National Bank of Slovakia

Medium-Term Forecast (MTF-2005Q4)

October 2005

Equilibrium variables, development of potential output

In comparison with the July forecast (MTF-2005Q3), the development trends in the basic equilibrium variables used in the October medium-term forecast (MTF-2005Q4), which include the equilibrium interest rates and the exchange rate, were not substantially reassessed.

With no new information emerging, there was no reason for a change in the long-run dynamics of the economy's potential output as well as the long-run rate of equilibrium real appreciation, which corresponds to the parameters of a converging economy. The fulfilment of the predicted rate of economic growth in the second quarter of 2005 confirmed the persistence of a negative output gap.

Current position of the economy[1]

In the second quarter, the rate of GDP growth was in line with the expectations of the NBS. As far as the structure of GDP is concerned, the MTF-2005Q3 was based on the assumption that overall economic growth in the second quarter was promoted by both domestic and foreign demand, while in relative terms, GDP growth was expected to be stimulated first and foremost by domestic demand. In contrast to the expectations, net exports made a negative contribution, due to faster growth in the nominal volume of imported goods and services in comparison with their exports, coupled with the effect of deteriorated price relations in foreign trade, and thus reduced the dynamics of economic growth to a certain extent. On the other hand, the accelerated growth in domestic demand caused mainly by the higher than expected dynamics of gross investments offset the developments in net exports and ensured that the expected overall growth in the economy was achieved in the second quarter, as well as in the entire first half of 2005. The structure of growing gross investments was affected by a revival in gross fixed capital formation (which had been expected for several quarters), stimulated primarily by heavy investment in new fixed assets in the non-financial corporations sector in particular (as a result of foreign direct investments, which were also reflected in imports) and the higher than expected level of inventories, which may be in the form of uncompleted investments. The actual growth in final consumption in comparison with the assumptions was only partly offset by the general government and non-profit institutions sectors, while household consumption grew at a slightly faster rate than the figure predicted in the MTF-2005Q3 (due to wage developments).

The adjustments to the trade balance forecast for the third quarter reduce the rate of GDP growth only slightly in comparison with the MTF-2005Q3, even if the expected changes in price level abroad are taken into account.

The preparation of the GDP growth forecast for the next quarter was also facilitated by the results of monthly qualitative assessments of economic developments from business tendency surveys. Developments in the overall economic sentiment indicator, the confidence indicator in construction, and the relevant questions of confidence indicators in the respective sectors indicate that the rate of GDP growth will remain at the level of approximately 5.1% in the

[1] The current position of the economy means its state in the third quarter (according to a GDP estimate), on which both the short-term and medium-term forecasts are based.

third quarter, which means that GDP growth will not deviate considerably from the forecast for the entire year 2005.

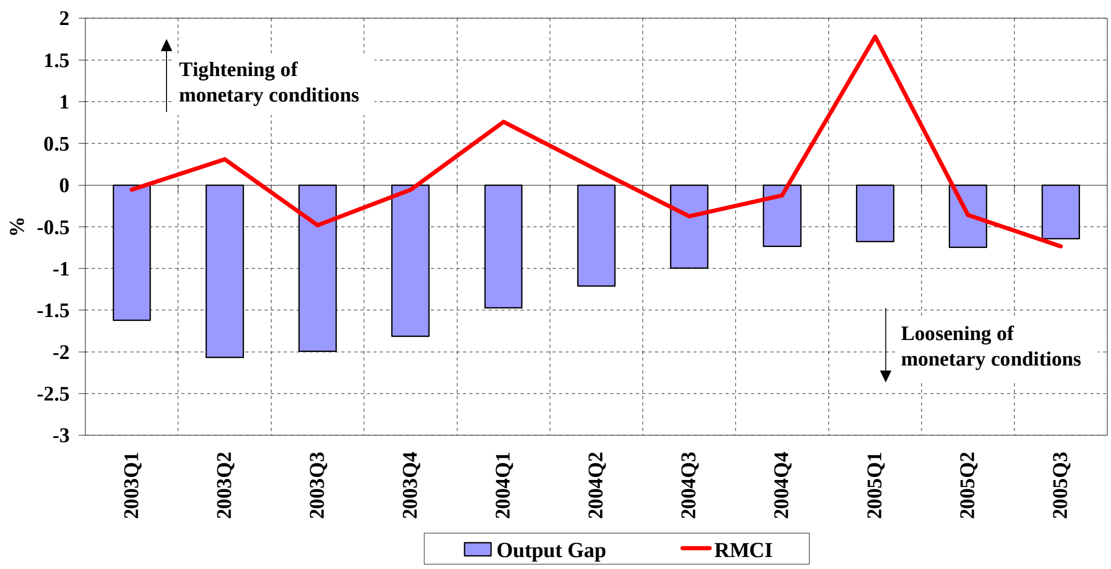
As a result, the current position of the economy remained unchanged in comparison with the previous forecast, and recorded a slight negative output gap. Negative output gap is caused by the persistent shortage of foreign demand (weak economic growth in the euro area). At the same time, the economy is characterised by an absence of domestic demand pressures, which is indicated by the low level of net inflation (excluding fuel prices). Economic growth in the euro area over the second quarter of 2005 confirmed the persistence of weak economic performance as the rate of economic growth slowed in comparison with the Consensus Forecasts. The growth in the euro area economy is expected to accelerate somewhat in the second half of 2005, but again to a lesser extent than based on June assumptions.

In line with the NBS expectations set out in the July MTF-2005Q3, the year-on-year growth in nominal and real wages slowed in the second quarter, compared with the first quarter of 2005. The slowdown was, however, more moderate than the figure projected by the NBS, mainly as a result of continuing dynamic wage growth in the public sector.

HICP inflation recorded a disinflation trend in the third quarter, mainly due to developments in food and services prices. In services, the rate of price increase slowed in transport, housing, and telecommunications services, while food prices recorded a steeper year-on-year fall (due to a sharper decline in processed food prices and a slowdown in the dynamics of non-processed food prices). The rate of increase in industrial goods prices accelerated somewhat, due to developments in fuel prices as well as industrial goods excluding energy prices (a slowdown in deflation).

The course of headline inflation in the third quarter was in line with the MTF-2005Q3, differences were only recorded in some of its components. On one hand, services prices rose at a slower rate, since the expected price increases in transport and housing services were not carried out and prices for telecommunications recorded a fall (due to special summer prices for local and intercity calls during weekends in the Slovak Telecom network). On the other hand, fuel prices significantly increased and food prices dropped to a lesser extent (due to the prices of seasonal foodstuffs). The prices of industrial goods excluding energy were in line with the expectations. Developments in consumer prices again confirmed the absence of demand-pull inflationary pressures in the economy.

Output gap and the Real Monetary Conditions Index (RMCI)



The current estimate of the effect of monetary policy in the third quarter was mainly influenced by the real exchange rate, due to the discontinued appreciating trend in the nominal exchange rate and the smaller inflation rate differential in comparison with the euro area. The slower than expected appreciation in the exchange rate is a sign of monetary policy loosening through the Real Monetary Conditions Index (RMCI). The estimated initial loosening of monetary policy in the third quarter of 2005 is expected to have no impact on economic developments and inflation, since it will be offset in the following quarters by the negative income effect, which is connected with the rise in inflation rate in the final quarter of 2005, caused by increases in regulated prices.

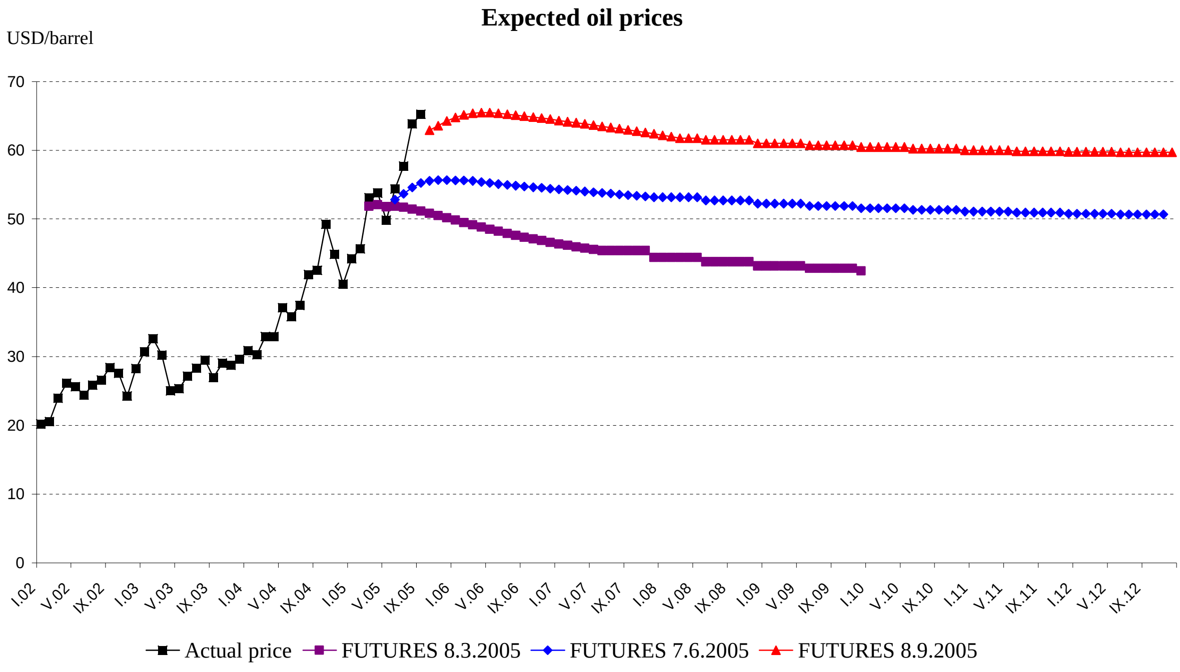
Medium-term forecast

External environment

The medium-term forecast of exogenous indicators is based on the September issue of the Consensus Forecasts[2]. The expected developments in oil prices are based on futures prices as at 8 September 2005.

Compared with the predicted developments in the external environment from the July forecast, marked changes again occurred in oil prices and the expected values of the USD/EUR cross-rate. The higher price of oil and the appreciated value of the USD vis-à-vis the EUR (in 2005 and 2006) are expected to have an upward effect on price levels in the euro area (as in the SR), mainly in 2005.

[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 forecasts at the NBS, the values of input variables were obtained from the Consensus Forecasts of September 2005 and fixed at these levels throughout the forecasting process. Any new information will be taken into account in the next medium-term forecasts.



The euro area's weak economic performance is expected to improve gradually, with the economic growth accelerating slightly in the remaining quarters of 2005, but at a somewhat slower pace compared to June´s assumptions. If these expectations are met, the euro area's output gap will probably remain negative. Short-term interest rates remain at a low level, which is a sign of weak economic activity in the euro area. It is expected that the inflation development in the euro area will continue to be determined by oil prices. As a result, the estimated average inflation rate for 2005 was raised to 2.1% (from 1.9% in the Consensus Forecasts 6/2005). In 2006, inflation is expected to fall gradually to 1.8%.

	2005	2006	2007
Euro area inflation in %			
CF 06/05 (annual average)	1.9	1.7	
CF 09/05 (annual average)	2.1	1.8	
Euro area GDP growth in %			
CF 06/05	1.3	1.8	
CF 09/05	1.3	1.7	
Oil prices in USD/barrel (annual average)			
7 June 2005	52.4	55.0	53.7
8 September 2005	56.6	65.1	63.4
Exchange rate: USD/EUR (end of the relevant quarter)			
CF 06/05	1.243 Q3	1.281 Q2	1.288 Q2
CF 09/05	1.240 Q4	1.270 Q3	1.291 Q3

The slower recovery of economic growth in the euro area in 2005 and 2006 should influence the persistence of a negative output gap in the SR. Due to higher oil prices in 2005 and 2006 and higher inflation until the last quarter of 2006, import prices are expected to have only a slight pro-growth effect on domestic price level. Towards the end of the medium-term period under forecast, developments in fuel prices are not expected to have an inflationary effect, due to a falling trend in oil prices and an expected depreciation in the exchange rate of the USD against the EUR.

Forecast for 2005 and 2006

In the current forecast, HICP inflation is expected to reach an average of 4.1% in the last quarter of 2005. The shift in the short-term forecast to higher levels in comparison with the MTF-2005Q3 was mainly caused by the incorporation of increases in fuel, regulated natural gas, and heat prices, owing to the high price of oil on the world markets. The increase in energy prices was not incorporated in the baseline scenario in the July forecast, since the relevant decisions had not yet been issued at that time by the Regulatory Office for Network Industries (ÚRSO). On the basis of information published by the ÚRSO, the NBS expects a gradual increase in heat prices until the end of 2005, by approximately 10-12%. The 20.3% increase in the regulated price of natural gas at the beginning of October 2005 and the gradual increase in heat prices are estimated to make an additional contribution of approximately 1.7 percentage points (the change in gas prices 1.1 percentage points and the change in heat prices 0.6 percentage point) to the rate of headline inflation in 2005, compared with the MTF-2005Q3. The secondary effects of increases in regulated prices are expected to be reflected in the prices of services, mainly at the beginning of 2006.

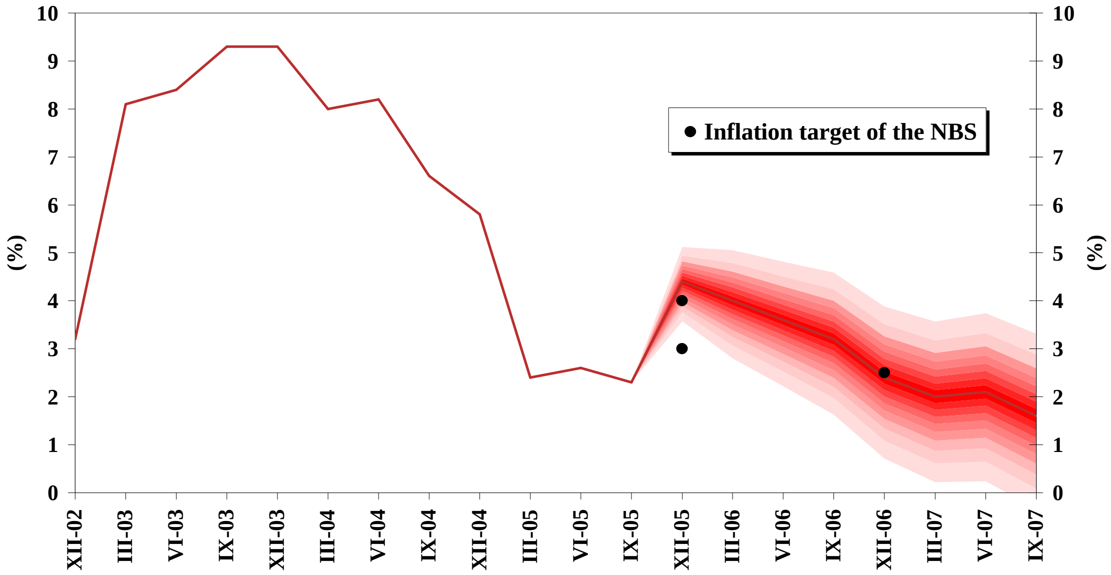
On the other hand, it is expected that consumer prices will continue to be influenced by factors such as the exchange rate of the Slovak koruna and the competitive environment on the retail market. These factors are expected to be mostly reflected in the prices of industrial goods excluding energy and foodstuffs.

Energy prices and their contributions to inflation in 2005 (annual average)

Name of item		**2005**	
		Growth in %	**Contribution in % points**
Heat energy	MTF-2005Q3	6.5	0.3
	MTF-2005Q4	16.5-18.5	0.9
Natural gas	MTF-2005Q3	12.0	0.6
	MTF-2005Q4	32.3	1.7

Compared with the July forecast, the inflation forecast for 2006 in the MTF-2005Q4 was influenced by the regulated price increases in September and October 2005, which will be reflected in the higher values of the average as well as year-end inflation rates, where the secondary effects of increased energy prices (from 2005) in the prices of services related to housing are expected to have the effect. Another difference is found in the prices of transport services, due to the incorporation of the projected increase in the prices of compulsory car insurance and fuel prices, caused by an expected rise in oil prices in the medium term, which should remain above the level of USD 60/barrel throughout the period under analysis. The forecast also takes into account the planned increase in excise duties on cigarettes and alcoholic beverages. With effect from January 2006, the excise duty on cigarettes will be increased from SKK 1.4/pce to SKK 1.9/pce, with a contribution of 0.48 of a percentage point to inflation (in the MTF-2005Q3, excise tax was expected to be raised to SKK 1.7/pce with a contribution of 0.37 of a percentage point), while the contribution of the increase in excise duty on alcoholic beverages to headline inflation will be negligible.

HICP inflation forecast



The slowdown in the year-on-year rate of growth in nominal and real wages in the second quarter of 2005, signs of slower wage growth in most selected sectors in the third quarter in comparison with the previous months, and signals from regional government of postponement and of minor wage adjustments in education in some of the regions, are clear indications of slower wage growth in the third quarter in comparison with the MTF-2005Q3. However, the nominal wage development forecast for the fourth quarter of 2005 and the year as a whole has remained unchanged, at the level of the July forecast (the decelerated slowdown in the second quarter compared with the figure predicted in the MTF-2005Q3 is offset in the MTF-2005Q4 by an expected slowdown in the third quarter). The growth in real wages is expected to slow mainly in connection with the forecast of higher inflation compared with the MTF-2005Q3.

With regard to the unchanged assumptions concerning GDP growth and employment (according to statistical records), the predicted growth in real labour productivity remains the same as in the MTF-2005Q3. This means that the excess of real wage growth over growth in real labour productivity will persist in 2005, but will be smaller than the figure predicted in the July forecast (due to developments in real wages).

The NBS maintains the nominal wage forecast for 2006 at approximately the level of the MTF-2005Q3, despite the expectation of a slightly higher rate of average inflation. The National Bank of Slovakia is of the opinion that the higher inflation rate should not lead to demands for a more rapid growth in nominal wages, since the current rate of real wage growth (at the level of 3.5%) should be sufficient despite the increased price dynamics. At the same time, the NBS assumes that the room for wage adjustments created in the entrepreneurial sector in previous years may be largely exhausted, and hence the sector will be careful with wage adjustments. This will also be connected with the possible secondary effects of regulated price adjustments and the uncertainty about fuel price developments.

The development of wages in the public sector, which, as in 2005, may make a substantial contribution to the overall wage growth in the national economy, continues to be a risk factor. This is indicated by developments in the first half of 2005, significant wage adjustments in education with effect from July, additionally approved funds for wage adjustments, and an increase in remuneration for public sector officers in the draft budget for 2006.

However, with regard to the common goals of the Government and the NBS, the central bank expects that wage growth in the national economy will not be stimulated by wage developments in the public sector. The growth in nominal wages predicted in the MTF-2005Q4 is regarded by the NBS as optimal, also in terms of the fulfilment of demanding medium-term goals. From the Central Bank’s point of view, moderate wage development is one of the factors dampening the possible secondary effects of increases in regulated prices.

As of 2006, labour productivity (GDP per employee, based on data from statistical records) is again expected to follow a favourable trend in relation to wages.

The actual development balance on current account, and its forecast for the period until the end of the year, led to an increase in the estimated current account deficit as a share of GDP, from 6.5% to 6.8% in 2005, which was primarily due to developments in income balances.

The projected size of the overall income balance deficit was adjusted by more than SKK 7 billion compared with the previous forecast, in both dividends (based on previous developments) and reinvested earnings (based on the latest data available, obtained from the annual report of foreign direct investments). In the case of reinvested earnings, the adjustment took place in part of the current account which remains in the country and which has a counterpart in the balance of payments on financial account, and thus exerts no pressure on the economy’s external imbalance or the exchange rate of the Slovak koruna.

As in 2005, the current account deficit for 2006 was increased in comparison with the previous forecast, from 6% to 6.6%. With regard to the start of production in connection with new foreign direct investments and the realisation of exports as of 2007, the year 2006 is expected to be the last year in which the current account deficit exceeds 5% of GDP.

A major item where developments are expected to change in 2006 compared with the previous forecast, will be the balance of income (as in 2005). While the increases in paid dividends and reinvested earnings will follow the trend from 2005 and cause the share of the current account deficit of GDP to increase in comparison with the previous forecast, by 0.4 of a percentage point, interest payments will grow by 0.2 of a percentage point owing to an increase in the level of overall indebtedness, mainly in the official sector.

In contrast with the trade and income balances, the remaining two current account items, i.e. services and current transfers balances, are expected to produce surpluses in both years, in accordance with the previous forecast. A risk is inherent in the amount of funds drawn from the EU, which may under fixed payments to the EU budget substantially influence the balance of current transfers and subsequently the size of the current account deficit (in comparison with 2005, the drawn amount is expected to increase in 2006, from 70% to almost 80% of the claim).

The estimate of the capital and financial account for 2005 forecast remains below the level of the MTF-2005Q2, mainly as a result of lower estimates of foreign direct investments (FDI), in both the commercial and the official sectors.

In line with the estimate of unfulfilled expectations in the area of foreign direct investments in 2005, the inflow of equity capital is again expected to be somewhat lower in 2006 (the fall in equity capital will be offset within the scope of FDI by an increase in reinvested earnings). Due to growth in reinvested earnings and increased lending activity in the corporate sector, the decline in equity capital will not affect the size of the trade deficit to a significant extent, but may cause a minor change in its structure. Despite expectations of lower inflows in 2005 and 2006, foreign direct investments should continue to cover the current account deficit almost in full according to the new forecast.

With the latest information on expected eurobond issues on foreign markets in 2006 and the following years being taken into account (according to a statement of the SR Ministry of Finance, in the amount of EUR 1 billion), the most significant change in comparison with 2005 and the previous forecast is expected to occur in other long-term capital (a shift from an outflow to an inflow). The total surplus generated in the capital and financial account will be larger than the figure predicted in the previous forecast, by roughly the amount stated above.

With regard to GDP figures published for the first half of 2005, the annual GDP growth estimate for 2005 remains unchanged in comparison with the previous forecast (5.1% at constant prices). Within the structure of GDP, the pro-growth effect of domestic demand is expected to weaken and a contribution to real economic growth is expected from net exports. In gross capital formation, fixed investments are expected to maintain their strong dynamics (approximately 9% at constant prices), since they underwent a marked revival in the second quarter.

The development of real GDP in the course of 2006 will be influenced by the gradual launch of production at new production plants in the automotive industry, whose impact on GDP growth and output remained unchanged in comparison with the previous forecast. The improvement in net exports and the rate of GDP growth in the individual quarters will depend on the date of commencement and volume of production at these plants. Similarly, the pro-growth effects of individual domestic demand components remained unchanged in the MTF-2005Q4. The share of final household consumption is expected to stabilise at the level of 50-51% in 2006, when its expected dynamics (close to 5%) will induce no imbalances in the economy. In connection with the lower real wage estimate compared with the previous forecast, the rate of growth in real private consumption is expected to slow somewhat. In connection with the expected FDI, gross fixed capital formation will probably maintain its dynamics from the previous year, in line with the previous forecast.

After being loosened to some extent in the second quarter, the restrictive nature of the real exchange rate was not restored in the third quarter of 2005, as had originally been expected. This was due to a lower inflation rate differential and a slower than expected appreciation in the nominal exchange rate. Compared with the July forecast, the overall monetary policy setting in terms of the RMCI is expected to be more relaxed until the end of 2006 (mainly in the first half of the year). Thus, monetary policy is expected to boost economic growth by causing the output gap to close more rapidly. Since real wage dynamics is expected to weaken, the looser monetary policy in the coming three quarters should be offset by the negative income effect.

The rise in the forecast inflation rate above the level of the inflation target for 2005 can be ascribed to the regulated price increase, which represents a one-off effect, a factor defined as an escape clause from the inflation target. The direct impact of the increase in regulated prices on the 12-month inflation rate will wear off before the end of 2006; a slightly steeper price increase in comparison with the previous forecast may occur as a result of secondary effects. The dampening of these effects will be the focus of the NBS monetary policy.

Therefore, the overall setting of monetary policy and the adjustment of monetary conditions in the area of interest rates in the coming months will depend on the secondary effects of regulated price increases upon inflation, and on nominal wage developments.

Medium-term forecast (2007 and 2008)

A comparison of the MTF-2005Q3 and MTF-2005Q4 shows that inflation is expected to follow a virtually identical course in 2007 and 2008. The slight upward deviations from the MTF-2005Q3 will be caused by increased inflation expectations resulting mainly from the rise in energy prices. At the end of 2007 and 2008, the inflation target of the NBS will be met according to both forecasts, which means that, from the point of view of monetary policy decisions, the situation has remained unchanged in comparison with the MTF-2005Q3.

Comparison of HICP inflation forecasts (in %)

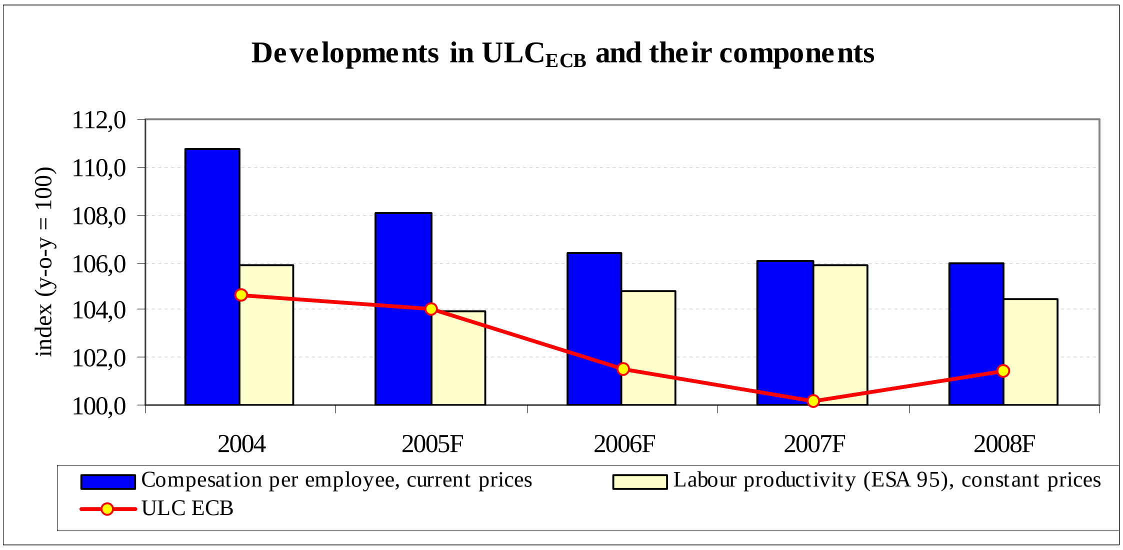
	2004	**2005**	**2006**	**2007**	**2008**
MTF-2005Q3					
end of year	5.8	2.6	2.0	1.8	1.8
annual average	7.4	2.4	1.9	1.8	1.8
MTF-2005Q4					
end of year	5.8	4.4	2.4	1.9	2.0
annual average	7.4	2.9	3.4	1.9	1.9

A risk to inflation is mainly represented by developments in oil prices, which, if they increase in each year under review (compared with the expected fall in futures prices), may have a marked pro-growth effect on price levels through fuel prices and indirectly via increases in regulated prices and secondary effects. Wage developments, where the growth in ULC may exert pressure for demand-pull inflation, represent another risk.

In 2007 and 2008, the NBS expects no marked changes in wage developments and/or labour productivity in comparison with the MTF-2005Q3. The excess of growth in real labour productivity over growth in real wages in the national economy should be preserved.

The growth in unit labour costs (ULC) according to the ECB methodology (ULC_{ECB}, calculated as the ratio of nominal compensation per employee to real labour productivity, based on input data from ESA 95) is expected to show a weakening tendency in the medium term. The expected developments in ULC signal no imbalances in compensation per employee and labour productivity, or inflationary pressures. Compared with the MTF-2005Q2[3], the expected developments in ULC according to the MTF-2005Q4 will remain virtually unchanged.

[3] The need for comparison with the MTF-2005Q2 arises from the fact that an extended forecast, which also covers unit labour costs, is made by the NBS only twice a year.



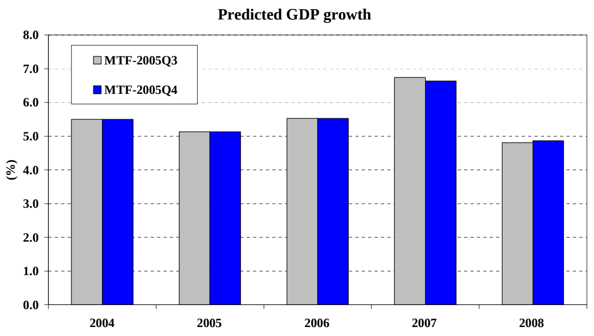
The balance of payments forecast for 2007 and 2008 was prepared with regard to the trends in individual components in previous years and the revised expectations concerning developments in oil prices and exports/imports in the automotive industry.

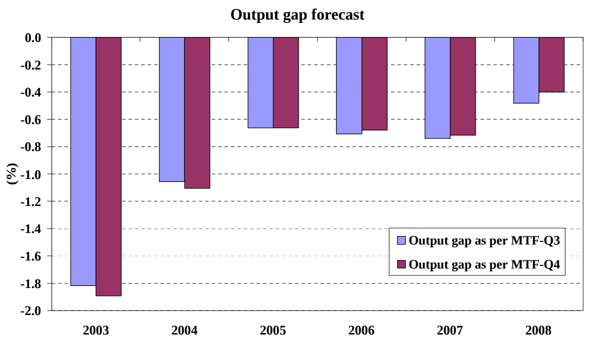
The deficit in the balance of payments on current account, as well as its share of GDP, will show a diminishing tendency, which is in line with the July forecast (MTF-2005Q3).

In 2007 and 2008, a higher deficit than according to the previous forecast may be mainly expected in the balance of income, in connection with an estimated increase in paid dividends and reinvested earnings (which is connected with the reassessment of developments in these components in 2005 and 2006). The deficit in dividends and reinvested earnings should amount to 4% of GDP, in the ratio of 38 to 62. The trends of development in other current account components will remain unchanged in comparison with the MTF-2005Q3.

In comparison with the previous forecast, the capital and financial account will be larger in 2007 and 2008. The upward deviation will be mainly reflected in long-term capital, where an eurobond issue is expected to be floated on foreign markets (as in 2006). The negative current account balance will be mainly financed from an inflow of foreign capital in the form of direct investments, which will take place exclusively through non-privatisation activities, mainly in industry and services.

In the medium term, the real convergence of the Slovak economy is expected to continue, mainly in connection with the inflow of foreign direct investments, as a result of growth in the competitiveness and performance of the economy, coupled with the relatively balanced combined effect of domestic and foreign demand as factors of real growth. The predicted growth in real GDP and the trends in individual components remain unchanged in comparison with the MTF-2005Q3. Within the scope of domestic demand, gross fixed capital formation and final consumption of households and general government are expected to make a joint positive contribution to the overall GDP growth. Gross fixed capital formation will be a major pro-growth factor in the components of domestic demand, primarily as a result of FDI. The increased GDP dynamics in 2007 will be influenced by growth in production and exports in the automotive industry, where net exports are expected to produce a marked pro-growth effect.





Part of the medium-term forecast is an alternative scenario containing the USD/EUR exchange rate development fixed at the current level and an increase in the price of oil to USD 80/barrel in 2007, which would roughly correspond to the preceding different trend in oil prices compared with the assumptions of futures contracts, where the actual price of oil has always been higher than the forecast. Such a change in the predicted trend in oil prices would have an upward effect on inflation via increases in imported energy prices and the NBS would have to consider the possibility of a slight monetary policy tightening, in reaction to the increase also in regulated prices, with a view to meeting the Maastricht criteria.

Medium-term forecast (MTF-2005Q4) of main economic indicators

Indicator	2004	2005	2006	2007	2008	2005	2006	2007	2008
	Actual	Forecast				Difference with MTF-2005Q3			
Prices (y-o-y change)									
HICP inflation (end-year)	5,8	4,4	2,4	1,9	2,0	1,8	0,4	0,1	0,1
HICP inflation (average)	7,4	2,9	3,4	1,9	1,9	0,5	1,5	0,1	0,1
CPI inflation (end-year)	5,9	4,1	2,1	1,8	2,1	1,4	0,1	0,0	0,0
CPI inflation (average)	7,5	2,9	2,9	1,8	1,9	0,5	1,1	0,0	0,0
PPI (average)	3,4	3,8	2,3	1,4	1,3	1,2	0,5	0,1	0,0
GDP (y-o-y change)									
Nominal GDP	10,3	7,8	8,0	8,4	6,7	0,5	0,6	0,0	0,3
Domestic demand	11,0	9,7	8,1	5,2	6,5	0,5	0,6	0,0	0,4
Final consumption of households	10,7	8,7	7,8	6,8	6,7	0,5	0,8	0,1	0,2
Final consumption of general government	7,6	6,1	6,1	4,2	3,8	-0,3	0,3	0,0	0,1
Final consumption of non-profit institutions	12,4	9,0	8,3	6,7	6,7	-1,0	0,0	0,0	0,0
Gross fixed capital formation	6,1	12,0	11,5	7,0	6,9	0,8	1,0	0,0	0,9
Exports of goods and services	9,1	5,7	7,4	12,5	7,4	1,7	-0,9	-0,7	0,6
Imports of goods and services	10,8	7,7	7,6	8,1	7,2	1,4	-0,5	-0,7	0,8
Real GDP	5,5	5,1	5,5	6,6	4,9	0,0	0,0	-0,1	0,1
Domestic demand	5,5	6,5	4,2	1,8	4,7	-0,3	0,1	-0,1	0,4
Final consumption of households	3,5	5,7	4,9	5,0	4,8	0,0	-0,1	0,0	0,0
Final consumption of general government	1,1	2,3	3,2	2,4	2,0	-0,6	0,0	0,0	0,0
Final consumption of non-profit institutions	5,8	4,6	5,6	5,0	5,0	-1,1	-0,4	0,0	0,0
Gross fixed capital formation	2,5	8,8	8,9	5,5	5,5	0,7	0,3	0,0	1,0
Exports of goods and services	11,4	5,3	10,5	14,6	8,7	-0,2	1,1	-0,6	0,5
Imports of goods and services	12,7	5,6	9,3	10,1	8,8	-0,7	1,4	-0,5	0,9
Labour market									
Nominal wage (monthly average, y-o-y change)	10,2	8,6	6,5	5,6	5,6	0,0	0,1	0,0	0,1
Real wage (monthly average, y-o-y change)	2,5	5,5	3,5	3,7	3,6	-0,6	-1,0	0,0	0,1
Employment (LFS, y-o-y change)	0,3	1,7	0,8	0,8	0,7	0,0	0,0	0,0	0,0
Employment (registered employment, y-o-y change)	0,3	1,8	0,8	0,9	0,7	0,0	0,0	0,0	0,0
Unemployment rate (LFS, %)	18,1	16,7	16,5	15,9	15,5	-0,2	0,0	0,0	0,0
Labour productivity (Real GDP/Employment, y-o-y change)	5,2	3,2	4,6	5,7	4,2	0,0	-0,1	0,0	0,1
Balance of payments									

Import of goods (y-o-y change)	14,0	8,2	8,2	8,7	7,7	1,6	-0,5	-0,7	0,8
Export of goods (y-o-y change)	11,5	5,8	8,2	13,8	8,0	2,0	-1,0	-0,8	0,5
Trade balance (bil. SKK)	-47,0	-72,2	-78,2	-32,2	-31,0	3,1	-1,2	0,1	-4,3
Trade balance (% GDP)	-3,5	-5,1	-5,1	-1,9	-1,8	0,2	-0,1	0,1	-0,3
Balance of services (bil. SKK)	8,6	12,0	12,5	13,0	14,0	0,0	0,0	0,0	0,0
Balance of services (% GDP)	0,6	0,8	0,8	0,8	0,8	0,0	0,0	0,0	0,0
Current account (bil. SKK)	-46,0	-97,0	-100,9	-55,3	-54,5	-4,3	-9,0	-5,6	-9,3
Current account (% GDP)	-3,5	-6,8	-6,6	-3,3	-3,1	-0,3	-0,6	-0,3	-0,5
Current and capital account (bil. SKK)	-41,6	-91,0	-93,9	-48,3	-48,5	-4,3	-9,0	-5,6	-9,3
Current and capital account (% GDP)	-3,1	-6,4	-6,1	-2,9	-2,8	-0,3	-0,5	-0,3	-0,6

Indicator	**2004**	**2005**	**2006**	**2007**	**2008**	**2005**	**2006**	**2007**	**2008**
	Actual	**Forecast**				**Difference with MTF-2005Q2**			
Labour market									
Compensation per employee (ESA 95, curr.p., y-o-y change)	10,8	8,1	6,4	6,0	6,0	0,9	-0,1	-0,5	0,1
Real gross disposable household income (y-o-y change)	3,0	5,5	4,5	4,7	4,3	0,5	-0,1	0,0	-0,1
Household saving ratio (% of disposable income)	6,2	6,4	6,2	6,0	6,0	0,5	0,4	0,4	0,5
Employment (ESA 95) (y-o-y change)	-0,3	1,1	0,6	0,7	0,4	0,6	0,0	0,0	0,0
Labour productivity ESA 95 (Real GDP /Employment ESA 95, y-o-y change)	5,8	3,9	4,8	5,9	4,5	-0,6	0,2	-0,1	0,3
ULC (Compensation per employee curr.p./ Labour productivity ESA 95 const.p., y-o-y change)	4,7	4,0	1,5	0,2	1,4	1,3	-0,3	-0,3	-0,2
Balance of payments									
Income balance and current transfers (bil. SKK)	-7,6	-36,8	-35,2	-36,1	-37,5	-7,4	-7,8	-5,7	-5,0
Income balance and current transfers (% GDP)	-0,6	-2,6	-2,3	-2,2	-2,1	-0,5	-0,5	-0,4	-0,2
FDI inflow (bil. Sk)	31,4	95,0	130,5	85,4	81,6	-26,0	-8,0	-1,3	-4,5
FDI inflow (% GDP)	2,3	6,7	8,5	5,2	4,6	-1,8	-0,6	-0,1	-0,3
Portfolio investment (bil. SKK)	9,3	9,6	5,5	-8,4	-16,2	0,0	-0,4	-0,2	-7,7
Portfolio investment (% GDP)	0,7	0,7	0,4	-0,5	-0,9	0,0	0,0	0,0	-0,4
Other long-term investment (bil. SKK)	24,1	-29,7	25,4	34,5	33,7	9,2	37,0	36,4	33,1
Other short-term investment (bil. SKK)	38,3	114,3	4,3	-20,9	-8,1	-3,3	0,9	-10,5	2,7
Financial account (bil. SKK)	97,7	189,2	165,7	90,6	91,0	-19,1	30,6	26,9	26,1
Financial account (% GDP)	7,4	13,3	10,8	5,5	5,2	-1,3	1,9	1,6	1,5