NBS Monthly Bulletin

January 2020

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Abbreviations

CPI	Consumer Price Index
EA	euro area
ECB	European Central Bank
EC	European Commission
EME	emerging market economy
EONIA	euro overnight index average
ESA 2010	European System of Accounts 2010
ESI	Economic Sentiment Indicator (European Commission)
EU	European Union
EUR	euro
EURIBOR	euro interbank offered rate
Eurostat	statistical office of the European Union
GDP	gross domestic product
HICP	Harmonised Index of Consumer Prices
IMF	International Monetary Fund
IPI	industrial production index
MFI	monetary financial institution
MF SR	Ministry of Finance of the Slovak Republic
MTF	NBS's Medium-Term Forecast (published on a quarterly basis)
NACE	Statistical Classification of Economic Activities in the European Community (Rev. 2)
NBS	Národná banka Slovenska
NEER	nominal effective exchange rate
NFC	non-financial corporation
OECD	Organisation for Economic Co-operation and Development
p.a.	per annum
p.p.	percentage point
PMI	Purchasing Managers' Index
REER	real effective exchange rate
SME	small and medium-sized enterprise
SO SR	Statistical Office of the Slovak Republic
ÚPSVR	Ústredie práce, sociálnych vecí a rodiny – Central Office of Labour, Social Affairs and Family
USD	US dollar
VAT	value-added tax

Symbols used in the tables
. – Data are not yet available.
- – Data do not exist / data are not applicable.
(p) – Preliminary data

1 Summary

In the euro area, short-term indicators of economic activity picked up slightly in November, but they continue to imply subdued economic growth. Industrial production increased while remaining below its third-quarter level. By contrast, retail sales firmed and point to growing consumer demand. After bottoming out, leading indicators started to rebound in November. Sentiment in the euro area rallied on news that the United States and China had signed the first phase of a trade deal. All available soft indicators improved as a result.

In Slovakia, the contraction of economic activity became more pronounced in November. Sales and exports declined in several segments of manufacturing industry. The biggest drag on manufacturing output came from the metal manufacturing industry, which has been struggling across Europe. Modest growth in car industry output since the summer has been partly offsetting the impact of falling output in other industries. Retail trade performed poorly in November, recording its largest decline in seven years. Economic sentiment worsened in December.

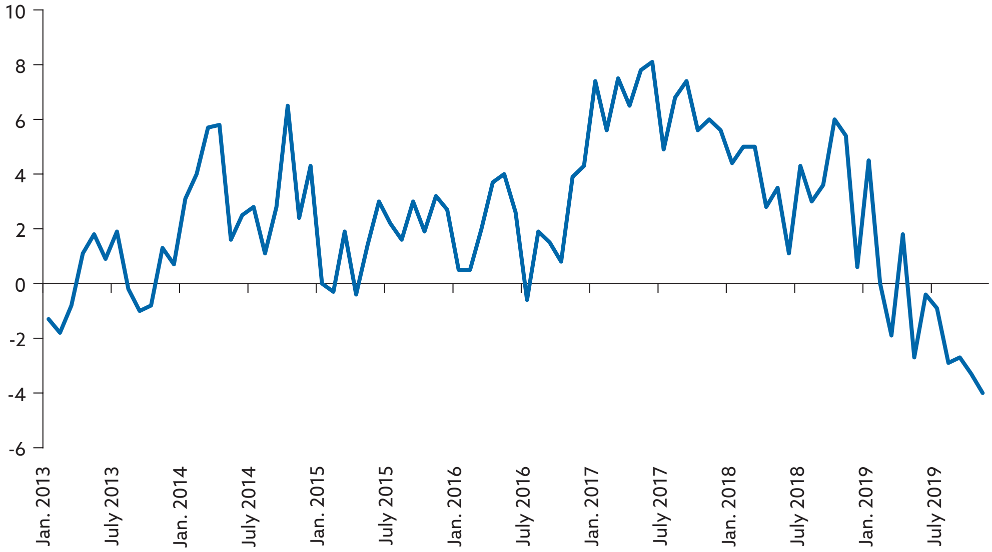
Employment came to the end of a long growth trend in November. Demand for labour cooled noticeably. The employment situation has also been reflected in a gradual easing of private sector wage growth. Wage growth has been slowing in all the main sectors, the main cause being weaker economic activity accompanied by decreasing labour market tightness. The unemployment rate in December stood at 6%.

The annual inflation rate remained unchanged in December, at 3.2%. The impact of decelerating energy inflation excluding motor fuel was cancelled out by increases in fuel inflation and in services inflation excluding administered prices. Average annual inflation in 2019 was 2.8%.

Private sector credit growth was the same in November as in the previous month, at 6.6% year on year. Growth in loans to non-financial corporations increased moderately, while household borrowing growth slowed.

Chart of the month

Retail sales (annual percentage changes)



Source: SO SR.

The decline in retail sales continues to accelerate. Almost all segments of retail trade have in the recent period been reporting falling year-on-year sales. The retail trade sector has not experienced such poor results since before 2012.

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Table 1 Macroeconomic indicators released since the previous monthly bulletin

Indicator	Unit	Period	Current period	Previous period
Euro area				
Confidence indicators				
PMI	index	*January 2020*	50.9	50.9
Economic Sentiment Indicator	long-run average = 100	*December 2019*	101.5	101.2
Economic indicators				
Gross domestic product	annual percentage change, constant prices	*Q3 2019*	1.2	1.2
Industrial production index	annual percentage change	*November 2019*	-1.5	-2.8
Retail sales	annual percentage change, constant prices	*November 2019*	2.2	1.7
Unemployment rate	percentage	*November 2019*	7.5	7.5
HICP inflation	annual percentage change	*December 2019*	1.3	1.0
Oil price in USD[1)]	level	*January 2020*	66.1	65.2
EUR to USD exchange rate[1)]	level	*January 2020*	1.115	1.111
Slovakia				
Confidence indicators				
Economic Sentiment Indicator	long-run average = 100	*December 2019*	97.6	101.1
Industrial confidence indicator	percentage balance	*December 2019*	-6.0	-1.3
Consumer confidence indicator	percentage balance	*December 2019*	-10.0	-8.7
Economic indicators				
Gross domestic product	annual percentage change, constant prices	*Q3 2019*	**1.3**	2.2
Aggregate sales	annual percentage change, constant prices	*November 2019*	-5.5	-3.0
Industrial production index	annual percentage change	*November 2019*	-4.4	-4.0
Private sector credit	annual percentage change	*November 2019*	6.6	6.6
Employment	annual percentage change	*November 2019*	0.7	0.9
Unemployment rate	percentage	*December 2019*	6.0	6.0
Nominal wages[2)]	annual percentage change	*November 2019*	4.1	3.5
HICP inflation	annual percentage change	*December 2019*	3.2	3.2

Sources: SO SR, European Commission, Markit, Macrobond, and NBS calculations.
1) The average for the current period is for the period from the start of the month.

Table 2 Qualitative impact of indicators on projections for key macroeconomic indicators

Indicator	Unit	Period	Current projection	Qualitative shift
Gross domestic product – Slovakia	quarterly percentage change, constant prices	*Q4 2019*	0.4	=
Gross domestic product – euro area	quarterly percentage change, constant prices	*Q4 2019*	0.2	=
Employment (ESA) – Slovakia	quarterly percentage change	*Q4 2019*	0.1	=
Nominal wages – Slovakia	annual percentage change	*Q4 2019*	6.6	=
HICP inflation – Slovakia	annual percentage change	*Q4 2019*	3.0	=

Source: NBS calculations.
Notes: Values in bold show a significant deviation. In the case of macroeconomic indicator values for the euro area, **deviations are calculated/determined** by comparing the values with market expectations, and in the case of macroeconomic indicator values for Slovakia, including the oil price and exchange rate, by comparing them with their three-month averages. The qualitative impact of indicators on projections for key macroeconomic indicators is determined on the basis of the difference between the current nowcast and the most recent published forecast for the given variable. Deviations from the forecast are indicated by arrows. The method of constructing threshold intervals for the values in bold or which deviate from the forecast are described in NBS's August 2018 Monthly Bulletin.

2 The real economy[1]

2.1 External environment

Euro area short-term indicators picked up slightly in November, but they continue to imply subdued economic growth. Industrial production increased in November by a modest 0.2%, month on month, not enough to make up for its performance in October, when it fell by 0.9%. Industrial production for the first two months of the fourth quarter was therefore 0.6% below its level for the previous quarter. The month-on-month increase in industrial production was supported by the production of capital goods and energy. Looking at industrial production in the euro area's largest economies, it increased in Spain (by 1.1%), Germany (0.9%), France (0.3%) and Italy (0.1%), while in the Netherlands it fell markedly (by 1.3%) After falling in the previous two months, retail trade increased in November by 1.0% month on month, based on an increase in retail sales in non-specialised stores as well as in retails sales via mail order houses and over the internet. Due to the relatively sharp rise in November, the average level of retail trade in the fourth quarter[2] was approximately 0.3% above that for the previous quarter. Construction production rebounded from a decline in October to increase by 0.7% in November, based mainly on higher output in the construction of buildings segment. The average level of construction production in the fourth quarter was 0.5% higher than the average for the previous quarter. In year-on-year terms, November saw industrial production fall by 1.5%, retail sales increase by 2.2% and construction production rise by 1.4%.

The European Commission's Economic Sentiment Indicator (ESI) for the euro area increased by a moderate 0.3 point in December, to 101.5. The ESI's second successive monthly rise suggests that sentiment among economic entities may well have bottomed out and started to pick up (its level in October, 100.8, was the lowest since January 2015). Economic sentiment was supported mainly by higher confidence in services, construction and, to a lesser extent, retail trade. Industry confidence fell marginally, although, among its components, there was an improvement in managers' production expectations, which may indicate increasing stability in this sector. As regards the ESIs for the five largest euro area economies, there were in-

1 All month-on-month and quarter-on-quarter changes mentioned in the text have been seasonally adjusted using NBS internal models.

2 Each indicator's average level for a given quarter is calculated from its available readings for months in that quarter, which in the case of the fourth quarter are the readings for October and November.

creases in the ESIs for Italy, Spain and, to a lesser extent, Germany, while those for the Netherlands and France weakened slightly. **The composite PMI for the euro area** remained unchanged in January, at 50.9, a level indicating moderate economic growth. Although services growth weakened slightly (recording a two-month low), it continued to support overall economic growth. The slower growth in services, however, was offset by a notably more moderate rate of contraction in manufacturing output (the manufacturing PMI recorded a five-month high). Although the composite PMI remained flat, the improvement in business sentiment implies an improvement in the economic activity outlook for the year ahead.

In summer 2019 the US Treasury designated China as a currency manipulator, arguing that China had long been holding down the value of its renminbi currency via one-way intervention in foreign exchange markets as well as other tools. At the same time, the US Treasury claimed China had taken concrete steps to devalue its currency in order to create an unfair trade advantage. Intensive trade talks between the United States and China in recent months resulted in a "Phase 1" trade deal. As part of the deal, China has made commitments to refrain from competitive currency devaluations and to not target its exchange rate for a trade advantage. In this context, **on 13 January 2020, the US Treasury dropped its designation of China as a currency manipulator**. It noted that the renminbi had depreciated strongly against the dollar until September 2019, but had begun rebounding in October.

On 13 December 2019 the United States and China announced a "Phase 1" trade deal, just before a further round of tariff hikes had been due to take effect (on 15 December). The Phase 1 deal was subsequently signed on 15 January 2020. **The United States** has agreed to suspend indefinitely the import tariff it planned to impose on 15 December – a 15% tariff on USD 160 billion worth of Chinese goods – and to reduce by half, to 7.5%, the 15% tariff rate it imposed on 1 September 2019 on USD 120 billion worth of goods. Previously imposed tariffs of 25% on USD 250 billion worth of Chinese goods remain in force, and their reduction will depend on future progress in trade negotiations. **China**, for its part, has agreed to suspend retaliatory tariffs on US goods which were due to take effect on 15 December 2019. At the same time, China has undertaken to increase purchases of US goods and services by USD 200 billion over the next two years. This undertaking includes a commitment to increase purchases of US agricultural products by USD 32 billion over two years, thus increasing its average annual purchases of these goods to around USD 40 billion. The Phase 1 deal also requires China to increase protection of intellectual property rights. China also pledges to refrain from competitive currency devaluations and to not target its exchange rate for a trade advantage.

The conflict between the United States and Iran at the beginning of the year resulted in greater oil price volatility. Right at the outset of the conflict, the average daily oil price climbed by 3.5%, to almost USD 69 per barrel. This effect was short-lived, however, and subsequent days saw the price decline gradually, to around USD 65 per barrel.

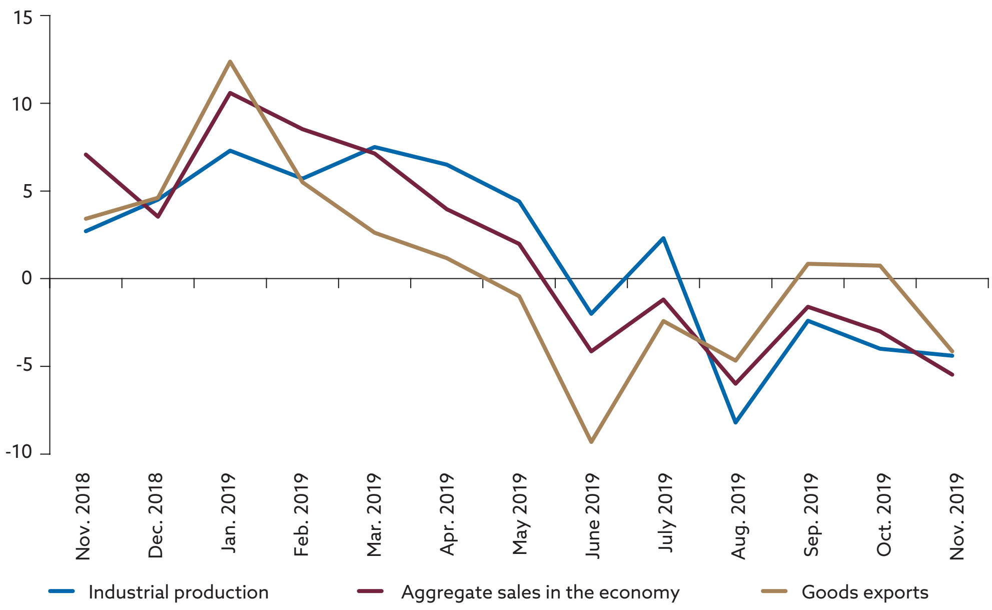
In its World Economic Outlook (WEO) Update, published in January, **the International Monetary Fund slightly revised down its projections for global economic growth**, to 2.9% in 2019, 3.3% in 2020 and 3.4% in 2021. Compared with the projections in its October WEO, the growth projections for 2019 and 2020 are 0.1 percentage point lower and the projection for 2021 is 0.2 percentage point lower. According to the IMF, the downward revision reflects negative surprises to economic activity in a few emerging market economies, notably India. But while the growth projection is weaker, the risks to the outlook are less tilted to the downside than they were in October.

2.2 The Slovak economy

2.2.1 Economic activity indicators

The contraction of economic activity in Slovakia became more pronounced in November 2019. Towards the end of 2019, falling output in several segments of manufacturing industry was having a downward impact on sales and exports.

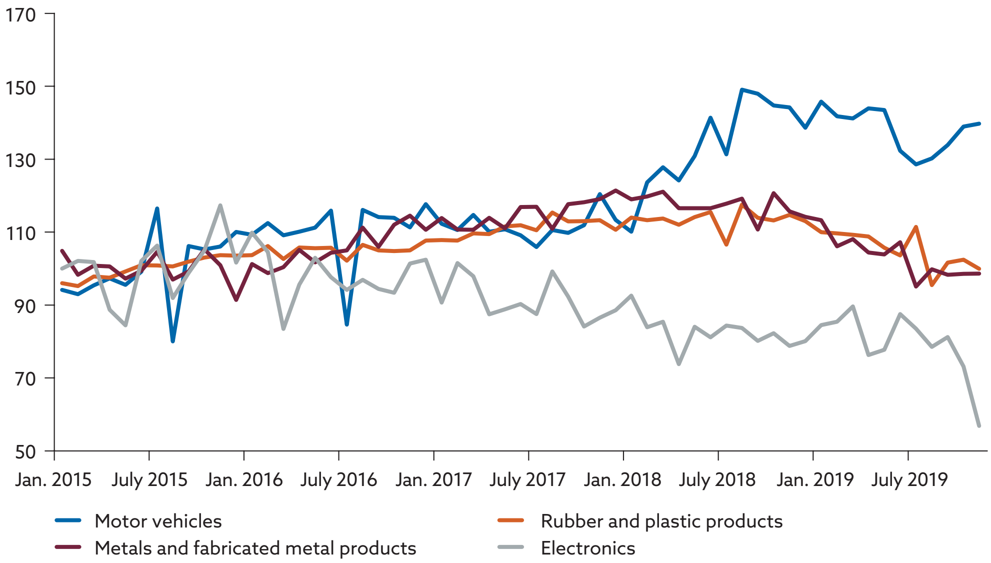
Chart 1
Economic indicators (annual percentage changes; constant prices)



Sources: SO SR, and NBS calculations.

Chart 2

Selected sectors of industrial production (index: 2015 = 100)



Sources: SO SR, and NBS calculations.

In year-on-year terms, **industrial production** fell by 4.4%. The largest negative contribution came from metal manufacturing, which is struggling across Europe due to the intensification of competition. There was also a sharp drop in rubber and plastics manufacturing, which in Slovakia is closely linked to the car industry. The long-term downtrend in electronics manufacturing became even more pronounced in November. After bottoming out in the summer months, car industry output appears to have begun picking up.

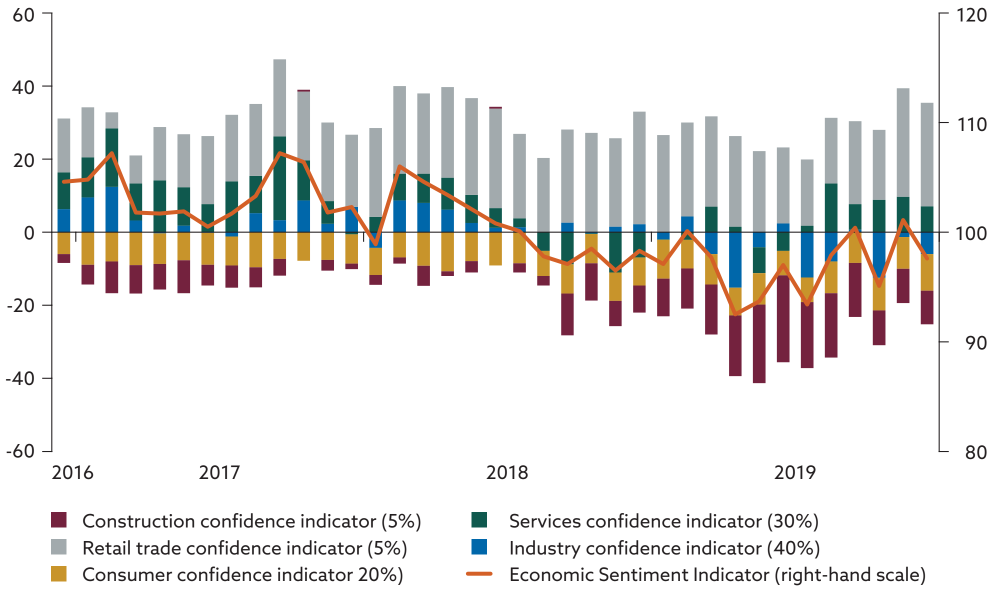
Aggregate sales decreased, year on year, by 5.5% in November. The sharpest fall in sales was observed in industry, and sales results were also poor in wholesale and retail trade. The decline in retail trade has been accelerating, reaching a rate last recorded seven years earlier. According to monthly data, sales have been falling in almost all segments of retail trade. Households are behaving cautiously (as evidenced by the decline in consumer confidence), and their saving ratio remains elevated.

Goods exports fell in November by 4.1% year on year. As with production, almost all sectors had a dampening effect on exports. Only the car industry managed to defy this trend. In metal manufacturing and the petrochemical industry, exports continued to decline. Furthermore, suppliers of the main industrial sectors are now reporting falling exports.

The Economic Sentiment Indicator for Slovakia decreased in December 2019 to 97.6, which was 3.5 points below its level of the previous month. This reflected deteriorations in the industry, services, retail trade, and consumer confidence indicators. The construction confidence indicator improved slightly.

Chart 3

Economic Sentiment Indicator (percentage balances; long-term average = 100)



Sources: European Commission, and NBS calculations.

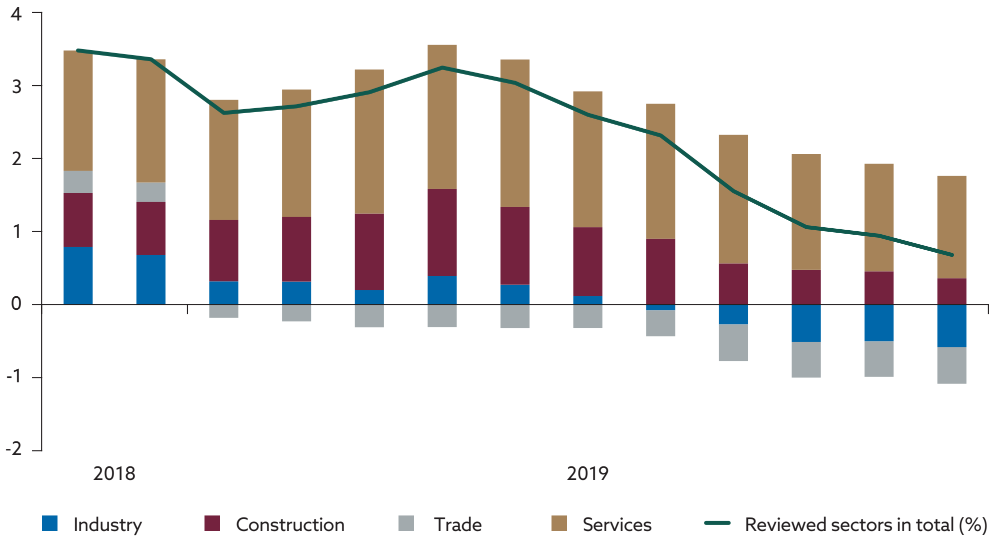
2.2.2 Labour market

After a prolonged growth trend, employment is no longer increasing. Employment remained unchanged in November in month-on-month terms, but it continued to increase year on year – by 0.7%, down from 0.9% in October – owing to its trend in previous months. Subdued economic growth is therefore still weighing on job creation. Employment in industry continued to decline year on year (by 1.5%), as did employment in the trade sector (by 2.5%). Negative job growth rates of between around -2% and -4% were observed across some sectors of manufacturing industry, with notable declines occurring in electrical equipment manufacturing, machinery manufacturing, and transport equipment manufacturing. The adverse trends are to some extent spilling over to the services and construction sectors, where employment growth is slowing. Construction recorded a rate of 3% in November and services a rate of 4.8%. These decelerating trends are not expected to change significantly in the subsequent period. Employers, especially in industry, remain pessimistic about the prospect of any significant upturn in job growth. This view is supported by economic performance and confidence indicators, which have not been improving. As a result, employment growth in the fourth quarter is expected to remain flat on a quarter-on-quarter basis, similar to the projection in NBS's December 2019 Medium-Term Forecast (MTF-2019Q4).

After rising sharply between 2015 and 2018, employment is now stagnating. There is a notable cooling of demand for labour, which is also signalled by the labour market tightness indicator – an indicator that incorporates outlooks for the number of job vacancies, reported labour shortages, and levels of optimism among firms and households about the labour market situation. Each of these components,[3] as well as the overall indicator, are experiencing a phase of moderation. This is expected to have a gradual downward impact on average wage growth in the private sector.

Chart 4

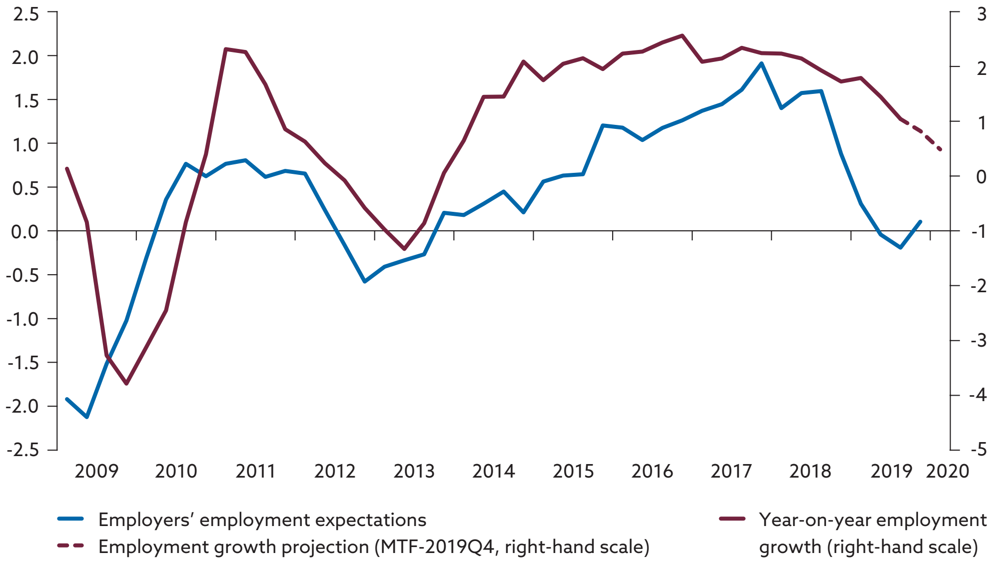
Employment in sectors under review (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS calculations based on monthly data for the reviewed sectors.
Note: The trend shown by monthly data is indicative; monthly data are an imperfect indicator of the complete quarterly data.

Chart 5

Employment and employers' expectations (annual percentage changes; standardised percentage balances)



Sources: SO SR, European Commission, and NBS calculations.

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[3] With the exception of the job vacancy ratio (ÚPSVR), which has been affected by a legislative amendment that from 2019 made the reporting of job vacancies to labour offices compulsory. As a result of this structural break, this indicator is not currently being used in the construction of the overall labour market tightness indicator, and has been replaced by SO SR indicators and information from the internet portal Profesia.sk

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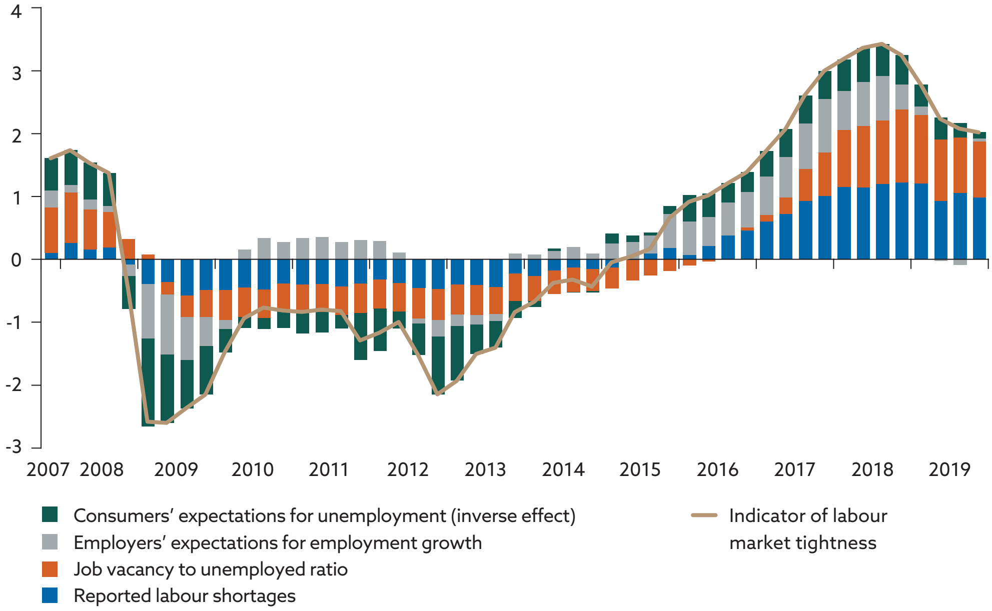
Chart 6

Indicator contributions in the calculation of labour market tightness (standardised indicators and their weighted average; level)



Sources: SO SR, ÚPSVR, European Commission, NBS calculations, and profesia.sk.

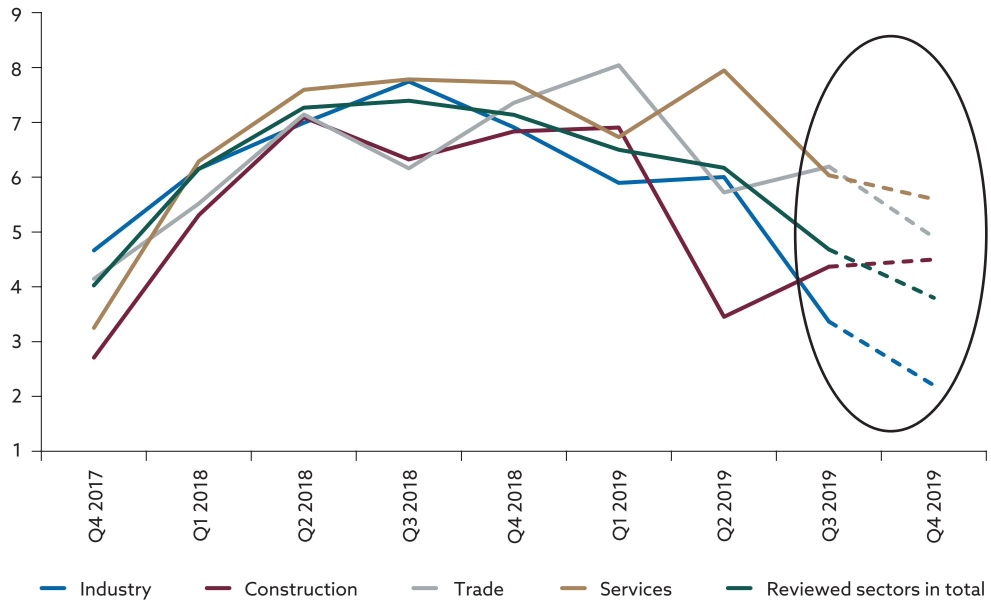
The unemployment rate stood at 6% in December 2019, the same as its average for the fourth quarter of 2019. The marginal decrease compared with the average for the third quarter (6.1%) may have been supported by an increase in public sector employment, given that private sector employment was stagnating. Overall in 2019, the unemployment rate fell by 0.5 percentage point, far more moderately than in the years from 2014 to 2018, when the labour market was expanding. This slowdown stemmed from the weakening of economic growth.

Average wage growth showed a decelerating trend in the first two months of the fourth quarter of 2019. Annual average wage growth across the segments of the economy under review was 4.1% in November, down from 3.5% in October, but the average for October and November was lower than the average for the third quarter (4.7%). Wages in November may have been boosted to some extent by payments of "14th salaries". Firms have an incentive to shift part of their wage expenses from other months to November since by doing so they can earn tax and social security contribution relief. The conditions that must be met for entitlement to a 14th salary are, however, stricter than those for a 13th salary; hence the increase in wage growth in November, compared with October, was only moderate, and it was less marked than the increase in May when 13th salaries were being paid.

The trend of slower wage growth in the first two months of the fourth quarter than in third quarter was seen in all the main sectors with the exception of construction, where wage growth was more stable. In the private sector, lower wage growth reflects the slowdown in sales growth and the gradual reduction in labour market tightness. Wage growth in the fourth quarter is expected to have received a significant boost from developments in the public sector, which in 2019 saw substantial growth in basic wages and bonuses. The wage figures for November do not imply any need to revise current wage growth projections.

Chart 7

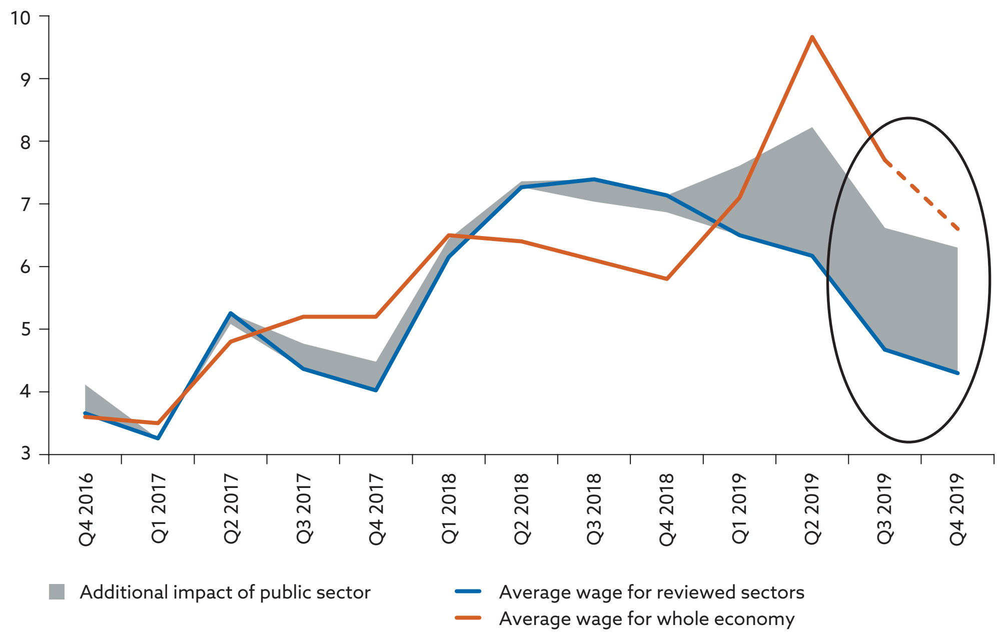
Average wage levels according to monthly data (annual percentage changes)



Sources: SO SR, and NBS calculations.
Note: Q4 2019 is calculated as the average for October and November.

Chart 8

Average wage levels (annual percentage changes)



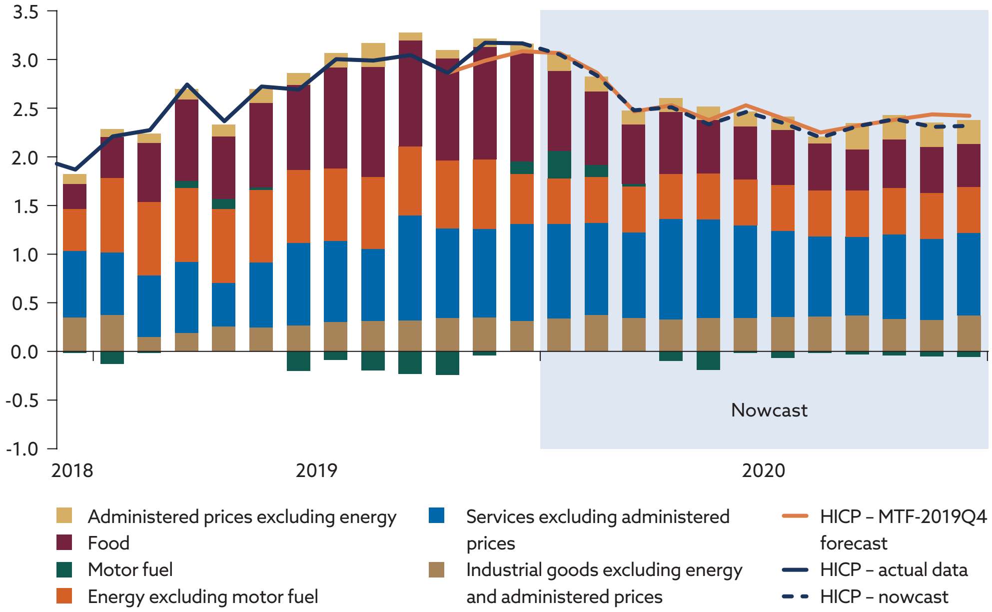
Sources: SO SR, and NBS calculations.
Note: The average wage for the whole economy and the impact of the public sector in Q4 2019 are based on the MTF-2019Q4 forecast. The average wage for the reviewed sectors in Q4 2019 includes a model-based imputation for wage growth in December.

2.2.3 Prices

Slovakia's annual average HICP inflation stood at 3.2% in December 2019, the same as its rate in the previous month. The impact of decelerating energy inflation excluding motor fuel was cancelled out by increases in fuel inflation and in services inflation excluding administered prices. In month-on-month terms, the consumer price level fell by 0.1%.

Chart 9

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



Sources: SO SR, and NBS calculations.

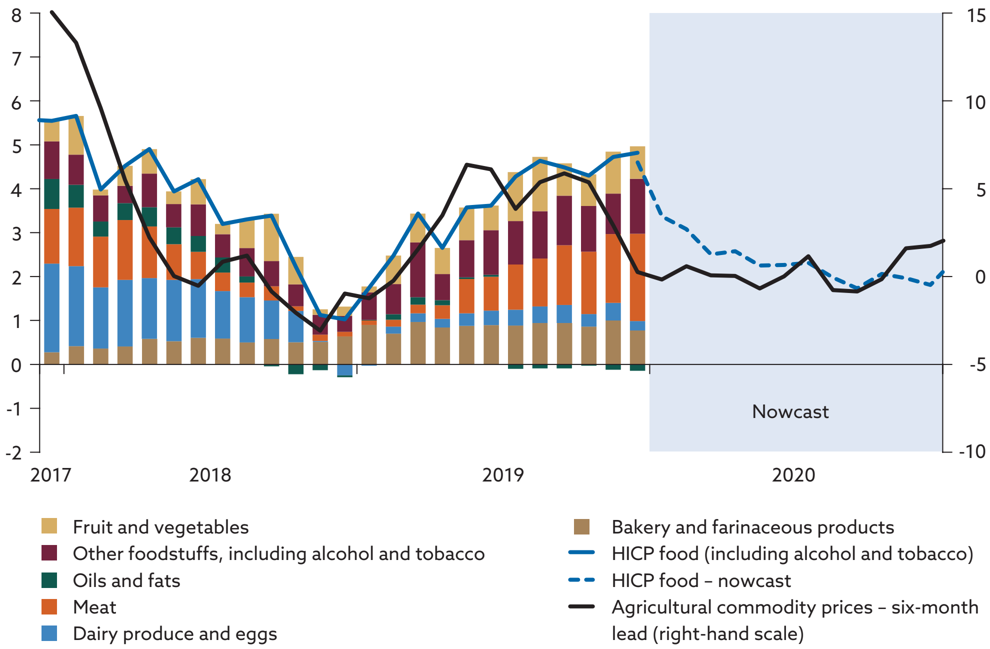
Annual energy inflation excluding motor fuel slowed in December, reflecting mainly the impact of household gas prices, which last increased in December 2018. As a result, the rate of change in these gas prices was 0% in December.

The increase in **administered energy prices** in 2020 is expected to be slower than projected in the MTF-2019Q4 forecast. Consumer gas prices are not expected to rise in January 2020, even though the Regulatory Office for Network Industries (ÚRSO) has issued a decision increasing the maximum levels of consumer gas prices. The country's major gas supplier, Slovenský plynárenský priemysel, a.s. (SPP), has decided not to change its prices for households until the end of the current heating season.[4] Unlike gas prices,

[4] The decision is based on a Slovak Government Resolution of 18 December 2019, which states that the government "orders the Ministry of Economy to issue a decision of the sole shareholder of the joint-stock company Slovenský plynárenský priemysel, a.s. which orders the company not to apply in heating season 2019/2020 the maximum prices for household gas supply set for 2020 by decisions of the Regulatory Office for Network Industries and to keep these prices at their 2019 level."

prices of electricity and heat are expected to increase in January 2020, as projected in the December 2019 forecast.

Chart 10
Contributions of components of food inflation (percentage point contributions; annual percentage changes)



Sources: SO SR, and NBS calculations.

Motor fuel prices increased in line with expectations, with their current trend reflecting the impact of a strong base effect. As a result, the uptrend in year-on-year fuel prices is expected to continue in the next two months.

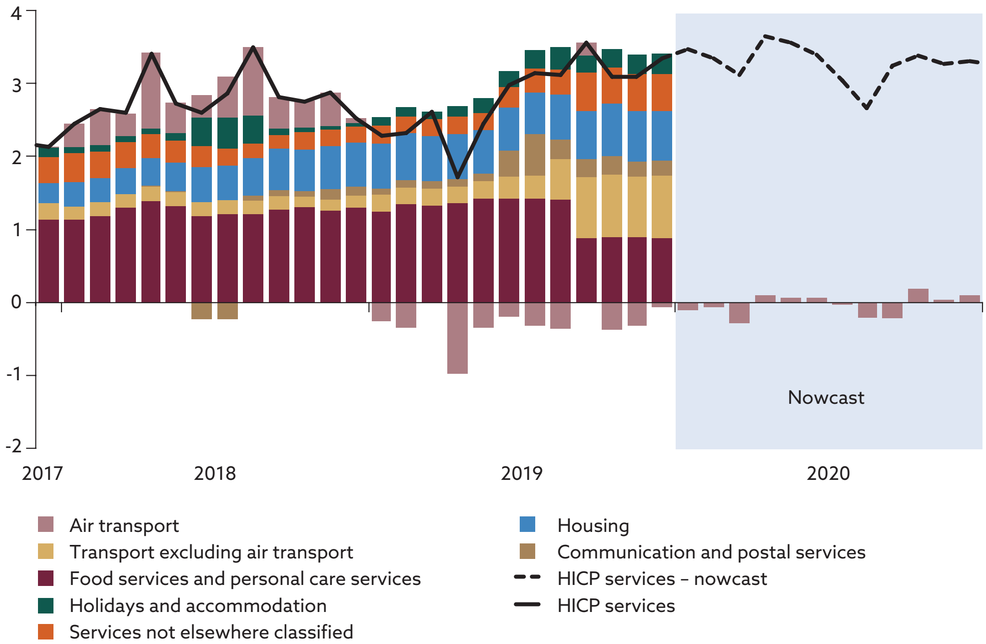
Services inflation (excluding administered prices) and demand-pull inflation were only slightly higher in December than in the previous month. This was largely due to a deceleration of the year-on-year decline in international air fares.

Food inflation including alcohol and tobacco increased only moderately. The elevated level of food inflation continues to reflect strong growth in labour costs in the domestic environment, as well as external price impulses in the form of rising global meat prices. Prices of meat and meat products accounted for more than 40% of HICP food inflation in December.

The average annual headline inflation rate in 2019 was 2.8%. Food prices and services prices each accounted for one-third of that rate.

Chart 11

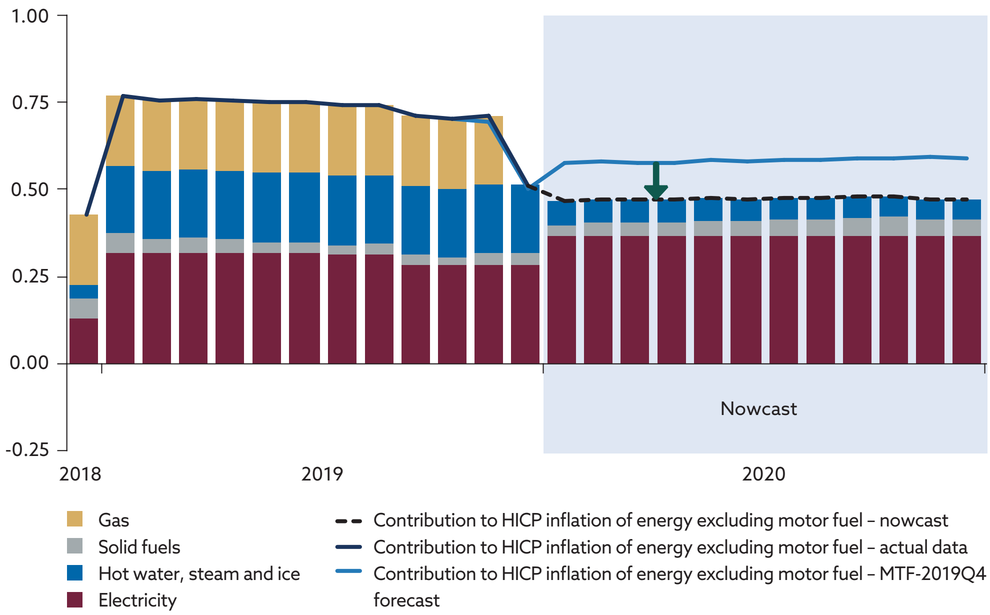
Contributions of components of services inflation (percentage point contributions; annual percentage changes)



Sources: SO SR, and NBS calculations.

Chart 12

Projected contributions of components of energy inflation excluding motor fuel (percentage point contributions)



Sources: SO SR, and NBS calculations.

Box 1

Revision of price indices. Reclassification of canteen food prices (COICOP05 – Canteens CP1112) under administered prices

Table A Items in the HICP – Canteens category

Item number	Item name	HICP weight (in ‰)	Administered price
11102101	NURSERY SCHOOLS: CHARGE FOR CANTEEN FOOD	1.611	yes
11102102	SCHOOL CANTEEN FOOD: PRIMARY SCHOOLS, YEARS ONE TO FOUR – ONE LUNCH	3.263	yes
11102103	SCHOOL CANTEEN FOOD: SECONDARY SCHOOLS – ONE LUNCH	0.966	yes
11102104	SCHOOL CANTEEN FOOD: TERTIARY EDUCATIONAL INSTITIONS (REFECTORIES) – ONE LUNCH	0.633	yes
11102105	WORKPLACE CANTEEN FOOD: LUNCH (ALL-INCLUSIVE)	12.699	no
12400103	CANTEEN FOOD PAYMENT FOR PENSIONERS	1.436	yes
	HICP – Canteens (CP1112)	20.607	

Source: SO SR.

In the HICP – Canteens category, the weight of one item (workplace canteen food), whose price is non-administered, is higher than the sum of the weights of all the other items, whose prices are administered. According to the applicable methodology, based on the principle of predominant weights within a price category, the category HICP – Canteens should be classified under "non-administered prices". It was classified as such during 2019, up until the end of the year when the HICP – Canteens index was retrospectively revised for the whole of 2019.

In 2019 the price movements of lower-weighted items (reflecting the impact of the introduction of free school meals) in the HICP – Canteens category far outweighed the impact of the price movements of higher-weighted items. More importantly, these movements had an appreciable impact on the headline HICP inflation rate.

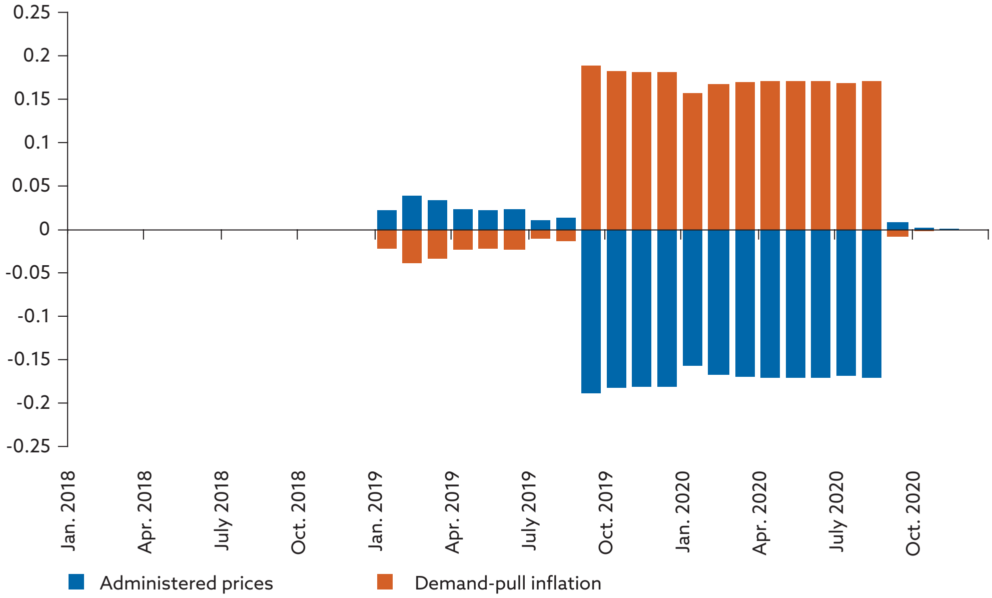
The reason for reclassifying the HICP – Canteens category under "administered prices" therefore results from the significant impact on inflation of those administered items which do not have a predominant weight within the category.

The effects of reclassifying the HICP – Canteens category under administered prices include an increase in demand-pull inflation (notably between

September 2019 and August 2020) and a lower rate of administered price inflation than that projected in the MTF-2019Q4 forecast. The reclassification does not have an impact on services inflation or on headline HICP inflation (services inflation comprises both services with administered prices and services without administered prices).

From the perspective of NBS, this revision of price indices provides a more realistic view of demand-pull inflation and of administered price movements within HICP inflation.

Chart A
Impact of the reclassification on selected HICP inflation components (contributions to HICP inflation in percentage points)

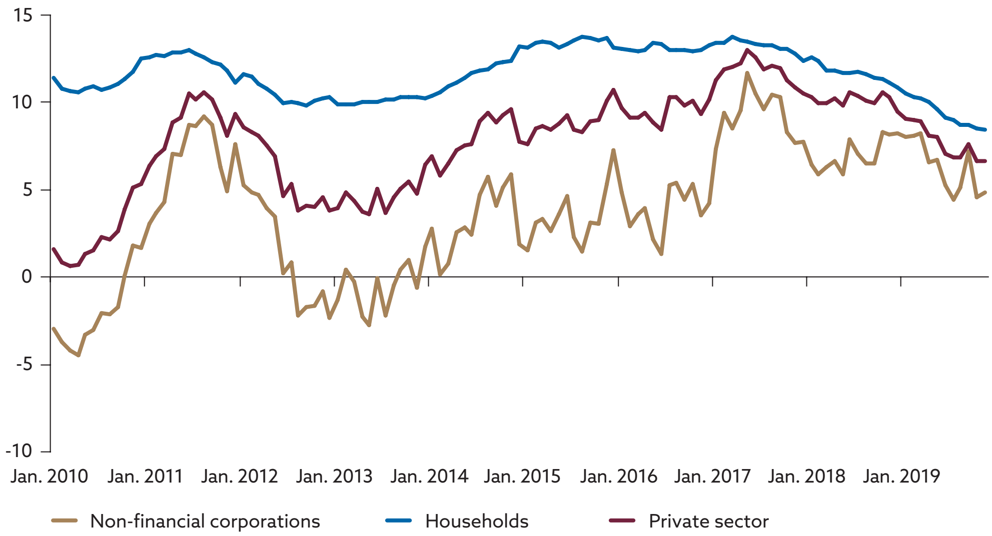


Sources: SO SR, and NBS calculations.

2.2.4 Loans and deposits

Annual growth in loans to the private sector was 6.6% in November 2019 (the same as in the previous month). The growth rate for loans to non-financial corporations (NFCs) increased moderately, while household borrowing growth slowed. After weakening in the previous month, demand for NFC loans increased slightly in several sectors (notably in the energy sector). Lending to industrial firms softened, reflecting uncertainty about the outlook for the sector. The slowdown in the construction sector and decline in residential property supply have had a downward impact on lending to firms in these sectors.

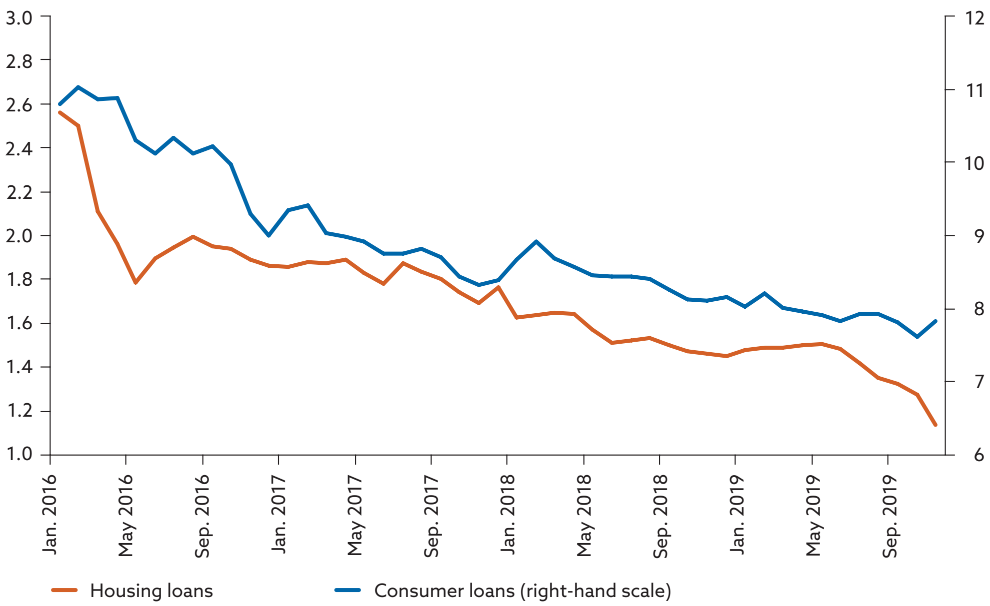
Chart 13
Total loans (annual percentage changes)



Source: NBS calculations.

Growth in loans to households continued its moderate downward trend in November. The year-on-year rate was 8.4%, 0.1 percentage point lower compared with the previous month. The softening of demand for consumer loans was offset by demand for housing loans, which remained relatively elevated and was supported by a further reduction in interest rates. Housing loan growth was probably also stimulated by the frontloading of loans ahead of a further tightening of regulatory limits on lending as from the start of 2020.

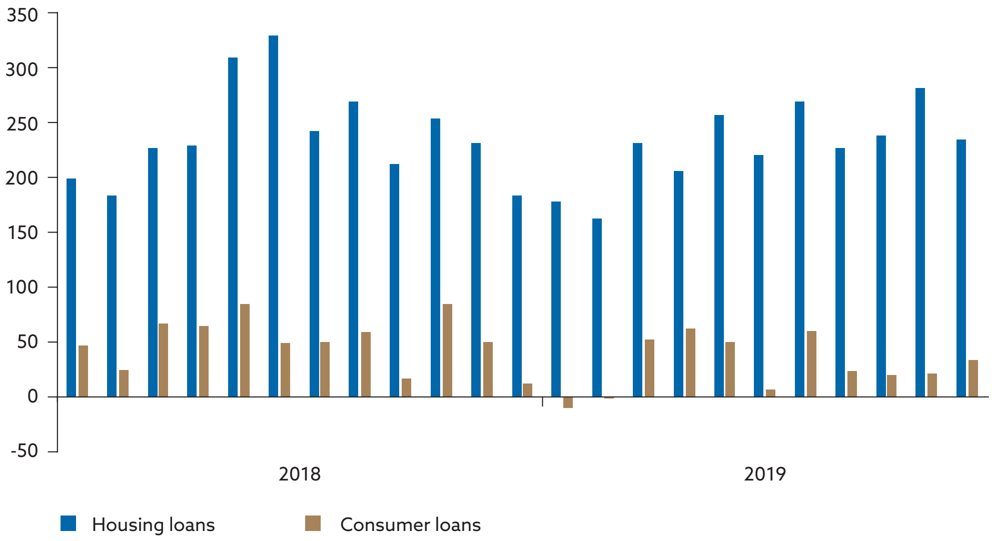
Chart 14
Lending rates for households (percentages per annum)



Source: NBS calculations.

Chart 15

Flow of loans to households (EUR millions)

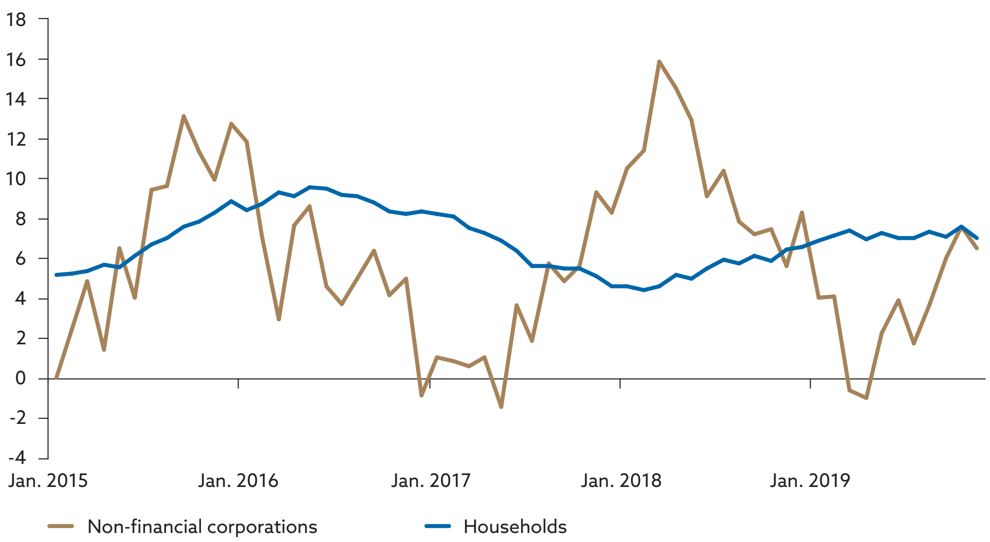


Source: NBS calculations.

The annual growth rate for private sector deposits eased to 6.5% in November, 1.1 percentage point lower compared with the previous month. This reflected a month-on-month decline in deposits of other financial intermediaries, as well as weaker growth in total NFC deposits. Despite slowing, **household deposit growth** remained relatively strong in November. From January to November it was maintaining an average level of around 7%, predicated on positive developments in household income.

Chart 16

Total deposits (annual percentage changes)



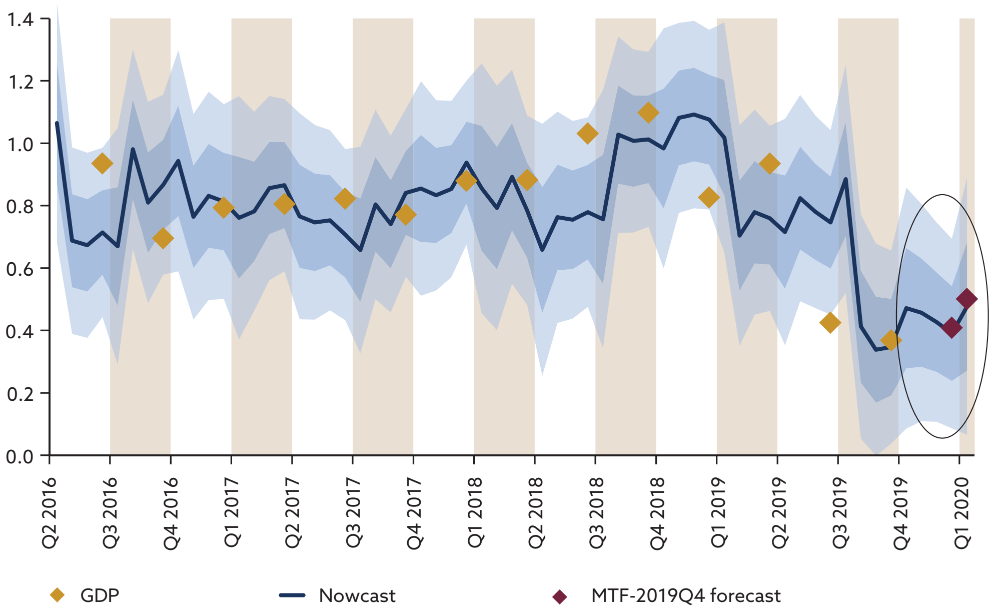
Source: NBS calculations.

3 Indicative impact on the forecast

The nowcast for GDP growth in the fourth quarter of 2019 has slowed slightly, to 0.39% quarter on quarter. November saw deteriorations in both domestic and external indicators. In Slovakia, declines in sales, production and exports became more pronounced, and the Economic Sentiment Indicator also fell. Quarter-on-quarter economic growth is expected to pick up somewhat in the first quarter of 2020, to 0.48%, which is in line with NBS's December 2019 Medium-Term Forecast (MTF-2019Q4). The nowcast for employment growth in the fourth quarter implies that the quarter-on-quarter rate will be close to zero, similar to the projection in the MTF-2019Q4 forecast.

Chart 17

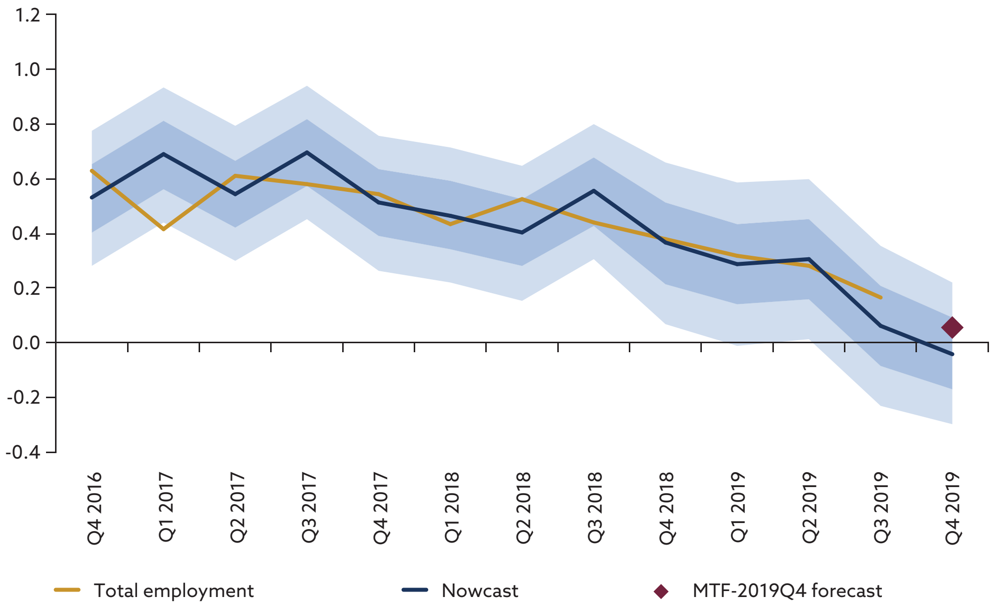
Nowcast for GDP (quarter-on-quarter percentage changes)



Sources: SO SR, and NBS calculations.

[5] The band around the point estimate denotes +/- 1 to 2 times the root mean square error. Nowcasts provide a current estimate of future developments using available monthly figures from the current quarter, their future values forecast with ARIMA models, and their lagged values. The individual model projections are independent of each other, and therefore a forecasting error in a past quarter cannot affect current projections. Further details can be found in the commentaries on the GDP nowcasts and employment nowcasts.

Chart 18
Nowcast for employment (quarter-on-quarter percentage changes)[5]



Sources: SO SR, and NBS calculations.

NÁRODNÁ BANKA SLOVENSKA
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Overview of main macroeconomic indicators for Slovakia

Table 3 Selected economic and monetary indicators for Slovakia

(annual percentage changes, unless otherwise indicated)

	Gross domestic product	HICP	Industrial producer prices	Employment ESA 2010	Registered unemployment rate[1]	Unemployment rate based on the total number of job seekers[1]	Industrial production index	Total sales of sectors[2]	Economic Sentiment Indicator (long-term average=100)	M3 (for analytical use)[3]	Loans to private sector[4]	Loans to non-financial corporations[4]	Loans to households[4]	State budget balance (EUR mil.)	General government balance (% of GDP)	General government gross debt (% of GDP)	Current account (% of GDP)	Balance of trade (% of GDP)	USD/EUR exchange rate (average for the period)
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
2012	1.9	3.7	3.9	0.1	13.6	15.0	2.8	4.5	92.8	8.8	3.8	-2.3	10.3	-3,810.7	-4.4	51.8	0.9	3.4	1.2848
2013	0.7	1.5	-0.1	-0.8	14.1	15.4	1.5	1.9	89.1	6.4	6.4	1.7	10.3	-2,023.3	-2.9	54.7	1.9	3.9	1.3281
2014	2.8	-0.1	-3.5	1.4	12.8	14.3	3.1	2.3	99.6	2.5	7.7	1.9	13.2	-2,923.4	-3.1	53.5	1.1	3.6	1.3285
2015	4.8	-0.3	-4.2	2.0	11.5	13.1	6.7	7.5	100.4	11.5	10.7	7.3	13.1	-1,932.6	-2.7	51.9	-2.1	1.0	1.1095
2016	2.1	-0.5	-4.3	2.4	9.5	11.1	4.6	4.3	102.0	6.1	10.2	4.2	13.3	-980.3	-2.5	52.0	-2.7	1.5	1.1069
2017	3.0	1.4	1.9	2.2	7.1	8.3	3.3	4.0	103.4	7.8	10.5	7.8	12.4	-1,220.1	-1.0	51.3	-1.9	0.7	1.1297
2018	4.0	2.5	5.0	2.0	5.4	6.6	4.4	6.0	100.3	5.1	9.5	8.2	10.8	-1,182.2	-1.1	49.4	-2.6	-0.2	1.1810
2019	.	2.8	.	.	5.0	6.1	.	.	97.0	.	.	.	.	-2,201.5	.	.	.	.	1.1195
2019 Q1	3.8	2.4	3.9	1.8	5.1	6.2	6.8	8.7	98.3	4.0	8.9	8.2	10.2	-	-0.4	48.3	-1.0	1.3	1.1358
2019 Q2	2.2	2.6	3.7	1.4	5.0	6.1	2.9	0.5	94.4	5.3	7.1	5.2	9.1	-	-0.3	48.2	-2.8	-0.8	1.1237
2019 Q3	1.3	3.0	1.8	1.0	5.0	6.1	-3.0	-2.9	97.2	6.0	6.4	4.9	8.0	-	-1.2	48.4	-5.1	-3.1	1.1119
2019 Q4	.	3.1	.	.	4.9	6.0	.	.	97.9	.	.	.	.	-	.	.	.	.	1.1071
2019 Jan.	-	2.2	3.3	-	5.2	6.3	7.2	10.6	97.1	4.1	9.1	8.0	10.5	134.4	-	-	-	-	1.1416
2019 Feb.	-	2.3	4.0	-	5.1	6.2	5.7	8.5	100.1	4.7	9.0	8.1	10.3	-740.3	-	-	-	-	1.1351
2019 Mar.	-	2.7	4.4	-	5.1	6.2	7.4	7.1	97.7	4.0	8.9	8.2	10.2	-559.7	-	-	-	-	1.1302
2019 Apr.	-	2.4	3.9	-	5.0	6.1	6.5	4.0	92.5	3.8	8.1	6.6	10.0	-41.2	-	-	-	-	1.1238
2019 May	-	2.7	4.2	-	5.0	6.1	4.5	2.0	93.7	4.9	8.0	6.7	9.7	-317.7	-	-	-	-	1.1185
2019 June	-	2.7	2.8	-	5.0	6.1	-2.0	-4.2	97.0	5.3	7.1	5.2	9.1	32.8	-	-	-	-	1.1293
2019 July	-	3.0	2.1	-	5.0	6.1	2.3	-1.2	93.4	4.6	6.8	4.4	9.0	65.0	-	-	-	-	1.1218
2019 Aug.	-	3.0	1.9	-	4.9	6.1	-8.2	-6.0	97.9	5.4	6.8	5.1	8.7	-212.6	-	-	-	-	1.1126
2019 Sep.	-	3.0	1.3	-	4.9	6.1	-2.4	-1.6	100.4	6.0	7.6	7.2	8.7	-201.6	-	-	-	-	1.1004
2019 Oct.	-	2.9	-0.1	-	4.9	6.0	-4.0	-3.0	95.1	7.8	6.6	4.6	8.5	242.1	-	-	-	-	1.1053
2019 Nov.	-	3.2	1.2	-	4.9	6.0	-4.4	-5.5	101.1	7.0	6.6	4.8	8.4	-211.6	-	-	-	-	1.1051
2019 Dec.	-	3.2	.	-	4.9	6.0	.	.	97.6	.	.	.	.	-391.1	-	-	-	-	1.1113

Sources: Statistical Office of the Slovak Republic, MF SR, the European Commission and NBS.
1) Monthly and quarterly data based on seasonal adjustment of NBS.
2) Constant prices (seasonally adjusted).
3) Currency in circulation in M3 refers to money held by the public (according to methodology in place prior to 2008).
4) Adjusted for sales and securitisation.

More detailed time series for selected macroeconomic indicators
http://www.nbs.sk/_img/Documents/_MonthlyBulletin/2020/StatisticsMB0120.xls