Medium-Term Forecast

Q3 2019

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1 Overview

Slovakia's economic growth decreased notably in the second quarter of 2019, to 2% year on year. This slowdown reflected global developments, namely the impact of protectionist measures and the uncertainty surrounding the United Kingdom's withdrawal from the European Union (Brexit). These factors were reflected in a decline in exports. As regards domestic demand, private consumption increased moderately, though it had been expected to perform more strongly given the favourable labour market situation. Investment demand dropped amid the persisting climate of uncertainty. On the positive side, the cooling of economic activity was not yet having a significant impact on labour market indicators. Employment growth slowed more moderately than expected, while wage growth accelerated.

The marked easing of economic activity in the context of deteriorating external trends has been reflected in the outlook for coming years. Despite the impact of fiscal measures, Slovakia's GDP growth is projected to decelerate to 2.5% in 2019 and to 2.4% in 2020, before picking up slightly in 2021, to 2.7%, on the back of recovering foreign demand. Domestic demand is expected to be the main driver of growth throughout the projection period, though exports should also be making a positive contribution towards the end. Compared with the June 2019 forecast, the GDP growth projections have been revised down significantly. The current cooling of economic activity appears not only to be cyclical, but also to have a structural nature. As a result, the potential growth of the Slovak economy has also been revised down.

Employment growth is expected to ease significantly over the projection period, adversely affected by the softening of economic activity and unfavourable demographic trends. The situation across sectors is expected to be heterogeneous. Demand for labour is weakening in industry, but it is still increasing in those sectors that rely on domestic demand. Wage growth is expected to moderate over the projection period from its current high levels, as economic activity cools and the labour market thus becomes less tight. There will, though, still be upward pressure from administrative measures, specifically from increases in the minimum wage and in contractual salaries in the public sector.

The annual HICP inflation rate is expected to accelerate to 2.7% in 2019, due largely to cost factors arising from commodity price increases. In the following two years, headline inflation is projected to slow as both food and energy inflation decelerate. Domestic demand is expected to have the largest positive impact on inflation, mainly due to increasing services prices.

The risks to the GDP growth outlook are predominantly on the downside, owing to the impact of continuing protectionist measures and the persisting uncertainty surrounding Brexit. The inflation outlook is subject in the short term to an upside risk from recent oil price increases. In the medium term, the risks are tilted to the downside as a result of the economic slowdown.

2 Recent developments in the external environment and in Slovakia

Euro area GDP growth slowed in the second quarter of 2019 in line with expectations. The euro area economy grew, quarter-on-quarter, by 0.2% in the second quarter, which was 0.2 percentage point below its rate in the first quarter. The growth was underpinned by domestic demand and investment, while the net trade contribution turned negative (after being boosted in the first quarter by stockpiling in the UK). Looking at GDP growth in the largest euro area economies, it fell in Germany, slowed in Spain and Italy, and remained unchanged in the Netherlands and France. The most recent readings of short-term and leading indicators in the euro area imply that economic growth will remain subdued in the third quarter. According to Eurostat's flash estimate, annual HICP inflation stood at 1.0% in August 2019 (unchanged from the previous month), with the impact of accelerating food prices being cancelled out by lower energy inflation. HICP inflation excluding energy and food remained flat, at 0.9%.

External developments are weighing on the Slovak economy. Slovakia's economic growth moderated in the second quarter, to 2.0% quarter on quarter,[1] which was lower than projected in NBS's June 2019 forecast. The softening of foreign demand and consequent decline in export performance stemmed mainly from the situation in Germany, Slovakia's largest trading partner, where manufacturing industry has been experiencing serious difficulties. The centrality of the automotive sector to Slovak industry is increasing the volatility of overall economic activity. As regards domestic demand, investment demand also decreased in the second quarter, amid a persisting climate of uncertainty. Household consumption increased slightly, but not by as much as had been expected on the basis of the favourable labour market situation (including the payment of 13th salaries, public sector wage increases and bonuses, and wage premia increases). In this context, the saving rate increased to its highest level since 2001.

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1 Seasonally non-adjusted annual GDP growth. In view of the significant disparity between the year-on-year growth rate calculated using seasonally adjusted data (2.6%) and the rate calculated using seasonally non-adjusted data, it is more meaningful to look at the seasonally non-adjusted rate. This may imply a notable trend shift in the quarter-on-quarter growth rate. At the same time, uncertainty is being exacerbated by the large volume of reported inventories (including statistical discrepancy).

Employment growth in Slovakia eased slightly in the second quarter. The slowdown was caused mainly by the trade sector, where the weakening of job creation probably reflected the impact of legislative changes that pushed up employers' wage costs. With order books falling amid the global economic slowdown, industry reported flat job growth and markedly lower growth in hours worked. In services, by contrast, employment remained on a growth path supported by rising consumer demand. **Wage growth accelerated in the second quarter,** largely on the back of rising public sector wages. Private sector wage growth also increased, owing mainly to the impact of legislative changes (firms rescheduled the payment of 13th salaries to take advantage of more favourable tax and contribution conditions, and wage premia were increased).

The annual HICP inflation rate accelerated to 2.6% (from 2.4% in the first quarter of 2019). The increase was driven mainly by food inflation, which reflected rising cost factors. Global increases in agricultural commodity prices passed through to unprocessed food prices, while rising labour costs pushed up processed food prices. The current phase of the business cycle and favourable labour market conditions imply increasing domestic inflation pressures. On the other hand, the household saving ratio is rising and demand-pull inflation is therefore moderate.

3 Technical assumptions of the forecast[2]

3.1 Commodities, the exchange rate, and interest rates

Between the cut-off dates for the June 2019 forecast and this forecast, the **exchange rate**[3] of the euro against the US dollar followed a depreciation trend that resulted from ongoing concerns about the situation in the euro area and from weak economic data out of Germany. The average exchange rate over the period 2019-21 is assumed to be USD 1.10 per euro. Compared with the June forecast, this represents a weakening of 0.5% in 2019 and 1.4 % in both 2020 and 2021. The nominal effective exchange rate (calculated with respect to Slovakia's 15 most significant trading partners) is 0.7% higher in this forecast than in the previous forecast, owing mainly to the euro's appreciation against the British pound and Chinese renminbi.

Between the previous forecast and this forecast, **Brent crude oil prices** had a downward trend, affected by the escalating trade war between the United States and China and resulting fears of weakening demand for oil. Compared with the previous forecast, the euro oil price is assumed to be significantly lower, by 7% in 2019, by around 12% in 2020, and by 9% in 2021.

Market **interest rates** are lower in this forecast than in the previous forecast, partly reflecting expectations regarding changes in the ECB's monetary policy instruments after its September meeting.

3.2 Foreign demand

In the ECB's latest projection exercise,[4] the euro area GDP growth forecasts for 2019 and 2020 have been revised down. After moderating appreciably in 2019, to 1.1%, annual GDP growth is expected to accelerate modestly in 2020, to 1.2%, and to be 1.4% in 2021.

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[2] The technical assumptions of this Medium-Term Forecast are based on the September 2019 ESB staff macroeconomic projections for the euro area. The assumptions for the EUR/USD exchange rate and Brent crude oil prices were updated as at 5 September 2019, while those for Slovakia's foreign demand took into account euro area national accounts data for the second quarter of 2019.

[3] The bilateral EUR/USD exchange rate is assumed to remain unchanged over the projection period at the average level prevailing in the ten-working day period ending on the cut-off date.

[4] ECB staff macroeconomic projections for the euro area (September 2019).

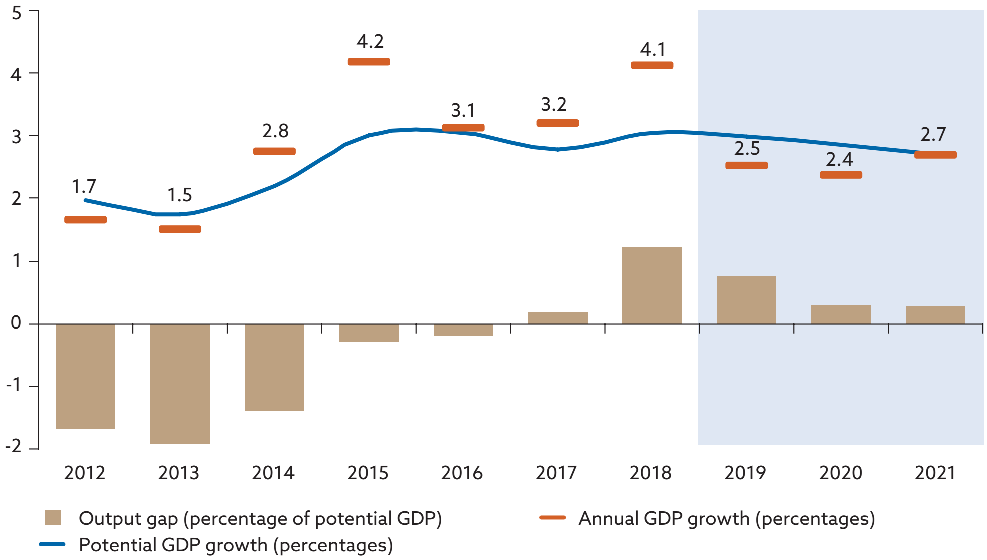
Foreign demand is assumed to pick up gradually, but more moderately than previously envisaged. The assumptions for growth in foreign demand for Slovak exports have been revised down due to the ongoing deterioration in the global economic outlook (stemming in part from the escalating US-China trade war), the continued weakening of global industry, and the expected trends in import demand among Slovakia's trading partners. The foreign demand growth assumptions now stand at 2.6% in 2019 and 2.8% in 2020 (down by 0.4 percentage point in each year) and at 3.3% in 2021 (down by 0.3 percentage point).

4 Macroeconomic forecast for Slovakia

4.1 Economic growth

Slovakia's economic growth is set to follow a moderating path. The latest real economy data and foreign demand projections are signalling a slowdown in economic activity that will have a downward impact on export performance. This, together with lacklustre domestic demand, is expected to result in GDP growth being far lower in 2019 than in 2018. Slovakia's GDP is forecast to grow by 2.5% this year and by 2.4% in 2020, before edging up to 2.7% in 2021 amid an improving external environment that will benefit export growth in particular.

Chart 1
GDP and the output gap (percentages)



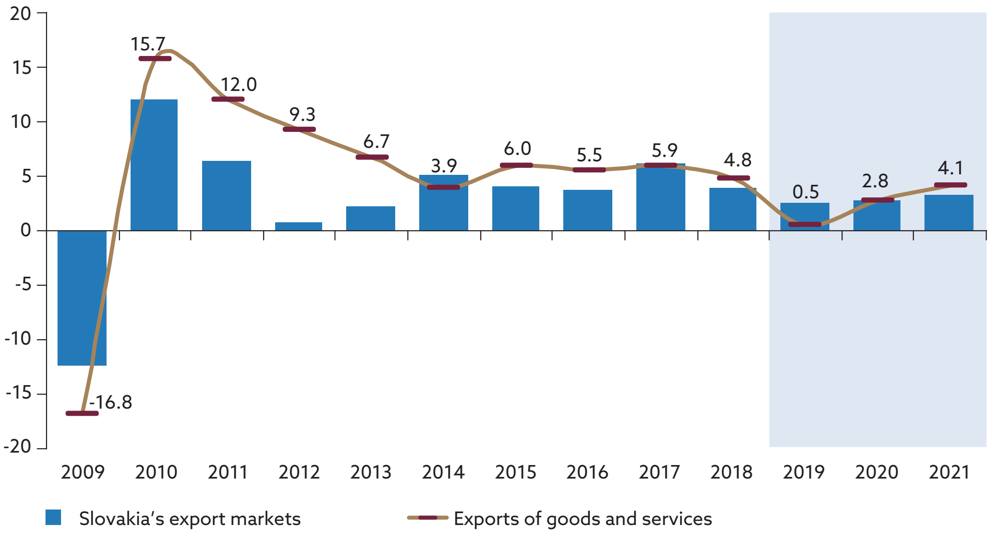
Sources: SO SR, and NBS calculations.

The output gap will be positive over the forecast period, though gradually falling. Demand pressures on inflation are expected to ease slightly in this phase of the business cycle.

Export growth will be significantly lower in 2019 and will then gradually pick up. Export growth is expected to come almost to a standstill in 2019. This projection is based on current trends and on the uncertainty related to rising protectionism and the looming Brexit. These factors are reflected in the decline in German industrial production, which probably has a structural nature, too. Given how tightly Slovak firms are linked to global value chains, the persisting negative shock is expected to have an entrenched impact on Slovakia's economic performance. In the medium term, however, export growth is projected to accelerate amid recovering foreign demand, but with market share losses being made up only very slowly.

Chart 2

Slovakia's foreign demand and exports of goods and services (annual percentage changes; constant prices)



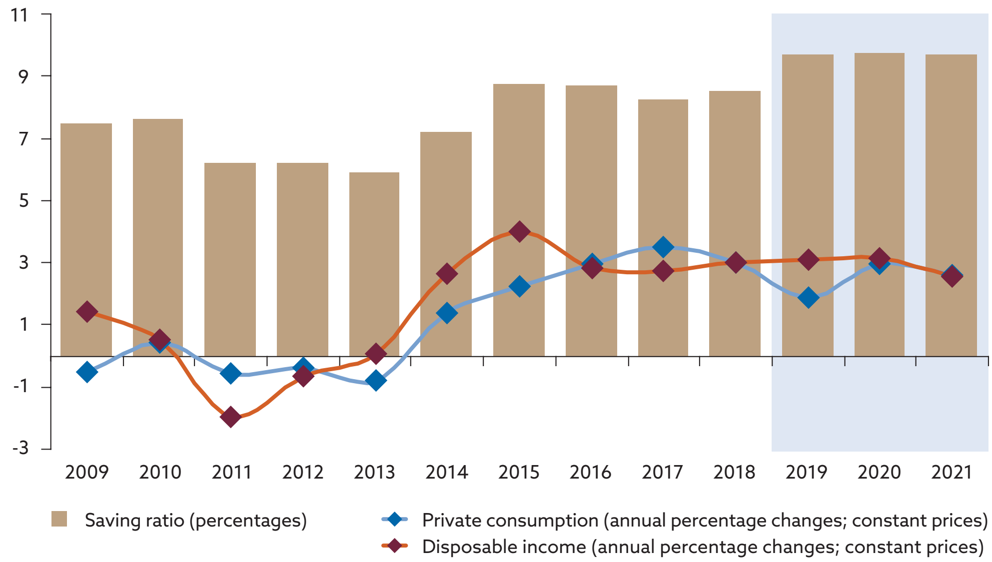
Sources: SO SR, ECB, and NBS calculations.

Private investment will remain subdued. In an environment of persisting uncertainty, and as data for the second quarter confirm, firms are postponing investment decisions. This trend is expected to continue in the period ahead, and investment activity is not expected to begin recovering significantly until towards the end of the projection period. The impact of weaker private sector investment is expected to be offset by public sector investment, buoyed by increases in the absorption of EU funds and in infrastructure investment.

Households are showing caution in spending, and their saving rate is elevated. Household disposable income growth is expected to moderate gradually, before picking up in 2020 due to administrative measures (an increase in the parental allowance, an increase in the tax allowance, a reduction in the corporate tax rate for legal entities with turnover not exceeding €100,000, and a reduction in VAT on certain food products). Despite growth in consumption expenditure, the household saving ratio is expected to remain at its current elevated level throughout the projection period. In the event of a more pronounced slowdown in disposable income growth, the build-up of household financial wealth may serve to stimulate consumer demand.

Chart 3

Household income, household consumption and the household saving ratio



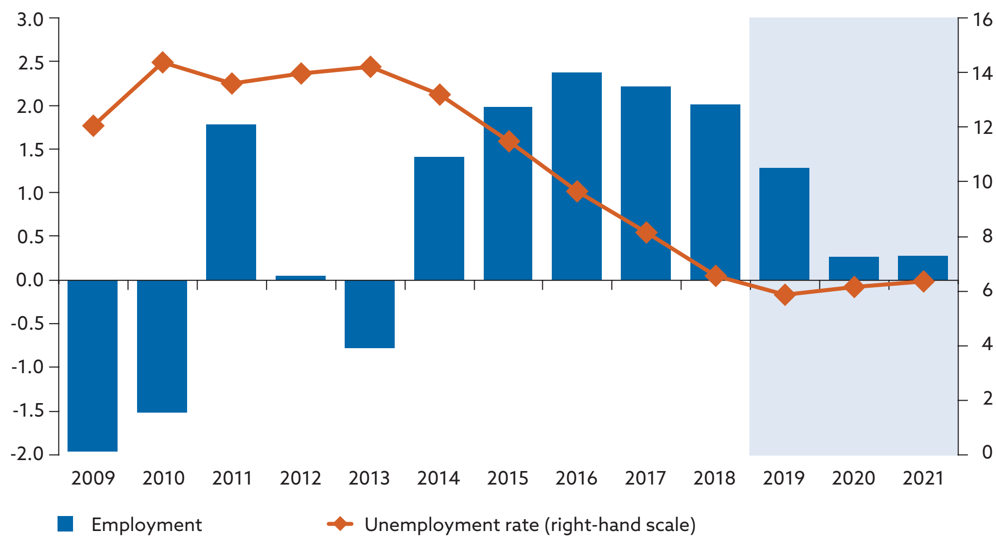
Sources: SO SR, and NBS.

4.2 Labour market

Job creation will be subdued. Employment growth is expected to decelerate more sharply over the projection period. This will be in line with the economic cooling observed in the current phase of the business cycle and to a large extent with labour market saturation in certain sectors. Since industry is substantially affected by adverse trends in foreign demand, job creation is expected to be driven by those sectors reliant on domestic demand (services, construction).

Chart 4

Employment and the unemployment rate (annual percentage changes)



Sources: SO SR, and NBS.

Wage growth is projected to ease, but to remain higher than labour productivity growth. Although the labour has become less tight, wages are growing strongly. Wage growth is expected to accelerate this year, pushed up by wages in both the public and private sectors. Given the impact of the political cycle, the marked rise in public sector wages in the second quarter is expected to be maintained in the period ahead. Private sector wage growth is expected to be boosted by administrative measures. A gradual slowdown in overall wage growth is envisaged over the projection period, due to the weakening of economic activity. There should, though, be upward pressure on wages in 2020 from a planned increase in the minimum wage and wage indexation in the public sector.

Table 1 Wages (annual percentage changes)

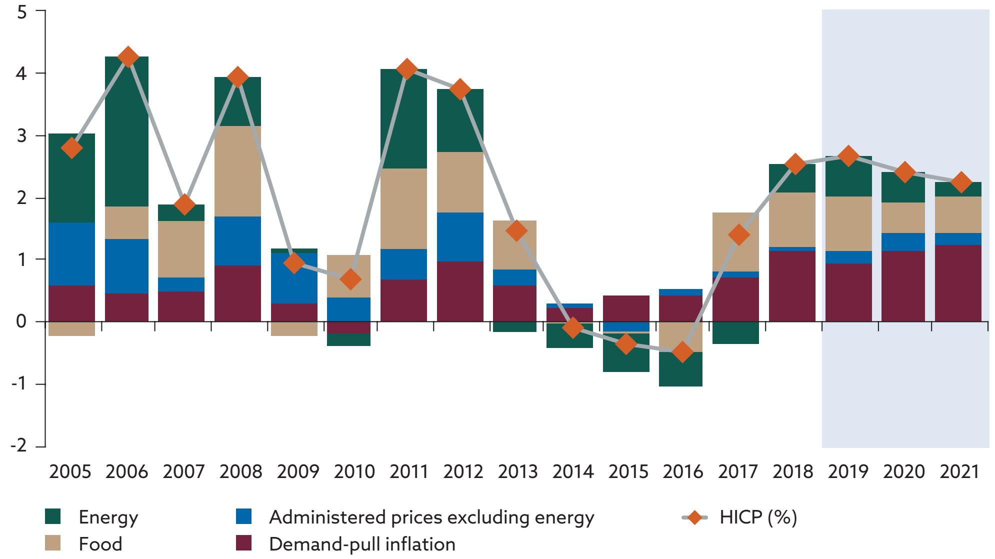
	2018	2019	2020	2021
Nominal labour productivity	4.4	4.1	4.4	4.6
Whole economy – nominal wages	6.2	7.7	5.7	5.1
Whole economy – real wages	3.6	5.0	3.2	2.8
Private sector – nominal wages	6.0	6.7	5.0	4.9
Private sector – real wages	3.5	4.1	2.6	2.6
Public administration, education and health care – nominal wages	6.7	11.0	8.2	5.8
Public administration, education and health care – real wages	4.1	8.3	5.7	3.5

Sources: SO SR, and NBS calculations.
Notes: Deflated by the CPI. The sector 'Public administration, education and health care' corresponds to sections O, P and Q of the SK NACE Rev. 2 statistical classification of economic activities. Average nominal wage growth in the general government sector (ESA S.13) is projected to be 11.0% in 2019, 8.4% in 2020, and 5.7% in 2021. Nominal labour productivity – GDP divided by persons in employment according to statistical reporting methodology.

4.3 Price developments

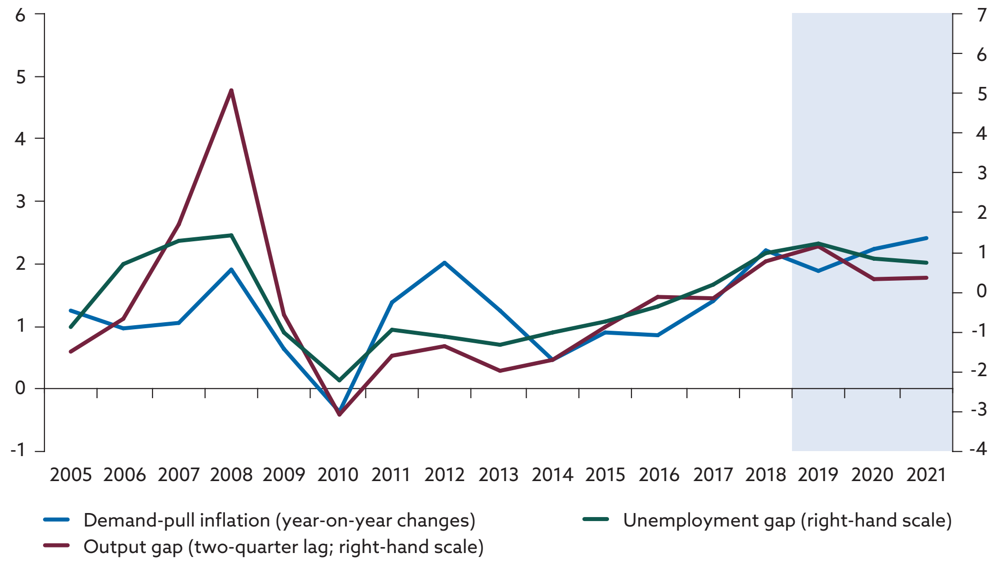
Annual HICP inflation is expected to decelerate gradually over the medium term. The average headline inflation rate is projected to be higher in 2019 than in any year since 2012 and to moderate thereafter. The cost factors incorporated into this year's inflation rate projection include rising prices of food commodities and energy commodities. Consumer demand is expected to have an impact in subsequent years, largely through its contribution to services inflation. The contribution of components related to technical assumptions is expected gradually to decline.

Chart 5
Contributions of components of HICP inflation (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS calculations.

Chart 6
Demand-pull inflation and the output gap (percentages)



Sources: SO SR, and NBS calculations.
Note: Demand-pull inflation comprises the following: services inflation excluding administered prices; and non-energy industrial goods inflation excluding administered prices.

Table 2 Components of HICP inflation (annual percentage changes)							
	Average 2004-2008 (pre-crisis period)	Average 2010-2014 (post-crisis period with euro currency)	2017	2018	2019	2020	2021
HICP	**4.1**	**2.0**	**1.4**	**2.5**	**2.7**	**2.4**	**2.2**
Food	3.6	3.1	3.6	3.4	3.6	2.0	2.4
Non-energy industrial goods	0.2	0.3	0.6	1.1	1.1	1.6	1.9
Energy	8.3	2.3	-2.5	3.0	4.1	3.2	1.4
Services	5.3	2.5	2.0	2.8	2.6	3.0	2.8
Demand-pull inflation	1.8	1.0	1.4	2.2	1.9	2.2	2.4

Sources: SO SR, and NBS calculations.

5 Fiscal outlook

The gradual turn of the business cycle and the impact of government measures will result in an increasing general government deficit. The fiscal deficit is projected to be 0.2 percentage point higher in 2019 than in 2018, at 0.9% of GDP. This increase is largely predicated on robust growth in compensation of public sector employees, in social spending and in healthcare expenditure, with the impact of these increases being partly dampened by positive developments in tax and social security contribution revenues as well as by falling interest expenditure. Assuming that planned legislative proposals are approved and there are no offsetting measures,[5] the expansionary fiscal stance is expected to result in an increase in the fiscal deficit as a share of GDP, to 1.5% in 2020 and 1.6% in 2021. The deficit is also expected to be negatively affected by the economy's gradual cooling, while, by contrast, it should be mitigated to some extent by the continuing decrease in interest expenditure.

Compared with the June 2019 forecast, the fiscal deficit projection for 2019 has been revised up by 0.2 percentage point on the basis of stronger than expected current expenditure growth in the first half of the year, and the projections for 2020 and 2021 have been revised up by 0.7 and 0.8 percentage points respectively. These revisions factor in the potential impact of current draft laws, as well as the deteriorating macroeconomic outlook and its greater than expected dampening effect on tax and social security contribution revenue.

Public debt as a share of GDP is expected to fall by 1.1 percentage point in 2019, to 47.8%, and to continue declining over the projection period, down to 47% in 2021. Compared with the fiscal projections in the June forecast, the public debt's rate of decrease is slightly more moderate, reflecting a deterioration in the fiscal balance outlook (the primary balance is expected to remain in deficit in 2020 and 2021). The favourable difference between interest expenditure and economic growth is expected to continue supporting debt reduction, though to a lesser extent following the recent downward revision of the GDP growth projection.

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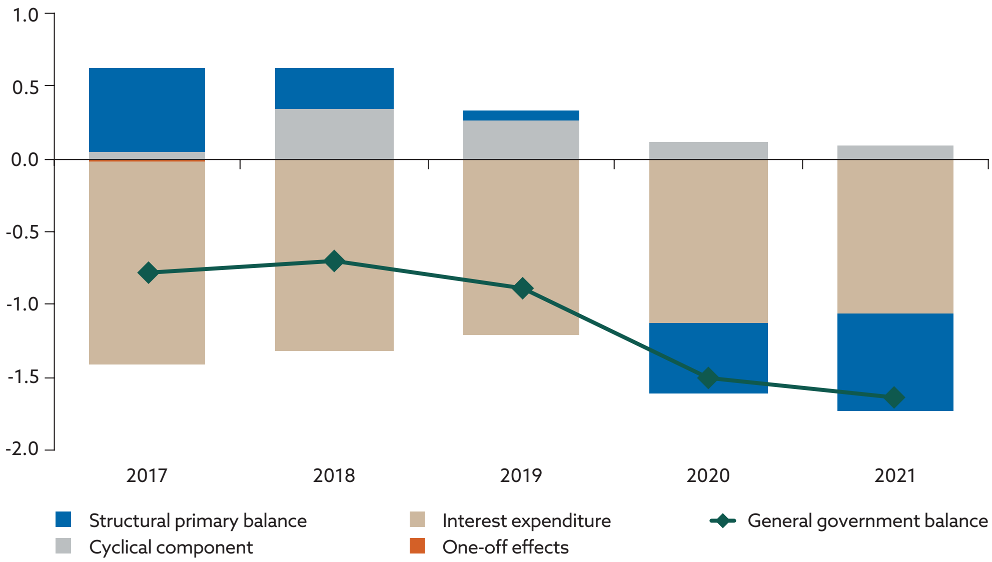
5 The new fiscal assumptions for 2020 include in particular an increase in the parental allowance, an increase in the tax allowance for natural persons, a reduction in VAT on certain food products, and a reduction in the corporate tax rate for small businesses. The negative impact of these new measures on budget revenues in 2020 is estimated to be €500 million (0.5% of GDP).

Chart 7

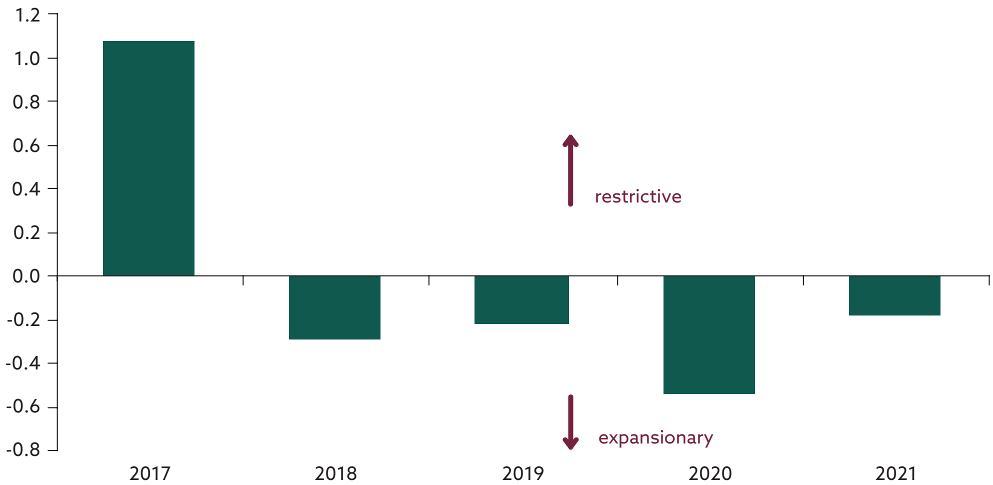
Breakdown of the general government balance (percentages of GDP)



Sources: SO SR, and NBS calculations.
Note: One-off factors include non-cyclical effects that have a temporary impact on the general government balance and should be eliminated in the future.

Chart 8

Fiscal stance (percentage points of GDP)



Sources: SO SR, and NBS calculations.
Note: Annual rate of change in the cyclically adjusted primary balance, excluding the impact of EU funds.

Government investment activity is expected to pick up over the projection period. Due to strong growth in the compensation of public sector employees and in healthcare expenditure, general government final consumption expenditure is expected to have accelerated in the first half of 2019. It is projected to continue accelerating over the projection period, mainly because of higher current expenditure in the defence sector, the introduction of free school meals and compulsory pre-school education, and, starting in 2021, the impact of new availability payments under public-private partnership (PPP) projects. After weakening in the first half of 2019, domestically sourced government investment activity is expected to gain momentum towards the end of the year and maintain that trend next year. Public investment in 2020 should also be supported by the increasing absorption of EU funds. In 2021 both domestically sourced investment activity and the absorption of EU funds are expected to continue increasing at a pace that is more moderate but still relatively strong.

Table 3 Fiscal developments (annual percentage changes at constant prices, unless otherwise stated)

	2017	2018	2019	2020	2021
General government final consumption expenditure	1.7	1.9	2.7	2.9	3.5
Government investment	2.1	16.2	4.0	13.6	6.4
Contribution of EU funds to rate of change (percentage points)	-4.3	12.1	3.3	6.4	2.9
General government balance (percentage of GDP)	-0.8	-0.7	-0.9	-1.5	-1.6
Fiscal stance (year-on-year change in percentage points)	1.1	-0.3	-0.2	-0.5	-0.2
Gross debt (percentage of GDP)	50.9	48.9	47.8	47.3	47.0

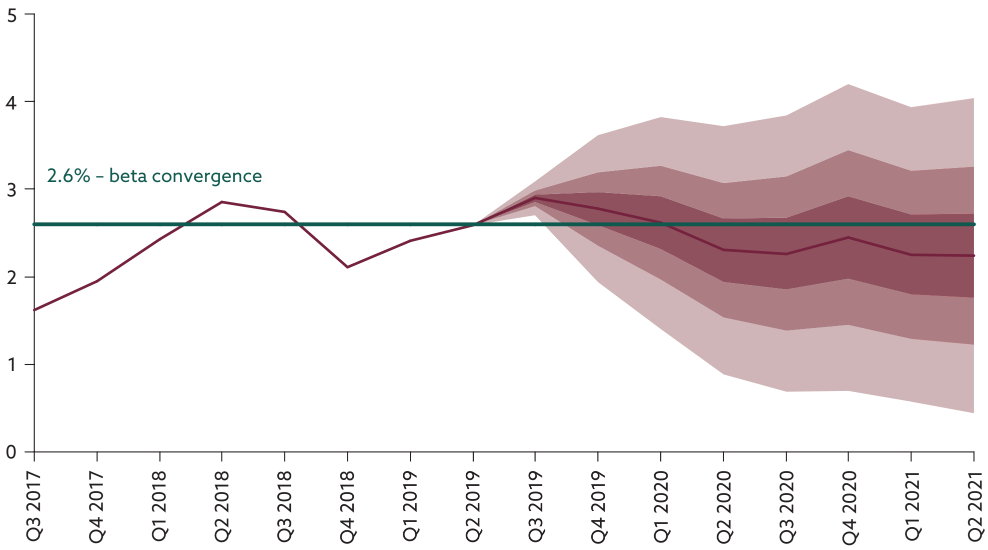
Sources: SO SR, and NBS calculations.

6 Risks to the forecast

The risks to the GDP growth outlook remain tilted to the downside. The principal risk continues to be the global economic slowdown resulting from protectionist measures. In addition, there appears to be a risk of structural change in German, and probably also Slovak, industry. The persisting uncertainty surrounding Brexit may also contribute to a deterioration in the outlook for the Slovak economy. On the other hand, the package of monetary policy measures recently adopted by the European Central Bank are expected to represent an upside risk to the outlook.

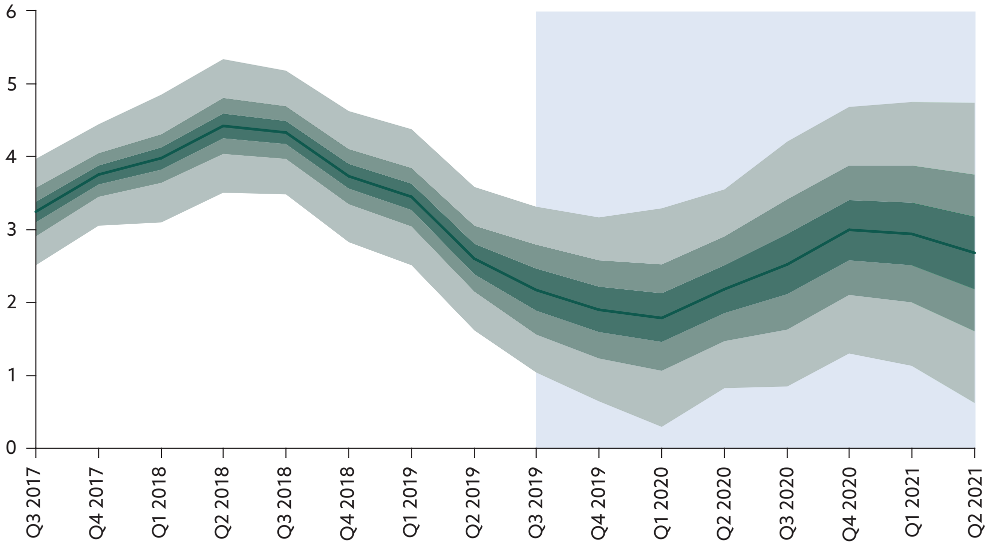
The inflation outlook is subject in the short term to an upside risk from recent oil price increases. In the medium term, the risks are tilted to the downside as a result of economic cooling.

Chart 9
HICP inflation forecast (percentages)



Sources: SO SR, and NBS calculations.
Notes: The NBS forecast provides probabilistic best-estimate projections. The projection intervals in the chart (representing coverage probabilities of 30%, 60% and 90%) are calculated using expected quantiles of historical inflation forecast errors (using sieve bootstrap methods). For further details on the construction of the charts, see the Analytical Commentary entitled "Putting new fan-charts into use".
Beta convergence – the situation where countries with lower GDP (per capita) tend to have stronger economic growth than do countries with higher GDP, thereby enabling catch-up with advanced economies. The same applies to price level catch-up. Further information is available, in Slovak, in the following Analytical Commentary:
"Perspektívy dlhodobejšieho vývoja slovenskej ekonomiky (do roku 2020)" (Longer-term outlooks for the Slovak economy – up to 2020).

Chart 10
GDP growth forecast (percentages)



Sources: SO SR, and NBS calculations.
Notes: The NBS forecast provides probabilistic best-estimate projections. The projection intervals in the chart (representing coverage probabilities of 30%, 60% and 90%) are calculated using expected quantiles of historical inflation forecast errors (using sieve bootstrap methods). For further details on the construction of the charts, see the Analytical Commentary entitled "Putting new fan-charts into use".
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7 Comparison with the previous forecast

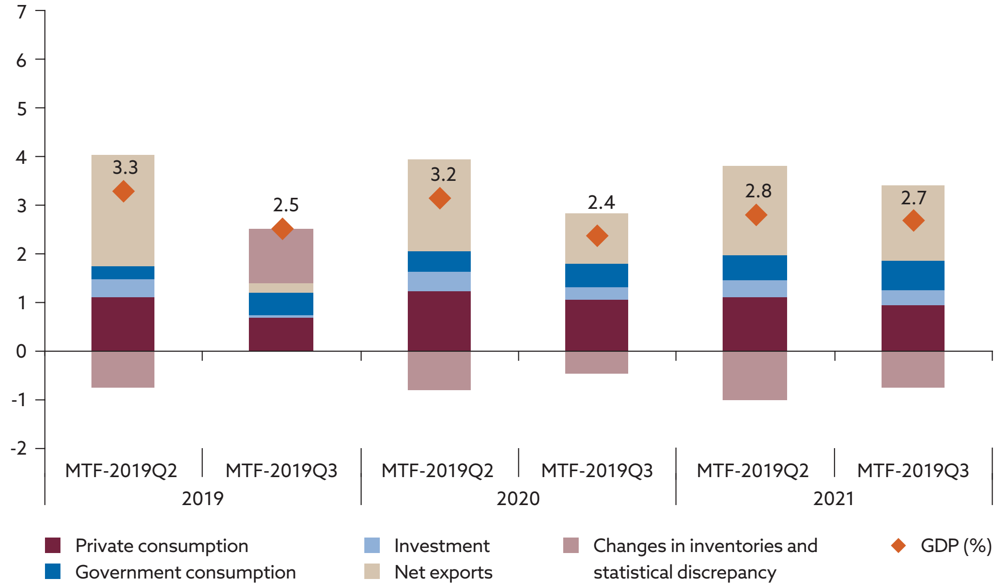
Compared with the June 2019 forecast (MTF-2019Q2), the assumptions for growth in foreign demand for Slovak exports have been revised down (by a cumulative 0.7 percentage point over the projection period). This, together with lower than expected domestic demand growth, prompted downward revisions to the GDP growth projections. As a result, labour market projections are now less optimistic and the headline inflation projection has been revised down slightly.

Slovakia's economic growth outlook has been revised down over the whole of the projection period. All GDP components apart from government consumption will be contributing to the slowdown. The drop in exports and softening of foreign demand in the second quarter of 2019 resulted in a downward revision of the export growth projection. These developments have also been adversely affecting the domestic side of the economy, which produced weaker results in second quarter. Given the deterioration in labour market projections throughout the projection period, consumer demand growth is expected to be lower than previously forecast, despite the impact of fiscal measures (an increase in the parental allowance, an increase in the tax allowance, a reduction in the corporate tax rate for legal entities with turnover not exceeding €100,000, and a reduction in VAT on certain food products). Investment activity is lower owing to uncertainty about future developments and to slower economic growth. Government consumption is the only component making a positive contribution to GDP growth. In 2019 government consumption growth is expected to be higher on the basis of significant increases in employee compensation (variable components). The medium-term projections incorporate the impact of a new measure to introduce compulsory pre-school education (increases in wages and goods).

The current slowdown in economic activity is expected to be both cyclical and structural in nature. The downward revision of projections for potential GDP growth reflects the effects of protectionist measures that appear entrenched in the medium term, as well as the structural challenges faced by the automotive industry. Compared with the previous forecast, the projections for cyclical overheating of the Slovak economy are now more moderate.

Chart 11

GDP and its components[6] (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS calculations.
Note: The item 'Changes in inventories and statistical discrepancy' includes uncategorised imports that remained after the calculation of import intensity.

Compared with the June forecast, the projections for both employment growth and wage growth in 2020 and 2021 have been revised down. The projections for 2019 have been revised up on the basis of better than expected wage and employment data in the first half of the year. Beyond this year, labour market indicators should moderate, with economic activity trends expected to be more negative than previously projected. Wage growth will reflect a slowdown in labour productivity, which is expected to be partly offset by a proposed increase in the minimum wage.

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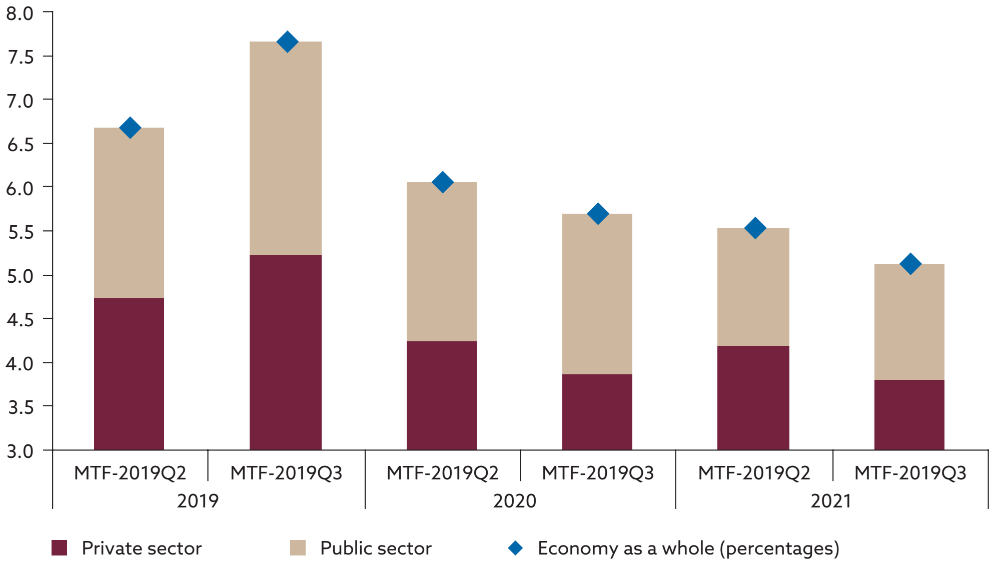
[6] The composition of GDP growth is calculated as the contributions of components to GDP growth after deducting their import intensity. In this case the calculation uses the constant import intensity of the different GDP components (household final consumption – 30%, government consumption – 7%, investment – 50%, and exports – 62.5%). Remaining imports were included under changes in inventories and the statistical discrepancy.

Chart 12

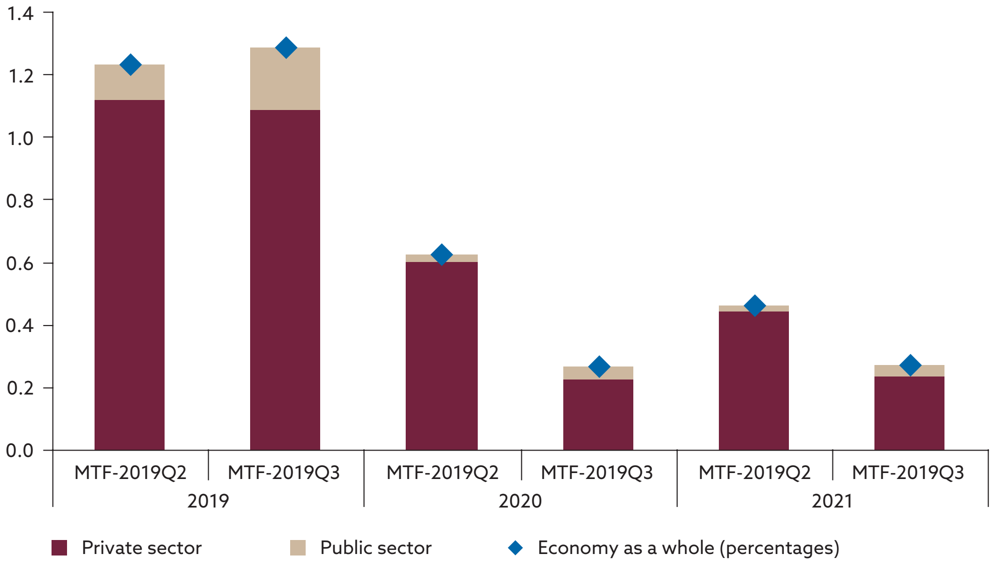
Average wage broken down by public sector and private sector contributions to its rate of change (annual percentage changes; percentage points)



Sources: SO SR, and NBS.
Note: The public sector comprises sections O, P and Q of the SK NACE Rev. 2 statistical classification of economic activities.

Chart 13

Employment broken down by public sector and private sector contributions to its rate of change (annual percentage changes; percentage points)

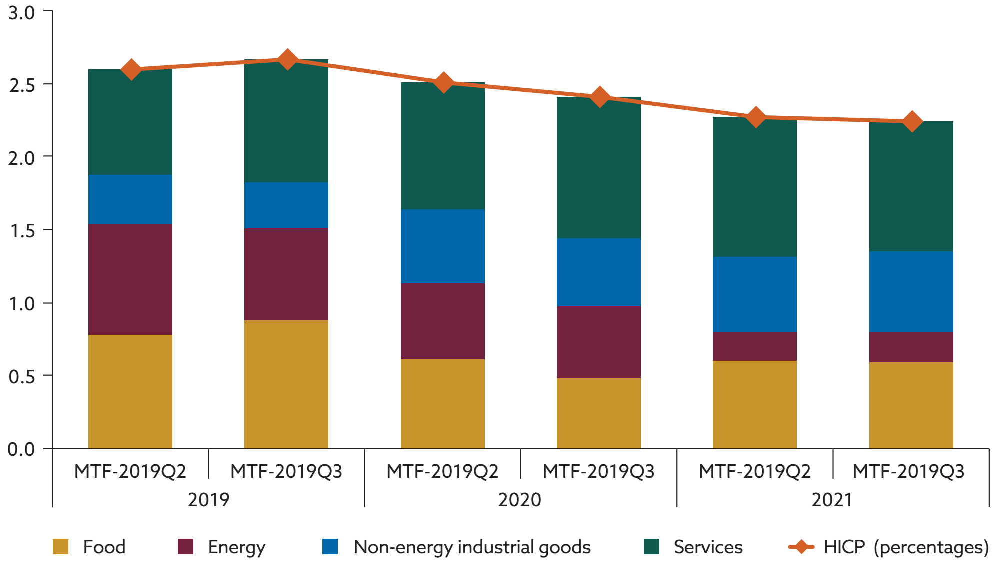


Sources: SO SR, and NBS.
Note: The public sector comprises sections O, P and Q of the SK NACE Rev. 2 statistical classification of economic activities.

The headline inflation rate projections for 2020 and 2021 have been revised down slightly due to weakening of the business cycle. In the light of recent developments, in particular increases in prices of food and services (air fares), the HICP inflation projection for 2019 is marginally higher in this forecast than in the June forecast. The projections for the following two years have been revised down slightly in response to declines in prices of agricultural commodities and oil, as well as to the revision of the economy's cyclical position. Economic overheating is not expected to be as pronounced as previously envisaged, so demand pressures are expected to be more moderate.

Chart 14

Comparison of projections for headline inflation and its components (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS calculations.

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Table 4 Medium-Term Forecast (MTF-2019Q3) for key macroeconomic indicators

Indicator	Unit	Actual data	MTF-2019Q3			Difference vis-à-vis MTF-2019Q2		
		2018	2019	2020	2021	2019	2020	2021
Prices								
HICP inflation	annual percentage change	2.5	2.7	2.4	2.2	0.1	-0.1	-0.1
CPI inflation	annual percentage change	2.5	2.6	2.4	2.2	0.1	-0.1	-0.1
GDP deflator	annual percentage change	2.1	2.6	2.2	2.1	-0.2	-0.2	-0.3
Economic activity								
Gross domestic product	annual percentage change, constant prices	4.1	2.5	2.4	2.7	-0.8	-0.8	-0.1
Private consumption	annual percentage change, constant prices	3.0	1.9	3.0	2.6	-1.2	-0.4	-0.5
Final consumption of general government	annual percentage change, constant prices	1.9	2.7	2.9	3.5	1.2	0.2	0.3
Gross fixed capital formation	annual percentage change, constant prices	6.8	0.6	2.4	3.0	-2.7	-1.2	0.0
Exports of goods and services	annual percentage change, constant prices	4.8	0.5	2.8	4.1	-5.5	-2.0	-0.5
Imports of goods and services	annual percentage change, constant prices	5.3	1.7	3.6	4.3	-3.9	-1.4	-0.6
Net exports	EUR millions at constant prices	5,814	4,884	4,346	4,398	-1,572.1	-2,266.8	-2,197.0
Output gap	percentage of potential output	1.2	0.8	0.3	0.3	0.2	-0.4	-0.3
Gross domestic product	EUR millions at current prices	90,202	94,884	99,292	104,129	-911.1	-1,931.7	-2,419.0
Labour market								
Employment	thousands of persons ESA 2010	2,420	2,451	2,458	2,464	1.2	-7.6	-12.3
Employment (dynamics)	annual percentage change ESA 2010	2.0	1.3	0.3	0.3	0.1	-0.3	-0.2
Number of unemployed	thousands of persons[1)]	180	161	168	173	-0.4	6.1	6.5
Unemployment rate	percentage	6.5	5.9	6.2	6.3	0.0	0.3	0.2
NAIRU estimate[2)]	percentage	7.5	7.1	7.0	7.1	0.0	0.0	0.0
Labour productivity[3)]	annual percentage change	2.1	1.2	2.1	2.4	-0.8	-0.4	0.1
Nominal labour productivity[4)]	annual percentage change	4.4	4.1	4.4	4.6	-0.9	-0.6	-0.2
Nominal compensation per employee	annual percentage change ESA 2010	5.4	7.1	5.6	4.9	0.3	-0.5	-0.4
Nominal wages[5)]	annual percentage change	6.2	7.7	5.7	5.1	1.0	-0.4	-0.4
Real wages[6)]	annual percentage change	3.6	5.0	3.2	2.8	1.0	-0.3	-0.4
Households and non-profit institutions serving households								
Disposable income	annual percentage change, constant prices	3.0	3.1	3.2	2.6	-0.5	-0.1	-0.5
Saving ratio[7)]	percentage of disposable income	8.5	9.7	9.7	9.7	0.8	0.9	0.9
General government sector[8)]								
Total revenue	percentage of GDP	39.9	40.2	40.4	40.2	0.3	0.4	0.4
Total expenditure	percentage of GDP	40.6	41.1	41.9	41.8	0.5	1.1	1.2
General government balance[9)]	percentage of GDP	-0.7	-0.9	-1.5	-1.6	-0.2	-0.7	-0.8
Cyclical component	percentage of trend GDP	0.3	0.3	0.1	0.1	0.1	-0.1	-0.1
Structural balance	percentage of trend GDP	-1.0	-1.2	-1.6	-1.7	-0.3	-0.6	-0.7
Cyclically adjusted primary balance	percentage of trend GDP	0.3	0.1	-0.5	-0.7	-0.2	-0.6	-0.8
Fiscal stance[10)]	year-on-year change in p. p.	-0.3	-0.2	-0.5	-0.2	0.0	-0.4	-0.2
General government gross debt	percentage of GDP	48.9	47.8	47.3	47.0	-0.1	0.2	0.2

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Table 4 Medium-Term Forecast (MTF-2019Q3) for key macroeconomic indicators (continued)

Indicator	Unit	Actual data	MTF-2019Q3			Difference vis-à-vis MTF-2019Q2		
		2018	2019	2020	2021	2019	2020	2021
Balance of Payments								
Goods balance	percentage of GDP	0.1	-0.8	-1.4	-1.6	-1.0	-1.6	-1.6
Current acount	percentage of GDP	-2.5	-3.0	-3.6	-3.7	-1.0	-1.6	-1.7
External environment and technical assumptions								
Slovakia's foreign demand	annual percentage change	3.9	2.6	2.8	3.3	-0.4	-0.4	-0.3
Exchange rate (EUR/USD)[11), 12)]	level	1.18	1.12	1.10	1.10	-0.5	-1.4	-1.4
Oil price in USD[11), 12)]	level	71.1	63.1	57.4	56.3	-7.5	-12.8	-10.3
Oil price in USD[11)]	annual percentage change	30.7	-11.3	-9.0	-1.9	-7.2	-5.6	2.8
Oil price in EUR[11)]	annual percentage change	25.0	-6.4	-7.8	-1.9	-7.1	-4.7	2.8
Non-energy commodity prices in USD	annual percentage change	3.9	-3.2	3.4	3.7	0.2	-0.5	-0.2
Three-month EURIBOR	percentage per annum	-0.3	-0.4	-0.6	-0.6	-0.1	-0.3	-0.4
Ten-year Slovak government bond yields	percentage	0.9	0.1	-0.3	-0.2	-0.4	-1.0	-1.0

Sources: NBS, ECB, and SO SR.

Notes:

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 according to SO SR statistical reporting.
6) Wages according to SO SR statistical reporting, 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; fiscal outlook.
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:

http://www.nbs.sk/_img/Documents/_Publikacie/PREDIK/2019/MTF-2019Q3.xls