



NÁRODNÁ BANKA SLOVENSKA  
EUROSYSTEM



# MEDIUM-TERM FORECAST

Q2  
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# 1 SUMMARY

**The Slovak economy grew in the first quarter of 2015 by 0.8% quarter-on-quarter, a rate that was fully in line with expectations and matched the projection in the March 2015 Medium-Term Forecast (MTF-2015Q1).** Recovery in the euro area provided a stimulus to Slovak exports, which after a period of three quarters supplanted domestic demand as the main driver of growth. Both of these GDP components are expected to continue increasing during 2015, with **GDP growth for the year projected to accelerate to 3.2%**<sup>1</sup>. The assumption for 2016 is that domestic demand will accelerate further and **GDP growth will increase to 3.8%**, reflecting also the impact of the accommodative monetary policy stance on external demand. The growth projection for 2017 is **3.5%**<sup>2</sup>. After being revised up in both the January and March forecasts, the GDP growth projections were left unchanged in this forecast (MTF-2015Q2).

Labour market trends remained positive in the first quarter of 2015, with employment increasing by 0.2% as expected. **The acceleration of economic growth over the projection horizon is expected to generate further growth in jobs and employment.** The unemployment rate is assumed to fall to below 10% by the end of the

projection horizon, reflecting to some extent the impact of demographic developments. Nominal wage growth is expected to fall this year owing to low inflation and low labour productivity growth. Over the rest of the horizon, as labour productivity picks up, wage growth is expected to accelerate. **Nothing has occurred in the labour market that would necessitate any significant revisions to the projections made in the previous forecast.**

**The inflation rate was -0.1% for April, after rebounding from its historically most negative level.** This result was largely attributable to an increase in food prices. The inflation forecast for 2015 has subsequently been revised up, owing mainly to stronger commodity price inflation observed in previous months. The monthly inflation rate is expected to turn positive before the year end, although the rate for the whole year is still projected to be slightly negative. Given the assumed increase in economic growth, **inflation is projected to accelerate to 1.6% in 2016 and 2.2% in 2017.**

The risks to the GDP growth and inflation outlooks over the whole of the forecast period are balanced.

Table 1 GDP and inflation projections

|   | MTF-2015Q2 |      |      | Difference vis-à-vis MTF-2015Q1 |      |      |
|---|------------|------|------|---------------------------------|------|------|
|   | 2015       | 2016 | 2017 | 2015                            | 2016 | 2017 |
| GDP                                     | 3.2        | 3.8  | 3.5  | 0.0                             | 0.0  | 0.0  |
| HICP                                    | -0.1       | 1.6  | 2.2  | 0.2                             | -0.1 | -0.2 |
| Net inflation excluding automotive fuel | 1.0        | 2.3  | 2.7  | 0.0                             | 0.1  | 0.0  |

Source: SO SR and NBS.

Note: Net inflation excluding automotive fuel refers to the HICP inflation rate excluding food, energy and administered prices.

1 Since the cut-off date for this forecast was 20 May 2015, the composition of GDP growth in the first quarter of 2015 was not taken into account, nor was the potential impact of the Government's second social package.

2 This Medium-Term Forecast (MTF-2015Q2) was produced by NBS as part of the Eurosystem's forecasting process. The output of this process is the "Eurosystem Staff Macroeconomic Projections for the Euro Area", published by the ECB in June and December. Therefore the cut-off date for MTF-2015Q2 is the same as that for the Eurosystem forecast.



## 2 CURRENT DEVELOPMENTS IN THE EXTERNAL ENVIRONMENT AND SLOVAKIA

### EURO AREA ECONOMIC GROWTH ACCELERATED AS EXPECTED

Euro area economic growth accelerated slightly in the first quarter of 2015 (to 0.4%)<sup>3</sup>. Among the larger national economies within the euro area, the strongest growth was recorded by Spain (0.9%), France (0.6%) and Italy (0.3%), and among the smaller economies, by Cyprus (1.6%) and Slovakia (0.8%). Germany's economic growth slowed significantly (to 0.3%). Sentiment among managers and consumers, as reflected in leading indicators, deteriorated slightly in certain cases, although still remains at relatively high levels. Euro area GDP growth is assumed to have been driven by domestic demand, and by private consumption in particular. On the other hand, net exports made a negative contribution to overall growth. After falling at the beginning of the year, consumer price inflation posted a zero rate in April.

The outlook for activity is expected to be supported by external factors. Despite a modest rebound, the still low level of oil prices is assumed to be supportive to both private consumption and business investment. In addition, euro area external demand is expected to pick up over the projection horizon; it will be supported by stronger growth in advanced economies, while the outlook for emerging economies has softened somewhat. The accommodative monetary policy stance is expected to benefit mainly fixed capital formation and exports. Domestic demand should be further supported by the recent easing of both credit standards and lending conditions, the further reduction of non-financial company debt in 2014, the progress of households in reducing their indebtedness, and a recovery in property prices. However, structural constraints remain. Public sector indebtedness has continued to increase, albeit at a slower pace, and is expected to stay at high levels in some countries. Labour market developments, while generally improving will remain overshadowed by high structural unemployment in some countries. In

addition, slow progress in implementing structural reforms, remaining ample spare capacity, and still higher levels of corporate debt in some countries will continue to weigh on investment spending. Overall, GDP growth is projected to increase from 0.9% in 2014 to 1.5% in 2015, 1.9% in 2016 and 2.0% in 2017. The growth forecasts for this year and next year are unchanged from the March 2015 ECB projections, while the forecast for 2017 has been revised down by 0.1 percentage point<sup>4</sup>.

### SLOVAKIA'S ECONOMIC GROWTH<sup>5</sup> REMAINS ROBUST IN LINE WITH PROJECTIONS

As projected in the previous forecast, the Slovak economy maintained robust growth in the first quarter of 2015, supported by developments in the external environment. This was reflected in stronger export performance. Developments in the domestic economy were weaker.

Amid subdued domestic demand and the fading of the one-off stimuli provided by a mild winter and government administrative measures, employment growth slowed by the margin projected in the March forecast. The unemployment rate continued on a downward trajectory. Wage growth was lower in the first quarter than in previous year, when it apparently reflected, albeit only partially, a flattening of consumer price inflation. Other factors supporting wage growth included labour productivity growth and sharply falling commodity prices (with their downward impact on costs). Wage developments and employment growth created enough scope for private consumption growth, but, paradoxically, it softened and the saving ratio increased.

Whereas at the beginning of the year consumer price dynamics included decreasing prices of energy and food, the most recent figures show that food prices have begun increasing again. Their growth significantly moderated the annual rate of decrease in consumer prices in April.

<sup>3</sup> For further details, see the "Report on the International Economy – June 2015".

<sup>4</sup> According to the "June 2015 Eurosystem Macroeconomic Projections for the Euro Area".

<sup>5</sup> For further details, see the "Report on the Slovak Economy – June 2015".



## 3 TECHNICAL ASSUMPTIONS OF THE FORECAST<sup>6</sup>

### 3.1 COMMODITIES, EXCHANGE RATE

The **exchange rate** of the euro against the US dollar fluctuated in March and April at around the level projected in the previous forecast (USD 1.07 per euro). Its movement during this period was largely determined by economic developments in the United States. Owing, however, to the unexpectedly severe slowdown of US economic growth in first quarter of 2015, the dollar depreciated at the beginning of May, to USD 1.12 per euro. This level is assumed as the average exchange rate over the projection horizon and is around 4% stronger than the rate assumed in the previous forecast.

Over the projection horizon, **the average per-barrel price of Brent crude oil** is assumed, on the basis of current developments, to be USD 63.8 in 2015, USD 71.0 in 2016, and USD 73.1 in 2017, which in comparison with the previous

forecast is around 9% higher in 2015 and 2016, and 6.5% higher in 2017. The assumed appreciation of the euro against the dollar means that the increase in the oil price in euro will not be as high as projected in the previous forecast.

### 3.2 EXTERNAL DEMAND

Slovakia's **external demand growth** at the end of 2014 was stronger than projected in the previous forecast, and therefore, through the base effect, its level in 2015 is assumed to be slightly higher (at 3.9%) than envisaged in that forecast. Slovakia is expected to continue benefiting indirectly from the expanded asset purchase programme that the ECB launched in March 2015. The assumption for external demand growth over the rest of the projection horizon is that it will accelerate to 5.2% in 2016 and 5.6% in 2017.

<sup>6</sup> The technical assumptions of the Medium-Term Forecast are based on the "June 2015 Eurosystem Staff Macroeconomic Projections for the Euro Area", with a cut-off date of 12 May 2015.

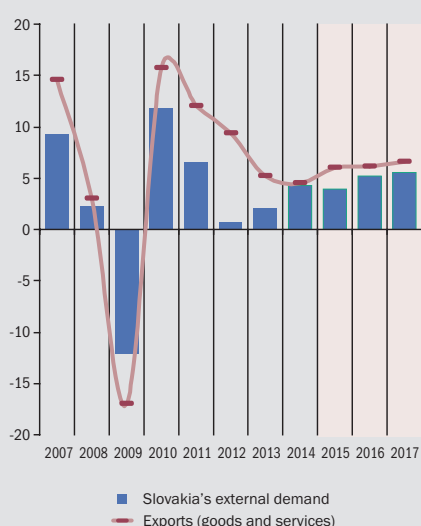
## 4 MACROECONOMIC FORECAST FOR SLOVAKIA

### 4.1 ECONOMIC GROWTH

#### WITH EXPORT GROWTH PICKING UP AND OUTPACING EXTERNAL DEMAND GROWTH...

Exports picked up at the beginning of this year, with their growth rate substantially outpacing that of external demand. This was caused mainly by a revival in the automotive industry, and since production in this industry is expected to gradually reach capacity, the period ahead should see a narrowing of the gap between export growth and external demand growth. Nevertheless, Slovakia, as a converging economy, is expected to continue acquiring market share.

**Chart 1 Forecast for external demand and for Slovak exports of goods and services (annual percentage changes; constant prices)**



Source: SO SR, ECB, and NBS calculations.

#### ...INVESTMENT SHOULD GROW OVER THE MEDIUM TERM

Improving business sentiment based on economic recovery in euro area countries and the accommodative monetary policy stance is expected to support investment demand in 2015. It is assumed that investment will begin to rise significantly in comparison with the previous year, driven mainly by non-financial corporations taking advantage of low interest rates. There is a pressing need to step up investment after the underinvestment of recent years, and investment is expected to remain on a growth trajectory over the projection horizon. Government investment during this period is assumed to reflect the lower uptake of EU funds under the new EU budget programming period. Residential investment is expected to revive, with assumed support from both demand and supply side.

#### RECOVERY OF PRIVATE CONSUMPTION EXPECTED TO CONTINUE...

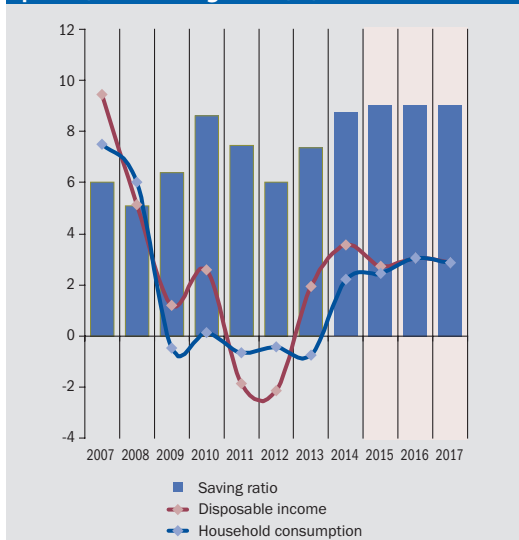
At a time of growth in wages and employment, monthly figures for retail sales paradoxically indicated a slight slowdown in private consumption growth in the first quarter of 2015, with the result of a further increase in the saving ratio. This situation is not expected to last, however, and private consumption growth is projected to accelerate over the projection horizon. The sources of this growth are expected to maintain their positive trends. This should reflect contributions from growth in employment and nominal income. Consumer sentiment and, in particular, expectations for the unemployment rate improved in recent months), and this is expected to have a significant upward impact on private consumption in the coming quarters, supported also by larger purchases deferred from the crisis years.

**Table 2 Forecast for gross fixed capital formation (annual percentage changes; constant prices)**

|  | 2014 | 2015 | 2016 | 2017 |
|--|------|------|------|------|
| Gross fixed capital formation in total | 5.7  | 6.1  | 3.6  | 3.8  |
| – private sector                       | 3.7  | 6.6  | 5.7  | 4.8  |
| – public sector                        | 17.9 | 3.3  | -7.7 | -2.5 |

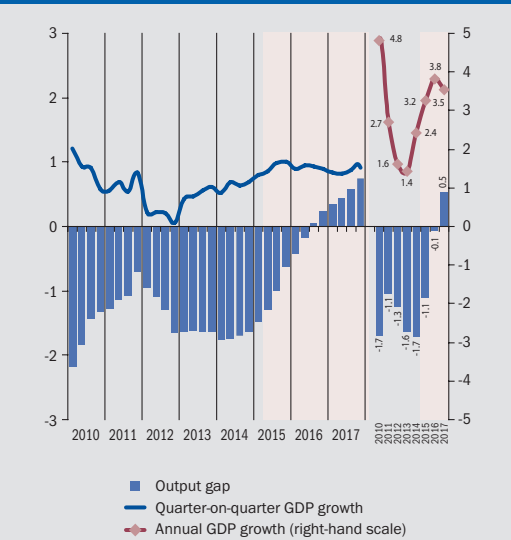
Source: SO SR and NBS.

**Chart 2 Household income, consumption (annual percentage changes; constant prices) and saving ratio (%)**



Source: SO SR and NBS.

**Chart 3 GDP growth and the output gap (%)**



Source: SO SR and NBS.

**...BUT GOVERNMENT EXPENDITURE GROWTH PROJECTED TO BE LOWER**

Real final consumption growth slowed in the first quarter of 2015, more than was projected in the previous forecast. Final consumption growth is expected to continue softening over the projection horizon, due in part to the assumed fiscal consolidation in 2017.

**SLOVAK ECONOMIC GROWTH TO ACCELERATE BOTH THIS YEAR AND NEXT**

The assumption of increasing growth in Slovakia's external demand, supported by an accommodative monetary policy stance and the effects of low commodity prices, is expected to boost the country's export performance. Exports should therefore continue to be the primary source of growth over the projection horizon, with domestic demand also making a positive contribution. **GDP growth is assumed to be 3.2% in 2015, 3.8% in 2016 and 3.5% in 2017.** With relatively robust GDP growth exceeding potential output growth, the output gap is projected to narrow and then to turn positive in 2016.

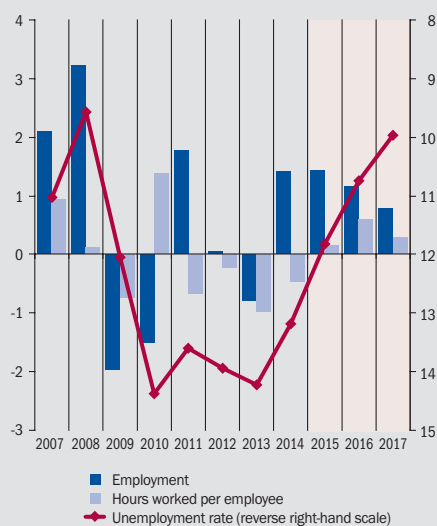
**4.2 THE LABOUR MARKET**

**ACTIVITY GROWTH TO SUPPORT NET JOB CREATION**

Employment is expected to continue on the growth trajectory that began last year. Based on current developments there is still an assumption of net job creation, particularly in the domestic economy. This is supported by employers' expectations as conveyed through business confidence surveys. It is further assumed that the relatively strong employment growth will carry on next year and that the number of hours worked will increase through the projection period, all of which would reflect a gradual closing of the output gap. In 2017 net job creation is expected to slow slightly, reflecting to some extent a reduction in labour supply resulting from worsening demographic developments.

The downward trend in the unemployment rate is expected to continue, so that by the end of 2017 the rate will be approaching single digits. With the decreasing supply of labour, nominal compensation per employee is expected to come under appreciable upward pressure.



**Chart 4 Employment, hours worked (annual percentage changes) and the unemployment rate (%)**


Source: SO SR and NBS.

### 4.3 LABOUR COSTS AND PRICE DEVELOPMENTS

#### GRADUAL INCREASE IN LABOUR COSTS...

Unit labour cost growth is expected to slow in 2015 and then accelerate. This year, like last year, unit labour costs should rise slightly more than the general price level. Nevertheless, given the marked drop in input costs (notably energy prices), corporate profits may not be affected too adversely. In subsequent years, rising demand for labour is expected to be reflected in nominal compensation per employee, and hence have an upward effect on inflation.

#### ...EXPECTED TO PASS THROUGH TO PRICES IN THE MEDIUM TERM

In April the inflation rate appeared to begin rebounding from its historically most negative

**Table 3 Unit labour costs (annual percentage changes)**

|   | 2014 | 2015 | 2016 | 2017 |
|---|------|------|------|------|
| Nominal compensation per employee – ESA | 3.4  | 2.6  | 3.6  | 4.4  |
| Real productivity                       | 1.0  | 1.8  | 2.6  | 2.7  |
| Unit labour costs                       | 2.3  | 0.8  | 1.0  | 1.6  |
| GDP deflator (4)                        | -0.2 | 0.1  | 1.8  | 2.3  |
| Profit margin (5 = 4 - 3)               | -2.5 | -0.7 | 0.8  | 0.7  |

Source: SO SR, NBS calculations.

**Table 4 Wages (annual percentage changes)**

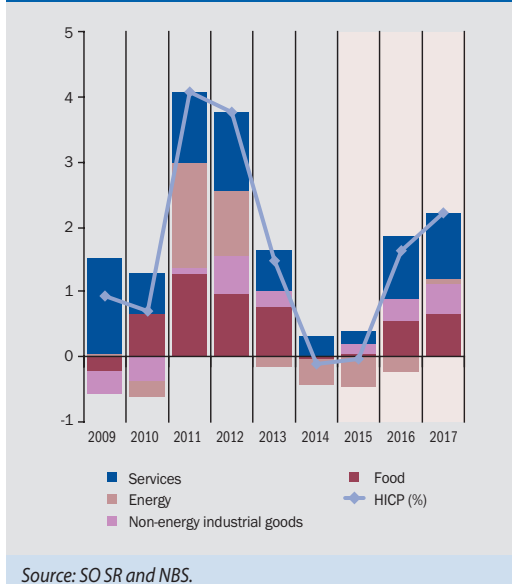
|  | 2014 | 2015 | 2016 | 2017 |
|--|------|------|------|------|
| Nominal labour productivity                                | 0.9  | 1.7  | 4.5  | 5.1  |
| Whole economy – nominal                                    | 4.1  | 2.6  | 3.6  | 4.4  |
| Whole economy – real                                       | 4.2  | 2.6  | 1.9  | 1.9  |
| Private sector – nominal                                   | 4.0  | 2.3  | 3.7  | 4.7  |
| Private sector – real                                      | 4.1  | 2.3  | 2.0  | 2.2  |
| Public administration, education and health care – nominal | 4.5  | 3.9  | 3.6  | 3.3  |
| Public administration, education and health care – real    | 4.6  | 3.9  | 1.9  | 0.9  |

Source: SO SR, NBS calculations.

Note: Deflated by the CPI.

The sector „Public administration, education and health care“ corresponds to sections O, P and Q of the SK NACE Rev. 2 statistical classification of economic activities. Nominal average wage growth in the general government sector (ESA S.13) is assumed to be 3.7% in 2015, 3.9% in 2016 and 3.2% in 2017.

**Chart 5 Composition of annual inflation (p.p.)**



levels. Furthermore, technical assumptions for prices of oil and agricultural commodities were revised up, while slightly higher import prices supported the positive contribution of non-energy industrial goods prices to the headline rate. Consequently, the price level is expected to remain flat in 2015. The assumption for subsequent years is that the negative effect of energy prices will fade out, while demand-pull pressures together with convergence and exchange rate depreciation should result in an increase in the rate of inflation in both services and non-energy industrial goods. The overall inflation rate is expected to accelerate to 1.6% in 2016 and 2.2% in 2017.

**Table 5 Inflation components (annual percentage changes)**

|   | Average 2009–2014 | 2014 | 2015 | 2016 | 2017 |
|---|-------------------|------|------|------|------|
| HICP                                    | 1.8               | -0.1 | -0.1 | 1.6  | 2.2  |
| Food                                    | 2.5               | -0.2 | 0.2  | 2.3  | 2.7  |
| Non-energy industrial goods             | 0.1               | 0.0  | 0.5  | 1.2  | 1.6  |
| Energy                                  | 2.0               | -2.2 | -2.9 | -1.5 | 0.4  |
| Services                                | 2.8               | 1.0  | 0.7  | 3.1  | 3.3  |
| Net inflation excluding automotive fuel | 0.9               | 0.5  | 1.0  | 2.3  | 2.7  |

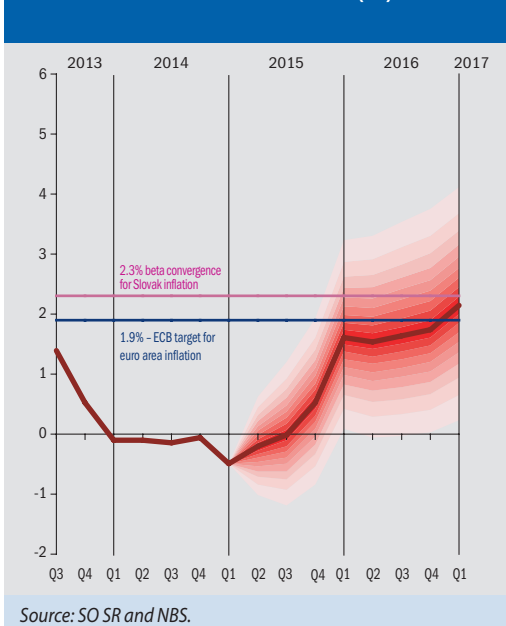
Source: SO SR, NBS calculations.

## 5 RISKS TO THE FORECAST

The risks to the outlook for the real economy appear to be balanced. Based on preliminary information about its scope, the Government's planned social package is not expected to have a significant impact on economic growth (up to 0.1 percentage point of GDP growth).

The risks to the inflation forecast are also balanced. Downside risks include the reduction in VAT on food that is due to take effect from next year (its impact estimated at around 0.1 percentage point). An upside risk is the possible pass-through of higher oil prices to the inflation rate.

**Chart 6 HICP inflation forecast (%)**



Source: SO SR and NBS.

**Table 6 Risks to the forecast**

|                   | 2015     | 2016     | 2017     |
|-------------------|----------|----------|----------|
| <b>GDP</b>        | Balanced | Balanced | Balanced |
| <b>Inflat-ion</b> | Balanced | Balanced | Balanced |

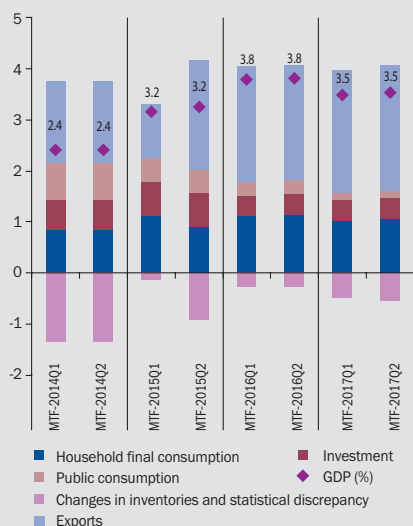
Source: NBS.

## 6 COMPARISON WITH THE PREVIOUS FORECAST

### UNCHANGED OUTLOOK FOR ECONOMIC GROWTH...

The broad profile of the economic growth outlook was not changed in this forecast. It remains the assumption that GDP growth will accelerate both this year and next. In the light of the latest monthly figures, revisions were made to certain GDP components. The impact of stronger exports is expected to be cancelled out by weaker domestic demand. Private consumption should increase more slowly than projected in the previous forecast, since monthly data from the first quarter indicate that the assumptions of that forecast were not fulfilled. Over the projection horizon, however, private consumption is expected to remain on the trajectory envisaged in the previous forecast.

**Chart 7 Composition of GDP growth<sup>1)</sup> (annual percentage changes; contributions in p.p.)**

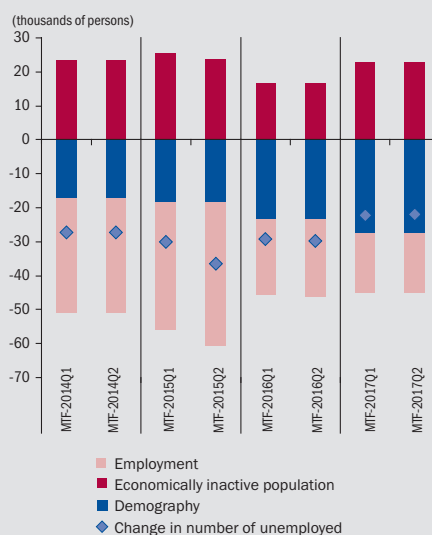


Source: SO SR and NBS.

Note: The item "Changes in inventories and statistical discrepancy" includes uncategorised imports that remained after the calculation of import intensity.

1) The composition of GDP growth is calculated as the contributions of components to GDP growth after deducting their import intensity. In this case the calculation uses the constant import intensity of the different GDP components (household final consumption – 30%, public consumption – 7%, investment – 50%, and exports – 62.5%). Remaining imports were included under changes in inventories and the statistical discrepancy.

**Chart 8 Comparison of labour market indicators (contributions to unemployment)**



Source: SO SR and NBS.

### ...AND FOR THE LABOUR MARKET

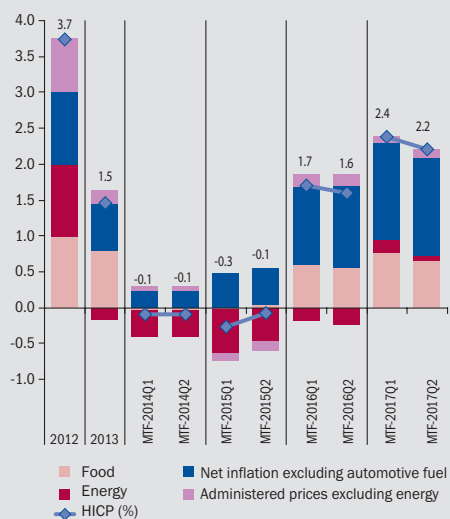
In the first quarter the assumptions of the previous forecast were met and no changes were made to the projections for further economic performance. Thus, it was not necessary to revise the employment outlook, either. The projected fall in the unemployment rate is slightly greater in this forecast than in the previous forecast, reflecting the improvement in current developments.

### INFLATION FORECAST FOR THIS YEAR REVISED SLIGHTLY UP

The latest inflation developments and new technical assumptions necessitated an adjustment of the inflation forecast for this year. The negative inflation rate has eased owing to an increase in commodity prices that passed through to food and automotive fuel prices. Hence the negative average inflation rate for this year is expected to be more moderate than that projected in the previous forecast. A second factor is the assumed acceleration of imported inflation in 2015, and a rise in prices of non-energy industrial goods. The inflation rate at the end of the projection horizon is assumed to be slightly lower than



**Chart 9 Comparison of inflation components  
(annual percentage changes; contributions  
in p.p.)**



Source: SO SR and NBS.

projected in the previous forecasting, owing to changes in technical assumptions for the annual rate of change in energy prices. These prices should develop more moderately than previously forecast, albeit still remaining high.



## 7 IMPACT OF THE MTF-2015Q2 MACROECONOMIC FORECAST ON PUBLIC FINANCES

Applying the macroeconomic assumptions of this forecast (MTF-2015Q2) to the legislative assumptions from the February 2015 meeting of the Tax Revenue Forecasting Committee, the projected collection of taxes and social contributions would increase by 0.2% of GDP in 2015 and 0.3% of GDP in both 2016 and 2017. The higher revenue relates to the fact that the assumptions of the MTF-2015Q2 forecast for the labour market situation are more favourable than those from February's meeting of the Macroeconomic Forecasting Committee, and therefore they have an upward effect on

the collection of personal income tax and contributions. The projection of higher government consumption as well as stronger growth in private consumption in 2016 and 2017 has a favourable impact on the expected VAT collection. The updating of macroeconomic projections from those in the MTF-2015Q1 forecast envisages a moderately positive impact on the assumed collection of taxes and social contributions in 2015, but a slightly negative impact in 2016 and 2017, owing to lower assumptions for private consumption (nominal and real) and for average wage growth.

**Table 7 Differences in projections for tax and social contribution revenues in Slovakia's public finances (EUR millions, unless otherwise stated)**

| How the tax collection outlook under MTF-2015Q2 macroeconomic projections differs from the outlook according to FPI assumptions (February 2014) | 2015       | 2016       | 2017       |
|---|------------|------------|------------|
| Personal income tax   | 25         | 32         | 35         |
| Corporate income tax  | 10         | 23         | 36         |
| Withholding tax   | 0          | 0          | 1          |
| VAT   | 46         | 80         | 91         |
| Excise duties   | 0          | 4          | 4          |
| Social and health insurance   | 95         | 118        | 125        |
| Total (impact of taxes and contributions)   | 176        | 258        | 293        |
| Total (impact of taxes and contributions, % of GDP)   | 0.2        | 0.3        | 0.3        |
| Impact of nominal GDP changes on the deficit target <sup>1)</sup>   | -5         | 0          | 1          |
| <b>Total (EUR millions)</b>   | <b>171</b> | <b>257</b> | <b>294</b> |
| <b>Total (% of GDP)</b>   | <b>0.2</b> | <b>0.3</b> | <b>0.3</b> |
| Estimated impact in MTF-2015Q1  | 163        | 266        | 316        |
| <b>Difference vis-à-vis MTF-2015Q1</b>  | <b>8</b>   | <b>-9</b>  | <b>-22</b> |

Source: NBS – based on the estimated impact of macroeconomic developments on the general government balance, as calculated by the Finance Ministry's Financial Policy Institute (FPI).

1) Change in nominal deficit resulting from change in GDP, assuming attainment of fiscal target as a percentage of GDP (where "-" denotes an improvement in the nominal deficit and "+" denotes a deterioration).



**Table 8 Medium-Term Forecast (MTF-2015Q2) for key macroeconomic indicators**

| Indicator   | Unit                                       | Actual | MTF-2015Q2 |        |        |      | Difference versus MTF-2015Q1 |      |  |
|---|--|--------|------------|--------|--------|------|------------------------------|------|--|
|   |  | 2014   | 2015       | 2016   | 2017   | 2015 | 2016                         | 2017 |  |
| <b>Prices</b>   |  |        |            |        |        |      |                              |      |  |
| HICP inflation  | annual percentage changes                  | -0.1   | -0.1       | 1.6    | 2.2    | 0.2  | -0.1                         | -0.2 |  |
| CPI inflation   | annual percentage changes                  | -0.1   | 0.0        | 1.7    | 2.3    | 0.2  | 0.0                          | -0.2 |  |
| GDP deflator  | annual percentage changes                  | -0.2   | 0.1        | 1.8    | 2.3    | 0.2  | 0.0                          | -0.1 |  |
| <b>Economic activity</b>                              |  |        |            |        |        |      |                              |      |  |
| Gross domestic product                                | annual percentage changes, constant prices | 2.4    | 3.2        | 3.8    | 3.5    | 0.0  | 0.0                          | 0.0  |  |
| Final consumption of households                       | annual percentage changes, constant prices | 2.2    | 2.4        | 3.1    | 2.9    | -0.6 | 0.1                          | 0.1  |  |
| Final consumption of general government               | annual percentage changes, constant prices | 4.4    | 2.6        | 1.7    | 0.8    | -0.1 | 0.2                          | 0.0  |  |
| Gross fixed capital formation                         | annual percentage changes, constant prices | 5.7    | 6.1        | 3.6    | 3.8    | 0.0  | 0.0                          | 0.1  |  |
| Exports of goods and services                         | annual percentage changes, constant prices | 4.6    | 6.0        | 6.1    | 6.6    | 3.1  | -0.2                         | 0.0  |  |
| Imports of goods and services                         | annual percentage changes, constant prices | 5.0    | 5.3        | 5.5    | 6.1    | 2.7  | -0.1                         | 0.1  |  |
| Net exports   | EUR millions in constant prices            | 5,085  | 5,817      | 6,621  | 7,440  | 337  | 325                          | 314  |  |
| Output gap  | % of potential output                      | -1.7   | -1.1       | -0.1   | 0.5    | 0.1  | 0.1                          | 0.1  |  |
| Gross domestic product                                | EUR millions in current prices             | 75,215 | 77,718     | 82,129 | 87,008 | 176  | 186                          | 139  |  |
| <b>Labour market</b>                                  |  |        |            |        |        |      |                              |      |  |
| Employment  | thousands of persons, ESA 2010             | 2,223  | 2,255      | 2,281  | 2,299  | -0.1 | 1.5                          | 1.4  |  |
| Employment  | annual percentage changes, ESA 2010        | 1.4    | 1.4        | 1.2    | 0.8    | 0.0  | 0.1                          | 0.0  |  |
| Number of unemployed                                  | thousands of persons <sup>1)</sup>         | 359    | 322        | 293    | 271    | -6.4 | -6.8                         | -6.7 |  |
| Unemployment rate                                     | %  | 13.2   | 11.8       | 10.8   | 10.0   | -0.2 | -0.2                         | -0.2 |  |
| Unemployment gap <sup>2)</sup>                        | p. p.                                      | 1.5    | 1.0        | 0.4    | 0.0    | -0.1 | -0.1                         | -0.2 |  |
| Labour productivity <sup>3)</sup>                     | annual percentage changes                  | 1.0    | 1.8        | 2.6    | 2.7    | 0.1  | -0.1                         | 0.0  |  |
| Nominal productivity <sup>4)</sup>                    | annual percentage changes                  | 0.9    | 1.7        | 4.5    | 5.1    | 0.1  | 0.0                          | -0.1 |  |
| Nominal compensation per employee                     | annual percentage changes, ESA 2010        | 3.4    | 2.6        | 3.6    | 4.4    | -0.1 | -0.2                         | 0.1  |  |
| Nominal wages <sup>5)</sup>                           | annual percentage changes                  | 4.1    | 2.6        | 3.6    | 4.4    | 0.0  | -0.2                         | 0.1  |  |
| Real wages <sup>6)</sup>                              | annual percentage changes                  | 4.2    | 2.6        | 1.9    | 1.9    | -0.1 | -0.2                         | 0.1  |  |
| <b>Households</b>                                     |  |        |            |        |        |      |                              |      |  |
| Disposable income                                     | constant prices                            | 3.6    | 2.7        | 3.1    | 2.9    | -0.3 | 0.1                          | 0.1  |  |
| Saving ratio  | % of disposable income                     | 8.7    | 9.0        | 9.0    | 9.0    | 0.3  | 0.3                          | 0.3  |  |
| <b>Balance of payments</b>                            |  |        |            |        |        |      |                              |      |  |
| Goods balance   | % of GDP                                   | 4.5    | 4.4        | 4.5    | 4.7    | 0.4  | 0.3                          | 0.2  |  |
| Current account                                       | % of GDP                                   | 0.1    | 1.0        | 1.0    | 1.4    | 0.4  | 0.3                          | 0.2  |  |
| <b>External environment and technical assumptions</b> |  |        |            |        |        |      |                              |      |  |
| External demand growth for Slovakia                   | annual percentage changes                  | 4.3    | 3.9        | 5.2    | 5.6    | 0.2  | -0.1                         | 0.1  |  |
| Exchange rate (EUR/USD) <sup>7) 8)</sup>              | level                                      | 1.33   | 1.12       | 1.12   | 1.12   | 2.8  | 4.1                          | 4.1  |  |
| Oil price in USD <sup>7) 8)</sup>                     | level                                      | 98.9   | 63.8       | 71.0   | 73.1   | 9.2  | 9.3                          | 6.5  |  |
| Oil price in USD                                      | annual percentage changes                  | -9.1   | -35.6      | 11.4   | 3.0    | 5.6  | 0.1                          | -2.7 |  |
| Oil price in EUR                                      | annual percentage changes                  | -9.2   | -23.3      | 11.3   | 3.0    | 4.8  | -1.3                         | -2.7 |  |
| Non-energy commodity prices in USD                    | annual percentage changes                  | -6.2   | -13.6      | 2.9    | 4.9    | -2.6 | 0.3                          | 0.0  |  |
| EURIBOR 3M <sup>8)</sup>                              | % p. a.                                    | 0.2    | 0.0        | 0.0    | 0.2    | 0.0  | 0.0                          | 0.0  |  |
| 10-Y Slovak government bond yields                    | %  | 2.1    | 0.9        | 0.9    | 1.1    | -0.4 | -0.5                         | -0.4 |  |

Source: NBS, ECB and SO SR.

1) Labour Force Survey.

2) Difference between unemployment rate and NAIRU (non-accelerating inflation rate of unemployment). Positive value indicates a higher unemployment rate than NAIRU.

3) GDP at constant prices / employment – ESA 2010.

4) Nominal GDP divided by employment (quarterly reporting by SO SR).

5) Average monthly wages according to SO SR statistical reporting.

6) Wages according to SO SR statistical reporting, deflated by CPI inflation.

7) Changes against the previous forecast in %.

8) Technical assumptions are based on informations from "June 2015 Eurosystem staff macroeconomic projections for the euro area" with a cut-off date of 12 May 2015.

Time series of selected macroeconomic indicators can be found on the NBS website at [http://www.nbs.sk/\\_img/Documents/\\_Publikacie/PREDIK/2015/protected/P2Q-2015.xls](http://www.nbs.sk/_img/Documents/_Publikacie/PREDIK/2015/protected/P2Q-2015.xls)