Economic and Monetary Developments

Autumn 2025

NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

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Contents

Charts in boxes

Abbreviations

BACI	Base pour l'Analyse du Commerce International (CEPII database)
bp	basis point(s)
CEE	central and eastern Europe(an)
CEPII	Centre d'Études Prospectives et d'Informations Internationales / Center for Prospective Studies and International Information
CPI	Consumer Price Index
DSA	debt sustainability analysis
EA	euro area
EC	European Commission
ECB	European Central Bank
ESA 2010	European System of Accounts 2010
ESI	Economic Sentiment Indicator (of the European Union)
EU	European Union
EUR	euro
EURIBOR	euro interbank offered rate
GDP	gross domestic product
GSCPI	Global Supply Chain Pressure Index
HAI	housing affordability index
HICP	Harmonised Index of Consumer Prices
IMF	International Monetary Fund
LFS	Labour Force Survey
MFF	Multiannual Financial Framework (of the European Union)
MF SR	Ministry of Finance of the Slovak Republic
MTF	medium-term forecast (of NBS)
NACE	Statistical Classification of Economic Activities in the European Community (Rev. 2)
NARKS	Národná asociácia realitných kancelárií Slovenska / National Association of Real Estate Agencies in Slovakia
NBS	Národná banka Slovenska
NPISHs	non-profit institutions serving households
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
p.a.	per annum
PMI	Purchasing Managers' Index
pp	percentage point(s)
RDP	Rural Development Programme
RRF	Recovery and Resilience Facility (of the European Union)
RRP	recovery and resilience plan (of the Slovak Republic)
SO SR	Statistical Office of the Slovak Republic
ÚPSVaR SR	Ústredie práce, sociálnych vecí a rodiny Slovenskej republiky / Central Office of Labour, Social Affairs and Family of the Slovak Republic
US	United States
USD	US dollar
VAT	value added tax

Conventions used in the tables

-	data do not exist/data are not applicable
.	data are not yet available
...	nil or negligible
(p)	provisional

1 Summary

The Slovak economy is barely growing. Its performance has repeatedly fallen short of our expectations, and the near-term outlook offers no prospect of any fundamental improvement. We have therefore again revised down the economic growth projection for the coming years.

Slovakia's export-oriented economy is not benefiting from the external environment. Although uncertainty related to protectionist measures in global trade has eased, tariffs remain significantly higher than last year. This, together with a stronger exchange rate, will weigh on the export performance of both the euro area as a whole and Slovakia.

We do not envisage domestic economic growth exceeding 1% either this year or next. In 2026 it could be as low as 0.5%, as the necessary consolidation of public finances takes a significant toll. The newly announced fiscal consolidation package is almost the same size as last year's, but this time the government plans to use only a smaller part of the fiscal balance-improving measures for various compensations. We therefore expect the consolidation effort to have a stronger dampening effect on the economy. At a time when household and corporate budgets are already strained by external factors and previous measures, the negative impact of consolidation on growth is even stronger. The global economic outlook has also been gradually deteriorating for some time, creating a difficult environment in which to restore public finances.

Some households' budgets will also be burdened by the unwinding of broad-based compensation for high energy prices. In addition to consolidation measures, we expect the government to move ahead with adjustments to administered energy prices. Since these should now be partially subsidised in a targeted manner for selected groups of citizens, we have revised up the inflation projections for the coming years. Nevertheless, the average annual inflation rate is projected to fall from 4% this year to 3.5%.

The labour market is losing its resilience. Adverse demographic trends will continue to reduce the availability of labour, constraining the economy's potential growth. The expected slowdown is set to increase unemployment. Owing to the consolidation effort, employment is estimated to be around 17,000 lower in 2027 than in 2024. To this must be added the loss of around 13,000 jobs that we would expect even without the new consolidation measures. Labour market tightness will therefore ease, helping to curb wage growth and, by extension, price growth. However, real incomes may not decline in 2026, and we envisage them returning to modest growth in 2027.

The announced measures should enable the government to meet its budgetary target; nevertheless, despite the relatively strong consolidation effort, it will not succeed in stabilising the rising public debt ratio. The debt-to-GDP ratio will continue to increase, even though the fiscal deficit is projected to fall to 4.3% of GDP in 2026. Ongoing consolidation will therefore be necessary in the future.

The risks to the current forecast, especially to the outlook for the real economy, are significant. The announced fiscal consolidation package poses both upside and downside risks to the economic outlook. The ways in which firms and households adapt may amplify or mitigate the impact of the measures. The final effect may be different, since the details of the announced spending cuts are not yet known. Overall, however, we consider the risks – to both the growth and inflation outlooks – to be balanced.

Table 1
Key economic indicators

	Actual data	Autumn 2025 forecast (MTF-2025Q3)			Difference vis-à-vis the summer 2025 forecast (MTF-2025Q2)		
	2024	2025	2026	2027	2025	2026	2027
GDP (annual percentage change)	2.1	0.8	0.5	2.1	-0.4	-1.1	0.0
HICP (annual percentage change)	3.2	4.2	3.6	3.4	0.3	1.3	0.3
Average nominal wage (annual percentage change)	5.9	5.9	3.6	4.7	1.1	-0.8	0.3
Average real wage (annual percentage change)	3.0	1.8	0.1	1.2	0.9	-1.8	-0.1
Employment (annual percentage change; ESA 2010)	-0.2	-0.1	-0.5	-0.6	0.3	-0.2	-0.5
Unemployment rate (percentage; Labour Force Survey)	5.3	5.4	6.1	6.7	0.1	0.2	0.7

Source: NBS.
Note: Real wages deflated by CPI inflation.

This report takes a closer look at the following topics:

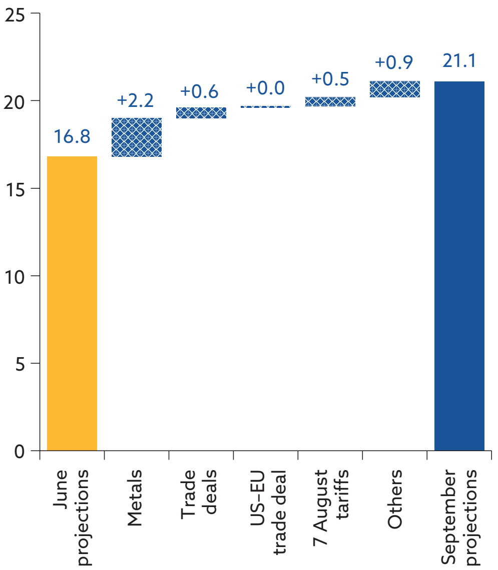
- Employees' purchasing power is yet to return to the level it was at before inflation started surging in 2022. On the other hand, firms have seen their employee compensation costs increase relatively quickly, depending on the sector in which they operate. The cost increases have been most pronounced in the services sector.
- A more ambitious fiscal consolidation effort is prevented by the deteriorating global environment. Since the end of 2023, the projections for foreign trade growth have been revised down several times. The negative impact on Slovakia's GDP growth in 2026 is estimated to be around 0.8 percentage points. According to our estimates, under unchanged assumptions about international conditions, the fiscal deficit is projected to narrow to 0.6% of GDP in 2026.
- Public sector indebtedness in Slovakia has been rising for a long time, and the latest forecasts envisage the public debt ratio rising to above 60% of GDP this year. Experience shows that fiscal consolidation is particularly challenging during periods of slower economic growth, but postponing it leads to even higher costs in the future. Without systematic reforms and measures to curb spending growth, the rising debt trend will not stop in the next ten years, increasing the risk to the long-term sustainability of public finances.

2 Macroeconomic developments in the external environment and Slovakia

2.1 External environment

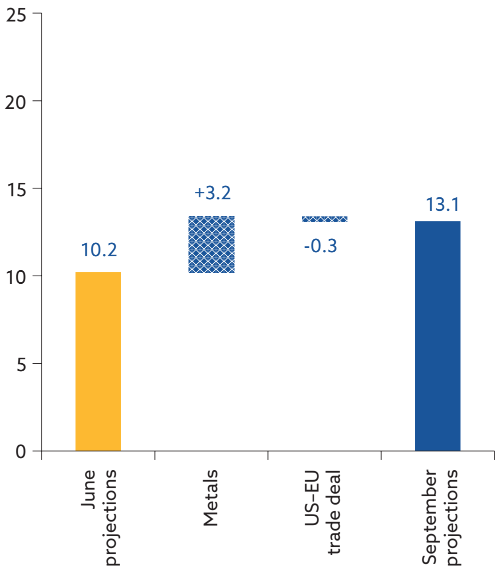
The conclusion of several trade agreements between the United States and its trading partners[1] has helped ease uncertainty in the global economy. Among the deals was one struck with the European Union during the summer (Charts 1 and 2). Tariffs on the EU will be higher than previously expected. From Slovakia's perspective, the only good news is that tariffs on automobiles and auto parts have been reduced from their pre-agreement level. The EU, for its part, will not impose any tariffs on imports of industrial goods from the United States. At the same time, EU countries have committed to purchasing energy commodities and military equipment from the United States, as well as to increasing investments in the country. Uncertainty persists, however, regarding a US–China trade deal, with both countries having so far agreed only to a 'trade truce' until early November. The steep tariffs that the United States has imposed on certain other countries – most notably the 50% tariffs on India and Brazil – remain a source of trade tensions.

Chart 1
US effective tariff rates (percentages; percentage point contributions)



Sources: Conteduca, and Mancini (2025), CEPII's BACI database, ECB.
Note: Average tariff rates weighted at the product level using 2023 trade data, accounting for permanent and temporary exemptions.

Chart 2
US effective tariffs on imports from the euro area (percentages; percentage point contributions)



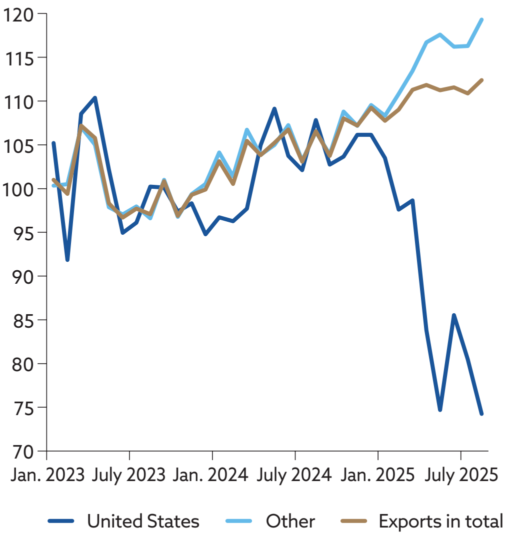
Sources: Conteduca, Mancini, and Borin (2025), CEPII's BACI database, World Integrated Trade Solution, Trade Data Monitor, ECB.
Note: Average tariff rates weighted at the product level using 2024 trade data, accounting for permanent and temporary exemptions.

[1] For example: Vietnam, Japan, South Korea, and the European Union.

Given the climate of uncertainty, GDP growth in several major economies surprised on the upside in the second quarter. Although the US and China reported a year-on-year slowdown in economic growth in the first half of the year, their performance against a backdrop of ongoing trade tensions and elevated uncertainty exceeded expectations. US private consumption growth remains robust, while China's economic growth is being driven mainly by exports. Nor has China been significantly harmed by higher tariffs, since, by rerouting trade flows, it has managed to circumvent them and find other markets for its products (Chart 3).

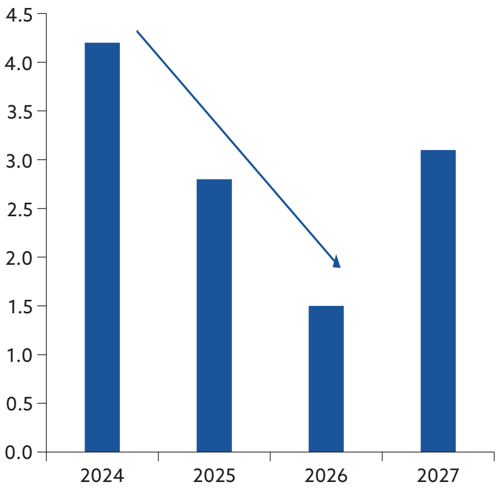
In the first half of 2025, global trade benefited from frontloading of imports in the United States in anticipation of higher tariffs. These higher rates, together with the unwinding of the positive frontloading effects and the persistently high uncertainty regarding trade policy, are expected to slow global trade growth. Foreign demand for euro area products will moderate significantly (Chart 4), with the latest ECB projections not envisaging its recovery until 2027.

Chart 3
China: goods exports (index: 2023 = 100, seasonally adjusted)



Source: Macrobond.

Chart 4
Global trade (excluding the euro area) (annual percentage changes)

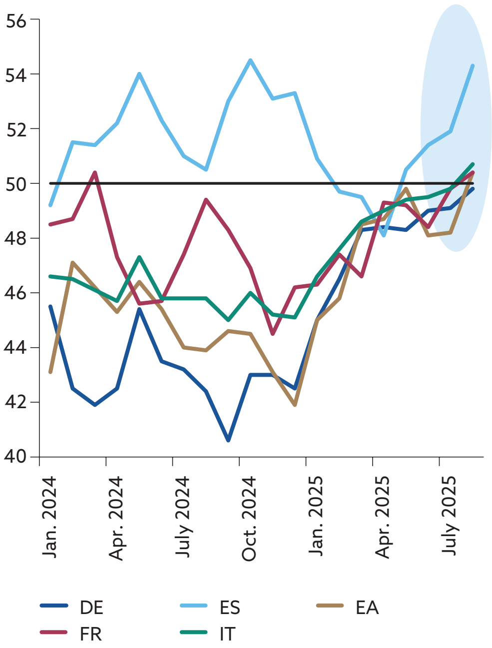


Source: ECB.

In the euro area, domestic demand is the main driver of economic growth, while the external side of the economy has been disrupted by trade tensions. The domestic economy continues to benefit from a relatively strong labour market, with employment again rising moderately in the second quarter. Exporters, however, face not only higher tariffs but also a strong exchange rate, which makes them less competitive in global markets. As a result, the euro area is expected to continue losing export market shares at a moderate pace.

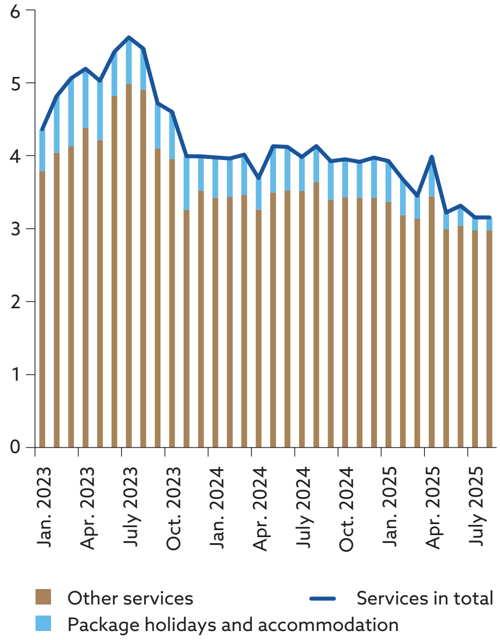
Sentiment in the euro area is surprisingly favourable. Despite the tariff increases imposed on European exports, the manufacturing Purchasing Managers' Index (PMI) has strengthened in recent months (Chart 5). After being below the 50 mark – i.e. at levels indicating a contraction of activity – since autumn 2022, the PMI reading rose above that threshold in August 2025. The PMI is indicating growth in manufacturing activity across the largest economies. According to the PMI, Germany's manufacturing sector has stabilised after an extended period of weak performance. The rising optimism may stem from the conclusion of the trade deal with the United States and the resulting greater stability for business.

Chart 5
Euro area: manufacturing PMI (index)



Source: Macrobond.

Chart 6
Euro area: services inflation (annual percentage changes; percentage point contributions)



Source: Macrobond.

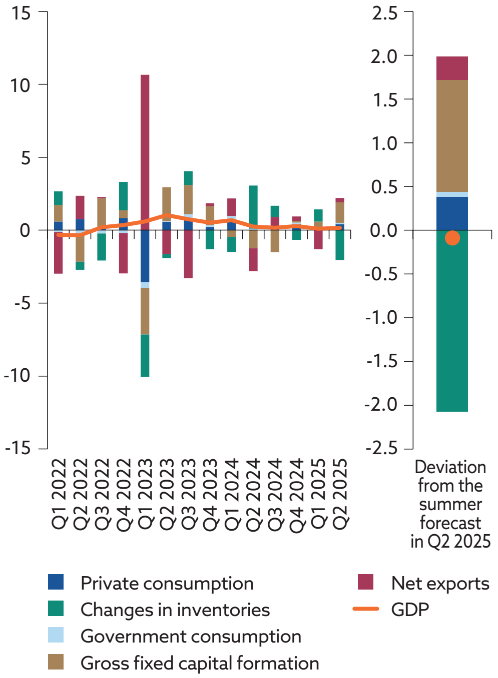
Headline inflation in the euro area has been close to the 2% target rate for several months now. Inflationary pressures in the economy continue to ease. This is confirmed by the gradual slowdown in core inflation, particularly in the services component, while growth in goods prices has remained at relatively low levels for a longer time. Services inflation slowed to 3.1% in August, owing mainly to an easing of price pressures in recreation-related services, particularly in prices of package holidays and accommodation (Chart 6). Nevertheless, services inflation remains significantly above historical norms. This is one of the main reasons why market expectations for interest rates have not changed, and no reduction is priced in for the period ahead.

2.2 Slovakia

The Slovak economy maintained very modest growth in the second quarter of 2025, expanding by 0.2% compared with the previous quarter. This result was in line with our previous projection, but the composition of the growth differed. Stronger household consumption and increased investment activity were covered primarily from inventories. Industry continued to struggle. Even the automotive industry was unable to maintain its successful start to the year, as the impact of tariff increases hit hard.

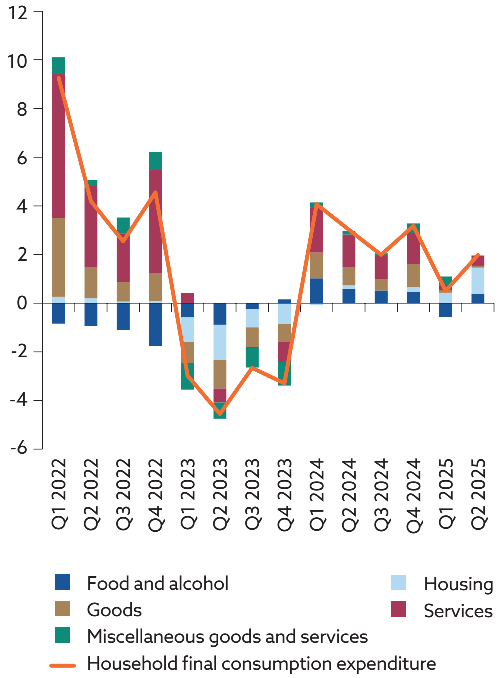
Household consumption was supported by the Easter holidays and in particular by cooler weather and the related increase in energy expenditure. Despite higher prices in the shops, consumers appear to have somewhat increased their spending over Easter, while remaining restrained in buying goods. Although labour growth was solid, households were putting slightly less of their income into savings (Chart 9). Their overall income was affected by the downward impact of consolidation measures on social benefits for families with children.

Chart 7
GDP and its components (quarter-on-quarter percentage changes; percentage point contributions)



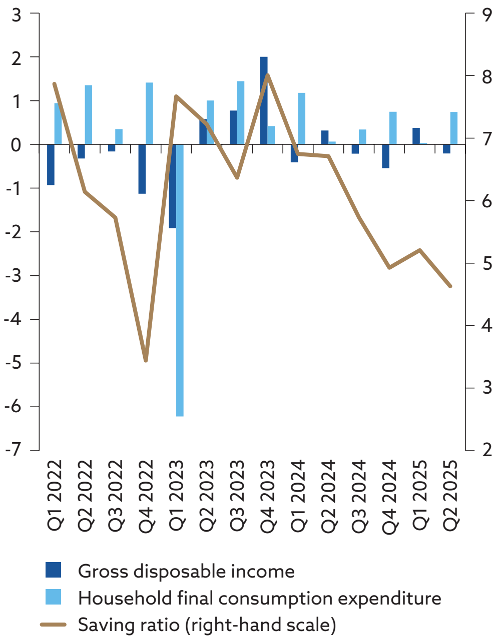
Sources: SO SR, and NBS.

Chart 8
Household consumption and its components (annual percentage changes; percentage point contributions)



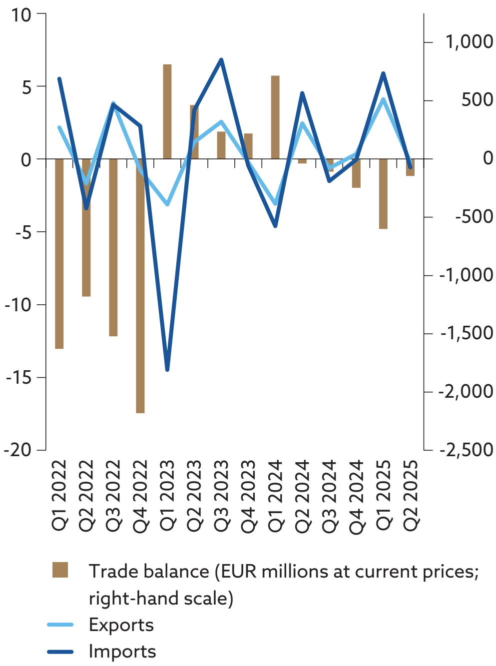
Sources: SO SR, and NBS.

Chart 9
Households' income, consumption and savings (left-hand scale: quarter-on-quarter percentage changes; right-hand scale: percentages)



Sources: SO SR, and NBS.

Chart 10
Trade balance (quarter-on-quarter percentage changes; constant prices)



Source: SO SR, and NBS.

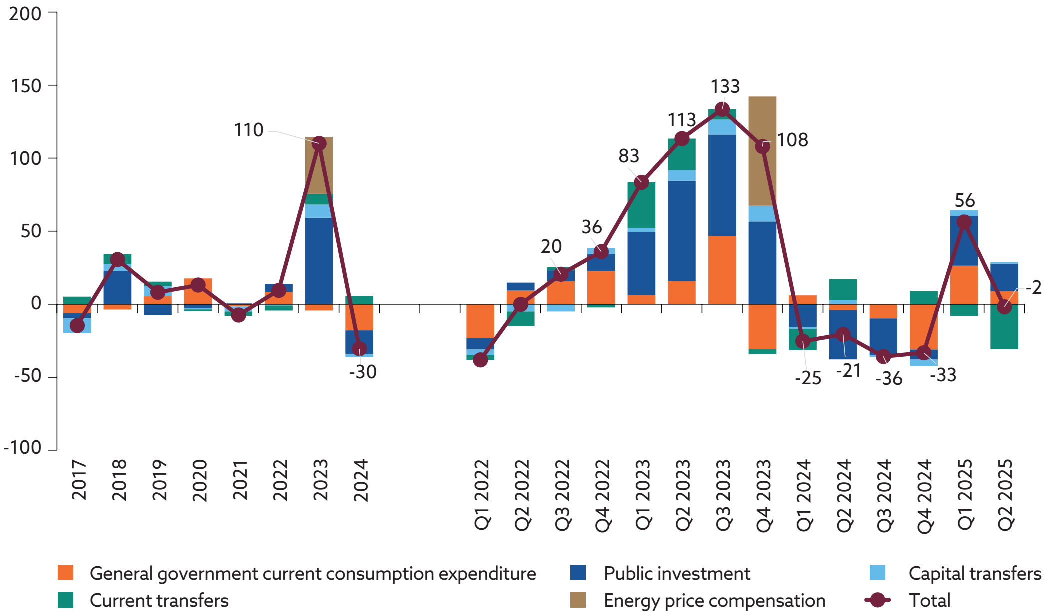
After a good start to the year, exporters began to be affected by heightened trade tensions. Slovakia's automotive industry also began feeling the impact of higher tariffs. The rest of industry continues to struggle with weak demand. Some stabilisation may, however, result from the US–EU trade deal concluded during the summer, which reduced tariffs for carmakers.

Public sector consumption growth of more than 8% in the first half of 2025 does not indicate a consolidation effort on the expenditure side of the budget. With growth in double digits, compensation of public sector employees accounted for most of the increase in government spending, reflecting the impact of not only half-year and one-off bonuses but also historically high public sector employment. The largest year-on-year increases in employment were in education, healthcare, public administration and defence. Public expenditure on goods and services also continued to grow strongly.

Investment growth in the second quarter was driven mainly by the government and partly by a recovery of investment activity among certain firms. Households remain cautious in regard to residential investment. The loosening of monetary policy and the easing of overall uncertainty have likely encouraged some firms to initiate investment. Business investment growth has been strongest in the automotive industry, with capacity expansion resulting in higher procurement of machinery. Another major boost to investment has been the government's increased uptake of EU funds as well as utilisation of own resources. Public investment activities launched in the first quarter have gained further momentum. Still leading the way are investments – at both the central and local government levels – in new construction and in renovation and modernisation of buildings, particularly in the areas of infrastructure and rail transport.

The absorption of EU funds continued in the second quarter of 2025 (Chart 11). After last year's drop-off in this area, the overall trend is towards normalisation and a shift in focus from cohesion funds to funding from the Recovery and Resilience Facility (RRF), disbursed under the national recovery and resilience plan (RRP). Fluctuations are mitigated by the disbursement of remaining funding from the Rural Development Programme. The composition of EU fund disbursements remains investment-oriented in line with the RRP milestones, while cohesion programmes in the new EU programming period are progressing more slowly. The Rural Development Programme (RDP), now being phased out, is boosting absorption as outstanding RDP funds have to be disbursed before the end of the year. Non-governmental transfers have a marginal impact, since project support under the new cohesion period remains negligible.

Chart 11
EU-funded expenditure[1)] in Slovakia (annual percentage changes)

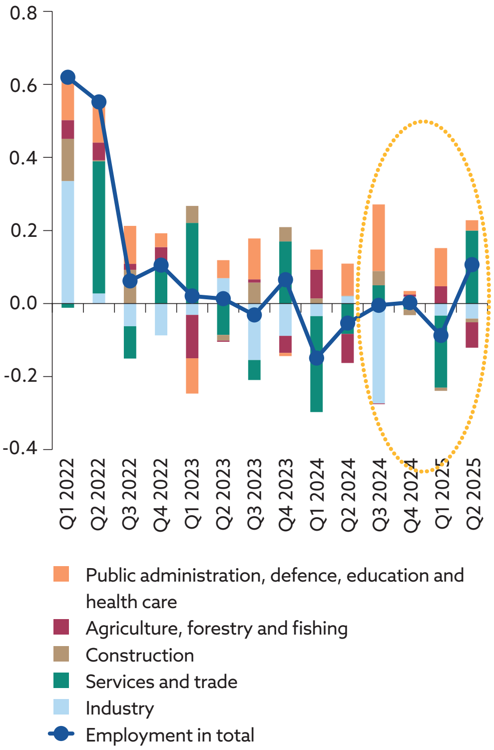


Sources: MF SR, and NBS.
1) Adjusted for absorption for financial instruments.

Employment growth in the second quarter was driven mainly by the services sector and partly by public administration (Chart 12). In the struggling industry sector, the number of employees declined. The recruitment of foreign workers remained elevated, with their inflow in the second quarter being the second highest on record. But despite employment growth, the number of unemployed also increased. This creates a situation where laid-off workers are unlikely to find suitable job offers. The mismatch between labour supply and demand is therefore increasing. With some workers becoming discouraged, an increasing number are staying at home to care for other members of their household. At the same time, the number of students and people unable to work for various other reasons has also increased.

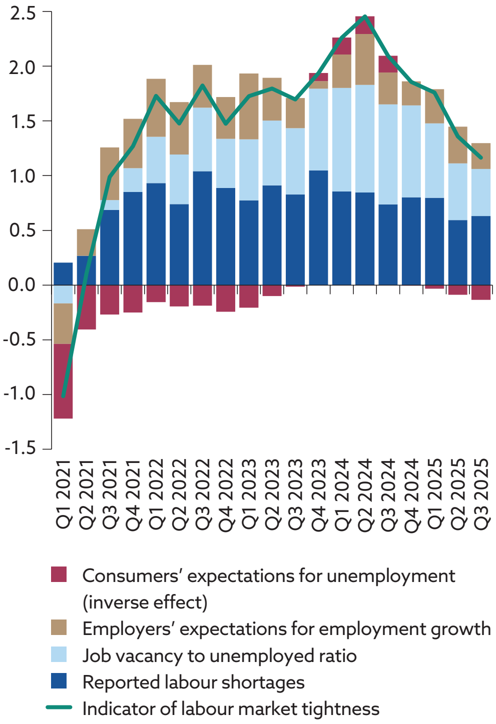
With the economy slowing and the outlook clouded by increasing uncertainty, the labour market is becoming less tight. Firms no longer see labour shortages as such an obstacle as they did until recently. Expectations about future employment have also declined, and households now expect unemployment to increase. The labour market tightness indicator has thus fallen to its lowest level since the end of 2021 (Chart 13).

Chart 12
Employment by sector (quarter-on-quarter percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

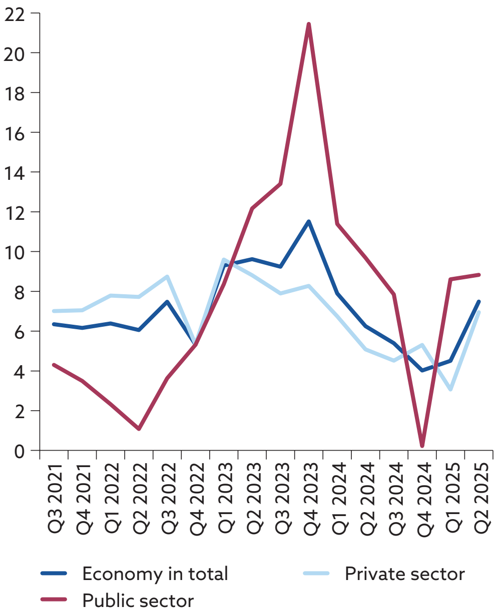
Chart 13
Labour market tightness (percentage point contributions)



Sources: SO SR, ÚPSVaR SR, EC, and NBS.

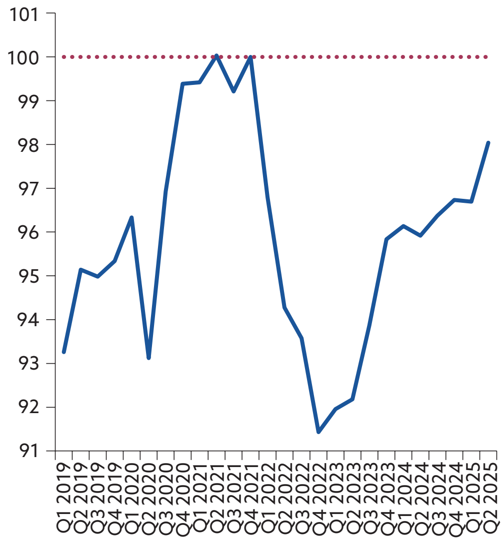
Strong wage growth in the second quarter was of a largely one-off nature. Annual wage growth reached its highest level since the first quarter of 2024, thanks mainly to one-off bonus payments in the public sector as well as in industry. Even after adjusting for these effects, however, wage growth was higher than we had expected. Paradoxically, despite the government's declared consolidation effort, wage growth was higher in the public sector than in the private sector (Chart 14). After adjusting for price growth, people's purchasing power approached the pre-inflation shock level.

Chart 14
Nominal wages by sector (annual percentage changes)



Sources: SO SR, and NBS.

Chart 15
Real wages (index: Q4 2021 = 100)



Sources: SO SR, and NBS.

BOX 1

Two perspectives on real wages

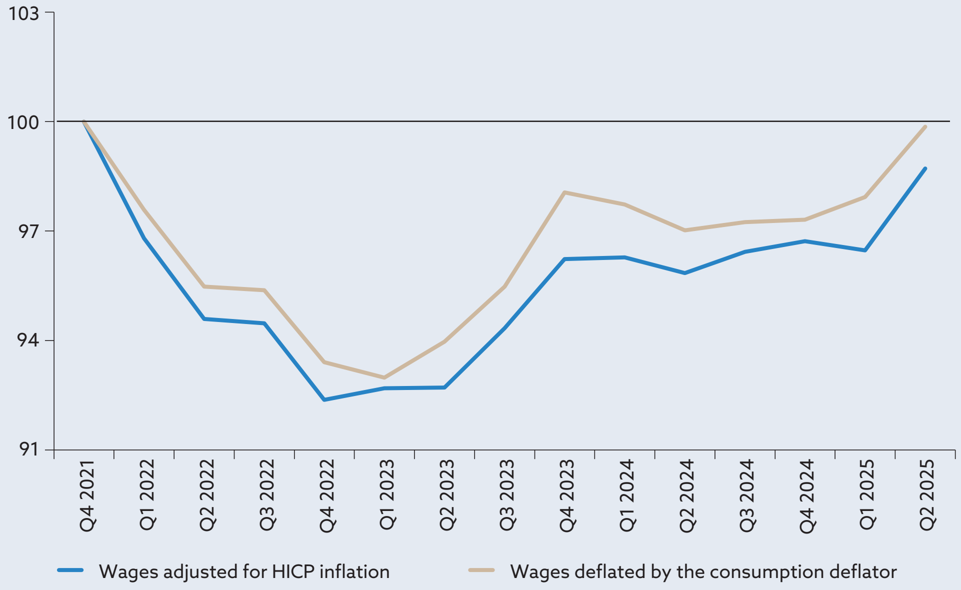
People's purchasing power has not yet returned to where it was before inflation started surging in 2022. For firms, labour costs had already exceeded that threshold in 2023, though some managed to offset this through higher sales volumes. There have been significant differences across sectors. In services, strong demand for labour has led to sharp wage growth, which, as a cost factor, may keep consumer inflation in this sector higher for longer.

After falling sharply during the sudden surge in the general price level in 2022, real wages in Slovakia gradually began to recover last year. In recent quarters, nominal wages have been rising faster than consumer prices, so workers' purchasing power has been moving back towards pre-inflation shock levels.

Average compensation per employee adjusted for HICP inflation was still about one per cent lower in the second quarter of 2025 than at the end of 2021. Compared with the fourth quarter of 2022, when real wages fell by around eight per cent, this is a marked improvement. Other wage indicators show a similar trend, for example those adjusted for inflation measured by the private consumption deflator[2] (Chart A). The gradual improvement in purchasing power may reduce pressure for rapid wage increases, although some employees still feel less well off in relation to their everyday expenses and that their income does not buy them as much as it did before the inflation shock.

[2] The private consumption deflator is based on households' real expenditures and covers a broader range of items, while the HICP tracks prices in a fixed consumption basket.

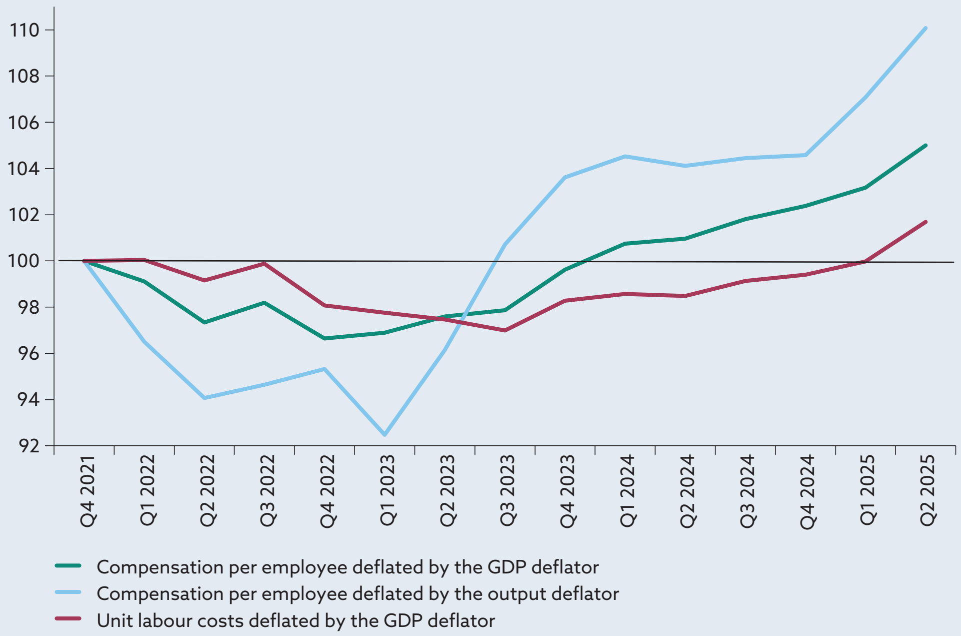
Chart A
Real wages per employee (index: Q4 2021 = 100)



Source: SO SR.

For employees, wages are more an indicator of living standards, while for companies they are primarily a cost factor to be compared with output prices. If nominal wages are deflated by the GDP deflator, the total supply deflator or sectoral value added deflators, it turns out that 'producer real wages' exceeded the pre-inflation shock levels already in 2023 (Chart B).

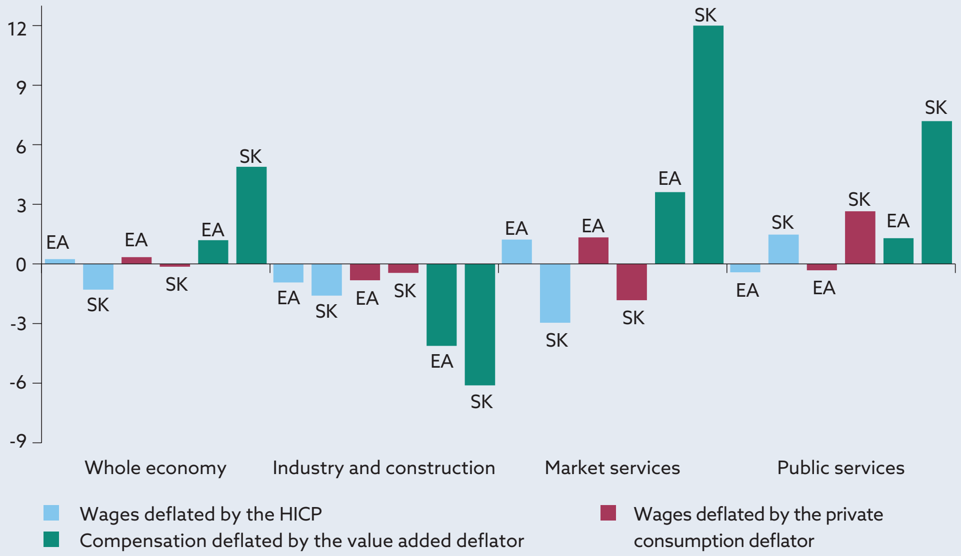
Chart B
Firms' real wage costs (index: Q4 2021 = 100; compensation per employee)



Source: SO SR.

Although from the perspective of employees, real purchasing power has not yet fully rebounded from the inflation shock, for employers these wages already represent an appreciably higher cost than they did in the past. At the sectoral level, the situation varies. In market services and public services, real wages have almost completely caught up with (or exceeded, depending on which price index is used) previous levels, while in industry and construction they remain lower. Inflation affects all employees equally, but nominal wage growth has not been uniform. In services, faster wage growth stemmed from the post-pandemic reopening of the economy and higher demand for labour. Wages increased rapidly in public services – across public administration, healthcare, and education. Conversely, the cost burden of rising wages was highest in energy-intensive sectors exposed to foreign competition – particularly industry and construction. Compared with developments in the euro area, the situation from both the consumer's and the employer's perspective is worse in Slovakia (except among public sector employees) (Chart C).

Chart C
Real wages and compensation per employee in Slovakia and the euro area (index: Q4 2021 = 100)



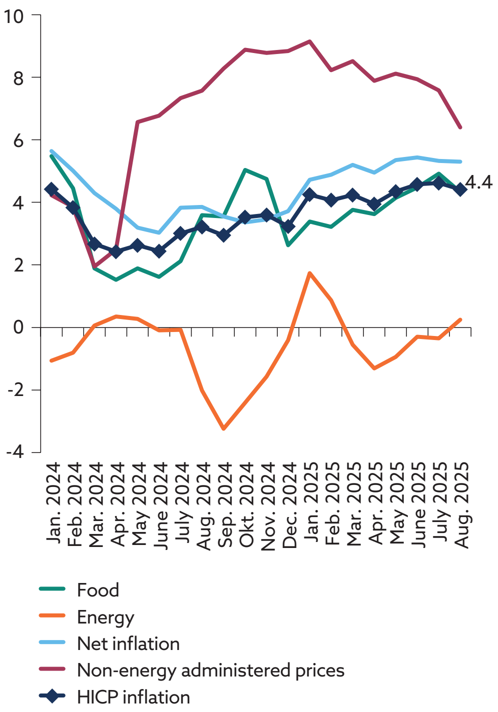
Source: Eurostat.

Slovakia's annual inflation rate stood at 4.4% in August 2025, down from a peak of 4.6% in June and July (Chart 16). The headline rate was higher than projected in the summer forecast (+0.49 percentage points), owing **mainly to food prices and market prices of services (Chart 17).**

The annual growth in market prices of services remains above 7% (Chart 18). For the average household, services are losing relative weight in their consumption. The stickiness of services inflation is also supported by relatively strong wage growth in the sector. Price growth remains elevated across services that have been subject to a reduced VAT rate since the start of 2025.

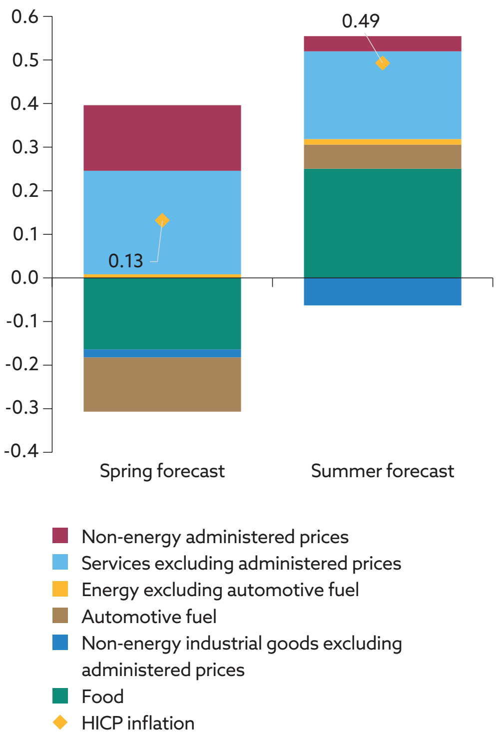
Annual food inflation continues to rise, reflecting the effects of both external and domestic factors. As regards external factors, agricultural commodity price growth has been accelerating. Domestically, food producer price inflation has increased, and wage growth remains relatively strong (Chart 19).

Chart 16
HICP inflation and its components (annual percentage changes)



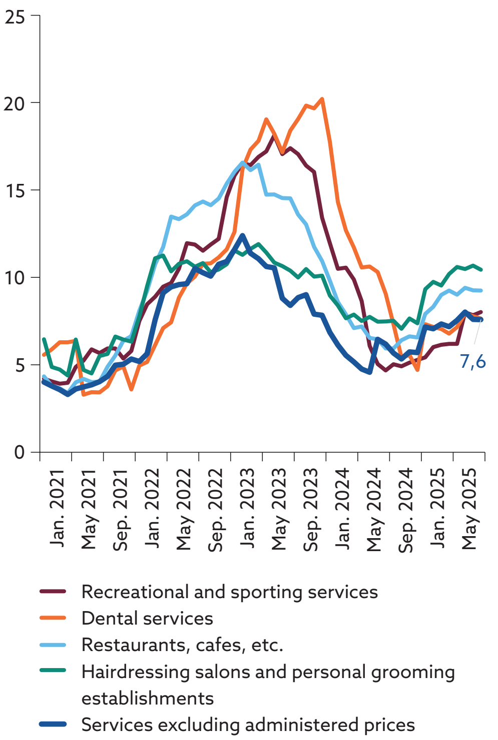
Sources: SO SR, and NBS.

Chart 17
Inflation in August – difference vis-à-vis the spring and summer forecasts (percentage points)



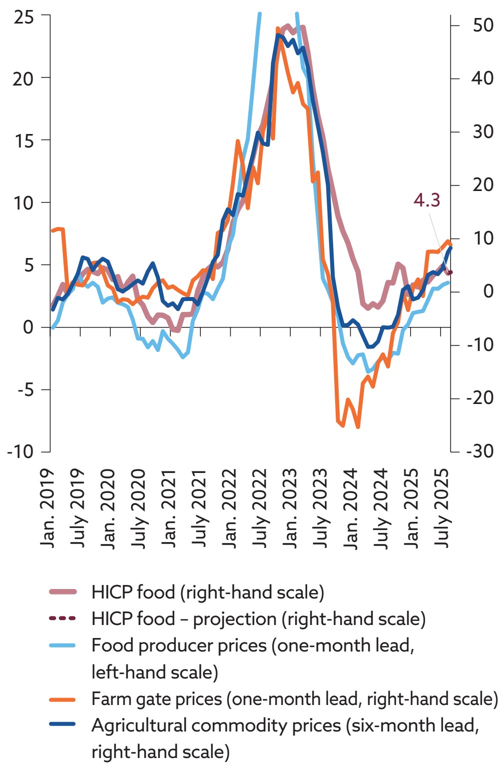
Sources: SO SR, and NBS.

Chart 18
Selected services excluding administered prices (annual percentage changes)



Sources: SO SR, and NBS.

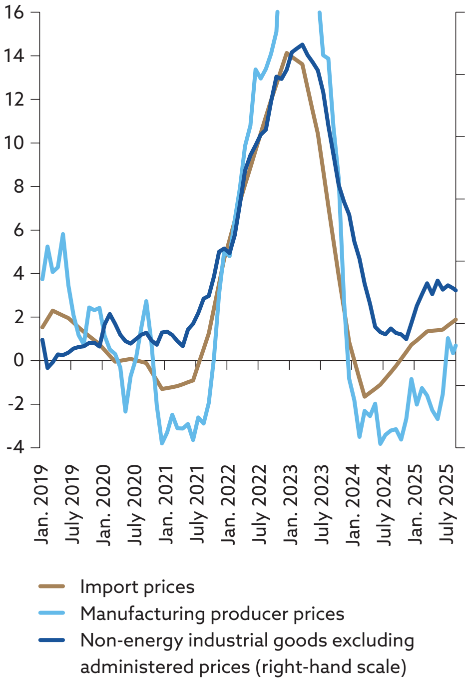
Chart 19
Prices of food and inputs (annual percentage changes)



Sources: SO SR, and NBS.

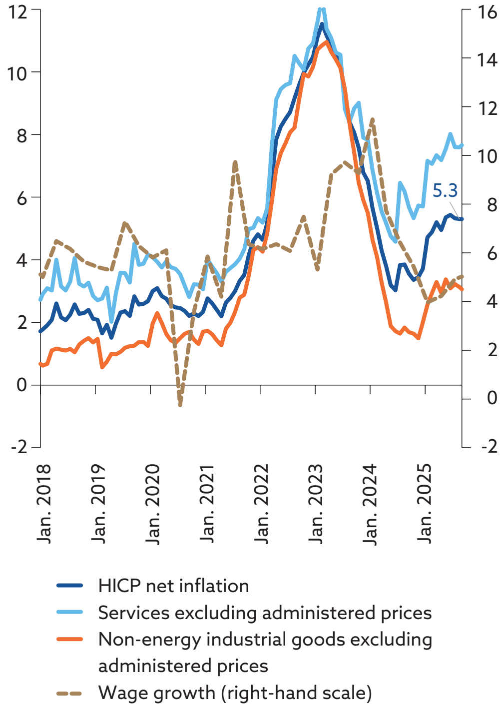
The pass-through of exchange rate appreciation to goods prices has been less pronounced in Slovakia than in the euro area as a whole. Growth in market prices of goods peaked in July (Chart 20). By the end of last year, goods inflation was close to the level of import price growth. Later, however, partly due to tax changes, upward price adjustments in Slovakia were significantly greater than the acceleration of imported product prices. The gap remains, though it has been narrowing.

Chart 20
Import prices, producer prices, and market prices of goods (annual percentage changes)



Sources: SO SR, and NBS.

Chart 21
Net inflation, its components, and wage growth (annual percentage changes)



Sources: SO SR, and NBS.

In the second quarter of 2025, housing prices in Slovakia increased by 2.9% compared with the previous quarter. They are now 2.4% higher than their previous peak in 2022, i.e. before interest rates started rising. While housing price growth early in the year was driven mainly by the market in Bratislava, the second quarter growth was marked by price catch-up in the regions.

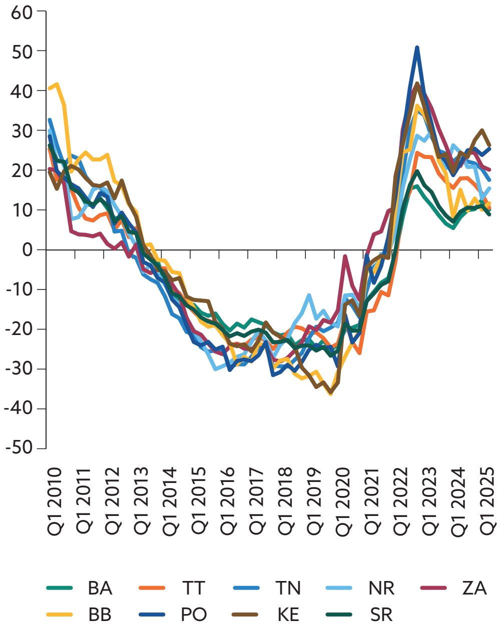
Despite rising property prices, housing affordability improved in the second quarter thanks mainly to surprisingly strong wage growth (Chart 22). On average, the housing affordability index fell (improved) by 2.2 points, with declining mortgage rates also having a downward impact. However, in the regions with the highest housing price growth (Prešov, Nitra, and Banská Bystrica), the higher wage growth was not sufficient to prevent owner-occupied housing becoming less affordable.

The composite index for assessing housing price developments[3] increased slightly in the second quarter, but continues to indicate equilibrium (Chart 23). The sub-indicators contributing to its

[3] In order to assess the impact of housing prices on financial and economic stability, we compare their evolution with the evolution of their underlying theoretical fundamentals. We do so using a composite index based on ratio indicators (the real housing price; price/income; price/rent; mortgage loans/households' gross disposable income; amount of residential construction/GDP). Further information on the composite index's compilation is provided in Cár, M. and Vrbovský, R., 'Composite index to assess housing price development in Slovakia', Biatec, Vol. 27, No 3, Národná banka Slovenska, Bratislava, 2019.

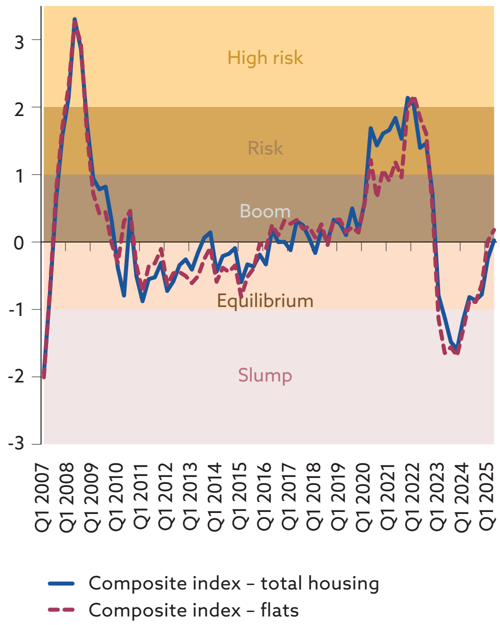
increase were the price-to-income ratio, real prices, and especially the mortgage-to-income ratio. Downward pressure was exerted by the construction component. Inflation, household income, and mortgage borrowing are therefore approximately in line with housing price developments. Nevertheless, residential construction indicators point to potential risks of higher housing price growth.

Chart 22
Housing affordability index (percentages of historical average)



Sources: NARKS, SO SR, United Classifieds, and NBS.
Note: BA stands for Bratislava Region; TT for Trnava Region; TN for Trenčín Region; NR for Nitra Region; ZA for Žilina Region; BB for Banská Bystrica Region; PO for Prešov Region; KE for Košice Region; and SR for Slovak Republic.

Chart 23
Composite index to assess housing price developments



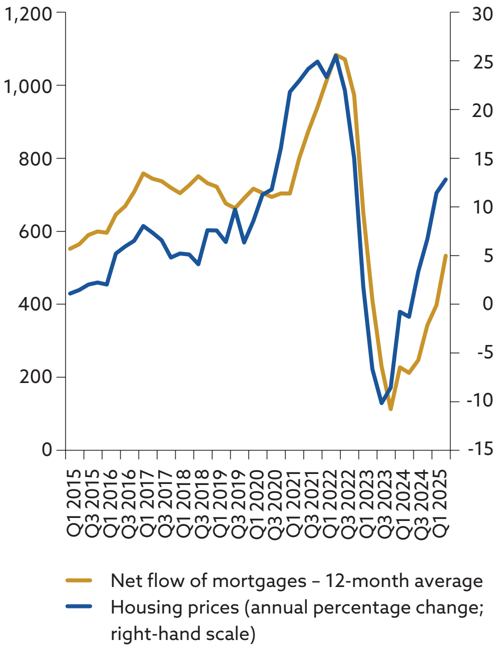
Sources: NARKS, SO SR, United Classifieds, and NBS.

Mortgage lending is growing rapidly, and the gap between its growth and housing price growth is closing quickly (Chart 24). In the light of incoming data, it is now clear that new mortgage growth falling behind housing price growth this year is entirely due to January's temporary outage of land registry services. The volume of pure new mortgages was 36% higher in the second quarter than in the first quarter, while the average mortgage rate fell from 3.9% in the first quarter to 3.7% in the second.

On an annual average basis, both building permits and construction starts for flats are at their lowest levels in the past ten years. (Chart 25). The busiest period of construction in that period occurred in the first half of 2022, after which activity slowed due to sharply rising prices and the monetary policy response. The number of flats on which construction started in the second quarter of 2025 was almost 40% lower than the number for the same period in 2022, and completions were down by one-fifth. The number of flats under construction is also falling, currently standing 5.6% below the ten-year peak reached in 2022.

Chart 24

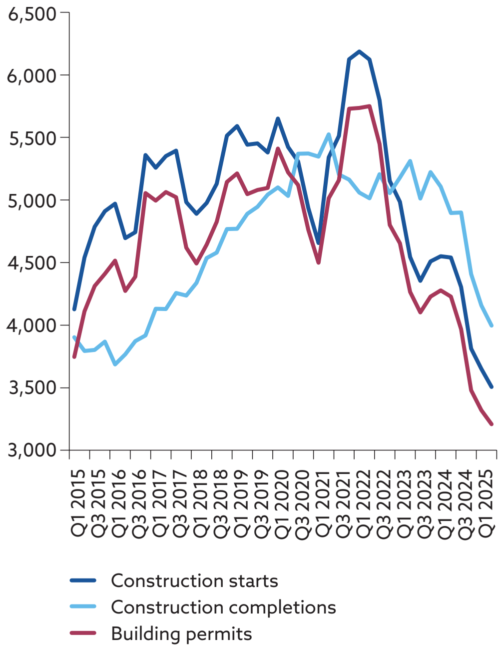
Net flow of mortgages vis-à-vis housing prices (EUR millions; 12-month average; annual percentage changes)



Sources: ECB, and NBS.

Chart 25

Construction of flats (moving annual averages)



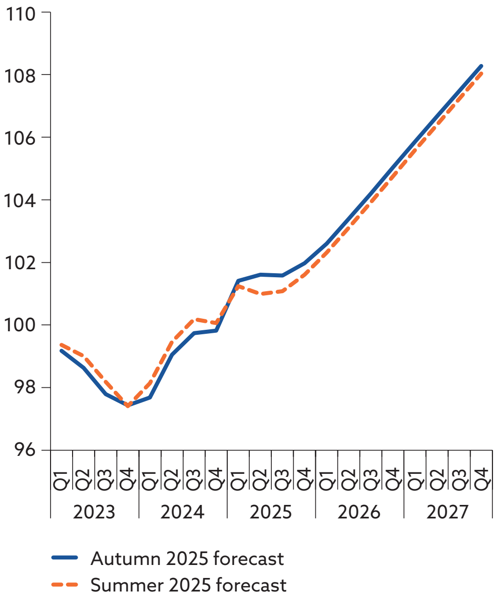
Sources: NARKS, SO SR, United Classifieds, and NBS.

3 Medium-term forecast

3.1 Global outlook and technical assumptions of the forecast[4]

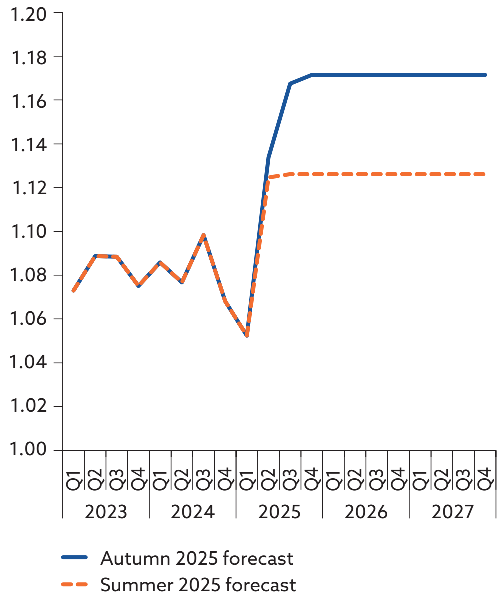
Foreign demand for Slovak products in the first half of 2025 was higher than expected in the summer 2025 forecast. This improvement was short-lived, however, and we expect a slowdown in demand growth in the following quarters. Compared with the previous forecast, the assumptions for foreign demand have been revised up slightly throughout the projection horizon, partly in response to the easing of uncertainty regarding trade tariffs (Chart 26).

Chart 26
Foreign demand (index: Q4 2022 = 100)



Source: NBS.

Chart 27
USD/EUR exchange rate



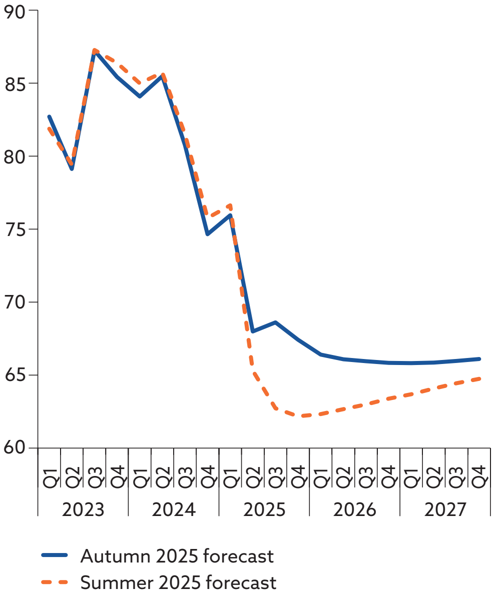
Source: NBS.

The euro's exchange rate against the US dollar continues to appreciate (Chart 27). Compared with the previous forecast, the euro is assumed to strengthen by 4% in 2025, from 1.13 to 1.17 dollars per euro, remaining at that level over the projection horizon. For comparison, the spring forecast assumed an exchange rate of only 1.05 USD/EUR for 2025.

Oil and gas prices have stabilised at low levels (Charts 28 and 29). Compared with the summer forecast, the assumption for the price of a barrel of oil at the end of 2025 has been revised up from USD 62 to around USD 67. The price is then assumed to edge down to USD 66 and remain at that level until the end of 2027. The average assumed wholesale gas price in 2025 has been revised down from €38/MWh to €37/MWh, while its trend over the rest of the forecast is similar to that assumed in the summer forecast, i.e. declining gradually to €29/MWh.

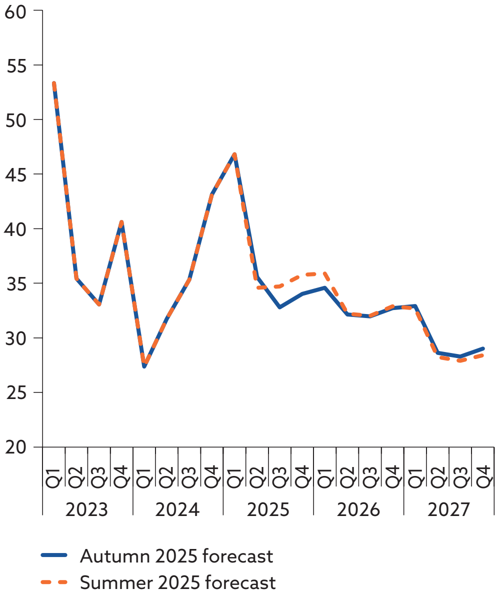
[4] The technical assumptions of this medium-term forecast are based on the September 2025 ECB staff macroeconomic projections for the euro area.

Chart 28
Oil prices in USD



Source: NBS.

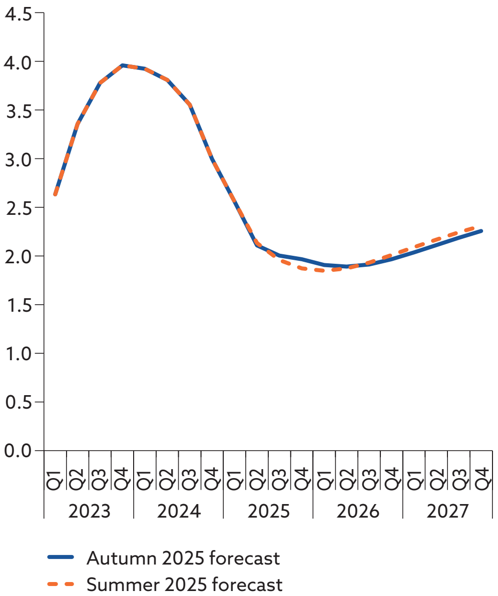
Chart 29
Gas price in EUR/MWh



Source: NBS.

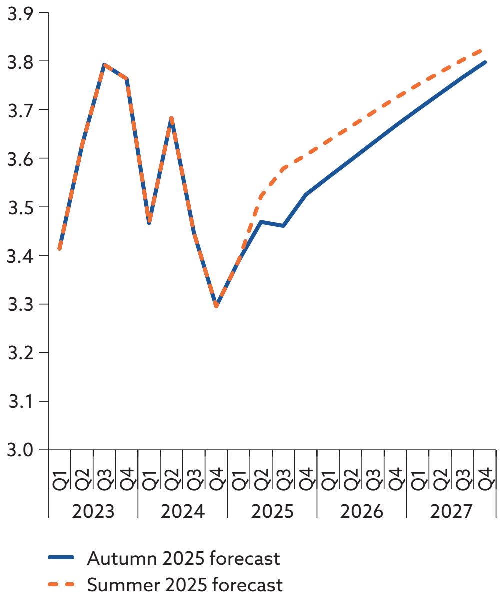
The assumptions for financial variables have also changed. Although market expectations for short-term interest rate movements are similar to those given in the summer forecast, the expectations for long-term rates in 2025 are 10 basis points lower, with yields then expected to rise gradually up to 3.8% by the end of 2027 (Charts 30 and 31).

Chart 30
Three-month EURIBOR



Sources: European Commission, and NBS.

Chart 31
Ten-year Slovak government bond yield



Sources: SO SR, and NBS.

Table 2
External environment and technical assumptions (annual percentage changes, unless otherwise indicated)

	Actual data	Autumn 2025 forecast (MTF-2025Q3)			Difference vis-à-vis the summer 2025 forecast (MTF-2025Q2) in pp		
	2024	2025	2026	2027	2025	2026	2027
Slovakia's foreign demand	0.8	2.6	2.1	3.1	0.8	-0.1	0.0
USD/EUR exchange rate 1) (level)	1.08	1.13	1.17	1.17	2.1	4.0	4.0
Oil price in USD 1) (level)	81.2	70.0	66.1	65.9	4.9	5.1	2.6
Oil price in USD	-2.9	-13.9	-5.6	-0.2	4.8	0.2	-2.4
Oil price in EUR	-3.0	-17.3	-9.2	-0.2	3.3	-1.9	-2.4
Non-energy commodity prices	9.2	4.8	-1.0	0.9	-2.0	-0.6	0.3
Electricity price (EUR/MWh)	-24.9	8.8	-8.0	-5.9	2.9	-2.2	1.4
Gas price (EUR/MWh)	-15.3	8.4	-11.9	-9.6	-1.9	0.5	2.3
Three-month EURIBOR (percentage per annum)	3.6	2.2	1.9	2.1	0.0	0.0	-0.1
Ten-year Slovak government bond yield (percentage)	3.5	3.5	3.6	3.7	-0.1	-0.1	0.0

Sources: ECB, SO SR, and NBS.
Note: Annual percentage changes and changes vis-à-vis the previous forecast are calculated from unrounded figures.
1) Differences vis-à-vis the previous forecast are in percentages.

Table 3
Fiscal consolidation assumptions[5] (percentages of GDP)

	2026	2027
Consolidation package	1.5	1.4
Revenue measures	**0.8**	**0.8**
of which: increase in employee health contributions	0.3	0.2
increase in self-employed contributions	0.2	0.1
higher progressivity of personal income tax	0.1	0.1
increase in VAT	0.1	0.1
other revenue measures	0.1	0.1
Expenditure measures	**0.7**	**0.7**
of which: savings on compensation schemes	0.3	0.3
savings on investment	0.2	0.2
savings on consumption	0.1	0.1
other expenditure measures	0.1	0.1

Sources: NBS.

5 The fiscal consolidation assumptions are lower than those of the Ministry of Finance of the Slovak Republic. This stems partly from different assumptions regarding the no-policy-change (NPC) scenario, which determines the quantification of certain measures (e.g. government savings on expenditures), and partly from different quantifications of the impact of some other measures (e.g. additional tax revenues from the abolition of certain public holidays).

Table 4
Energy price assumptions (annual percentage changes)

		Energy in total	Electricity	Gas	Heat
Autumn 2025 forecast	2025	0.2	1.2	1.6	0.0
	2026	9.7	7.0	12.6	23.0
	2027	9.3	11.9	20.2	-0.4
Summer 2025 forecast	2025	0.0	1.1	1.6	0.0
	2026	0.1	0.3	0.0	-0.1
	2027	6.8	6.6	9.7	5.9

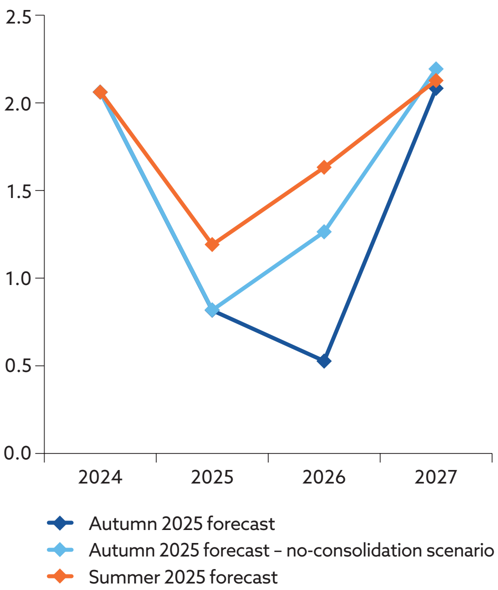
Sources: NBS.

3.2 Macroeconomic forecast for Slovakia

The Slovak economy has barely grown in recent quarters, held back by both external and domestic challenges. In addition to tariffs and the declining competitiveness of Slovakia and Europe, higher costs stemming from the ongoing consolidation of public finances are also weighing on growth.

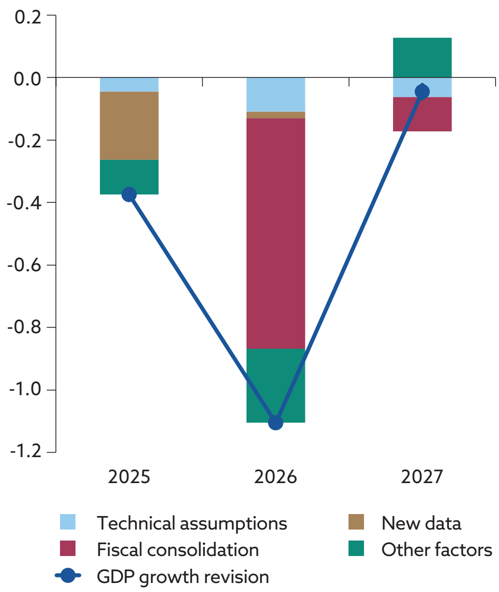
Economic growth is expected to remain anaemic next year under the impact of planned fiscal consolidation (Chart 32). Trade tensions should ease in the wake of recently signed trade deals. While tariffs are likely to remain elevated, the uncertainty surrounding them will diminish. For Slovakia, the reduction of US tariffs on motor vehicles and parts is positive news. The adverse scenario of persistently high tariffs will not materialise, but – consistent with expectations – we anticipate a dampening effect from the necessary consolidation of public finances. Fiscal measures will weigh primarily on households, though we also expect savings on the government side. Overall, the consolidation effort is projected to shave around 0.8 percentage points off economic growth (Chart 33). Even under a no-consolidation scenario, the growth outlook would be revised down.

Chart 32
Economic growth (annual percentage changes)



Sources: SO SR, and NBS.

Chart 33
Revisions to projected economic growth (percentage points)



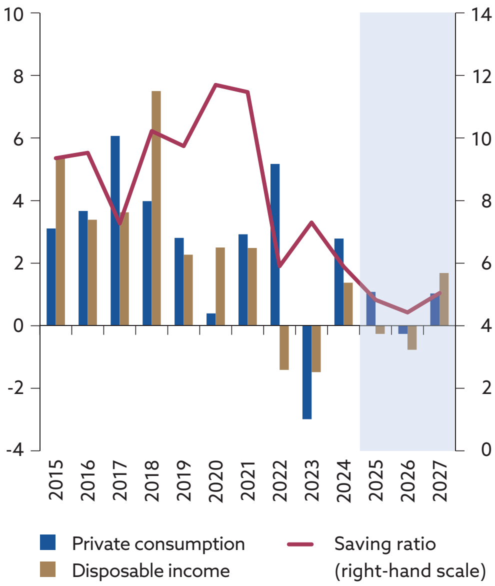
Source: NBS.

Our inflation projections for the coming years have been revised up significantly, implying a reduction in households' purchasing power. This is due to the expected increase in energy prices, which should gradually return to market levels. The government is expected to continue providing targeted energy price compensation to selected groups of households.

The weaker economic outlook stems mainly from a reassessment of the domestic side of the economy. Fiscal consolidation will reduce households' income and increase business costs. The main burden will fall on households, which will need to rein in their spending next year (Chart 34). Real disposable incomes are expected to decline in 2026, reflecting not only the consolidation effort but also adjustments to consumer energy prices. The government is expected to liberalise energy prices, although these should remain partially subsidised for selected households.

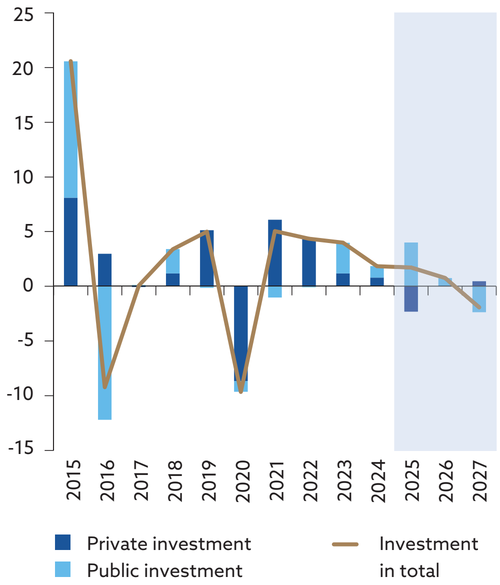
Private investment will also be constrained by fiscal consolidation. Further cost increases will be detrimental to the business environment and to firms' investment decisions. Industry is already struggling to maintain competitiveness, as reflected in weak output and weak investment. The only factors still holding them up are ongoing investment in the automotive industry and, to a lesser extent, inflows of EU funds to the private sector. Not until 2027 is private investment expected to start recovering moderately (Chart 35). Over the next few quarters, the absorption of EU funds could more than offset shortfalls in the private sector.

Chart 34
Private consumption (annual percentage changes)



Sources: SO SR, and NBS.

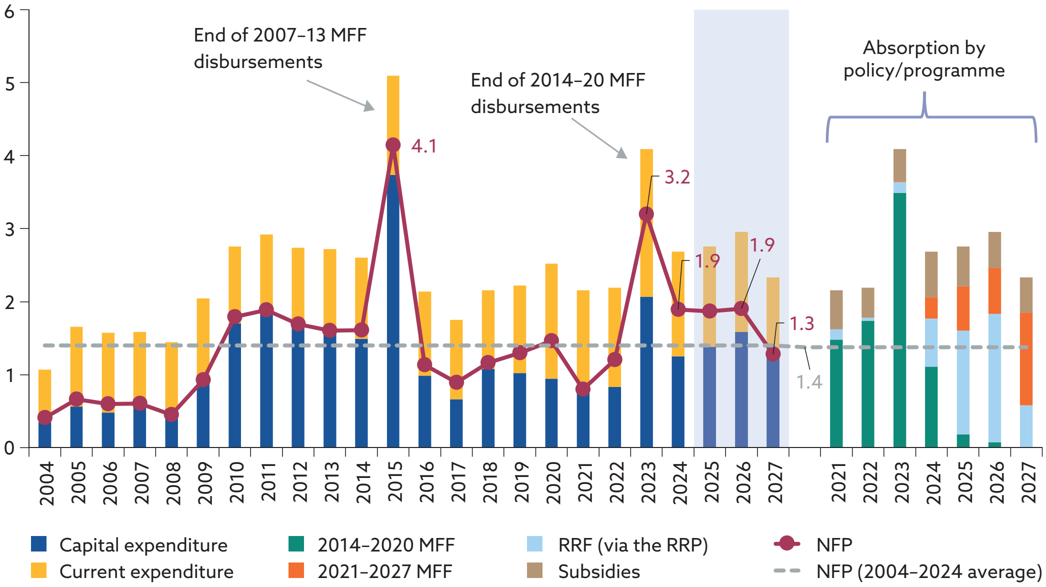
Chart 35
Investment (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

In the 2025–26 horizon, the main source of funding from the EU will be the remaining disbursements from the Recovery and Resilience Facility (RRF), allocated under the national recovery and resilience plan (Chart 36). This keeps the absorption of EU funds above the long-term average, while also improving Slovakia's net financial position vis-à-vis the EU budget. In 2027, cohesion funds of the current EU programming period will become the principal source of EU funds for Slovakia. Overall absorption is, however, losing momentum, as typically happens in Slovakia after the end of programming cycles. Compared with the previous forecast, Slovakia's net financial position vis-à-vis the EU budget is worse in 2026 and 2027, owing to higher payments to the budget. In other words, even assuming that EU funds are absorbed at a similar pace, the net contribution to the EU budget, after accounting for payments, will be weaker than previously expected. In 2027 the net position is projected to be slightly below the long-term average.

Chart 36
Slovakia's absorption of EU funds and net financial position (percentages of GDP)



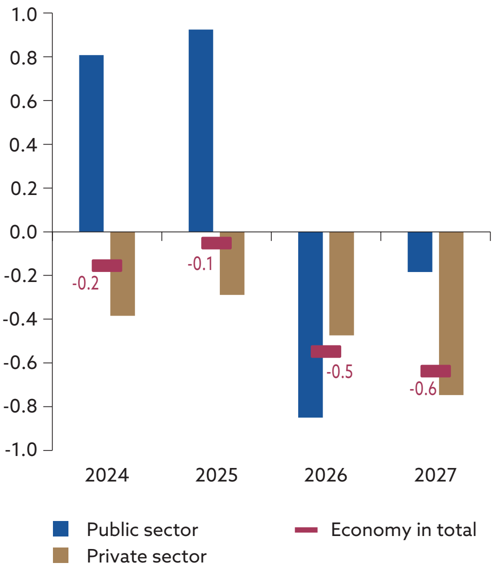
Source: NBS.
Note: NFP stands for net financial position; MFF stands for Multiannual Financial Framework.

Exports are projected to sustain Slovakia's economic growth. The easing of global trade tensions and the agreements reached on tariffs should bolster international trade, benefiting Slovak firms as well. For the Slovak economy, a reduction in tariffs on motor vehicles and parts – below the originally announced level – is particularly welcome. Once ongoing investments in the automotive industry are completed and new production begins, Slovakia's export performance is expected to improve, with the strongest effect anticipated in 2027.

Fiscal consolidation measures are projected to result in around 17,000 job losses (Chart 37). In total, compared with 2024, the economy is expected to shed some 30,000 jobs by the end of 2027. Despite a solid result in the most recent quarter, the labour market situation is less favourable than it might appear – adverse trends are present in the background. The strong employment result reflects mainly job growth in services and public administration. In services, however, the jobs created are generally less productive, lower paid, and filled largely by foreigners. In public administration, employment has reached a historical high despite ongoing consolidation measures. By contrast, the struggling industrial sector is laying off workers, and those leaving are only partly being replaced by foreign labour. The labour market mismatch, with a shortage of skilled workers, is expected to persist. Laid-off employees will swell the ranks of the unemployed, causing the unemployment rate to rise after its long downward trend. This will make the labour market somewhat less tight and curb wage growth.

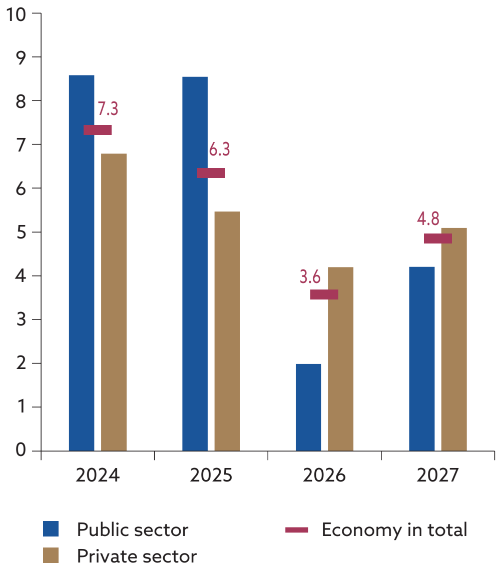
A weaker economy and higher unemployment will dampen nominal wage growth next year. Wages are expected to slow significantly, and with inflation still elevated, households' purchasing power will stagnate. No improvement is envisaged until 2027.

Chart 37
Employment (annual percentage changes)



Sources: SO SR, and NBS.

Chart 38
Nominal compensation per employee (annual percentage changes)



Sources: SO SR, and NBS.

Table 5
Wages (annual percentage changes)

	2023	2024	2025	2026	2027
Nominal labour productivity	12.2	5.9	4.7	4.4	5.8
Nominal wages – whole economy	9.9	5.9	5.9	3.6	4.7
Real wages – whole economy	-0.5	3.0	1.8	0.1	1.2
Nominal wages – private sector	8.6	5.4	5.2	4.0	5.0
Real wages – private sector	-1.7	2.6	1.1	0.4	1.5
Nominal wages – public sector	13.9	7.0	7.8	2.7	3.9
Real wages – public sector	3.1	4.2	3.6	-0.8	0.4

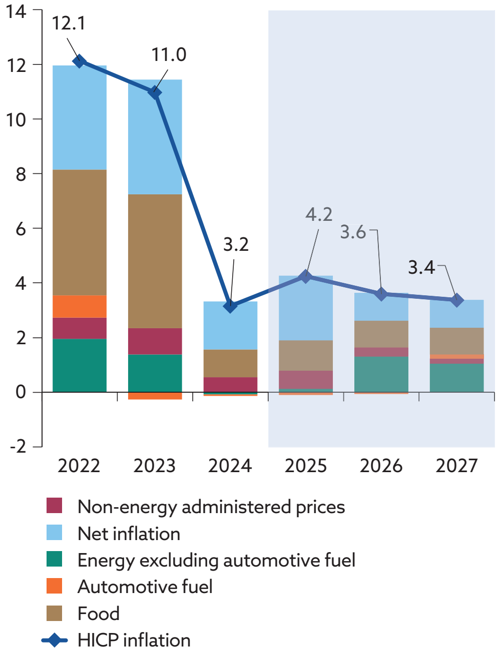
Sources: SO SR, and NBS.
Notes: Deflated by the CPI. Nominal labour productivity is defined as GDP per person in employment (ESA 2010).

With the energy price liberalisation approaching, inflation is likely to remain elevated for a longer period (Chart 39). Nevertheless, the headline rate is projected to decline compared with 2025. The main change in the inflation forecast is the assumption for consumer energy prices. The government is likely to meet the EU's requirement to avoid blanket price subsidies and will be able to use EU funds for targeted support. This will necessitate aligning energy prices with market levels, which is expected to add roughly one percentage point to headline inflation. Uncertainty stems from how the targeted compensation will be structured, as this will determine whether the price adjustment is fully or only partly reflected in inflation.

The consolidation effort is expected to have a slightly negative impact on prices. This year's consolidation led to strong price growth, since consumption taxes were raised significantly and firms' costs increased sharply. The impact was particularly evident in services inflation, which exceeded our expectations. Accordingly, we have revised up the inflation forecast for this year. Next year's consolidation will affect households more directly – curbing demand – and inflation in goods and services is therefore expected to be more subdued.

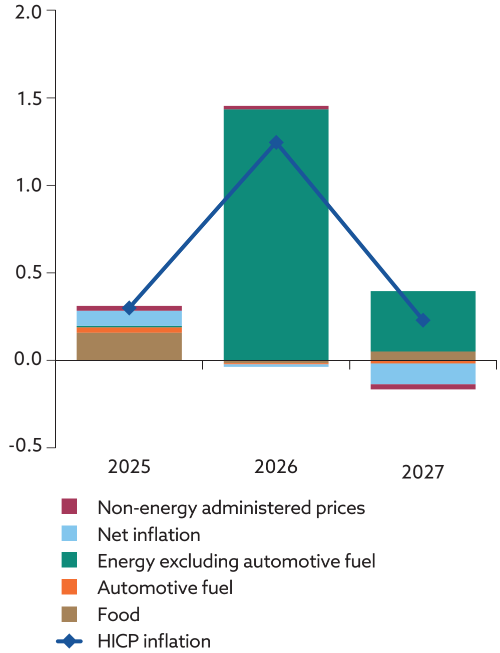
Lower expected global market prices should help dampen inflation. Compared with the previous forecast, food prices are projected to rise more slowly, reflecting favourable developments on global commodity exchanges. A stronger euro exchange rate could also ease external price pressures. However, domestic factors – especially labour costs – remain significant for food prices. Increases in the minimum wage and in social security contributions are therefore expected to push food prices higher.

Chart 39
HICP inflation and its components (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

Chart 40
Change in projection vis-à-vis the summer 2025 forecast (percentage points)



Sources: SO SR, and NBS.

Table 6
Components of HICP inflation (annual percentage changes)

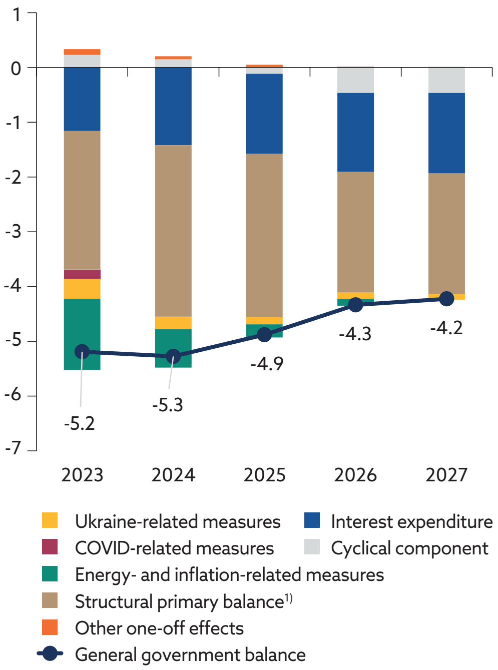
	Average for 2004–08 (pre-crisis period)	Average for 2010–14 (post-crisis period with euro currency)	2023	2024	2025	2026	2027
HICP	**4.1**	**2.0**	**11.0**	**3.2**	**4.2**	**3.6**	**3.4**
Food	3.6	3.1	15.6	3.2	3.8	3.4	3.4
Non-energy industrial goods	0.2	0.3	8.8	2.4	2.7	1.1	1.4
Energy	8.3	2.3	7.4	-0.9	0.2	9.7	9.3
Services	5.3	2.5	10.1	5.9	8.0	3.4	2.6
Net inflation	1.8	1.0	9.3	3.9	5.1	2.1	2.1

Sources: SO SR, and NBS.

3.3 Public finance projections

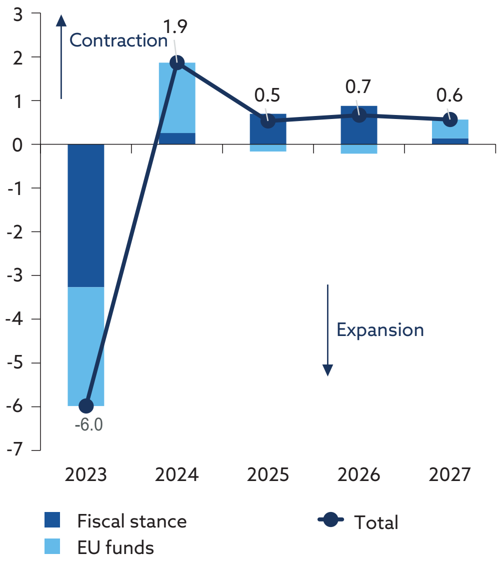
Slovakia's general government deficit for 2025 is projected to be 4.9% of GDP (Chart 41). Its year-on-year improvement is due largely to a reduced need for the government to compensate households and firms for high energy prices. The structural deficit shows only a marginal change, owing to strong government consumption growth (more than 7%), particularly in public sector wages and spending on goods and services. That growth is preventing a faster improvement in the fiscal balance, but since the growth has been offset by statutory tax increases, the structural balance is expected to remain unchanged year-on-year. The currently announced (third) fiscal consolidation package should have positive effects in 2026, when structural consolidation of 0.8 percentage points is projected. Public debt will rise to above 60% of GDP this year and continue exceeding that threshold throughout the projection period, despite the implementation of ambitious consolidation measures (Chart 46).

Chart 41
Decomposition of the general government balance (percentages of GDP)



Sources: SO SR, and NBS
1) Excluding pandemic-, Ukraine- and energy-related measures.
Notes: One-off factors include non-cyclical effects that have a temporary impact on the general government balance and are supposed to be eliminated in the future. Additional government spending from 2025 should include targeted social assistance for vulnerable groups at risk from rising gas prices. Given, however, that the form and size of these expenditures is still unclear, they are classified within the structural primary balance.

Chart 42
Fiscal stance (percentage points of GDP)



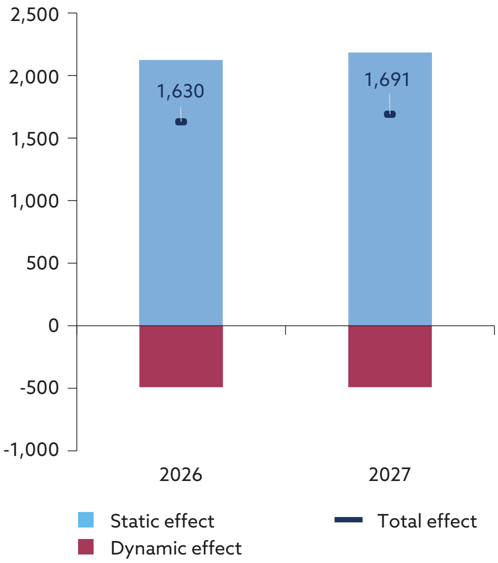
Sources: SO SR, and NBS.
Note: Fiscal stance – annual rate of change in the cyclically adjusted primary balance.

Compared with the previous forecast, the fiscal deficit projections have been revised down by 0.6 percentage points of GDP in each year of the forecast, with the consolidation effort distributed roughly evenly between the revenue and expenditure sides of the budget. Around 30% of the improvement stems from increases in labour taxes and social security contributions[6] (Chart 44). A further 40% is achieved through savings on wage expenditure, current operating expenditure and capital expenditure, while the remaining 30% consists of indirect tax increases[7] and other legislative changes.

The fiscal consolidation will dampen economic growth and ultimately reduce its own impact. In both 2026 and 2027 we expect the negative impact of slower economic growth to be more than EUR 0.5 billion (Chart 43), dampening the impact of consolidation by almost one-quarter.

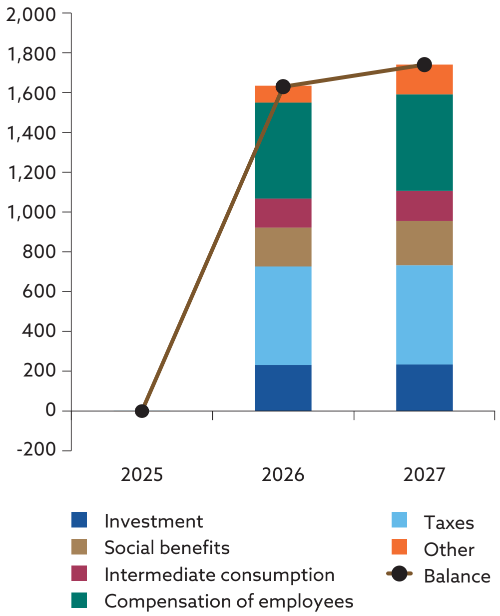
6 A higher tax and social security contribution burden on above-average income earners, increased social security contributions of the self-employed, and higher health insurance contributions of employees.
7 For example, gambling tax and restrictions on VAT deductions for cars.

Chart 43
Impact of dynamic effects on consolidation effort (EUR millions)



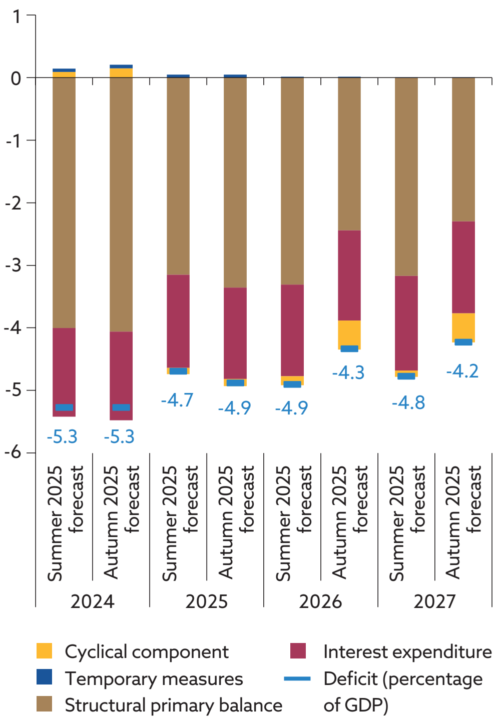
Source: NBS

Chart 44
Composition of consolidation (EUR millions)



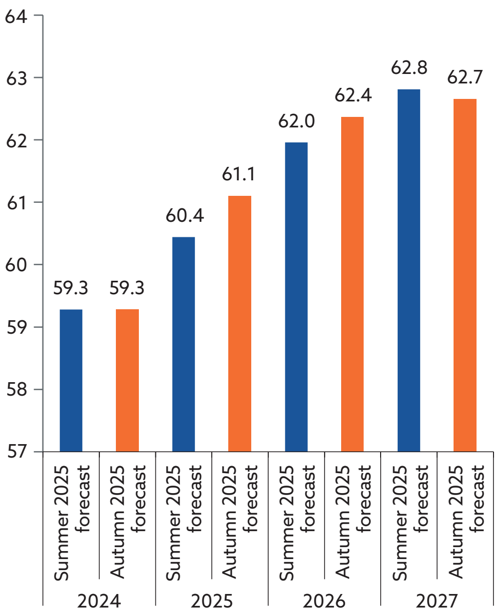
Source: NBS.

Chart 45
Comparison of projections for the deficit and its decomposition (percentages of GDP; percentage point contributions)



Source: NBS.

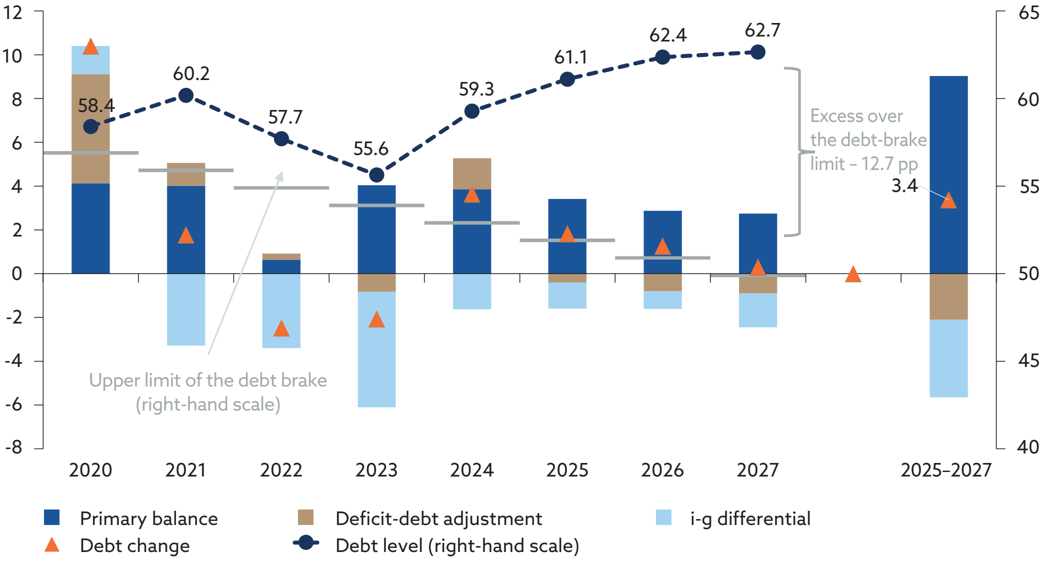
Chart 46
Comparison of public debt projections (percentages of GDP)



Source: NBS.

Gross public debt will rise above 60% in 2025 and remain above that threshold throughout the projection period, despite fiscal consolidation measures (Chart 47). Next year's deficit reduction is expected to translate into lower financing needs and, by extension, more moderate borrowing. Over the next three years, the debt is not expected to exceed 63% of GDP.

Chart 47
Public debt and factors of change (left-hand scale: percentage points of GDP; right-hand scale: percentages of GDP)



Sources: NBS, and SO SR.
Notes: The deficit-debt adjustment refers to the factor that reconciles the fiscal deficit with the debt change. The i-g differential captures the impact of interest rates and economic growth on the debt change.

BOX 2

Consolidation efforts hampered by a strong external headwind

The success of fiscal consolidation depends to a large extent on the economic environment in which it is pursued. In times of economic downturn or stagnation, governments find it particularly difficult to consolidate public finances – with revenues falling, social spending rising, and cuts potentially amplifying the recession. Under such conditions, deficit-reduction efforts usually have only a minimal effect on lowering public debt.[8] Consolidation undertaken in 'good times' (during economic growth) has a greater chance of reducing debt for the long term, while consolidation in 'bad times' (during a recession or economic downturn) tends to fail.

The global economic outlook has gradually deteriorated in the recent period. As a small, open economy, Slovakia is particularly sensitive to developments abroad. Forecasts by international institutions, including the International Monetary Fund (IMF, Charts A and B), have indicated a gradual deterioration in global economic growth during the key years of Slovakia's consolidation effort. Growth expectations have been consistently revised downwards, with this trend most evident in the euro area – Slovakia's most important trading market.

[8] Ando, S., Mishra, P., Nikhil, P., Peralta-Alva, A. and Presbitero, A.F., "Fiscal consolidation and public debt", *Journal of Economic Dynamics and Control*, Vol. 170, January 2025, Article 104998. https://doi.org/10.1016/j.jedc.2024.104998

Chart A
World GDP (annual percentage changes)

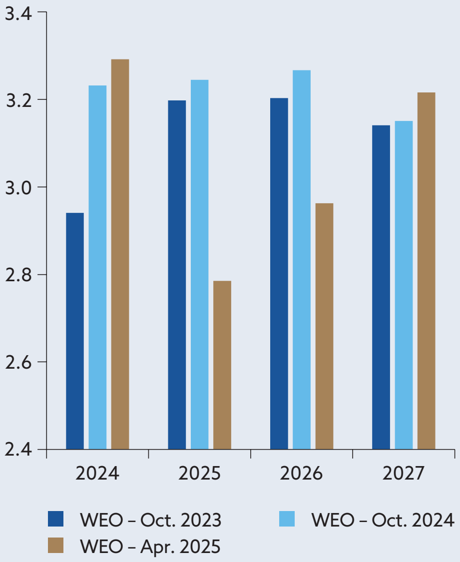
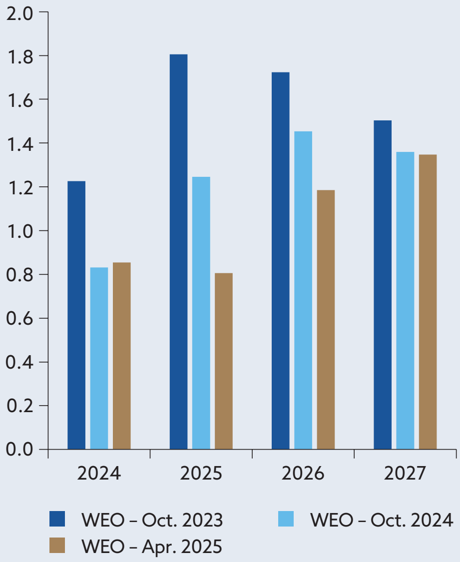


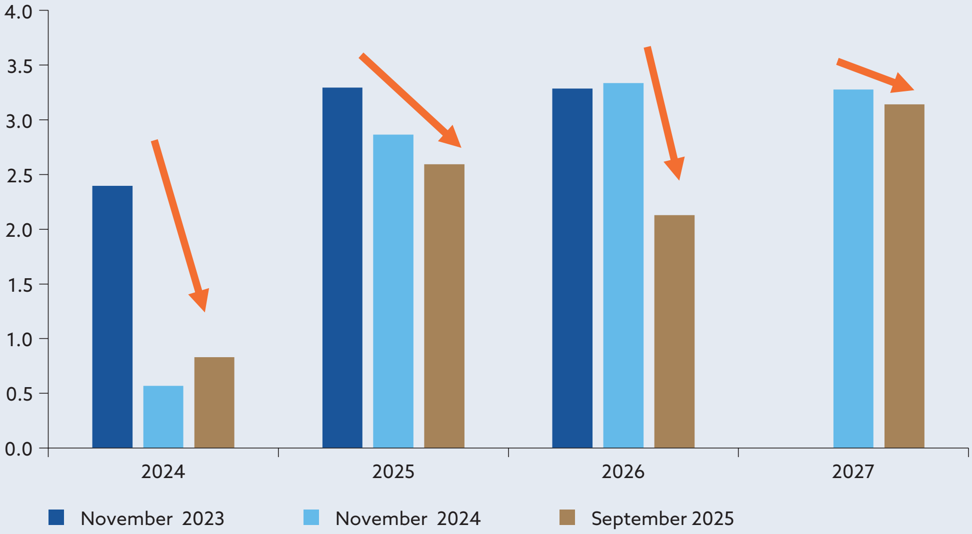
Chart B
Euro area GDP (annual percentage changes)



Sources: IMF World Economic Outlook (WEO) – October 2023, October 2024 and April 2025 editions.

For Slovak producers, the euro area's weaker performance means slower growth in their markets. This is reflected in lower projected growth in foreign demand for Slovak exports (Chart C). At the end of 2024, foreign demand growth projections for 2025 and 2026 were around 3%, but now they are down to 2.5% for this year and only 2% for next year.

Chart C
Foreign demand for Slovak exports (annual percentage changes)



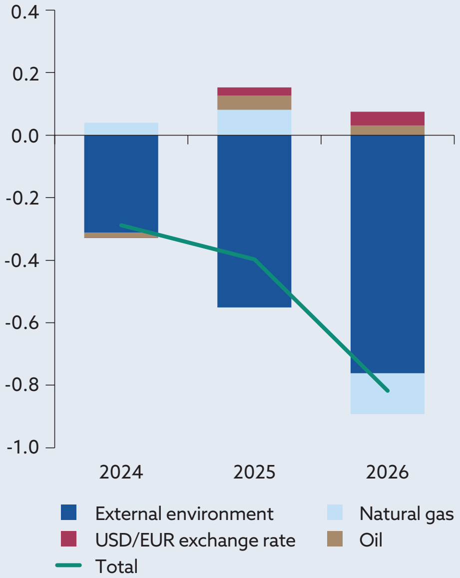
Sources: ECB projections, and NBS projections.

The deteriorating international environment is clearly weighing on Slovakia's economic growth (Chart D). The negative impact on GDP of the decline in foreign demand for Slovak exports since December 2023 is estimated to be 0.4 percentage points this year, rising to

0.8 percentage points in 2026. This unfavourable trend is partially offset by falling energy commodity prices and the euro's appreciation against the dollar.

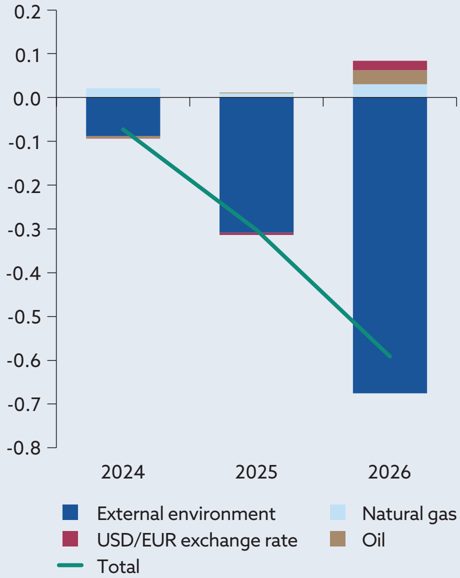
The economic slowdown caused by external factors is a significant headwind to the government's consolidation efforts. Weaker economic activity is limiting the growth of public finances and increasing the risk of higher deficits and rising debt (Charts E and F). The negative impact of the deteriorating external environment on the fiscal deficit is currently estimated to be 0.3 percentage points this year and up to 0.6 percentage points in 2026.

Chart D
Estimated impact of the external environment[9] on GDP growth (percentage points)



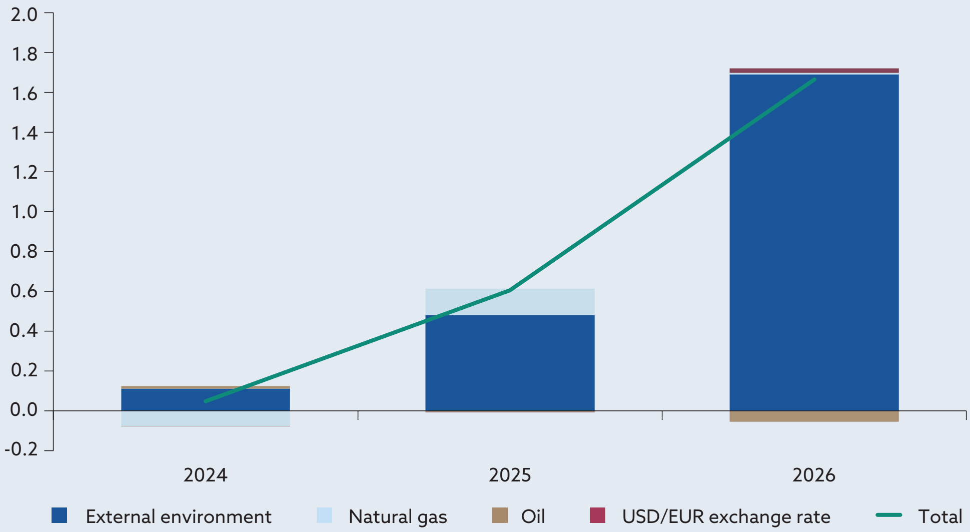
Source: NBS.

Chart E
Estimated impact of the external environment on the fiscal deficit (percentage points of GDP)



Source: NBS.

Chart F
Estimated impact of the external environment on public debt (percentage points of GDP)



Sources: NBS.

9 The external environment comprising developments in foreign demand as well as in external prices and interest rates.

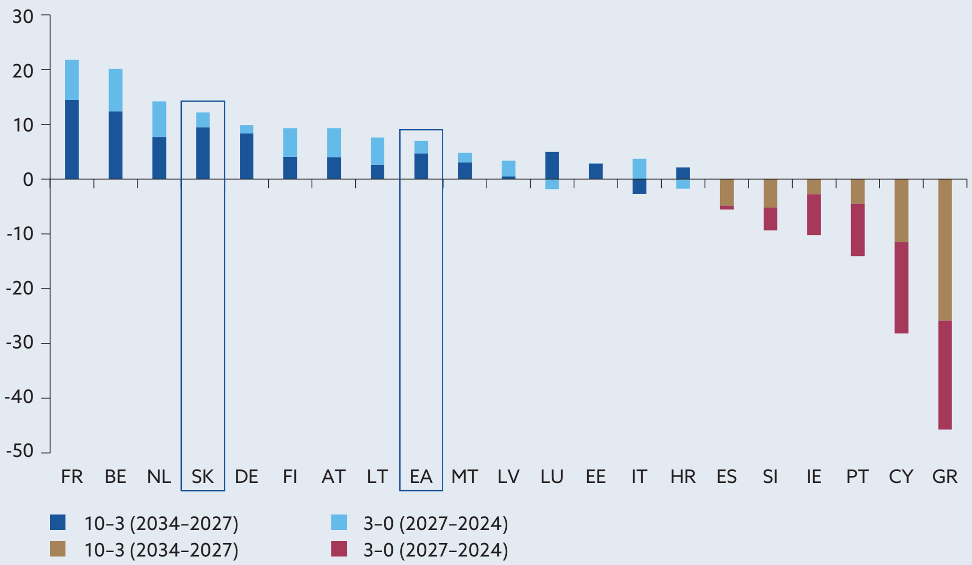
BOX 3

Public debt sustainability in Slovakia across forecasts

Public sector indebtedness in Slovakia has been rising for a long time, and the latest forecasts envisage the public debt ratio exceeding the 60% of GDP mark already this year. Experience shows that fiscal consolidation is particularly challenging during periods of slower economic growth, but postponing it leads to even higher costs in the future. Without systematic reforms and measures to curb spending growth, the rising debt trend will not stop in the next ten years, increasing the risk to the long-term sustainability of public finances.[10]

In an international comparison of euro area countries, Slovakia is among the four with the most unfavourable projected growth in public debt (Chart A), both in short-term forecasts and in the long-term debt sustainability analysis (DSA). Although the public debt ratio is not among the highest in the euro area, its projected dynamics pose a significant risk to the long-term stability of public finances.

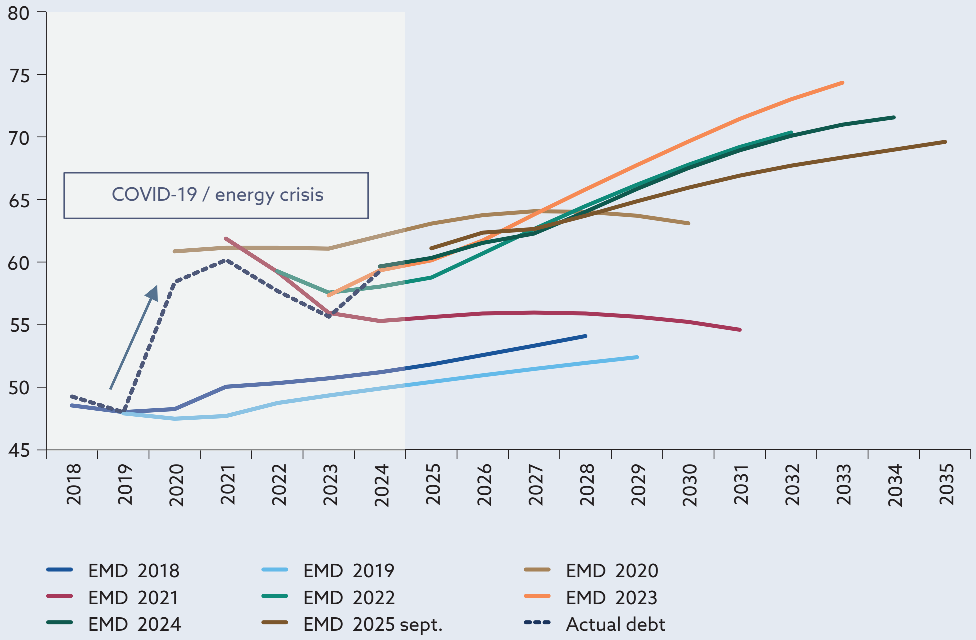
Chart A
Change in public debt between 2027–2024 and 2034–2027 (10–3 / 3–0) (percentages of GDP)



Source: NBS.

10 Public debt is considered sustainable if the government is able to meet its obligations over the medium term under realistic assumptions for economic growth, interest rates, and fiscal policy. The NBS debt sustainability scenario (DSA) is constructed on such assumptions and is regularly updated in NBS forecasts. It serves as a reference scenario providing a consistent, model-based projection of future debt over a ten-year horizon. It is derived from NBS forecasts (typically for a shorter three-year horizon), while the trajectory of the structural primary deficit and government debt beyond the forecast horizon is set so that fiscal rules are met at the minimum required level (i.e. no European Commission sanctions are triggered). The rules are based on the current economic situation (over the three years to the end of the forecast) and on simulated expected economic developments (convergence of key variables: GDP growth converges towards potential growth; inflation converges towards long-term inflation; interest rates converge towards average market expectations).

Chart B
Slovak public debt projections (percentages of GDP)



Source: NBS.
Notes: EMD stands for Economic and Monetary Developments, which NBS publishes on a quarterly basis. The projections are taken from the winter editions, except for the EMD 2025 projection, which is from the current autumn edition.

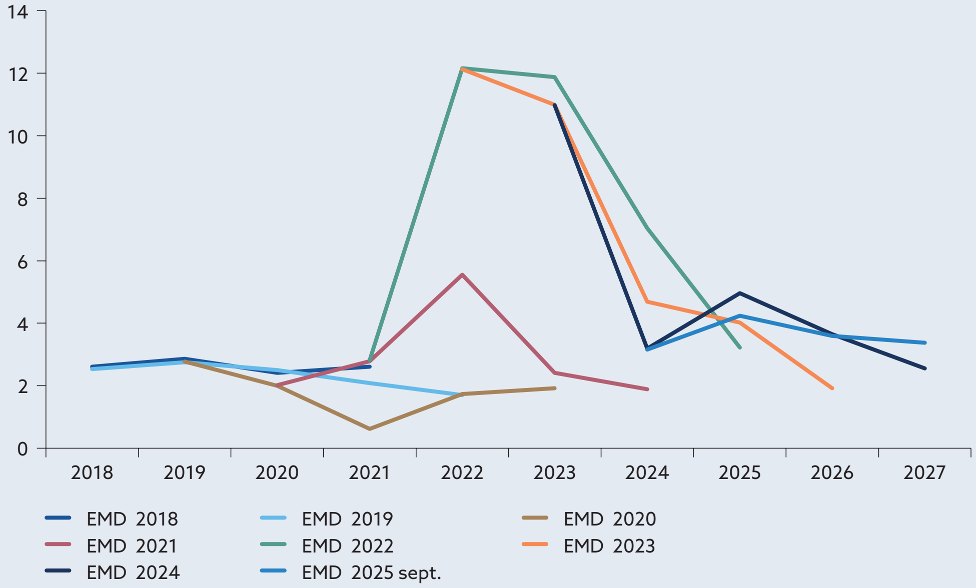
The evolution of Slovakia's public debt and its simulated trajectory based on debt sustainability analysis (DSA) (Chart B) have been shaped by several significant events and macroeconomic factors:

- **Pre-pandemic period (2018–2019):** Forecasts from December 2018 and 2019 showed only a slight increase in debt beyond the forecast horizon. This was due to low budget deficits in the pre-pandemic years, which kept debt on a relatively stable trajectory. At that time, Slovakia ranked among the more fiscally responsible euro area countries.
- **COVID-19 pandemic (2020):** In 2020 there was a sharp, outlying increase in the debt level, as measures to mitigate the pandemic's economic and social impact caused a fiscal deficit surge. Although the deficit itself remained relatively stable in subsequent years, this shock shifted the debt trajectory to a higher level. NBS forecasts from this period therefore showed only a modest further increase in debt.
- **Pandemic period and pre-energy crisis period (2021):** The December 2021 forecast was still relatively favourable. At that time, inflation was not expected to rise significantly, and it helped reduce the deficit in the short term through higher tax revenues. This allowed a downward revision of the public debt projection to below 60% of GDP at the forecast horizon. Counting also on a low deficit at that horizon, it was assumed that public debt would remain stable at around 55% of GDP. This outlook, however, was largely conditional on the favourable short-term impact of inflation, but that impact would fade over the longer term.[11]

[11] Inflation growth boosts fiscal revenues in the short term through its upward impact on VAT, excise duty and income tax revenues, helping to reduce the fiscal deficit. On the other hand, a significant share of public expenditure – particularly pensions, social transfers, and public sector wage costs – is subject to indexation with a lag. As a result, these expenditures increase in subsequent periods, leading to a renewed rise in the deficit.

- **Energy crisis and high inflation (from 2022):** The December 2022 forecast already reflected a worsened macroeconomic framework. After the positive impact of high inflation faded and with the onset of the energy crisis, the public debt projections deteriorated significantly. DSA simulations show continuous debt growth over the entire ten-year horizon, with no signs of stabilisation. This trend reflects a combination of higher deficits, rising expenditure, and higher interest costs in an environment of elevated uncertainty.

Chart C
HICP inflation projections (annual percentage changes)



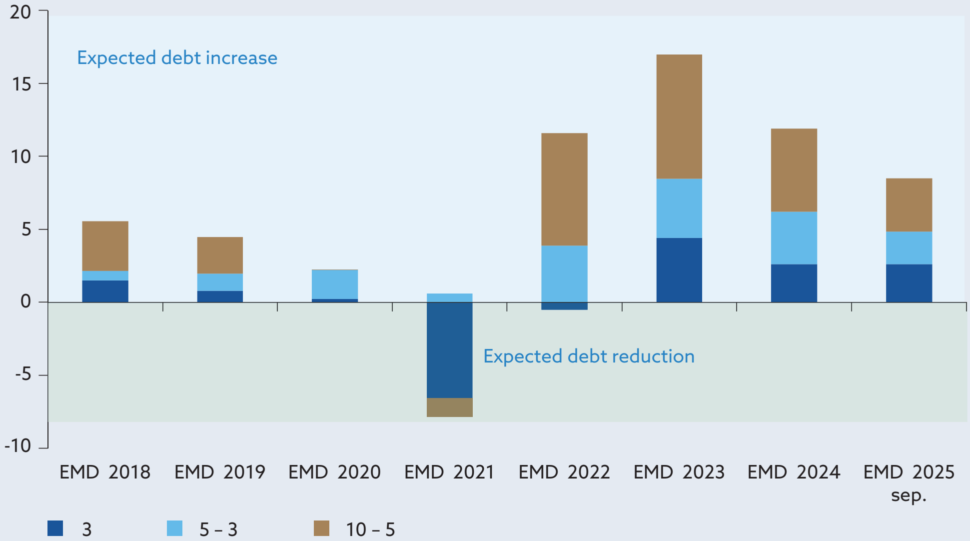
Source: NBS.
Notes: EMD stands for Economic and Monetary Developments, which NBS publishes on a quarterly basis. The projections are taken from the winter editions, except for the EMD 2025 projection, which is from the current autumn edition.

According to NBS forecasts (three-year horizon) and DSA model results (five- and ten-year outlook), the projected trajectory of public debt has deteriorated in recent years. While the debt projections were rising only slightly in the period 2018-2020, their upward trajectory became more pronounced between 2022 and 2024.

Two fiscal consolidation packages[12] have already improved debt sustainability by mitigating the negative trend. A third package of consolidation measures is expected (in the autumn 2025 EMD) to help further slow debt growth in the medium term. Nevertheless, additional consolidation will be needed in the coming years to return public debt dynamics to pre-crisis levels.

[12] Adopted in 2023 and 2024; in Chart C, both are reflected only in the December 2024 forecast, since the year-end 2023 package was adopted after the forecast had been finalised.

Chart D
Expected change in public debt three, five and ten years after the most recent observation (percentages of GDP)



Sources: NBS.
Notes: EMD stands for Economic and Monetary Developments, which NBS publishes on a quarterly basis. The projections are taken from the winter editions, except for the EMD 2025 projection, which is from the current autumn edition. Positive debt change values indicate an expected increase in the debt level. For stability/sustainability purposes, zero or negative values are required.

3.4 Risks to the forecast

The risks to economic and inflation outlooks remain elevated in the current forecast. On the one hand, the risks stemming from global developments, especially trade tensions, have eased slightly. There is, however, increased risk from the domestic environment. As yet unspecified expenditure-side consolidation measures and the uncertain impact of other measures represent a significant risk to the economic outlook in both directions. Hence, there is considerable uncertainty as to how developments will unfold, and the actual outcome may differ substantially from our forecast.

The largest risk to the inflation outlook comes from energy price adjustments. It is still unclear in what form and for which households the government will subsidise energy prices, and to what extent the higher prices will actually pass through to the consumer price index and thus to the headline inflation rate. Another major unknown is the impact of consolidation measures. The liberalisation of energy prices, together with a significant decline in household incomes, will weaken consumer demand and put downward pressure on inflation. On the other hand, firms will face higher costs and may pass them on to consumers. In the forecast, we assume that weaker demand will have the prevailing impact, though the final outcome remains uncertain.

Table 7
Forecast for key macroeconomic indicators

Autumn 2025 medium-term forecast (MTF-2025Q3)								
Indicator	Unit	Actual data	Autumn 2025 forecast (MTF-2025Q3)			Difference vis-à-vis the summer 2025 forecast (MTF-2025Q2)		
		2024	2025	2026	2027	2025	2026	2027
Price developments								
HICP inflation	annual percentage change	3.2	4.2	3.6	3.4	0.3	1.3	0.3
CPI inflation	annual percentage change	2.8	4.1	3.5	3.5	0.2	1.0	0.4
GDP deflator	annual percentage change	3.6	3.8	3.3	3.0	0.6	0.4	0.2
Economic activity								
Gross domestic product	annual percentage change, constant prices	2.1	0.8	0.5	2.1	-0.4	-1.1	0.0
Private consumption	annual percentage change, constant prices	2.8	1.1	-0.3	1.0	0.8	-1.7	0.0
General government final consumption	annual percentage change, constant prices	3.7	1.1	-0.5	1.3	-0.1	-2.4	-0.4
Gross fixed capital formation	annual percentage change, constant prices	1.8	1.7	0.8	-1.9	1.8	-3.1	-1.1
Exports of goods and services	annual percentage change, constant prices	-0.2	3.7	1.1	4.0	1.4	-0.6	-0.1
Imports of goods and services	annual percentage change, constant prices	1.5	5.1	0.8	2.3	1.8	-1.4	-0.3
Net exports	EUR millions at constant prices	3,882	2,794	3,110	4,856	-329.8	352.6	572.2
Output gap	percentage of potential output	0.4	-0.5	-1.6	-1.4	-0.1	-1.1	-1.1
Gross domestic product	EUR millions at current prices	130,985	137,129	142,420	149,702	340.8	-569.8	-384.0
Labour market								
Employment	thousands of persons, ESA 2010	2,430	2,429	2,416	2,400	8.5	1.8	-10.2
Employment	annual percentage change, ESA 2010	-0.2	-0.1	-0.5	-0.6	0.3	-0.2	-0.5
Number of unemployed	thousands of persons, LFS [1)]	148	149	167	183	1.6	5.0	17.0
Unemployment rate	percentage	5.3	5.4	6.1	6.7	0.1	0.2	0.7
NAIRU estimate [2)]	percentage	6.1	6.1	6.1	6.0	0.0	0.0	0.0
Labour productivity [3)]	annual percentage change	2.2	0.9	1.1	2.7	-0.7	-0.8	0.4
Nominal productivity [4)]	annual percentage change	5.9	4.7	4.4	5.8	-0.2	-0.4	0.7
Nominal compensation per employee	annual percentage change, ESA 2010	7.3	6.3	3.6	4.8	1.3	-0.7	0.2
Nominal wages [5)]	annual percentage change	5.9	5.9	3.6	4.7	1.1	-0.8	0.3
Real wages [6)]	annual percentage change	3.0	1.8	0.1	1.2	0.9	-1.8	-0.1
Households and non-profit institutions serving households								
Disposable income	annual percentage change, constant prices	1.4	-0.3	-0.8	1.7	0.7	-2.8	0.6
Saving ratio [7)]	percentage of disposable income	5.9	4.8	4.4	5.0	0.1	-0.7	-0.2

Table 7
Forecast for key macroeconomic indicators (continued)

Indicator	Unit	Actual data	Autumn 2025 forecast (MTF-2025Q3)			Difference vis-à-vis the summer 2025 forecast (MTF-2025Q2)		
		2024	2025	2026	2027	2025	2026	2027
General government sector [8)]								
Total revenue	percentage of GDP	41.8	42.8	43.4	42.2	-0.1	0.6	0.5
Total expenditure	percentage of GDP	47.1	47.7	47.8	46.5	0.0	0.0	-0.1
General government balance [9)]	percentage of GDP	-5.3	-4.9	-4.3	-4.2	-0.2	0.6	0.6
Cyclical component	percentage of trend GDP	0.2	-0.1	-0.5	-0.5	0.0	-0.3	-0.4
Structural balance	percentage of trend GDP	-5.5	-4.8	-3.9	-3.8	-0.2	0.9	0.9
Cyclically adjusted primary balance	percentage of trend GDP	-4.0	-3.3	-2.4	-2.3	-0.2	0.9	0.9
Fiscal stance [10)]	annual percentage point change	0.3	0.7	0.9	0.1	-0.2	1.1	0.0
General government gross debt	percentage of GDP	59.3	61.1	62.4	62.7	0.7	0.4	-0.2
Balance of payments								
Goods balance	percentage of GDP	-0.8	-1.6	-1.4	-0.1	-0.1	0.3	0.5
Current account	percentage of GDP	-4.6	-4.5	-4.6	-3.3	-0.5	-0.3	-0.1
External environment and technical assumptions								
Slovakia's foreign demand	annual percentage change	0.8	2.6	2.1	3.1	0.8	-0.2	-0.1
USD/EUR exchange rate [11), 12)]	level	1.08	1.13	1.17	1.17	2.2	4.0	4.0
Oil price in USD [11), 12)]	level	81.2	70.0	66.1	65.9	4.9	5.1	2.6
Oil price in USD [11)]	annual percentage change	-2.9	-13.9	-5.6	-0.2	4.8	0.2	-2.4
Oil price in EUR [11)]	annual percentage change	-2.9	-17.6	-8.8	-0.2	2.9	-1.5	-2.4
Non-energy commodity prices in USD	annual percentage change	9.2	4.8	-1.0	0.9	-2.0	-0.6	0.3
Electricity price in EUR/MWh [11)]	annual percentage change	-24.9	8.8	-8.0	-5.9	2.9	-2.2	1.4
Gas price in EUR/MWh [11)]	annual percentage change	-15.3	8.4	-11.9	-9.6	-2.0	0.5	2.2
Three-month EURIBOR	percentage per annum	3.6	2.2	1.9	2.1	0.1	0.0	-0.1
Ten-year Slovak government bond yield	percentage	3.5	3.5	3.6	3.7	0.0	-0.1	-0.1

Sources: NBS, ECB, and SO SR.
Note:
1) Labour Force Survey.
2) Non-accelerating inflation rate of unemployment
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 (ESA 2010).
6) Wages (ESA 2010) 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) Sector S.13.
9) B9n – Net lending (+) / net 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-à-vis the previous forecast are calculated from unrounded figures.
12) Changes vis-à-vis the previous forecast (percentages).

More detailed time series of selected macroeconomic indicators can be found on the NBS website at:
https://nbs.sk/en/publications/economic-and-monetary-developments/