textiles and chemicals. Employment growth in the construction and services sectors remained relatively robust in the second quarter (at 9% and 7% respectively). In construction, however, the recent period has also witnessed a decline in firms' production expectations, which may have an adverse impact on job creation. The employment trend in services remains favourable thanks to strong job growth in the sectors of tourism, information technology, and selected market services. The relatively sharp deterioration in the economic situation is also weighing on employers' employment expectations. As a result, employment growth is expected to decelerate further in the third quarter. Besides their concerns about developments abroad, Slovak employers also report that rising labour costs are eroding their competitiveness, thus further limiting the scope for employment growth.

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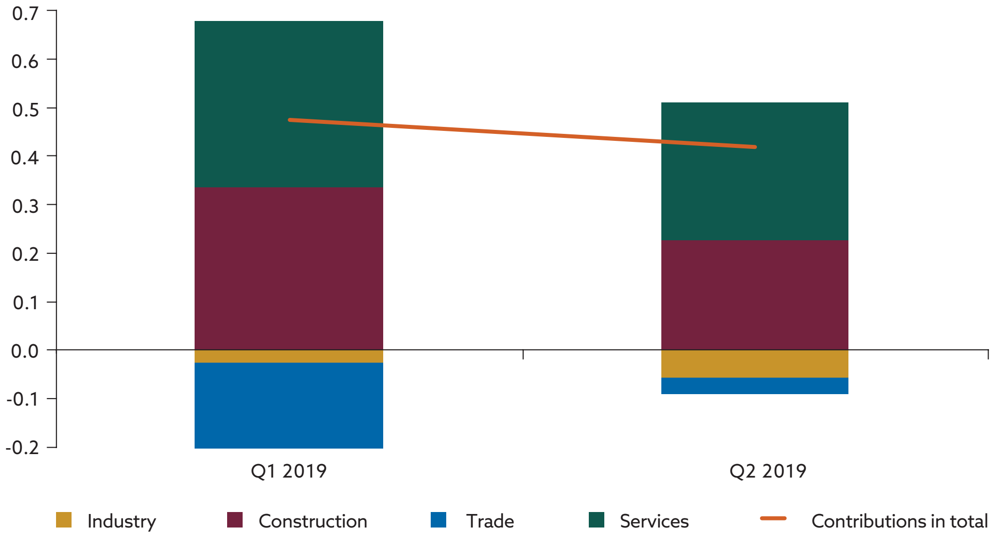
[4] Only the preliminary monthly data for the individual months of the second quarter are available so far. The overall quarterly data for employment and wages will be released on 6 September 2019.

Chart 5

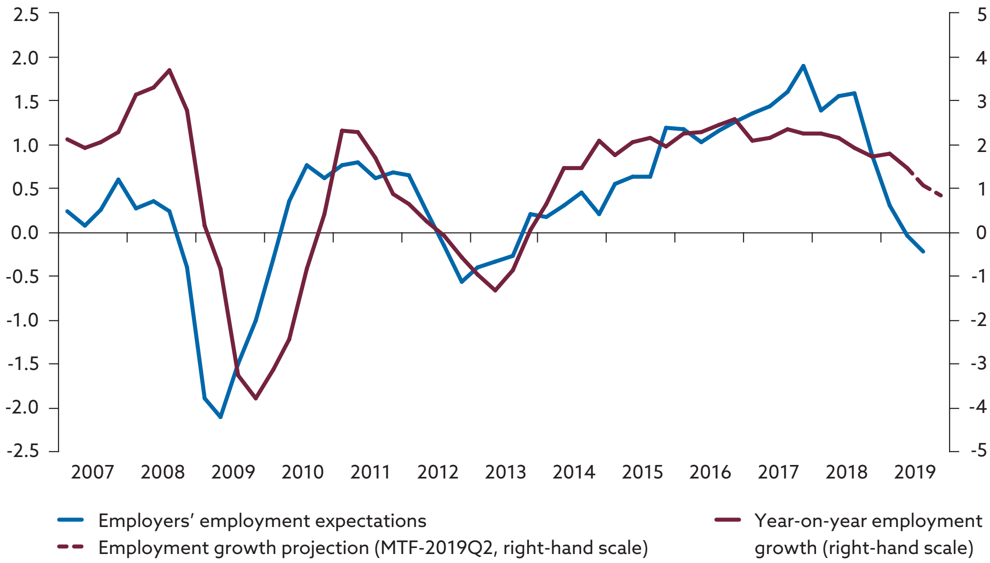
Sectoral contributions to the quarter-on-quarter rate of change in employment (percentage points)



Sources: SO SR and NBS calculations based on monthly data for selected sectors.
Note: The trend shown by monthly data is indicative; monthly data are an imperfect indicator of the complete data for the whole quarter (to be released on 6 September 2019).

Chart 6

Employment and employers' expectations (annual percentage changes; standardised percentage balances)



Sources: SO SR, European Commission and NBS calculations.

The unemployment rate based on the total number of job seekers was the same in July as in June, at 6.1% after seasonal adjustment. For several months now, the rate has been at this historical low, but has also stopped decreasing. In 2018 the number of unemployed fell, on average, by two thousand per month, while in the first quarter of this year it fell by only 800 per month and since April it has remained virtually unchanged. The scope for further reduction in the number is limited by the gradual exhaustion of the "employability" potential of the existing group of unemployed as well as by the slowdown in global economic activity. The number of job seekers finding work is on a downtrend.

After rising sharply in May 2019, to 9.3%, annual average wage growth across the reviewed sectors plunged to 1.7% in June. Following this substantial correction, the average rate of annual wage growth in the second quarter stood at 6%, below the average for the first quarter (6.5%). The volatility of annual wage growth reflects mainly the effect of wage developments in industry, and to a lesser extent in trade, transport services, and construction. The only sector in which wage growth accelerated in the second quarter was services.

The June slowdown in wage growth may have been related to several factors. In May there was a significant increase in wage premia for night, weekend and public holiday work, and it is likely that employers sought to mitigate the impact of this cost shock by subsequently containing bonuses and increases in basic salaries. Another key factor was probably the relaxed conditions for the payment of 13th salaries that are exempt from income tax and health insurance contributions. Employers were able to pay part of their employees' salaries in May as a 13th salary and thus save on health contributions. According to data from the Slovak Finance Ministry (MF SR), far more employers took advantage of this benefit in 2019 than did so in the previous year.[5] The upper estimate for the impact of the 13th salaries on the slowdown in annual wage growth is around two percentage points (assuming that employers moved the payment of planned summer bonuses forward to May). The gradually moderating trend in average wage growth across the reviewed sectors (on a quarterly basis) is indicative, however, of not only one-off monthly effects, but also the impact of fundamental factors. The recent period has seen a marked deceleration in sales and production growth, and consequently in a declining number of hours worked per employee. In this context, firms are having to reduce their wage bills. As a result, the labour market tightening (due to labour shortages) is beginning to decrease.

Assuming average growth in private sector wages of around 6% (based on monthly data) and average growth in public sector wages of around 9%,[6]

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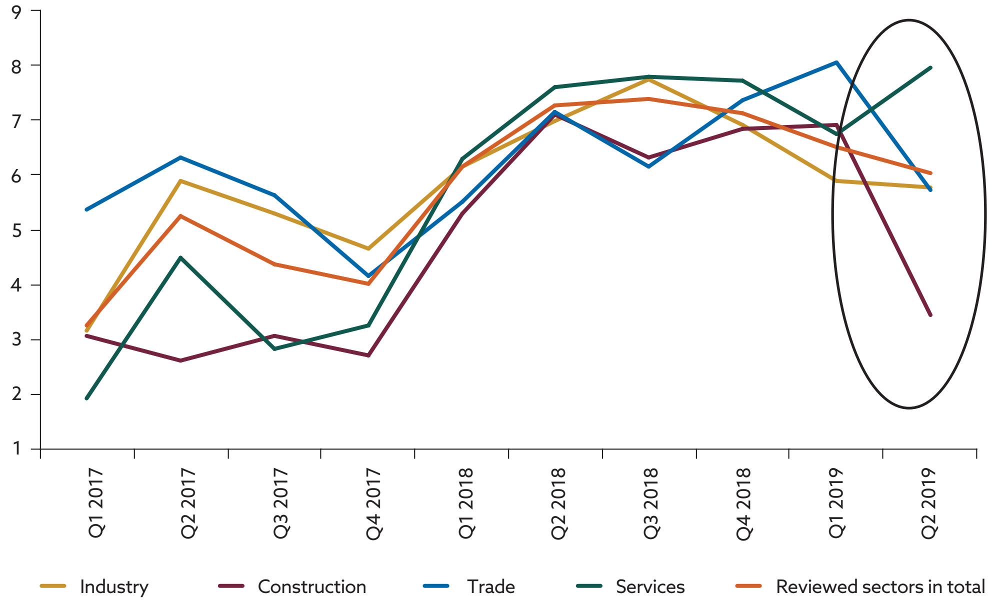
[5] In 2019 payments of 13th salaries exempt from income tax and health insurance contributions amounted to around €46 million, while in 2018 they amounted to €3 million. The amount of €46 million represents around 2% of the total amount wages paid per month. Source: MF SR.

[6] Source: NBS's June 2019 Medium-Term Forecast (MTF-2019Q2).

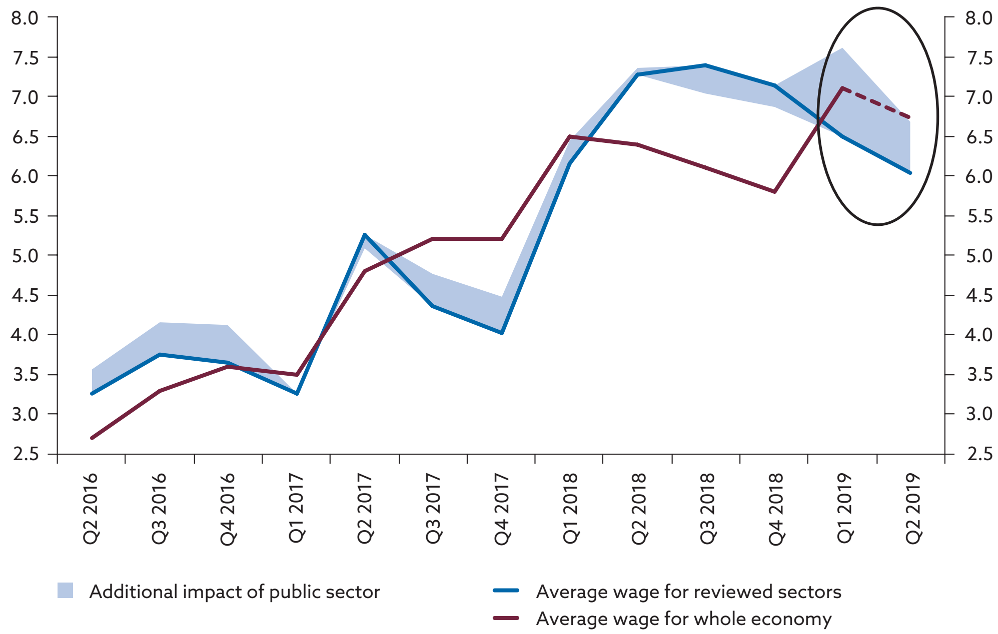
the NBS June forecast's projection for overall wage growth in the second quarter (6.7%) so far appears realistic.

Chart 7
Average wage levels based on monthly data (annual percentage changes)



Sources: SO SR and NBS calculations.

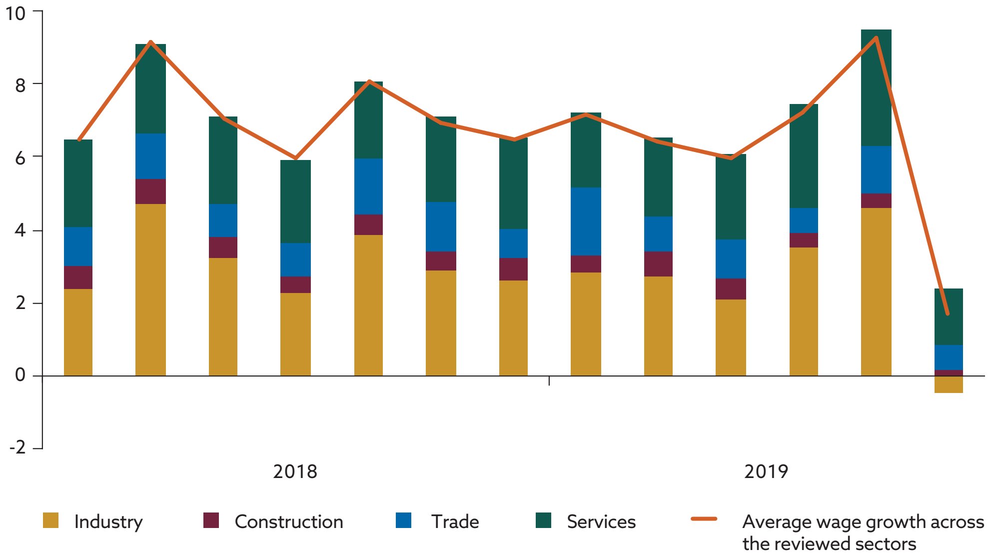
Chart 8
Average wage levels (annual percentage changes)



Sources: SO SR and NBS calculations.
Note: The average wage for the whole economy and the impact of the public sector in Q2 2019 are based on the MTF-2019Q2 forecast.

Chart 9

Contributions to average wage growth (annual percentage changes; percentage point contributions)



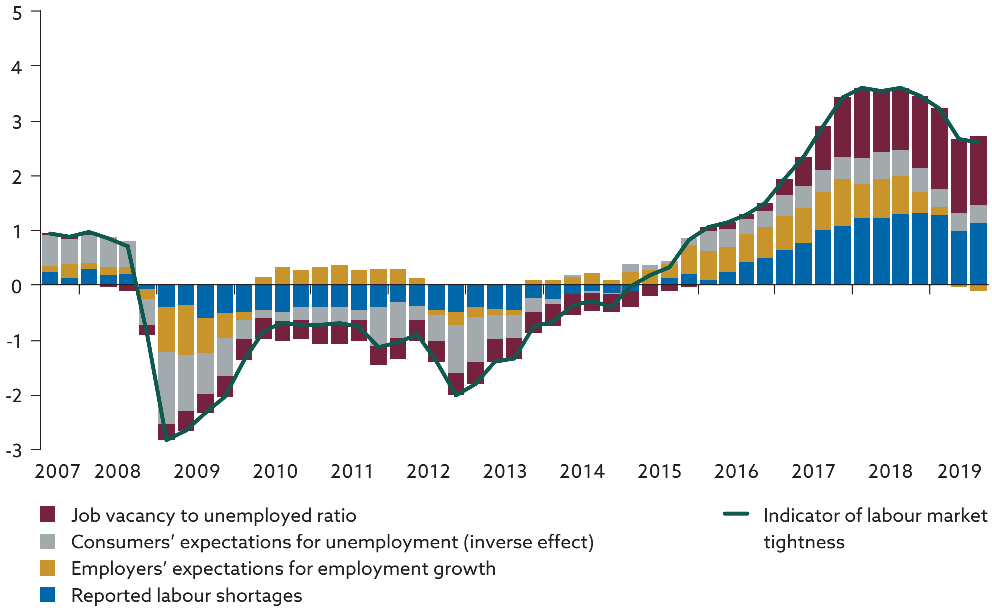
Sources: SO SR and NBS calculations.

Chart 10

Hours worked and the average wage in industry (annual percentage changes)

Sources: SO SR and NBS calculations.

Chart 11
Indicator contributions in the calculation of labour market tightness (standardised indicators and their weighted average; level)



Source: NBS calculations.

2.2.3 Prices

Slovakia's annual HICP inflation rate accelerated to 3.0% in July (from 2.7% in June), owing mainly to developments in food and energy prices. In month-on-month terms, the price level increased by 0.1%.

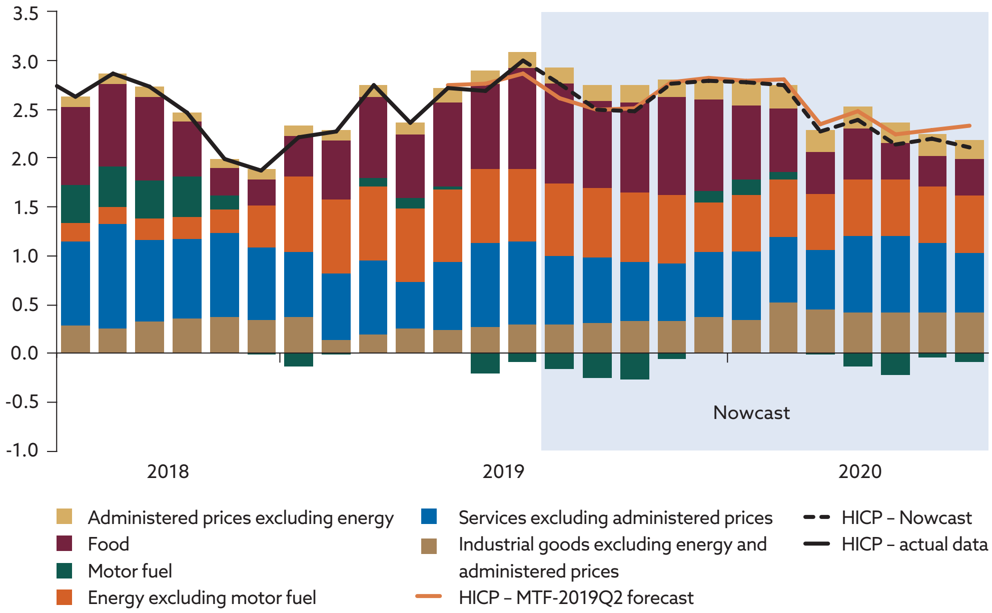
Table 3 HICP components – comparison of projected and actual rates of change (percentages; percentage point contributions)

			Non-energy industrial goods	Energy	Food	Services	HICP	Demand-pull inflation	Administered prices excluding energy
Year-on-year changes	A	July 2019 – MTF-2019Q2 forecast	1.2	5.2	3.7	2.6	**2.86**	2.0	1.4
	B	**July 2019 – actual figure**	**1.1**	**4.2**	**4.3**	**3.1**	**3.00**	**2.2**	**1.8**
	B-A	July 2019 – actual figure minus forecast	-0.1	-1.0	0.6	0.6	0.1	0.2	0.4
	(B-A) * weight	**Contribution to overall forecast error[1)]**	**-0.04**	**-0.16**	**0.15**	**0.19**	**0.14**	**0.11**	**0.03**

Sources: SO SR and NBS calculations.
1) Projections taken from NBS's June 2019 Medium-Term Forecast (MTF-2019Q2).

Chart 12

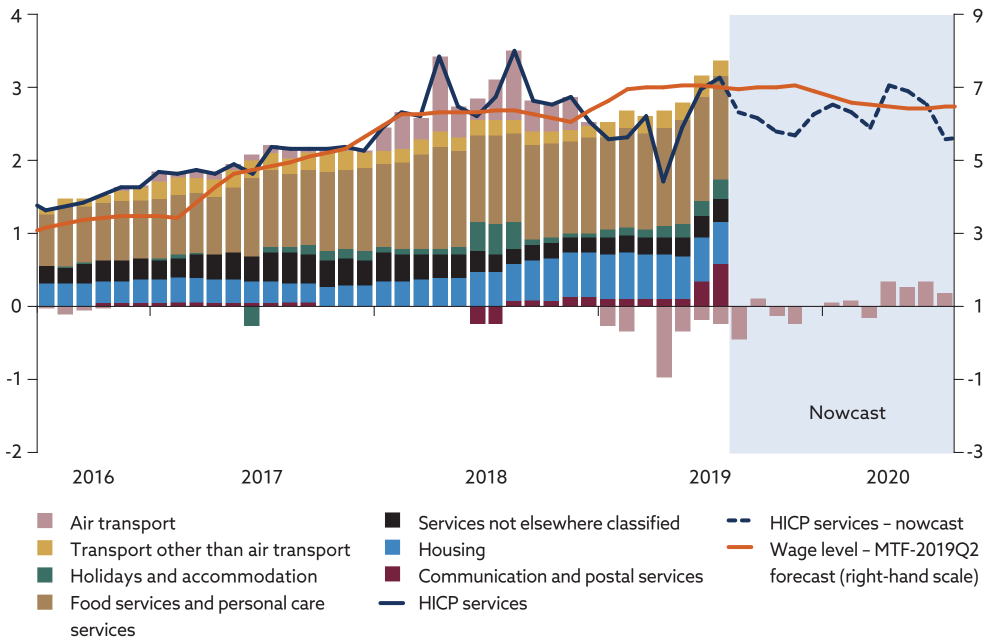
Contributions of components to HICP inflation (percentage point contributions; annual percentage changes)



Sources: SO SR and NBS calculations.

Chart 13

Contributions of components to services inflation (percentage point contributions; annual percentage changes)



Sources: SO SR and NBS calculations.

After declining in June (by 5 %), **motor fuel prices increased moderately, month on month, in July.** Despite this correction, however, the impact of June's marked decline in prices resulted in motor fuel inflation being lower than projected in the MTF-2019Q2 forecast. Oil price developments represent a downside risk to the inflation outlook, given the possible escalation of customs barriers in the world trade system and the dampening effect that such a development would have on global oil demand.

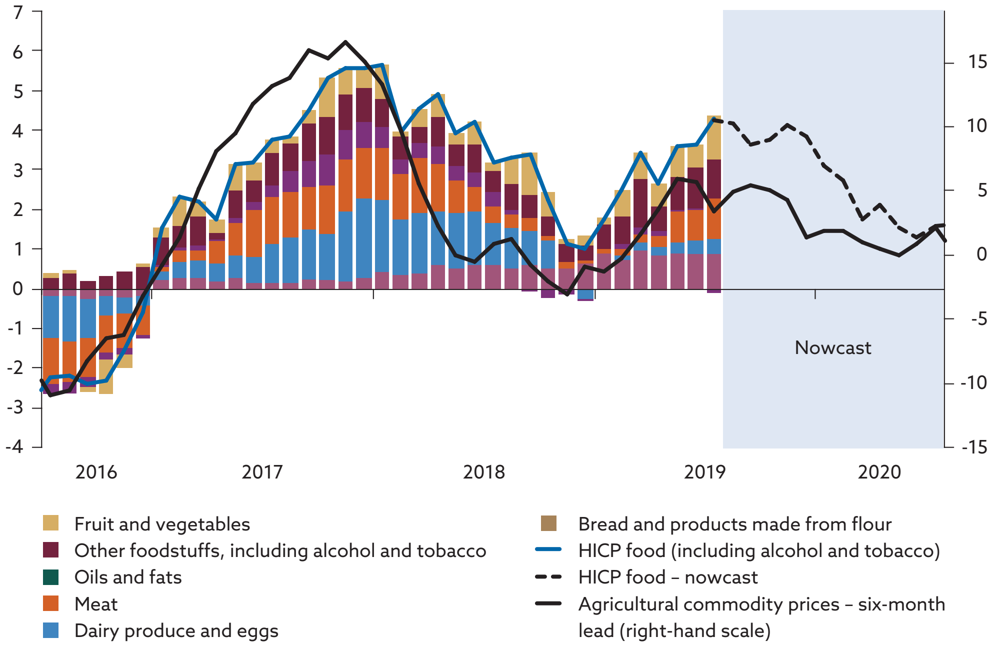
Turning to food prices (including alcohol and tobacco), their inflation rate accelerated to 4.3% in July. This was because the seasonal month-on-month decline in certain food prices, in particular fruit and meat, was more moderate that for the same period of the previous year.

Demand-pull inflation was the same in July as in June. Services inflation excluding administered prices slowed slightly, owing mainly to the impact of air fares and food service prices. On the other hand, compared with June, non-energy industrial goods inflation was moderately higher.

The acceleration of the headline inflation rate was also supported by developments in administered prices, specifically an increase in postal prices.

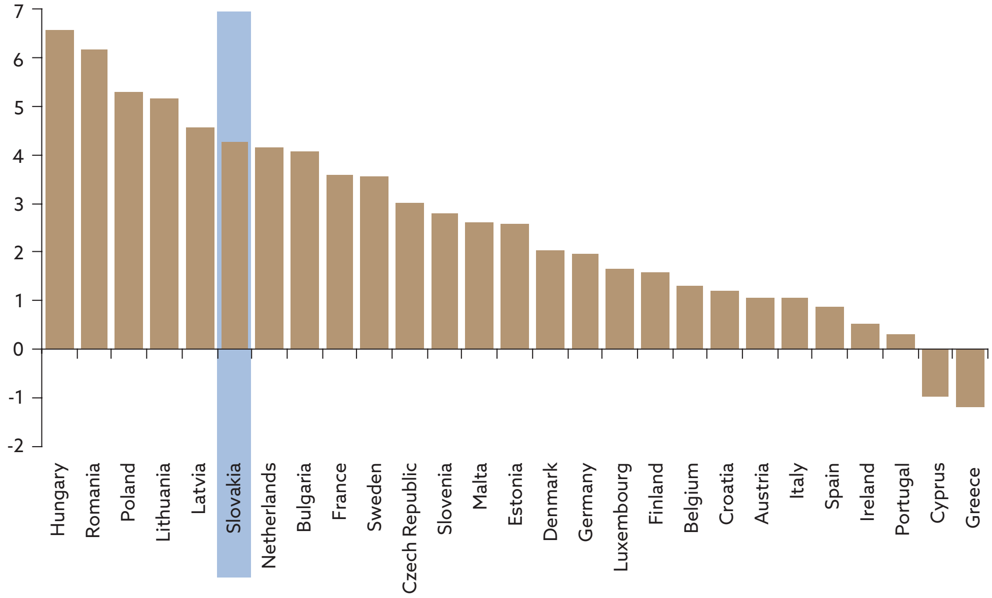
Headline inflation in July was slightly higher than projected in the MTF-2019Q2 forecast, owing to higher than expected food inflation and services inflation (reflecting holiday, accommodation and postal prices). July's annual food inflation in Slovakia was the sixth highest among European Union countries.

Chart 14
Food prices, component contributions to food inflation, and agricultural commodity prices (annual percentage changes; percentage point contributions)



Sources: SO SR, Eurostat and NBS calculations.

Chart 15
Food inflation in EU27 countries in July 2019 (annual percentage changes)

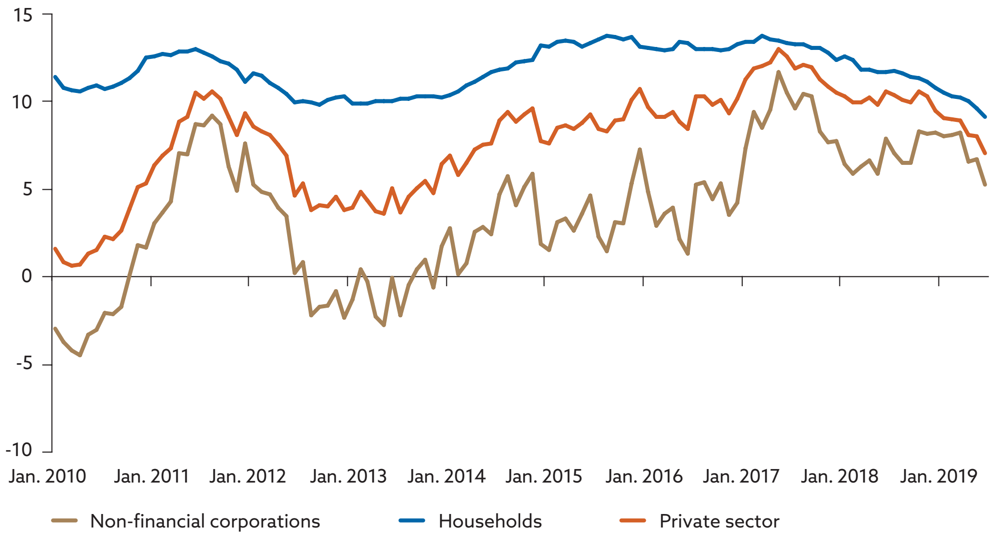


Sources: Eurostat and NBS calculations.

2.2.4 Loans and deposits

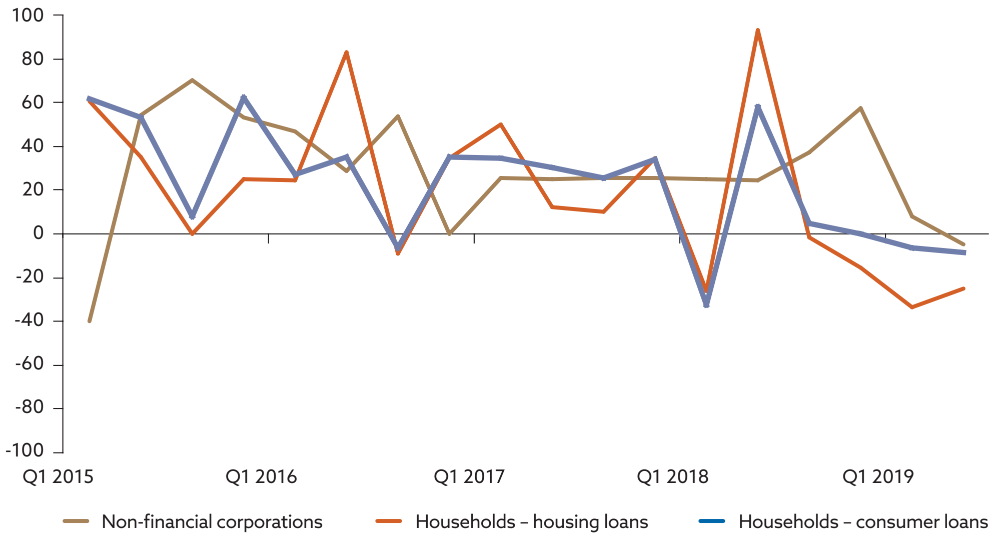
A decline in loan demand in the second quarter of 2019 was reflected in a slowdown in annual private sector credit growth. Annual growth in lending to non-financial corporations (NFCs) dropped to 5.2% in June (from 8.3% in March). In a climate of cooling economic activity and increasing uncertainty, firms' demand for loans decreased notably across almost all sectors, the only exceptions being real estate activities and agriculture. Compared with the previous month, the stock of loans remained unchanged in June. The drop in demand for loans to NFCs implies a weakening of investment activity in the second quarter.

Chart 16
Total loans (annual percentage changes)



Source: NBS calculations.

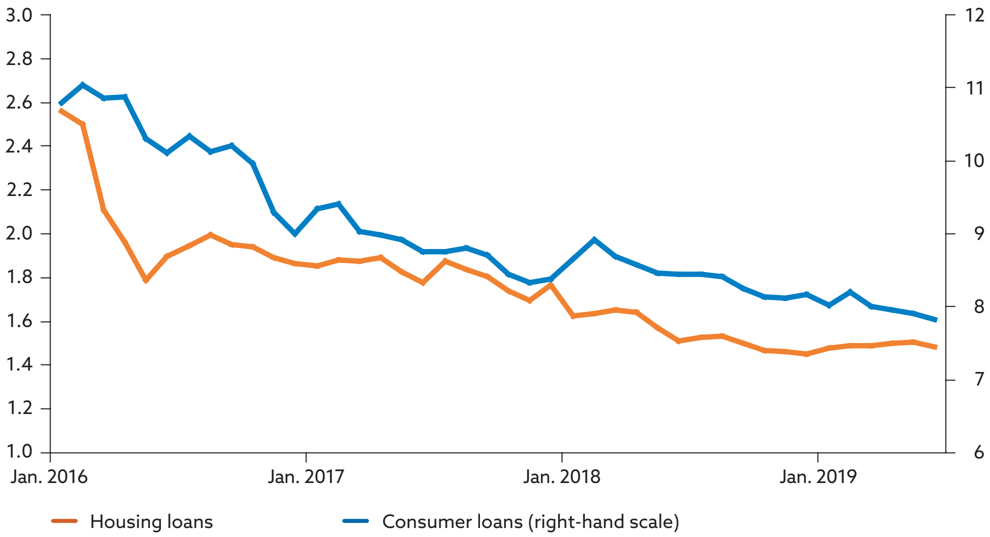
Chart 17
Loan demand (net percentage)



Source: The bank lending survey.

Annual growth in total loans to households moderated to 9.1% in the second quarter (from 10.2% in the first quarter). The principal factor behind this slowdown was the tightening of macroprudential regulatory measures. Household borrowing was also, however, affected by increasing uncertainty and a drop in wage growth. In an effort to counter the weakening of household demand for loans, banks reduced interest rates slightly in June. This was seen mainly in housing loan interest rates, as their notable moderate uptrend came to an end.

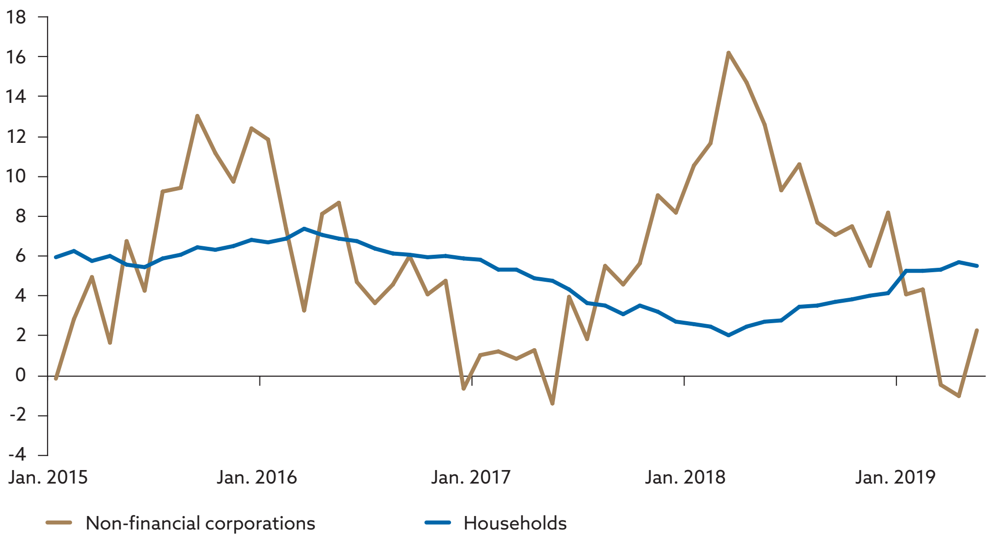
Chart 18
Lending rates for households (percentages per annum)



Source: NBS calculations.

Total NFC deposits returned to growth in the second quarter (3.9% year on year). It is likely that firms were investing less and, owing to uncertainty, placed more of their funds in bank accounts. The year-on-year growth in household deposits moderated to 7.0% on the back of softer wage growth, but it remains relatively elevated.

Chart 19
Total deposits (annual percentage changes)



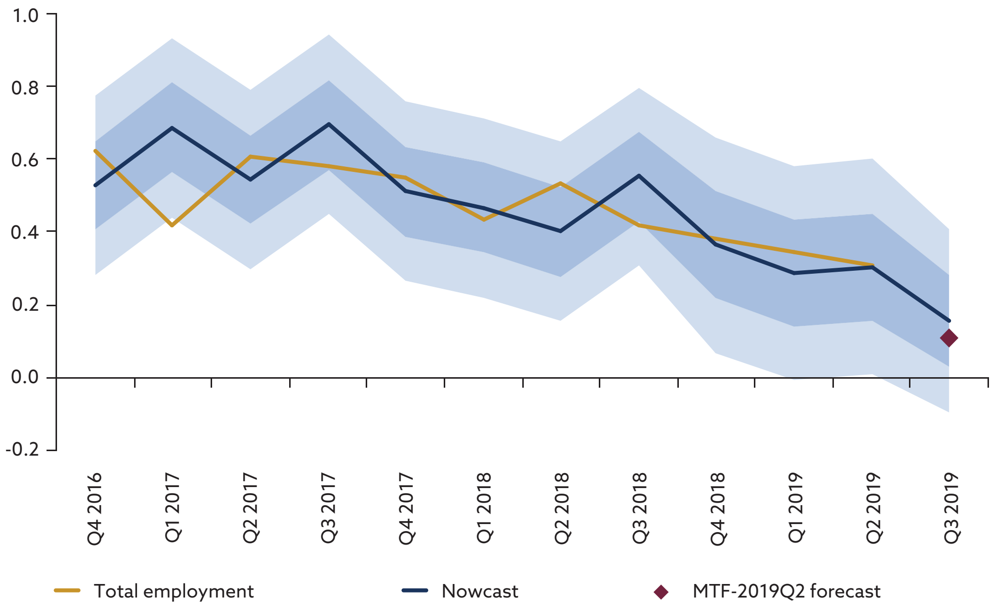
Source: NBS calculations.

3 Indicative impact on the forecast

The slowdown of economic growth in the second quarter has been reflected in the nowcast for GDP growth in the third quarter of 2019, which fell to 0.4%. The negative impact of the GDP flash estimate was not, however, the only reason behind the more moderate nowcast. Of approximately equal importance was the deterioration in virtually all domestic and external monthly indicators. The nowcast for employment growth in the third quarter is in line with NBS's MTF-2019Q2 forecast, which envisages the continuing slowdown of employment growth.

Chart 20

Nowcast for employment (quarter-on-quarter percentage changes)[7]



Sources: SO SR and NBS calculations.

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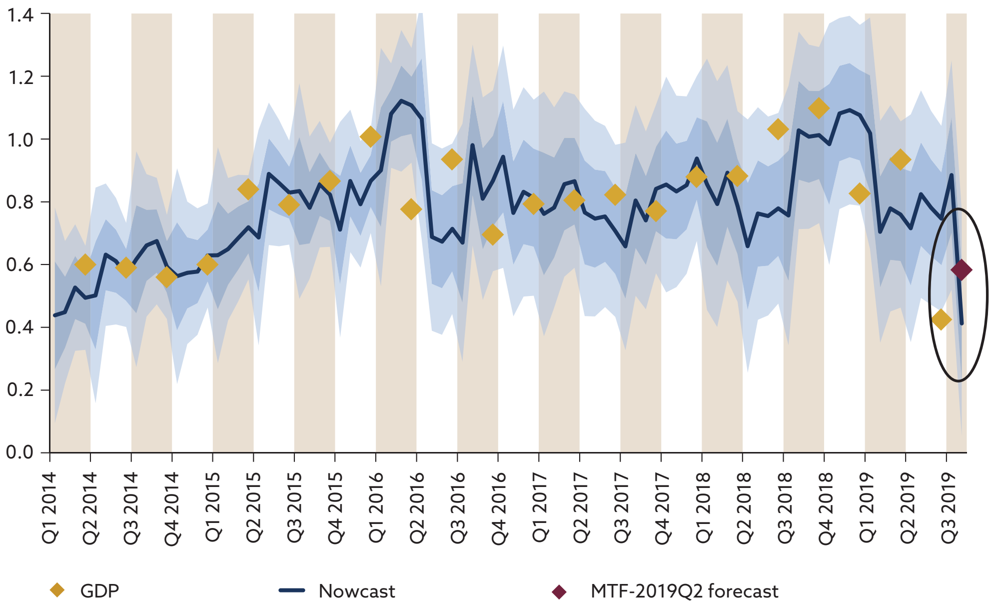
[7] The band around the point estimate denotes +/- 1 to 2 times the root mean square error. Nowcasts provide a current estimate of future developments using available monthly figures from the current quarter, their future values forecast with ARIMA models, and their lagged values. The individual model 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.

Chart 21
Nowcast for GDP (quarter-on-quarter percentage changes)[7]



Sources: SO SR and NBS calculations.

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
2011	2.8	4.1	2.7	1.8	13.2	14.6	5.7	5.9	97.9	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	2.8	4.5	92.8	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	1.6	1.9	89.1	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	3.1	2.3	99.6	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	6.7	7.5	100.4	11.5	10.7	7.3	13.1	-1,932.6	-2.6	52.2	-1.7	1.3	1.1095
2016	3.1	-0.5	-4.3	2.4	9.5	11.1	4.7	4.3	102.0	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	3.3	4.0	103.4	7.8	10.5	7.8	12.4	-1,220.1	-0.8	50.9	-2.0	0.8	1.1297
2018	4.1	2.5	5.0	2.0	5.4	6.6	4.4	6.0	100.3	5.1	9.5	8.2	10.8	-1,182.2	-0.7	48.9	-2.5	0.1	1.1810
2018 Q3	4.6	2.7	6.4	1.9	5.4	6.6	6.0	8.5	98.3	6.1	9.9	6.5	11.4	-	-0.5	50.9	-3.1	-1.3	1.1629
2018 Q4	3.6	2.1	5.7	1.7	5.2	6.3	4.6	6.8	97.8	5.1	9.5	8.2	10.8	-	-1.7	48.9	-4.6	-1.5	1.1414
2019 Q1	3.7	2.4	3.9	1.8	5.0	6.2	6.7	8.7	98.3	4.0	8.9	8.2	10.2	-	-0.3	48.9	0.7	2.7	1.1358
2019 Q2	1.9[5]	2.6	3.7	1.4[5]	5.0	6.1	3.1	0.5	94.4	5.3	7.1	5.3	9.1	-	.	.	.	.	1.1237
2018 Aug.	-	2.9	6.2	-	5.4	6.6	7.3	7.1	97.8	6.2	10.1	6.5	11.6	-357.6	-	-	-	-	1.1549
2018 Sep.	-	2.7	6.2	-	5.3	6.5	5.6	8.9	97.1	6.1	9.9	6.5	11.4	133.1	-	-	-	-	1.1659
2018 Oct.	-	2.5	7.3	-	5.3	6.4	6.6	9.6	98.5	5.4	10.6	8.3	11.3	195.9	-	-	-	-	1.1484
2018 Nov.	-	2.0	5.7	-	5.2	6.3	3.0	7.1	96.5	5.1	10.3	8.1	11.2	-442.1	-	-	-	-	1.1367
2018 Dec.	-	1.9	4.3	-	5.1	6.2	4.2	3.5	98.3	5.1	9.5	8.2	10.8	-326.5	-	-	-	-	1.1384
2019 Jan.	-	2.2	3.3	-	5.1	6.2	7.2	10.6	97.1	4.1	9.1	8.0	10.5	133.7	-	-	-	-	1.1416
2019 Feb.	-	2.3	4.0	-	5.1	6.2	5.7	8.5	100.1	4.7	9.0	8.1	10.3	-740.3	-	-	-	-	1.1351
2019 Mar.	-	2.7	4.4	-	5.0	6.1	7.3	7.1	97.7	4.0	8.9	8.2	10.2	-559.7	-	-	-	-	1.1302
2019 Apr.	-	2.4	3.9	-	5.0	6.1	6.9	4.0	92.5	3.8	8.1	6.6	10.0	-41.2	-	-	-	-	1.1238
2019 May	-	2.7	4.2	-	5.0	6.1	4.7	2.0	93.7	4.9	8.0	6.7	9.6	-317.7	-	-	-	-	1.1185
2019 June	-	2.7	2.8	-	5.0	6.1	-2.1	-4.2	97.0	5.3	7.1	5.3	9.1	32.8	-	-	-	-	1.1293
2019 July	-	3.0	.	-	.	.	.	.	93.4	.	.	.	.	65.0	-	-	-	-	1.1218

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/2019/StatisticsMB0819.xls