Economic and Monetary Developments

Summer 2025

NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

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Abbreviations

bp	basis point(s)
CEE	central and eastern Europe(an)
COFOG	Classification of the Functions of Government
CPI	Consumer Price Index
DSA	debt sustainability analysis
EA	euro area
EC	European Commission
ECB	European Central Bank
ESA 2010	European System of Accounts 2010
ESI	Economic Sentiment Indicator (of the European Union)
EU	European Union
EUI	Economic Uncertainty Indicator
EUR	euro
EURIBOR	euro interbank offered rate
GDP	gross domestic product
GSCPI	Global Supply Chain Pressure Index
HAI	housing affordability index
HICP	Harmonised Index of Consumer Prices
IMF	International Monetary Fund
LFS	Labour Force Survey
MFF	Multiannual Financial Framework (of the European Union)
MF SR	Ministry of Finance of the Slovak Republic
MTF	medium-term forecast (of NBS)
NACE	Statistical Classification of Economic Activities in the European Community (Rev. 2)
NARKS	Slovak National Association of Real Estate Agencies / Národná asociácia realitných kancelárií Slovenska
NBS	Národná banka Slovenska
NPISHs	non-profit institutions serving households
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
p.a.	per annum
PMI	Purchasing Managers' Index
pp	percentage point(s)
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

The condition of the Slovak economy is visibly weakening. This is due to a combination of European producers' chronic struggles to compete in global markets and the negative impact of necessary fiscal consolidation at home. The situation is further complicated by ongoing global trade tensions, which are heightening uncertainty and making future developments more unpredictable. In such circumstances, the Slovak economy cannot achieve substantial growth.

The economy was already growing more slowly than expected early this year, owing to weak private investment and subdued consumer demand. New employment data suggest that the labour market – until now a pillar of economic stability – is starting to show the first cracks under the pressure of sluggish growth. Only the production and export of motor vehicles – noticeably boosted following investment activity last year – has been appreciably contributing to economic growth. Government investment has also developed favourably, and not just due to the absorption of funds from the EU's Recovery and Resilience Facility.

Compared with the spring 2025 forecast, our projection for Slovakia's economic growth in 2025 has been revised down by almost half, to 1.2%. We assume that trade negotiations between the United States and the rest of the world will be successful and that trade barriers will remain relatively low, albeit higher than what we were used to in the past. Moderately higher tariffs will directly affect Slovakia's exports as well as its trading partners. The global economy and demand for Slovak products will grow less than we projected in the spring.

Firms will fare worse, which will be reflected in declining employment and slower growth in nominal wages. Softening domestic demand will further hinder economic recovery. On the other hand, this will help contain demand-side inflation pressures.

Inflation is projected to move closer towards 2% in 2026. This is mainly due to two factors: lower energy and food inflation and cheaper imports – related to weakening of the global economy – as well as the euro's appreciation supported by the outbreak of international trade disputes.

The coming years could see an improvement. World trade is expected to gradually adjust to higher tariffs, while demand for Slovak products and services should start growing somewhat faster again. The Slovak economy will also be aided by one-off factors, such as car industry investment and EU funding.

Slower price growth and persistent labour shortages should eventually boost household purchasing power. The working-age population will decline and even foreign labour inflows are unlikely to be sufficient to meet the needs of the economy, despite its weakened state. Wages are therefore expected to continue growing at a relatively brisk pace and, on average, to exceed inflation.

Risks to both the economic and inflation outlooks remain elevated. More than ever, it is true that actual developments may differ significantly from our baseline scenario. The main risk lies in the uncertain outcome and impact of ongoing trade disputes. We are seriously concerned that they may turn out worse than assumed in the Eurosystem (including NBS) staff projections. In a scenario of escalating global trade tensions, the economy is estimated to be around 2% weaker by 2027, losing around 20,000 jobs. This also implies lower inflation compared with the baseline scenario. Another risk to the economic outlook is the fiscal consolidation package planned for the coming years, which is a necessity. Additionally, energy prices for at least some households will at some point have to be aligned with market levels, entailing the risk of temporarily higher inflation and weaker economic activity. While trade talks may turn out better than envisaged in the current forecast, we see this as less likely than a significant deterioration in global trade conditions.

The general government deficit is expected to narrow to 4.7% of GDP in 2025. This government target appears realistic, owing mainly to the adopted fiscal consolidation package and a reduced need for energy price compensation. We do not expect an improvement in fiscal performance in the coming years unless additional measures are introduced. This is largely due to the relatively fast upward trend in current expenditure and public investment. Public debt will already exceed 60% of GDP in 2025 and will likely remain above that threshold until the end of the forecast period. The domestic economy's tepid growth and the recourse to accumulated cash reserves will likely only partially offset the impact of persistently high deficits on the debt burden. Hence, further consolidation is essential to stabilise the debt.

Table 1
Key economic indicators

	Actual data	Summer 2025 medium-term forecast (MTF-2025Q2)			Difference vis-à-vis the spring 2025 forecast (MTF-2025Q1)		
	2024	2025	2026	2027	2025	2026	2027
GDP (annual percentage change)	2.1	1.2	1.6	2.1	-0.7	-0.3	0.0
HICP (annual percentage change)	3.2	3.9	2.3	3.1	-0.4	-0.6	-0.1
Average nominal wage (annual percentage change)	5.9	4.8	4.4	4.4	-0.2	-0.1	-0.4
Average real wage (annual percentage change)	3.0	0.9	1.9	1.3	0.3	0.5	-0.3
Employment (annual percentage change; ESA 2010)	-0.2	-0.4	-0.3	-0.1	-0.4	-0.3	-0.1
Unemployment rate (percentage; Labour Force Survey)	5.3	5.3	5.9	6.0	0.1	0.4	0.5

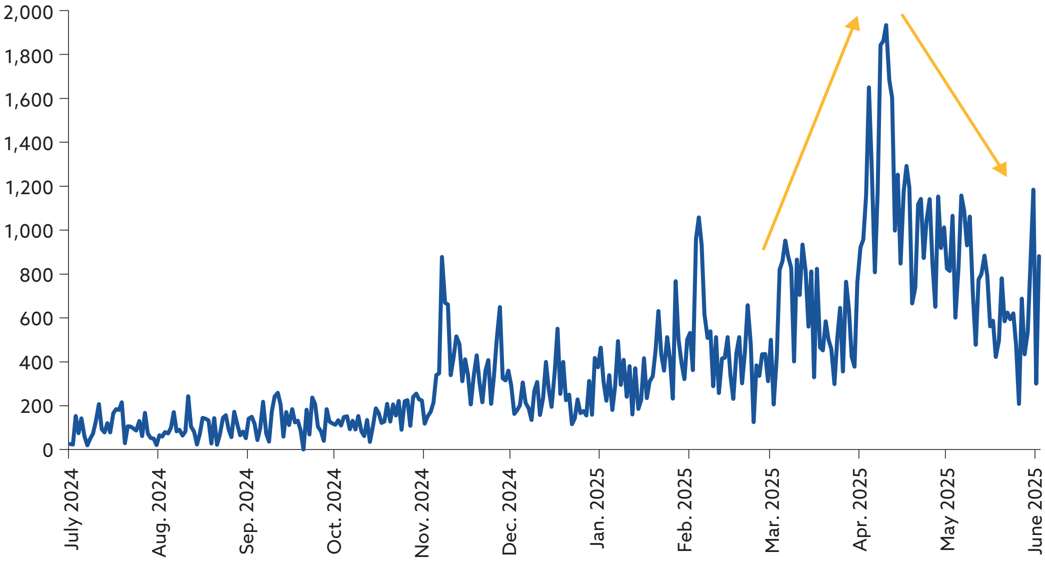
Source: NBS.
Note: Real wages deflated by CPI inflation.

2 Current macroeconomic developments in the external environment and Slovakia

2.1 External environment

In the first months of 2025, the global economy was hit by a surge in uncertainty stemming from the new US Administration's tariff policy. Concerns were related to the scope and level of the tariffs imposed, as well as to the way reciprocal tariffs would be applied. In early April, after the initial US tariff announcement, the effective tariff on goods imports to the US rose sharply to around 28%,[1] the highest rate since 1901. Shortly afterwards, however, a 90-day pause on most of the additional tariffs was announced, boosting hopes that trade agreements would be concluded. In late May and early June, however, US–China trade tensions escalated again. Although the uncertainty surrounding trade policy has receded since April's peak, it remains relatively high (Chart 1).

Chart 1
Trade policy uncertainty index



Source: Macrobond.

The threat of escalating trade tensions has disrupted economic developments. Fears that higher tariffs would push up prices resulted in pre-emptive buying among US customers in the first quarter of 2025. This, on the one hand, benefited the economies of certain major exporters, such as China and the European Union, but on the other hand, it led to a temporary surge in imports into the United States. As a result, the US economy contracted slightly in the first quarter. In China, by contrast, the economy experienced increased export activity, as well as being supported by policy measures to boost domestic demand, although this remained subdued. Similarly, euro

1 Source: The Budget Lab (https://budgetlab.yale.edu/topic/trade).

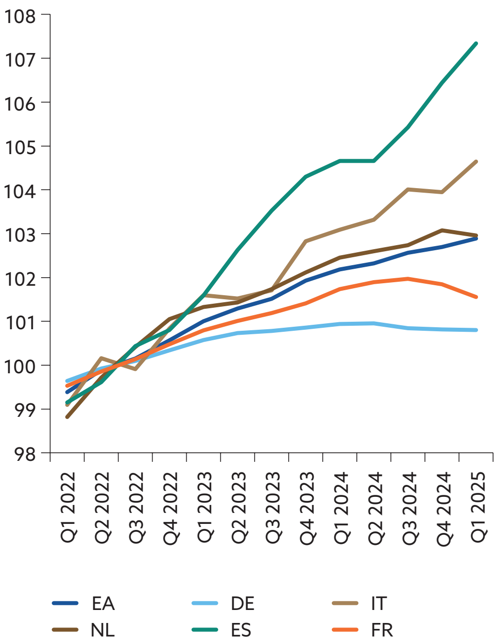
area exports to the United States rose sharply at the end of the first quarter, with frontloading in anticipation of price increases also playing a role here. The export growth was largely concentrated in pharmaceutical products, which were exempted from the new tariffs.

The euro area economy grew by a relatively solid 0.6% in the first quarter of 2025, compared with the previous quarter. All major euro area countries recorded an increase in economic activity. Spain and Italy experienced the fastest growth, driven mainly by their services sectors. Germany's economy also expanded, after contracting in the previous period. Euro area economic growth was, however, partly 'inflated' not only by the temporary effect of US frontloading, but also by volatile data on Irish investment demand.

Employment in the euro area increased again in the first quarter, with the strongest growth among the largest economies occurring in Spain (Chart 2). By contrast, employment stagnated or declined slightly in Germany and France, the two major economies that have recently experienced the greatest decline in the number of job vacancies. This indicates growing caution among firms, which usually restrict hiring before cutting jobs (Chart 3).

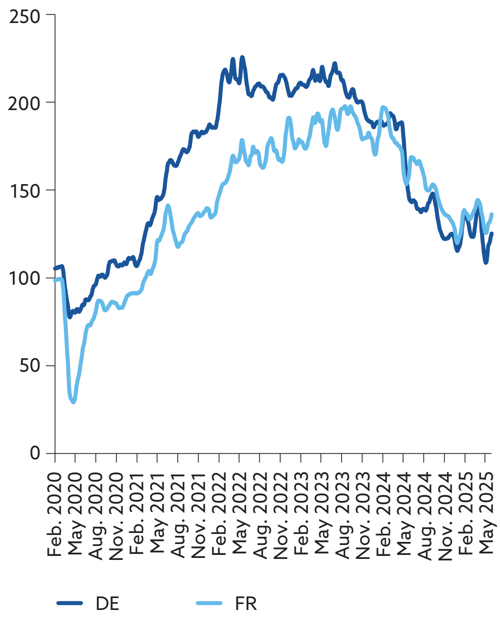
In the short term, the euro area economy may continue to benefit from frontloading by US importers, but this effect will be temporary. Developments in the near future will be closely tied to the direction of trade relations with the United States, the actual level of tariffs imposed, the reduction of uncertainty, and the possible conclusion of trade agreements.

Chart 2
Employment in selected countries (index: 2022 = 100)



Source: Macrobond.

Chart 3
New job postings on Indeed (index: 1 February 2020 = 100; monthly moving average)

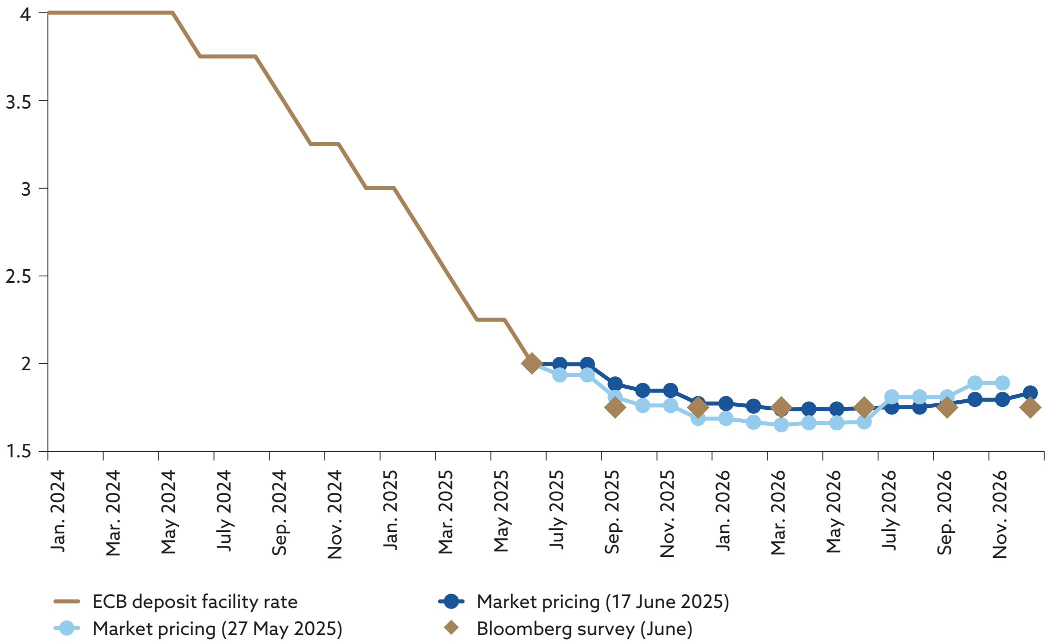


Source: Macrobond.

Price pressures in the euro area have been easing. Annual headline inflation fell to just below 2% in May, due partly to declining energy commodity prices and appreciation of the exchange rate. Core inflation (excluding energy and food) has also continued to slow (down to 2.3% in May), reflecting mainly developments in services inflation, which in May stood at its lowest level in more than three years. Goods inflation has remained moderate. At the same time, there are increasing signs of a slowdown in wage growth. In the ECB's latest projections, inflation is expected to return to target in the medium term. Partly in response to the favourable inflation outlook, the ECB's

Governing Council decided in June 2025 to cut the key ECB interest rates by a further 25 basis points. Market participants are expecting the key rates to be cut one more time in the second half of this year and then to remain stable (Chart 4).

Chart 4
Interest rates (percentages)



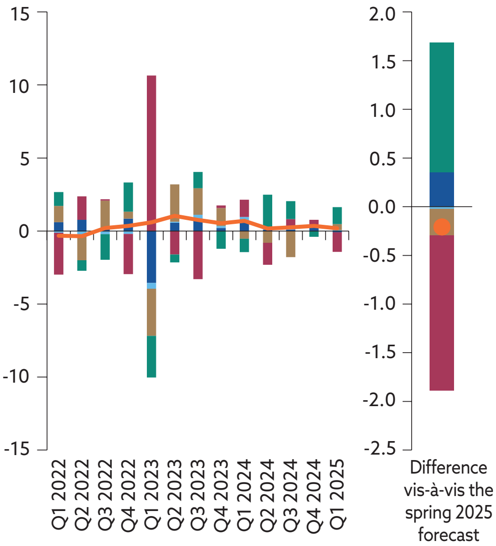
Source: Bloomberg.

2.2 Slovakia

The Slovak economy's quarter-on-quarter growth slowed to 0.2% in the first quarter of 2025 (Chart 5), which was worse than we previously projected. The outcome was largely driven by a sharper increase in imports (Chart 6), likely caused by frontloading in anticipation of potential trade war impacts.

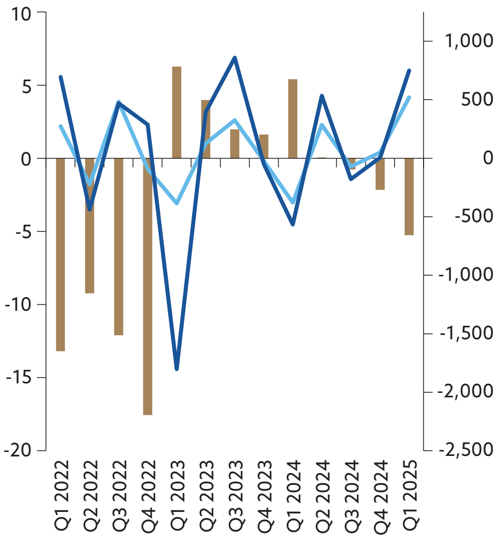
Households cut back their spending only slightly in the early part of the year. Although consumers brought forward many goods purchases ahead of VAT increases in January, their spending on goods held up better than expected in the first quarter of this year, with its moderate decline apparently confined largely to purchases made abroad. Colder weather helped limit the decline in goods consumption, as spending on energy rose significantly. Real household incomes increased after falling last year, even though some fiscal consolidation measures reduced social benefits for families with children. Although people were saving slightly more of their income than in late 2024, the saving ratio remained relatively low (Chart 7).

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



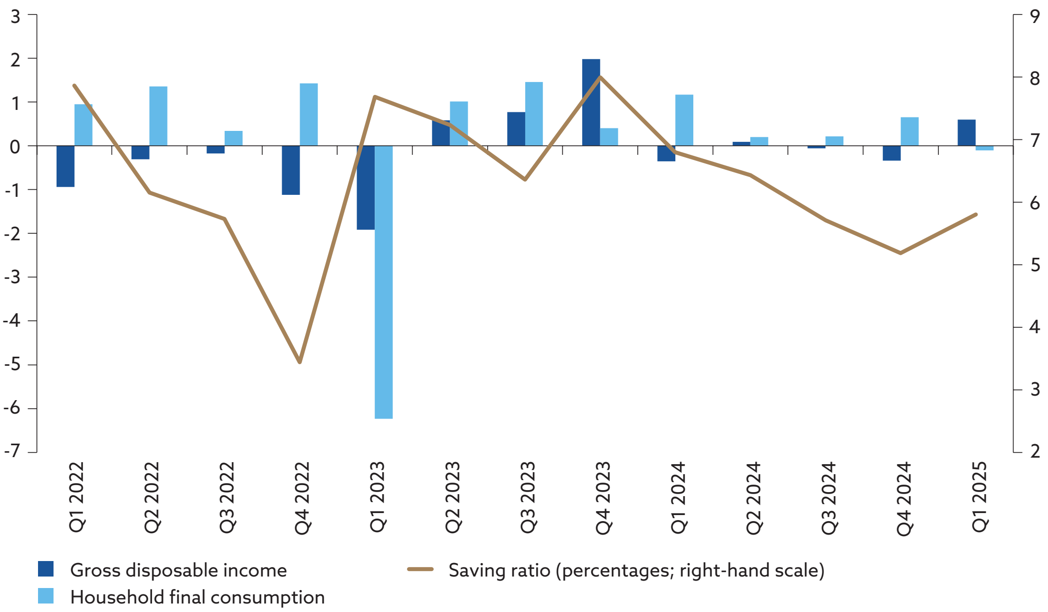
Sources: SO SR, and NBS.

Chart 6
Trade balance (quarter-on-quarter percentage changes; constant prices)



Sources: SO SR, and NBS.

Chart 7
Households' income, consumption and savings (left-hand scale: quarter-on-quarter percentage changes; right-hand scale: percentages)



Sources: SO SR, and NBS.

Export growth in the first quarter was driven by the launch of new production in the car industry. The export performance of other sectors remained weak. Demand for Slovak exports improved slightly in early 2025, but stronger growth was prevented by elevated uncertainty and the risk of trade wars. New production capacity in the automotive industry required increased imports of necessary parts and materials. These, together with higher energy imports, contributed to a worsening of the trade balance (Chart 6).

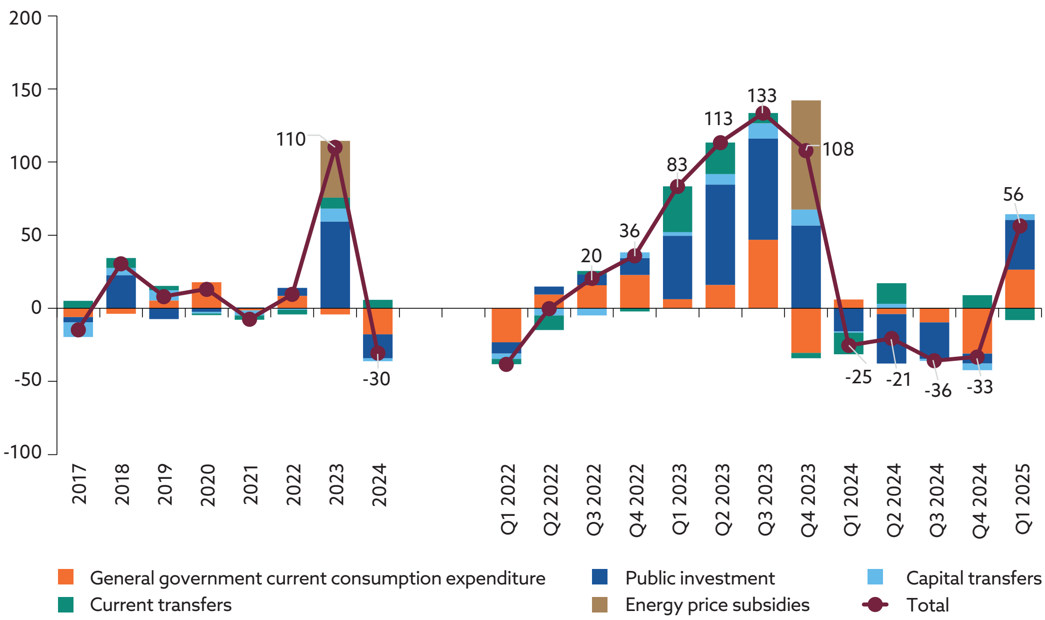
Despite a cooling of overall economic activity and ongoing fiscal consolidation, growth in government consumption expenditure maintained a high level in early 2025. Its main driver was compensation growth, as employment reached historically high levels. Government spending on goods and services also posted relatively high growth, reflecting mainly the impact of January's VAT hike and year-on-year increases in spending on training, meetings, conferences, and special services.

Private sector investment activity remains sluggish, with the exception of capacity expansion in the automotive industry. Increased uncertainty and concerns about future demand are making it difficult for firms to plan ahead and take decisions. In the first quarter, investment was concentrated mainly in the automotive industry, where it was allocated entirely to machinery and equipment purchases. Although the progressive easing of monetary policy is increasing credit availability, household residential investment fell again in early 2025. Overall, therefore, it is the government that is shoring up investment, supported by the increased absorption of EU funds.

The strong growth in public investment at the start of the year was driven by the use of both own and EU funds. Investment in new construction and in the renovation and modernisation of buildings – especially in the defence and rail transport sectors – accounted for more than half of the growth. A long-delayed delivery of military equipment (two F-16 fighter jets) has been further postponed until the second quarter, while another four F-16s are scheduled for delivery by the end of the year.

Slovakia's absorption of EU funds picked up in the first quarter of 2025. The EU funds disbursed to the economy equated to 0.5% of GDP – a third more compared with the same period of last year (Chart 8). This increase was strongly supported by funds from the Recovery and Resilience Facility (RRF), disbursed under the recovery and resilience plan (RRP), which accounted for around a third of the total spending of EU funds in the first quarter. In structural terms, most of the funds were allocated to capital expenditure, particularly to RRP measures for the renovation and greening of residential buildings. Transport funding gained momentum under the new programming period, while increased investment support for farmers – from Rural Development Programme funds carried over from the previous programming period – also made a positive contribution.

Chart 8
EU-funded expenditure[1] in Slovakia (annual percentage changes)

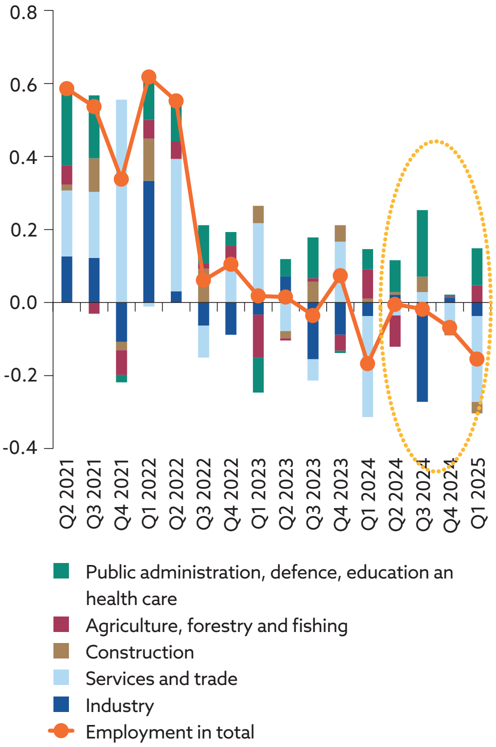


Sources: MF SR, and NBS.
1) Adjusted for absorption for financial instruments.

The labour market situation is not as strong as it appeared a few months ago (Chart 9). Over the past five quarters, more than 10,000 jobs have been lost. The drop in employment in early 2025 was the largest in a year. The greatest drag on total employment came from the services sector, where there was a marked decline in professional, scientific and technical activities and in administrative and support service activities. The latter includes temporary employment agencies, suggesting that firms have reduced their use of agency workers. Employment also fell in the industry and construction sectors. Although job cuts in public administration have been announced, they have yet to be implemented. In fact, employment in the sector increased in the first quarter, preventing the overall decline from being even more pronounced.

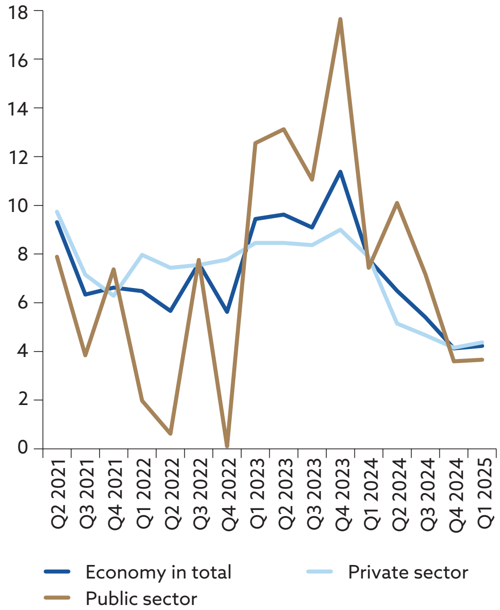
The recruitment of foreign workers has continued apace, with their net inflow in the first quarter reaching its highest level since the pandemic crisis. Importantly for the labour market, falling employment has not translated into higher unemployment. On the contrary, unemployment remains at historically low levels. People have left the labour market to stay at home and care for household members, while the number of discouraged workers and those unable to work for various other reasons has also increased. Labour market tightness has temporarily eased.

Chart 9
Employment by sector (quarter-on-quarter percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

Chart 10
Nominal wages by sector (annual percentage changes)

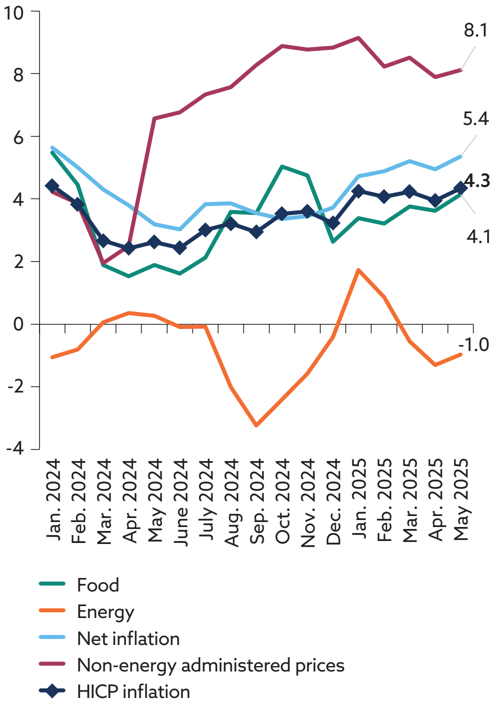


Sources: SO SR, and NBS.

Wage growth has stabilised at around the rate of inflation. In the past two quarters, wages in the private sector have grown faster than in the public sector (Chart 10), supported by rising labour productivity. Strong wage growth in the services sector has been passing through to prices. In much of the industry sector, however, underperformance has resulted in slower wage growth.

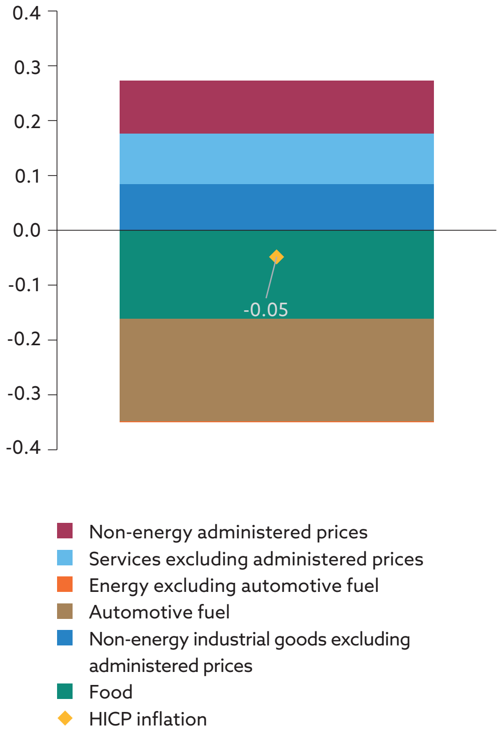
Slovakia's annual inflation rate accelerated to 4.3% in May[2] (Chart 11), which was in line with the spring 2025 forecast. The impact of higher prices of services and goods was offset by weaker food inflation and a decline in automotive fuel prices (Chart 12), reflecting low oil prices influenced by global economic outlooks.

Chart 11
HICP inflation and its components (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

Chart 12
Inflation in May – difference vis-à-vis the spring 2025 forecast (percentage points)



Sources: SO SR, and NBS.

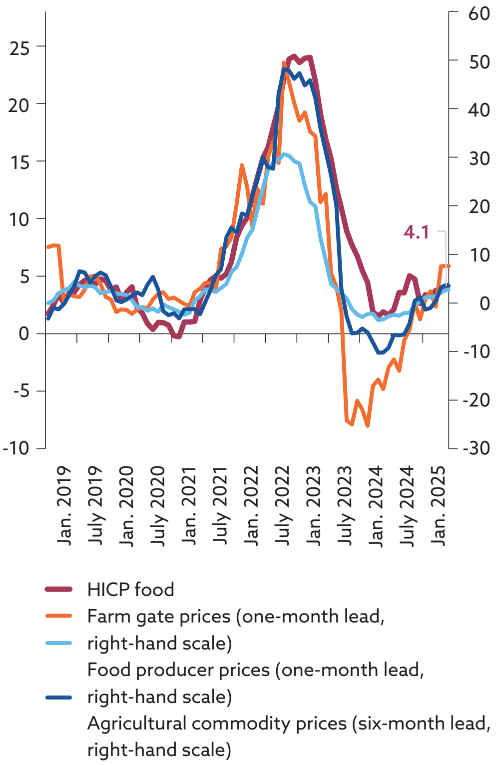
Food inflation accelerated in May (Chart 13). In April processed food inflation (year-on-year) temporarily slowed due to reductions in prices of alcoholic beverages and some foodstuffs before Easter, while in May alcoholic beverage prices rebounded to around their pre-holiday levels**.** May's acceleration in food inflation was driven mainly by prices of oils and fats, which were more than 20% higher year-on-year.

After prices of market services rose sharply at the start of the year (Chart 14), the rate of services inflation remained close to 7%. Services that have been subject to a reduced VAT rate since the start of the year continued to contribute to the elevated inflation rate. The price growth in market services probably peaked in May (7.5%) and is expected to slowly ease.

Current trends in market prices of goods reflect the impact of fiscal consolidation measures and higher import prices (Chart 15). The significant increase in these prices is mainly attributable to higher VAT.

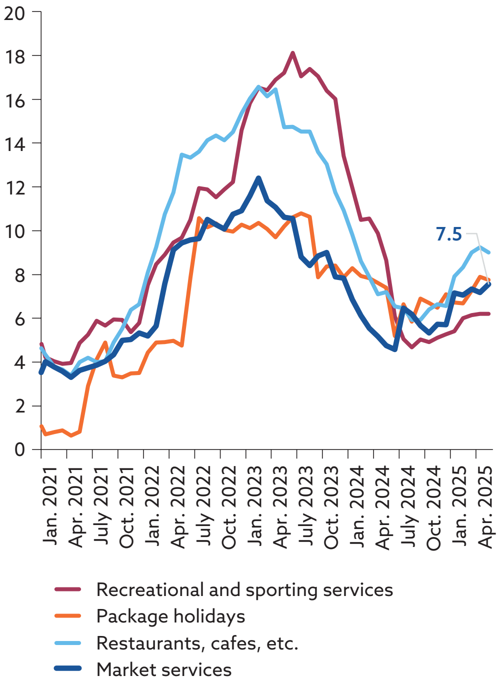
[2] The current forecast was based on data for April; the May figure was not published until after the cut-off date for the data in this report.

Chart 13
Prices of food and inputs (annual percentage changes)



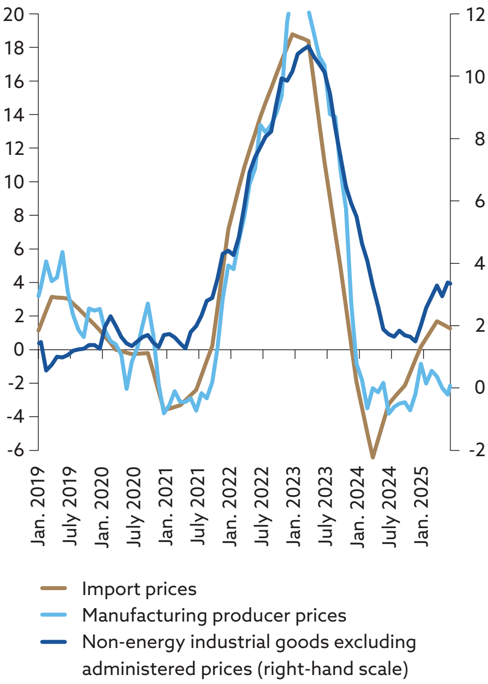
Sources: SO SR, and NBS.

Chart 14
Market services and services with reduced VAT (annual percentage changes)



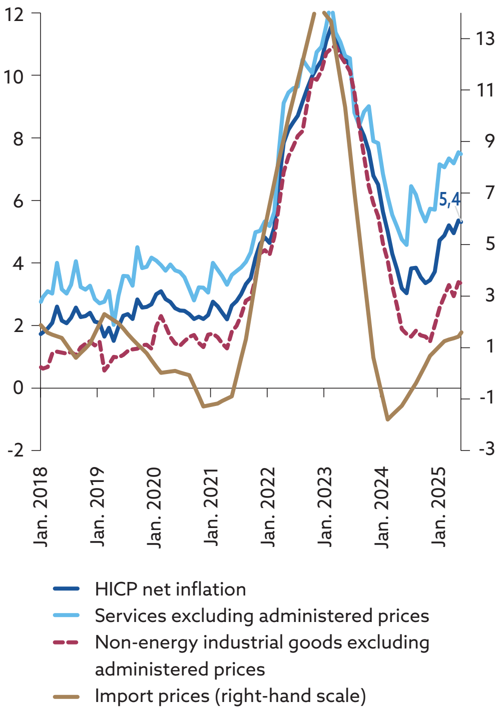
Sources: SO SR, and NBS.

Chart 15
Import prices, producer prices, and prices of market goods (annual percentage changes)



Sources: SO SR, and NBS.

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



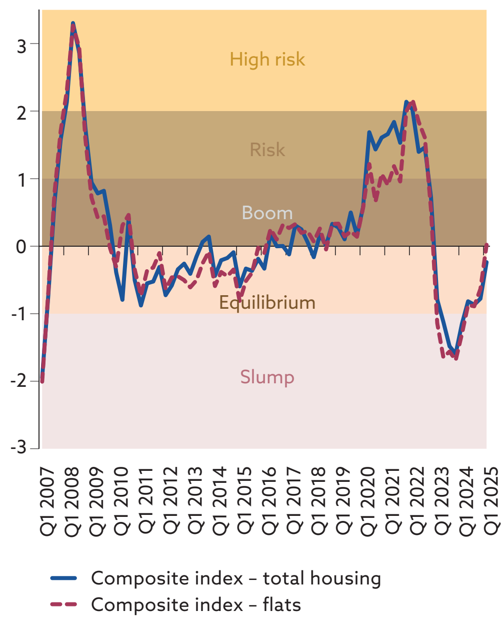
Sources: SO SR, and NBS.

Prices of flats and houses have surpassed their 2022 level to reach a historical high. In the first quarter of 2025, residential property price growth accelerated to 4% quarter-on-quarter (11.4% year-on-year). Housing affordability deteriorated in the first quarter (Chart 17); however, this overall result masked a decline in affordability in the two regions – Bratislava and Košice – where housing prices rose most sharply, and a slight improvement in the other six regions, driven by favourable wage growth.

Chart 17
Housing affordability index (HAI) value as a ratio of its historical average (percentages)

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

Chart 18
Composite index to assess housing price developments



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

The acceleration in housing prices can currently be explained by developments in supply and demand indicators. The composite index for assessing housing price risks[3] returned to its long-run average in early 2025 (Chart 18). Residential property price growth significantly outpaced inflation in the first quarter. Conversely, in the rental market (an alternative to home ownership), price growth slowed slightly at the start of the year, resulting in an upward shift in the index values.

Demand for housing remains present, as evidenced by mortgage market developments. This is primarily reflected in increased interest in resale flats and houses, while new builds have become more unaffordable due to high prices. Construction firms, faced with weak demand for new housing, have responded by postponing new developments, thereby reducing the supply of housing.

The slowdown in new construction is driving up housing prices (Chart 19). As regards the building of flats, the number of construction starts was 17% lower in the first quarter of 2025 than in the same period of last year and there were 24% fewer construction completions. The number of flats currently under construction is the lowest since 2018.

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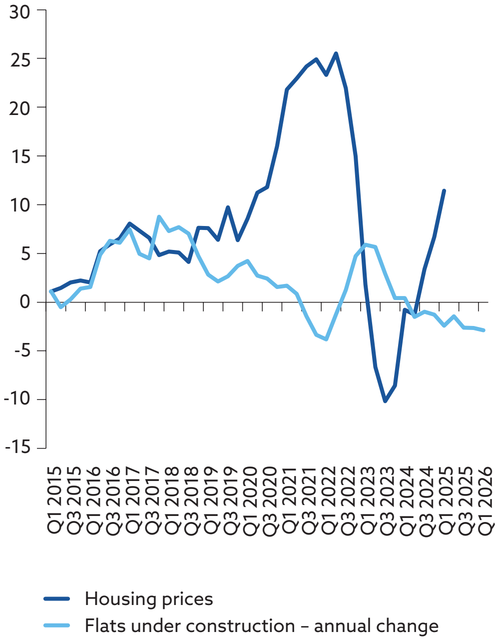
[3] In order to assess the impact of housing prices on financial and economic stability, we compare their evolution with the evolution of their underlying theoretical fundamentals. We do so using a composite index based on ratio indicators (the real housing price; price/income; price/rent; mortgage loans/households'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

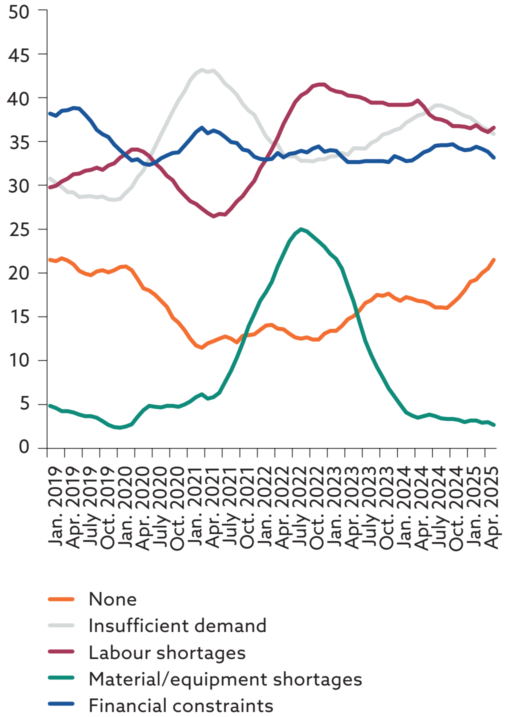
The construction of flats is constrained by weak demand for new builds (Figure 20). This is clear from construction managers' assessments as surveyed by the European Commission**.** In previous years, the main factor limiting construction was reported as labour shortages, but in recent months it has been insufficient demand. Financial constraints are the third most mentioned issue. On a positive note, the number of firms reporting no constraints on construction is gradually increasing.

Chart 19
Housing prices and the construction of flats (annual percentage changes)



Sources: SO SR, and NBS.

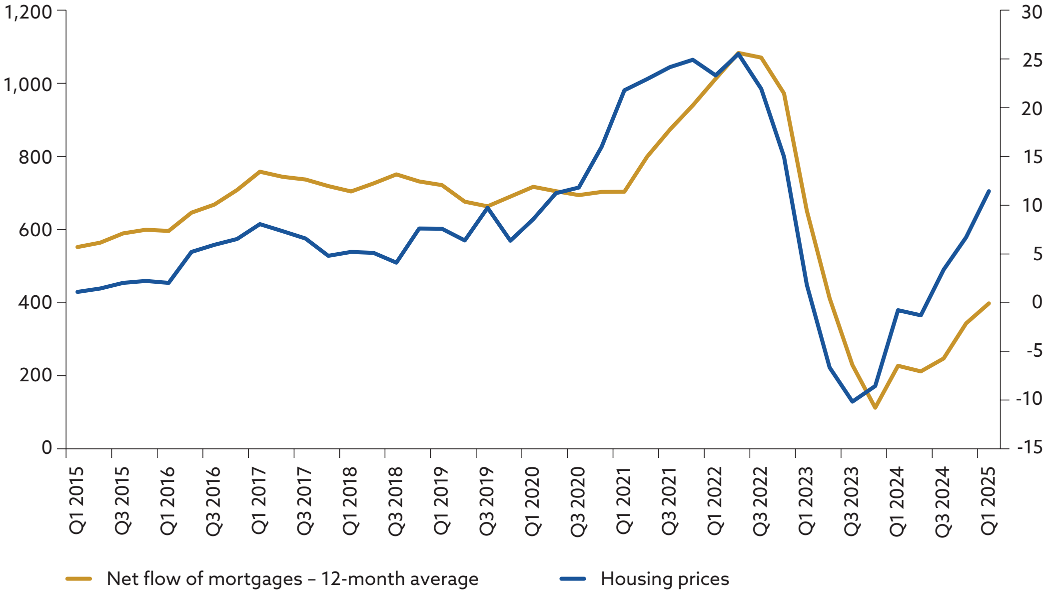
Chart 20
Factors limiting construction (percentage balances; 12-month average)



Sources: European Commission, and NBS.

The flow of new mortgages reflects rising demand for resale properties (Chart 21). Price growth has been most pronounced in the segment of resale flats. The price spread between new builds and resale properties narrowed in the first quarter. Mortgage rates have continued their gradual decline – from 4% at the end of 2024 to 3.8% in April – which is being limited by developments in domestic bond yields.

Chart 21
Net flow of mortgages vis-à-vis housing prices (EUR millions; 12-month average; annual percentage changes)



Sources: ECB, and NBS.

3 Medium-term forecast

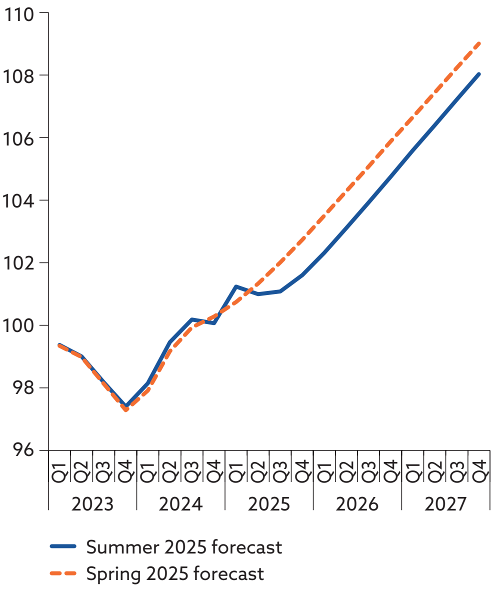
3.1 Global outlook and technical assumptions of the forecast[4]

The negative assumptions contained in the spring 2025 forecast have largely materialised, resulting in a worsened outlook for demand for Slovak exports (Chart 22). The weakening of global trade is reflected in lower assumptions for foreign demand growth, especially in 2025. Compared with the previous forecast, the assumption for the level of foreign demand at the end of 2027 has been revised down by 0.9 percentage point.

The ECB, in its latest forecast, has not significantly changed the outlook for economic growth. Euro area economic activity surprised on the upside in the first quarter of 2025, due to the frontloading of exports in anticipation of higher tariffs. The economy is thus in better shape than was expected in the spring. This year, the imposition of tariffs and heightened uncertainty should fully offset the favourable effects of frontloading. In subsequent years, the impact of tariffs is assumed to be balanced by planned investments in infrastructure and defence.

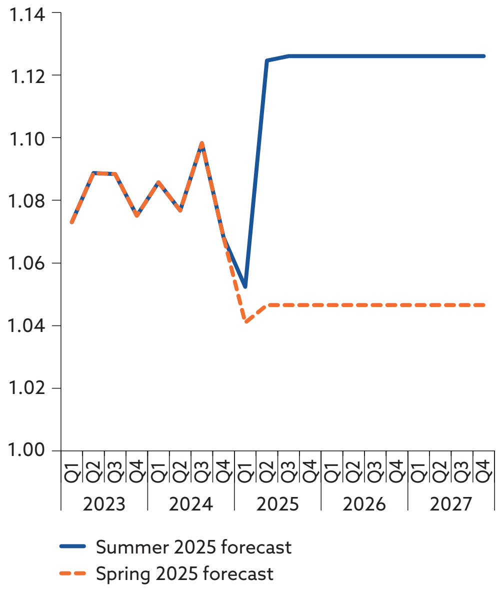
The forecast's baseline scenario assumes, among other things, a 10% increase on US import tariffs on goods from all countries, without retaliatory measures. In the case of trade between the United States and China, a symmetrical tariff increase of 20 percentage points is assumed (see Box 2 for a more detailed summary of the import tariff assumptions and envisaged transmission channels).

Chart 22
Foreign demand (index: Q4 2022 = 100)



Source: NBS.

Chart 23
USD/EUR exchange rate



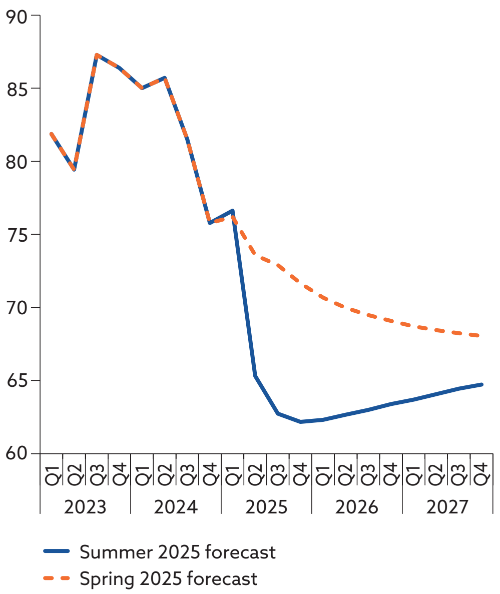
Source: NBS.

In response to the materialisation of risks, the euro's exchange rate against the US dollar has appreciated, while assumptions for energy commodity prices have been revised down

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

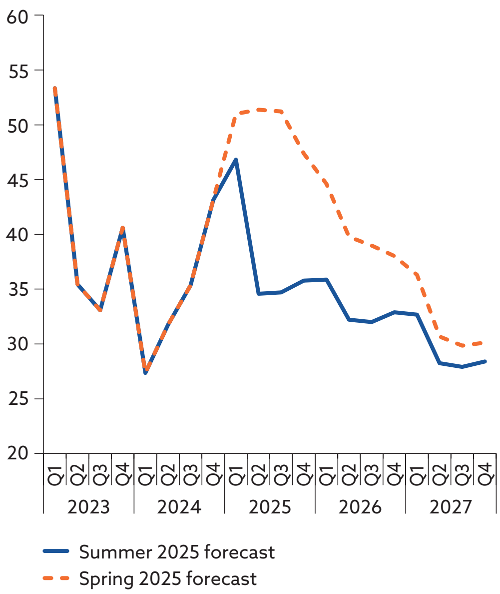
significantly. Compared with the previous forecast, the euro is assumed to trade 8% stronger against the dollar over the projection horizon, up from 1.05 to 1.13 dollars per euro (Chart 23). As regards oil prices, the price per barrel is assumed to fall to USD 62 in 2025, before gradually rising to USD 65 by the end 2027 (Chart 24). The wholesale gas price is assumed to be €38/MWh in 2025, 24% lower than was assumed in the spring forecast (Chart 25), while the wholesale electricity price in 2025 has been revised down by more than 18%, to just above €82/MWh (Table 2).

Chart 24
Oil prices in USD



Source: NBS.

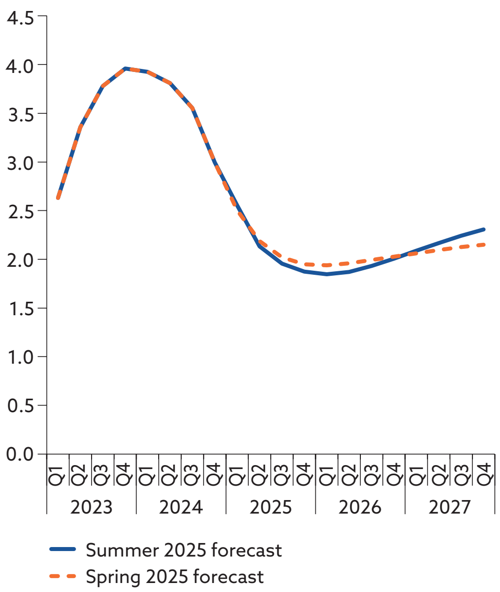
Chart 25
Gas price in EUR/MWh



Source: NBS.

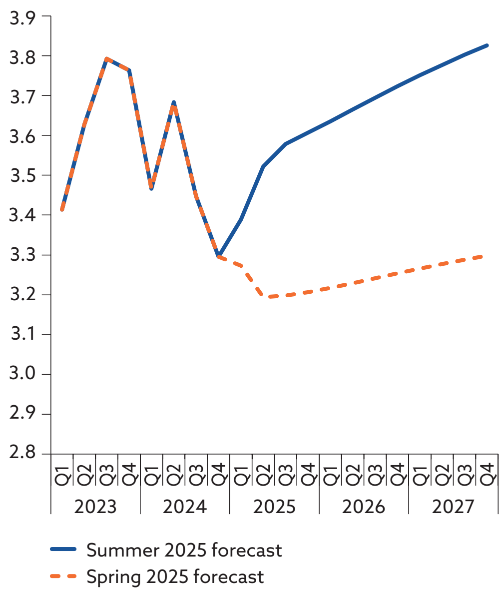
The assumptions for financial variables have also changed. Although market expectations for short-term interest rate movements are similar to those contained in the spring forecast, the expectations for long-term rates have increased by 50 basis points (Charts 26 and 27).

Chart 26
Three-month EURIBOR



Sources: European Commission, and NBS.

Chart 27
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	Summer 2025 forecast (MTF-2025Q2)			Difference vis-à-vis the spring 2025 forecast (MTF-2025Q1) in pp		
	2024	2025	2026	2027	2025	2026	2027
Slovakia's foreign demand	1.0	1.8	2.3	3.2	-0.6	-0.6	0.2
USD/EUR exchange rate 1) (level)	1.08	1.11	1.13	1.13	6.0	7.6	7.6
Oil price in USD 1) (level)	82.0	66.7	62.8	64.2	-9.4	-10.0	-6.0
Oil price in USD	-2.1	-18.6	-5.8	2.2	-8.4	-0.6	4.3
Oil price in EUR	-2.2	-20.5	-7.4	2.2	-13.4	-2.1	4.3
Non-energy commodity prices	9.2	6.8	-0.4	0.6	-5.2	0.9	3.4
Electricity price (EUR/MWh)	-24.9	5.9	-5.8	-7.3	-23.5	8.5	4.6
Gas price (EUR/MWh)	-15.3	10.4	-12.4	-11.8	-35.7	7.2	9.5
Three-month EURIBOR (percentage per annum)	3.6	2.1	1.9	2.2	-0.1	-0.1	0.1
Ten-year Slovak government bond yield (percentage)	3.5	3.5	3.7	3.8	0.3	0.5	0.5

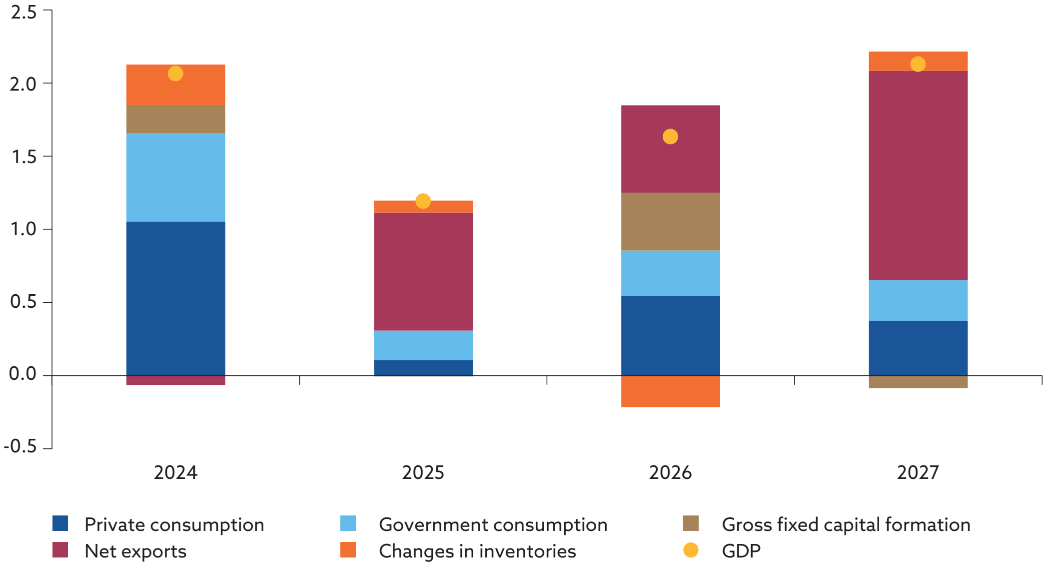
Sources: ECB, SO SR, and NBS.
Note: Annual percentage changes and changes vis-à-vis the previous forecast are calculated from unrounded figures.
1) Differences vis-à-vis the previous forecast are in percentages.

3.2 Macroeconomic forecast for Slovakia

Economic growth is expected to slow this year to just over 1%, nearly half the pace of the previous two years (Chart 28). Trade tensions and the associated uncertainty are expected to affect both firms and households. The period of heightened uncertainty could subside next year. While the global trade situation may stabilise, tariffs are likely to remain higher than they were before the new US Administration took office. Foreign demand, along with EU funds and increased consumer demand, should therefore contribute to a revival of economic activity in the period ahead.

The deterioration of the economic outlook stems mainly from the incorporation of higher global trade tariffs into the forecast. In spring, it was not yet clear how the US tariff threat situation would develop and how the countries concerned would respond. Subsequently, the United States imposed higher tariffs and trading partners responded with retaliatory measures. As a result, the introduction of the additional tariffs was paused and efforts to reach bilateral agreements began. While progress has been made, the agreements reached have only postponed the tariffs' entry into force. This has left room for further negotiations, only slightly moderating the uncertainty. In the current forecast, we assume that the US and the EU will reach a trade agreement; however, US tariffs will remain higher than before (at 10% against all countries) and uncertainty will only gradually subside.

Chart 28
GDP and its components (annual percentage changes; percentage point contributions)

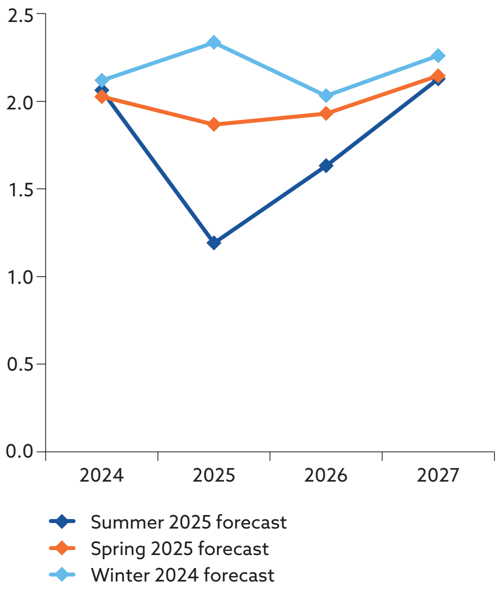


Source: NBS.
Note: GDP components are adjusted for import intensity.

Foreign trade remains the main channel through which increased tariffs impact the performance of the Slovak economy. This may slow economic growth significantly, especially this year and next.

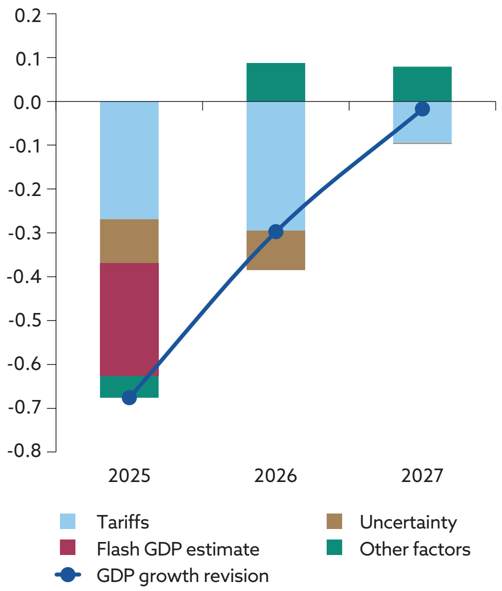
Compared with the spring 2025 forecast, the economy is in a worse state, and GDP growth is expected to be lower throughout the projection horizon (Chart 29).

Chart 29
GDP growth (annual percentage changes)



Sources: SO SR, and NBS.

Chart 30
GDP growth projection revisions (percentage points)



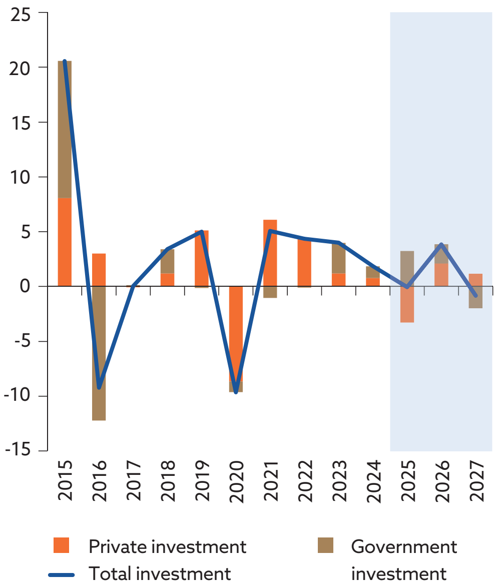
Source: NBS.

Car production is expected to support the Slovak economy this year despite rising global protectionism. The newly imposed tariffs will likely partially constrain car exports to the United

States. However, we expect carmakers operating in Slovakia to adapt and to partially offset the impact by accessing new markets. The greater impact of the tariffs is anticipated to come indirectly through Slovakia's trading partners. Once global trade stabilises, we envisage a gradual recovery in the coming years, including a corresponding rebound in Slovakia's export performance.

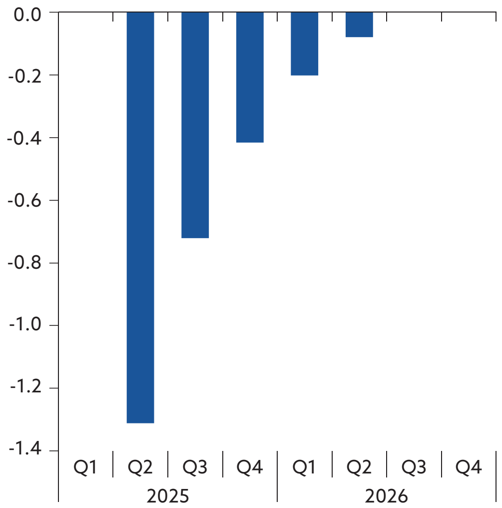
The current prolonged uncertainty will only ease once permanent trade tariff agreements are concluded. It will shave nearly 2.5 percentage points off investment growth this year (Chart 31). In addition to uncertainty regarding global trade relations, firms are also unclear about the impact of necessary fiscal consolidation in the coming period. As a result, private sector investment is weak and will rely on investment co-financed under the recovery and resilience plan (using RRF funds) and with EU structural funds. Firms will only start to increase investment (Chart 32) once uncertainty subsides. Monetary policy should support the economy by making it cheaper to finance investment. Interest rates are falling, creating favourable financial conditions for both firms and households.

Chart 31
Investment (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

Chart 32
Impact of uncertainty on investment (percentage point contributions to the quarter-on-quarter change)



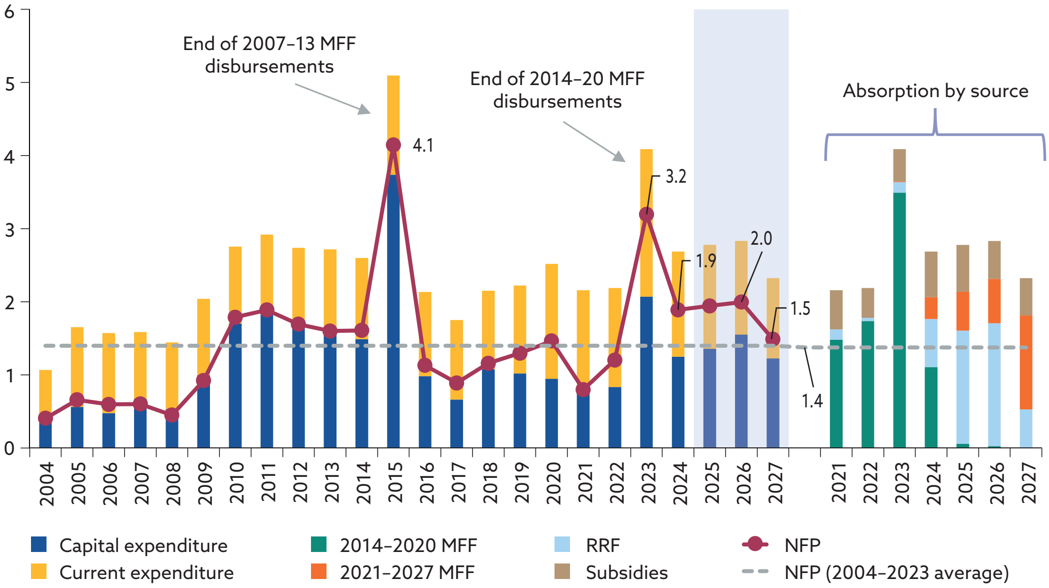
Source: NBS.

The assumption of increased absorption of EU funds in the coming months remains unchanged. Government investment activity continued at an elevated pace in the first quarter. This year and the next should be crucial for the successful absorption of available funds and for initiating the uptake of EU funds under the 2021–2027 programming period. We expect that Slovakia will successfully invest RRF funds allocated through the recovery and resilience plan, while also significantly increasing the absorption of funds from the ongoing 2021–2027 EU budget.

Slovakia's net receipts from the EU budget are expected to remain above the long-term average. Over the next two years, the finalisation of the recovery and resilience plan should be the main driver of EU fund absorption. By the end of the projection horizon, structural funds from the current programming period should play a greater role, helping to mitigate the decline in Slovakia's net financial position vis-à-vis the EU budget and keeping it above its long-term average (Chart 33).

Chart 33

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

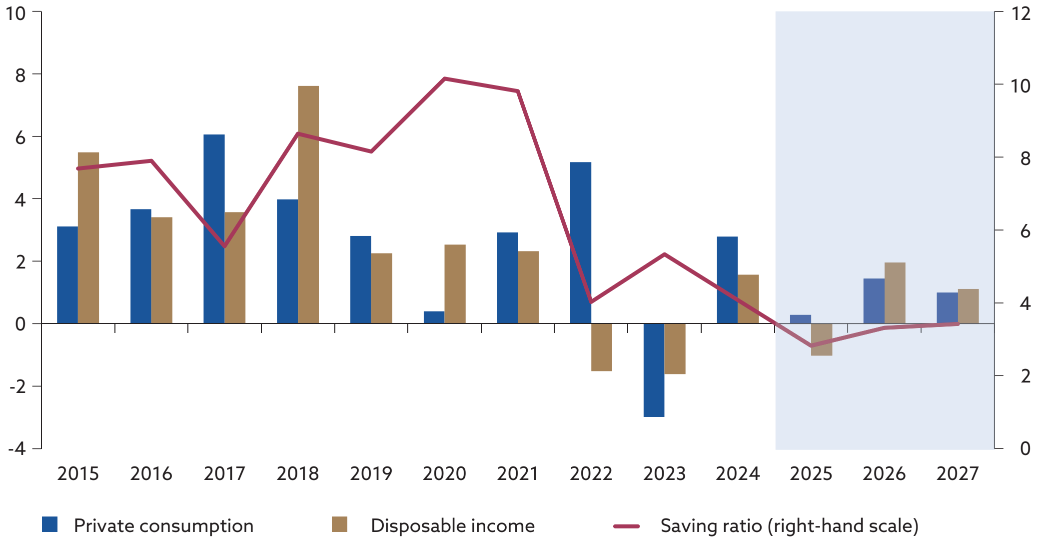


Source: NBS.
Note: NFP stands for net financial position; MFF stands for Multiannual Financial Framework.

Households are expected to temporarily retrench this year as fiscal consolidation takes hold (Chart 34). Elevated uncertainty and labour market cooling will persist for several more months, causing households to remain cautious in their spending. Inflation is expected to ease next year, supporting growth in real incomes. As uncertainty fades, it is envisaged that consumer demand will regain momentum and living standards will rise.

Chart 34

Private consumption (left-hand scale: annual percentage changes; right-hand scale: percentages)

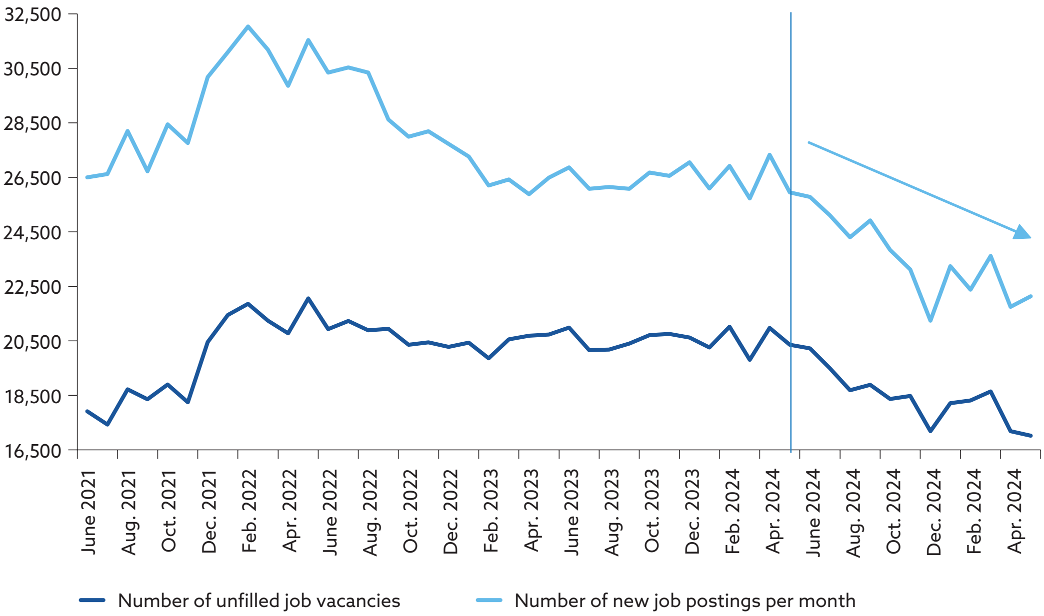


Sources: SO SR, and NBS.

The labour market situation has visibly deteriorated, and we see no scope for improvement in the near term (Chart 36). Employment has been declining for five consecutive quarters, with a weak economy and persistent uncertainty discouraging job creation. We are currently observing a marked cooling of the labour market, as firms are posting fewer job vacancies (Chart 35). In addition to the worsening economic situation, demographic pressures will increasingly weigh on the labour market in the coming years. Employment is expected to decline gradually over the projection horizon, while not even larger inflows of foreign workers will be enough to maintain current employment levels.

Chart 35

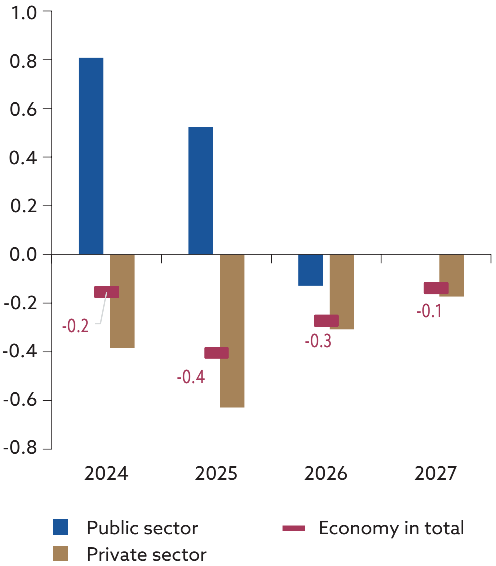
Numbers of online job postings



Source: The online job portal Profesia (www.profesia.sk).

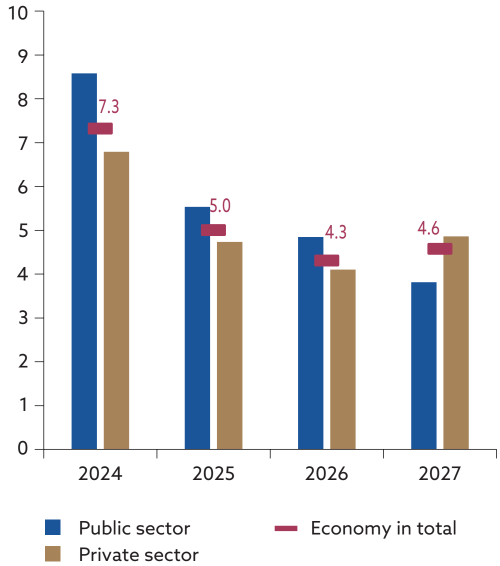
Annual wage growth is expected to be around 4.5% over the next two years (Chart 37). Despite the ongoing fiscal consolidation, public sector employees will be better off. Current wage indexation agreements will increase wage growth in the public sector. In response to weak performance, private sector firms will raise wages more modestly than was envisaged in the spring forecast. On average, however, wage growth should be higher than inflation, so workers' purchasing power will increase.

Chart 36
Employment (annual percentage changes)



Sources: SO SR, and NBS.

Chart 37
Nominal compensation per employee (annual percentage changes)



Sources: SO SR, and NBS.

Table 3
Wages (annual percentage changes)

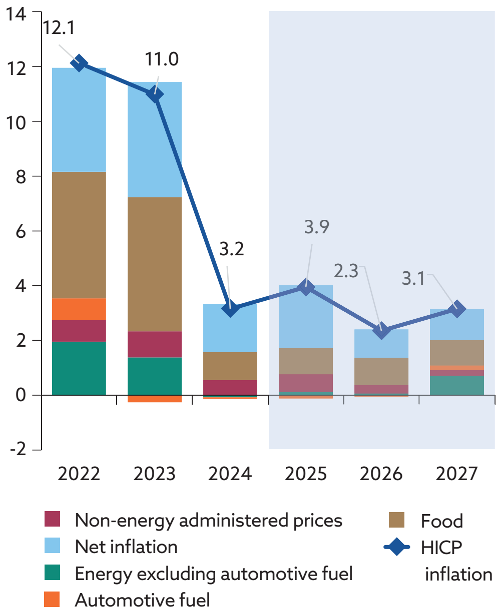
	2023	2024	2025	2026	2027
Nominal labour productivity	11.4	5.9	4.9	4.8	5.1
Nominal wages – whole economy	9.9	5.9	4.8	4.4	4.4
Real wages – whole economy	-0.5	3.0	0.9	1.9	1.3
Nominal wages – private sector	8.6	5.4	4.6	3.9	4.8
Real wages – private sector	-1.7	2.6	0.7	1.4	1.6
Nominal wages – public sector	13.9	7.0	5.2	5.7	3.3
Real wages – public sector	3.1	4.2	1.3	3.2	0.3

Sources: SO SR, and NBS.
Notes: Deflated by the CPI. Nominal labour productivity is defined as GDP per persons employed (according to ESA 2010).

While some fiscal consolidation measures have accelerated inflation, trade tensions will dampen it in the months ahead (Chart 38). Tax changes and heightened uncertainty have caused annual headline inflation to increase from around 3% last year to 4% in the first quarter of this year. However, the imposition of global trade tariffs and the anticipated slowdown in the global economy have caused a notable decline in commodity prices. Firms can therefore expect their input costs to rise more slowly in the period ahead.

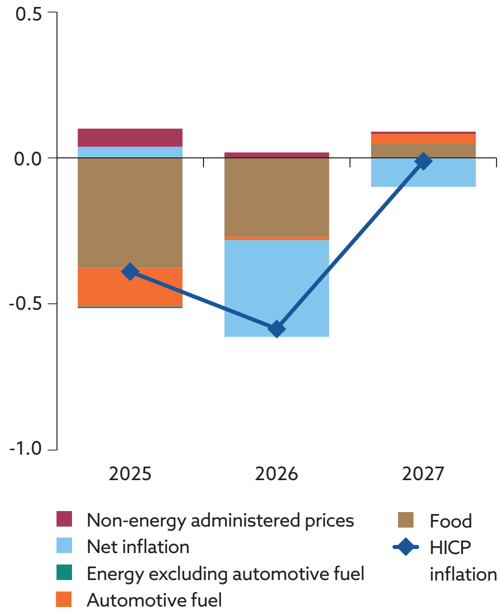
Compared with the previous forecast, we expect headline inflation to be lower throughout the projection period. The largest downward revision is to the inflation forecast for next year (Chart 39), reflecting the anticipated impact of lower agricultural commodity prices and reduced consumer demand. This year, goods and services inflation will continue to be affected by the upward impact of tax changes and strong consumer demand in the first quarter. However, there are signs of weakening consumer demand, which will translate into a moderation of price growth next year. In addition, weakening global demand will lead to lower growth in global and thus import prices.

Chart 38
HICP inflation and its components (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS.

Chart 39
Change in projection vis-à-vis the spring 2025 forecast (percentage points)



Sources: SO SR, and NBS.

Table 4
Components of HICP inflation (annual percentage changes)

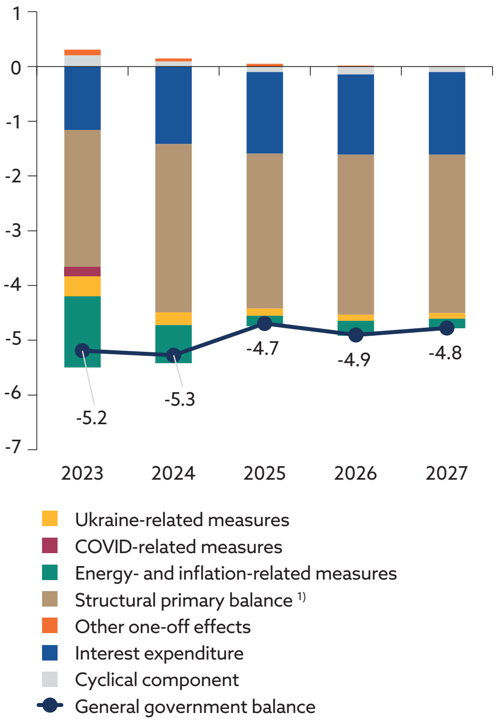
	Average for 2004–08 (pre-crisis period)	Average for 2010–14 (post-crisis period with euro currency)	2023	2024	2025	2026	2027
HICP	**4.1**	**2.0**	**11.0**	**3.2**	**3.9**	**2.3**	**3.1**
Food	3.6	3.1	15.6	3.2	3.3	3.4	3.2
Non-energy industrial goods	0.2	0.3	8.8	2.4	3.0	1.3	1.6
Energy	8.3	2.3	7.4	-0.9	0.0	0.1	6.8
Services	5.3	2.5	10.1	5.9	7.5	3.1	3.1
Net inflation	1.8	1.0	9.3	3.9	4.9	2.1	2.3

Sources: SO SR, and NBS.

3.3 Public finance projections

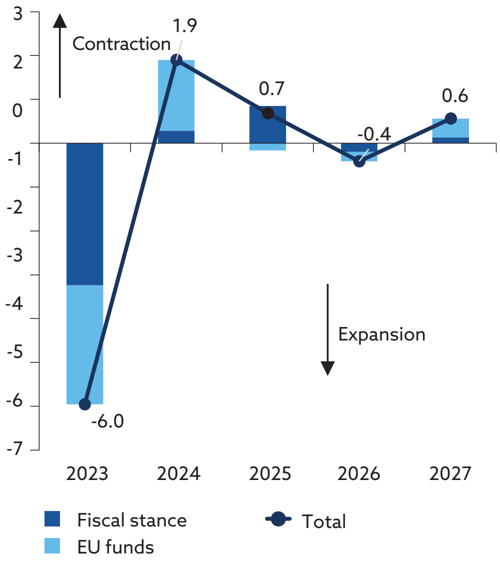
Slovakia's general government deficit for 2025 is expected to be 4.7% of GDP (Chart 40). The year-on-year improvement mainly reflects the adopted fiscal consolidation package as well as lower spending on energy price compensation. Over the following years, the deficit is expected to remain just below 5%, given relatively strong growth in government current expenditure amid sluggish economic growth. Additional pressure will come from higher public spending on military infrastructure, as previously announced (see Box 1). Public debt will exceed 60% of GDP in 2025 and is expected to remain above this level throughout the projection period. Persistently high deficits are unlikely to be offset by nominal GDP growth or the use of accumulated cash reserves. As a result, in addition to the stabilisation of debt levels, further fiscal consolidation will still be required.

Chart 40
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 41
Fiscal stance (percentage points of GDP)



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

BOX 1

What to expect from the European project to enhance EU countries' defence capabilities

Readiness 2030 (originally called 'ReArm Europe') is a European Union initiative aimed at strengthening the EU's defence capabilities in response to growing geopolitical threats – particularly the war in Ukraine and uncertainty surrounding US military support. The plan was presented on 4 March 2025 and aims to mobilise up to €800 billion in defence investment by 2030. It is based on five pillars, combining national resources with joint EU funding and loans:

1. **National fiscal flexibility** (NEC[5]) – A temporary suspension of EU fiscal rules, allowing Member States to increase defence spending by up to 1.5% of GDP annually over four years without breaching budgetary limits – potentially unlocking €650 billion.
2. **Defence lending** (SAFE) – The creation of a new financial instrument – Security Action for Europe (SAFE) – to provide up to €150 billion in loans for joint defence projects, such as air defence systems and the modernisation of military infrastructure.
3. **Redirection of EU cohesion funds** towards defence-related projects.
4. **Involvement of the European Investment Bank (EIB)** by lifting restrictions on the EIB's financing of armaments companies.
5. **Mobilisation of private capital** – Attracting private investment in the defence sector, thereby strengthening the European defence industrial base.

Readiness 2030 is a largely decentralised plan for the rearmament of Europe. At present, the European defence market is highly fragmented, with low volumes of joint procurement and technological gaps. This situation stems from a historical reliance on the United States (via NATO) and insufficient coordination among EU Member States. The result is inefficient resource use and a limited ability to respond quickly to potential security threats. A recent Bruegel policy brief[6] identifies several shortcomings of the current system:

- Current EU fiscal rules restrict Member States' ability to finance increased defence spending. Without adjustments to these rules, it will be difficult to secure the necessary defence investment without jeopardising fiscal stability.
- Programmes such as **SAFE** are insufficient. They lack a collective approach and the capacity to deliver the necessary investment at the EU level.

To achieve the stated objectives, the analysis suggests that the optimal solution would be to establish a European Defence Mechanism (EDM) – a common fund for financing strategic defence projects. This would require a technically, professionally and politically proactive approach from EU countries. The mechanism's guiding principles would include reforming fiscal rules to allow flexibility in the financing of defence spending, common funding of defence projects through joint procurement, shared ownership of strategic assets, etc.

According to current estimates, the use of Readiness 2030 instruments will have a very mild impact on the euro area economy. Their cumulative upward impact on GDP over the 2025–27 projection horizon is estimated to be 0.25 percentage point,[7] accounted for mostly by increased national defence investment and, to a lesser extent, by current consumption. Germany will, through fiscal stimulus, contribute around 80% of the additional defence-related spending, while the rest will come from the other euro area countries.

For Slovakia, the Readiness 2030 initiative presents an opportunity to increase defence spending without breaching fiscal rules, given their temporary suspension. Events in recent years have revealed the obsolescence and inadequacy of Slovakia's defence inventory. At the same time, participation in joint defence projects with other Member States may lead

5 The national escape clause (NEC) allows fiscal rules to be temporarily suspended or relaxed in the event of exceptional circumstances, such as severe economic crises, natural disasters, pandemics, military conflicts, or energy crises. It enables the government to deviate from fiscal targets (e.g. debt or deficit reduction targets).

6 *The Governance and Funding of European Rearmament*, Bruegel, 2025.

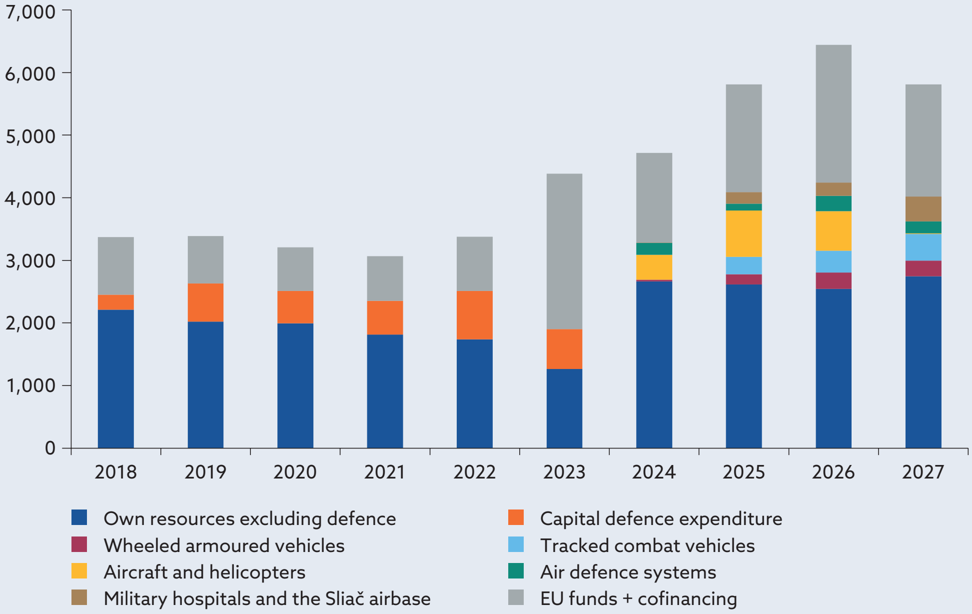
7 *Eurosystem staff macroeconomic projections for the euro area, June 2025*, published on the ECB's website on 5 June 2025.

to the modernisation of the country's armed forces and the development of its defence industry.

Eligible expenditures under Readiness 2030 are determined by their functional (COFOG) classification. This allows only very limited funding of non-defence infrastructure under the Defence Ministry, i.e. spending on dual-use projects. These include, in particular, purchases of non-military equipment and technical equipment for the Defence Ministry, communication and early warning systems, etc. Modernisation of primarily civilian infrastructure – railway corridors, bridges and roads, hospitals, etc. – is generally not counted as defence spending.[8] Excessive focus on civil projects could undermine the intended purpose of this Europe-wide initiative to strengthen the EU's defence capabilities through increased defence investment.

According to current estimates, Slovakia is on course to exceed 2% of GDP in government defence spending. Readiness 2030 aims to raise this share to 3.5% of GDP. Slovakia's defence investment in 2025 and the following year is expected to be temporarily inflated by previously procured imports of military equipment (Chart 1, yellow shading). Excluding these 'imputed' expenditures, there remains significant scope to further increase defence spending. By focusing not only on civil projects, but especially on military equipment investments, Slovakia can do more to contribute to this joint initiative's success and to ensure better preparedness for potential future threats.

Chart 1
Government investment (EUR millions)

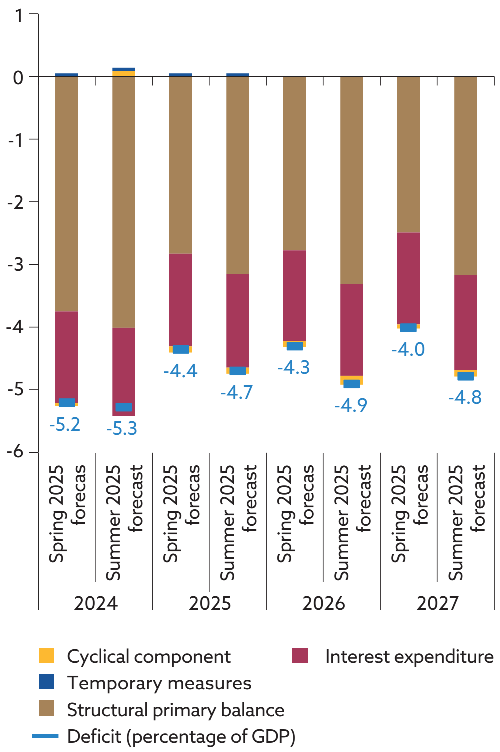


Source: NBS.

[8] Ongoing expert discussions indicate opposition to the inclusion of civil defence investment in defence spending.

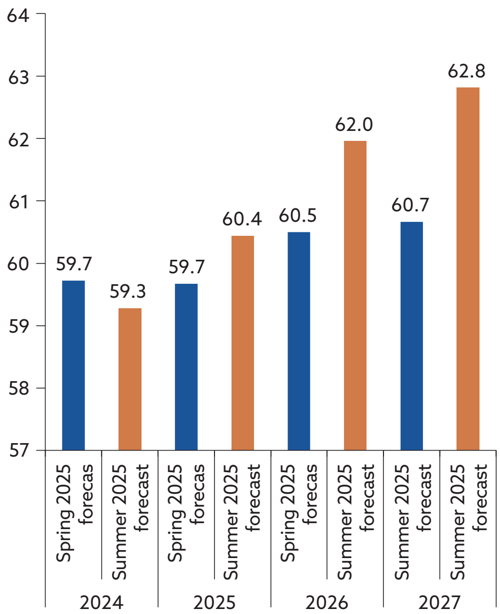
Compared with the previous forecast, the deficit projections across the forecast horizon have been revised up by between 0.3 and 0.8 percentage point of GDP (Chart 42). This deterioration stems mainly from worsening economic developments and their adverse implications for tax and social security contribution revenues. Another factor is higher public expenditure in the early part of this year, especially on public sector wages and the consumption of goods and services. The financial balance is further weakened by increased own-financed investment related to the construction of a military hospital in Bratislava.

Chart 42
Comparison of projections for the deficit and its decomposition (percentages of GDP; percentage point contributions)



Source: NBS.

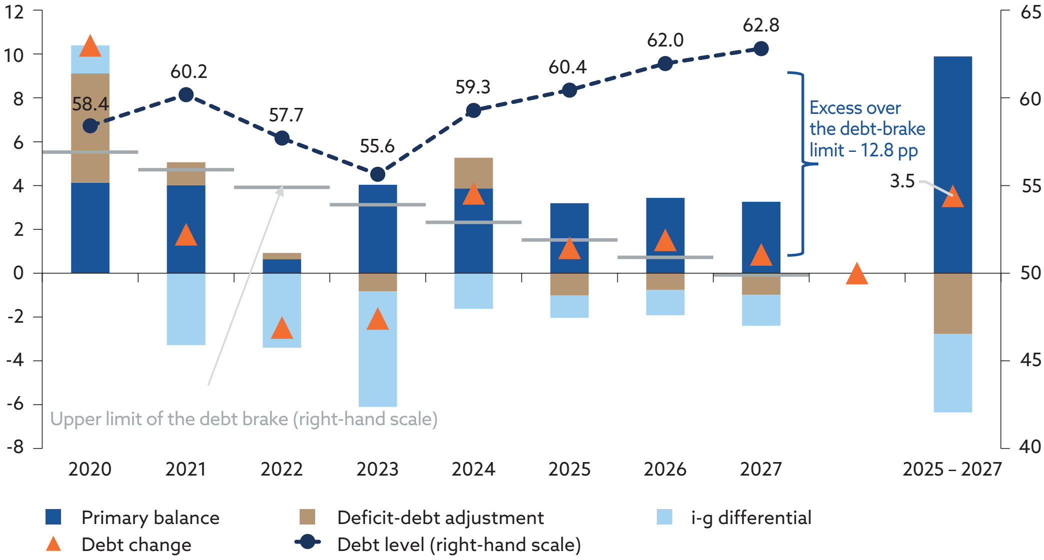
Chart 43
Comparison of public debt projections (percentages of GDP)



Source: NBS.

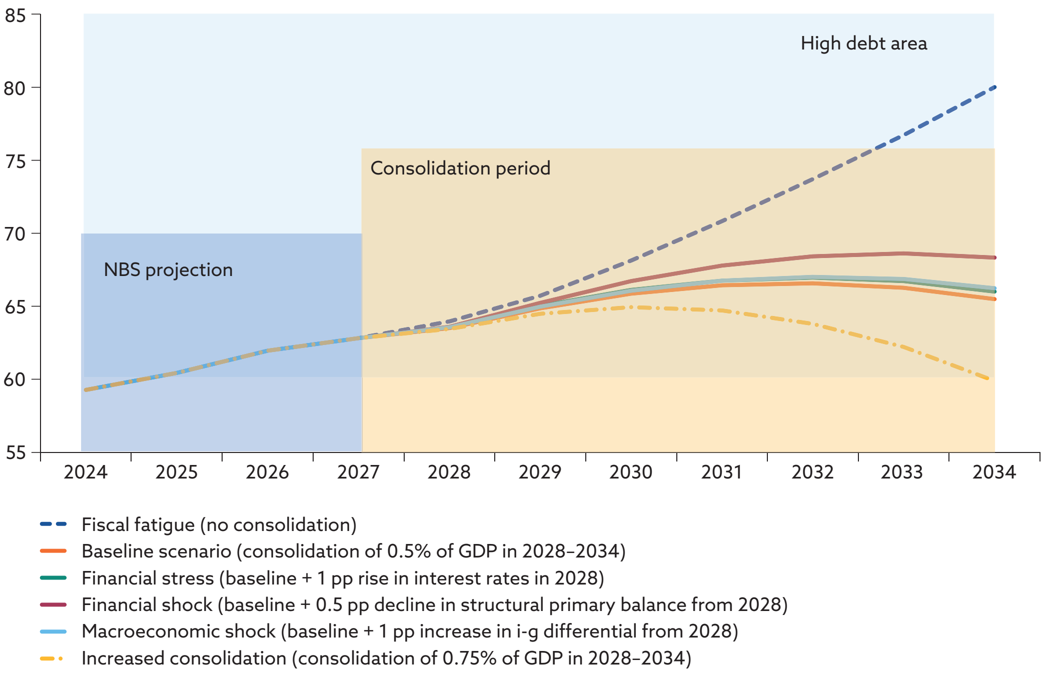
Excessive budget deficits are increasing public debt, which is expected to exceed the 60% of GDP threshold already this year (Chart 43). The primary balance (i.e. the fiscal balance excluding interest payments) is envisaged to remain above 3% of GDP throughout the projection period. The need to finance public sector expenditure will therefore contribute to rapid debt accumulation. Public debt is expected to rise to nearly 63% of GDP within three years, moving further away from the upper limit of the debt brake (Chart 44).

Chart 44
Public debt and factors of change (left-hand scale: percentage points of GDP; right-hand scale: percentages of GDP)



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

Chart 45
General government gross debt under DSA[9] scenarios (percentages of GDP)



Source: NBS.

[9] DSA stands for debt sustainability analysis. The DSA analyses debt sustainability by simulating possible scenarios of public debt developments under certain assumptions. This approach is suitable for projecting medium to long-term trajectories over a horizon of 3 to 15 years. The DSA's core component includes a set of deterministic projections based on fiscal consolidation scenarios up to 2034 and on assumptions for macroeconomic and financial variables, including the assumption of population ageing.

The debt level is approaching the point where continuous fiscal consolidation of 0.5 percentage point of GDP beyond the forecast horizon would be sufficient only to stabilise debt growth over the next ten years. Under such a scenario, public debt would rise to around 70% of GDP by the end of the ten years (Chart 45). A sustained annual improvement in the fiscal balance of 0.75 percentage point of GDP would bring the debt back down to 60% of GDP by 2034 – but it would not be sufficient in the event of more turbulent years (risk scenarios).

3.4 Risks to the forecast

The risks to both the real economy and inflation outlooks remain elevated. More than ever, it is true that actual developments may differ significantly from our baseline scenario.

The main risks to GDP and inflation projections stem from the potential escalation of global trade tensions. A key factor will be whether countries can reach agreements with the US Administration on tariff levels. The outcome will determine whether the global economic outlook improves or deteriorates – though, at present, the risks are clearly tilted to the downside (Box 2).

Another risk lies in uncertainty about the timing of trade agreements, as this leads to the postponement of business investment decisions and contributes to heightened volatility in world trade. Moreover, while negotiations are ongoing, goods may be redirected from China to Europe, resulting in a short-term decline in import prices and a moderating impact on inflation. At the same time, however, a flood of cheaper imports could further complicate the situation in European industry. There is also the risk of international trade disputes taking on a multilateral dimension.

Among domestic risks is the possibility that additional fiscal consolidation measures cause the economy to slow more sharply than expected in the coming years. Since no specific additional measures have yet been specified, we do not include the necessary consolidation effort in the baseline scenario. The extent to which fiscal consolidation impacts economic activity will depend largely on the nature of the measures adopted.

The inflation outlook remains subject to upside risks, particularly relating to the alignment of household energy prices with global market developments. In a scenario of escalating trade tensions, we see a downside risk to the inflation forecast – but this is likely to be outweighed by the inflationary risk associated with household energy prices. Moreover, if global trade wars were to cause serious disruptions in the supply of certain raw materials or components, their overall impact could be markedly more inflationary (Box 2).

BOX 2

Failure of tariff talks with the United States would harm the economy

Uncertainty regarding import tariffs – including their impact on inflation and economic growth – remains a key unknown. Only the outcome of trade negotiations will reveal what can be expected in terms of the economic impact on the euro area and Slovakia. This makes it all the more important to highlight the potential magnitude of the consequences. A deterioration in the economic outlook due to a breakdown in trade talks and the raising

of trade barriers could lower Slovakia's GDP over the 2025-27 period by a cumulative 1.7% to 2.5% compared with the baseline forecast. This implies Slovak exports declining by €3–5 billion, the loss of between 17,000 and 21,000 jobs, and consumer prices falling by 0.7–1.4%.

Part of the announced increase in tariffs on imports to the United States has been temporarily postponed. There remains, however, the possibility of the failure of negotiations on a new trade deal, which represents a downside risk to the economic outlook. We quantify its impact[10] in a severe scenario of trade war escalation, which assumes increased tariffs at the level of the reciprocal import tariffs originally announced by the US Administration, along with potential retaliatory measures by the countries affected. Table 1 sets out the scenario's input assumptions.

Table 1
Assumptions for the baseline forecast and for the trade war escalation scenario

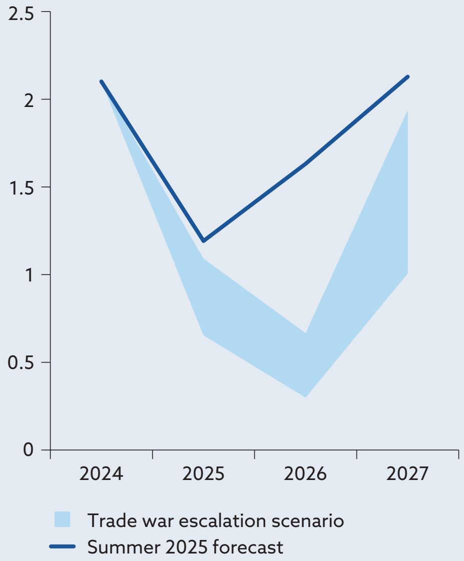
	Baseline scenario	Trade war escalation scenario
Import tariffs	US tariff of 10% on all countries No retaliatory measures (except from China)	**At the level of announced reciprocal tariffs** Symmetrical retaliatory measures Escalation between the United States and China (above 100%)
Uncertainty	Gradually recedes	Remains elevated
Financial markets	Technical assumptions	Heightened volatility in financial markets Firms face higher borrowing costs Downturn in equity markets

Sources: ECB and NBS assumptions.

Increased import tariffs will limit demand for exports of the targeted countries. In the case of the United States and China, tariffs exceeding 100% would effectively lead to a collapse of bilateral trade. This would, in turn, reduce these countries' demand for imports from other trading partners. The tariff war will therefore affect Slovakia not only directly, by weakening US demand for Slovak exports, but also to a significant extent indirectly, by reducing demand from Slovakia's other trading partners. In the severe scenario, Slovak exports are estimated to decline by a cumulative €3–5 billion (at constant prices) from 2025 to 2027. Uncertainty caused by international trade disruptions depresses stock indices and discourages business investment. Households necessarily become more cautious in their spending. The result is slower GDP growth (Chart 1). Slovakia's GDP in 2027 is estimated to be 1.7–2.5% lower than in the baseline scenario, translating into 17,000–21,000 fewer jobs.

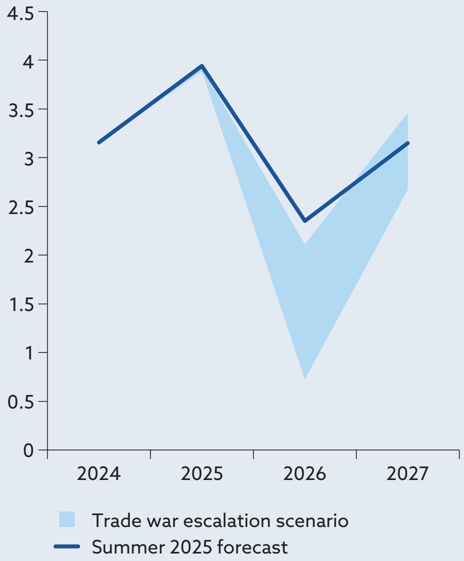
[10] To quantify the impact range of higher import tariffs, we used the NBS forecasting model and Oxford Economics' Global Economic Model.

Chart 1
Estimated impact of trade war escalation on GDP growth (percentages)



Sources: SO SR, and NBS calculations.
Note: The light blue area represents the range of possible impacts of trade war escalation on the Slovak economy, as estimated using an NBS macroeconomic model, including secondary effects estimated using an ECB satellite model and the Oxford Economics model.

Chart 2
Estimated impact of trade war escalation on HICP inflation (percentages)



Sources: SO SR, and NBS calculations.
Note: The light blue area represents the range of possible impacts of trade war escalation on the Slovak economy as estimated using an NBS macroeconomic model, including secondary effects estimated using the ECB satellite model and the Oxford Economics model.

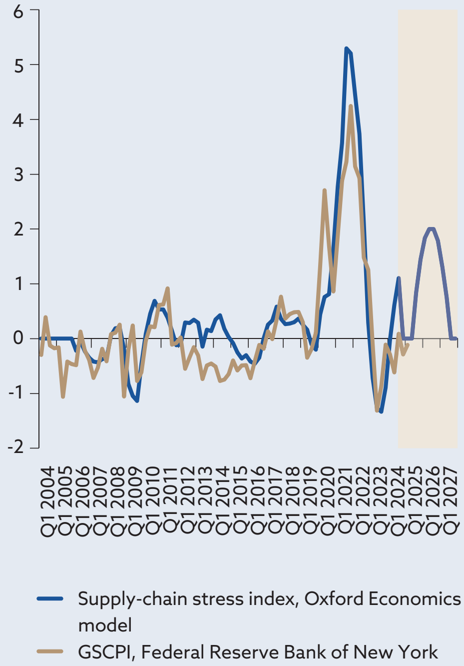
In the severe scenario, weaker global demand is reflected in lower commodity prices, with their combined effect acting as a drag on inflation (Chart 2) and likely outweighing higher tariffs' direct upward impact on import prices. Compared with the baseline scenario, the overall increase in the price level (HICP) is estimated to be cumulatively lower by 0.7–1.4% over 2025–2027.

It could always be worse

Even the outlined most likely scenario for trade war escalation does not cover all potential negative consequences. The economic downturn would worsen significantly in the event of a financial crisis, with financial markets slumping and widespread corporate bankruptcies causing difficulties in the banking sector. A rise in non-performing loans, coupled with an increase in the cost of borrowing for firms and households, could jeopardise banking sector stability. The global economy would then face a more severe and prolonged slowdown.

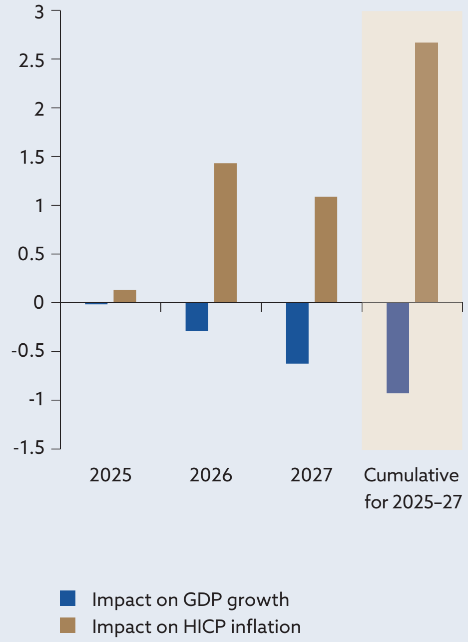
An escalation of global trade barriers could amplify disruptions in global supply chains, further reducing global economic activity. To illustrate this, we simulated a scenario where supply chain disruptions reach around half the severity of the extreme shock seen during the COVID-19 pandemic (Chart 3). In this case, constrained supply from producers is estimated to drive up prices, gradually outweighing the disinflationary impact of weak demand. At the same time, GDP growth could decline cumulatively by an additional percentage point over the projection horizon (Chart 4).

Chart 3
Global supply chain disruption indicators



Sources: Federal Reserve Bank of New York (via Macrobond), Oxford Economics' Global Economic Model, and NBS calculations.

Chart 4
Estimated impact of a global supply chain disruption on GDP growth and HICP inflation (percentage points)



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

Table 5
Forecast for key macroeconomic indicators

Summer 2025 medium-term forecast (MTF-2025Q2)								
Indicator	Unit	Actual data	Summer 2025 forecast (MTF-2025Q2)			Difference vis-à-vis the spring 2025 forecast (MTF-2025Q1)		
		2024	2025	2026	2027	2025	2026	2027
Price developments								
HICP inflation	annual percentage change	3.2	3.9	2.3	3.1	-0.4	-0.6	-0.1
CPI inflation	annual percentage change	2.8	3.9	2.5	3.1	-0.4	-0.6	-0.1
GDP deflator	annual percentage change	3.6	3.2	2.9	2.8	-1.0	0.0	-0.1
Economic activity								
Gross domestic product	annual percentage change, constant prices	2.1	1.2	1.6	2.1	-0.7	-0.3	0.0
Private consumption	annual percentage change, constant prices	2.8	0.3	1.4	1.0	-0.4	-0.5	-0.4
General government final consumption	annual percentage change, constant prices	3.7	1.2	1.9	1.7	0.2	0.2	-0.2
Gross fixed capital formation	annual percentage change, constant prices	1.8	-0.1	3.9	-0.8	-3.1	-0.7	0.6
Exports of goods and services	annual percentage change, constant prices	-0.2	2.3	1.7	4.1	0.0	-0.9	0.2
Imports of goods and services	annual percentage change, constant prices	1.5	3.3	2.2	2.6	1.1	-1.0	0.0
Net exports	EUR millions at constant prices	3,886	3,124	2,757	4,284	-1,387.7	-1,341.2	-1,206.9
Output gap	percentage of potential output	0.2	-0.4	-0.5	-0.3	-0.1	-0.2	-0.1
Gross domestic product	EUR millions at current prices	130,985	136,788	142,990	150,086	-1,147.0	-1,671.8	-1,944.0
Labour market								
Employment	thousands of persons, ESA 2010	2,430	2,420	2,414	2,411	-10.8	-17.8	-21.6
Employment	annual percentage change, ESA 2010	-0.2	-0.4	-0.3	-0.1	-0.4	-0.3	-0.1
Number of unemployed	thousands of persons, LFS [1)]	148	147	162	166	2.3	10.2	14.9
Unemployment rate	percentage	5.3	5.3	5.9	6.0	0.1	0.4	0.5
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	1.6	1.9	2.3	-0.2	0.0	0.2
Nominal productivity [4)]	annual percentage change	5.9	4.9	4.8	5.1	-1.2	-0.1	0.0
Nominal compensation per employee	annual percentage change, ESA 2010	7.3	5.0	4.3	4.6	-0.1	-0.1	-0.3
Nominal wages [5)]	annual percentage change	5.9	4.8	4.4	4.4	-0.2	-0.1	-0.4
Real wages [6)]	annual percentage change	3.0	0.9	1.9	1.3	0.3	0.5	-0.3
Households and non-profit institutions serving households								
Disposable income	annual percentage change, constant prices	1.4	-1.0	2.0	1.1	-1.3	0.2	-0.2
Saving ratio [7)]	percentage of disposable income	5.9	4.7	5.1	5.2	-0.9	-0.4	-0.2

Table 5

Forecast for key macroeconomic indicators (continued)

Indicator	Unit	Actual data	Summer 2025 forecast (MTF-2025Q2)			Difference vis-à-vis the spring 2025 forecast (MTF-2025Q1)		
		2024	2025	2026	2027	2025	2026	2027
General government sector [8)]								
Total revenue	percentage of GDP	41.8	42.9	42.8	41.8	0.4	0.4	0.2
Total expenditure	percentage of GDP	47.1	47.6	47.7	46.5	0.8	1.0	1.0
General government balance [9)]	percentage of GDP	-5.3	-4.7	-4.9	-4.8	-0.3	-0.6	-0.8
Cyclical component	percentage of trend GDP	0.1	-0.1	-0.1	-0.1	0.0	-0.1	0.0
Structural balance	percentage of trend GDP	-5.4	-4.6	-4.8	-4.7	-0.3	-0.6	-0.7
Cyclically adjusted primary balance	percentage of trend GDP	-3.9	-3.1	-3.3	-3.2	-0.3	-0.5	-0.7
Fiscal stance [10)]	annual percentage point change	0.3	0.9	-0.2	0.1	-0.1	-0.2	-0.2
General government gross debt	percentage of GDP	59.3	60.4	62.0	62.8	0.8	1.5	2.1
Balance of payments								
Goods balance	percentage of GDP	-0.3	-1.5	-1.8	-0.6	-1.8	-1.4	-1.3
Current account	percentage of GDP	-2.8	-3.9	-4.2	-3.1	-1.8	-1.4	-1.3
External environment and technical assumptions								
Slovakia's foreign demand	annual percentage change	1.0	1.8	2.3	3.2	-0.6	-0.6	0.2
USD/EUR exchange rate [11), 12)]	level	1.08	1.11	1.13	1.13	6.0	7.6	7.6
Oil price in USD [11), 12)]	level	82.0	66.7	62.8	64.2	-9.4	-10.0	-6.0
Oil price in USD [11)]	annual percentage change	-2.1	-18.6	-5.8	2.2	-8.4	-0.6	4.3
Oil price in EUR [11)]	annual percentage change	-2.2	-20.5	-7.4	2.2	-13.4	-2.1	4.3
Non-energy commodity prices in USD	annual percentage change	9.2	6.8	-0.4	0.6	-5.2	0.9	3.4
Electricity price in EUR/MWh [11)]	annual percentage change	-24.9	5.9	-5.8	-7.3	-23.5	8.5	4.6
Gas price in EUR/MWh [11)]	annual percentage change	-15.3	10.4	-12.4	-11.8	-35.7	7.2	9.5
Three-month EURIBOR	percentage per annum	3.6	2.1	1.9	2.2	-0.1	-0.1	0.1
Ten-year Slovak government bond yield	percentage	3.5	3.5	3.7	3.8	0.3	0.5	0.5

Sources: NBS, ECB, and SO SR.

Note:

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

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