Economic and Monetary Developments

Winter 2023

NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

www.nbs.sk

Published by Národná banka Slovenska

Electronic version
https://www.nbs.sk/en/publications-issued-by-the-nbs/economic-and-monetary-developments

Contact
Národná banka Slovenska
Imricha Karvaša 1
813 25 Bratislava
info@nbs.sk

This report was discussed by the Bank Board of Národná banka Slovenska on 18 December 2023.

ISSN 2729-8604 (ONLINE)

NÁRODNÁ BANKA SLOVENSKA EUROSYSTÉM

Contents

List of boxes

List of tables

List of charts

Charts in boxes

NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

Abbreviations

bp	basis point(s)
CPI	Consumer Price Index
EA	euro area
ECB	European Central Bank
EC	European Commission
ESA 2010	European System of Accounts 2010
ESCB	European System of Central Banks
ESIFs	European Structural and Investment Funds
EU	European Union
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
ICT	information and communication technology
LFA	liquid financial asset
LFS	Labour Force Survey
MFF	multiannual financial framework
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
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
pp	percentage point(s)
PMI	Purchasing Managers' Index
PPI	producer price index
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	Office of Labour, Social Affairs and Family of the Slovak Republic / Ústredie práce, sociálnych vecí a rodiny Slovenskej republiky
ÚRSO	Regulatory Office for Network Industries / Úrad pre reguláciu sieťových odvetví
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

On the external front, there is bad news in the form of softening global trade. This will undermine the performance of Slovakia's export-oriented economy. The negative impact on GDP growth of just the deterioration in the external environment is estimated to be a cumulative 1 pp by the end of 2026. On a more positive note, global inflationary pressures are dissipating somewhat faster than was envisaged in the autumn.

Fiscal policy faces a major challenge. Having been pushed to the limit, it has no capacity to cushion any further shocks that may come from the external environment. Fiscal policy will heavily affect how the Slovak economy fares in the coming years.

The fiscal package presented by the new Slovak government does not imply any radical changes to the outlook for public finances. The package contains measures that significantly increase public revenue. On the other hand, next year's budget includes a number of expenditure measures that impair public finances, including, in particular, energy price subsidies and support for pensioners and mortgage borrowers.

The positive impact that the package's measures have on the economy will be temporary. They are expected to add 0.5 pp to GDP growth in 2024, more than offsetting the impact of weaker foreign demand. By the end of the projection horizon, however, real household incomes, as well as the overall economy, are expected to be showing slightly lower growth. At the price of higher public debt, the government is deferring the restoration of energy prices to market levels and at the same time is slowing the recovery of public finances.

The fiscal package's impact on headline inflation is expected to be most pronounced in 2024. In that year, the subsidisation of administered energy prices is projected to push headline inflation down to 2.5%, which means households will have higher real incomes and therefore more funds to allocate to consumption. Over the next two years, we expect household energy prices to return gradually towards market prices. Under their upward impact, headline inflation is projected to rise to around 4%. It should be noted, however, that the government's plans for the years after 2024 have not yet been announced.

The labour market situation will not be significantly affected by the fiscal package. Employment is expected to grow slightly. The number of job vacancies remains high, and the labour supply needed to fill them will have to include, in addition to the ranks of the domestic unemployed, an increasing inflow of foreign workers. Population ageing will tighten the labour market to quite a large extent. It will, however, be to the advantage of employees, as they will have increasing room to negotiate higher salaries. For now, however, we are seeing a more cautious approach in the private sector. A slight increase in employers' labour costs may translate into lower growth in negotiated wages.

We estimate that Slovakia's general government deficit will almost triple in 2023 to what will be its highest level since 2010, nearly 5.6% of GDP. The deficit will increase further in 2024 and then slowly decrease in subsequent years. The sharp year-on-year increase in the 2023 deficit is mainly due to three factors: a statutory increase in social spending beyond the functioning of the inflation mechanism (an extraordinary indexation of pensions, a supplement to once-a-year 'thirteenth' pension payments, an increase in family social benefits, etc.), the temporary compensation for high energy prices, and the lagged impact of inflation on the indexation of old-age pensions. The deficit increase expected in 2024 is due mainly to expenditure on military equipment. In subsequent years, in the absence of growth-supporting measures, the deficit is estimated to be close to 4% of GDP.

Public debt is projected to exceed 60% of GDP in 2026. At the estimated deficit levels, public debt will increase continuously, from 57% of GDP in 2023 to 60% of GDP in 2026, the last year of the projection horizon. It will do so even as the government's cash reserves are projected to decline significantly. The debt is thus projected to exceed the upper limit of the debt brake by almost 9 pp of GDP.

The latest NBS forecast carries significant risks. As regards risks to the economic growth outlook, they are tilted heavily to the downside. The largest risks include fiscal consolidation and any additional measures in the years ahead, such as may be required to stabilise debt ratios at current levels. Risks of a global nature have yet to recede, prominent among them being geopolitical risks and a slow recovery of world trade in goods. A potential problem is the exhaustion of EU funds. Risks to the inflation outlook for 2025 and 2026 are tilted largely to the upside. They include higher than projected growth in wages and commodity prices and the entrenchment of higher inflation over the longer term. A question mark also remains over consumer energy prices.

Table 1 Key economic indicators

		Winter 2023 forecast (MTF-2023Q4)										
	Actual data	Fiscal-package scenario				No-fiscal-package scenario				Difference vis-à-vis the autumn 2023 forecast (MTF-2023Q3)		
	2022	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025
GDP (annual percentage change)	1.8	1.2	2.8	3.0	1.8	1.2	2.4	3.2	2.4	-0.3	0.1	-0.4
HICP (annual percentage change)	12.1	11.0	2.5	4.6	3.9	11.0	4.7	4.0	1.9	0.1	-3.1	0.9
Average nominal wage (annual percentage change)	7.0	8.8	6.9	5.8	5.2	8.8	7.1	6.2	4.3	-0.6	-1.3	-0.3
Average real wage (annual percentage change)	-5.2	-1.6	4.0	1.2	1.4	-1.6	2.4	2.0	1.7	-0.4	1.7	-0.9
Employment (annual percentage change; ESA 2010)	1.8	0.3	0.4	0.3	0.0	0.3	0.4	0.3	0.0	-0.1	-0.2	0.1
Unemployment (percentage; Labour Force Survey)	6.1	5.9	5.5	5.2	5.2	5.9	5.5	5.2	5.2	0.1	0.3	0.3

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

2 Current macroeconomic developments in the external environment and Slovakia

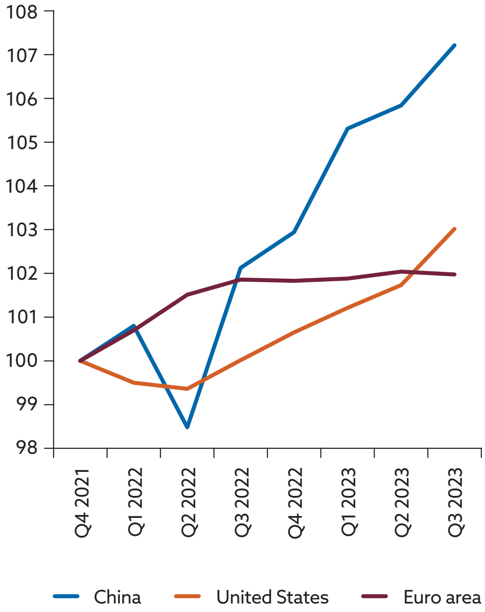
2.1 External environment

Global economic growth in the third quarter of 2023 was higher than expected. The United States saw an acceleration in economic activity, driven mainly by robust private consumption. In China, too, economic growth gathered pace. Although challenged by problems in its real estate sector, the Chinese economy responded positively to policy support measures. In the euro area, by contrast, economic performance remained weak in the third quarter, with the bloc's GDP contracting slightly (Chart 1). Manufacturing industry continued to struggle with weakening demand.

Global economic performance is moderating, according to survey data. The global composite purchasing managers' index (PMI) has fallen to 50, the level denoting economic stagnation. Likewise, the PMI for China, despite improving slightly, is at low levels indicating only modest economic growth. As well as being adversely affected by a crisis in the real estate sector, the Chinese economy is starting to feel the effects of weaker foreign demand. According to composite PMI results, US economic growth should remain moderate, while the euro area's economic difficulties are likely to persist into the last quarter of 2023 (Chart 2).

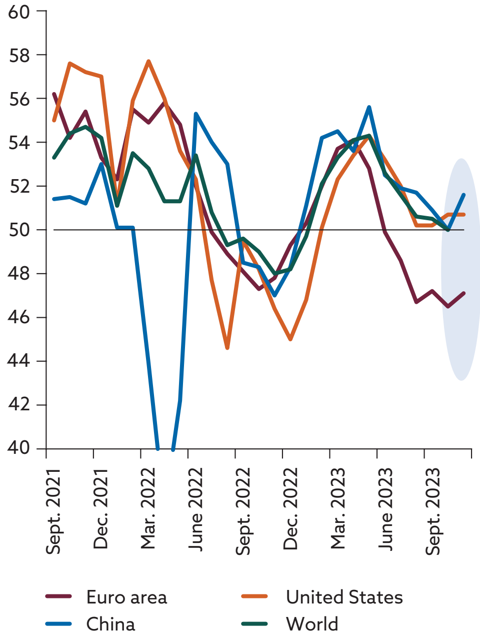
Price pressures have been easing on both sides of the Atlantic (Chart 3 and 4). This development has been supported by falling energy prices as well as by slower growth in food prices. Improved functioning of supply chains has helped to eliminate shortages of some goods and components. This, together with lower transport costs, has dampened consumer goods inflation. Meanwhile, however, in both the United States and the euro area, a relatively strong labour market is curbing the slowdown in services inflation. Although services inflation continues to decelerate – quite markedly so in the euro area in November – it remains at relatively high levels.

Chart 1
GDP (index: Q4 2021 = 100)



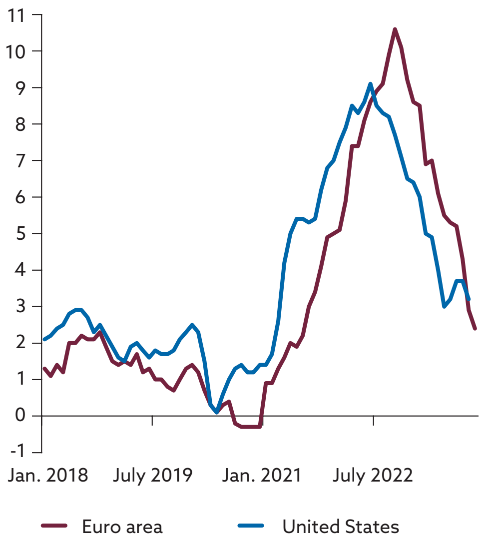
Source: Macrobond.

Chart 2
Composite Purchasing Managers' Index



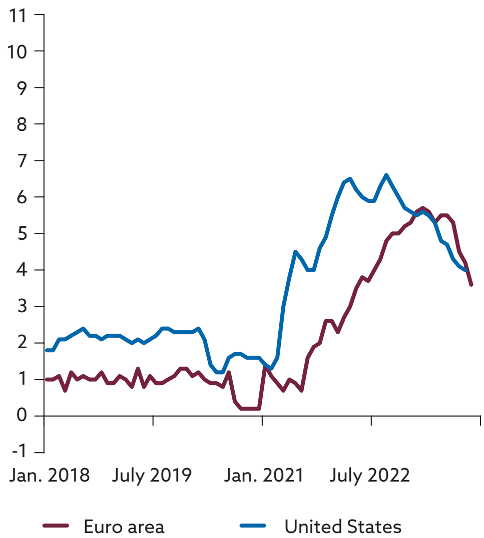
Source: Macrobond.

Chart 3
Headline inflation in the euro area and the United States (annual percentage changes)



Source: Macrobond.

Chart 4
Core inflation in the euro area and the United States (annual percentage changes)

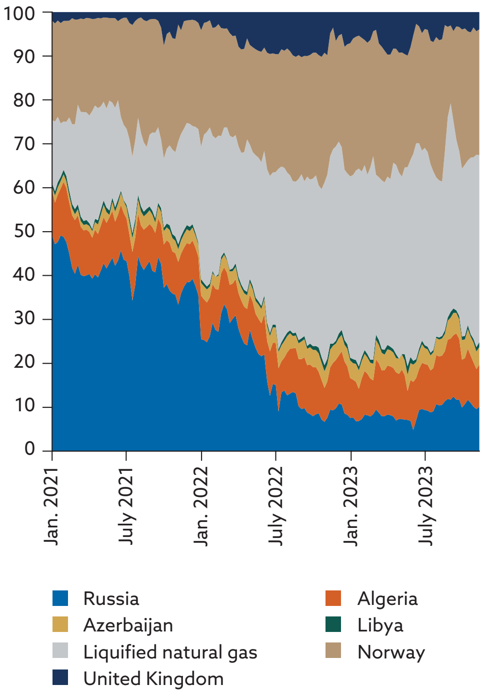


Source: Macrobond.

Certain risks to the future path of inflation relate to the geopolitical situation in the Middle East, especially in regard to energy commodity prices. Any escalation of the conflict in that region could put upward pressure on commodity prices, whether because some OPEC members reduce oil sales or because sanctions are imposed on oil exports from some countries (for example, Iran, which accounts for around 10% of OPEC oil output). Another frequently mentioned risk is the blockage of transport through the Strait of Hormuz, through which a significant proportion of the world's oil and liquefied gas is transported.

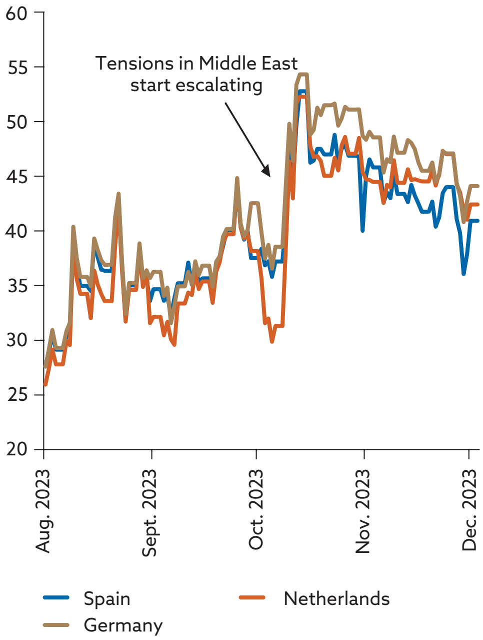
The situation in the natural gas market is more complicated. A large part of gas imports from Russia to Europe has been replaced by liquefied natural gas. The share of Europe's gas imports that come from Russia has fallen from almost 50% to around 10% (Chart 5). At the same time, however, Europe has become more sensitive to gas market developments. As there is almost no spare LNG capacity, even minor supply disruptions translate into price increases. Following the recent escalation of tensions in the Middle East, gas prices rose quite sharply (Chart 6) because of Israel temporarily halting production at one of its offshore gas fields.

Chart 5
Breakdown of EU natural gas imports (percentages)



Source: Macrobond.

Chart 6
Natural gas prices (EUR/MWh)



Source: Macrobond.

2.2 Slovakia

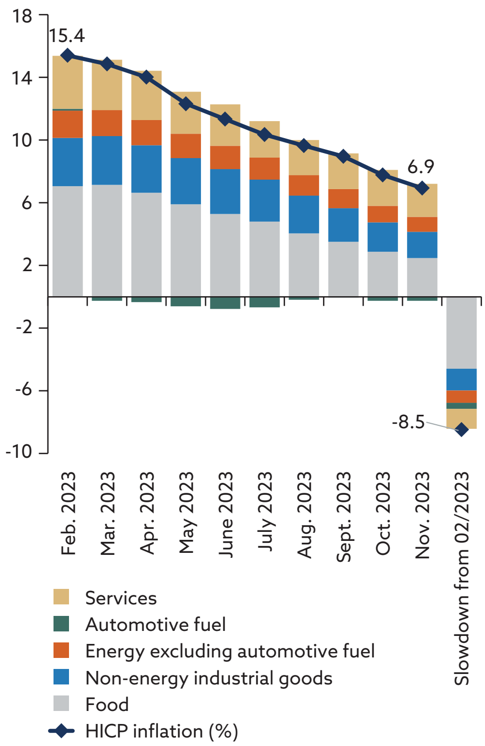
2.2.1 Consumer prices

Inflation has, as expected, eased significantly (Chart 7), **but it remains above desired levels.** The annual headline rate stood at 6.9% in November, just slightly higher than projected in the autumn 2023 forecast (Chart 8).

From its peak in February until November, inflation slowed cumulatively by almost 9 pp. Hence our expectations have been largely borne out, especially in regard to slower growth in food prices, which we discussed in the spring. Even so, the easing of price pressures in the food sector could have been more pronounced. It appears that firms in the food supply chain have continued operating at elevated margins.

Chart 7

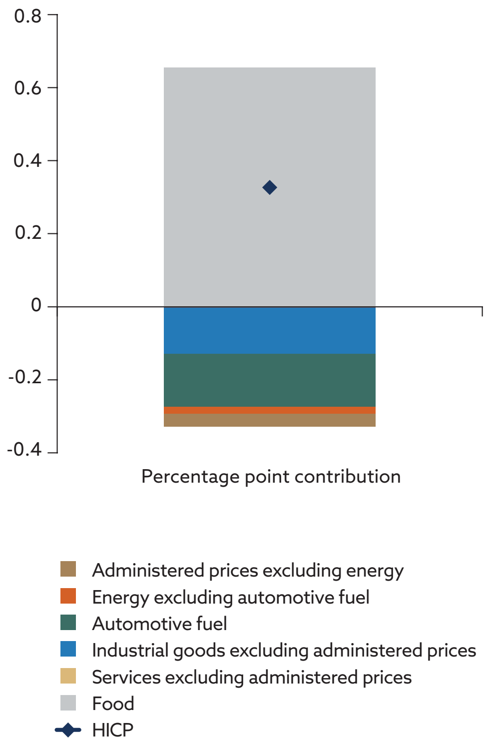
HICP inflation and the decomposition of its slowdown (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

Chart 8

Decomposition of the difference between the actual inflation rate and the rate projected in the autumn 2023 forecast (MTF-2023Q3) (percentage point contributions)



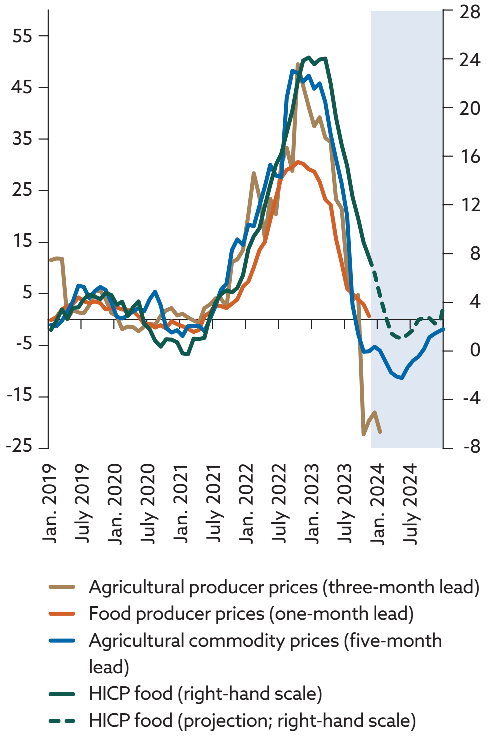
Sources: SO SR, and NBS.

The rate of consumer food inflation can still be considered very high. Food prices are rising faster than technical assumptions would imply, especially given the downtrend in agricultural producer prices and agricultural commodity prices, and the almost zero increase in producer prices of food for the domestic market (Chart 9). The month-on-month evolution of food prices since April 2023 has been similar to that usually seen from 2009 to 2021. The strong base effect of last year's food prices has therefore continued to have a major downward impact on food inflation and, by extension, on headline HICP inflation.

Prices of a broader range of goods and services are also growing at a slower pace, as indicated by what we call net HICP inflation. Non-energy industrial goods inflation (Chart 10) has eased more than expected in recent months, owing mainly to supply chain improvements, lower import prices and weak consumer demand.

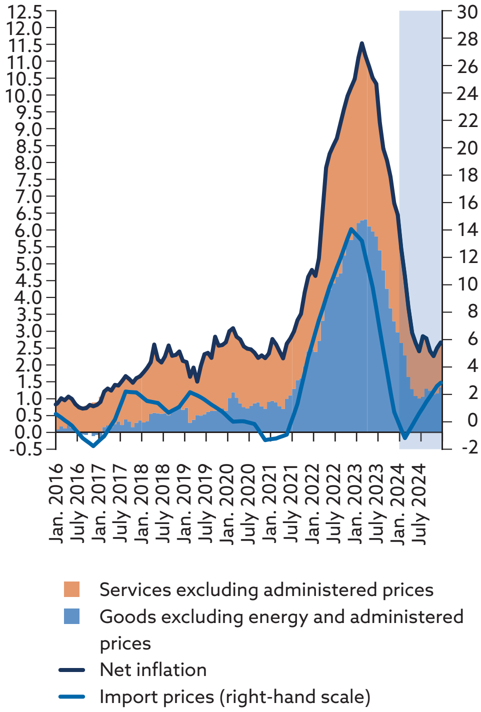
Services inflation has moderated as expected. Although still highly sticky, services prices are gradually reflecting the impact of lower consumer demand and the fading of cost factors. Services inflation would be slowing more sharply if wages were not rising rapidly.

Chart 9
Food producer prices, agricultural producer prices and agricultural commodity prices (annual percentage changes)



Sources: SO SR, and NBS.

Chart 10
Import prices and goods prices (annual percentage changes; percentage point contributions)



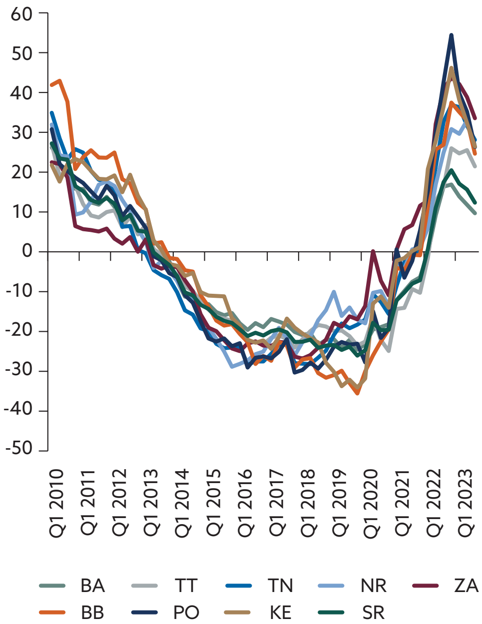
Sources: SO SR, and NBS.

The deceleration of energy inflation is due largely to a decline in oil prices, which has reflected sentiment anticipating weak demand for oil. The drop in oil prices has translated into lower fuel prices at the pump.

2.2.2 Residential property prices

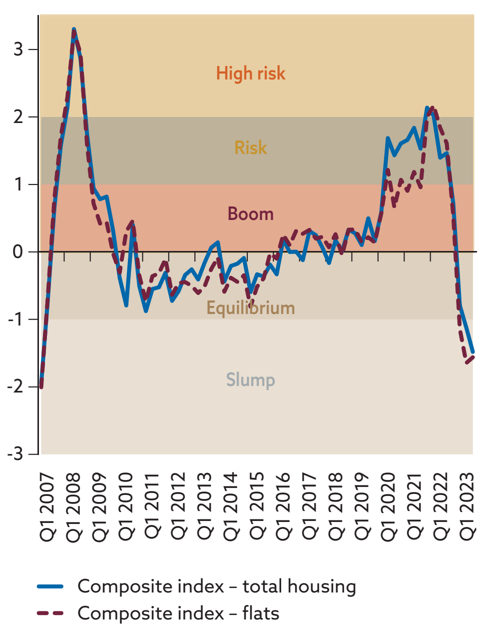
Housing prices continue to decline. Asking prices for residential property in Slovakia were, on average, 2.3% lower in the third quarter of 2023 than in the previous quarter, and they were 11.8% below their peak of July 2022. Whereas in the second quarter prices of flats fell faster than prices of houses, in the third quarter it was vice versa. Housing prices fell in all regions of the country.

Chart 11
Housing affordability index (HAI) value as a ratio of its historical average (percentages)



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

Chart 12
Composite index to assess housing price developments



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

Housing affordability[1] has been gradually improving quarter by quarter, after falling sharply at the end of 2022 (Chart 11). Besides the decline in housing prices, the factors behind this modest improvement are the stabilisation of interest rates and rising nominal wages. However, for the housing affordability index to reach its long-term average, housing prices would have to be 9.8% lower than their current level.

The values of our composite index[2] continued falling in the third quarter, reflecting the decline in the real value of residential property (Chart 12).

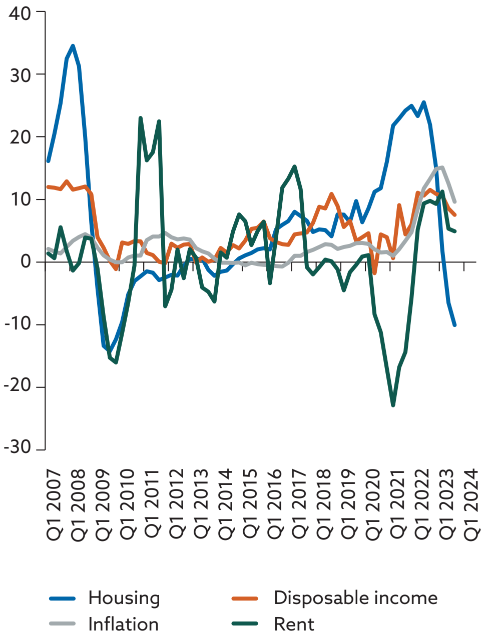
---

1 The HAI calculation is based on a so-called adequate income derived from the current average cost of mortgage loan servicing (taking into account current housing prices and interest rates). The adequate income is compared with the wage level on a region-by-region basis. The final ratio is then interpreted in relation to the long-run average.

2 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

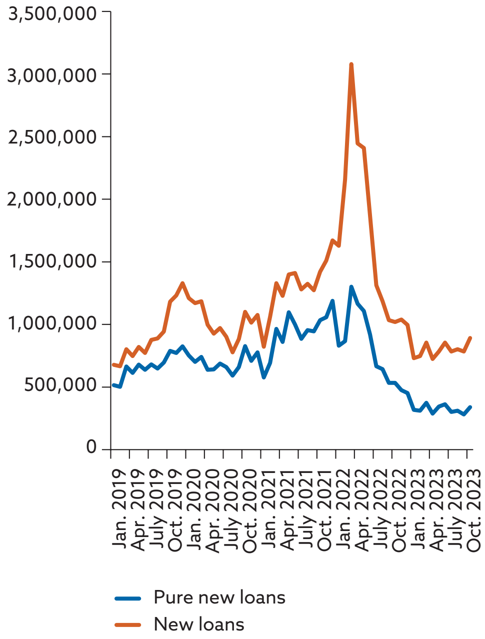
Taking into account consumer price developments, the year-on-year decline in real housing prices in the third quarter would be close to 20%. Also in relation to income developments, the current housing price decline is an unusually weak result. (Chart 13).

Chart 13
Housing prices, inflation and income (annual percentage changes)



Sources: NARKS, SO SR, and United Classifieds.

Chart 14
Evolution of new mortgages (EUR thousands)



Source: NBS.

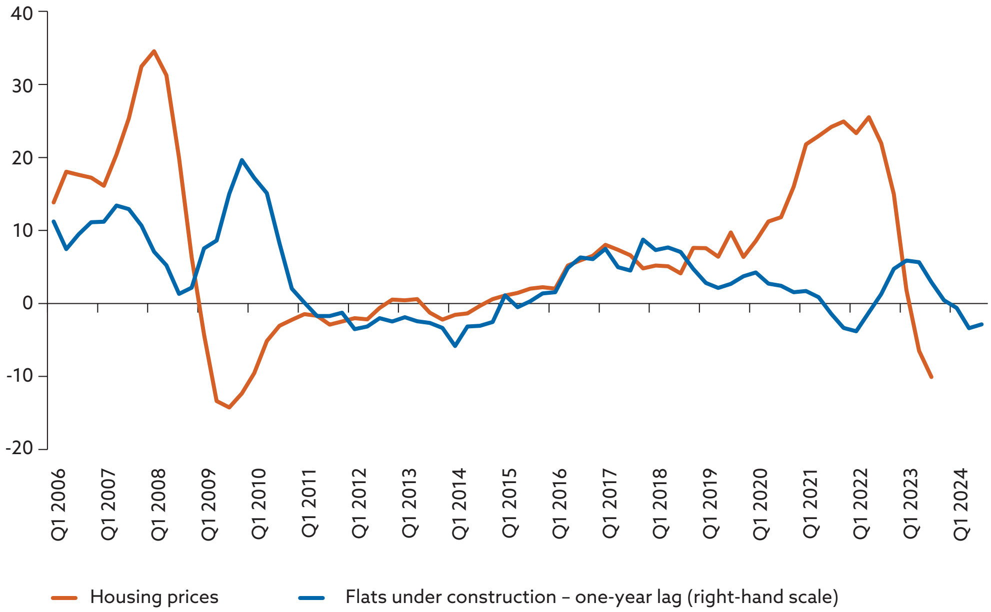
Looking at new mortgage developments, it appears that demand is stabilising at a relatively low level (Chart 14). The average annual interest rate on pure new mortgages (excluding refinancing loans) reached 4.5% in October. Recent trends indicate that the market has become accustomed to the higher lending rates and that the volume of mortgage lending may gradually rebound from its trough.

Monetary policy tightening is starting to have a downward impact on construction. The rising cost of borrowing for both households and property developers has resulted in fewer building permits being issued, as reflected in a decline in residential construction starts (Chart 15).

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.

Chart 15

Housing prices and the number of flats under construction (annual percentage changes)



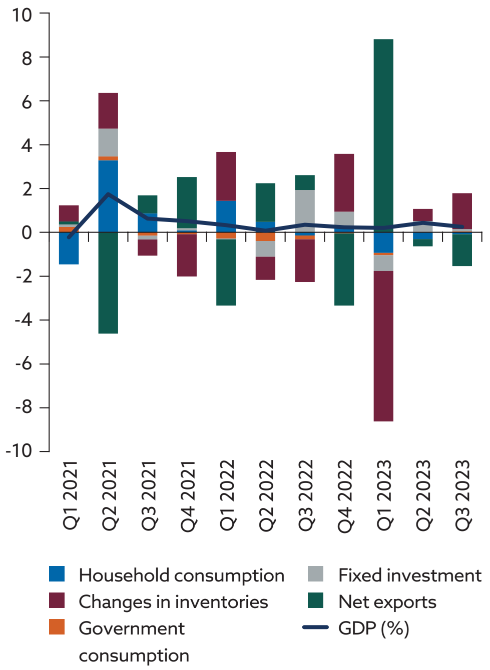
Sources: NARKS, SO SR, and United Classifieds.

2.2.3 Economic growth

Slovakia's economic growth slowed to 0.2%, quarter-on-quarter, in the third quarter of 2023 (Chart 16). Domestic demand remains subdued. Inflation has continued to decelerate, and real incomes have stopped falling; nevertheless, consumers remain cautious and have not stepped up their spending. Industrial output continued to be driven by car manufacturing during the summer. This industry was supported by a favourable production structure and by catching up on order backlogs. Other industries, however, were starting to be affected by the cooling of foreign demand.

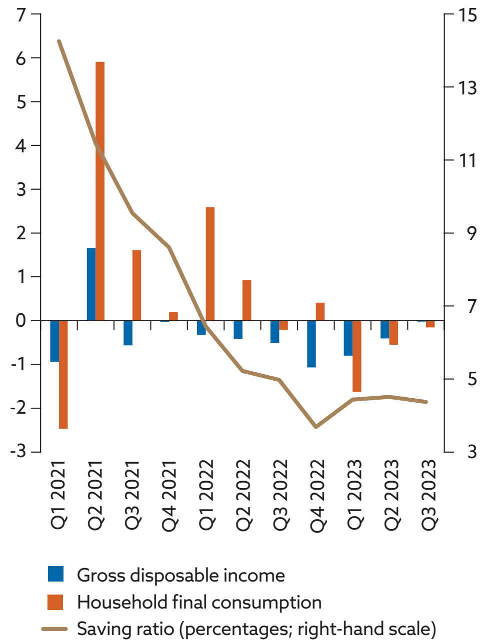
The government's anti-inflationary measures have only helped stem the overall decline in real incomes. Consumers are therefore still curbing their spending, especially purchases of durable goods. Real labour income continued to weaken gradually in the third quarter (Chart 18). The saving ratio remains very low (Chart 17).

Chart 16
GDP and its components (quarter-on-quarter percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

Chart 17
Households' income, consumption and savings (quarter-on-quarter percentage changes; percentages)

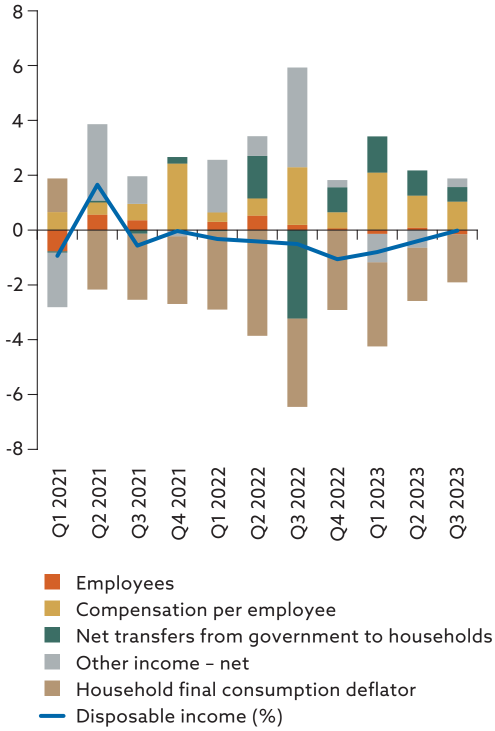


Sources: SO SR, and NBS.

Export growth continued to be driven by the automotive industry in the third quarter; imports were recovering. Car manufacturing remained in a favourable situation during the summer, but other industries were already feeling the effects of weakening demand. While other countries' automotive industries are struggling, Slovakia's is benefiting from a more appropriate production mix as well as by manufacturers' catching up on order backlogs. With imports boosted by less subdued domestic demand and an increase in intermediate imports, as well as by restocking, net exports made a negative contribution to economic growth.

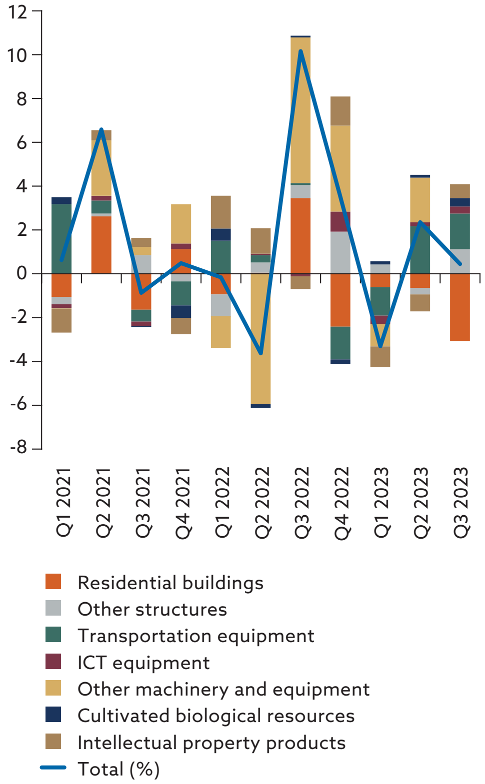
Residential investment by households has fallen sharply, while business investment is stagnating. Tighter monetary policy is dampening demand for mortgages, and therefore residential investment growth has stalled (Chart 19). As regards businesses investment, firms are focusing mainly on purchases of transport equipment and continue to take a cautious approach to larger outlays.

Chart 18
Household disposable income (quarter-on-quarter percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

Chart 19
Gross fixed capital formation (quarter-on-quarter percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

Public investment continues to grow thanks to the accelerating absorption of EU funds and to deliveries of military equipment. Investment in new construction and in the renovation and modernisation of buildings accounted for up to 55% of total investment activity and up to 75% of local government investment activity.

The absorption of EU funds accelerated sharply for a third successive quarter in the third quarter of 2023 (Chart 20). This uptrend reflects the fact that Slovakia has until the end of 2023 to disburse unspent funds under its 2014–2020 EU budget[3] allocation. The country's uptake of EU funds during the first nine months of 2023 increased by more than €1 billion year-on-year, to €2.6 billion; it included funds received from the Recovery and Resilience Facility (through the implementation of Slovakia's recovery and resilience plan) and transfers to financial instruments.

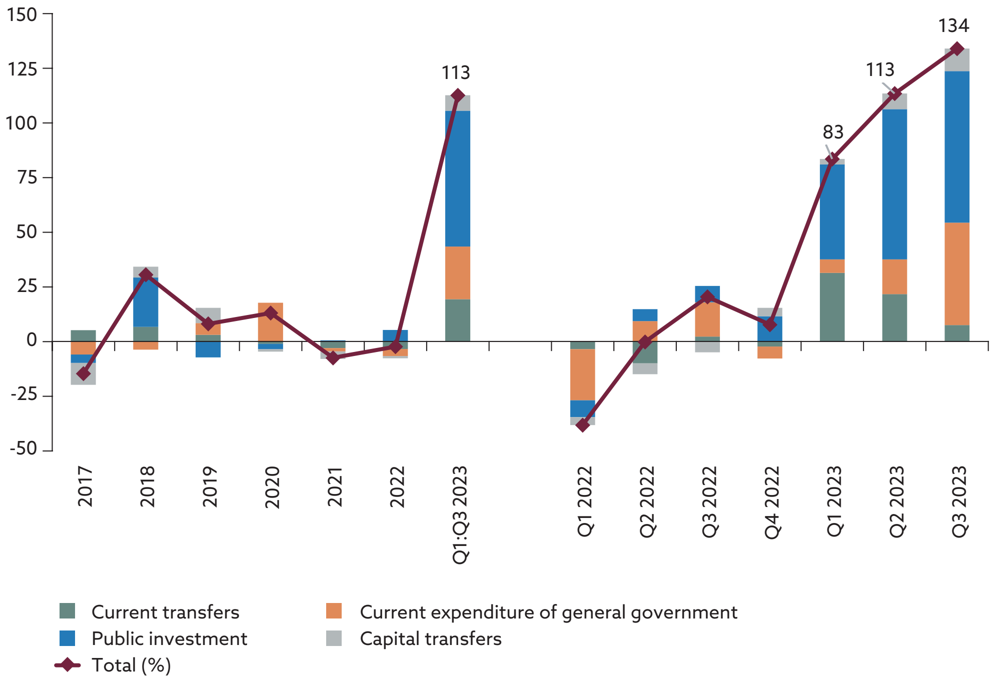
3 The Multiannual Financial Framework for 2014–2020.

Public investment in transport infrastructure accounted for most of the disbursements in the third quarter. General government current expenditure also accelerated during that period, reflecting the contribution of projects financed under the EU's FAST-CARE initiative, which covers costs related to assisting people displaced by the war in Ukraine.

On the basis of its recovery and resilience plan (RRP), Slovakia has so far this year absorbed a moderate amount of RRF funds, around €300 million. Most of that total was allocated in the second quarter to improving the energy efficiency of houses.

Chart 20

Absorption of EU funds (annual percentage changes)[1]

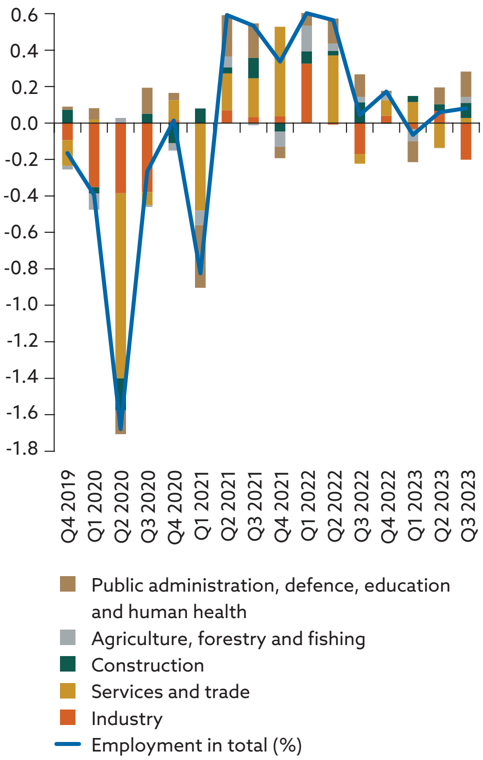


Sources: State Treasury, and NBS.
1) Adjusted for spending on financial instruments.

2.2.4 Labour market

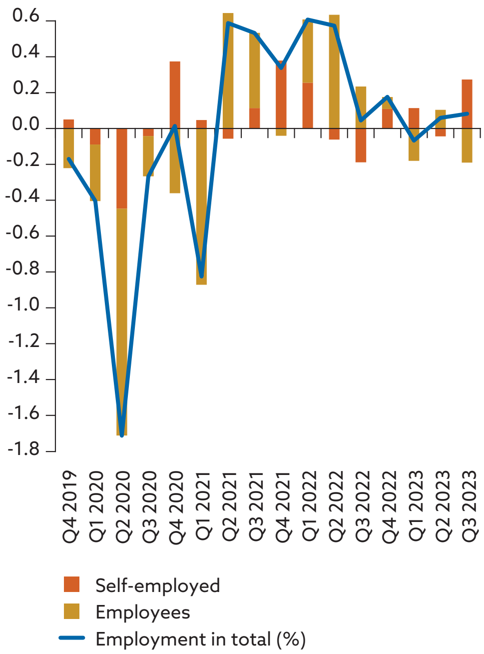
The labour market remains resilient in line with expectations. Tighter monetary policy is weakening both foreign and domestic demand, dampening job creation. As a result, employment has declined in industry and remains flat in the trade sector. Construction sector firms have been stepping up recruitment (Chart 21) after being boosted by the remaining disbursement of unspent EU funds allocated to Slovakia under the 2014-2020 EU budget. A feature of the construction sector is that many job vacancies are filled by self-employed persons, as evidenced by the increase in the number of self-employed in the third quarter (Chart 22).

Chart 21
Evolution of employment by sector (quarter-on-quarter percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

Chart 22
Evolution of employment (quarter-on-quarter percentage changes; percentage point contributions)



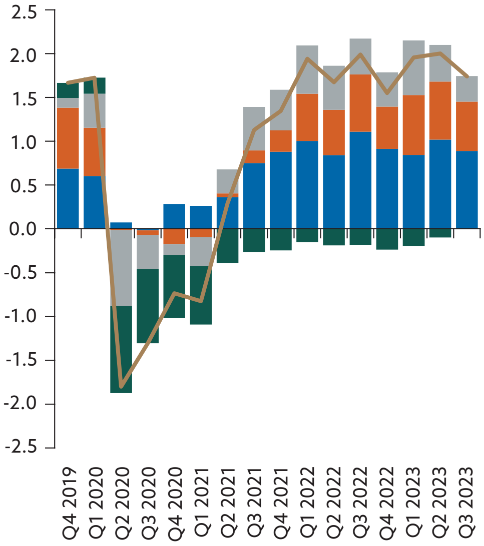
Sources: SO SR, and NBS.

Firms continue to report labour shortages. Labour market tightness remains high (Chart 23). Domestic unemployment is at record lows, and employers are therefore increasingly hiring foreigners. Their total number is now close to one hundred thousand (Chart 24).

Labour supply has fallen significantly, owing partly to public policies. After more than three years of a gradual return of people to the economically active population, a turning point was reached in the third quarter of 2023. There was an increase in the number of economically inactive disability pension recipients, early retirees, and students. In the case of disability pension recipients and early retirees, the increase was likely due to a rapid indexation of pensions as well as to an adjustment to the eligibility conditions for disability and early retirement pensions. The number of people staying at home to care for another member of the household or for other family reasons increased significantly in the third quarter.

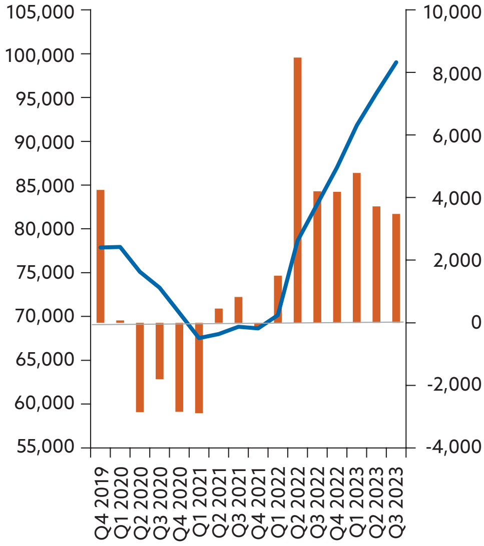
NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

Chart 23
Labour market tightness (percentage point contributions)



Sources: SO SR, EC, and NBS.

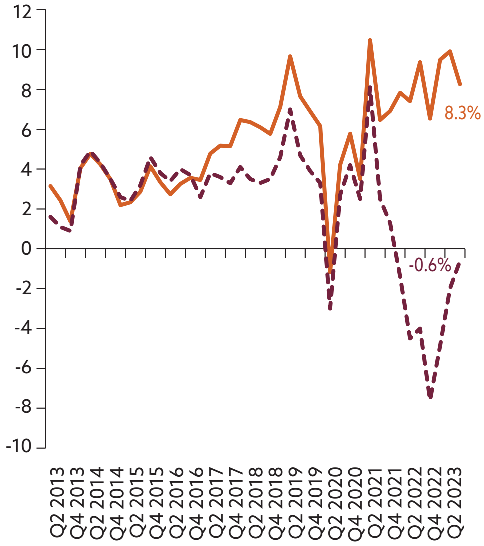
Chart 24
Number of foreigners employed in Slovakia (all countries)



Sources: ÚPSVaR SR, and NBS.

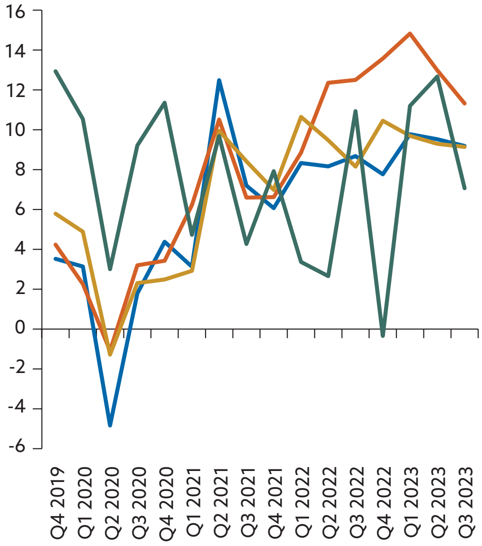
Wage growth is slowing, and household purchasing power has still not started to rebound (Chart 25). Annual wage growth slowed in the third quarter, owing mainly to weak growth in public sector wages. In the private sector, by contrast, wages went up at a slightly faster pace. Double-digit wage growth was seen in the trade and construction sectors and in the services sub-sectors of real estate activities and transportation (Chart 26).

Chart 25
Wages (annual percentage changes)



Sources: SO SR, and NBS.

Chart 26
Wages by economic sector (annual percentage changes)



Sources: SO SR, and NBS.

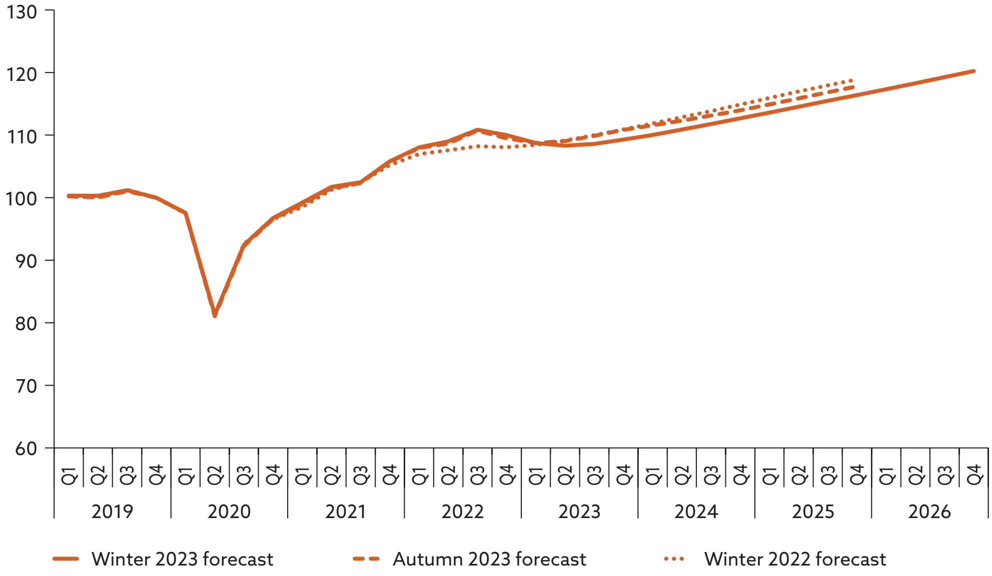
3 Medium-term forecast

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

Compared with the autumn 2023 forecast, the outlook for foreign demand for Slovak products has deteriorated across the entire projection horizon, through to the end of 2026 (Chart 27). The worse than expected evolution of foreign demand in 2023 stems from weaker import growth in several of Slovakia's main trading partners, in particular Germany and the other V4 countries. The assumption for foreign demand at the end of 2025 has been revised down by almost 1.3% from the autumn forecast.

Chart 27

Foreign demand (index: Q4 2019 = 100)



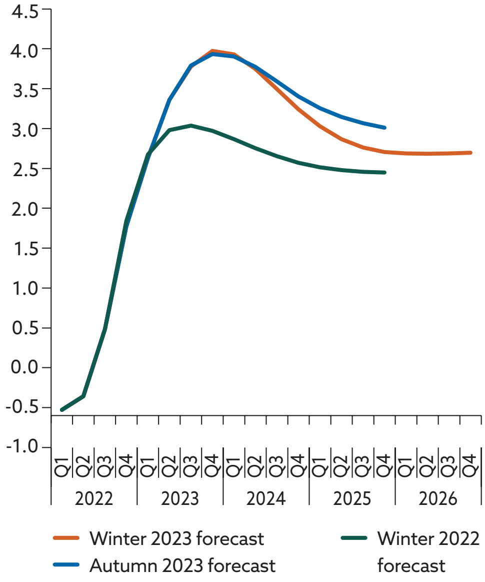
Source: NBS.

The oil price is assumed to peak in the fourth quarter of 2023, before declining by 7% in the first quarter of 2024 and then gradually falling to USD 73 per barrel by the end of 2026. The euro's exchange rate against the US dollar is assumed to remain stable until the end of the projection period at above 1.08 US dollars per euro.

Markets expect short-term interest rates to decline by 16 bp by the end of 2024. In the baseline assumptions, long-term rates remain stable at around 3.75% until the end of 2026 (Charts 28 and 29).

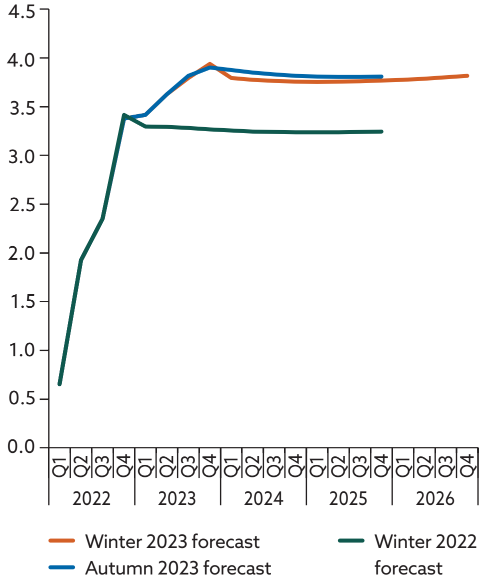
4 The technical assumptions of this medium-term forecast are based on the December 2023 Eurosystem staff macroeconomic projections for the euro area.

Chart 28
Three-month EURIBOR



Sources: European Commission, and NBS.

Chart 29
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	Winter 2023 forecast (MTF-2023Q4)			Difference vis-à-vis the autumn 2023 forecast (MTF-2023Q3)		
	2022	2023	2024	2025	2023	2024	2025
Slovakia's foreign demand	7.0	-0.7	2.4	3.3	-1.1	-0.4	0.1
USD/EUR exchange rate 1), 2) (level)	1.05	1.08	1.08	1.08	-0.5	-0.3	-0.3
Oil price in USD 1), 2) (level)	103.7	84.0	80.1	76.5	1.2	-2.0	-1.6
Oil price in USD 1)	45.8	-19.0	-4.7	-4.4	1.0	-3.2	0.4
Oil price in EUR 1)	63.8	-21.0	-4.9	-4.4	1.3	-3.3	0.4
Non-energy commodity prices 1)	6.6	-13.2	-2.3	2.4	0.4	0.8	-0.8
Three-month EURIBOR (percentage per annum)	0.3	3.4	3.6	2.8	0.0	-0.1	-0.3
Ten-year Slovak government bond yield (percentage)	2.1	3.7	3.8	3.8	0.0	-0.1	0.0

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

The macroeconomic forecast includes the impact of the fiscal package presented by the new Slovak government:

Table 3 Fiscal package

	Impact on deficit (percentages of GDP)					
	2024		2025		2026	
Overall fiscal package	1,159	*(0.9)*	1,381	*(1)*	1,518	*(1.1)*
Measures incorporated into the macroeconomic forecast	521	*(0.4)*	740	*(0.5)*	752	*(0.5)*
Subsidisation of energy prices	-580	*(-0.4)*	-468	*(-0.3)*	0	*(0)*

Source: NBS.
Note: Figures in parentheses show percentage of GDP.

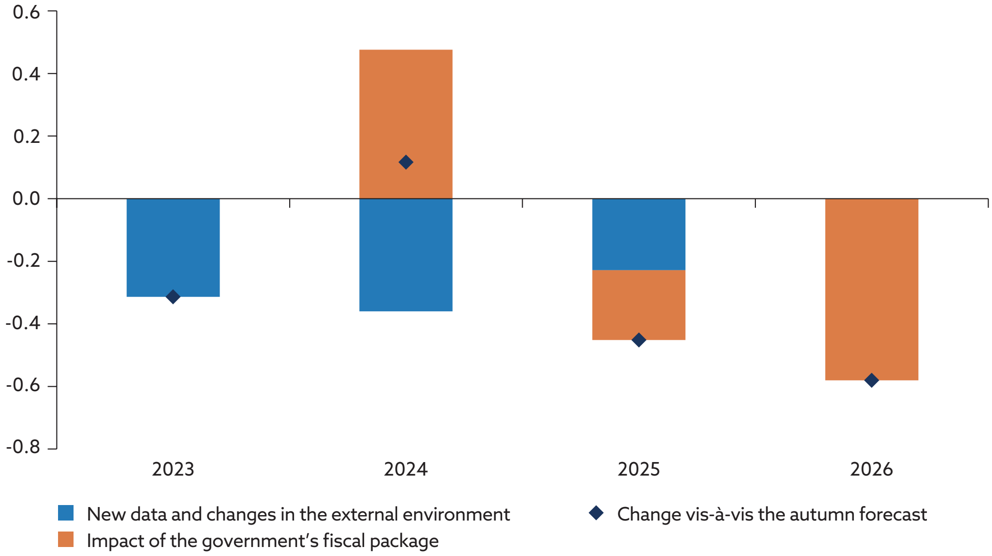
3.2 Macroeconomic forecast for Slovakia

Fiscal policy will have a major impact on how the Slovak economy evolves in the coming years. The range of measures included in the government's consolidation effort (especially on the revenue side) will not greatly dent economic growth within this timeframe. Expansionary spending this year and next year will provide short-term relief to households and may stoke consumer demand. The economy's growth in 2024 may therefore be faster than projected. The trade-off, however, could be higher inflation in the years ahead and slower long-term economic growth. On the one hand, the fiscal package announced by the new Slovak government offers households help with their energy costs in 2024, but, on the other hand, it works against monetary policy by supporting consumer demand and keeping core inflation at a higher than desirable level.

A deteriorating external environment will weigh on the domestic economy. Compared with the autumn forecast, the downward revisions of GDP growth projections for the years until 2026 cumulatively amount to almost one percentage point.

Thanks to broad subsidisation of energy prices, the economy is expected to perform marginally better in the coming months than was projected in the autumn forecast, despite the deteriorating external environment (Chart 30). Headline inflation in 2024 should be significantly lower next year, so household purchasing power will pick up. This trend could reverse in the following years. If energy prices return towards market levels, inflation will rebound and stabilise close to 4%. The government's future policy in this area is still unclear. A long-term freeze in energy prices would imply additional fiscal costs in the form of higher debt and debt financing costs. We therefore foresee a gradual unwinding of energy price subsidies.

Chart 30
Decomposition of the change in GDP projections vis-à-vis the autumn forecast (percentage points)

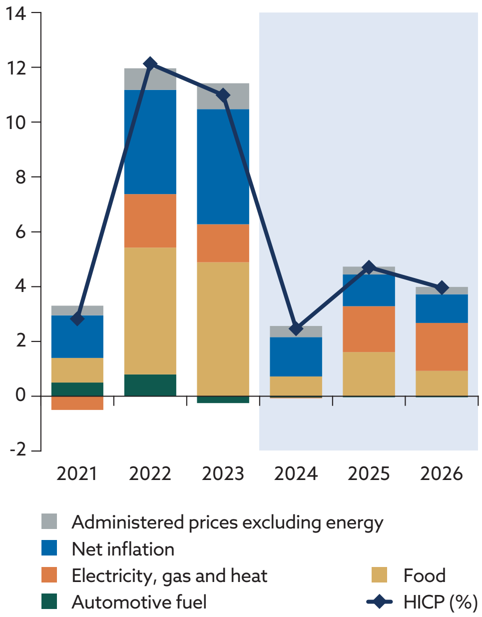


Source: NBS.

The downtrend in inflation is expected to continue in the first half of next year (Chart 31). The impact of significant cost increases from the previous period is gradually fading. Input prices, energy prices and import prices will pass through to final prices for consumers. Relatively strong wage growth will continue applying moderate upward pressure on inflation. Across the consumption basket, however, price growth is expected to slow. In the following two years, inflation is projected to accelerate as administered energy prices gradually return back to market levels by 2026.

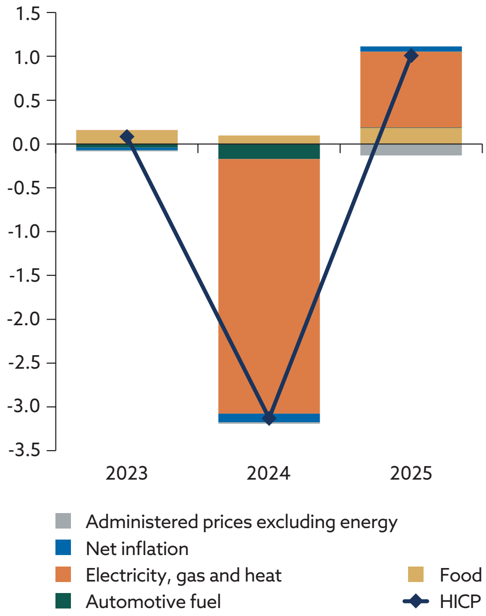
The entire shift in the inflation projections is due mainly to changed assumptions about administered prices (Chart 32). The downward revision of energy price projections is also a result of the decline in oil prices on world markets. Inflation is therefore expected to ease down towards 2% in 2024.

Chart 31
HICP inflation and its components (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

Chart 32
Change in projection vis-à-vis the autumn 2023 forecast (percentage point contributions)



Sources: SO SR, and NBS.

Table 4 Projected increases in administered energy prices (percentages)

	Fiscal-package scenario			Autumn 2023 forecast		
	Gas	Electricity	Heat	Gas	Electricity	Heat
2023	11.6	2.5	17.8	11.6	2.5	17.8
2024	0.0	0.0	-0.5	35.4	24.2	22.6
2025	21.6	10.0	15.3	18.4	-7.7	13.2
2026	21.6	10.0	15.3	-	-	-

Source: NBS.

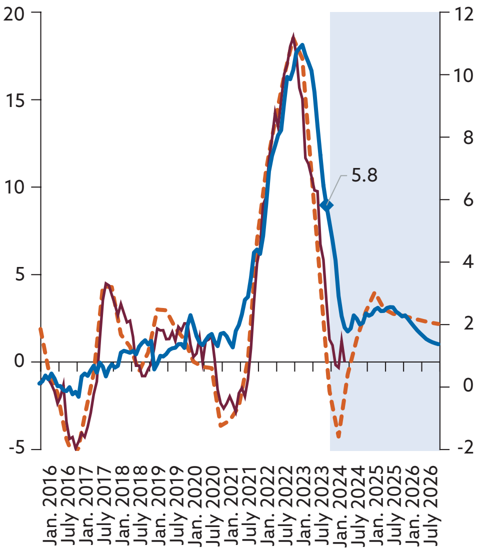
Besides energy prices, the fading of the impact of rising input costs on food prices will also put downward pressure on headline inflation. These prices are projected to be declining, year-on-year, in early 2024 (Chart 33).

Slovakia is importing low inflation, which is curbing goods inflation (Chart 34). The functioning of supply chains around the world has normalised, while producer prices in China have declined. These developments are translating into shelf prices, and this trend is expected to continue for several months yet.

Services prices remain elevated because of their greater stickiness. Here, too, however, the gradual decline in costs is having an impact, and services inflation is expected to slow more significantly in the first half of 2024.

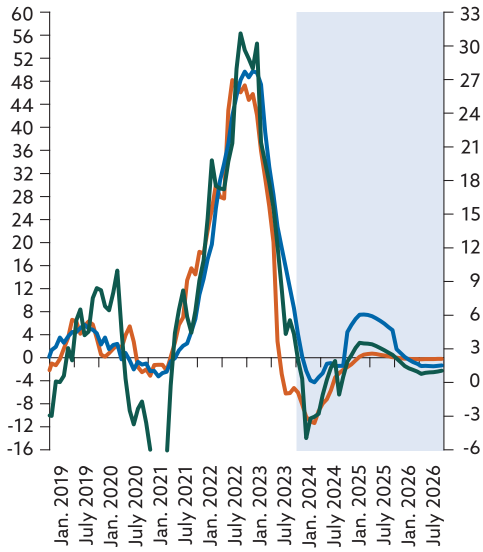
Headline inflation is expected to accelerate above 4% in 2025 and 2026. This movement will be based largely on increases in administered energy prices, but also on developments in other consumption basket components. Agricultural commodity prices are projected to start rising again, adding upward impetus to food prices.

Chart 33
Import prices, the producer price index, and non-energy industrial goods prices (annual percentage changes)



Sources: SO SR, and NBS.

Chart 34
Agricultural commodity prices and food prices (annual percentage changes)



Sources: SO SR, and NBS.

Table 5 Components of HICP inflation (annual percentage changes)

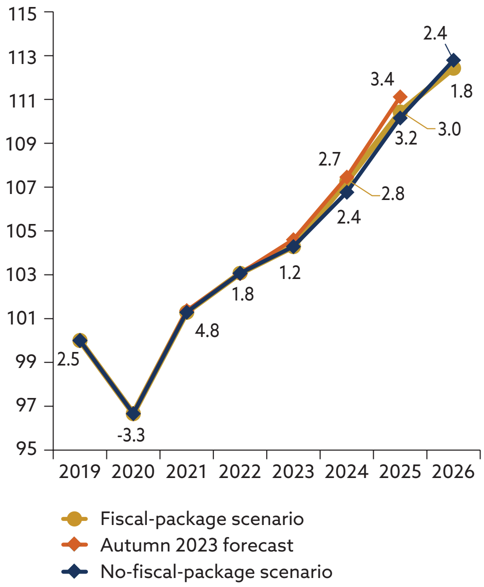
	Average for 2004–08 (pre-crisis period)	Average for 2010–14 (post-crisis period with euro currency)	2022	2023	2024	2025	2026
HICP	**4.1**	**2.0**	**12.1**	**11.0**	**2.5**	**4.6**	**3.9**
Food	3.6	3.1	16.1	15.6	2.2	5.0	2.9
Non-energy industrial goods	0.2	0.3	7.3	8.8	2.6	2.2	1.7
Energy	8.3	2.3	18.8	7.5	-0.5	10.9	11.5
Services	5.3	2.5	9.3	10.2	4.3	3.0	3.3
Net inflation	1.8	1.0	8.3	9.3	3.2	2.5	2.3

Sources: SO SR, and NBS.

In the light of the global economy's weaker performance, the outlook for Slovakia's GDP growth has been revised down (Chart 35). The normalisation of monetary policy around the world is holding back a stronger recovery and looks set to push demand lower for some time to come. This will also weigh on the Slovak economy, which is expected to operate below potential. As a result of the government's support measures for households, the domestic economy will be temporarily operating at equilibrium. In subsequent years, however, if expectations of higher inflation and more restrictive fiscal policy are borne out, GDP will fall below potential.

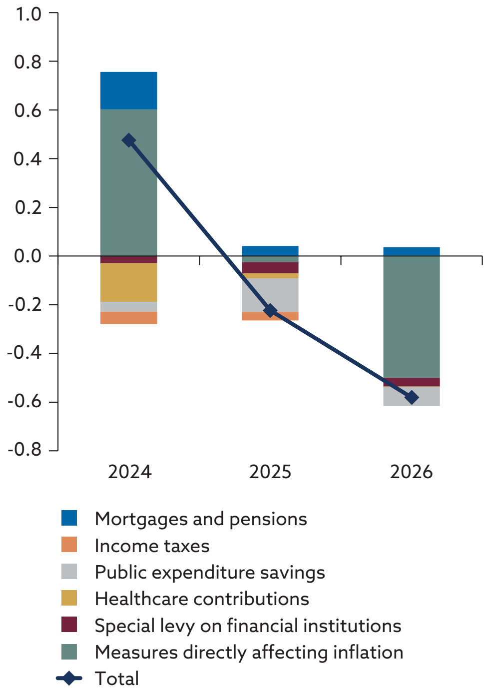
Next year will see domestic demand driven by the new government's fiscal package. We have divided the package into measures that will have a macroeconomic impact and measures whose impact is difficult to capture in the short or medium term (including, for example, the reduction of second-pillar pension contributions and the introduction of a bank levy). Overall, the measures should boost the economy next year, adding 0.5% to GDP; however, their positive effect will fade in the following years (Chart 36), and economic growth in 2026 will be slightly weaker than it would be without the consolidation effort, partly also because consumer energy prices are expected to return gradually towards market levels.

Chart 35
GDP (index: Q4 2019 = 100)



Source: NBS.

Chart 36
GDP revision (percentage points)



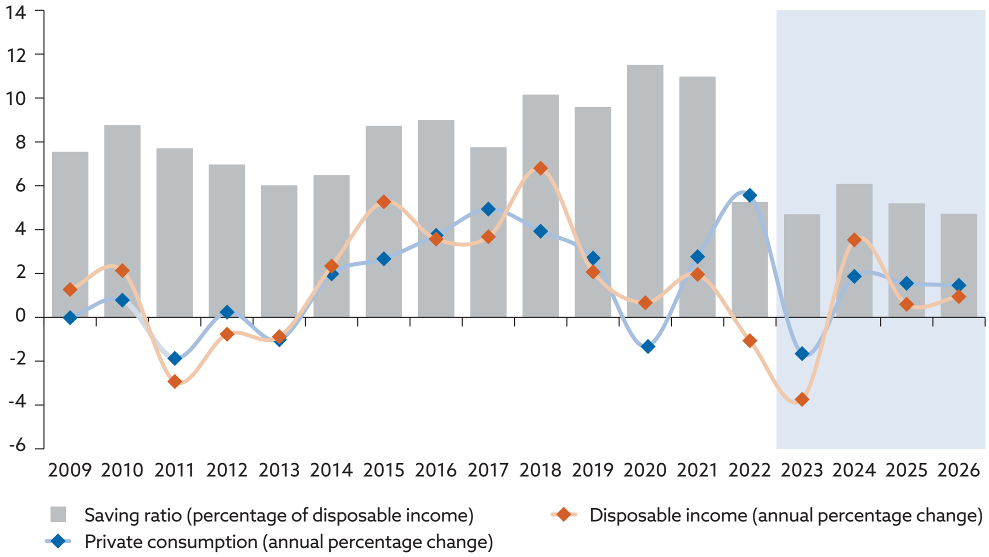
Source: NBS.

Households will see their situation improve in the short term as their incomes and consumption increase, but their position by the end of the projection horizon will be as it would be without the government support

measures (Chart 37). Real incomes are expected to return to growth from next year even without subsidies for administered energy prices. With the fiscal package in place, however, income growth will be stronger (due to lower inflation and income support), albeit only in the short term. In subsequent years, higher inflation and/or fiscal consolidation could reduce revenues. For next year, we assume that households will save some of their savings from the freezing of energy prices and from higher incomes (pensions and mortgage subsidies) and set aside some funds for a rainy day.

Chart 37

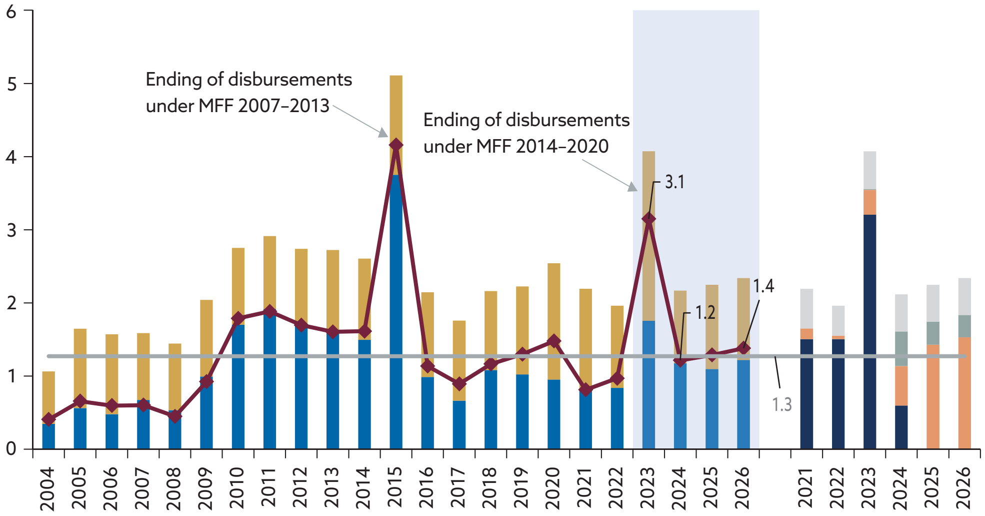
Household income, household consumption and the household saving ratio (annual percentage changes)



Source: NBS.

The positive effects of the final disbursements of funds allocated to Slovakia under the 2014–2020 EU budget are fading (Chart 38). The phasing-in of disbursements under the 2021–2027 programming period will, if history is any guide, progress slowly. The uptake of RRF funds through the implementation of Slovakia's recovery and resilience plan (RRP) is expected to be faster; however, it will not be enough to give significant impetus to the economy. One factor that will boost government investment without impacting the economy is investment in military equipment. Private investment will come under downward pressure from slowing demand, monetary policy normalisation, and the persisting climate of uncertainty; it may also be adversely affected by new consolidation measures that worsen the business environment and increase costs.

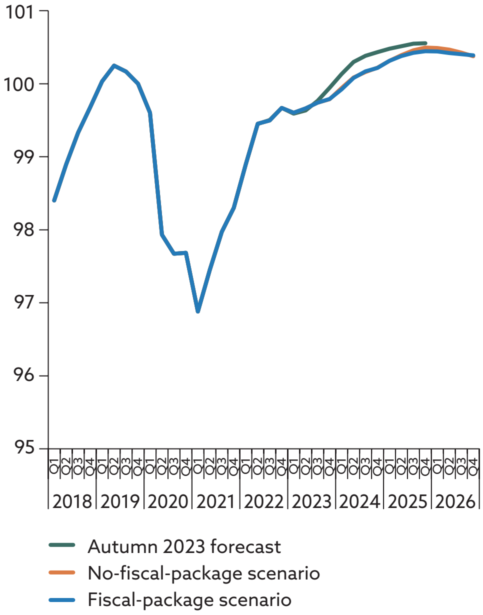
Chart 38
Slovakia's absorption of EU funds and net financial position (percentages of GDP)



Source: NBS.
1) 'Subsidies' comprise mainly agricultural funds under the 2014–2020 and 2021–2027 EU budgets.
Notes: NFP – net financial position; MFF – Multiannual Financial Framework. The forecast envisages funding under the EU's Next Generation EU instrument (through the Recovery and Resilience Facility, the Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU) initiative, and the Just Transition Fund).

Employment will not be greatly affected by the proposed government measures (Chart 39). It is expected that employment will grow moderately over the next two years and that firms' labour demand will continue to increase. The domestic side of the economy should improve, creating conditions for higher employment in trade and services. On the other hand, proposed measures to raise the cost of labour may constrain further job creation. In export-oriented firms in particular, employment may remain flat temporarily. Employment resources will gradually shift to the export side. Demographic trends are expected to be unfavourable throughout the projection period, and inflows of foreign workers will help fill job vacancies. By 2026, domestic resources will be exhausted and firms will probably be relying on migration, which will be the only reason why employment does not fall.

Chart 39
Employment (index: Q4 2019 = 100)



Source: NBS.

Chart 40
Real compensation per employee (index: Q4 2019 = 100)

Source: NBS.

Household purchasing power will recover next year. Real compensation is projected to return to an upward trajectory (Chart 40). But although its growth will be relatively fast, it will only be temporary. Nominal private sector wages are growing more slowly than expected. The new government's fiscal package will put firms in a more difficult position, hence we expect them to be less inclined to hire. In real terms, as a result of lower inflation, growth in households' purchasing power is projected to accelerate in 2024, but it will moderate in subsequent years. If these assumptions materialise, real incomes in 2026 will be lower than they would be under the no-fiscal-package scenario.

Table 6 Wages (annual percentage changes)

	2022	2023	2024	2025	2026
Nominal labour productivity	7.4	10.7	6.5	5.5	4.6
Whole economy – nominal wages	6.9	8.5	6.9	5.8	5.2
Whole economy – real wages	-5.2	-1.8	4.0	1.2	1.4
Private sector – nominal wages	8.3	8.3	6.6	6.0	5.6
Private sector – real wages	-4.0	-2.0	3.7	1.3	1.7
Public administration, education and health care – nominal wages	2.8	9.0	7.9	5.3	4.3
Public administration, education and health care – real wages	-8.8	-1.3	4.9	0.7	0.5

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

3.3 Public finance projections

Slovakia's general government deficit for 2023 is projected to be 5.6% of GDP (Chart 41). The significant year-on-year deterioration is due mainly to structural factors, including in particular the lagged impact of inflation on the indexation of social benefits and the adoption of measures to increase social benefits (extraordinary indexation of old-age pensions, a supplement to the once-a-year 'thirteenth' pension payment, an increase in the child tax credit, etc.). This year's deficit is also increased by broad compensation for high energy prices, even after taking into account the significant coverage of this compensation with EU funds (amounting to 0.8% of GDP).

Despite consolidation measures, the fiscal deficit is expected to deteriorate further in 2024, to 6.4% of GDP. The forecast takes into account the fiscal consolidation measures presented by the new government, which amount to 1.5% of GDP and affect mainly the growth of tax and social contribution revenues. Their positive impact is, however, largely cancelled out by expansionary measures. Here the greatest impact will be from a change in the once-a-year 'thirteenth' pension payment and the cost of freezing energy prices for households and vulnerable consumers, with EU co-financing of energy price compensation no longer envisaged. The improvement in budget revenue is expected to be dampened by the projected deterioration in the outlook for nominal macroeconomic developments. We estimate that the impact of the government's consolidation package, together with expansionary measures, will improve the fiscal deficit in 2024 by 0.3 pp of GDP and that it will reduce public debt by 0.5 pp of GDP.

Energy price compensation is expected to continue in 2025, as households gradually adapt to higher energy prices. Owing to the phasing-out of energy price support and of military investments, the fiscal deficit is expected to fall to 4.1% of GDP in 2026, the last year of the projection horizon.

Public debt is expected to record a year-on-year decline in 2023, falling to 57.0% of GDP. It will, however, remain above the upper limit of the debt brake.[5] The decline in relative debt will be due in part to the impact on nominal economic growth of a higher price level (with GDP in the denominator). The main cause of public debt growth will continue to be the

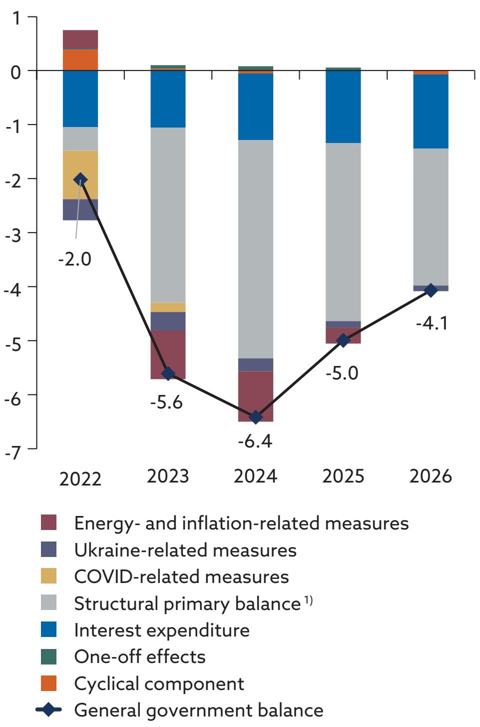
---

[5] For 2023, the upper limit of sanction bands under the debt brake regime was 54% 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.

high primary deficit. Some downward pressure on the debt should come from the use of accumulated reserves to partly finance the public sector. Hence, sovereign debt is not being issued in volumes commensurate with the fiscal deficit.

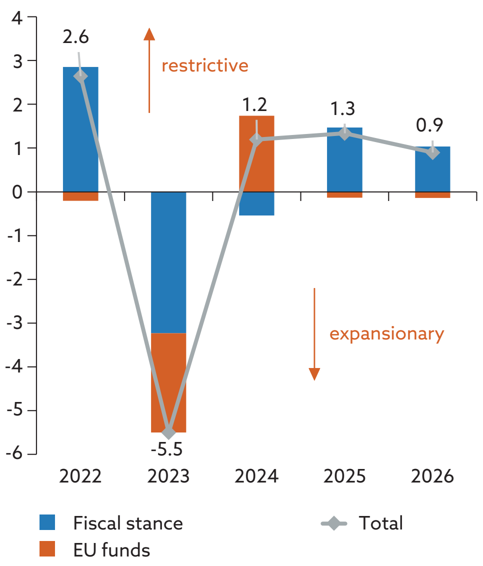
In the medium-term horizon after 2024, public debt will, amid still high deficits, exceed the 60% of GDP mark. Rising continuously, the debt will be more than nine percentage points above the upper limit of the debt brake[6] by the end of the projection horizon. The positive impact of nominal growth on the economy should be mitigated by the expected fading of the inflation shock. At the same time, the uptrend in interest rates is expected to have a gradual downward impact on the favourable interest rate-growth differential.

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



Sources: SO SR, and NBS.
1) Excluding pandemic-, Ukraine- and energy-related measures.
Note: 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.

Chart 42
Fiscal stance (percentage points of GDP)

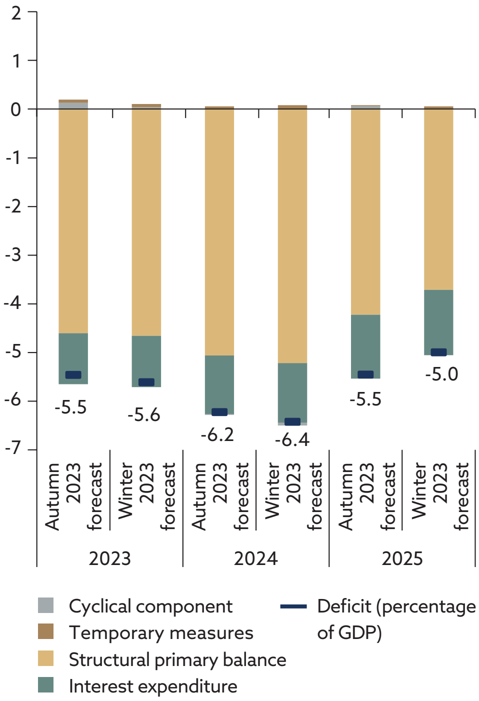


Sources: SO SR, and NBS.
Note: Fiscal stance – annual rate of change in the cyclically adjusted primary balance.

6 The upper debt-brake limit applicable to gross debt in 2026 is 51%.

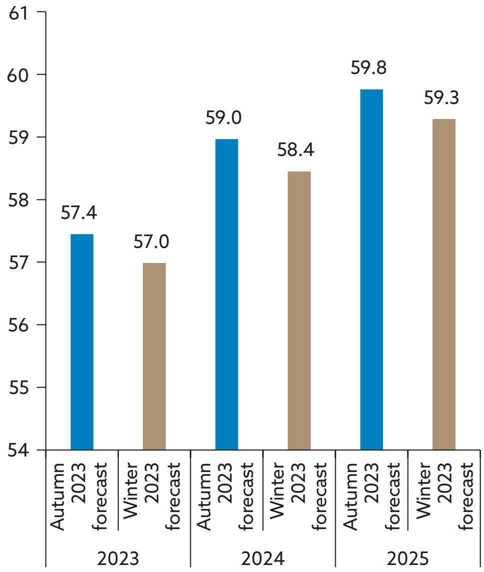
The fiscal deficit projection for 2023 is slightly worse in this forecast than in the autumn 2023 forecast, having been revised up by 0.2 pp of GDP (Chart 43). The adjustment is due mainly to a general increase in the once-a-year 'thirteenth' pension payment in 2023. The deficit projection for 2024 has also deteriorated, owing to a number of factors: the favourable impact of consolidation measures being offset by the deterioration of macroeconomic conditions for tax and social contribution revenues; rising pension expenditure following the adjustment to the thirteenth pension payment (with a permanent impact); and higher costs related to energy price compensation. By contrast, the deficit projection for 2025 has been revised down, its improvement reflecting revenue growth (supported by government measures) and, to a lesser extent, the impact of lower inflation on expenditure (in particular, on the indexation of pensions).

Chart 43
Comparison of projections for the deficit and its decomposition (percentages of GDP; percentage point contributions)



Source: NBS.

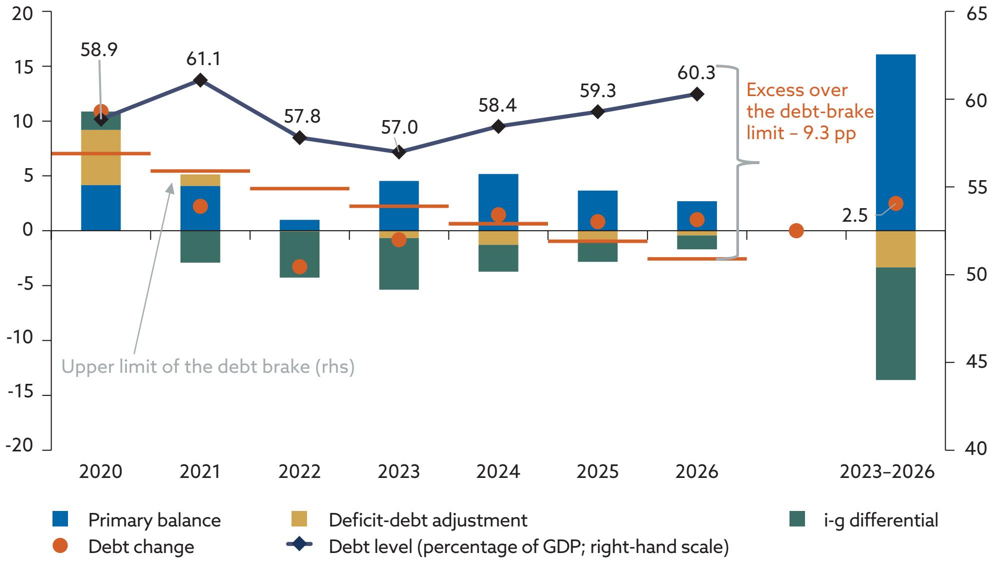
Chart 44
Comparison of public debt projections (percentages of GDP)



Source: NBS.

Chart 45

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



Sources: NBS, and SO SR.
Notes: Deficit-debt 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.

With public debt rising, the fiscal deficit is expected to be partially financed from liquid financial assets (LFAs), which were built up during the pandemic crisis and have since not fallen below 10% of GDP. The recourse to liquidity should slow the increase in gross debt over the medium term. On the other hand, the release of reserves should result in net debt rising more sharply than gross debt. By the end of the projection horizon, net debt is projected to be 54.0% of GDP.

The share of LFAs in gross debt has been above the EU average since the beginning of the pandemic crisis.[7] The expected release of reserves for the purpose of partial fiscal deficit coverage should also be stimulated by the higher cost of new borrowing amid interest rate increases. Slovakia is expected to converge towards EU levels by the end of the projection horizon, beyond which there will be limited scope to use reserves for financing.

3.4 Risks to the forecast

Risks to the real economy outlook are, as we see it, tilted to the downside. The risk in this direction lies in uncertainty about unspecified government measures and in the final form of announced consolidation measures focused mainly on the revenue side. The measures may yet be recalibrated

7 In the first year of the pandemic, Slovakia significantly built up liquidity by issuing new debt to cover pandemic-related risks and costs.

in the legislative process, hence the question marks over their impact on the government's consolidation goals. Besides these measures aimed at improving the public finances, the government has introduced measures of an expansionary nature that are slowing down the pace of consolidation. These, however, are creating the need for a more robust consolidation effort in 2025–2026.

Another risk is uncertainty about whether the risk premium for Slovak sovereign debt will increase. An increase in the cost of new borrowing at a time of recurring fiscal deficits would further burden public expenditure and require the government to impose new austerity measures in order to meet consolidation targets.

In the medium term, there are also risks related to developments in global demand, particularly in world trade in goods. For an export-oriented economy like Slovakia, the price of weaker foreign trade could be lower economic growth.

In addition, given Slovakia's long-standing difficulties in absorbing EU funds, we see a risk that the uptake of EU funds under the new programming period and under the Recovery and Resilience Facility may be lower than projected.

The inflation outlook for 2025 and 2026 is subject to upside risks. These include the possibility of higher than expected increases in wages and commodity prices and the entrenchment of higher inflation over the longer term. A major question mark lies over the evolution of energy prices in the years ahead. Our baseline scenario assumes that administered energy prices return to market levels in 2026, so price compensation measures will have to continue in 2025 and 2026. If the government subsidises energy prices to a greater extent than is currently envisaged, there could be a downward impact on inflation.

The uncertainty surrounding Slovakia's fiscal performance in 2024 also stems from the methodological recording of EU funds used to cover energy price compensation measures. The EU's approved SAFE initiative should cover part of the energy support for 2023, but it remains to be seen in which year the remaining tranches of this assistance will be recorded in public revenue.[8]

---

[8] NBS currently assumes that the total funding under the SAFE initiative will improve fiscal performance in 2023. The current General Government Budget Proposal considers that part of the funds, amounting to €450 million, will also have a positive impact on public finances in 2024.

Box 1

How the reporting of EU co-financing of energy price compensation may affect fiscal consolidation

EU law allows Member States to use EU funds allocated to them under the 2014–2020 programming period to help vulnerable households affected by rising energy prices. This assistance is provided under the Supporting Affordable Energy (SAFE) initiative, the legislative framework for which is laid down in Article 2 of Regulation (EU) 2023/435. Such expenditure is permitted from between 1 February 2022 and the end of 2023.

Implementation in Slovakia

Slovakia has taken advantage of this opportunity, partly also to avoid a decommitment of EU funds because of its inability to absorb them properly in previous years. Within the framework of the SAFE initiative, the amount contracted under the Operational Programme Integrated Infrastructure (OPII) was €575 million, of which €500 million has already been spent. A further contract for €450 million is expected to be concluded under the Operational Programme Environmental Quality (pending the European Commission's approval of the programme's revision, expected in the fourth quarter of 2023). In total, approximately €1 billion should be mobilised for SAFE measures.

Cash versus accrual recording

The final recipient of the SAFE funds is the Ministry of Economy of the Slovak Republic, and it is the Ministry that disburses compensation from the state budget to the affected entities. It is likely that, given the current date, part of the unmobilised funds will not be remitted to the Ministry until 2024.

In its fiscal forecast, NBS takes the above information into account and allocates, on an accrual basis, the full amount of SAFE funds (€1 billion) to 2023 expenditure. This is because unspent funds under the 2014–2020 EU budget allocation must be disbursed by the end of 2023 and because the assistance relates to the 2023 regulatory framework of Slovakia's Regulatory Office for Network Industries (ÚRSO).

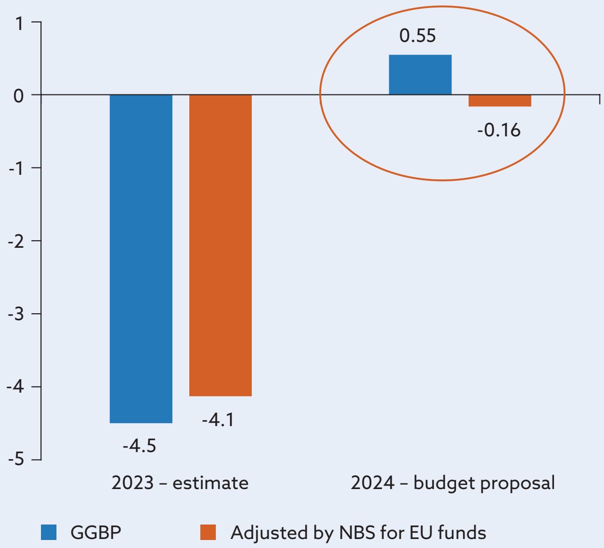
Deficit in the new General Government Budget Proposal and the impact of SAFE recording

The new General Government Budget Proposal approved by the Slovak government on 12 December 2023 envisages a fiscal deficit of 6.5% of GDP in 2023 and 6.0% of GDP in 2024 – an improvement of 0.5 pp. In both years, energy price compensation measures have a notable impact on fiscal performance. The budget proposal assumes that of the total, €1 billion, allocation of SAFE funds (EU resources), only half will be recorded as assistance provided in 2023. The rest should be recorded in 2024.

If the full amount were recorded as assumed in the NBS fiscal forecast, i.e. as a €1 billion allocation in 2023, the 2023 fiscal deficit would drop to 6.2% of GDP. On the other hand, not recording part of the funds in 2024 implies reducing co-financing from the EU budget in that year, hence the fiscal deficit in 2024 would be higher, at 6.3% of GDP.

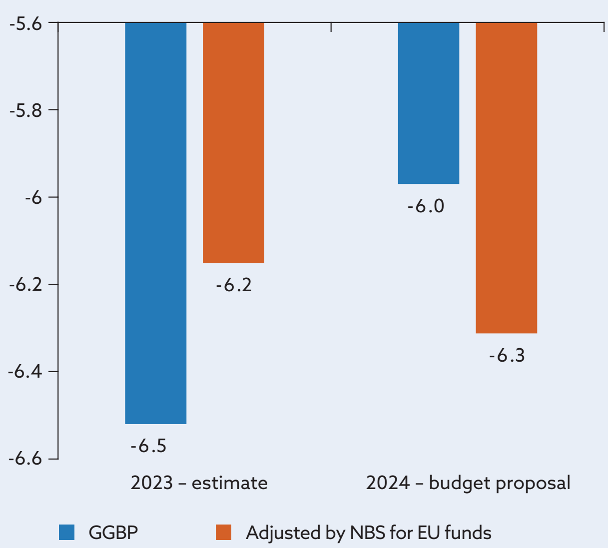
If the totality of SAFE funds were recorded in 2023, additional consolidation measures would be required to achieve the targeted 0.5 pp improvement in the deficit. Otherwise, public finances would shift to an expansionary path instead of the expected phase of fiscal retrenchment.

Chart A
Year-on-year change in deficit – consolidation (percentage points of GDP)



Sources: MF SR, and NBS.
Note: GGBP – General Government Budget Proposal.

Chart B
General government budget balance (percentages of GDP)



Sources: MF SR, and NBS.
Note: GGBP – General Government Budget Proposal.

NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

Table 7 Winter 2023 medium-term forecast for key macroeconomic indicators

Winter 2023 forecast (MTF-2023Q4) – fiscal-package scenario									
Indicator	Unit	Actual data	Winter 2023 forecast (MTF-2023Q4) – fiscal-package scenario				Difference vis-à-vis the autumn 2023 forecast (MTF-2023Q3)		
		2022	2023	2024	2025	2026	2023	2024	2025
Price developments									
HICP inflation	annual percentage change	12.1	11.0	2.5	4.6	3.9	0.1	-3.1	0.9
CPI inflation	annual percentage change	12.8	10.5	2.8	4.5	3.8	-0.2	-2.9	0.6
GDP deflator	annual percentage change	7.5	9.8	3.9	2.8	2.8	0.8	0.3	-0.1
Economic activity									
Gross domestic product	annual percentage change, constant prices	1.8	1.2	2.8	3.0	1.8	-0.3	0.1	-0.4
Private consumption	annual percentage change, constant prices	5.6	-1.7	1.9	1.5	1.5	0.1	0.9	-0.3
General government final consumption	annual percentage change, constant prices	-4.2	-1.1	0.8	3.1	1.7	0.5	-1.1	-0.5
Gross fixed capital formation	annual percentage change, constant prices	4.5	6.4	4.6	3.1	-0.6	2.1	0.0	-1.0
Exports of goods and services	annual percentage change, constant prices	3.1	-0.3	6.3	4.2	3.0	0.4	-0.5	0.2
Imports of goods and services	annual percentage change, constant prices	4.5	-6.1	8.2	3.4	2.3	1.7	0.0	0.1
Net exports	EUR millions at constant prices	1,569	6,699	5,501	6,373	7,217	-730.3	-1,299.2	-1,336.7
Output gap	percentage of potential output	1.2	-0.1	-0.2	0.1	-0.3	-0.4	-0.1	-0.1
Gross domestic product	EUR millions at current prices	109,645	121,791	130,168	137,701	144,103	442.9	1,000.0	272.4
Labour market									
Employment	thousands of persons, ESA 2010	2,427	2,435	2,445	2,452	2,453	-0.8	-5.3	-3.3
Employment	annual percentage change, ESA 2010	1.8	0.3	0.4	0.3	0.0	-0.1	-0.2	0.1
Number of unemployed	thousands of persons, LFS [1]	170	163	152	144	144	3.5	8.1	8.0
Unemployment rate	percentage	6.1	5.9	5.5	5.2	5.2	0.1	0.3	0.3
NAIRU estimate [2]	percentage	6.4	6.2	6.1	6.1	6.1	0.0	0.0	0.0
Labour productivity [3]	annual percentage change	0.0	0.9	2.4	2.7	1.8	-0.2	0.3	-0.5
Nominal productivity [4]	annual percentage change	7.5	10.7	6.5	5.5	4.6	0.4	0.7	-0.7
Nominal compensation per employee	annual percentage change, ESA 2010	6.0	8.4	6.9	5.8	5.2	-1.0	-1.5	-0.5
Nominal wages [5]	annual percentage change	7.0	8.8	6.9	5.8	5.2	-0.6	-1.3	-0.3
Real wages [6]	annual percentage change	-5.2	-1.6	4.0	1.2	1.4	-0.4	1.7	-0.9
Households and non-profit institutions serving households									
Disposable income	annual percentage change, constant prices	-1.1	-2.1	3.5	0.6	0.9	-1.4	1.1	-1.4
Saving ratio [7]	percentage of disposable income	5.3	4.7	6.1	5.2	4.7	-1.6	-1.4	-2.5
General government sector [8]									
Total revenue	percentage of GDP	40.2	40.9	40.2	39.8	39.8	0.5	,	0.9
Total expenditure	percentage of GDP	42.3	46.5	46.6	44.8	43.9	0.6	1.1	0.4
General government balance [9]	percentage of GDP	-2.0	-5.6	-6.4	-5.0	-4.1	-0.2	-0.2	0.5
Cyclical component	percentage of trend GDP	0.4	0.0	-0.1	0.0	-0.1	-0.1	0.0	-0.1
Structural balance	percentage of trend GDP	-2.4	-5.7	-6.4	-5.1	-4.0	-0.1	-0.2	0.5
Cyclically adjusted primary balance	percentage of trend GDP	-1.4	-4.6	-5.1	-3.7	-2.6	-0.1	-0.1	0.5
Fiscal stance [10]	annual percentage point change	2.9	-3.2	-0.5	1.5	1.0	-0.1	-0.1	0.7
General government gross debt	percentage of GDP	57.8	57.0	58.4	59.3	60.3	-0.5	-0.5	-0.5

NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

Table 7 Winter 2023 medium-term forecast for key macroeconomic indicators (continued)

Indicator	Unit	Actual data	Winter 2023 forecast (MTF-2023Q4) – fiscal-package scenario				Difference vis-à-vis the autumn 2023 forecast (MTF-2023Q3)		
		2022	2023	2024	2025	2026	2023	2024	2025
Balance of payments									
Goods balance	percentage of GDP	-5.5	0.3	0.2	0.9	1.8	-1.3	-2.6	-3.0
Current account	percentage of GDP	-7.3	-1.6	-2.2	-1.4	-0.5	-1.8	-3.1	-3.5
External environment and technical assumptions									
Slovakia's foreign demand	annual percentage change	7.0	-0.7	2.4	3.3	3.3	-1.1	-0.4	0.1
USD/EUR exchange [11), 12)]	level	1.05	1.08	1.08	1.08	1.08	-0.5	-0.3	-0.3
Oil price in USD [11), 12)]	level	103.7	84.0	80.1	76.5	73.6	1.2	-2.0	-1.6
Oil price in USD [11)]	annual percentage change	45.8	-19.0	-4.7	-4.4	-3.8	1.0	-3.2	0.4
Oil price in EUR [11)]	annual percentage change	63.8	-21.0	-4.9	-4.4	-3.8	1.3	-3.3	0.4
Non-energy commodity prices in USD	annual percentage change	6.6	-13.2	-2.3	2.4	1.7	0.4	0.8	-0.8
Three-month EURIBOR	percentage per annum	0.3	3.4	3.6	2.8	2.7	0.0	-0.1	-0.3
Ten-year Slovak government bond yield	percentage	2.1	3.7	3.8	3.8	3.8	0.0	0.0	0.0

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/