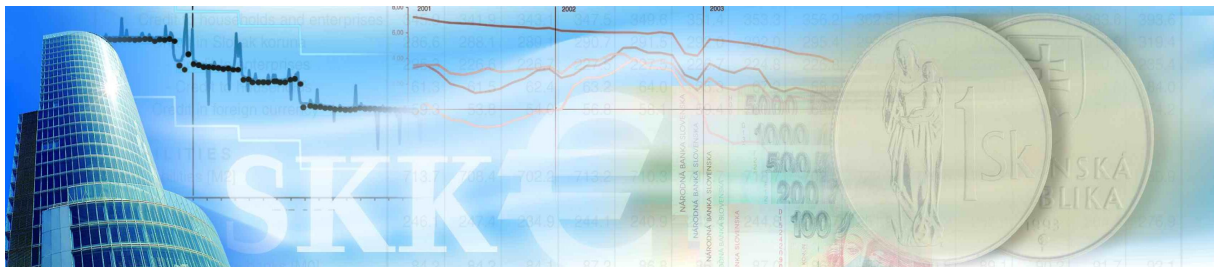




NÁRODNÁ BANKA SLOVENSKA

MEDIUM-TERM FORECAST (MTF-2006Q2)

April 2006



Equilibrium variables, development of potential output

The medium-term forecast is based on the assumption that Slovakia is a converging economy, and that its main macroeconomic indicators follow equilibrium trends. The estimated equilibrium paths of the real interest rates, the real exchange rate, and the non-inflationary growth of the economy (potential output) provide the basic framework of the forecast. In comparison with the January forecast (MTF-2006Q1), the long-term trends applied in the April medium-term forecast (MTF-2006Q2) were not substantially reassessed.

The current economic development and the predicted level of gross fixed investment create conditions for a gradual increase in the economy's productive capacities. Due to inflows in foreign direct investment (FDI) as well as domestic investment, the medium-term forecast is based on the assumption of a slightly faster growth in potential output. There is still room for the long-term real equilibrium appreciation of the exchange rate, which corresponds to the parameters of a converging economy.

Current position of the economy¹

Real economic growth over the fourth quarter of 2005 reached 7.6%, and thus exceeded the figure predicted in the January forecast (MTF-2006Q1), in which the rate of GDP growth was expected to accelerate to 6.7%. As far as the structure of GDP is concerned, the MTF-2006Q1 was based on the assumption that overall economic growth was promoted by both domestic and foreign demand, while, in terms of relative contributions, GDP growth was largely expected to be stimulated by domestic demand. The year-on-year acceleration in real economic growth was caused primarily by gross capital formation, which grew year-on-year by 33.5%. The growth in gross capital formation was caused by a 15.1% increase in fixed investments and an increase in inventories, which was connected with the increased volume of imports, mainly at the end of 2005. The increase in fixed investments was influenced by both foreign direct investment and domestic investment, mainly in the construction sector. The trend in final consumption in the fourth quarter of 2005 was in line with the expectations of the NBS, when both private and general government consumption contributed to the growth in overall consumption.

From the viewpoint of domestic demand, the most significant factor in the first quarter of 2006 will in all probability be the continuing intense investment activity, which will accelerate the rate of real economic growth. Final consumption will probably follow the same course as in 2005, while in terms of relative contributions, a moderate increase is expected in public consumption to the detriment of household consumption. The projected stronger pro-growth effect of domestic demand, compared with the previous forecast, is expected to be dampened in the first quarter of 2006 by the effect of net exports, including the assumption that the balance of goods and services will deteriorate as a result of an expected increase in the imports of raw materials and technologies. In terms of overall real economic growth, economic activity in the first quarter of 2006 is expected to moderate in comparison with the fourth quarter of 2005 (based on preliminary information from business tendency survey), while increasing in comparison with the MTF-2006Q1, when the sentiment indicators indicate a GDP growth at a pace of approximately 6.5% at constant prices. The stronger economic

¹ The current position of the economy refers to its state in the first quarter of 2006 (according to a GDP estimate), on which the short-term as well as medium-term forecasts are based.

growth in the first half of 2006 will also be affected to some extent by the base from the comparable period in 2005.

The growth in nominal and real wages in the fourth quarter of 2005 was almost in line with the expectations of the NBS set out in the MTF-2006Q1. According to NBS assumptions, nominal wages were to grow in that period by 8.2% (the actual figure was 8.4%) and real wages by 4.6% (the actual figure was 4.7%). The somewhat stronger than expected year-on-year growth in nominal wages in the national economy in the fourth quarter of 2005 was mainly the result of faster wage growth in transport, real estate, renting, and business services, and in industry. Real wage growth in the fourth quarter of 2005 was encouraged by growth in labour productivity, which exceeded growth in real wages in that quarter. The accelerated growth in labour productivity at the end of 2005 and the continuing growth in the profits of non-financial organisations have created room for slightly faster growth in nominal wages in the first quarter of 2006, compared with the MTF-2006Q1. However, the dynamics of real wages should remain virtually unchanged in the first quarter of 2006, owing to the higher level of inflation.

The year-on-year dynamics of consumer prices continued to strengthen in the first quarter of 2006, due to increases in regulated prices (energy prices and prices for health services), accompanied by a more moderate fall in food prices. Apart from regulated prices and food prices, this development was also affected by fuel prices, which increased on a year-on-year basis more rapidly than in the previous quarter. On the other hand, the year-on-year dynamics of services prices weakened in that period.

Compared with the MTF-2006Q1 forecast, inflation reached a higher level in the first quarter of 2006, due primarily to the higher prices of industrial goods, caused by increases in regulated prices. At the same time, within the scope of price index chaining, the weights of individual consumer basket components were reassessed on the basis of household expenses. The weight changes led to an increase in the share of energy prices (regulated prices), and then to an increase in their impact (contribution) on overall inflation. Energy prices (heat, gas, and water) increased more dynamically than were predicted. Steeper than expected price increases, as well as increases in the consumer basket weights of these prices, were also recorded in health services.

Expected developments in regulated prices in the first quarter of 2006 and their actual increase
(rise in %, contribution in % points)

	MTF-2006Q1		Actual	
	Expected increase	Expected contribution	Increase	Contribution
Gas	5.84	0.26	5.94	0.30
Electricity	5.02	0.20	4.71	0.21
Heat	5-7	0.22-0.31	8.73	0.49
Water	14.2	0.09	17.78	0.15
Sewage	35.9	0.17	31.57	0.18
Health care	3	0.09	4.44	0.16

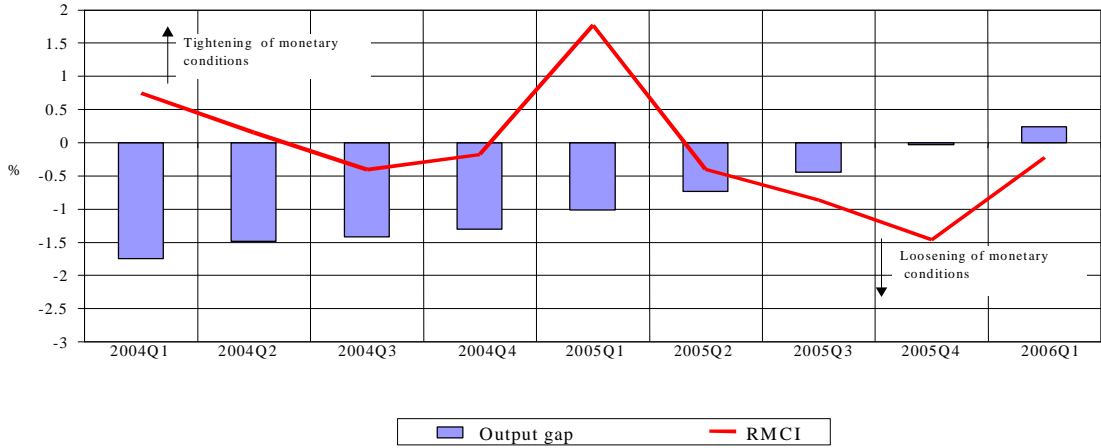
The increased dynamics of energy prices were also reflected in the prices of services, especially those related to housing. Contributions to house renovation funds increased significantly at the end of 2005 and the beginning of 2006 (in CPI inflation based on the national methodology, increases were also recorded in imputed rents), which can be attributed to the efforts of households to accumulate more funds for the renovation of residential houses,

including heat insulation (energy intensity reduction), or to use these funds for the repayment of loans taken for reconstruction. Such dynamic growth in charges for housing services was not taken into account in the January forecast (MTF-2006Q1).

The current estimate of the monetary policy position confirms the persistence of slightly loosened monetary conditions in terms of the Real Monetary Conditions Index (RMCI). On average, however, the degree of loosening lessened in the first quarter of 2006. The appreciation of the nominal exchange rate at the end of 2005 and the beginning of 2006 contributed to the tightening of the exchange rate component of monetary conditions. The impact of an increase in short-term nominal interest rates by 0.5 percentage point in February 2006 (with effect from 1 March) on the setting of the interest rate component of monetary conditions was offset by higher inflationary expectations. Since the NBS changed its interest rates in March, the tightening of the interest rate component will show its full effect within the RMCI in the second quarter of 2006.

Apart from increasing the economy’s productive capacities, the dynamic GDP growth in the second half of 2005 indicated that the negative output gap was closed more quickly than was predicted. The loosening of monetary policy in 2005 and the revival of foreign demand (faster growth in euro area GDP predicted for 2006) are factors that may stimulate economic growth over the first half of 2006. Thus, the output gap should reach slightly positive values.

Output gap and the Real Monetary Conditions Index (RMCI)



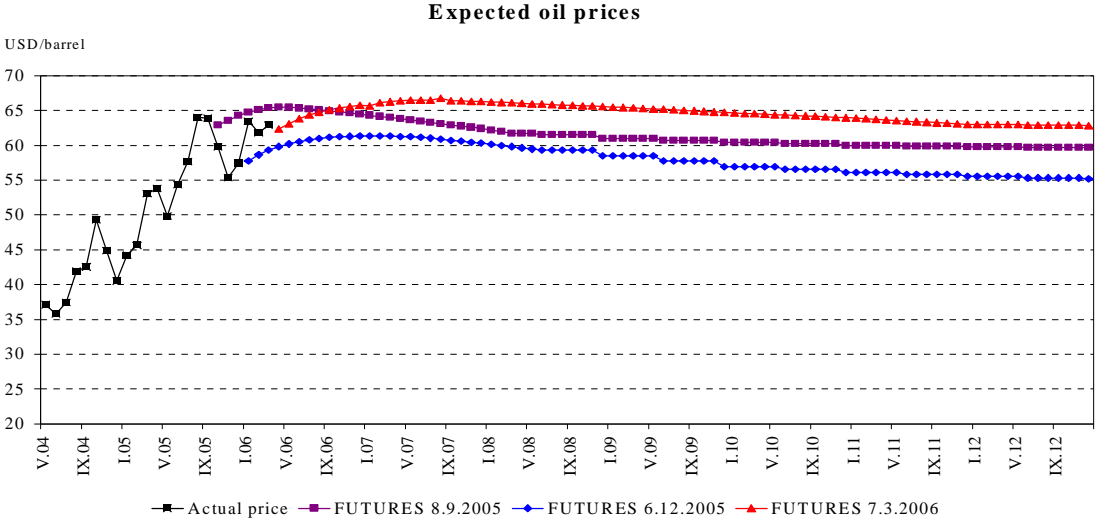
Medium-term forecast

External environment

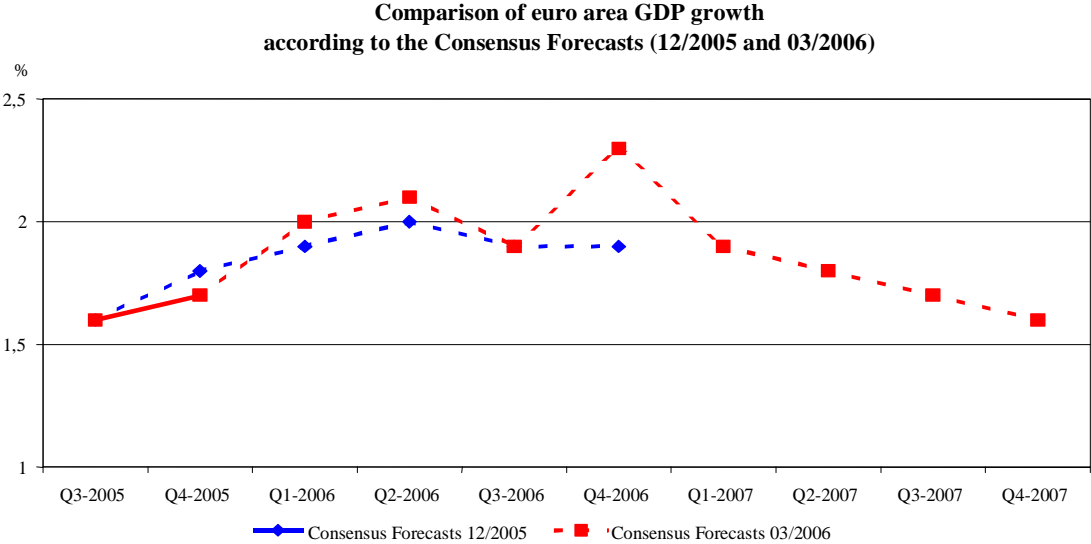
The medium-term forecast of exogenous indicators is based on the March issue of the Consensus Forecasts (CF)². The expected developments in oil prices are based on futures prices as of 7 March 2006.

² A survey of forecasts made by international economic and financial institutions, from which an average is calculated. This ensures the most unbiased estimate of the trends in foreign sector indicators. With regard to the course and schedule of forecasting at the NBS, the values of input variables were obtained from the Consensus Forecasts of March 2006 and fixed at these levels throughout the forecasting process. Any new information will be taken into account in the next medium-term forecasts.

Compared with the developments in the external environment as predicted in the January forecast, changes mainly occurred in the expected developments in oil prices, which are predicted to reach a higher level than according to the previous forecast. The average price of oil in 2006 should reach approximately USD 64/barrel; in 2007, it is expected to rise to USD 66.3/barrel. The expected course of the USD/EUR cross-rate shows a slightly weaker USD in relation to the EUR.



Economic growth in the euro area in the fourth quarter of 2005 lagged somewhat behind expectations. For 2006, however, the Consensus Forecasts foresee a slightly accelerated growth (by 0.2 of a percentage point) in comparison with the last forecast. The March Consensus Forecasts also contain a prediction for the pace of economic growth in the euro area in 2007, which indicates a slowdown in economic activity.



Despite predictions of higher oil prices, the Consensus Forecasts do not expect a rise in the euro area inflation rate. However, the inflation forecast also takes into account expected higher ECB interest rates, due to their recent increase by 0.25 of a percentage point (March 2006).

	2006	2007
Euro area inflation in %		
CF 12/05 (annual average)	2.0	
CF 03/06 (annual average)	2.0	2.0
Euro area GDP growth in %		
CF 12/05	1.9	
CF 03/06	2.1	1.8
Oil prices in USD/barrel and EUR/barrel (annual average)		
6 December 2005	60.3 / 49.7	61.0 / 48.6
7 March 2006	64.0 / 52.7	66.3 / 52.6
Exchange rate USD/EUR (end of the relevant quarter)		
CF 12/05	1.192 (Q1)	1.248 (Q4)
CF 03/06	1.209 (Q2)	1.259 (Q1)

The slowdown in economic activity in the euro area in 2007 should not affect the output of the Slovak economy to a significant extent. Increased oil prices in comparison with the January projection may have an unfavourable impact on domestic price levels, while the USD/EUR cross-rate is expected to have a slightly dampening effect. If, however, the prices of energy-producing raw materials remain high, there is a risk that regulated prices may again be adjusted.

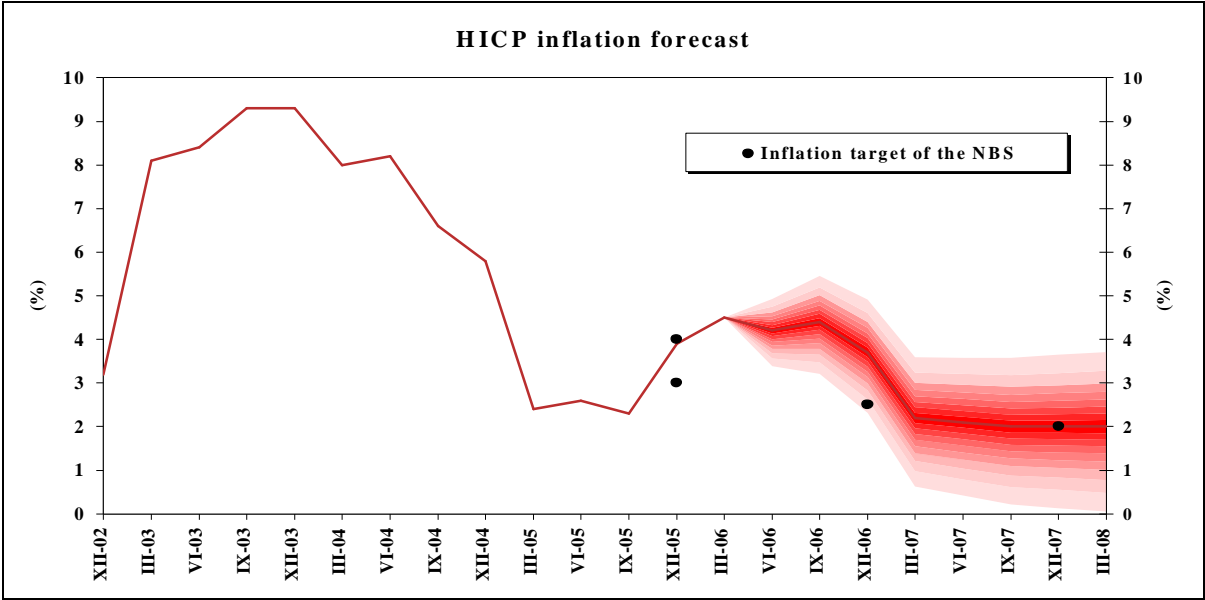
Forecast for 2006 to 2008

At the end of 2006, a higher inflation rate is expected than was predicted in the MTF-2006Q1. Contrary to the expectations of the NBS, the shift in the forecast to a higher level compared with the January forecast was caused by marked increases in regulated prices (in energy prices and prices for health services) since the beginning of 2006, which should be reflected in the prices of industrial goods. Assumptions concerning the timing of increases in cigarette prices in connection with the excise tax increase were also changed. Since sellers have stocked up on cheaper cigarettes, the change in excise duties should not lead to increases in cigarette prices before the second quarter of 2006 (with a contribution of 0.28 of a percentage point to headline inflation).

Cigarette prices and excise duties

The risks in inflation forecasts are due to the time and range of increases in cigarette prices (as a result of increases in excise duties), which are not yet reflected in consumer prices, since distributors and sellers have stocked up on lower-priced cigarettes. The April forecast predicts that cigarette prices will be increased with effect from May 2006. The range of increases in cigarette prices (and their contribution to overall inflation) depends on the level of consumer prices for cigarettes set by producers and importers. Excise duty on cigarettes is a tax consisting of two (i.e. fixed and variable) components. The fixed component of the tax is determined in terms of the value in SKK per cigarette and the variable component is given as a percentage of the selling price. This means that, if the producer (importer) decides to preserve his original margin, then he should set the prices according to the assumptions of the NBS (with the same contribution to headline inflation). If he decides to reduce his margin and sets a new price at a lower level, the impact (contribution) on headline inflation will be weaker. With regard to the competition (legal and illegal) and experience from the Czech Republic, such development (a smaller-than-expected price increase) may also be expected in Slovakia. This means that this factor represents a downward risk for the forecast.

As according to the January forecast, the disinflation process should continue in both 2007 and 2008. Consumer prices are expected to be further influenced by factors, such as the stable course of import prices, competition on the retail market, sustainable growth in real wages in line with the development of labour productivity, and inflation expectations.



The main risk in the inflation forecast is a higher price of oil, which may lead to increased fuel prices, and increased regulated prices in comparison with the current forecast.

Among the risks involved in the inflation forecast are food prices, which may reflect the terminate effect of competition in connection with the entry of the new retail chain into the Slovak market at the end of 2004 and the beginning of 2005, new stricter regulations concerning the contents of meat products and increased energy prices. Fear of the bird flu may push down the price of poultry, but on the other hand it may stimulate demand for other types of meat with subsequent price increases.

Another factor that may move the inflation forecast to a higher level is the course of services prices, where the secondary effects of regulated price increases may appear in larger extent than expected, especially in prices for services related to housing. The steep increase in charges for housing services may be a manifestation of the attempt to accumulate more funds for the reconstruction and heat insulation of residential houses in response to high energy prices.

Another risk factor that may cause an upward shift in the inflation forecast is the different course of imported inflation as a result of a dynamic rise in producer prices in the euro area, which has not yet been taken into account in the euro area inflation forecast.

The increased consumer price dynamics at the present time may also mean a shift in inflation expectations and a risk to inflation and the meeting of medium-term goals.

Comparison of HICP inflation forecasts (average for the period)

		2005	2006	2007	2008
TOTAL (HICP)	MTF-2005Q4	2.9	3.4	1.9	1.9
	MTF-2006Q1	2.8*	3.6	1.9	2.0
	MTF-2006Q2	2.8*	4.1	2.0	2.0

Comparison of HICP inflation forecasts (end of year)

		2005	2006	2007	2008
TOTAL (HICP)	MTF-2005Q4	4.4	2.4	1.9	2.0
	MTF-2006Q1	3.9*	2.8	2.0	2.0
	MTF-2006Q2	3.9*	3.7	2.0	2.1

Note: * - actual figure.

In the MTF-2006Q2, compared with the January forecast, the NBS foresees faster nominal wage growth for both 2006 and 2007. In 2008, nominal wages should maintain their dynamics at the level of the MTF-2006Q1.

Despite the expected stronger growth in nominal wages, real wages should grow in 2006 at a slower rate than was predicted in the January forecast, mainly as a result of a higher-than-expected inflation. In 2007, real wage dynamics should increase in comparison with the MTF-2006Q1, and to reach the same level in 2008 as according to the January forecast.

The possible stronger nominal wage growth in 2006 is indicated by several factors. One of them is the year-on-year growth in real labour productivity³, which exceeded 10% in all production sectors in 2005, with the most significant increase taking place in the second half of the year. In industry and construction, corporate profitability also showed a positive tendency in 2005 (as in 2004), when profits in industry grew year-on-year by more than 9% and in construction by almost 20%.

Room for stronger wage growth was also created in part of the services sector. Transport, storage, post and telecommunications recorded dynamic growth in labour productivity (more than 11%) and high profitability, exceeding 60%. Other community, social, and personal services showed strong growth in profits (exceeding 35%), accompanied by a modest increase in labour productivity. Profits in real estate, renting, and other business services grew at a pace of over 40% in 2005.

The faster than expected nominal wage growth was connected with the higher inflation expectations compared with the MTF-2006Q1, which may accelerate the rate of wage growth in 2006 by 0.3 of a percentage point.

The increased nominal wage growth predicted for 2007 is based on the expected wage development in 2006 as well as the positive expectations concerning the rate of economic growth and the continuing inflows in foreign investment. Wage growth may also be affected to some extent by a discrepancy between the supply of and demand for selected professions.

The favourable economic development in 2005, based on qualitative changes characterised by growing labour productivity and favourable economic results, creates conditions for faster growth in employment in the medium term, i.e. in 2006-2008, compared with the MTF-2006Q1.

³ Labour productivity according to the ESA methodology.

Developments in employment should be influenced by increased demand for labour, caused mainly by an upturn in investment, and by the favourable trend in exports in connection with the increased export performance of industrial sectors. Growth in employment should also be stimulated by investment in infrastructure, as well as the possibility of drawing money from European funds, which will facilitate the creation of jobs in construction and, through its multiplying effects, in other sectors. Employment growth in 2008 should also be promoted by further investments in the automotive industry and in related sectors.

Labour market developments will also be influenced by the supply of labour. Compared with the MTF-2006Q1, the size of the economically active population should be larger, due mainly to the growing number of workers. This should also be reflected in the increased rate of participation compared with the previous medium-term forecast.

In 2005, the balance of payments on current account resulted in a deficit of SKK 126.1 billion, representing a year-on-year increase of more than SKK 80 billion. The larger than expected year-on-year deterioration was caused by an increase in the current account deficit at the end of the year. Compared with the MTF-2006Q1, the increased current account deficit was mostly caused by an increase in the trade deficit, increased dividends paid to foreign investors causing the growth of income balance deficit, and smaller than expected surpluses in the current transfers and services balances. This development in 2005 provided a basis for changes in the forecasts of b.o.p. current account components in the following years.

The foreign trade forecast for 2006 to 2008 is based on the trade balance at the end of 2005, and its development in 2006 to date. In export, the last two months of 2005 saw an acceleration in the year-on-year rate of growth, and this trend continued at the beginning of the current year. This fact will also be reflected in the increased volume of exports in the next years. Since export performance continued to improve in numerous small enterprises at the end of 2005, this fact is reflected in the growth of exports in all categories of goods. The increased exports led to growth in the imports of semi-finished goods. Based on the latest information, the export related imports of the newly established PSA and KIA automotive plants have been adjusted, which have caused an additional increase in imports in comparison with the January forecast. This fact is mainly reflected in the level of imports in 2007 and 2008 (since production at the new automotive plants is only expected to start in 2006). The increase in the projected trade deficit in 2008 compared with the previous year is due to the inclusion of investment imports for the construction of the new PSA automotive plant, which were not included in the MTF-2006Q1.

The total increase in exports resulting from the higher export performance of the economy is exceeded by the increase in imports, due to the increased import intensity of the economy and new investments in the PSA automotive factory in 2008. The negative impact of these changes on the trade balance is exacerbated by the latest estimates of oil prices, which are higher than the previous forecast, and thus they increase the trade deficit. In the total trade balance forecast, the deficit for 2006 is increased by a more than SKK 10 billion, that for 2007 by more than SKK 14 billion, and the figure for 2008 by more than SKK 22 billion.

Balance of services development at the end of 2005, when the balance of 'other services in total' deteriorated, was the main reason behind the lower estimate (by SKK 1.5 billion) of the surplus in services in 2006, compared with the previous forecast. On the other hand, the

balance of tourism services was reassessed in the medium term, which led to a slightly larger surplus predicted for 2008.

The projected overall income balance deficit was changed in comparison with the January forecast, due mainly to the reassessment of dividend payments and a higher estimate of reinvested earnings. The overall deterioration in the income balance deficit amounts to roughly SKK 20 billion per annum over the entire period under analysis and results from previous developments in 2005 and the latest data obtained from the annual report on foreign direct investment. Part of the increased deficit, which is connected with reinvested earnings, has a counterpart in the balance of payments financial account, and causes no pressure on external equilibrium, nor pressure on the exchange rate.

In the latest estimates, the positive balance of transfers predicted for 2006-2008 has been increased by SKK 5–7 billion. A risk to the expected surplus in the balance of transfers may be the amount of funds drawn from the EU, which may affect the achieved balance of current transfers (as in 2005) where fixed payments are made to the EU budget.

The changes in the estimates of individual current account components led to an increase of SKK 22–25 billion in the deficit. In line with the previous forecast, the deficit in the b.o.p. current account will decrease over the years 2006–2008, but its share of GDP will increase by 1.5–1.7 percentage points.

In line with the unfulfilled expectations in the area of foreign direct investment (FDI) in 2005, the inflow of equity capital (excluding privatisation) has been reduced for 2006, and to a smaller extent for the next years as well. The range of privatisation funds inflow in 2006 was also reassessed in the forecast, since privatisation was suspended in the pre-election period on the basis of a government decision. In view of this fact, it is assumed that part of the privatisation decisions, planned for 2006, will be implemented only in the course of 2007. The lower inflow in FDI in the form of capital participation is partly offset by a higher estimate of reinvested earnings. Compared with the previous forecast (MTF-2005Q4), the total inflow in FDI is lower in 2006, which will be partly offset by a slightly higher inflow in 2007 (due to the shift of privatisation proceeds), as well as in 2008.

Compared with the expectations of the NBS, the stronger growth in fixed investment in technology and infrastructure in 2005 was not only connected with the originally considered increase in investment in the production of vehicles, since investment activity accelerated in a wider spectrum of industries. This fact indicates an increase in the economy's productive capacities and efficiency in 2006, as well as in the next years. Based on experience from previous developments, the impact of gross capital formation on GDP growth is expected to increase, while the expected higher imports of technologies may lead to growth in fixed investments and/or the volume of inventories.

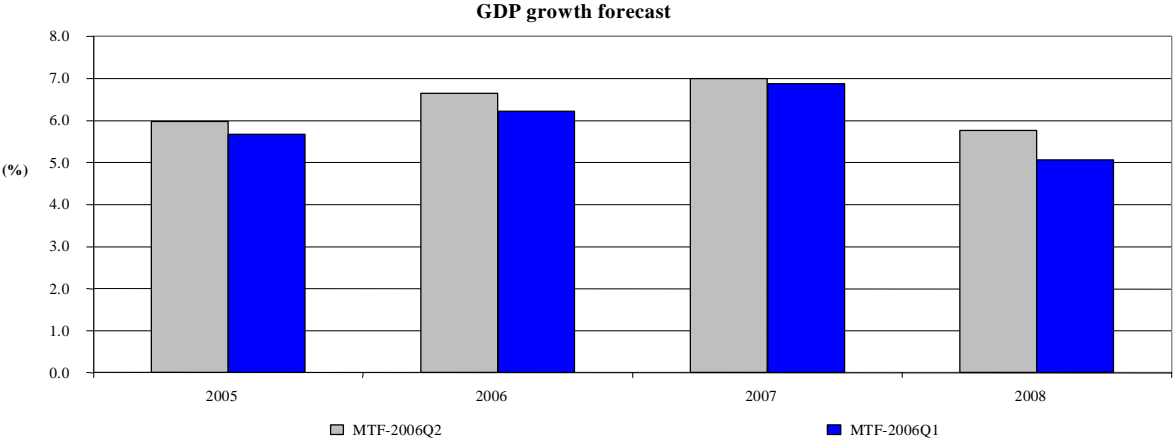
Final household consumption will be dampened by a somewhat slower growth in real wages, due to a higher inflation forecast, while being stimulated by a faster growth in employment. The forecast assumes that the share of final household consumption in the total volume of GDP will decrease slightly in 2006, from 50.3% to 49.7% at constant prices. The non-fulfilment of this assumption would mean that the economy achieves stronger real growth in comparison with the forecast.

In connection with the fulfilment of NBS expectations concerning the level of final consumption in the general government in 2005 and, after taking into account the effect of the elections, the dynamics of public consumption are not expected to moderate in 2006. Hence, real growth in public expenditure remains unchanged in comparison with the January forecast.

Growth in export performance and the larger volumes of imported goods and services may positively influence the rate of GDP growth in 2006 through higher indirect taxes. The MTF-2006Q2 projection predicts different developments in net exports in the individual quarters. While its deterioration in the first quarter of 2006, compared with the January medium-term forecast, should lead to growth in gross capital, the expected improvement in the balance of goods and services in the fourth quarter is connected with the expected launch of production at the PSA plant, with a positive impact on GDP growth.

In addition to the pro-growth effect of the automotive industry, the effect of investment activity from the previous period will probably cause increased value added creation in other economic sectors as well for the purpose of satisfying the increased domestic and foreign demand. Within the scope of domestic demand, the NBS expects a slightly accelerated growth in final household consumption in comparison with the January forecast (MTF-2006Q1), due to faster growth in both employment and real wages. In addition to the pro-growth effect of consumer expenditure, the growth in fixed investments is expected to continue, mainly in infrastructure (financial perspective), which will also stimulate economic growth in the coming period.

Over the medium-term horizon, the trends in individual GDP components are predicted to remain virtually unchanged in comparison with the MTF-2006Q1. In connection with the increased investment activity in previous years, the capacity of the domestic economy is expected to expand, with a consequent stimulating effect on domestic demand as well as overall economic growth. Within the scope of domestic demand, a positive contribution is expected from final consumption in the household and general government sectors, and from gross fixed capital formation in particular, which will remain a significant pro-growth factor.



In 2007, the NBS expects the acceleration in the rate of real GDP growth, up to the level of 7%, mainly due to the cumulative effect of launch of production in the automotive industry. In connection with the start-up of production at the new automotive plants, a decrease may be expected in the volume of inventories, which should dampen the rate of overall GDP growth, in which they will be partially allocated for use in the production process in the form of

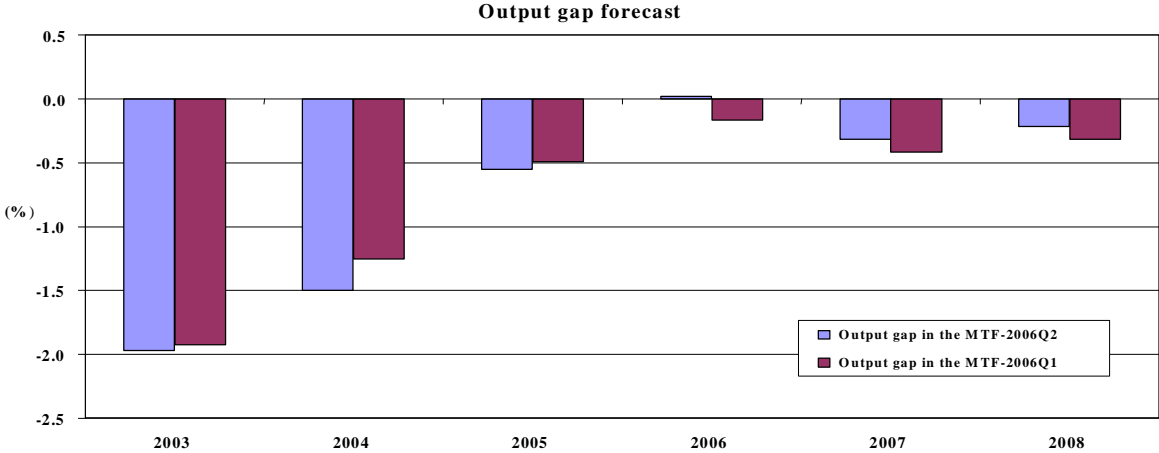
intermediate consumption, with a subsequent increase in value added intended for export. Another part of inventories from 2005-2006 will probably be re-classified as an increase in gross fixed capital formation.

Compared with the previous forecast, faster economic growth can be expected in 2008 in connection with an announced additional PSA investment, which will be partly reflected in the increased imports of goods and services. However, on the other hand the increased gross fixed capital formation will accelerate the rate of GDP growth, particularly in the second half of 2008.

Expected revision of the national accounts

On the basis of information from the Statistical Office of the SR, data in the national accounts are expected to be revised in the second quarter of 2006. The objects of the GDP revision will be the change of the base period (from 1995 to 2000), the chaining of indices, and the allocation of the output of indirectly measured financial intermediation services (FISIM) to the relevant sectors where they are produced, with a subsequent impact on GDP by expenditure components. According to statements by the representatives of the Statistical Office, these changes will not substantially affect the rate of real GDP growth in the individual years, but the changes in GDP components will be of fundamental importance. The current forecast (MTF-2006Q2) was prepared on the basis of original data, which are the only data available. The developments in the individual components resulted from relations which were identified in the time series from 1995-2005, at 1995 prices. Depending on the range of changes, the revision of data may affect the specific values of the predicted indicators in the future.

The setting of monetary policy in 2006 and 2007 will again focus on the elimination of the risks associated with inflation, which tend to increase in comparison with the MTF-2006Q1. Thus, the expected closing of the output gap, as well as the higher inflation in 2006, confirm the assumptions from the previous medium-term forecast concerning the need for gradual monetary policy tightening. The restrictive nature of monetary policy should hinder the development of undesirable demand pressures and should cause a turn in the development of the economy’s cyclical component in the course of 2006. It can be assumed that the economy in 2006 will perform at the level of its potential output. The unambiguous commitment to meet the inflation target through monetary policy may require that the negative output gap be re-opened slightly in 2007 and 2008.



Annex

Medium-term forecast (MTF-2006Q2) of main economic indicators

Indicator	2005	2006	2007	2008	2005	2006	2007	2008
	Actual				Difference with MTF-2006Q1			
Prices (y-o-y change)								
HICP inflation (end-year)	3.9	3.7	2.0	2.1	-	0.9	0.0	0.1
HICP inflation (average)	2.8	4.1	2.0	2.0	-	0.5	0.1	0.0
CPI inflation (end-year)	3.7	3.9	1.9	2.1	-	1.4	0.0	0.1
CPI inflation (average)	2.7	4.2	2.0	2.0	-	1.1	0.1	0.0
PPI (average)	4.7	6.5	2.2	1.6	0.1	4.1	0.8	0.3
GDP (y-o-y change, unless otherwise indicated)								
Nominal GDP (SKK bil.)	1439.8	1582.8	1722.7	1854.6	-	-	-	-
Nominal GDP	8.6	9.9	8.8	7.7	-0.1	1.0	0.1	0.8
Real GDP	6.0	6.6	7.0	5.8	0.3	0.4	0.1	0.7
Domestic demand	7.3	4.8	2.4	5.2	1.8	-0.4	0.4	0.4
Final consumption of households	5.8	5.4	5.5	5.3	0.1	0.1	0.3	0.2
Final consumption of general government	2.0	3.2	2.4	2.0	-0.1	0.0	0.0	0.0
Final consumption of non-profit institutions	3.2	5.0	5.0	5.0	-0.6	0.0	0.0	0.0
Gross fixed capital formation	12.4	9.9	5.9	8.0	1.7	1.0	0.4	2.5
Exports of goods and services	10.9	12.7	15.5	10.1	1.4	-0.7	0.3	1.2
Imports of goods and services	11.2	11.3	11.2	9.8	3.0	-1.5	0.2	0.9
Labour market								
Nominal wage (monthly average, y-o-y change)	9.2	7.8	6.5	6.0	0.2	0.8	0.5	0.1
Real wage (monthly average, y-o-y change)	6.3	3.5	4.4	3.9	0.2	-0.3	0.4	0.1
Employment (LFS, y-o-y change)	2.1	1.4	1.2	1.0	0.4	0.5	0.4	0.3
Employment (registered employment, y-o-y change)	2.2	1.4	1.2	1.0	0.4	0.5	0.3	0.3
Unemployment rate (LFS, %)	16.2	15.6	15.3	14.9	-0.2	-0.3	-0.5	-0.6
Labour productivity (Real GDP/Employment, y-o-y change)	3.7	5.1	5.7	4.8	-0.1	-0.2	-0.2	0.4
Balance of payments								
Economic openness (% GDP)	161.6	164.1	167.0	167.6	3.6	3.0	3.6	3.4
Trade balance (SKK bil.)	-76.0	-77.3	-37.5	-42.5	-21.0	-10.5	-14.6	-22.1
Trade balance (% GDP)	-5.3	-4.9	-2.2	-2.3	-1.5	-0.6	-0.9	-1.2
Balance of services (SKK bil.)	9.9	12.4	15.0	17.0	-2.9	-1.5	0.0	1.0
Balance of services (% GDP)	0.7	0.8	0.9	0.9	-0.2	-0.1	0.0	0.0
Current account (SKK bil.)	-126.1	-112.6	-69.8	-73.7	-47.1	-24.5	-25.8	-31.8
Current account (% GDP)	-8.8	-7.1	-4.1	-4.0	-3.3	-1.5	-1.5	-1.7
Current and capital account (SKK bil.)	-126.7	-107.6	-64.3	-68.5	-53.7	-26.5	-27.3	-32.6
Current and capital account (% GDP)	-8.8	-6.8	-3.7	-3.7	-3.7	-1.6	-1.5	-1.7

Indicator	2005	2006	2007	2008	2005	2006	2007	2008
	Actual	0			Difference with MTF-2005Q4			
Compensation per employee (ESA 95, curr.p., y-o-y change)								
Compensation per employee (ESA 95, curr.p., y-o-y change)	8.2	7.4	6.4	6.0	0.1	1.0	0.4	0.0
Real gross disposable household income (y-o-y change)	5.5	4.6	5.0	4.6	0.0	0.1	0.3	0.3
Household saving ratio (% of disposable income)	6.9	7.2	6.9	6.6	0.5	1.0	0.9	0.6
Employment (ESA 95) (y-o-y change)	1.4	0.9	0.8	0.7	0.3	0.3	0.1	0.3
Labour productivity ESA 95 (Real GDP / Employment ESA 95, y-o-y change)	4.6	5.6	6.1	5.1	0.7	0.8	0.2	0.6
ULC (Compensation per employee curr.p. / Labour productivity ESA 95 const.p., y-o-y change)	3.5	1.7	0.3	0.8	-0.5	0.2	0.1	-0.6
Income balance and current transfers (SKK bil.)								
Income balance and current transfers (SKK bil.)	-60.1	-47.7	-47.3	-48.2	-23.3	-12.5	-11.2	-10.7
Income balance and current transfers (% GDP)	-4.2	-3.0	-2.7	-2.6	-1.6	-0.7	-0.5	-0.5
FDI inflow (bil. Sk)	54.6	108.5	95.0	82.5	-40.4	-22.0	9.6	0.9
FDI inflow (% GDP)	3.8	6.9	5.5	4.4	-2.9	-1.6	0.3	-0.2
Portfolio investment (SKK bil.)	-31.4	3.0	-1.0	-3.0	-41.0	-2.5	7.4	13.2
Portfolio investment (% GDP)	-2.2	0.2	-0.1	-0.2	-2.9	-0.2	0.4	0.7
Other long-term investment (SKK bil.)	-6.9	45.2	38.6	37.4	22.8	19.8	4.1	3.7
Other short-term investment (SKK bil.)	160.9	25.4	5.6	15.7	46.6	21.1	26.5	23.8
Financial account (SKK bil.)	177.2	182.1	138.2	132.6	-12.0	16.4	47.6	41.6
Financial account (% GDP)	12.3	11.5	8.0	7.2	-1.0	0.7	2.5	2.0