Economic and Monetary Developments

Spring 2025

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Abbreviations

BIS	Bank for International Settlements
bp	basis point(s)
CEE	central and eastern Europe(an)
CPI	Consumer Price Index
DSA	debt sustainability analysis
ECB	European Central Bank
EC	European Commission
ESA 2010	European System of Accounts 2010
ESI	Economic Sentiment Indicator (of the European Union)
EU	European Union
EUI	Economic Uncertainty Indicator
EUR	euro
EURIBOR	euro interbank offered rate
Eurostat	statistical office of the European Union
GDP	gross domestic product
HAI	housing affordability index
HICP	Harmonised Index of Consumer Prices
IMF	International Monetary Fund
IMF DOTS	IMF Direction of Trade Statistics
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	Slovak National Association of Real Estate Agencies / Národná asociácia realitných kancelárií Slovenska
NBS	Národná banka Slovenska
NGEU	NextGenerationEU
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)
RRF	Recovery and Resilience Facility (of the European Union)
RRP	recovery and resilience plan (of the Slovak Republic)
SK	Slovakia
SO SR	Statistical Office of the Slovak Republic
ÚPSVaR SR	Central Office of Labour, Social Affairs and Family of the Slovak Republic / Ústredie práce, sociálnych vecí a rodiny Slovenskej republiky
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

Uncertainty is back in a fundamental way and is weighing on the whole economy.

Unrelenting geopolitical tensions and the introduction of trade tariffs are undermining economic growth outlooks across the world, including in Slovakia. In addition to global nervousness, there is domestic uncertainty stemming from the as yet unknown impacts of recently adopted fiscal consolidation measures, as well as from a lack of clarity about future austerity measures. Firms continue to grapple with volatile gas prices, which remain elevated compared with the pre-pandemic period. Households still do not know to what extent the government will subsidise gas and heat prices in the coming years.

Uncertainty is hindering economic recovery. The unpredictability of future developments is causing great concern in financial markets, with implications for the real economy. Foreign demand for Slovak products and services has therefore weakened again, and the time when it will start rebounding is shifting further out. Heightened uncertainty is one reason why business investment surprised on the downside at the end of 2024.

Slovak exporters are not alone in feeling the weakened position of European manufacturers in world markets. Domestic industry is therefore struggling, but car manufacturing is an exception. In fact, the country's large carmakers continue to have relatively favourable expectations – somewhat paradoxically given the difficulties in the German automotive sector.

Despite all the adverse factors, the Slovak economy is expected to grow at around two per cent over the next three years. Consumer demand will be spurred as income growth outpaces inflation. Investment will be concentrated in the public sector and financed largely from EU funds. Although the threat of trade wars looms over exports, firms are expected to find sufficient demand for their products.

Employment is estimated to stay at current levels, but only with the support of foreign worker inflows. Population ageing is an irreversible demographic trend in Slovakia. Rising retirements will put upward pressure on wages, which are projected to grow by almost 5% per annum in the period ahead.

Annual headline inflation for 2025 will temporarily exceed 4%, largely due to uncertainty and tax changes. Their impact is most evident in services prices and administered prices. Over the next two years, inflation is projected to slow towards 3%.

Fiscal performance should improve this year, with the general government deficit expected to narrow to 4.4% of GDP. Unless additional consolidation measures are adopted, the deficit will remain at a similar level in the coming years, preventing the stabilisation of public debt.

Risks to the forecast are highly elevated, predominantly on the downside for the real economy and on the upside for inflation. The economy could be further hampered by a weaker recovery in global trade and by the effects of tariffs and uncertainty. Domestic risks include any additional fiscal consolidation and the rate of absorption of EU funds.

Inflation could be higher than projected owing to any acceleration of global commodity prices and the potential alignment of consumer energy prices with market levels

Table 1
Key economic indicators

	Actual data	Spring 2025 medium-term forecast (MTF-2025Q1)			Difference vis-à-vis the winter 2024 forecast (MTF-2024Q4)		
	2024	2025	2026	2027	2025	2026	2027
GDP (annual percentage change)	2.0	1.9	1.9	2.1	-0.4	-0.1	-0.2
HICP (annual percentage change)	3.2	4.3	2.9	3.2	0.2	0.1	-0.1
Average nominal wage (annual percentage change)	5.9	5.0	4.5	4.8	-0.1	-0.5	0.2
Average real wage (annual percentage change)	3.0	0.6	1.4	1.6	-0.1	-0.7	0.2
Employment (annual percentage change; ESA 2010)	-0.2	0.0	0.0	0.0	-0.1	-0.1	-0.2
Unemployment rate (percentage; Labour Force Survey)	5.3	5.2	5.5	5.5	-0.3	-0.2	0.0

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

This report takes a closer look at the following topics:

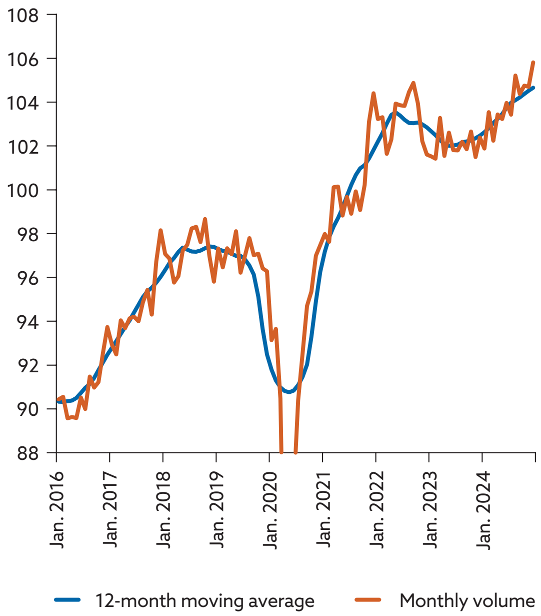
- **The consolidation package has unsettled firms and households.** In October 2024, when the consolidation package was announced, Slovakia recorded the highest increase in uncertainty among EU countries. People increasingly focused on the fiscal consolidation package and specific measures. The rise in uncertainty was most pronounced among poorer households and among firms in the trade and services sectors. This uncertainty is also having a detrimental impact on economic sentiment.
- **Tax changes have affected consumer prices in different consumption basket categories to varying degrees.** Firms operating in the accommodation and restaurant services sector have barely passed on their VAT reduction to the end prices for their customers. As for the impact of VAT increases, not only have services prices risen sharply, so too, unusually, have administrative fees, postal charges and bus fares. The impact on market-determined prices has so far been only moderate. The movement in food prices at the start of this year was generally attributable to the VAT adjustment.
- **A trade war will be generally damaging, particularly for Slovakia.** The newly imposed US tariffs on imports from China, Canada, Mexico and the EU, and the subsequent retaliatory tariffs are estimated to cause an almost 3% reduction in Slovakia's GDP by the end of 2027, with Slovak exports being €5 billion lower than they would be if tariffs had not been raised and with twenty thousand jobs being lost. The domestic sectors most dependent on international trade – manufacturing, transportation, and trade – are expected to suffer appreciable losses.

2 Current macroeconomic developments in the external environment and Slovakia

2.1 External environment

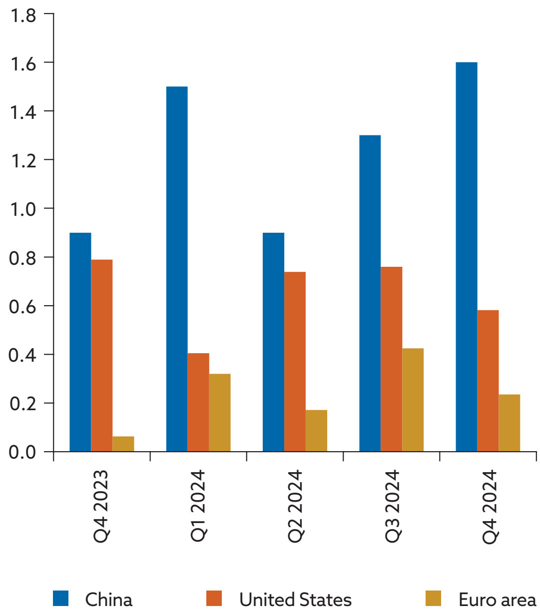
The global economy maintained a favourable path in the last quarter of 2024. Strong services activity remained the key driver of this trend, while the decline in manufacturing activity eased. Frontloading of imports ahead of the looming introduction of higher tariffs, especially in the United States, added impetus to global trade activity (Chart 1). China was the main beneficiary through the upward impact on its exports. Benefiting also from economic policy measures targeted at supporting domestic demand and the real estate sector, China's economic growth accelerated towards the end of the year (Chart 2). The US economy maintained favourable growth, albeit slightly slower than before, as it continued to benefit from strong consumer demand. In the euro area, economic growth also moderated slightly, but for a second consecutive quarter it was supported by rebounding private consumption and, to a lesser extent, investment. On the other hand, persistent problems in industry translated into weaker export performance.

Chart 1
Global trade volume (index: 2010 = 100)



Source: Macrobond.

Chart 2
GDP growth in selected countries (quarter-on-quarter percentage changes)



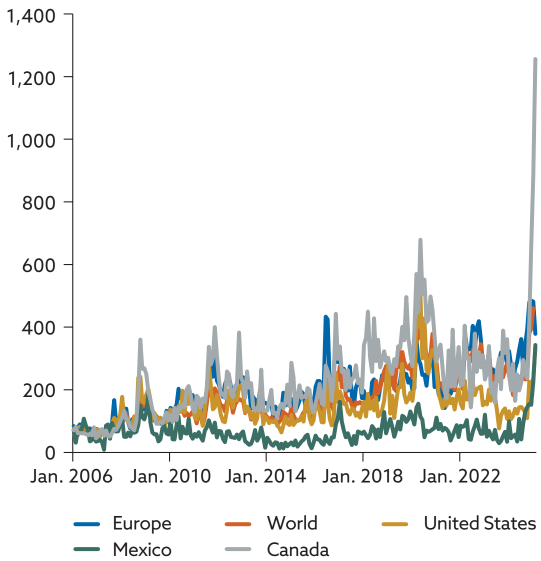
Source: Macrobond.

The adverse effects of higher tariffs are now, however, starting to weigh more heavily on the global economy. Uncertainty surrounding the US trade policy stance has already increased significantly (Chart 3). So far, the US administration has imposed tariffs on imports from China, Mexico and Canada. Imports from these countries and the European Union account for more than 60% of US imports. Canada and Mexico may be the countries most severely affected by the hike in tariffs, since almost 80% of their exports are destined to the United States (Chart 4).

The European Union is for now affected by the increase in tariffs on steel and aluminium that the US has applied to all of its trading partners. These commodities make up a relatively small share of total EU exports, which mostly comprise other, usually more sophisticated goods. Nevertheless, the United States is an important trading partner for European aluminium and steel producers. Moreover, higher tariffs on these materials will affect producers and exporters across the world, prompting them to seek new markets in Europe. As a result, European producers will face strong competition from lower-cost rivals not only abroad, but also in the domestic market.

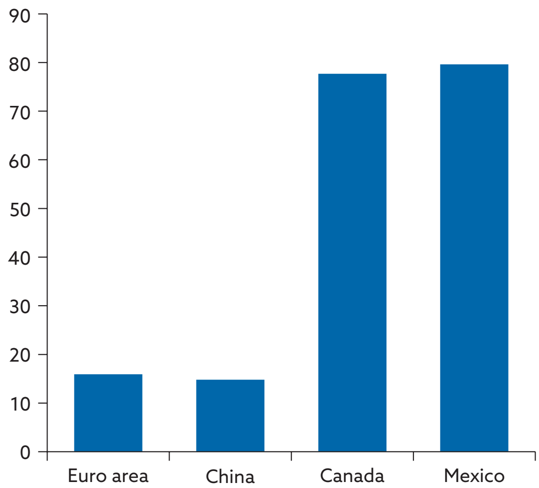
The threat of further tariff hikes comes at a time when European industry is already in a significant downturn. Industrial firms report their competitiveness as very weak, and their export orders are falling. Exports to the United States account for around 16% of total EU exports, accounting for almost 3.4% of EU GDP at current prices.

Chart 3
Economic Policy Uncertainty Index (index: 2010 = 100)



Source: Macrobond.

Chart 4
Share of selected countries' exports destined to the United States (percentage of total export volume)



Sources: Macrobond, and NBS.

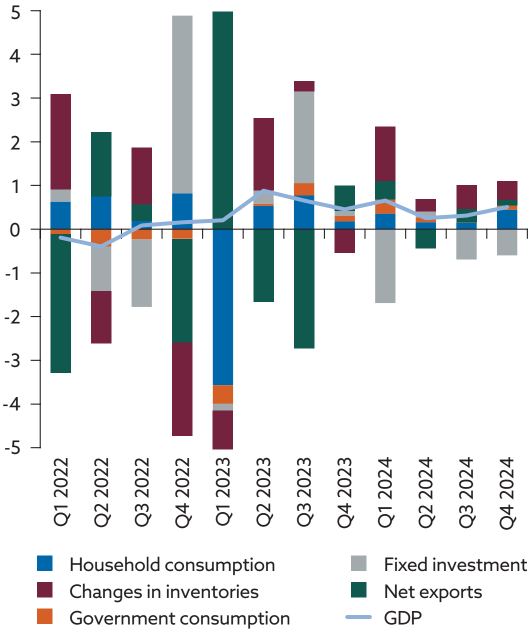
Euro area inflation continues to ease gradually towards the ECB's target rate of 2%. Monthly inflation prints are still fluctuating slightly above target, broadly in line with expectations. In the first months of 2025, headline inflation in the euro area remained at 2.5%, reflecting the impact of food and energy price fluctuations. On the other hand, core inflation (excluding energy and food) moderated in February, owing mainly to a slowdown in services inflation. Price pressures on a number of key services items have eased, which is a crucial prerequisite for achieving the ECB's 2% target rate in a sustainable manner under the current monetary policy stance.

The gradual easing of inflationary pressures has allowed the ECB to further lower its key interest rates, reducing them in March 2025 by a further 25 basis points. This included cutting the deposit facility rate from 2.75% to 2.5%.

2.2 Slovakia

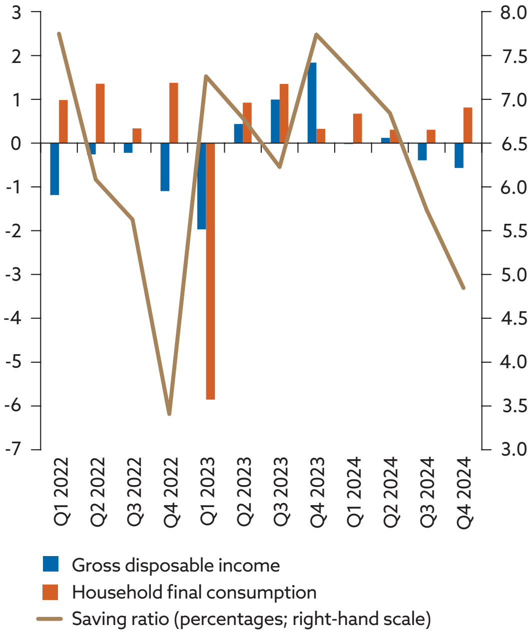
Economic growth accelerated to 0.5% in the fourth quarter of 2024, compared with the previous quarter, driven primarily by higher consumption (Chart 5). The result fell short of expectations, and a particular disappointment was investment activity, which stagnated significantly in the latter part of the year. Industrial activity was more sluggish than expected, with performance remaining weak notwithstanding a slight recovery in car production. Weak demand was felt across all sectors. The positive impact of domestic consumption was amplified by a surge in purchasing ahead of a VAT increase.

Chart 5
GDP (quarter-on-quarter percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

Chart 6
Households' income, consumption and savings (quarter-on-quarter percentage changes; percentages)

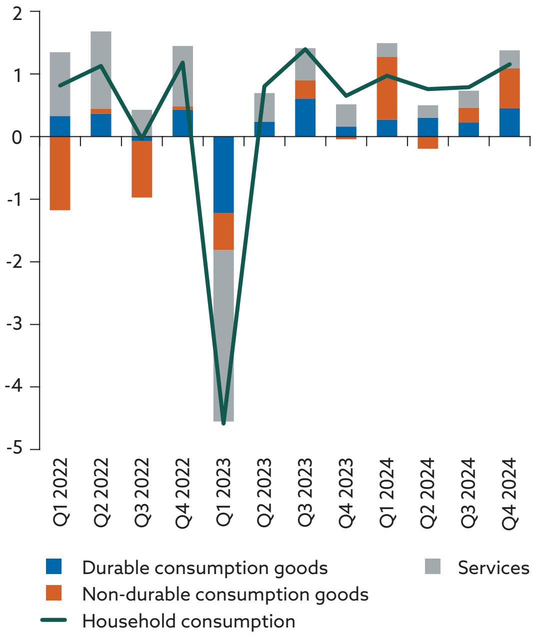


Sources: SO SR, and NBS.

Investment activity has slumped. Firms remained constrained in their procurement of machinery in the fourth quarter, and only their investment in transportation equipment increased. Household residential investment declined. Tight monetary policy and falling real incomes discouraged households from taking out mortgages in 2023 and the first half of 2024, leading to a lagged effect that materialised in late 2024, when there were very few construction completions of houses and flats.

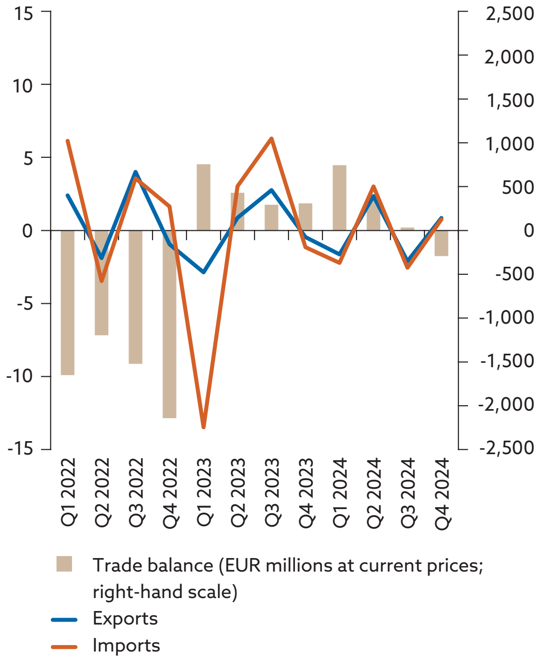
Despite lower incomes, households stepped up their consumption spending in the fourth quarter, to some extent dipping into savings for this purpose (Chart 6). Slightly higher inflation further reduced real incomes, putting strain back on consumers' budgets. Since households were anticipating higher prices from the beginning of 2025 due to a VAT increase, they stocked up in advance on both durable and non-durable goods. Households were also spending more on services towards the end of 2024 (Chart 7). Following the announcement of the consolidation package, household sentiment deteriorated sharply and remains subdued. Owing to its frontloading, goods consumption will decline sharply in the near term at the least. Consumption is also expected to be dampened by lower household incomes together with an increase in excise duties.

Chart 7
Household consumption (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

Chart 8
Trade balance (quarter-on-quarter percentage changes; constant prices)



Sources: SO SR, and NBS.

Exports in the fourth quarter were boosted slightly by new car production, while the rest of industry continued to weaken. The adverse situation in Europe was already fully reflected in the performance of Slovak producers. The launch of new car production helped car exports rebound to higher levels, although the impact moderated somewhat in the last two months of the year. Other sectors continued to struggle and their performance gradually worsened. Higher household consumption, coupled with cooler weather, contributed to higher imports of goods and energy, pushing the trade balance into negative territory for the first time in almost two years (Chart 8).

Government consumption expenditure maintained strong growth in the last quarter of 2024. Its main drivers were rising expenditure on goods and services, wages (especially in the education and health sectors), and health care.

Box 1

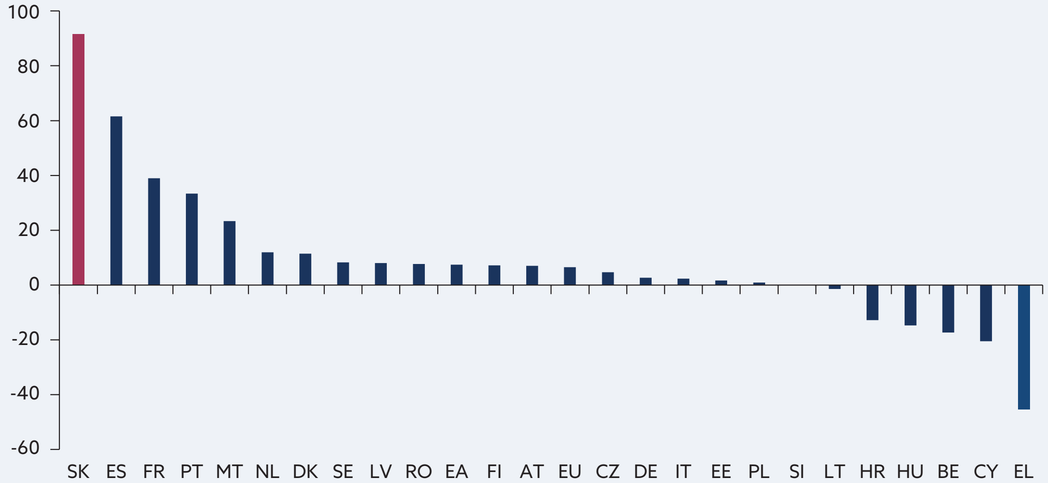
Consolidation package shakes business and household confidence

The announcement of the fiscal consolidation package in October 2024 resulted in Slovakia recording the highest increase in uncertainty among EU countries. This shift stems largely from rising uncertainty among consumers and among firms in the services and trade sectors. The consumers most unsettled by the package are lower-income households.

Uncertainty among Slovak households and firms surged in October 2024, shortly after fiscal consolidation measures for 2025 were announced. According to the European Commission's economy-wide Economic Uncertainty Indicator (EUI), uncertainty increased more in Slovakia than in any other EU country (Chart 1).[1] Uncertainty negatively impacts the decisions of households and firms regarding consumption, investment and employment,[2] making it a key factor in analysing and forecasting economic developments.

Chart 1

Increase in uncertainty in EU countries between September and October 2024 (percentage change from month to month)



Source: European Commission.
Note: The chart excludes Luxembourg and Ireland.

1 In May 2021 the European Commission introduced a new question on uncertainty into its business and consumer surveys, asking managers and consumers how difficult it is for them to predict their future business or financial situation.

2 Binder, C.C., "Measuring uncertainty based on rounding: New method and application to inflation expectations", *Journal of Monetary Economics*, Vol. 90, October 2017, pp. 1-12; Marenčák, M., "State-dependent inflation expectations and consumption choices", *NBS Working Papers*, No 10/2023, Národná banka Slovenska, November 2023; Bloom, N., Bond, S. and Van Reenen, J., "Uncertainty and investment dynamics", *Review of Economic Studies*, Vol. 74, No 2, April 2007, pp. 391-415; Bloom, N., "The Impact of Uncertainty Shocks", *Econometrica*, Vol. 77, No 3, May 2009, pp. 623-685; Meinen, P. and Roehe, "On measuring uncertainty and its impact on investment: Cross-country evidence from the euro area", *European Economic Review*, Vol. 92, February 2017, pp. 161-179.

People have turned their attention to the fiscal consolidation package and particular measures. This is evident from the frequency of Google searches for specific terms such as 'consolidation' or 'transaction tax', as can be seen in Chart 3.

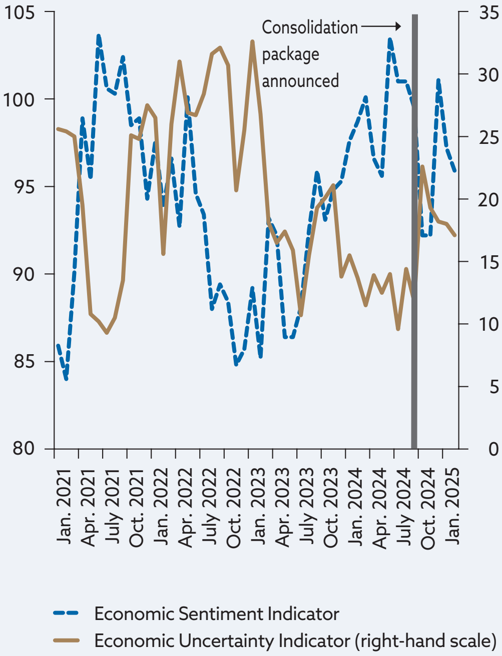
Although **uncertainty increased more among lower-income households in October 2024**, it also rose among the wealthiest. Overall, uncertainty among consumers has eased slightly in 2025 (Chart 4).

In industry, uncertainty fell sharply in early 2024 and remains relatively low compared with other sectors (Chart 5).

Uncertainty in the construction sector has for some time now been higher than in other sectors (Chart 6).

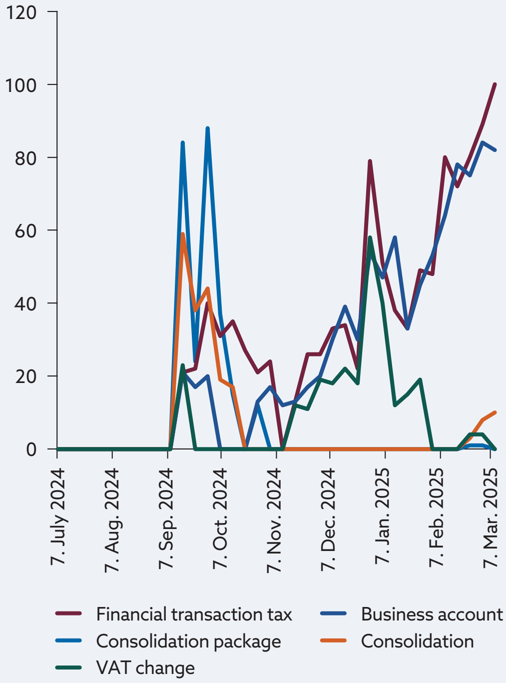
The trade and services sectors experienced the sharpest rise in uncertainty in October 2024. This contributed significantly to the overall increase in uncertainty in Slovakia (Charts 7 and 8). In the services sector, uncertainty remains elevated.

Chart 2
Economic sentiment and uncertainty are interrelated



Source: European Commission.

Chart 3
Google search trends

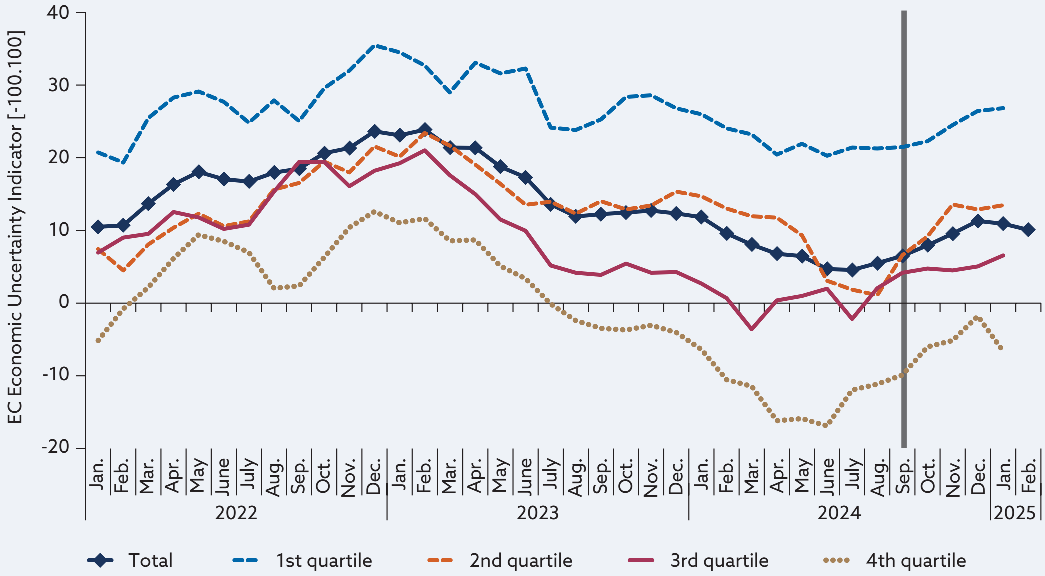


Source: Google Trends.
Note: Google tracks the popularity of search terms in a given period on a scale from 0 to 100, with 100 denoting the highest popularity.

Large firms report higher certainty than small and medium-sized enterprises. A firm's size plays an important role in its perception of uncertainty. In Slovakia, large firms (with over 500 employees) in the industry and construction sectors report far lower uncertainty. In industry, the uncertainty gap between large and small firms has become increasingly pronounced. By contrast, rising uncertainty in the services sector is being driven mainly by large firms, possibly indicating difficulties in segments reliant on consumer demand.

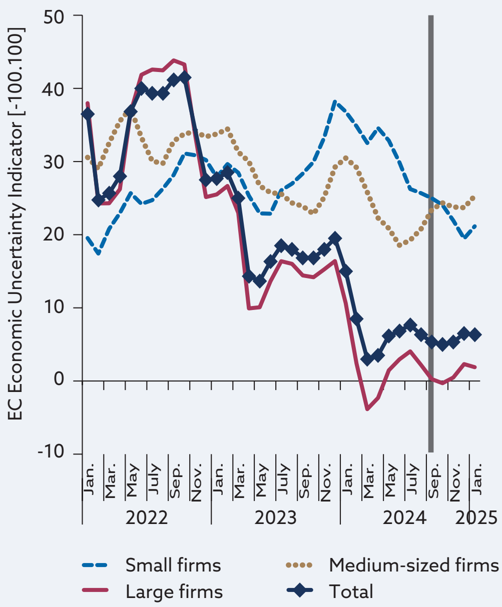
Uncertainty is also having a detrimental impact on economic sentiment. In October 2024 Slovakia experienced not only the largest increase in uncertainty across the EU, but also the largest decline in the European Commission's EU-wide Economic Sentiment Indicator (ESI) (Chart 2). The ESI is a weighted average of the responses of surveyed firms in four sectors: industry (40% weight), services (30%), trade (5%) and construction (5%) regarding the development of their orders, inventories and expected output and revenues. It also includes responses from surveyed households (20% weight) regarding their expectations for the general economic situation and for their own financial situation and consumption.

Chart 4
Uncertainty among consumers and within the distribution of income per household member (three-month moving average)



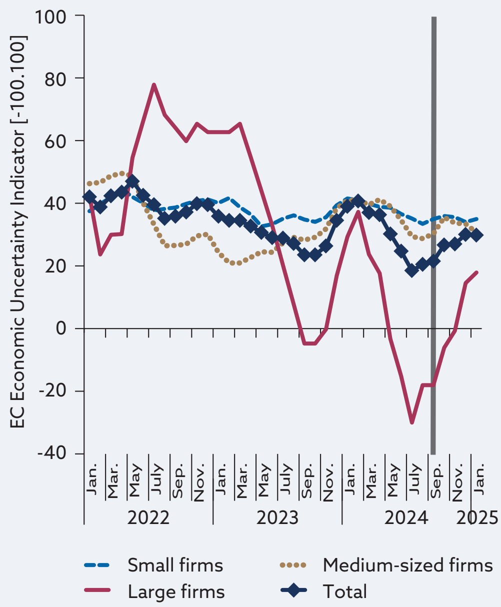
Source: European Commission.
Note: The first quartile denotes the 25% of households with the lowest incomes.

Chart 5
Industry (three-month moving average)



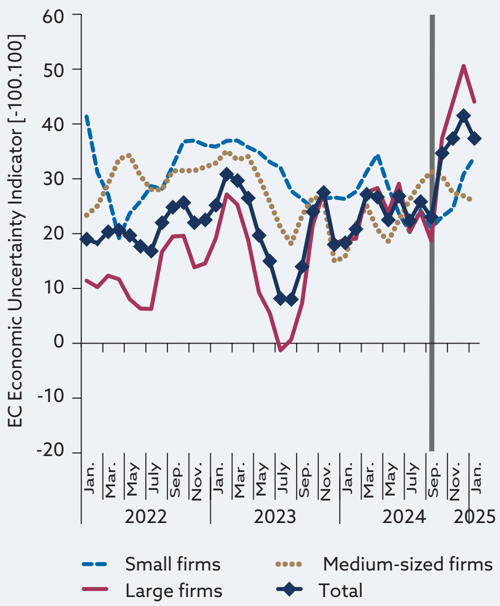
Sources: European Commission, and SO SR.

Chart 6
Construction (three-month moving average)



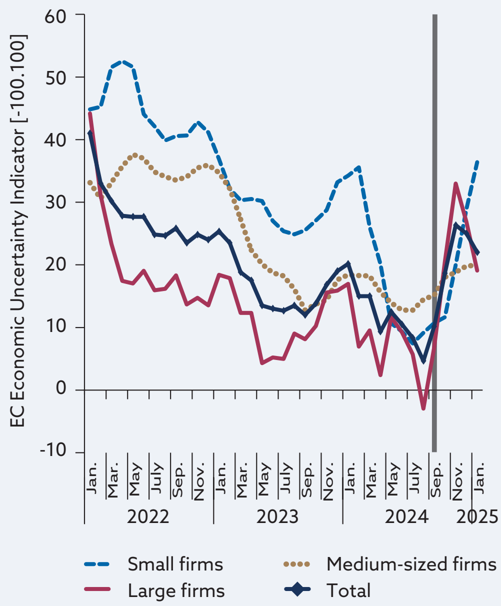
Sources: European Commission, and SO SR.

Chart 7
Services (three-month moving average)



Sources: European Commission, and SO SR.

Chart 8
Trade (three-month moving average)



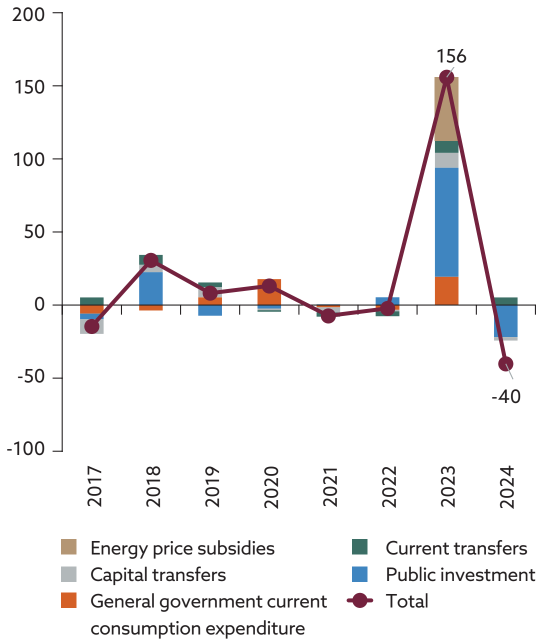
Sources: European Commission, and SO SR.

Following the fading of the impact of final disbursements under the 2014-2020 EU programming period, the absorption of funds from the EU's Recovery and Resilience Facility (RRF) – implemented through Slovakia's national recovery and resilience

plan (RRP) – is now gradually underway. Despite declining year-on-year (Chart 9), the uptake of EU funds was above average in 2024. The volume of funds absorbed fell by 2 pp compared with the previous year, to 2.5% of GDP, but exceeded the volume for 2016, the year when the impact of 2007–2013 EU budget disbursements faded. Hence, the impact of the annual drop in EU fund absorption on the economy was more moderate last year than in the previous period.

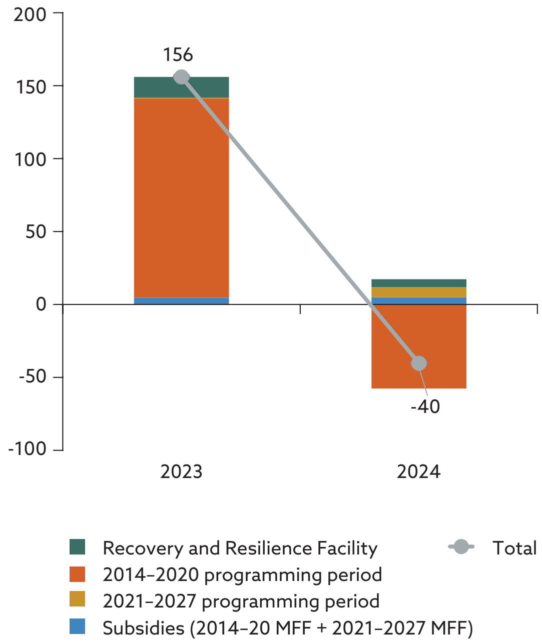
The relatively better absorption was supported by the combined effect of multiple programmes (Chart 10). In addition to the final settlement of disbursements under the 2014–2020 budget and of payments to farmers from the now defunct Rural Development Programme, RRF-funded investments under the recovery and resilience plan gradually started to materialise. The absorption of funds allocated under the 2021–2027 EU budget recorded modest growth in 2024, albeit from a low base in the previous year. The absorption rate under the current programming period remains relatively weak.

Chart 9
EU-funded expenditure[1)] in Slovakia (annual percentage changes)



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

Chart 10
EU fund expenditure by programming period (percentage point contributions)

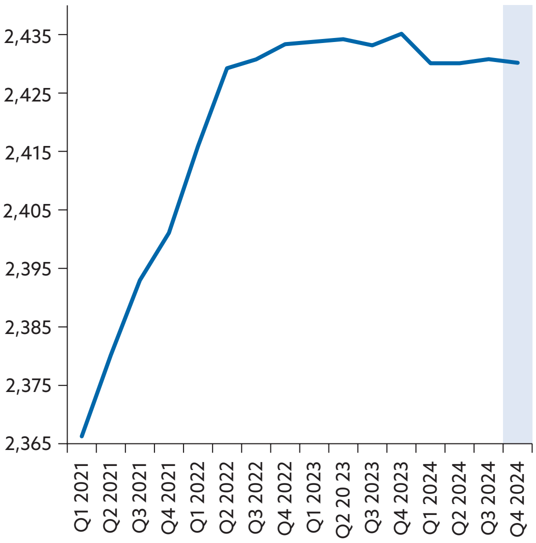


Sources: MF SR, and NBS.

Employment has, as expected, remained stable (Chart 11). **However, the number of people that could enter the workforce is shrinking.** Although it is positive that the number of unemployed has fallen slightly further – reaching a historically low level (Chart 12) – the downtrend is significantly narrowing the domestic labour pool. Moreover, a large number of people took early retirement before the end of 2024, which was the last opportunity to take advantage of relatively generous terms for such retirement.

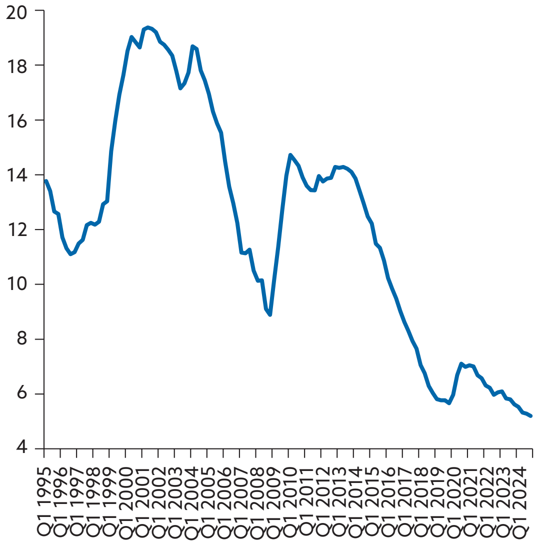
To maintain employment levels, firms have been making increased use of foreign workers. By the end of last year, the number of these workers was at an all-time high of 114,000. Rising wages and an acute labour shortage have intensified the return of people to employment, including those who were caring for a household member, had become discouraged from seeking work, or were students. Overall, the labour market situation has not changed; labour shortages persist, but firms are more concerned about weaker demand than the scarcity of human capital.

Chart 11
Employment (thousands of persons)



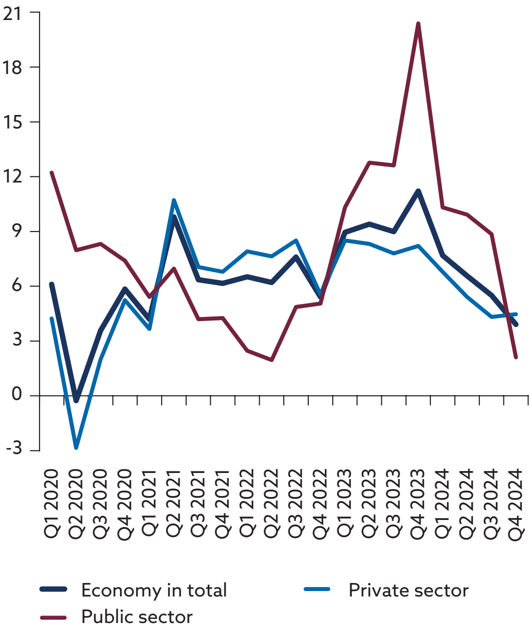
Sources: SO SR, and NBS.

Chart 12
Unemployment rate (percentages)



Sources: SO SR, and NBS.

Chart 13
Nominal wages by sector (annual percentage changes)



Sources: SO SR, and NBS.

Chart 14
Hours worked per employee (index: Q4 2019 = 100)

Sources: SO SR, and NBS.

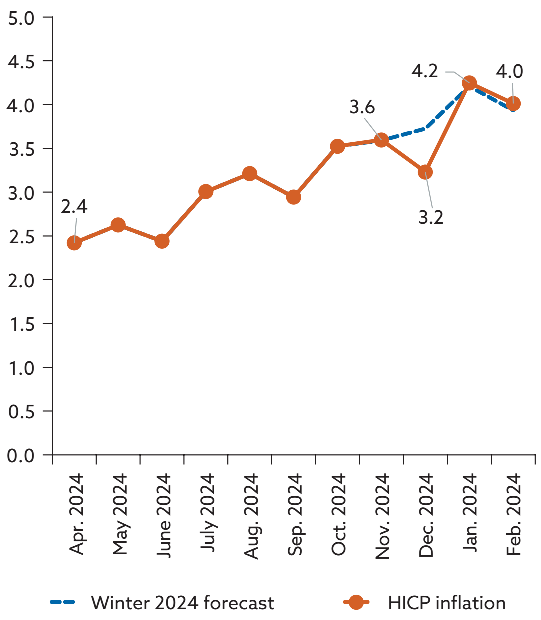
Annual wage growth has slowed in line with expectations. The growth rate has dropped to its lowest level since mid-2020, as the impact of high inflation on wages has faded. After adjusting wages for inflation, the recovery of purchasing power lost over the previous two years has continued. Comparing wage developments in the private and public sector reveals two distinct trends (Chart 13), with public sector wages increasing significantly in 2023 and 2024.

In no sector has the number of hours worked returned to pre-pandemic levels (Chart 14), and the closest it has come to doing so is in industry. This is partly why workers have not fully recouped their lost real purchasing power.

Slovakia's annual inflation rate accelerated to more than 4% in January of this year, as projected in the winter 2024 forecast (Chart 15). While prices of food and industrial goods rose more slowly than expected, services prices and administered prices increased faster (Chart 16).

Chart 15

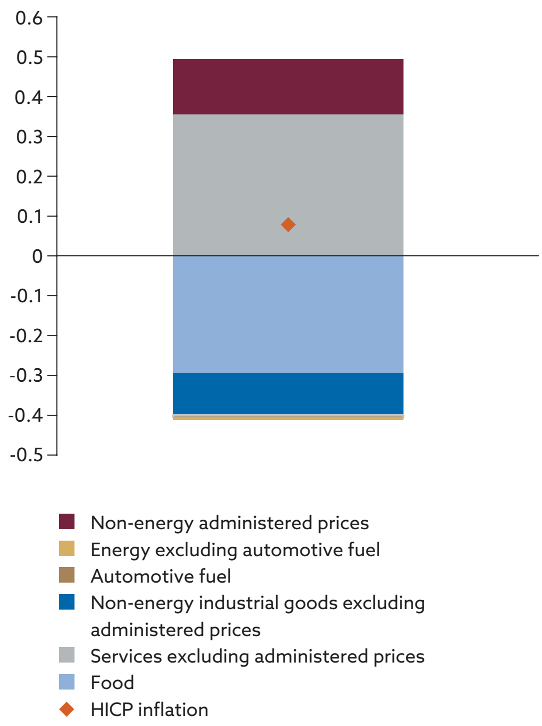
HICP inflation (annual percentage changes)



Sources: SO SR, and NBS.

Chart 16

Decomposition of the difference between the actual inflation rate and the rate projected in the winter 2024 forecast (percentage point contributions)

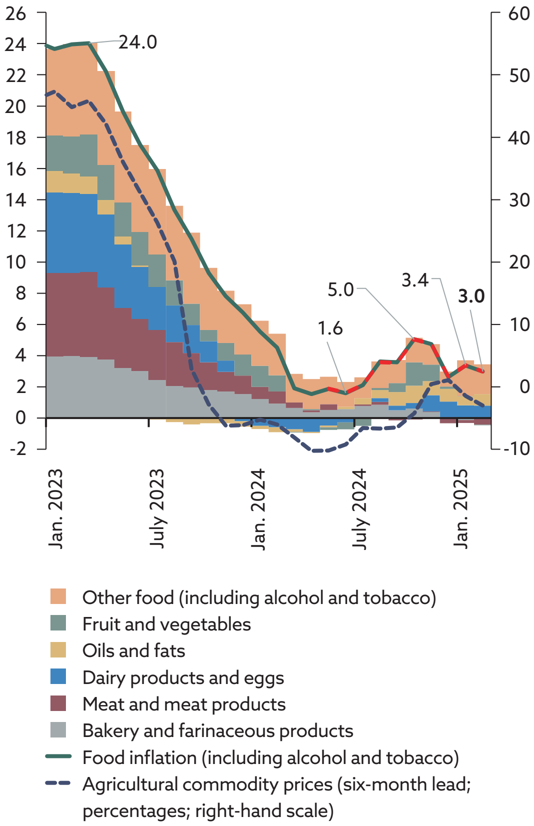


Sources: SO SR, and NBS.

Food inflation (including alcohol and tobacco) exceeded 3% in early 2025 (Chart 17). This included the impact of tax changes on final prices. VAT on a number of foodstuffs was reduced to either 19% or 5%, while the tax on sugary drinks was increased. In addition to tax changes, rising cost factors had an impact on food prices.

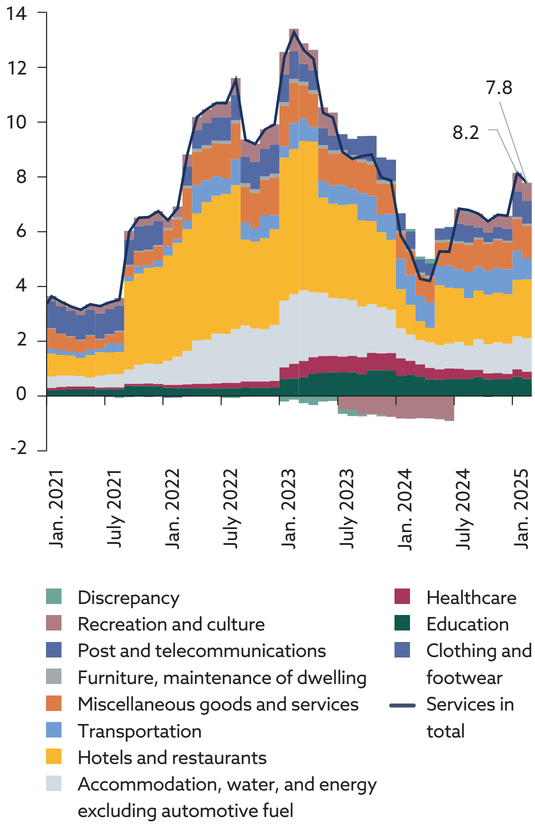
Services prices increased even though VAT on many items in this sector was reduced in January (Chart 18). In the goods market, competition is stronger, so retailers have been slow to pass increased VAT rates on to consumers. However, the fading of the impact of falling import prices is pushing prices upward.

Chart 17
Food prices (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

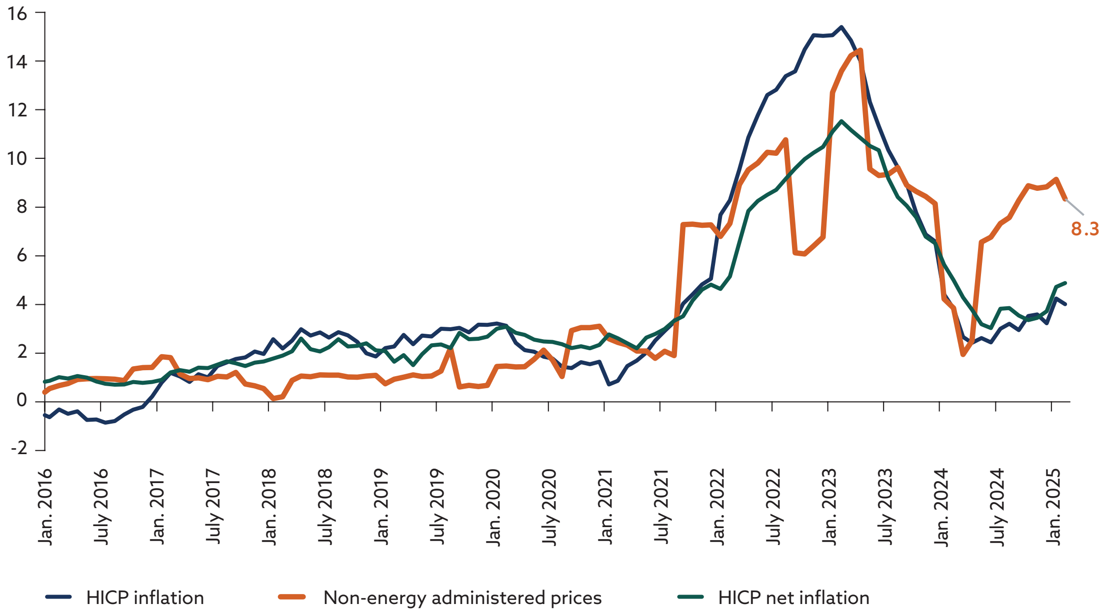
Chart 18
Services including administered prices (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

Postal charges, administrative fees, bus fares and canteen prices continue to rise sharply. Their rate of increase is significantly outpacing price rises across a wide range of goods and services (referred to as 'net inflation' in Chart 19).

Chart 19
Non-energy administered prices (annual percentage changes)



Sources: SO SR, and NBS.

Box 2

The impact of tax changes on HICP inflation

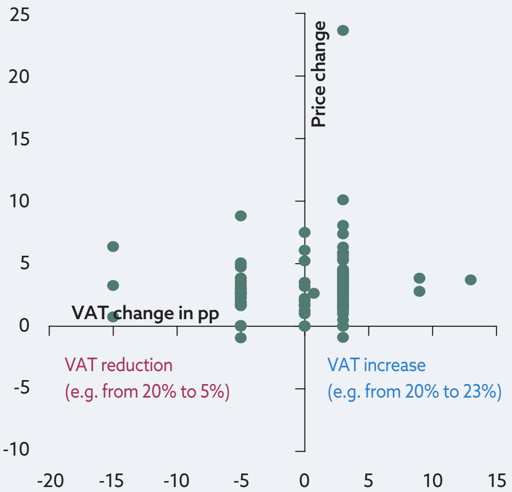
If the recent tax changes in Slovakia were fully reflected in prices, we would observe significantly different changes in prices of various items. We would see increases in market-determined prices of goods, energy, certain services, and processed food (in the case of food, due mainly to the 'sugar tax'). Conversely, the tax changes would be expected to have a downward impact on unprocessed food prices, non-energy administered prices, and services prices in certain segments (restaurant services, accommodation, recreation and culture).

In reality, however, although VAT on items in restaurant services, accommodation, and selected recreational and cultural services was reduced on 1 January 2025, firms operating in these sectors passed hardly any of that reduction on to their final prices in the first months of this year. VAT on most items in these sectors has been cut (mostly from 10% to 5%), yet in the vast majority of cases, the end prices have not decreased (Chart 1). On the contrary, after taking into account the changes in VAT, excise duties and the price changes historically typical for January and February, all of these prices rose significantly (Chart 2).

Changes in VAT and prices of services items (VAT changes in percentage points; prices changes in percentages)

Chart 1

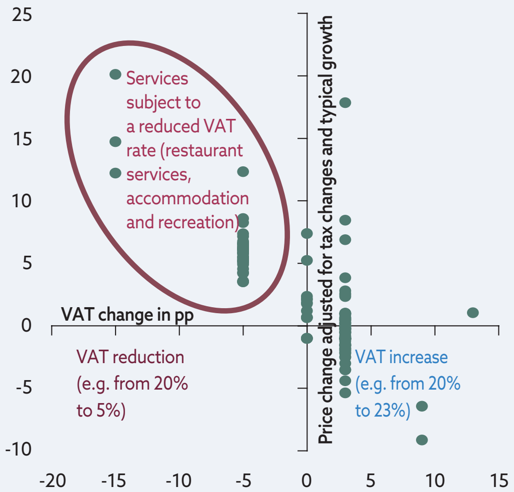
January to February 2025



Sources: SO SR, and NBS.

Chart 2

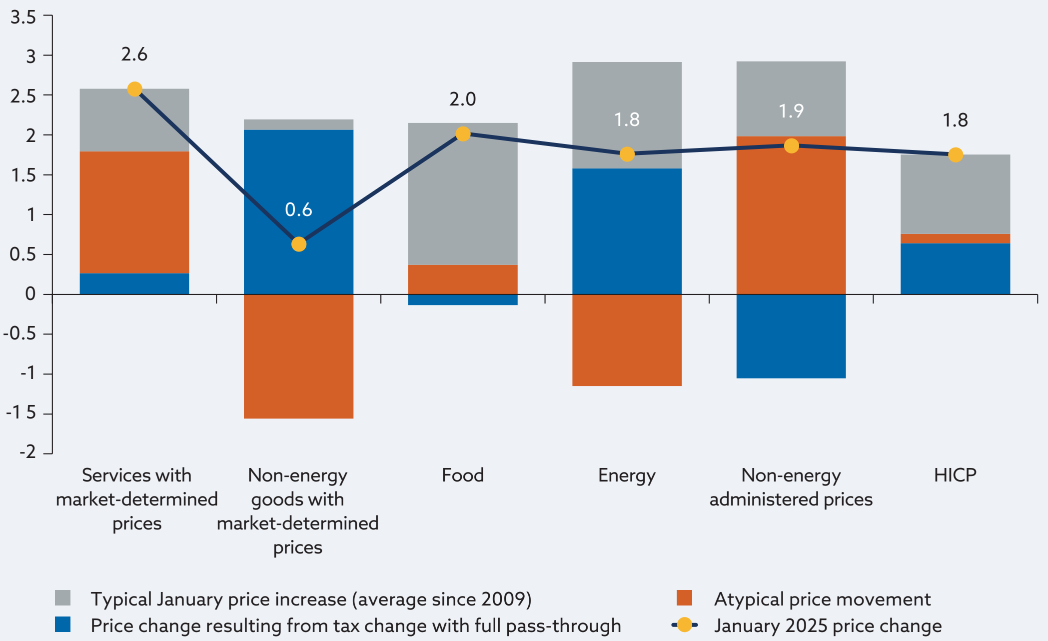
January to February 2025



Sources: SO SR, and NBS.

Chart 3

Decomposition of sub-component price changes – January 2025 (percentage points)



Sources: SO SR, and NBS.

Like market-determined prices of services, administered prices also rose unusually fast in early 2025 (Chart 3). In the case of non-energy administered prices, price adjustments were likely due in part to the consolidation effort's upward impact on administrative fees, postal charges and bus fares.

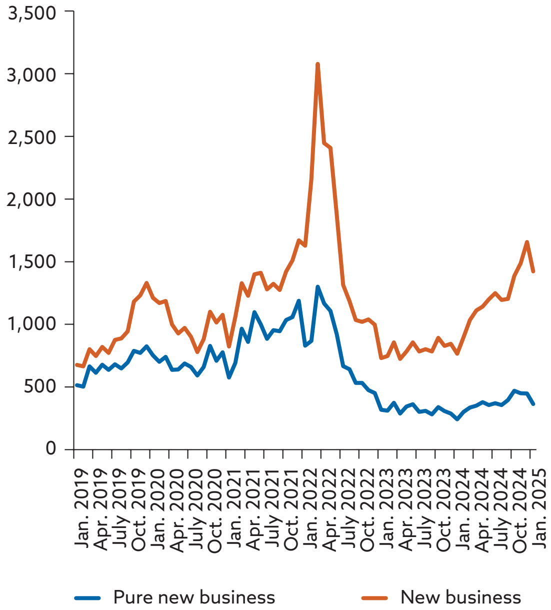
The VAT increase on certain goods with market-determined prices has so far been only partially reflected in their prices, possibly because of the competitive market environment. In this case, however, the higher VAT may gradually pass through more extensively to these prices during the course of 2025. This is already suggested by price developments between January and February, when prices increased slightly more than expected.

Food price movements in early 2025 generally reflected the adjusted tax rates and other cost factors. Some prices have risen, while others have fallen due to the VAT cut.

Housing price growth accelerated slightly in the fourth quarter of 2024, to 3% quarter-on-quarter. Compared with the same period of the previous year, housing prices were 6.7% higher. For the first time since the second half of 2022, when they started to decline, housing prices increased in all regions of Slovakia, with the highest growth observed in Košice and Banská Bystrica regions. Prices of houses and all types of flats increased. The residential real estate market has only slowly been recovering its losses from 2023. Adjusted for inflation, housing prices are 2.3% below their 2023 level (Chart 21).

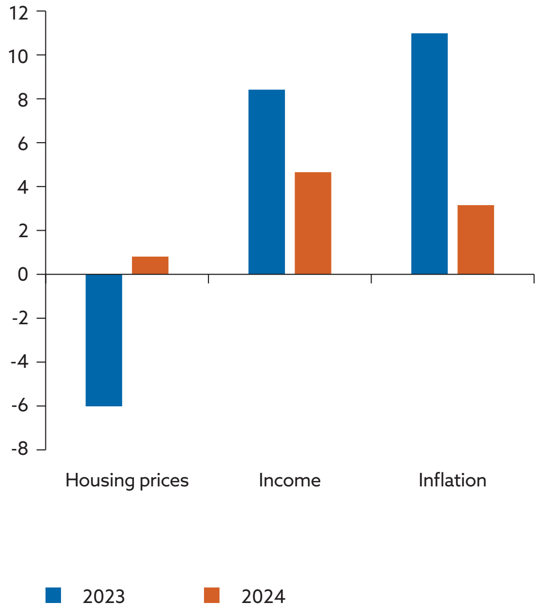
The supply side of the property market is struggling to break even. The number of flats under construction fell for a seventh successive quarter in the fourth quarter of 2024, and the number of building permits issued in the quarter was down by 38% year-on-year. There were also significant declines in the number of construction starts and construction completions.

Chart 20
New mortgage lending (EUR millions)



Sources: SO SR, and NBS.

Chart 21
Annual averages (annual percentage changes)

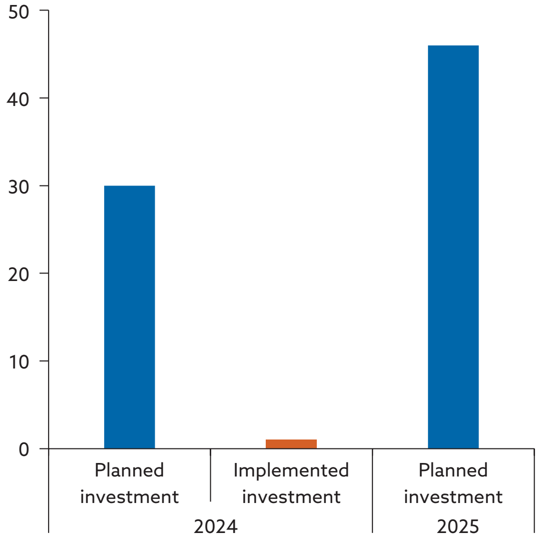


Sources: ECB, and NBS.

The volume of new mortgage lending increased by one-fifth in the fourth quarter (Chart 20). The average interest rate on new mortgages (excluding refinancing and top-up loans) fell to 4% in December, and by January it was slightly below that level. Mortgage origination statistics indicate that demand for mortgages remains high.

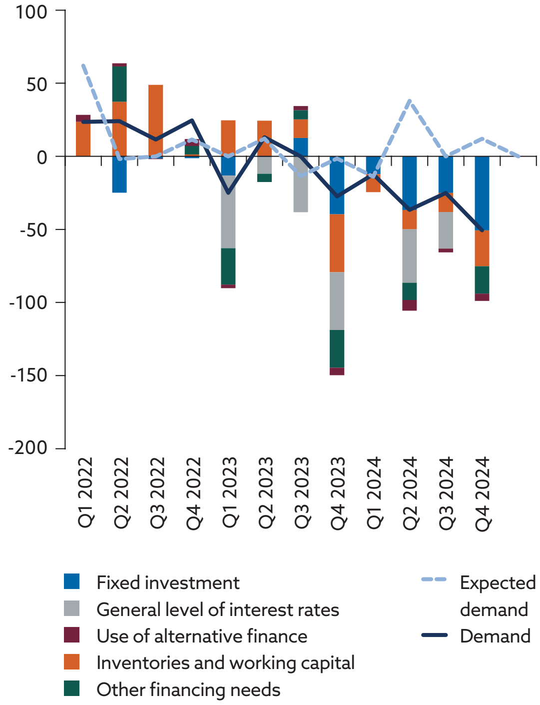
With firms postponing investment due to uncertainty, their demand for loans continued to decline significantly in the fourth quarter (Chart 23). The last time that firms' demand for loans for fixed investment fell so sharply was during the initial phase of the pandemic. According to surveys, firms do not see interest rates as a significant constraint on borrowing. The actual volume of investment carried out in 2024 fell far below managers' previous expectations (Chart 22). Although their investment plans for 2025 remained relatively favourable in the fourth quarter, the rising climate of uncertainty means a similar correction to that seen in 2024 can be expected.

Chart 22
Expected investment in 2025 (percentage balances)



Source: European Commission.

Chart 23
Firms' demand for loans (net percentage share)



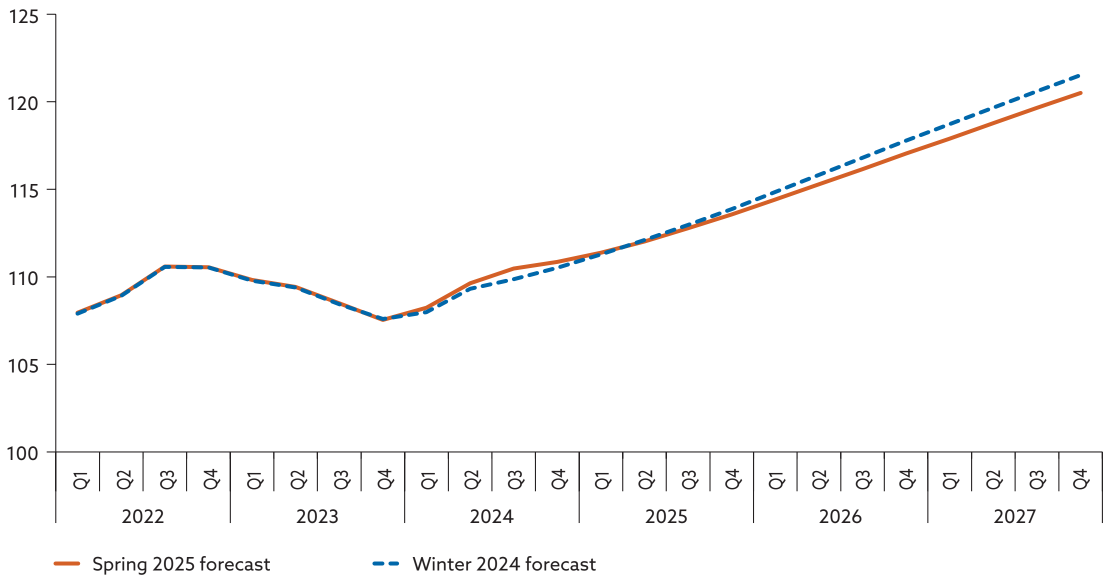
Source: ECB bank lending survey.

3 Medium-term forecast

3.1 Global outlook and technical assumptions of the forecast[3]

The outlook for foreign demand for Slovak products continues to deteriorate (Chart 24). The faltering state of German industrial production is having a gradual downward impact on the assumptions for foreign demand growth, especially in 2026. Compared with the winter 2024 forecast, the assumption for the level of foreign demand at the end of 2027 has been revised down by 0.9 percentage point.

Chart 24
Foreign demand (index: Q4 2019 = 100)

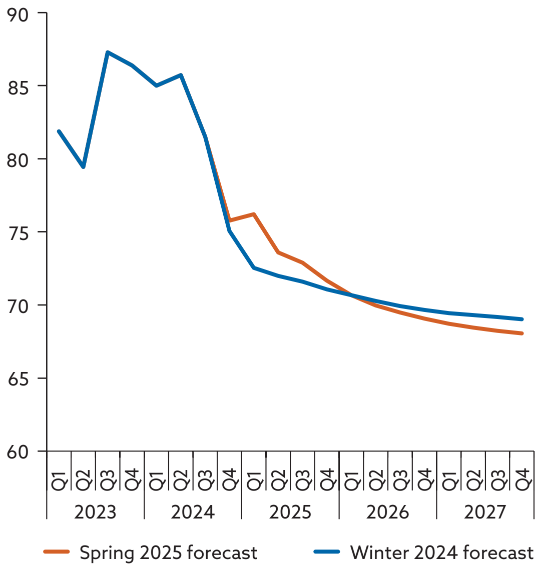


Source: NBS

As regards oil prices, we now assume that the price per barrel will be around USD 74 in 2025 and then decline over the medium-term horizon, to USD 68 by the end of 2027 (Chart 25). The assumption for the euro's exchange rate against the dollar is around 3% weaker in this forecast than in the previous edition, revised down from 1.08 to 1.05 dollars per euro over the projection horizon (Chart 26).

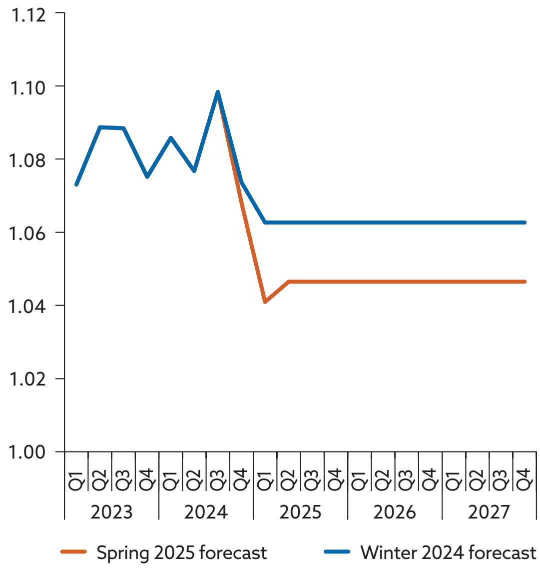
[3] The technical assumptions of this medium-term forecast are based on the March 2025 ECB staff macroeconomic projections for the euro area.

Chart 25
Oil prices in USD



Sources: European Commission, and NBS.

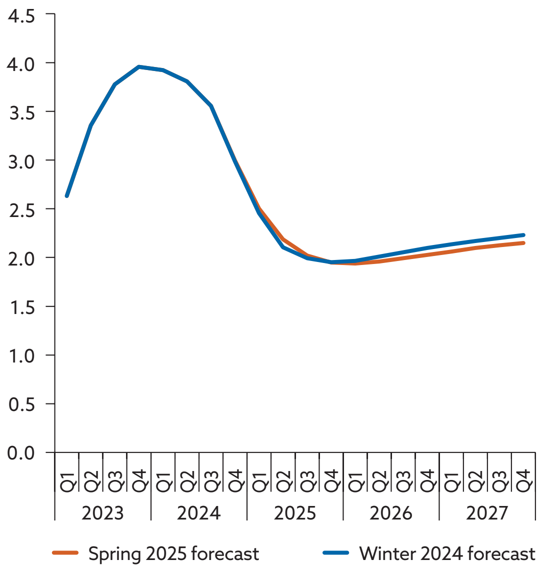
Chart 26
USD/EUR exchange rate



Sources: SO SR, and NBS.

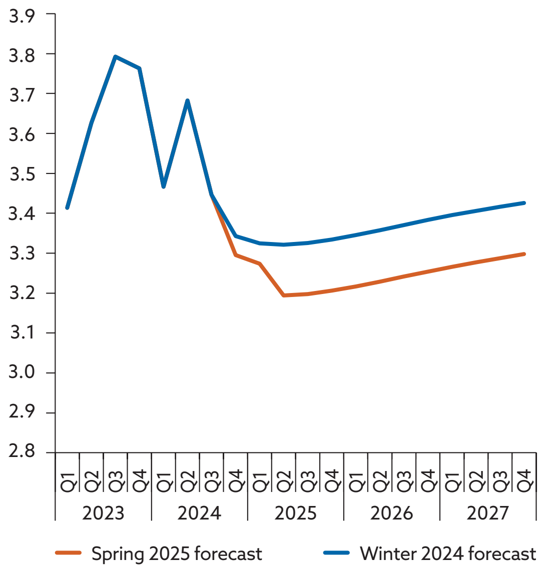
Market expectations for short-term interest rate movements are similar to those in the winter forecast. The assumptions for long-term interest rates have been revised down slightly, by 10 basis points (Charts 27 and 28).

Chart 27
Three-month EURIBOR



Sources: European Commission, and NBS.

Chart 28
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	Spring 2025 forecast (MTF-2025Q1)			Difference vis-à-vis the winter 2024 forecast (MTF-2024Q4) in pp		
	2024	2025	2026	2027	2025	2026	2027
Slovakia's foreign demand	0.9	2.4	2.9	3.0	-0.5	-0.4	-0.3
USD/EUR exchange rate [1)] (level)	1.08	1.05	1.05	1.05	-1.6	-1.5	-1.5
Oil price in USD [1)] (level)	82.0	73.6	69.8	68.4	2.5	-0.5	-1.3
Oil price in USD	-2.1	-10.3	-5.2	-2.1	2.0	-2.8	-0.8
Oil price in EUR	-2.2	-7.1	-5.3	-2.1	3.5	-3.0	-0.8
Non-energy commodity prices	9.2	12.0	-1.3	-2.8	6.2	-0.9	-1.1
Electricity price (EUR/MWh)	-24.9	29.4	-14.3	-11.9	12.1	-2.8	-4.5
Gas price (EUR/MWh)	-15.3	46.1	-19.7	-21.3	21.2	-1.2	-5.3
Three-month EURIBOR (percentage per annum)	3.6	2.2	2.0	2.1	0.0	-0.1	-0.1
Ten-year Slovak government bond yield (percentage)	3.5	3.2	3.2	3.3	-0.1	-0.1	-0.1

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.

3.2 Macroeconomic forecast for Slovakia

Economic growth is expected to slow to below 2% this year. In subsequent years, we envisage similar growth of close to 2%, supported by one-off effects such as increased absorption of EU funds, a recovery in foreign demand, and expansion of production capacity in the automotive industry.

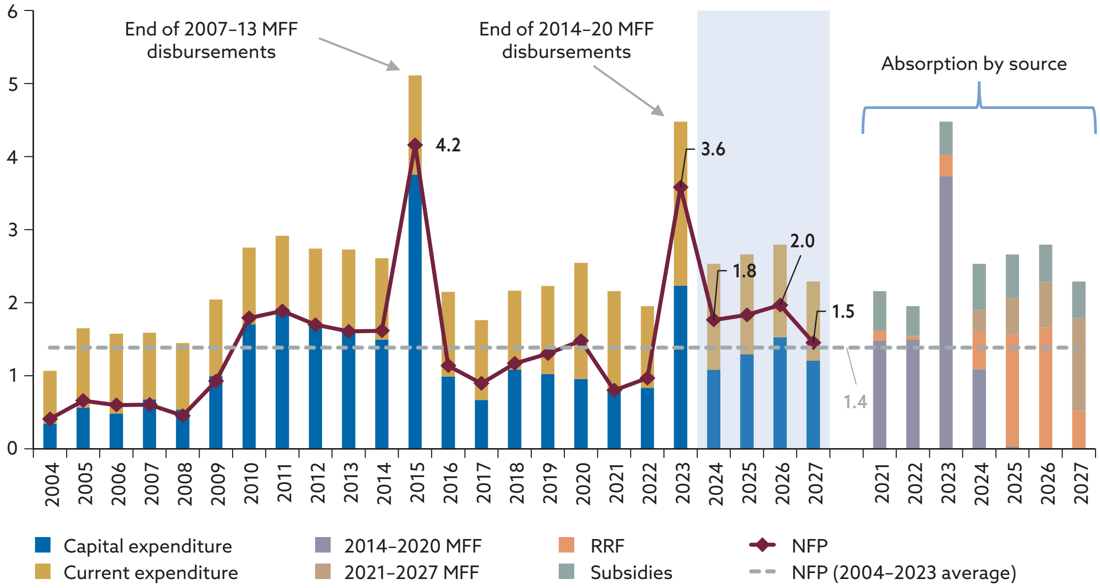
Compared with the winter forecast, however, we have revised down the outlook. In December, we envisaged investment making a stronger contribution to this year's economic growth. At the same time, however, we noted the risks to the outlook, as uncertainty surrounding the fiscal consolidation effort was increasing. These risks were already starting to materialise by the end of last year, when business investment fell significantly. This year has brought added uncertainty related to trade wars and restrictions on free trade between major trading partners. The unpredictability of decisions imposing various tariffs in global trade is impacting not only export performance, but also reducing business investment. Further adding to firms' caution is the persistent uncertainty about energy price developments. For the short-term at least, private investment will remain significantly limited.

Uncertainty will weigh on private investment in particular. Domestic uncertainty and, more recently, foreign factors have overshadowed firms' investment decisions, outweighing the effects of monetary policy easing. The residential investment sector is still affected by the tighter monetary policy of the previous period, when elevated interest rates dampened demand for housing. Although demand started picking up again in the second half of last year, investment projects have been slow to respond and therefore the positive effects will be seen only in the coming years. The market's supply side is sluggish, with increasingly fewer building permits being issued and a declining number of properties under construction.

The assumption that the absorption of EU funds will increase in the coming months remains unchanged. This was confirmed by data from the end of last year, which showed increasing investment financed from the EU's Recovery and Resilience Facility (RRF) via the implementation of the national recovery and resilience plan (RRP). This year and next year are expected to be crucial for the successful uptake of available RRF funds as well as for the disbursement of funds from the EU's 2021–2027 budget.

Slovakia's net receipts from the EU budget are expected to remain above the long-term average. However, the ending of RRF funding will result in lower absorption of EU funds at the end of the projection horizon. The decline in EU funds that stimulate domestic demand and growth is expected to be mitigated by faster absorption of regional development funds under the 2021–2027 budget. Slovakia's net receipts from the EU budget (total receipts minus payments to the budget) are expected to approach, but remain above, the long-term average of its net position vis-à-vis that budget by the end of the forecast horizon (Chart 29).

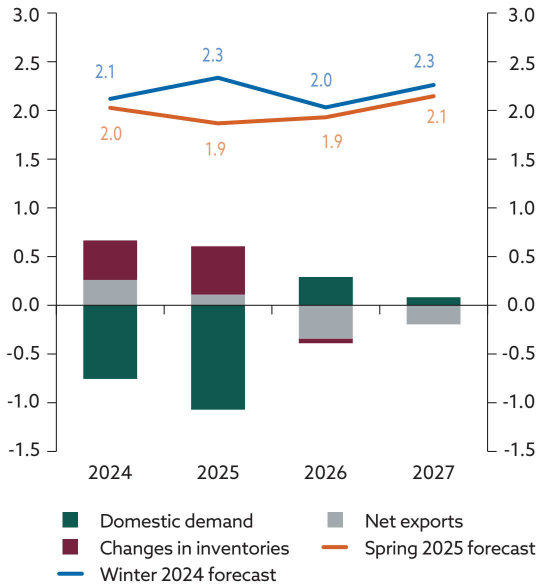
Chart 29
Slovakia's absorption of EU funds and net financial position (percentages of GDP)



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

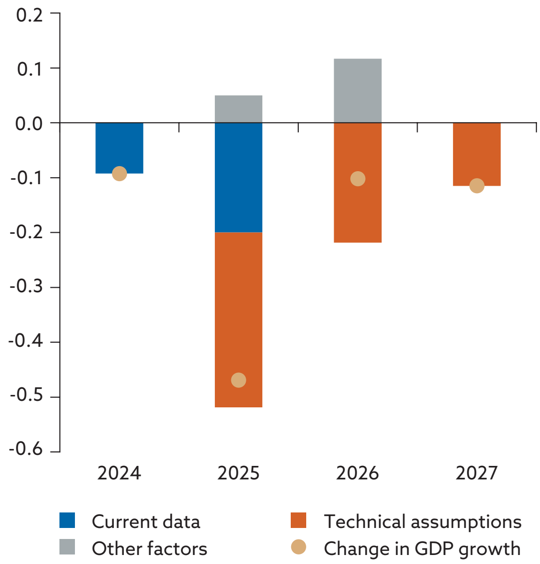
Exports are expected to recover this year, largely on the back of an improving automotive sector. Foreign demand for Slovak goods and services is projected to rebound (Chart 30), primarily because consumers in EU countries are returning to their previous higher spending habits. With demand for cars rising, domestic carmakers are expected to be in position to meet it. This outlook is also supported by the improved business sentiment in Slovakia's automotive industry. However, there is great uncertainty about the rest of the industry sector. With European industry currently in a state of weak competitiveness, domestic suppliers are struggling with insufficient demand. Added to this is the uncertainty in global trade. However, with the domestic car industry expanding its production capacity, Slovakia is expected to gain market shares.

Chart 30
Economic growth and the revision of its components (annual percentage changes; percentage point contributions)



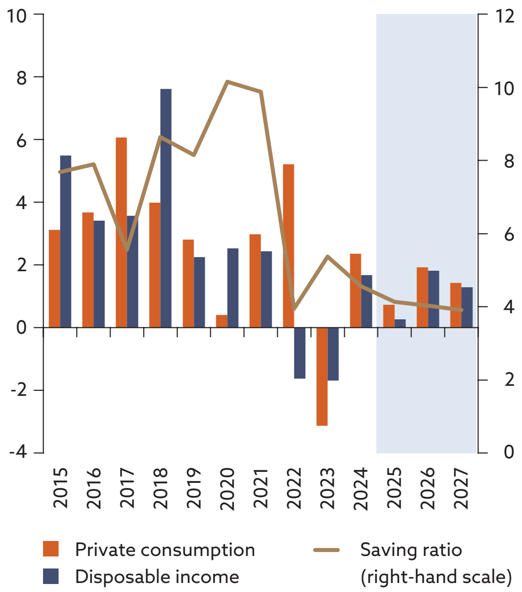
Sources: SO SR, and NBS.

Chart 31
Economic growth revision (percentage points)



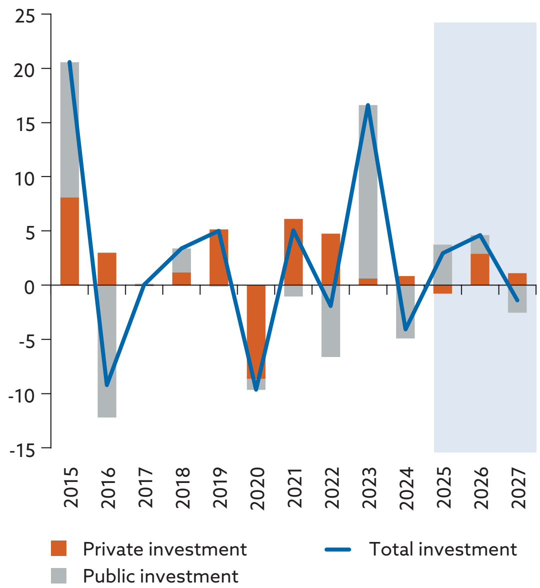
Source: NBS.

Chart 32
Private consumption (index: Q4 2019 = 100)



Sources: SO SR, and NBS.

Chart 33
Investment (annual percentage changes, percentage point contributions)



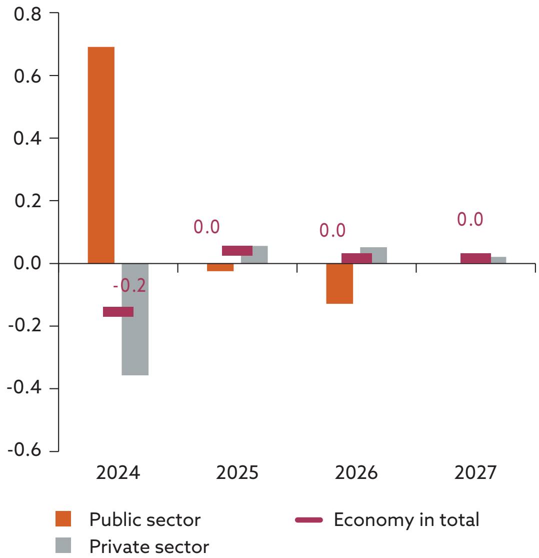
Sources: SO SR, and NBS.

Households are expected to temporarily trim their consumption spending this year (Chart 32). As the impact of the fiscal consolidation effort is felt – with inflation rising and income growth slowing – consumer spending will be partially reduced. Private consumption rebounded in 2024, reaching a peak in the latter part of the year as households frontloaded consumption in anticipation of higher inflation. Although consumer demand is expected to grow more slowly this year, last year's higher level means that households' overall consumption will exceed the previous forecast. Subsequent years should see a noticeable improvement in income and consumption, as inflation eases.

Employment is expected to remain stable (Chart 34). The impact of higher early retirements in late 2024 (as people took the last opportunity for more favourable retirement terms) will still be partly felt in 2025 when some of those people actually leave the workforce. The outgoing workers will be replaced by the unemployed and incoming foreign workers. Demographic changes will lead to a greater number of retirements in the coming years, and extending the retirement age will not be sufficient to maintain employment. It will therefore be important to attract more discouraged workers and caregivers back into the workforce, as happened towards the end of last year. In addition, Slovakia will have to increase recourse to foreign workers.

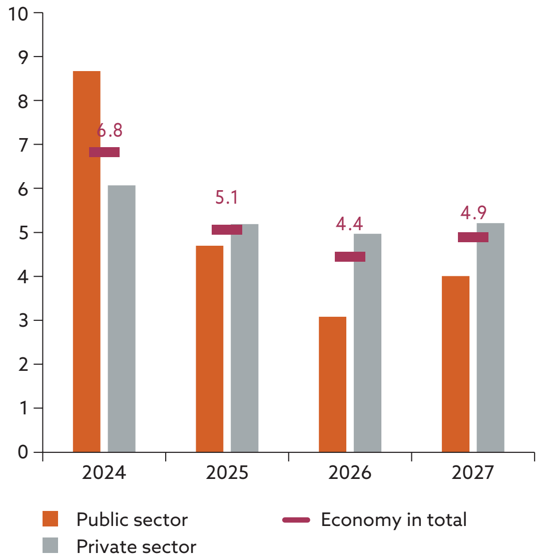
Annual wage growth is projected to be 5% in 2025 and slightly more moderate in subsequent years (Chart 35). Labour shortages and past inflation developments will put upward pressure on wages. In the private sector, there is scope for strong wage growth of around 5% over the forecast horizon, as labour productivity is projected to grow. Public sector wages are envisaged to rise more slowly than in recent years, when their significant growth outpaced private sector wage increases.

Chart 34
Employment (annual percentage changes)



Sources: SO SR, and NBS.

Chart 35
Nominal compensation per employee (annual percentage changes)



Sources: SO SR, and NBS.

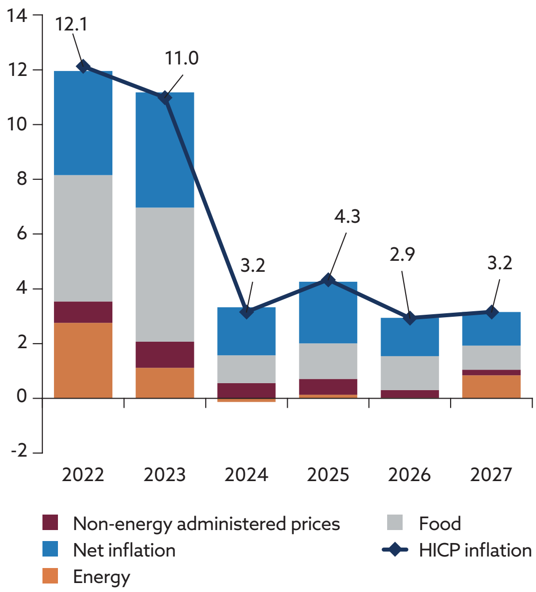
Table 3
Wages (annual percentage changes)

	2023	2024	2025	2026	2027
Nominal labour productivity	11.3	5.9	6.1	4.9	5.1
Whole economy – nominal wages	9.6	5.9	5.0	4.5	4.8
Whole economy – real wages	-0.7	3.0	0.6	1.4	1.6
Private sector – nominal wages	8.1	5.2	5.2	4.9	5.2
Private sector – real wages	-2.1	2.4	0.8	1.7	2.0
Public sector – nominal wages	14.3	7.6	4.3	3.4	3.5
Public sector – real wages	3.5	4.7	0.0	0.3	0.4

Sources: SO SR, and NBS.
Notes: Deflated by the CPI. Nominal labour productivity – GDP divided by persons in employment (ESA 2010).

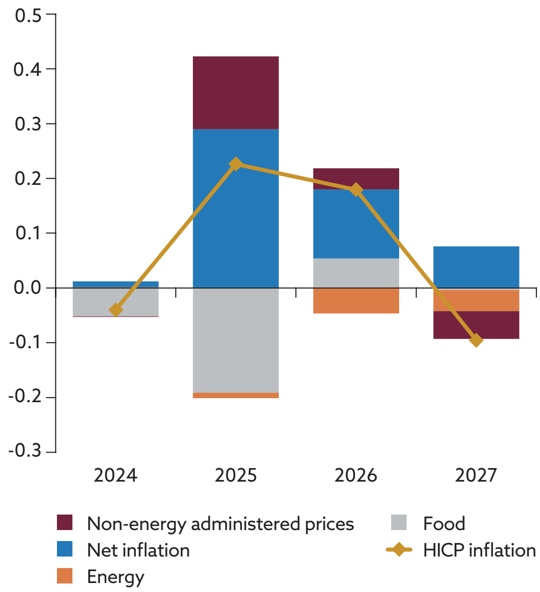
Slovakia's annual inflation rate is expected to accelerate temporarily this year, to 4.3%, before falling back to 3% in the following years (Chart 36). This projection assumes that gas and heat prices for households remain frozen. If household energy prices were to be aligned with market levels, inflation would be higher.

Chart 36
HICP inflation and its components (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

Chart 37
Change in projection vis-à-vis the winter 2025 forecast (percentage points)



Sources: SO SR, and NBS.

Compared with the winter 2024 forecast, the inflation projections for this year and 2026 have been revised up. In addition to changes in technical assumptions (Table 2), this revision reflects currently higher growth in prices of certain services and administered prices. Overall services inflation reached 8% in early 2025, and given the low frequency of price adjustments in this sector, this effect will persist at least until the end of the year. Services prices in the coming years are expected to reflect the impact of wage developments and other cost factors. Although services prices will increase, they should do so more slowly than at present.

The projections for goods prices take into account the potential gradual pass-through of tax changes to these prices. Furthermore, during an extended period of high inflation and widespread uncertainty, firms tend to adjust prices to a greater extent than cost factors would imply. This effect has also been incorporated into the goods price projections for the coming years.

Table 4
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	4.3	2.9	3.2
Food	3.6	3.1	15.6	3.2	4.5	4.3	3.0
Non-energy industrial goods	0.2	0.3	8.8	2.6	2.9	2.2	1.6
Energy	8.3	2.3	7.4	-0.9	1.1	0.1	6.5
Services	5.3	2.5	10.1	5.9	7.1	3.5	3.3
Net inflation	1.8	1.0	9.3	3.9	4.9	2.9	2.5

Sources: SO SR, and NBS.

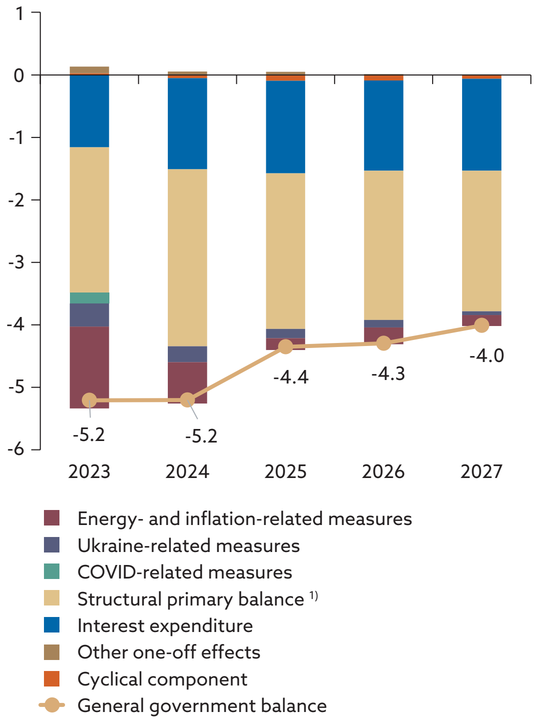
3.3 Public finance projections

Slovakia’s general government deficit for 2025 is expected to narrow to 4.4% of GDP (Chart 38). This reflects the impact of recently adopted fiscal consolidation measures as well as a lower volume of energy price compensation measures. Despite persistently high interest costs, fiscal performance is expected to improve slightly – mainly in structural terms – in the coming years.

By the end of the projection horizon, the deficit is expected to be stable at 4% of GDP, mainly due to a moderate easing of capital expenditure (particularly on military equipment deliveries).

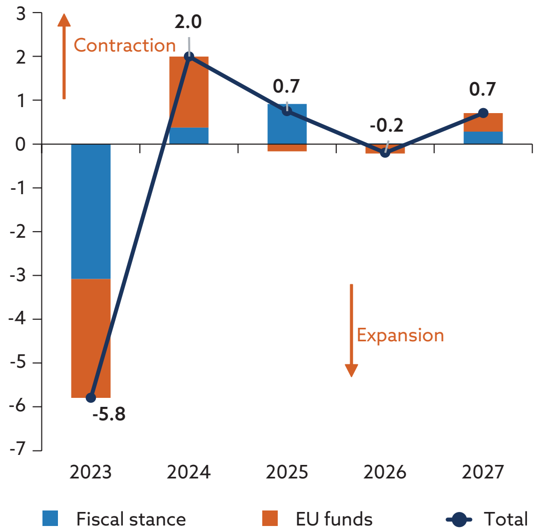
We project that public debt will reach 59.7% of GDP in 2025. The gradual release of accumulated liquidity and a favourable interest rate-growth differential will offset persistent deficits over the forecast horizon, keeping the debt stable at just above 60% of GDP. Unless the consolidation effort is accelerated, public debt is likely to remain above this level for almost the whole of the next decade.

Chart 38
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.

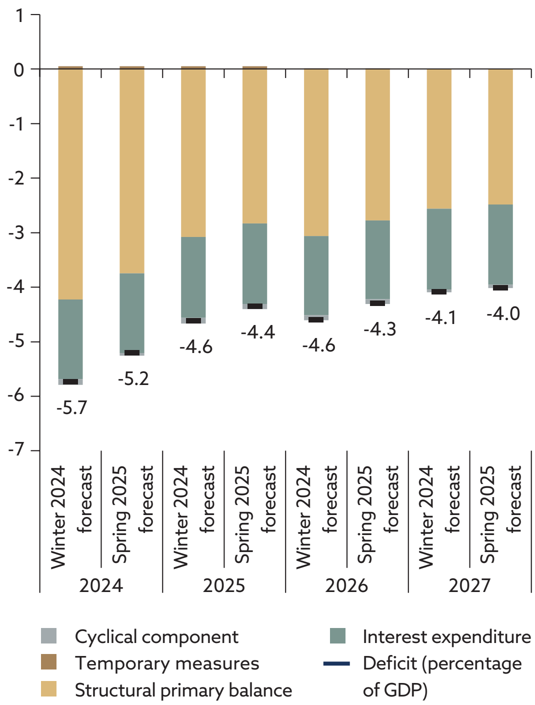
Chart 39
Fiscal stance (percentage points of GDP)



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

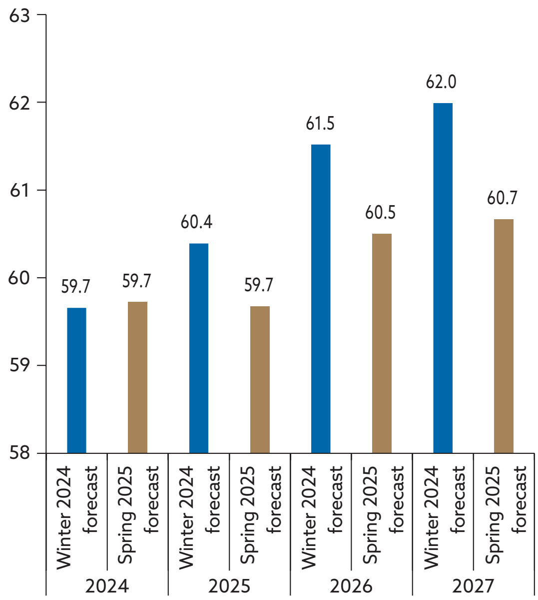
The deficit projections across the forecast horizon have been revised down from the previous forecast. This improvement stems mainly from more favourable developments in tax and non-tax receipts. Higher revenues at the end of 2024 are carried over into the forecast horizon, although their impact is partly offset by higher expenditure, mainly on public sector wages and healthcare. Investment from own resources remains high throughout the horizon, owing mainly to plans for increased procurement of military equipment.

Chart 40
Comparison of projections for the deficit and its decomposition (percentages of GDP; percentage point contributions)



Source: NBS.

Chart 41
Comparison of public debt projections (percentages of GDP)



Source: NBS.

The level of public debt is projected to remain unchanged this year at below 60% of GDP (Chart 41). It is expected to exceed this threshold in the following period, moving slowly beyond the upper limit of the debt break.[4] By the end of the forecast horizon, public debt is expected to stand at 60.7% of GDP.

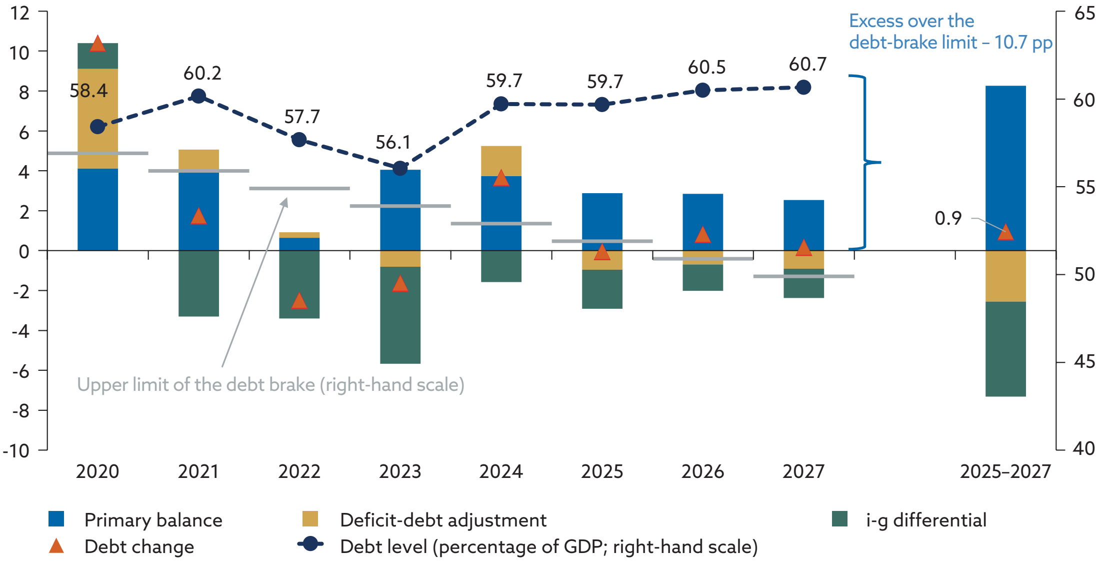
Persistent government deficits are preventing debt reduction (Chart 40). The primary deficit – the fiscal deficit net of interest payments – is expected to decrease as a result of the consolidation effort, but not sufficiently to reduce public debt. Partial financing from financial reserves (the deficit-debt adjustment component) should have the opposite effect, reducing the need for the issuance of new government bonds. Economic growth is expected to continue having a favourable impact on the debt ratio by outweighing the impact of interest costs (i-g differential). This, together with the debt-deficit adjustment, will moderate debt growth, but their impact will not offset that of the primary deficit, leaving public debt on a more or less slightly upward path.

The level and sustainability of public debt necessitates fiscal consolidation not only in the short term (over the next three years), but also beyond the forecast horizon. The short-term stabilisation of public debt at around 60% of GDP may give a misleadingly favourable impression, since any slowdown in consolidation beyond the forecast

[4] For 2024, the upper limit of sanction bands under the debt brake regime was 53% of GDP. Under a transitional provision of the constitutional Fiscal Responsibility Act, the upper limit of general government debt is to be reduced by one percentage point per year from 2018 to 2027, when it will drop to the level of 50% of GDP.

horizon could result in the debt ratio reaching around 70% of GDP over the next ten years.

Chart 42
Public debt and factors of change (percentages points of GDP; percentages of GDP)



Sources: NBS, and SO SR.
Notes: Debt-deficit adjustment – a factor of consistency between the fiscal deficit and the debt change; i-g differential – a factor taking into account the impact of interest costs and economic growth on the debt change.

3.4 Risks to the forecast

The risks to the forecast come mainly from the external environment. These are elevated for both the real economy and inflation outlooks.

The impact of protectionist policies on global trade represent the greatest threat to world economic developments. The imposition of tariffs and trade restrictions could stifle prosperity growth for an extended period. Uncertainty is being further amplified by ad hoc changes in the measures announced.

Despite the prevailing downside risks, there is also the possibility that Europe will perform slightly better than expected. The German fiscal stimulus represents an upside risk to the outlook for the European economy, as it could boost investment activity in Germany, thereby mitigating the impact of other risks.

As for domestic risk factors, these still include the impact of fiscal consolidation on the economy and prices this year, and the need for additional consolidation in the coming years. Commodity market developments and the timing of the alignment of household gas and heat prices with market levels remain upside risks to the inflation forecast. Meanwhile, there is uncertainty about the timing and profile of EU fund absorption. If the potential of RRF funding is not well utilised, economic growth could be slower than projected.

Box 3

A trade war will be generally damaging, especially for Slovakia

As a result of the new tariffs imposed by the US on imports from China, Canada, Mexico and the EU, and the subsequent retaliatory tariffs, we estimate the impacts on Slovakia to be as follows:

- an almost 3% decline in GDP by the end of 2027, representing a loss to the economy of more than €3 billion in today's prices;
- a €5 billion drop in Slovak exports by 2027 compared with a scenario without tariff increases;
- a loss of around 20,000 jobs;
- significant losses for domestic sectors dependent on international trade: manufacturing, transportation, and trade.

A trade war triggered by the hiking of US import tariffs and subsequent retaliatory tariffs by the targeted countries could lead to a cumulative 1.2 percentage point reduction in global growth over the period 2025–27. This at a time when global annual economic growth is running at around three per cent. Supply chains would be disrupted and productivity would decline. Economic growth would slow not only in countries directly affected by the tariffs but also in the United States itself. The unleashing of tariffs increases uncertainty, adversely affecting both real investment and financial markets.

Small, highly open, and export-driven economies like those of Slovakia and its V4 neighbours are particularly vulnerable. Although only a relatively small share of its exports is destined directly to the United States, Slovakia will not escape the headwinds. The key factor is Slovakia's integration in global supply chains.

Slovakia is not closely linked to the United States in terms of direct trade. Slovakia's exports to the United States accounted for 4.2% of its total exports in 2024. Machinery and transport equipment made up 87% of Slovak exports to the United States, so the domestic sector that would be hardest hit directly by a trade war is the automotive industry.

We simulated four scenarios of increases in US tariffs on goods from China, Canada, Mexico and the EU, along with retaliatory tariffs on US goods (Table 1). To capture the impacts, we used Oxford Economics' Global Economic Model. The overall result represents the combined impact of all tariffs. There is a great deal of uncertainty around the actual implementation and duration of the tariff hikes. Such a climate poses a risk to the economy, as firms cut back on investment and find it harder to secure funding amid heightened financial market volatility. The scenarios should therefore be seen as indicative estimates.

Table 1

Scenarios for the hiking of US import tariffs against trading partners and subsequent retaliatory tariffs (percentage points)

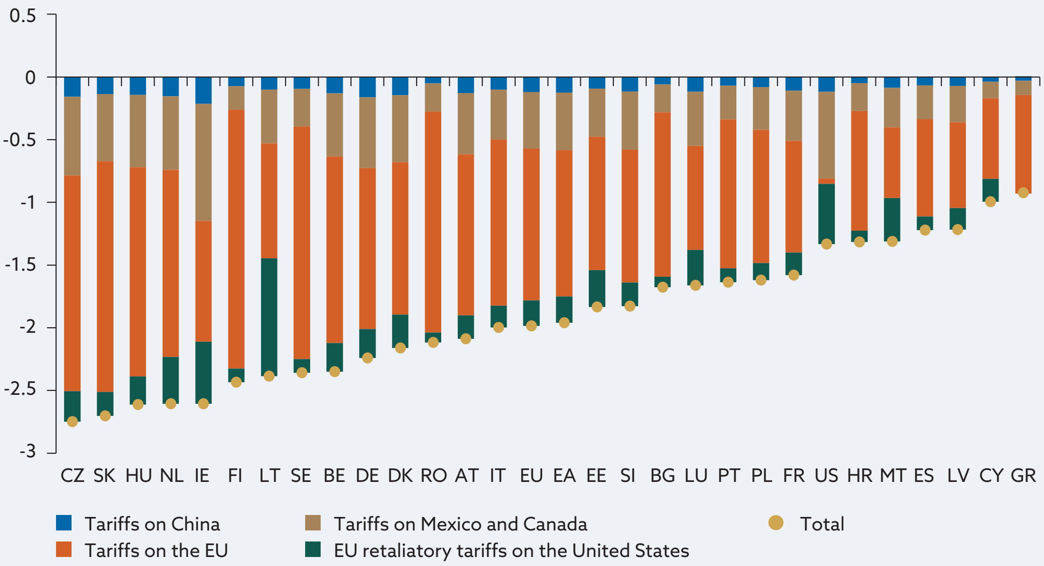
	Tariffs on China	Tariffs on Mexico and Canada		Tariffs on the EU	EU retaliatory tariffs on the United States
	China	Canada	Mexico	EU	EU
Increase in US tariffs on imports from selected countries	10	25	25	25	0
Selected countries' retaliatory increase in tariffs on imports from the United States	10	25	0	0	25

Sources: Oxford Economics' Global Economic Model, and NBS calculations.
Notes: All the scenarios[5] envisage a permanent increase in tariffs on imported goods from the second quarter of 2025. A 10 pp increase in US tariffs on imports from China is already included in the baseline forecast.

In each of the trade war scenarios, all countries experience a decline in economic growth. Even the United States, the initiator of the tariff hikes, cannot avoid an economic slowdown. Retaliatory tariffs worsen the situation for all countries. European countries are hardest hit by the higher tariffs on imports from the EU. Smaller, open, industry-oriented economies in central Europe suffer the most, namely the Czech Republic, Slovakia and Hungary (Chart 1).

Chart 1

Cumulative decline in GDP over the period 2025–27 caused by the US trade war (percentages)

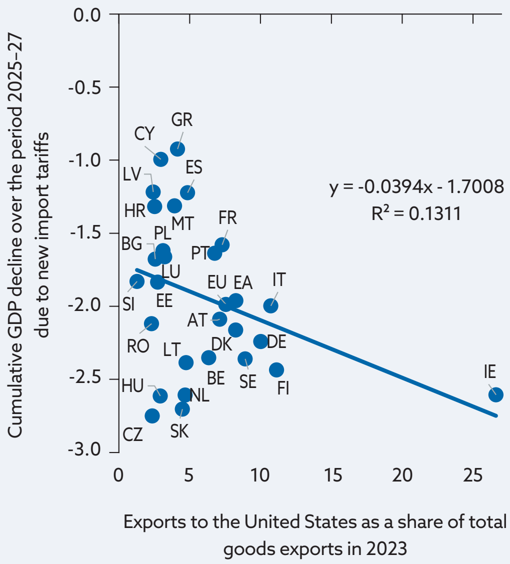


Sources: Oxford Economics' Global Economic Model, and NBS calculations.

[5] Monetary policy remains active in all modelled countries except the euro area. The activation of ECB monetary policy or, conversely, the fixation of interest rates by the most important central banks does not have a decisive impact on the simulation results.

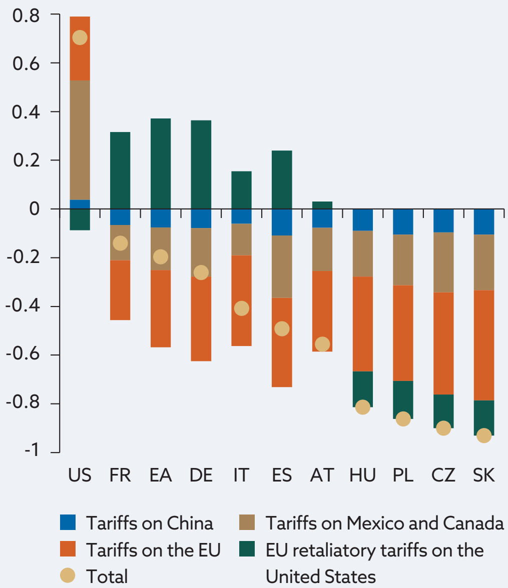
In the simulation, inflation rates across European countries are generally dampened by the impact of the economic slowdown (Chart 3). Weaker global demand depresses prices of commodities, especially oil. In the small export-oriented and interconnected V4 countries, the deflationary impact of the cooling economy dominates, even with the EU's retaliatory tariffs on the United States.

Chart 2
GDP decline due to new import tariffs and the share of exports destined to the United States (percentages)



Sources: IMF DOTS via Macrobond, Oxford Economics' Global Economic Model, and NBS calculations.

Chart 3
Cumulative change in consumer prices over the period 2025–27 caused by the US trade war (percentages)

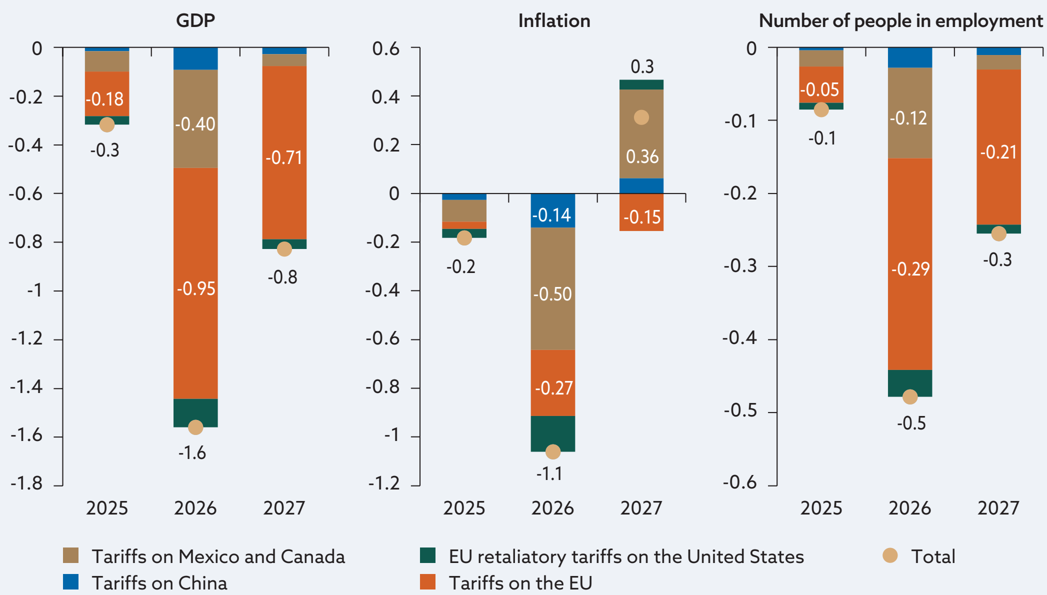


Sources: Oxford Economics' Global Economic Model, and NBS calculations.

In Slovakia, over the simulation period 2025–27, GDP growth is estimated to fall by a cumulative 2.7 pp. The impact on the domestic economy of tariff hikes implemented in the second quarter of 2025 is most evident in the following year (Chart 4).

Slovakia's GDP growth slows by 1.6 pp in 2026 in the simulation, which means the economy barely grows at all. Consumer price inflation declines by 1.1 pp. The higher US tariffs on EU imports are the main negative contributor to economic growth and employment, with the latter estimated to decline by 0.5 pp. The strongest disinflationary pressure comes from commodity prices following the imposition of higher tariffs on Canada and Mexico. These key US trading partners contribute significantly to the US economic slowdown and consequently to the decline in global demand. The downward slide in commodity prices is estimated to correct in 2027 with an inflationary impact.

Chart 4
Change in GDP, consumer prices, and employment caused by the US trade war (percentage points)



Sources: Oxford Economics' Global Economic Model, and NBS calculations.

The sector that accounts for most of the Slovak economy's trade war-induced slowdown is manufacturing industry (Chart 5). This sector's export-oriented production is heavily dependent on global demand. Within manufacturing, the machinery and automotive industries are hardest hit. Transportation and international trade-related retail and wholesale distribution also suffer. The construction sector could face headwinds as well. The disruption of foreign trade brings uncertainty, which is not conducive to investment or, by extension, to construction.

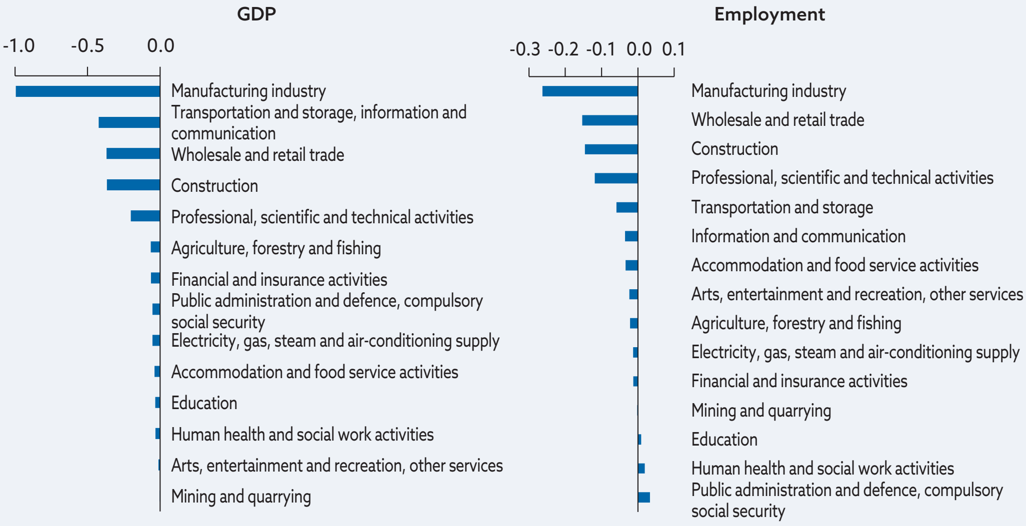
In the simulation, the Slovak economy is estimated to lose around 20,000 jobs over the next three years. Most of the job losses are in the above-mentioned sectors.

The trade war is estimated to reduce Slovakia's overall export growth by a cumulative 6.2 pp over the simulation period 2025–27, representing a loss of almost €5 billion. The impact of reduced US imports directly from Slovakia accounts for only 0.4 pp of the overall slowdown in export growth. The major impact, amounting to 5.8 pp, comes from Slovakia's indirect connection to global demand through global supply chains.

Heightened trade barriers could also have significantly negative effects on the long-term trend of open economies. Amid a dearth of foreign demand, high import tariffs lead to a reduction in overall trade by disrupting the upstream and downstream supply chains and by reducing investment in new technologies to the detriment of productivity.

Chart 5

Contributions to the cumulative changes in GDP and the number of people in employment over the period 2025–27 (percentage points)



Sources: Oxford Economics' Global Industrial Model, and NBS calculations.

Table 5
Forecast for key macroeconomic indicators

Spring 2025 medium-term forecast (MTF-2025Q1)								
Indicator	Unit	Actual data	Spring 2025 medium-term forecast (MTF-2025Q1)			Difference vis-à-vis the winter 2024 forecast (MTF-2024Q4)		
		2024	2025	2026	2027	2025	2026	2027
Price developments								
HICP inflation	annual percentage change	3.2	4.3	2.9	3.2	0.2	0.1	-0.1
CPI inflation	annual percentage change	2.8	4.3	3.1	3.2	-0.1	0.2	0.0
GDP deflator	annual percentage change	3.6	4.2	2.9	2.9	1.5	0.2	0.6
Economic activity								
Gross domestic product	annual percentage change, constant prices	2.0	1.9	1.9	2.1	-0.4	-0.1	-0.2
Private consumption	annual percentage change, constant prices	2.4	0.7	1.9	1.4	-0.2	-0.2	0.0
General government final consumption	annual percentage change, constant prices	3.6	1.0	1.7	1.9	-1.2	-0.2	0.0
Gross fixed capital formation	annual percentage change, constant prices	-4.1	3.0	4.6	-1.4	-3.1	2.1	0.3
Exports of goods and services	annual percentage change, constant prices	0.5	2.3	2.6	3.9	-0.8	-0.5	-0.4
Imports of goods and services	annual percentage change, constant prices	1.8	2.2	3.2	2.6	-1.0	-0.1	-0.2
Net exports	EUR millions at constant prices	4,307	4,512	4,098	5,490	382.2	20.1	-201.1
Output gap	percentage of potential output	-0.2	-0.3	-0.3	-0.2	0.0	0.0	-0.1
Gross domestic product	EUR millions at current prices	129,971	137,935	144,662	152,030	1,129.8	1,356.3	2,181.4
Labour market								
Employment	thousands of persons, ESA 2010	2,430	2,431	2,432	2,432	-1.3	-3.0	-8.1
Employment	annual percentage change, ESA 2010	-0.2	0.0	0.0	0.0	-0.1	-0.1	-0.2
Number of unemployed	thousands of persons, LFS [1)]	148	145	152	151	-5.8	-5.6	0.2
Unemployment rate	percentage	5.3	5.2	5.5	5.5	-0.3	-0.2	0.0
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	1.8	1.9	2.1	-0.5	0.0	0.1
Nominal productivity [4)]	annual percentage change	5.9	6.1	4.9	5.1	1.0	0.2	0.8
Nominal compensation per employee	annual percentage change, ESA 2010	6.8	5.1	4.4	4.9	0.0	-0.6	0.3
Nominal wages [5)]	annual percentage change	5.9	5.0	4.5	4.8	-0.1	-0.5	0.2
Real wages [6)]	annual percentage change	3.0	0.6	1.4	1.6	-0.1	-0.7	0.2
Households and non-profit institutions serving households								
Disposable income	annual percentage change, constant prices	1.7	0.3	1.8	1.3	-0.5	-0.4	0.0
Saving ratio [7)]	percentage of disposable income	6.1	5.6	5.5	5.4	-1.8	-2.0	-2.0

Table 5
Forecast for key macroeconomic indicators (continued)

Indicator	Unit	Actual data	Spring 2025 medium-term forecast (MTF-2025Q1)			Difference vis-à-vis the winter 2024 forecast (MTF-2024Q4)		
		2024	2025	2026	2027	2025	2026	2027
General government sector [8]								
Total revenue	percentage of GDP	41.8	42.5	42.5	41.6	0.4	0.3	0.0
Total expenditure	percentage of GDP	47.0	46.9	46.8	45.6	0.1	0.0	-0.1
General government balance [9]	percentage of GDP	-5.2	-4.4	-4.3	-4.0	0.3	0.3	0.1
Cyclical component	percentage of trend GDP	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
Structural balance	percentage of trend GDP	-5.2	-4.3	-4.2	-4.0	0.3	0.3	0.1
Cyclically adjusted primary balance	percentage of trend GDP	-3.7	-2.8	-2.8	-2.5	0.3	0.3	0.1
Fiscal stance [10]	annual percentage point change	0.4	0.9	0.0	0.3	-0.2	0.0	-0.2
General government gross debt	percentage of GDP	59.7	59.7	60.5	60.7	-0.7	-1.0	-1.3
Balance of payments								
Goods balance	percentage of GDP	-0.3	0.3	-0.4	0.7	-0.8	-1.2	-1.2
Current account	percentage of GDP	-2.8	-2.2	-2.8	-1.8	-0.7	-1.1	-1.2
External environment and technical assumptions								
Slovakia's foreign demand	annual percentage change	0.9	2.4	2.9	3.0	-0.5	-0.4	-0.3
USD/EUR exchange rate [11), 12]	level	1.08	1.05	1.05	1.05	-1.6	-1.5	-1.5
Oil price in USD [11), 12]	level	82.0	73.6	69.8	68.4	2.5	-0.5	-1.3
Oil price in USD [11]	annual percentage change	-2.1	-10.3	-5.2	-2.1	2.0	-2.8	-0.8
Oil price in EUR [11]	annual percentage change	-2.2	-7.1	-5.3	-2.1	3.4	-3.0	-0.8
Non-energy commodity prices in USD	annual percentage change	9.2	12.0	-1.3	-2.8	6.2	-0.9	-1.1
Three-month EURIBOR	percentage per annum	3.6	2.2	2.0	2.1	0.1	0.0	-0.1
Ten-year Slovak government bond yield	percentage	3.5	3.2	3.2	3.3	-0.1	-0.2	-0.1

Sources: NBS, ECB, and SO SR.
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/