NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

MEDIUM-TERM FORECAST

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1 Overview

The Slovak economy grew by 0.9%, quarter on quarter, in the first quarter of 2018. Although production capacity in the car industry is expanding in line with projections, the quarterly growth was slightly lower than forecast owing to a softening of foreign demand. The main driver of growth was domestic demand and in particular the investment component. Private consumption growth remained steady, supported by both rising employment and robust wage growth.

Although the Slovak economy slightly undershot expectations in the first quarter, its year-on-year growth in 2018 is still expected to accelerate, to 4.0%, from 3.4% in 2017. Besides an improvement in export performance supported by production capacity expansion in the car industry, the growth outlook also envisages a gradual pick-up in domestic demand. Household income growth is expected to be reflected in increasing consumer demand. Compared with the previous forecast, the annual GDP growth projection for 2018 has been revised down by 0.2 percentage point. Such adjustment is not unique to Slovakia; the annual growth projection for the euro area as a whole has also been revised down on the basis of weaker results in the first months of the year. Slovakia's economic growth is projected to continue accelerating in 2019, to 4.8%, on the back of strengthening foreign demand.

Employment is expected to increase throughout the projection period, but the pace of that growth should diminish gradually owing to labour market tightening, negative demographic trends, and a shrinking pool of suitably qualified unemployed people. The unemployment rate is expected to maintain a moderate downward trend and to be below 6% at the projection horizon. Skilled labour shortages are expected to contribute to the upward pressure on wage growth and gradual overheating of the economy.

The annual inflation rate is expected to be 2.6% in 2018, reflecting the positive contributions of energy prices and demand-pull factors. Subsequent years should see increasing contributions from demand-pull factors, but amid the fading impact of high food and energy prices.

The risks to the real economy outlook for both 2018 and 2019 are on the downside. The most significant external risks appear to concern protectionist measures, the situation in Italy, and weakening of euro area economic growth. On the domestic front, the main downward risk lies in the uncertainty about when a new car plant will begin production. The risks to the inflation outlook are balanced.

2 Current developments in the external environment and in Slovakia

Euro area economic growth fell in the first quarter[1]

The euro area economy grew in first quarter of 2018 by 0.4% quarter on quarter, which was 0.3 percentage point lower than its growth rate in the previous quarter. The GDP growth was driven mainly by household consumption and was also supported by changes in inventories and investment demand. On the other hand, net trade had a negative impact on growth. Leading indicators are suggesting that GDP growth will remain at a similar level in the second quarter of 2018. According to Eurostat's flash estimate, euro area annual HICP inflation accelerated to 1.9% in May (from 1.2% in April), reflecting a substantial increase in energy inflation, a more modest increase in services inflation, and the fading of the negative impact of calendar effects and, to a lesser extent, the impact of the food price component.

The projected acceleration in Slovakia's GDP growth did not materialise[2]

Slovakia's economy maintained its favourable growth trend in the first quarter of 2018, with GDP increasing by 0.9% quarter on quarter. This growth rate was, however, lower than projected in the previous forecast, since despite an increase in car industry production capacity, export growth was dented by weaker foreign demand. Domestic demand accounted for most of the GDP growth, as private consumption maintained a robust rate of increase on the back of rising employment and strong wage growth. The main upside surprise was provided by investment demand, which benefited from lower interest rates, the expansion of production capacity in the economy, and increasing public investment.

The economy's strengthening output was reflected in a rising number of job vacancies. Employment increased by 0.4%, quarter on quarter, in the first quarter of 2018, and while net job creation was observed in all sectors, it was highest in industry. The diminishing supply of job seekers from the ranks of the unemployed is, however, beginning to weigh on employment growth. Labour market tightening is therefore putting increasing upward pressure on wage growth, which is further supported by an increasing job-to-job transition rate.

April jobs data indicate that the unemployment rate will fall more moderately in 2018 than it did in 2017.

Annual headline inflation accelerated in April 2018 to 3.0%, supported by both cost-push and demand-pull factors. Rising oil prices had an upward impact on vehicle fuel prices, while increasing domestic demand drove up prices of non-energy goods and services. April's inflation also reflected the impact of methodological changes: an increase in the weight of air ticket prices in the consumer basket added around 0.2 percentage point to the headline inflation rate.

1 *For further details, see the June 2018 issue of NBS's Report on the International Economy.*
2 *For further details, see the June 2018 issue of NBS's Report on the Slovak Economy.*

3 Technical assumptions of the forecast[3]

3.1 Commodities and the exchange rate

In the period between the cut-off date for the March 2018 forecast and mid-April, **the exchange rate**[4] of the euro against the US dollar was relatively stable. Thereafter, however, the euro depreciated in response to concerns about a possible trade war with the United States as well as to a decline in construction sector production. Another cause of the euro's weakening was the release of positive news about the US economy and in particular about the US labour market. The assumption for the average exchange rate is therefore 3.7% weaker in this forecast than in the March 2018 forecast, at USD 1.18 per euro. Compared with the previous forecast, the assumption for Slovakia's nominal effective exchange rate (NEER), calculated with respect to the country's 15 most significant trading partners, is unchanged in this forecast.

The **price of a barrel of Brent crude oil** had an upward trend between the cut-off dates for the previous forecast and this forecast. Its increase reflected the impact of falling inventories in the United States, the economic crisis in Venezuela, and, above all, the withdrawal of the United States from the Iran nuclear deal and concerns about the impact that sanctions on Iran will have on global oil supplies. Compared with the previous forecast, the assumptions for the average oil price in US dollars have been revised up significantly. After standing at USD 54 in 2017, the price is assumed to rise to around USD 74 in both 2018 and 2019, before falling to USD 69 in 2020. In response both to the higher commodity price and to exchange rate depreciation, the assumptions for the oil price in euro have been revised up, by 17% in 2018, 25% in 2019 and 22% in 2020.

3.2 Foreign demand

After slowing in the first quarter due to temporary factors, economic growth in the euro area is expected to remain solid in line with still elevated confidence indicators, according to the *June 2018 Eurosystem staff macroeconomic projections for the euro area.*[5] Over the medium term, economic growth should continue to be buoyed by favourable financing conditions in the context of an accommodative monetary policy stance. This is expected to support the recovery in private consumption and business investment, which will also reflect rising profits in the context of growing demand pressures. At the same time, euro area exports are expected to remain robust, benefiting from the ongoing expansion of global economic activity.

As regards foreign demand for Slovak exports, its growth moderated in first quarter of 2018, and therefore, compared with the March 2018 forecast, the assumption for its growth rate for the year as a whole was revised down by 0.1 percentage point, to 5.2%. The subsequent two years are expected to see a slowdown in foreign demand growth. Compared with the previous forecast, however, import growth in Slovakia's trading partners is expected to be higher and therefore the foreign demand growth assumptions have been revised up: to 5.0% in 2019 (by 0.4 percentage point) and 4.2% in 2020 (by 0.1 percentage point).

3 The technical assumptions of this Medium-Term Forecast are based on the June 2018 Eurosystem staff macroecomic projections for the euro area, with a cut-off date of 22 May 2018.

4 The bilateral EUR/USD exchange rate is assumed to remain unchanged over the forecast period at the average level prevailing in the ten-working day period ending on the cut-off date.

5 June 2018 Eurosystem staff macroeconomic projections for the euro area.

4 Macroeconomic forecast for Slovakia

4.1 ECONOMIC GROWTH

Export growth to be boosted by new production capacity in the car industry

The softening of export performance in the first months of 2018 is expected to have been only temporary. Foreign demand is projected to accelerate in subsequent quarters, and this, together with the expansion of production capacity in the car industry, is expected to stoke export growth. This upward trend is expected to peak next year, when the output from a new car plant, the fourth in Slovakia, starts to be fully reflected in export performance. Export growth is projected to ease in 2020 following the fading of the positive supply-side shock. Given, however, that export growth is still expected to be higher than foreign demand growth, the Slovak economy is envisaged to be gaining market shares.

Investment demand to gain momentum

Based on data from the first quarter, investment activity is expected to pick up in 2018. Private investment increased notably in the first quarter, and monthly data from the second quarter suggest that this trend will continue. Private sector production capacity is being highly utilised and is expected to continue expanding due in part to a positive supply-side shock. Public investment growth is expected to remain robust in the period ahead, given a revival in large infrastructure projects and increased absorption of EU funds.

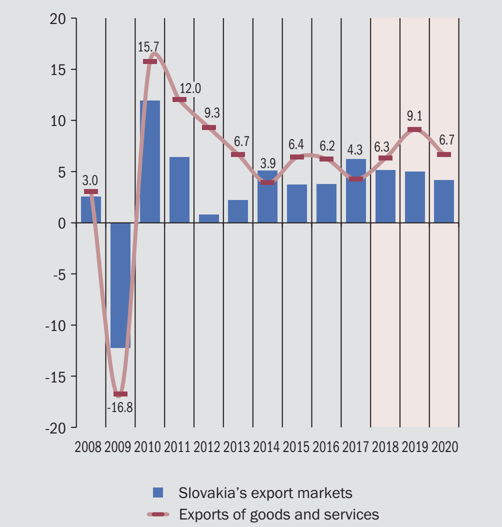
Private consumption to strengthen further

Recent trends suggest that private consumption growth in 2018 will be similar to that in 2017. The main driver of that growth is expected to be rising wage growth supported by strong labour demand and the impact of amendments to the Labour Code. Consumer demand is projected to accelerate in 2019 and to maintain that higher growth rate in 2020.

Economic growth to be boosted by the car industry

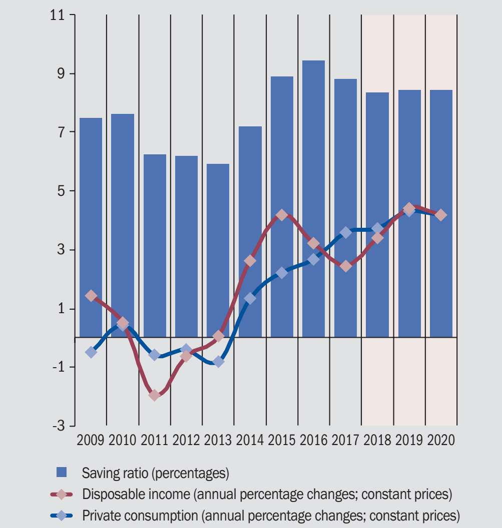
Owing to the expansion of production capacity in the car industry and the consequent pick-up

Chart 1 Slovakia's foreign demand and exports of goods and services – trend and forecast (annual percentage changes; constant prices)



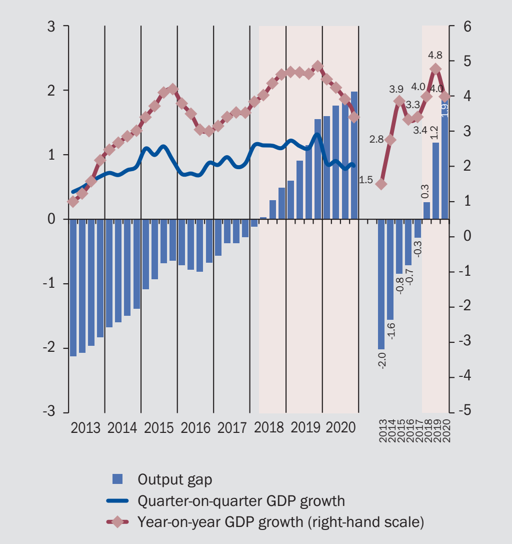
Sources: SO SR, ECB and NBS calculations.

Chart 2 Household income, household consumption and the household saving ratio – trend and forecast



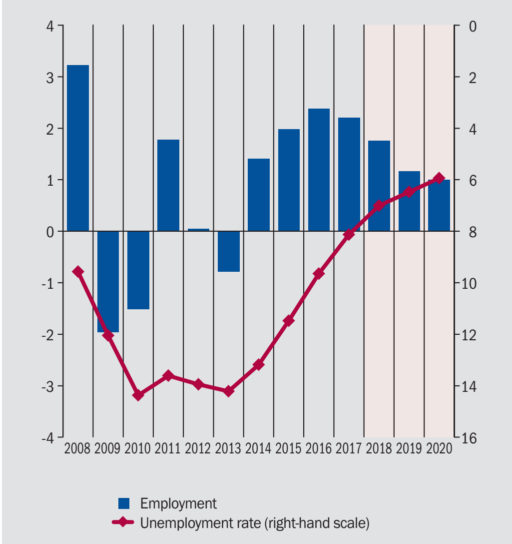
Sources: SO SR and NBS.

Chart 3 GDP and the output gap – trend and forecast (percentages)



Sources: SO SR and NBS.

Chart 4 Employment and the unemployment rate (annual percentage changes)



Sources: SO SR and NBS.

in export growth, Slovakia's annual GDP growth is expected to accelerate to 4.0% in 2018 and then to 4.8% in 2019. After the positive impact of that production capacity expansion has faded, GDP growth is projected to ease to 4.0% in 2020. The output gap estimation suggests that the economy is gradually moving beyond its equilibrium level, and it is therefore expected that demand-pull inflation will accelerate.

4.2 THE LABOUR MARKET

THE LABOUR MARKET INDICATES ECONOMIC OVERHEATING

Recent trends in the labour market point to a slowdown in employment growth. It is envisaged that the economy will support net job creation, but also that job vacancies will be filled at a slower rate due to negative demographic trends and a falling number of unemployed people. The filling of job vacancies will be helped by inflows of foreign workers and increasing labour force participation. Labour market tightening is expected to become more pronounced during the projection period, with the result that employment growth should fall.

Wage growth is expected to be robust throughout the projection period, supported by wage increases in both the public and private sector. In the public sector, in addition to planned increases in education sector salaries, wages are expected to be raised significantly from January 2019 (owing to pay scale adjustments). Private sector wage growth is expected to reflect increasing labour productivity and the mismatch between demand and supply in the labour market, given their potential upward impact on negotiated wages. This forecast also reckons on the overall cumulative impact on average wage growth of the new Labour Code amendment (raising remuneration for work performed on public holidays, at weekends, and at night), which is estimated to be 0.6.[6]

6 *For further details, see Box 1 of the March 2017 Medium-Term Forecast https://www.nbs.sk/_img/Documents/_Publikacie/PREDIK/2018/MTF-2018Q1.pdf*

Table 1 Wages (annual percentage changes)	2017	2018	2019	2020
Nominal labour productivity	2.9	4.5	6.5	5.9
Whole economy – nominal	4.6	5.8	5.8	5.6
Whole economy – real	3.3	3.1	3.3	3.1
Private sector ¬– nominal	4.6	5.8	5.6	5.6
Private sector – real	3.2	3.2	3.1	3.1
Public administration, education and health care – nominal	5.0	5.5	6.6	5.4
Public administration, education and health care – real	3.7	2.9	4.1	2.9

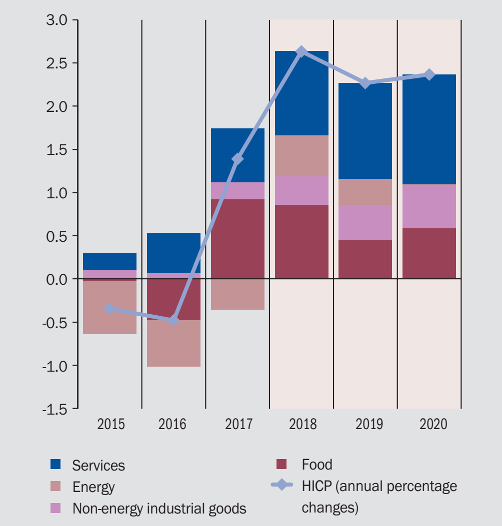
Sources: SO SR and NBS calculations.
Notes: Deflated by the CPI. The sector 'Public administration, education and health care' corresponds to sections O, P and Q of the SK NACE Rev. 2 statistical classification of economic activities. Nominal average wage growth in the general government sector (ESA S.13) is projected to be 5.8% in 2018, 6.9% in 2019, and 5.4% in 2020. Nominal labour productivity – GDP divided by persons in employment according to statistical reporting methodology.

4.3 PRICE DEVELOPMENTS

Inflation to be above 2% over the projection period

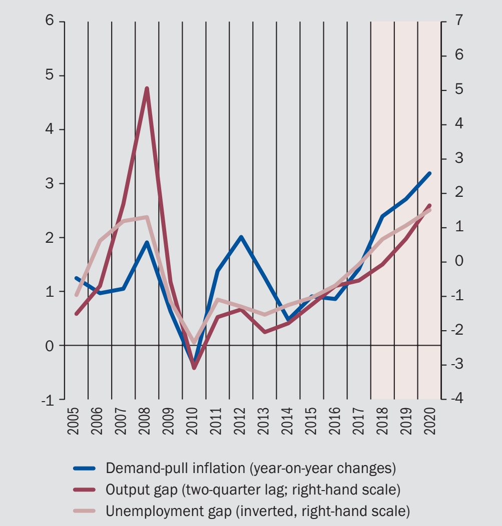
The upward revision of the inflation forecast for 2018 reflects current trends, including a headline inflation rate of 3.0% in April 2018. The recent acceleration in the annual inflation rate reflects, in addition to methodological factors, mainly energy prices (a cost-push factor). It is also, however, supported by demand-pull factors, which have an upward impact on prices of services and non-energy industrial goods. The subsequent years are expected to see the headline rate edge down amid lower inflation in energy prices and agricultural commodity prices. At that time, it is envisaged that increases in household income and in import prices will be the largest contributors to inflation, with these components having a significant impact on prices of services and non-energy industrial goods.

Chart 5 HICP inflation and its components (percentage points)



Sources: SO SR and NBS.

Chart 6 Demand-pull inflation and the output gap (percentages)



Sources: ŠÚ SR and NBS calculations.

Table 2 Inflation components (annual percentage changes)

	Average 2004-2008 (pre-crisis period)	Average 2010-2014 (post-crisis period with euro currency)	2016	2017	2018	2019	2020
HICP	4.1	2.0	-0.5	1.4	2.6	2.3	2.4
Food	3.6	3.1	-2.0	3.6	3.3	1.8	2.4
Non-energy industrial goods	0.2	0.3	0.2	0.7	1.1	1.4	1.7
Energy	8.3	2.3	-3.5	-2.5	3.2	2.0	0.0
Services	5.3	2.5	1.5	2.0	3.1	3.5	4.0
Demand-pull inflation	1.8	1.0	0.9	1.4	2.4	2.7	3.2

Sources: SO SR and NBS calculations.
Note: The 'neutral level' of price growth (i.e. beta-convergence) for Slovakia is estimated to be around 2.6%.
Further details are provided, in Slovak, in the Analytical Commentary entitled Perspektívy dlhodobejšieho vývoja slovenskej ekonomiky (do roku 2020) (Longer-term outlooks for the Slovak economy – up to 2020).

5 Fiscal outlook

Easing of the consolidation effort in 2018

Slovakia's general government deficit fell in 2017 by 1.2 percentage points, year on year, to 1% of GDP, owing to the lower-than-expected absorption of EU funds, falling interest expenditure, slower growth in social expenditure and healthcare expenditure, the elimination of one--off factors, and the upward impact of benign economic trends on tax and social contribution revenues. The deficit is projected to fall slightly in 2018, by 0.1 percentage point, to 0.9% of GDP. This slower pace of fiscal consolidation is attributable to some of the government's legislative measures (including, for example, the scrapping of tax licences and changes in the pension and social welfare systems), as well as to an expected acceleration in healthcare expenditure. Over the projection period, the further consolidation of public finances is expected to be supported by falling interest rates, lower growth in social expenditure, and rising tax and social contribution revenues, all occurring within the context of continuing favourable economic trends. Hence, the fiscal deficit is projected to fall to 0.4% of GDP in 2019 and 0.1% of GDP in 2020.

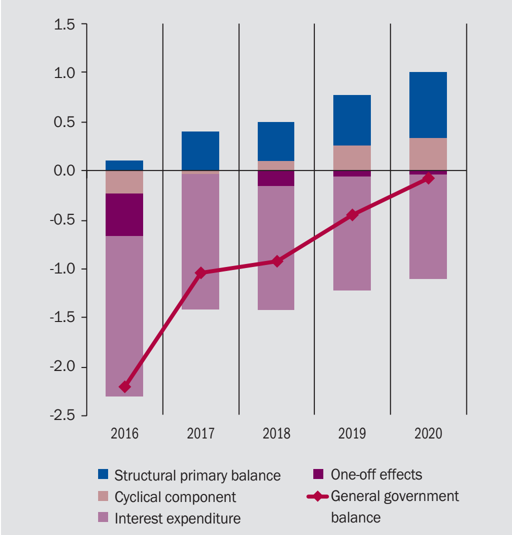
The downward trend in public debt is expected to continue over the projection period, supported by an increasing primary budget surplus, falling debt servicing costs, and GDP growth. From a level of 50.9% in 2017, the public debt-to-GDP ratio is projected to fall gradually, down to 44.8% in 2020.

The domestic fiscal stance is expected to be moderately expansionary in 2018, before turning restrictive in 2019 and 2020.

Government final consumption expenditure to accelerate and investment activity to recover

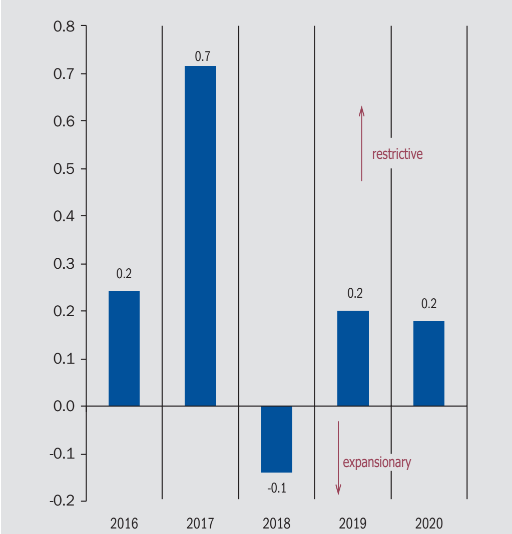
Owing to a levelling-off in healthcare expenditure and higher inflation, real government financial consumption expenditure increased more slowly in 2017 than in the previous year. In 2018,

Chart 7 Breakdown of the general government balance (percentages of GDP)



Sources: SO SR and NBS.
Note: One-off factors include non-cyclical effects that have a temporary impact on the general government balance and should be eliminated in the future.

Chart 8 Fiscal stance (percentage points of GDP)



Sources: SO SR and NBS.
Note: Annual rate of change in the cyclically adjusted primary balance, excluding the impact of EU funds.

Table 3 Fiscal developments (annual percentage changes at constant prices, unless otherwise stated)

	2017	2018	2019	2020
General government final consumption	0.2	1.7	1.8	2.1
Government investment	-2.8	21.3	7.0	8.1
contribution of EU funds to rate of change (percentage points)	*-4.2*	*10.1*	*6.8*	*5.0*
General government balance (percentage of GDP)	-1.0	-0.9	-0.4	-0.1
Fiscal stance (year-on-year change in percentage points)	0.7	-0.1	0.2	0.2
Gross debt (percentage of GDP)	50.9	49.2	47.1	44.8

Sources: SO SR and NBS calculations.

thanks to increasing healthcare expenditure and accelerating compensation per employee growth, government final consumption expenditure is expected to increase more strongly and its upward trend should continue over the rest of the projection period.

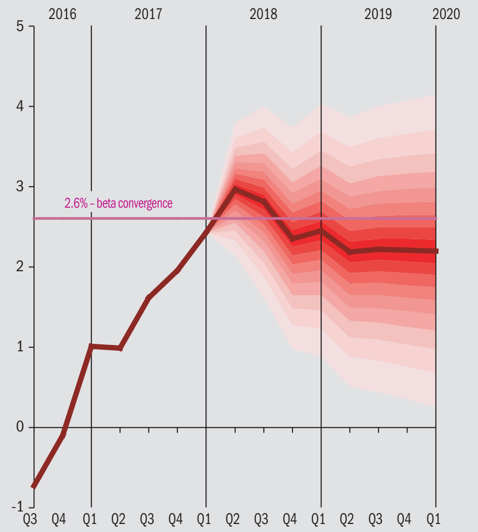
After falling slightly in 2017, government investment is expected to pick up significantly in 2018 due mainly to the increasing absorption of EU funds. It is projected to maintain relatively strong growth in 2019 and 2020.

6 Risks to the forecast

The risks to the real economy outlook for 2018 are on the downside, largely reflecting concerns about the possibility of protectionism increasing, of euro area growth remaining subdued, and of geopolitical factors having an increasingly adverse impact. Another risk is that the launch of production at the country's new car plant will be later than scheduled.

The risk to the inflation outlook are balanced. While domestic factors represent an upward risk, the possibility of the global economy growing more moderately than projected is a downward risk.

Chart 9 HICP inflation forecast (percentages)



Sources: SO SR and NBS.
Note: The NBS forecast is a probabilistic excercise that provides a best-estimate projection. The chart is calculated using historical inflation prediction errors and a risk survey. The chart's construction is described in more detail at: http://www.nbs.sk/_img/Documents/PUBLIK/MU/pris_04.pdf, or http://www.nbs.sk/_img/Documents/PUBLIK/MU/Hucek_Gavura09-07-Biatec.pdf.
Beta convergence – the situation where countries with lower GDP (per capita) have a tendency to grow faster than countries with higher GDP, thereby giving rise to a process of catch-up with advanced economies. Further information is available in the following Analytical Commentary, only in Slovak Perspektívy dlhodobejšieho vývoja slovenskej ekonomiky (do roku 2020) (Longer-term outlooks for the Slovak economy – up to 2020)

Table 4 Risks to the forecast

	2018	2019	2020
GDP	↓	↓	Balanced
Inflat-ion	Balanced	Balanced	Balanced

Sources: NBS.

7 Comparison with the previous forecast

Compared with the March 2017 Medium--Term Forecast (MTF-2018Q1), the technical assumptions for foreign demand have been revised up slightly in this forecast (MTF-2018Q2). The oil price assumptions have been revised up significantly over the whole projection period, and their pass-through to prices is expected to be accentuated by the weaker exchange rate.

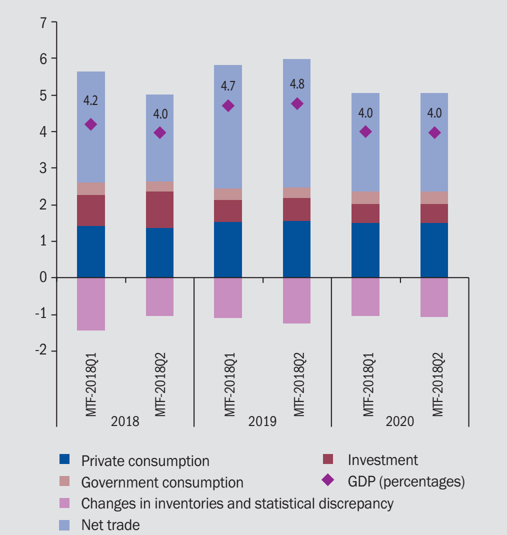
Slight downward revision to the GDP growth forecast for 2018

Overall macroeconomic trends have not changed significantly. Nevertheless, GDP growth in the first quarter of 2018 was lower than expected, and therefore the growth outlook for the year as a whole has been revised down. The first-quarter growth was affected by a softening of export growth, which has resulted in a downward revision of the export growth forecast for the year as a whole. Looking at domestic demand, recent trends have prompted a slight downward revision of the projection for private consumption growth, although the impact of that adjustment was offset by an upward revision of investment demand growth. The GDP growth forecast for 2019 has been revised up marginally in response to improved outlooks for exports (reflecting an improved outlook for foreign demand) and investment.

Further upward revision of wage growth projections

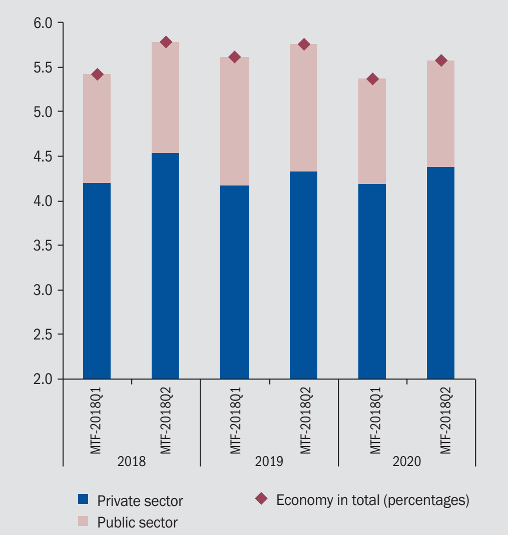
Employment trends have been in line with the projections of the March 2017 forecast. The unemployment rate is expected to be slightly lower than projected in the previous forecast, given the greater than expected extent to which employers have been filling vacancies with unemployed people in preference to exploiting broader labour force participation. As in the previous forecast, wage growth projections have been revised up on the basis of incoming data from earlier in the year and of data showing the upward impact of labour market tightening on the job-to-job transition rate.

Chart 10 GDP and its components[7] (annual percentage changes; percentage point contributions)



Sources: SO SR and NBS.
Note: The item 'Changes in inventories and statistical discrepancy' includes uncategorised imports that remained after the calculation of import intensity.

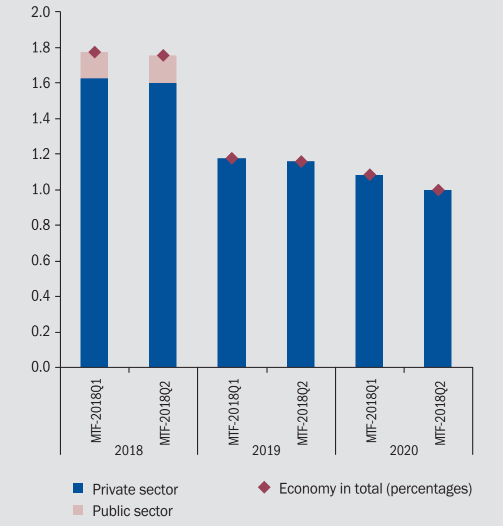
Chart 11 Average wage broken down by public sector and private sector contributions to its rate of change (annual percentage changes; percentage points)



Sources: SO SR and NBS.
Note: The public sector comprises sections O, P and Q of the SK NACE Rev. 2 statistical classification of economic activities.

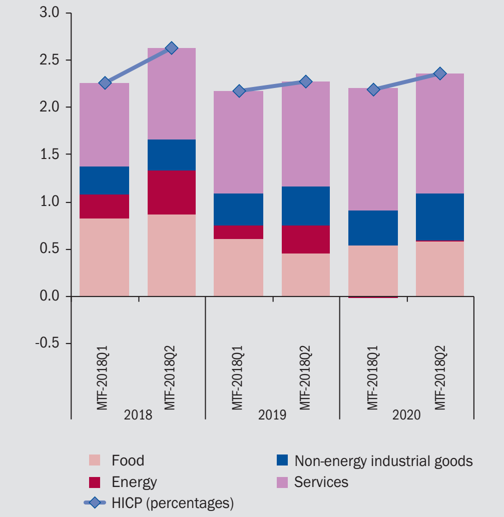
7 *The composition of GDP growth is calculated as the contributions of components to GDP growth after deducting their import intensity. In this case the calculation uses the constant import intensity of the different GDP components (household final consumption – 30%, government consumption – 7%, investment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

Chart 12 Employment broken down by public sector and private sector contributions to its rate of change (annual percentage changes; percentage points)



Sources: SO SR and NBS.
Note: The public sector comprises sections O, P and Q of the SK NACE Rev. 2 statistical classification of economic activities.

Chart 13 HICP inflation and its components (annual percentage changes; percentage point contributions)



Sources: SO SR and NBS.

Wages contribute to upward revision of inflation forecast

The inflation forecast has been revised up, most significantly in the projection for 2018. This revision stems largely from a marked increase in the oil price and its impact on vehicle fuel prices. Other upward pressure has come from air ticket prices and import prices. Demand-pull pressures are expected to have a positive impact on headline inflation in 2019 and 2020, supported by strong wage growth and improving household sentiment.

Table 5 Medium-Term Forecast (MTF-2018Q2) for key macroeconomic indicators								
Indicator	Unit	Actual data	MTF-2018 Q2			Difference vis-à-vis MTF2018Q1 update		
		2017	2018	2019	2020	2018	2019	2020
Prices								
HICP inflation	annual percentage change	1.4	2.6	2.3	2.4	0.3	0.1	0.2
CPI inflation	annual percentage change	1.3	2.6	2.4	2.4	0.3	0.1	0.1
GDP deflator	annual percentage change	1.3	2.5	2.9	2.8	0.2	0.2	0.0
Economic activity								
Gross domestic product	annual percentage change, constant prices	3.4	4.0	4.8	4.0	-0.2	0.1	0.0
Private consumption	annual percentage change, constant prices	3.6	3.7	4.3	4.2	-0.2	0.0	0.0
Final consumption of general government	annual percentage change, constant prices	0.2	1.7	1.8	2.1	-0.2	0.1	0.0
Gross fixed capital formation	annual percentage change, constant prices	3.2	9.2	5.5	4.6	1.2	0.2	0.2
Exports of goods and services	annual percentage change, constant prices	4.3	6.3	9.1	6.7	-1.8	0.5	0.1
Imports of goods and services	annual percentage change, constant prices	3.9	6.4	8.6	6.8	-1.4	0.4	0.1
Net exports	EUR millions at constant prices	6,107	6,408	7,396	7,770	-354.0	-255.6	-306.4
Output gap	percentage of potential output	-0.3	0.3	1.2	1.9	0.1	0.1	0.1
Gross domestic product	EUR millions at current prices	84,985	90,550	97,584	104,347	-9.6	194.6	270.1
Labour market								
Employment	thousands of persons ESA 2010	2,372	2,414	2,442	2,466	-0.4	-0.9	-2.8
Employment (dynamics)	annual percentage change ESA 2010	2.2	1.8	1.2	1.0	0.0	0.0	-0.1
Number of unemployed	thousands of persons[1)]	224	192	177	162	-5.4	-4.5	-3.4
Unemployment rate	percentage	8.1	7.0	6.5	5.9	-0.2	-0.1	-0.1
NAIRU estimation[2)]	percentage points	8.1	7.7	7.5	7.5	-0.2	-0.2	-0.1
Labour productivity[3)]	annual percentage change	1.2	2.2	3.6	3.0	-0.2	0.1	0.1
Nominal labour productivity[4)]	annual percentage change	2.9	4.5	6.5	5.9	0.0	0.2	0.2
Nominal compensation per employee	annual percentage change ESA 2010	4.1	5.5	5.9	5.6	0.3	0.1	0.2
Nominal wages[5)]	annual percentage change	4.6	5.8	5.8	5.6	0.4	0.2	0.2
Real wages[6)]	annual percentage change	3.3	3.1	3.3	3.1	0.0	0.0	0.1
Households and non-profit institutions serving households								
Disposable income	constant prices	2.5	3.4	4.4	4.2	0.0	0.0	0.0
Saving ratio[7)]	percentage of disposable income	8.8	8.4	8.4	8.4	0.2	0.1	0.1
General government sector[8)]								
Total revenue	percentage of GDP	39.4	39.2	38.8	38.4	0.1	0.0	0.0
Total expenditure	percentage of GDP	40.4	40.1	39.2	38.5	0.1	0.1	0.1
General government balance[9)]	percentage of GDP	-1.0	-0.9	-0.4	-0.1	0.0	0.0	0.0
Cyclical component	percentage of trend GDP	0.0	0.1	0.3	0.3	0.0	0.0	-0.1
Structural balance	percentage of trend GDP	-1.0	-0.9	-0.6	-0.4	0.0	0.0	0.1
Cyclically adjusted primary balance	percentage of trend GDP	0.4	0.3	0.4	0.6	0.0	-0.2	0.0
Fiscal stance[10)]	year-on-year change in p. p.	0.7	-0.1	0.1	0.2	0.0	-0.2	0.1
General government gross debt	percentage of GDP	50.9	49.2	47.1	44.8	-0.2	-0.2	-0.3

Table 5 Medium-Term Forecast (MTF-2018Q2) for key macroeconomic indicators (continued)

Indicator	Unit	Actual data	MTF-2018 Q2			Difference vis-à-vis MTF2018Q1 update		
		2017	2018	2019	2020	2018	2019	2020
Balance of Payments								
Trade balance (goods)	percentage of GDP	0.8	1.1	2.1	2.4	-0.7	-0.6	-0.6
Current acount	percentage of GDP	-2.1	-1.6	-0.5	-0.1	-0.7	-0.7	-0.6
External environment and technical assumptions								
Slovakia's foreign demand	annual percentage change	6.2	5.2	5.0	4.2	-0.1	0.4	0.1
Exchange rate (EUR/USD)[11),12)]	level	1.13	1.20	1.18	1.18	-2.5	-3.7	-3.7
Oil price in USD[11), 12)]	level	54.4	74.5	73.5	68.7	14.3	19.9	17.3
Oil price in USD[11)]	annual percentage change	23.5	36.9	-1.3	-6.6	17.1	4.7	-2.1
Oil price in EUR[11)]	annual percentage change	21.0	29.0	-0.1	-6.6	18.9	5.9	-2.1
Non-energy commodity prices in USD	annual percentage change	7.9	9.3	2.5	4.1	1.9	-0.7	-0.3
Three-month EURIBOR	percentage per annum	-0.3	-0.3	-0.2	0.2	0.0	-0.1	-0.2
Ten-year Slovak government bond yields	percentage	0.9	0.8	1.0	1.2	0.0	0.0	0.0

Sources: NBS, ECB and SO SR.
Note:
1) *Labour Force Survey.*
2) *Difference between the non-accelerating inflation rate of unemployment (NAIRU) and the unemployment rate. A positive value indicates that the NAIRU is higher than the unemployment rate.*
3) *GDP at constant prices / employment – ESA 2010.*
4) *Nominal GDP divided by persons in employment (according to SO SR quarterly statistical reporting).*
5) *Average monthly wages (according to SO SR statistical reporting).*
6) *Wages according to SO SR statistical reporting, deflated by CPI inflation.*
7) *Saving ratio = gross savings / (gross disposable income + adjustments for any pension entitlement change) *100; Gross savings = gross disposable income + adjustments for any pension entitlement change – private consumption.*
8) *S.13; fiscal outlook.*
9) *B9n – Net lending (+) / borrowing (-).*
10) *Year-on-year change in cyclically adjusted primary balance; a positive value denotes a restrictive stance.*
11) *Year-on-year percentage changes and changes vis-á-vis the previous forecast are calculated from unrounded figures.*
12) *Changes vis-à-vis the previous forecast (percentages).*

Time series of selected macroeconomic indicators can be found on the NBS website at
http://www.nbs.sk/_img/Documents/_Publikacie/PREDIK/2018/protected/P2Q-2018.xls