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August 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

Euro area GDP fell by 12.1%, quarter on quarter, in the second quarter of 2020. The severe contraction resulted from large parts of the economy being shut down. The largest declines in economic activity were in those countries that implemented the strictest and longest-lasting lockdown measures. Their impact was seen mainly in the enforced restriction of household consumption and corporate investment. The most recent monthly data indicate that the decline in activity bottomed out early in the second quarter and that the economy is on a gradual path towards normal functioning.

In Slovakia, the economy contracted by 8.3% in the second quarter of 2020 vis-à-vis the previous quarter, and all GDP components made negative contributions. Monthly data showed declines in both consumption and investment demand. Supply chain disruptions weighed heavily on foreign trade. As in the euro area, the economy started bottoming out at the beginning of the second quarter. Its subsequent gradual opening up appears to have had an upward impact not only on sentiment, but also on economic activity indicators. Given that trends are better than projected in the most recent NBS forecast and that indicators are on a favourable path, the economy could recover at a slightly faster pace.

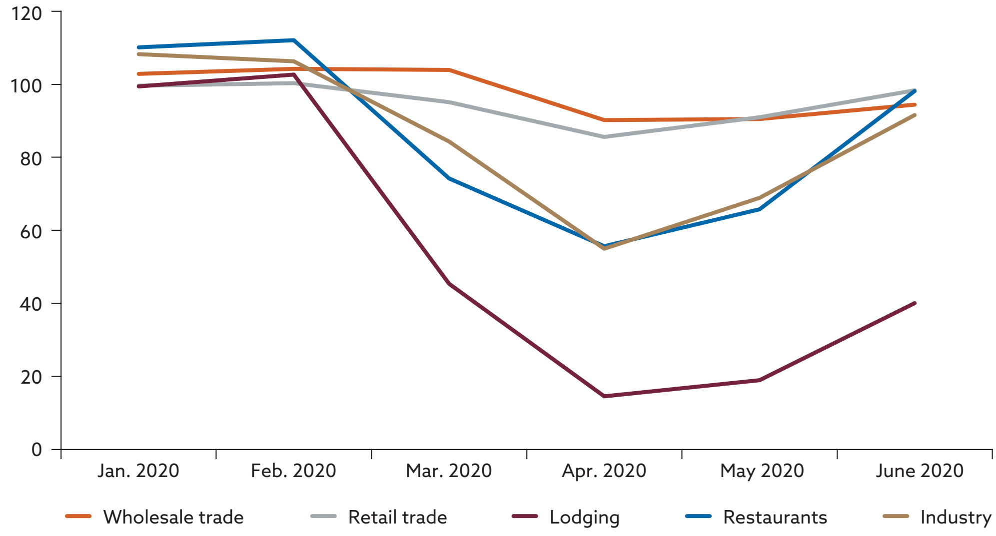
Employment declined by 1.1% in the second quarter compared with the first quarter, or by around 26 thousand in headcount terms. The employment data probably reflected the impact of fiscal measures aimed at preserving jobs as well as the relatively fast economic recovery. Recruitment began picking up, especially among firms in the services sector. The average wage level declined, year on year, in the second quarter. With the economy gradually beginning to recover, however, the number of hours worked is starting to increase and the wage level is decreasing at a more moderate pace.

The annual HICP inflation rate is on a gradual downward trend. Autonomous cost factors such as commodity prices are putting downward pressure on headline inflation. On the other hand, demand factors remain relatively elevated, probably reflecting the impact of deferred demand.

Lending to both firms and households slowed in the second quarter. Firms are now starting to recover, as evidenced by real economy indicators and bank deposits. Household demand for property purchases has not diminished, so it is pushing up property prices. The crisis, however, has seen a reduction in borrowing for consumption purposes.

Chart of the month

Sales in selected sectors (index, 2019 = 100; constant prices; seasonally adjusted)



Sources: SO SR, and NBS calculations.

In April 2020 most economic indicator trends were bottoming out, and by June they were approaching pre-crisis levels. This was not the case in the lodging industry, where sales in June fell by more than 60%. So far, it seems that tourism will be the industry hardest hit by the coronavirus crisis.

Table 1 Macroeconomic indicators released since the previous monthly bulletin

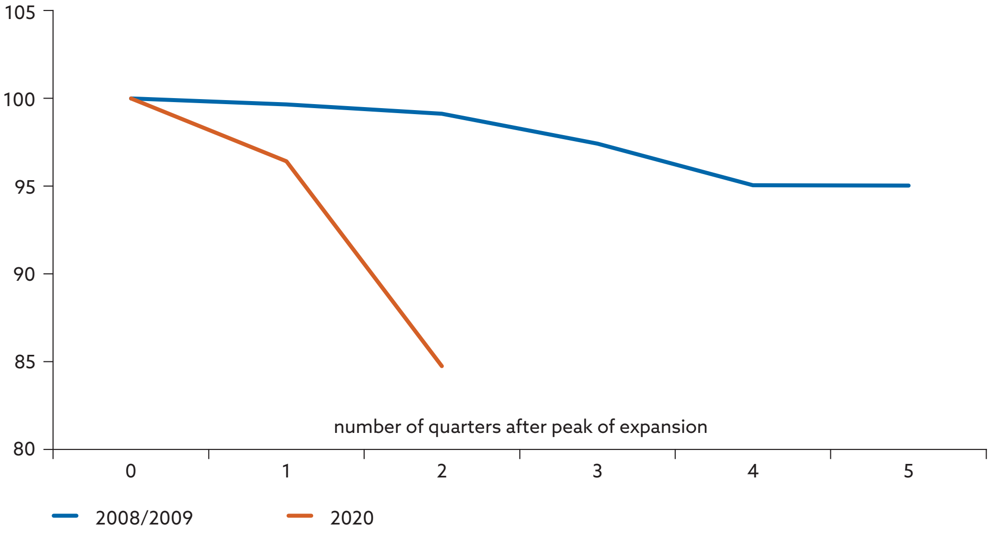
Indicator	Unit	Period	Current period	Previous period
Euro area				
Confidence indicators				
PMI	index	*August 2020*	**51.6**	54.9
Economic Sentiment Indicator	long-run average = 100	*July 2020*	82.3	75.8
Economic indicators				
Gross domestic product	annual percentage change, constant prices	*Q2 2020*	-15.0	-3.1
Industrial production index	annual percentage change	*June 2020*	-11.9	-20.3
Retail sales	annual percentage change, constant prices	*June 2020*	**1.5**	-3.2
Unemployment rate	percentage	*June 2020*	7.8	7.7
HICP inflation	annual percentage change	*July 2020*	**0.4**	0.3
Oil price in USD[1)]	level	*August 2020*	44.9	43.2
EUR to USD exchange rate[1)]	level	*August 2020*	**1.182**	1.146
Slovakia				
Confidence indicators				
Economic Sentiment Indicator	long-run average = 100	*July 2020*	**83.3**	71.6
Industrial confidence indicator	percentage balance	*July 2020*	**-4.4**	-10.8
Consumer confidence indicator	percentage balance	*July 2020*	-24.8	-25.4
Economic indicators				
Gross domestic product	annual percentage change, constant prices	*Q2 2020*	**-12.1**	-3.7
Aggregate sales	annual percentage change, constant prices	*June 2020*	**-4.9**	-25.2
Industrial production index	annual percentage change	*June 2020*	**-8.6**	-33.3
Private sector credit	annual percentage change	*June 2020*	6.3	6.5
Employment	annual percentage change	*June 2020*	-5.2	-5.5
Unemployment rate[2)]	percentage	*July 2020*	**8.4**	8.2
Nominal wages[3)]	annual percentage change	*June 2020*	**1.5**	-2.7
HICP inflation	annual percentage change	*July 2020*	1.8	1.8

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.
2) Seasonally adjusted by NBS.
3) Selected sectors only (excluding public sector).
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 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 External environment

According to Eurostat's flash estimate, **the euro area economy contracted by 12.1 %, quarter on quarter, in the second quarter of 2020.**[1] The economic decline was caused largely by the shutting down of economies, as coronavirus pandemic measures were tightened and expanded in the first half of the quarter. After falling by 3.1% in the first quarter, euro area GDP fell by around 15% in the first half of the year, which was far greater than any contraction recorded during the 2008-09 crisis (Chart 1). Euro area GDP dropped back down to its lowest level since the last quarter of 2005, almost fifteen years earlier (Chart 2).

Chart 1
Euro area quarterly GDP after a peak of expansion – comparing the 2020 "coronavirus contraction" and the 2008-09 crisis (100 = peak of expansion)



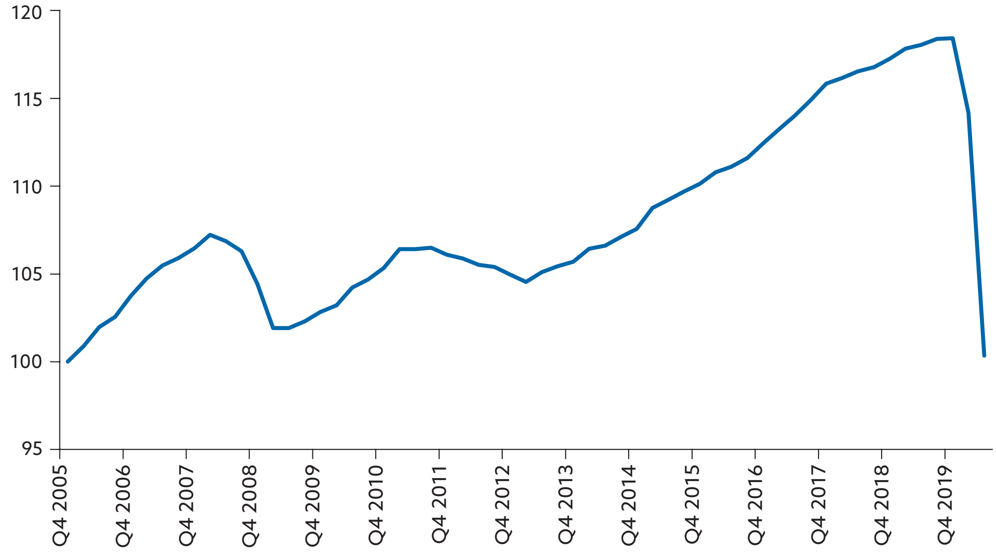
Sources: Macrobond, and NBS calculations.

According to data from selected national statistical offices, the largest contributors to economic decline in the second quarter were major decreases in private consumption and investment demand. Exports also had a significant negative impact, which was mitigated by a decline in imports. From a sectoral perspective, the containment measures weighed particularly heavily on the services sector, and also adversely affected the industry, retail trade and construction sectors. Short-term indicators posted high growth rates in May and June, which suggested that the economy was rebounding, At the same time, however, these increases occurred from exceptionally low bases and did not make up the ground lost during the previous declines. Industrial production was around 15% lower in the second quarter than in the first quarter, while construction was down by 10% and retail trade by a mere 0.1%.

[1] The composition of the GDP growth will be released on 8 September 2020.

Chart 2

Euro area GDP (index, Q4 2005 = 100; constant prices)



Sources: Macrobond, and NBS calculations.
Note: The figure for Q2 2020 is the average for April and May 2020.

Virtually every euro area country saw its GDP shrink in the second quarter.[2] The difference in size between national economic contractions reflected, in particular, differences in the strictness and duration of the countries' containment measures (Chart 3).[3] Spain, Portugal and France reported the largest declines in GDP, followed by Italy and Belgium.

Chart 3

Average level of the "Stringency Index" (an index of the strictness of pandemic containment measures) and changes in GDP in the second quarter of 2020 (index; percentages)

Sources: Macrobond, and NBS calculations.

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2 At the time of writing, GDP growth data for the second quarter had not been released by Estonia, Ireland, Greece, Luxembourg, Malta and Slovenia.

3 The strictness of measures is tracked by a "Stringency Index" developed by the University of Oxford https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker

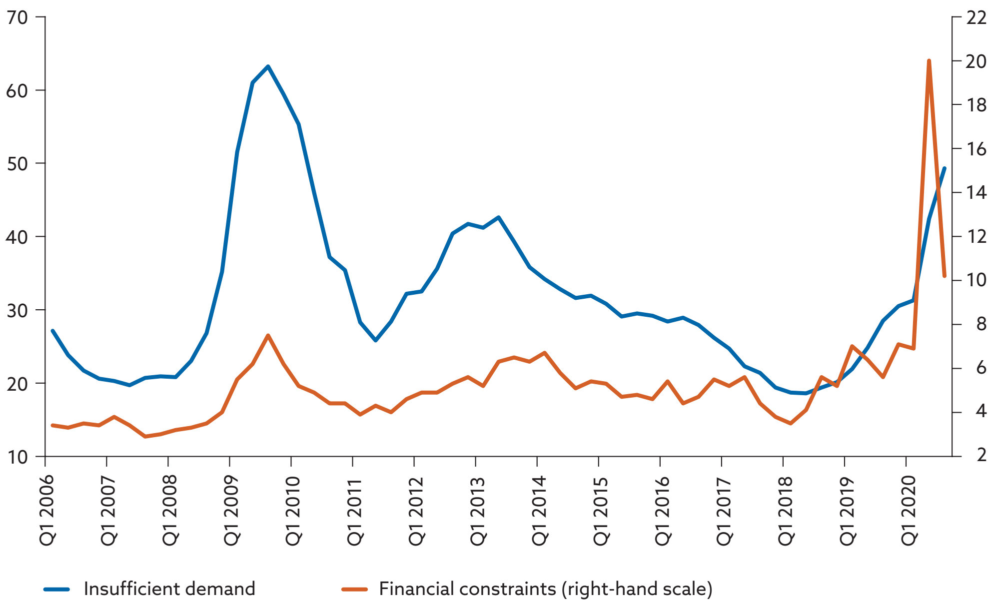
Compared with the previous quarter, **employment in the euro area decreased by 2.8% in the second quarter** (after falling by 0.2% in the first quarter). This was the largest decline since the time series began (in 1995).

The European Commission's **Economic Sentiment Indicator** (ESI) for the euro area continued to increase sharply in July (by 6.5 points, to 82.3). Although the ESI remains at a relatively low level, its increases in June and July indicate an economy gradually rebounding from the bottom. Confidence picked up in the services and industry sectors, reflecting improved assessments of demand and production. In construction, however, confidence weakened slightly owing to managers' more pessimistic employment expectations. Consumer confidence also declined, mainly because of households' more pessimistic assessments about their financial situation over the past 12 months and about the general economic situation over the same period. On the other hand, consumers were slightly more positive in their expectations for the general economic situation and their intentions to make major purchases.

Meanwhile in the third quarter, **quarterly surveys of industry** indicate that "insufficient demand" is increasingly viewed as a factor limiting production (Chart 4). The importance of "shortage of material and/or equipment" in this context has moderated significantly (Chart 5), thereby indicating a normalisation of supply chain linkages. The sizeable economic support resulting from the ECB's monetary policy measures probably explains the decrease in the percentage of respondents who see "financial constraints" as a production-limiting factor (Chart 4). However, the further decline in the importance of "shortage of labour" as such a factor (Chart 5) sends out less favourable signals as regards labour market conditions.

Chart 4

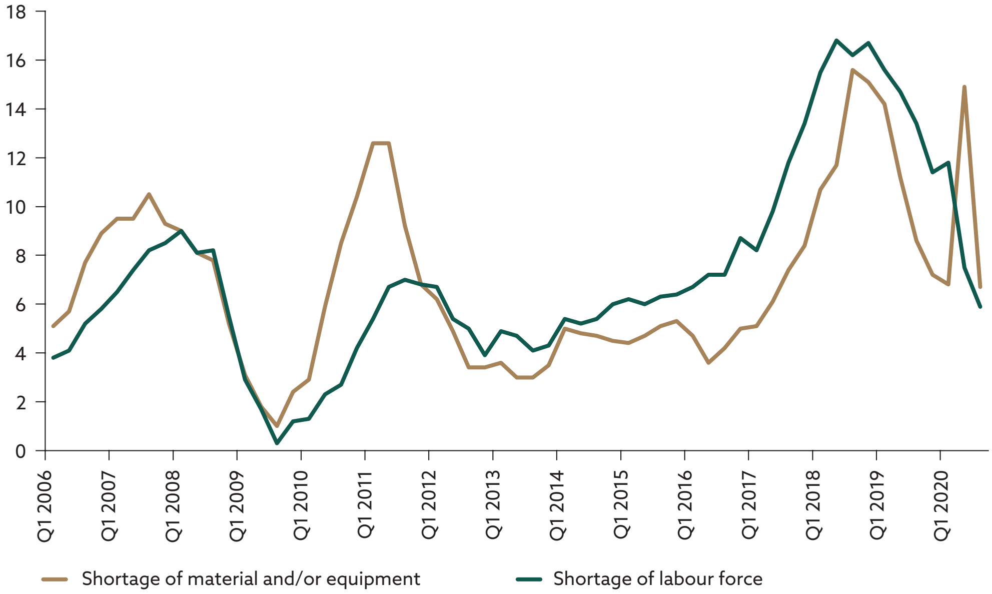
Factors limiting production in industry – insufficient demand and financial constraints



Source: Macrobond.

Chart 5

Factors limiting production in industry – shortage of labour force and shortage of material and/or equipment



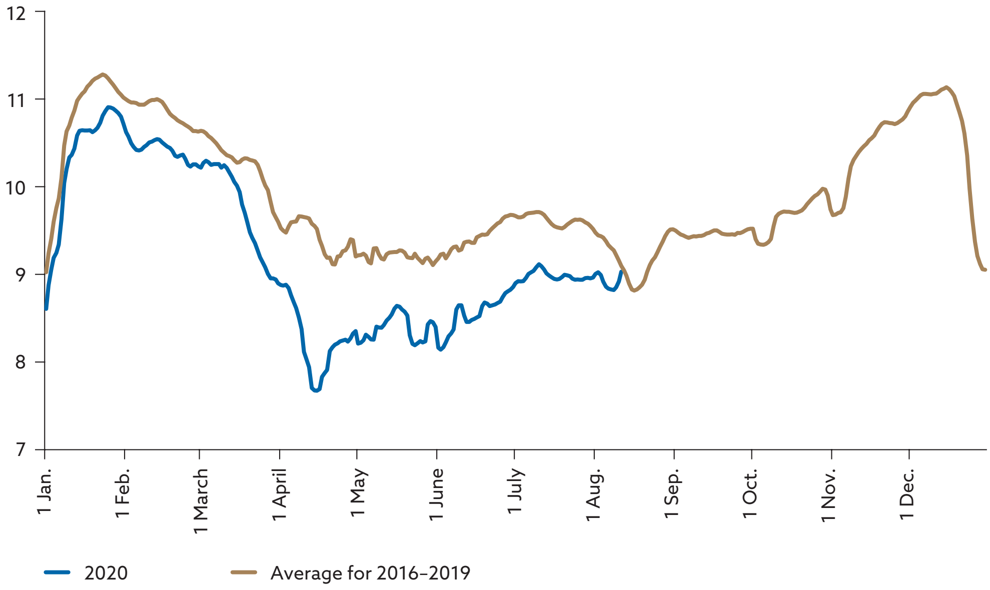
Source: Macrobond.

The **flash composite Purchasing Managers' Index (PMI)** for the euro area fell to 51.6 in August, from 54.9 in July, so implying a slowdown in the economic recovery. The deceleration was due to stagnation in business activity levels in the services sector (the PMI services index dropped to 50.1). This probably stemmed from rises in coronavirus cases in some countries and the consequent tightening of containment measures, which affected mainly services. In manufacturing industry, by contrast, production rose sharply. Even so, the PMI showed a decline in employment for a sixth successive month, with manufacturers in particular continuing to lower employment. This situation may limit the economy's further recovery to some extent.

Another sign of the euro area economy's revival is provided by high-frequency data. In early August, electricity consumption in the five largest euro area economies was approaching the average for the period 2016–2019 (Chart 6). In addition, German data on the distance travelled by freight vehicles indicates a return to normal levels (Chart 7).

Chart 6

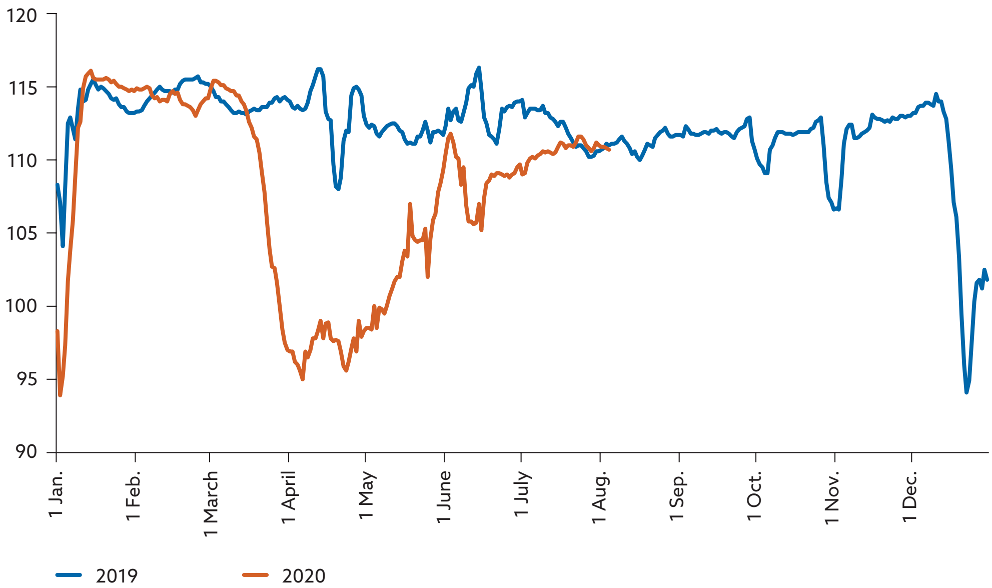
Electricity consumption in the five largest euro area economies – DE, FR, IT, ES, NL (millions of megawatts)



Source: Macrobond.

Chart 7

Germany – distance travelled by freight vehicles according to toll data (index, 2015 = 100)



Source: Macrobond.

In the United States, the impact of the pandemic containment measures on the economy resulted in GDP plunging by an annualised **31.7%** in the second quarter of 2020 (corresponding to a non-annualised decline of around 7.1% for the quarter). The largest contribution to that drop came from private consumption, which reflected mainly a marked decline in services consumption and, to a lesser extent, a decline in goods consumption.

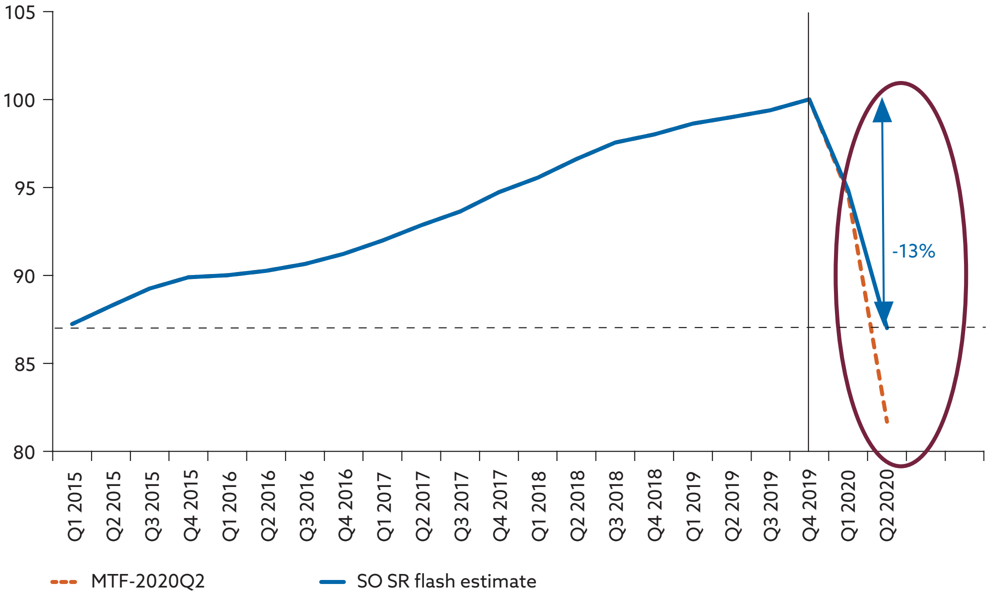
3 The Slovak economy

3.1 Economic activity

The impact of the coronavirus pandemic on the Slovak economy was fully evident in GDP for the second quarter of 2020, which slumped by 8.3% quarter on quarter (in the first quarter, GDP declined by 5.2%). This was the economy's highest ever contraction and resulted in real GDP falling back to its early 2015 level (Chart 8). Even so, the result was better than NBS had projected. The main monthly indicators show that the economic slump bottomed out in the first month of the second quarter.

Chart 8

Real GDP (index, Q4 2019 = 100)

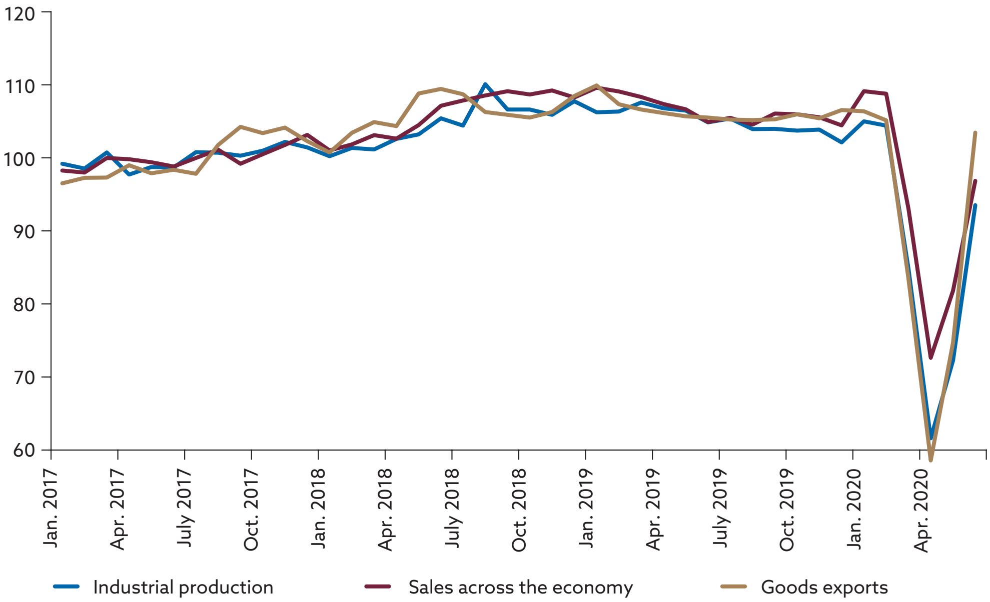


Sources: SO SR, and NBS calculations.

According to monthly data, the pandemic containment measures had a negative impact on all GDP components. Goods exports and imports plummeted by almost one-third as production was suspended at most manufacturing plants, most notably in the car industry. That industry, however, was one of the few to recover relatively rapidly, to the extent that car exports in June recorded moderate year-on-year growth. The sharp drop in investment imports, as well as the negative sentiment in the economy, resulted in a decline in investment activity. Households had no option but to reduce their consumption expenditure quite substantially, especially their spending on services. The decline in consumption was not, however, as severe as had been expected, and the faster pick-up in consumer demand was probably due to the opening up of the economy in the second half of the quarter. The return of some private consumption components to standard levels is shown by cash register data. Monthly data indicate that the economy bottomed out in April and began to recover in subsequent months (Chart 9). Economic activity was already increasing in month-on-month terms in the last month of the quarter, though still fell short of its start-of-year level.

Chart 9

Economic indicators (index, January 2017 = 100)



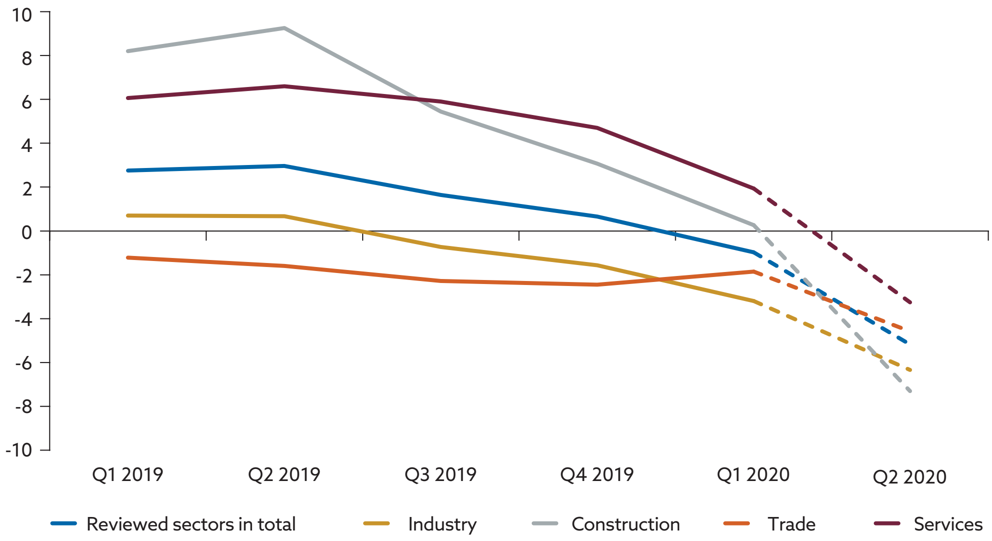
Sources: SO SR, and NBS calculations.

3.2 Labour market

The labour market shed some 26 thousand jobs in the second quarter (so employment fell by 1.1% quarter-on-quarter), and net job losses for the first half of the year amounted to 45 thousand. With the economy's reopening, however, there has been a gradual improvement. After several months of decline, employment across the sectors under review (Chart 10) edged up by 0.1% month on month. Firms are cautiously starting to recruit again, especially in industry and certain other sectors, which were hardest hit by the pandemic containment measures and lost the most jobs in March and April. This was confirmed by June figures from the Central Office of Labour Social Affairs and Family (ÚPSVR) which showed an increase in the number of jobseekers finding work.

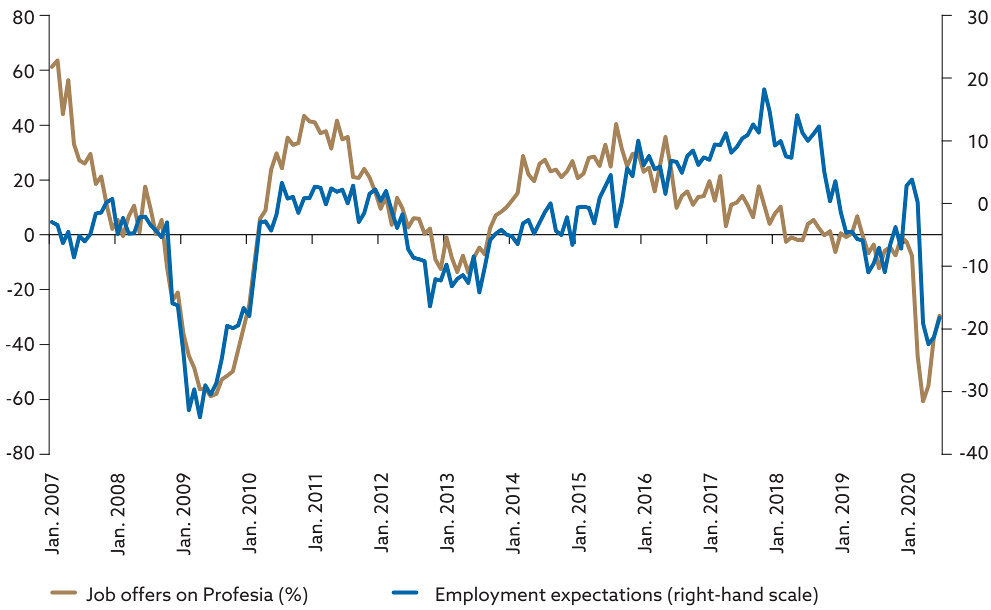
According to forward-looking data for July, employers' expectations (Chart 11) for job creation remain negative, but their pessimism in this matter has moderated, particularly so in industry. Net job creation was slightly higher in July than in the previous month.

Chart 10
Employment in sectors under review (annual percentage changes)



Sources: SO SR, and NBS calculations.

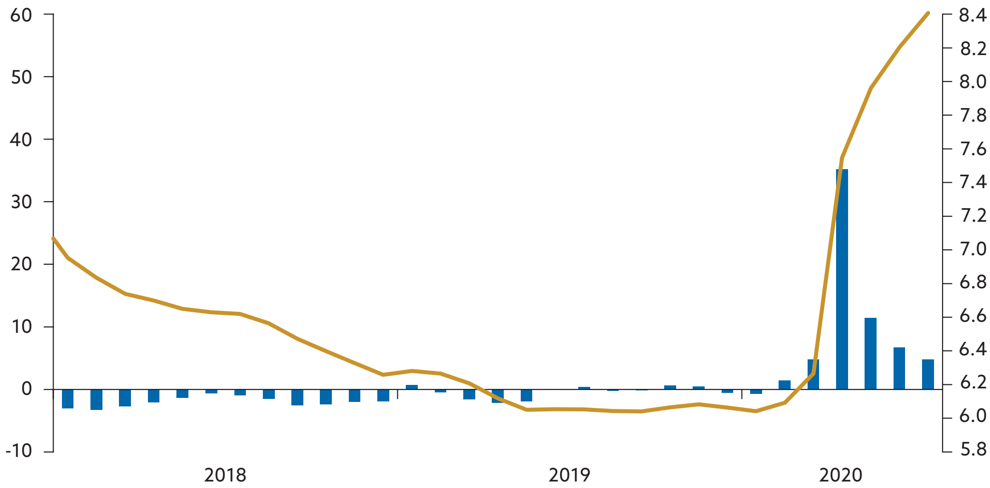
Chart 11
Selected labour market indicators (annual percentage changes; index)



Sources: Profesia online job portal (www. profesia.sk), European Commission, and NBS calculations.

The unemployment rate based on the total number of jobseekers increased, month on month, by 0.2 percentage point in July, to 8.4% (representing a headcount increase of 4.7 thousand) (Chart 12). The rate of increase in the number of unemployed eased for a third successive month. In addition, the number of jobseekers finding work maintained its uptrend. At the same time, however, the number of newly laid-off workers registering as unemployed increased further in July. The majority of those laid off had been working in manufacturing industry. The number of job vacancies increased in July, as did the probability of unemployed people finding employment.

Chart 12
Number of unemployed (thousands of persons; percentages)



Sources: ÚPSVR, and NBS calculations.

Wages fell in the second quarter, though June's data indicated a gradual improvement in income from work. After previous declines, the average wage across the sectors under review increased, year on year, by 1.5% in June. The increase was, however due partly to the sharp slowdown in June 2019, following the widespread payment of so-called 13th salaries in May 2019. Absent this effect, the average wage in June 2020 would probably have been slightly lower. Reflecting the impact of the coronavirus crisis, the average wage level for the sectors under review fell in the second quarter by 1.8% year on year (Chart 13). This contrasted sharply with the significant wage growth recorded in the first quarter. In all the main segments of the private sector apart from trade, wages fell in the second quarter. Nevertheless, wage growth (and the wage level) have risen appreciably in the last two months. Wages were gradually rebounding in all the main sectors in May and June (Chart 15), underpinned by the gradual recovery of economic activity and higher number of hours worked. It was only in the trade sector, however, that wages returned to their pre-crisis level. Based on the information available to date, it appears that the wage decline in the second quarter was more moderate than projected in NBS's June 2020 Medium-Term Forecast[4] (Chart 14), one of the probable reasons being the lower than expected amount of time taken off work to care for a family member.

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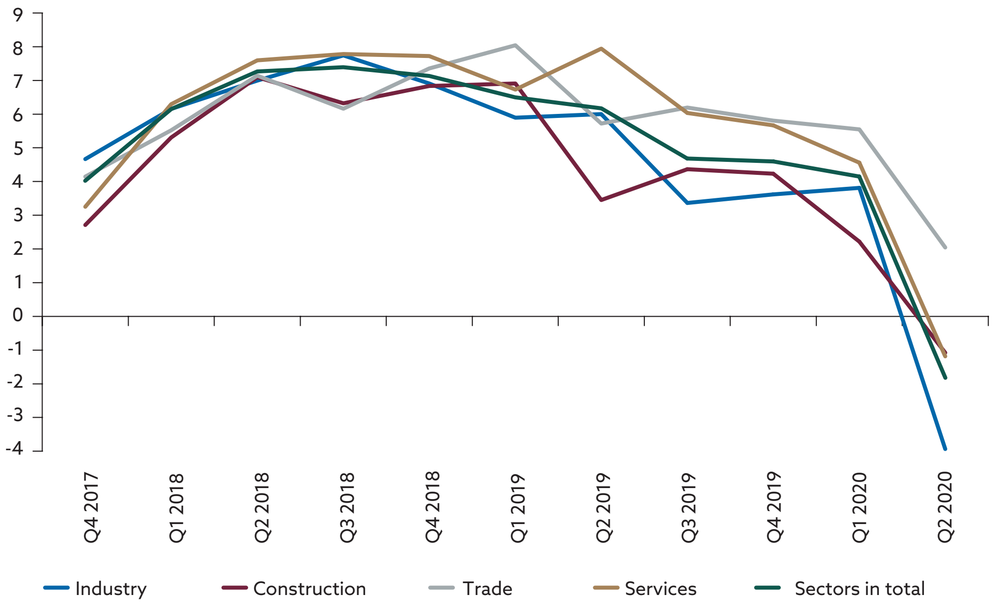
[4] In the chart, the estimation of current average wage growth for the second quarter of 2020 is lower than the rate indicated by wage developments in the reviewed sectors; however, the estimation also includes social security contribution data, which are far more negative than the wage data for the reviewed sectors (after factoring in the expected impact of contribution relief). The methodology of the average wage nowcast is explained in more detail in the following commentary (in Slovak only): Nowcasting vývoja trhu práce.

Chart 13

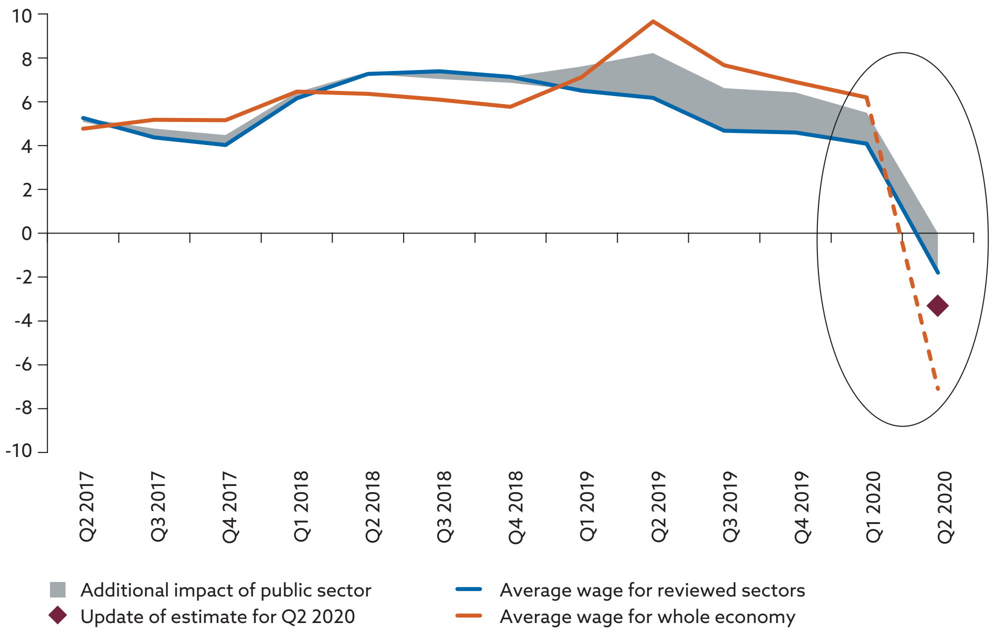
Average wage levels according to monthly data (annual percentage changes)



Sources: SO SR, and NBS calculations.
Note: The full data for Q2 2020 will be released in early September. The monthly data are of an indicative nature.

Chart 14

Average wage levels – trend and forecast (annual percentage changes)

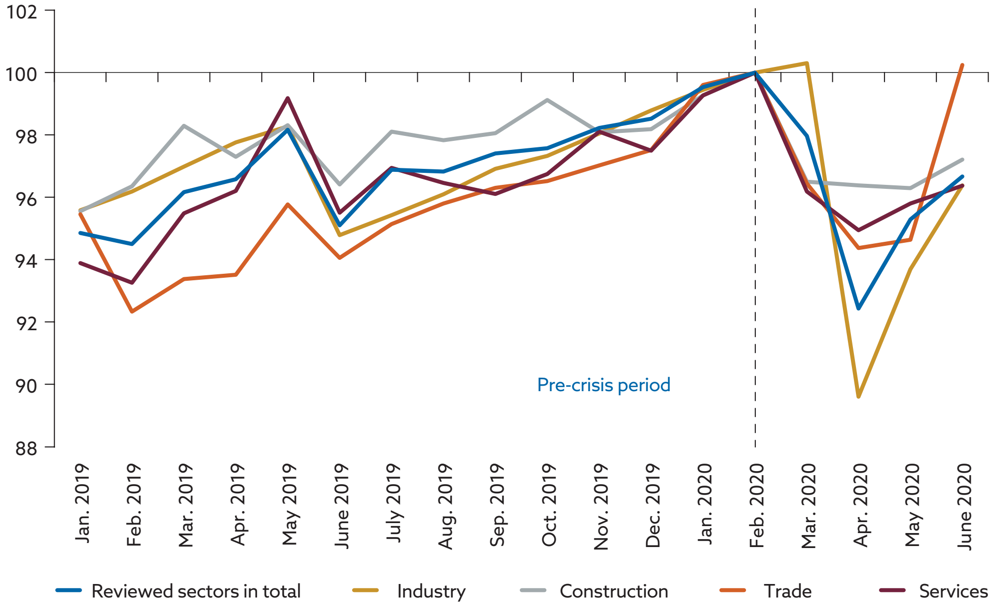


Sources: SO SR, and NBS calculations.
Note: For Q2 2020, the average wage for the whole economy and the impact of the public sector are based on the MTF-2020Q2 forecast.

Because of redundancies and lower demand for labour, the previously tight capacity in the labour market has eased (Chart 16) and unused labour is far greater than it was in the first quarter. Meanwhile, aggregate demand and labour productivity have decreased, so this is expected to have a dampening effect on the further growth in negotiated wages in the overall economy.

Chart 15

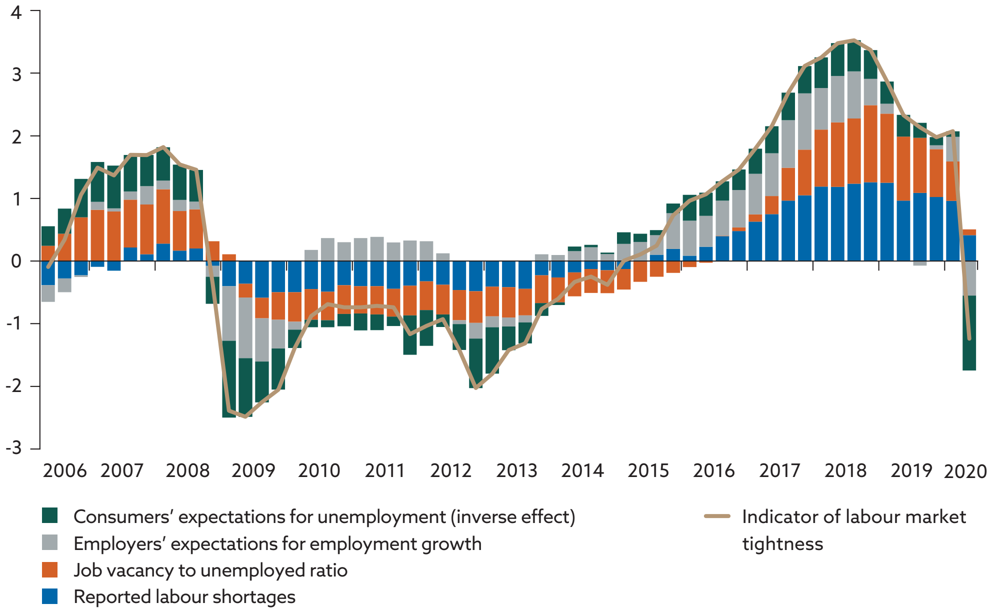
The wage level has recovered only slightly since the outbreak of the coronavirus crisis (index, February 2020 = 100)



Sources: SO SR, and NBS calculations.
Note: Nominal average wage level.

Chart 16

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

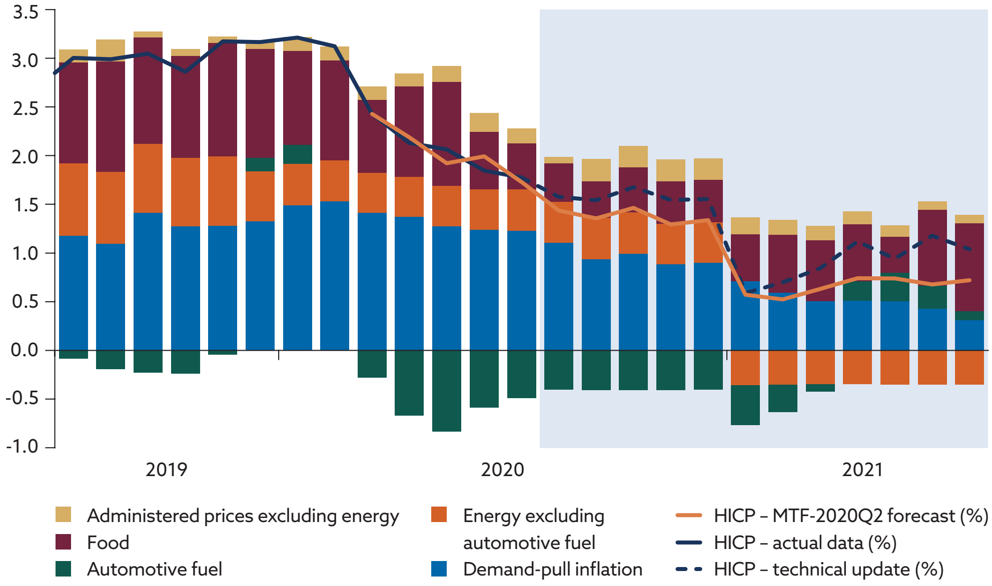


Sources: SO SR, NBS calculations, ÚPSVR, European Commission, and www.profesia.sk

3.3 Prices

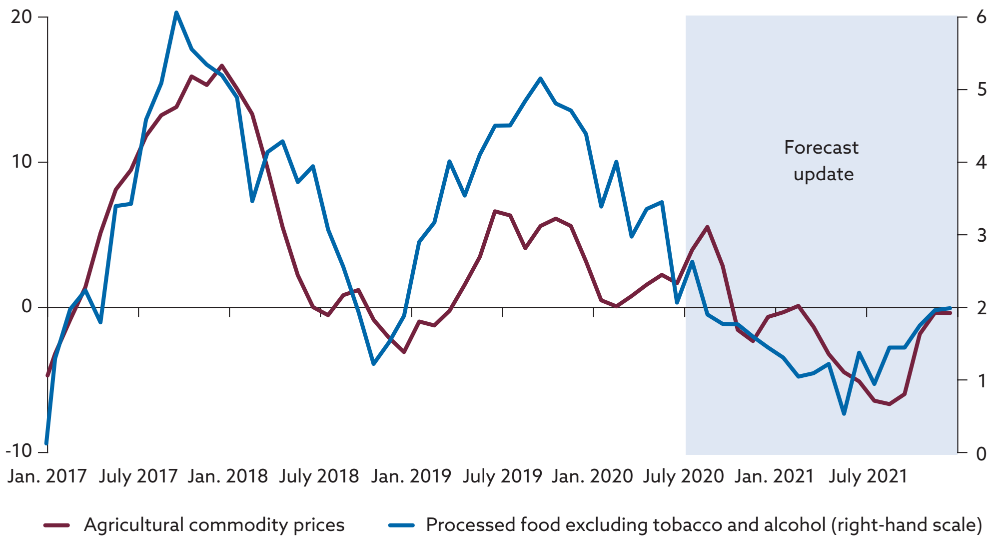
Slovakia's annual HICP inflation stood at 1.8% in July (Chart 17), its lowest rate in almost three years. Demand-pull inflation remained at 2.5% and is higher than expected.

Chart 17
HICP inflation and its components (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS calculations.

Chart 18
Prices of processed food and agricultural commodities (annual percentage changes)



Sources: SO SR, and NBS calculations.

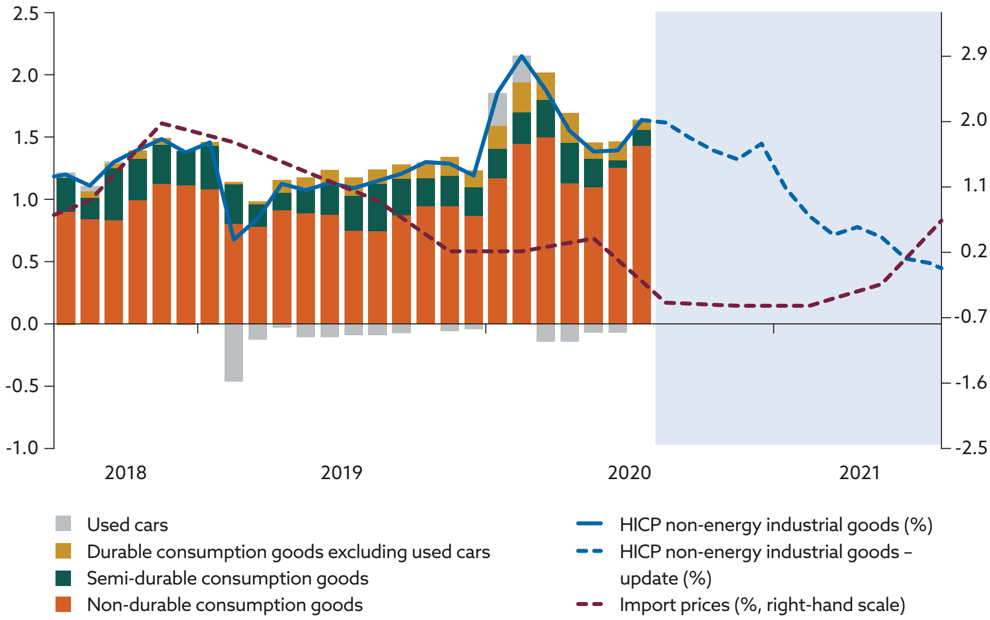
Demand-pull inflation is moderating only very marginally and continues to surprise on the upside. This partly reflects the current acceleration in prices of non-durable consumption goods (Chart 19) and the rise in services inflation, especially in the hotel and restaurant industry. The deterioration of the labour market situation and low import prices are expected to have a downward impact on demand-pull inflation with a slight lag. The pass-through would be faster but for the impact of deferred household demand, a decline in people's appetite for spending leisure time abroad, and the increasing costs of services providers in the domestic market.

The continuing **slowdown in food inflation** in July was based mainly on falling prices of meat and vegetables (Chart 20). The fading of the meat price supply shock in the near term is expected to contribute to the slowdown of headline inflation. Current technical assumptions imply that agricultural commodity prices will turn negative in coming months and will be lower than projected in the previous forecast. Food inflation can be expected to decelerate on the back of lower growth in prices of farinaceous products and meat.

In January and February 2021, cigarette prices are expected to rise by a cumulative rate of around 11% and to have a positive impact on headline inflation of 0.33 percentage point.

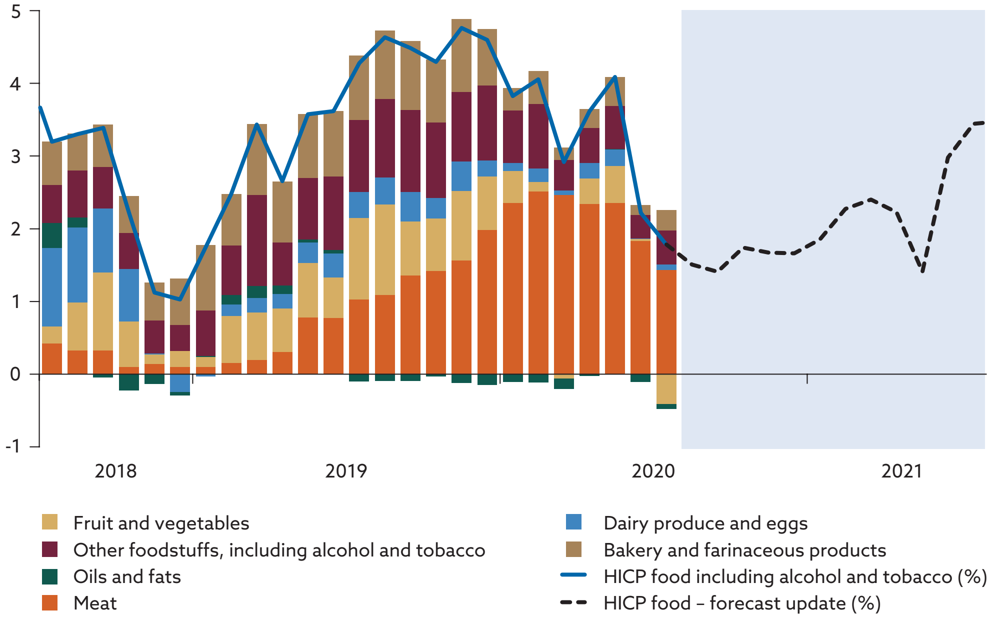
Chart 19

Non-energy industrial goods inflation and its components (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS calculations.

Chart 20
Food inflation and its components (annual percentage changes; percentage point contributions)



Sources: SO SR, and NBS calculations.

July saw a year-on-year decline in automotive fuel prices and a slowdown of energy inflation. Although petrol and diesel prices increased for a second successive month, they are expected to continue falling in year-on-year terms in the months ahead and to have a negative impact on headline inflation until the end of 2020.

Box 1
The qualitative impact of unmeasured prices on inflation

How did inflation excluding food and transport develop during the months (April and May) when lockdown measures were in effect? Certain items in the consumer basket categories were affected by restrictions on price gathering. The question as to whether the headline inflation rate was overestimated or underestimated as a result of the temporary immeasurability of certain prices is more precisely answerable only with an exhaustive breakdown of the consumer basket items according to the price imputation methodology used in historical comparisons. Looking at its development during the state of emergency and comparing it with the historical trend, inflation appears to have been subject to substantial uncertainty in April and May. The imputed prices may have been slightly underestimated, especially in prices of hotel and restaurant services and prices of miscellaneous goods and services.

The pandemic brought about a change in the household consumer basket,[5] resulting in a moderate increase in real inflation. This does not, however, explain the overall inflation picture. Another challenge is to attempt qualitative estimate of price-gathering restrictions. Price gathering

[5] A more detailed analysis (in Slovak only) is provided in the commentary entitled "Skutočná" inflácia počas pandémie.

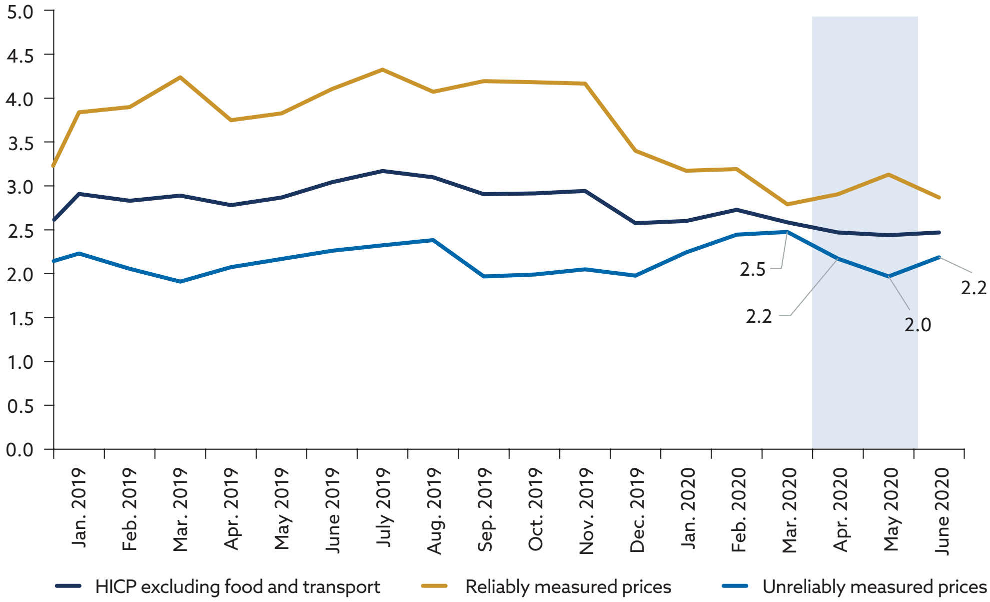
includes in-person visits to business premises, something that may have been heavily restricted by the pandemic containment measures. Another reason may have been the temporary unavailability of services, which left the Statistical Office (SO SR) having to substitute their prices with other prices (for example, prices of air transport, tours and holidays, lodging, and restaurant services).[6] The SO SR designates all prices of the different consumer basket categories as "reliable" or "unreliable" according to whether or not they have managed to measure them.[7]

We can therefore see which consumer basket prices were calculated less reliably and how their rate of change was recorded. On that basis, we can qualitatively determine whether the published inflation rate may have been underestimated or overestimated.

In the first step, we looked at the share of basket categories with reliably gathered prices. In April, the share of categories in which prices were collected in the standard way stood at 39.6% (the corresponding share for the euro area as a whole was 64.2%). This figure may be explained by the greater **intensity of the pandemic containment measures adopted** in Slovakia compared with other euro area countries. In May the share of reliable data increased to 72%, and in June all prices were measured in the standard way.

Chart A

Inflation in Slovakia according to weights in April (annual percentage changes)



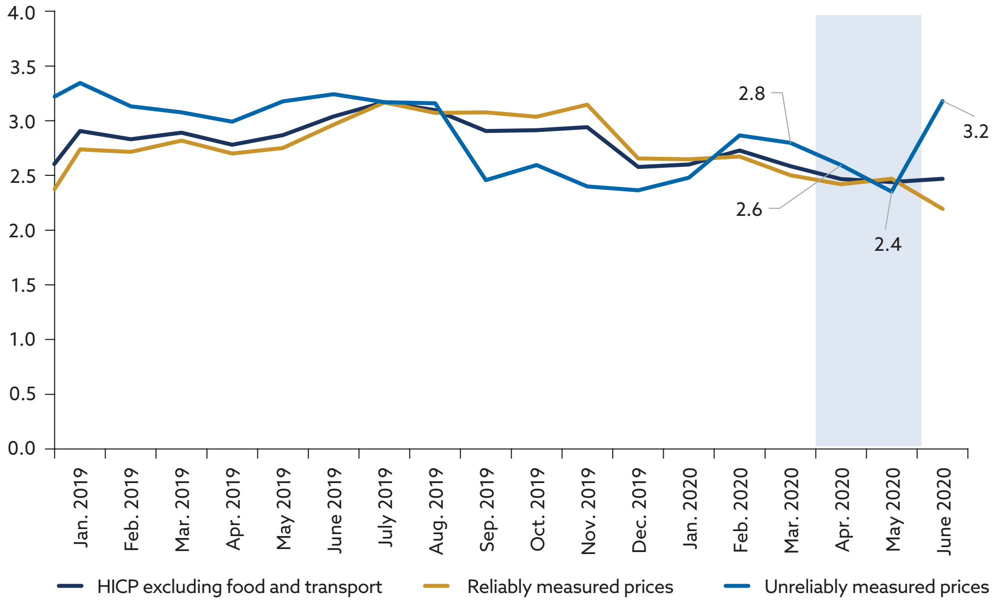
Sources: SO SR, and NBS calculations.

6 For price imputation, the SO SR followed different approaches for different items, whether applying the same month-on-month rate of change recorded a year earlier or using the price levels from the previous month. The procedure followed is not, however, published.

7 A consumer basket category is designated as "reliable" if the prices of less than 50% of the items in that category are imputed (instead of being based on a price gathering). Otherwise, the category is designated as "unreliable". The "unreliable" designation does not mean, however, that the prices in that category cannot be used in the calculation of headline inflation or that they are not of good quality; it means they are not fully comparable with previous values.

Chart B

Inflation in Slovakia according to weights in May (annual percentage changes)

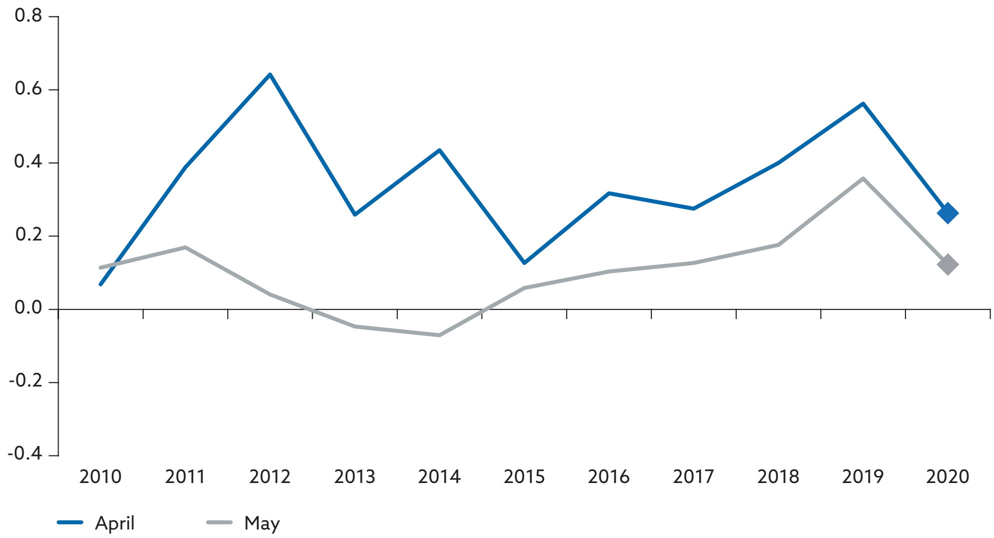


Sources: SO SR, and NBS calculations.

In Slovakia, price developments differed between categories with "reliable" and "unreliable" gathering of prices. Those prices collected in a reliable way showed acceleration, while the prices that were imputed (otherwise substituted) during April and May decelerated (Charts A and B). Looking at the month-on-month rate of increase in prices of "reliable" items in April and May, it is appreciably lower compared with corresponding rate in the previous year (Chart C). This may indicate that price imputation had a more disinflationary impact than the actual price developments, in the absence of price-gathering restrictions, would have done.

Chart C

Historical inflation trend for unreliable prices in Slovakia (annual percentage changes)



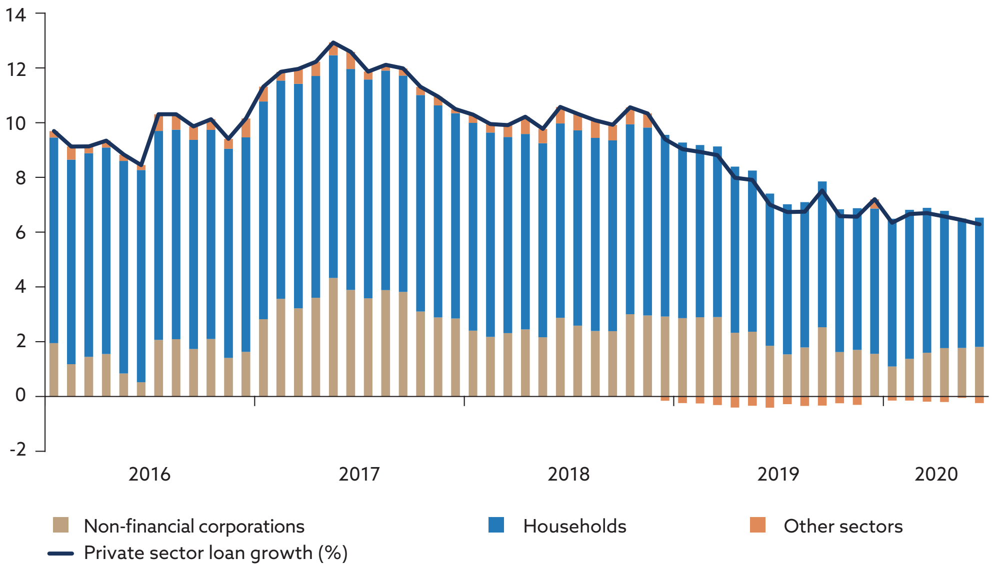
Sources: SO SR, and NBS calculations.

3.4 Loans and deposits

The annual growth of loans to the private sector moderated at the end of the second quarter of 2020. The slowdown was largely related to developments in the last two months of the quarter (Chart 21), when annual loan growth slowed to 6.3% (down from 6.7% at the end of the first quarter). In individual months of the second quarter, growth rates for lending to households and lending to non-financial corporations showed different trends. Following the introduction of coronavirus-related measures, the flow of loans to non-financial corporations (NFCs) remained relatively elevated (Chart 22). This growth was probably the result of firms seeking to increase their liquidity amid the sharp decline in economic activity. In the face of sales losses, these firms were seeking to ensure sufficient funds, as was reflected in the increasing demand for short-term NFC loans. In the last two months of the quarter, however, the flow of loans to firms was noticeably smaller (the cumulative volume for May and June was around €69 million). With the easing of containment measures and pick-up in economic activity, firms were increasing their deposits and were probably more able to meet their financing needs out of their own funds.

Chart 21

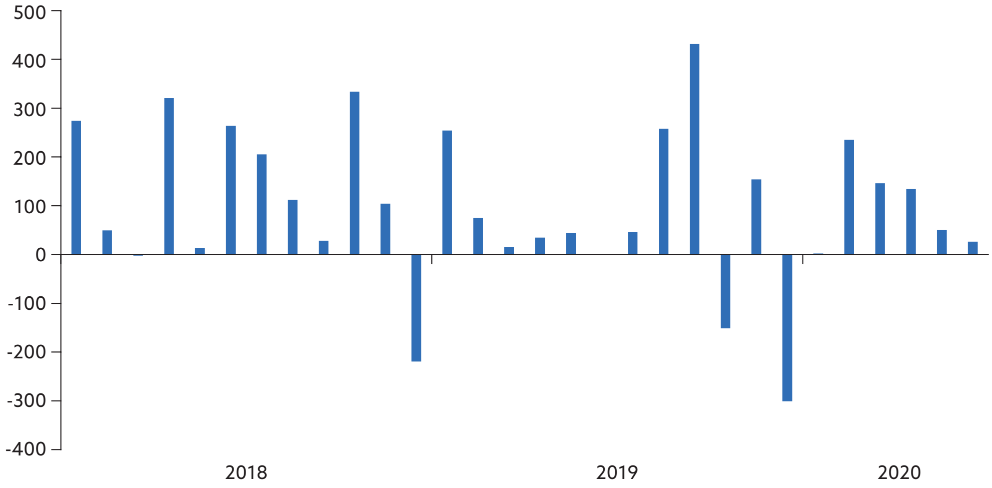
Total loans (annual percentage changes; percentage point contributions)



Sources: ECB, and NBS calculations.

Chart 22

Monthly flows of NFC loans (EUR millions)

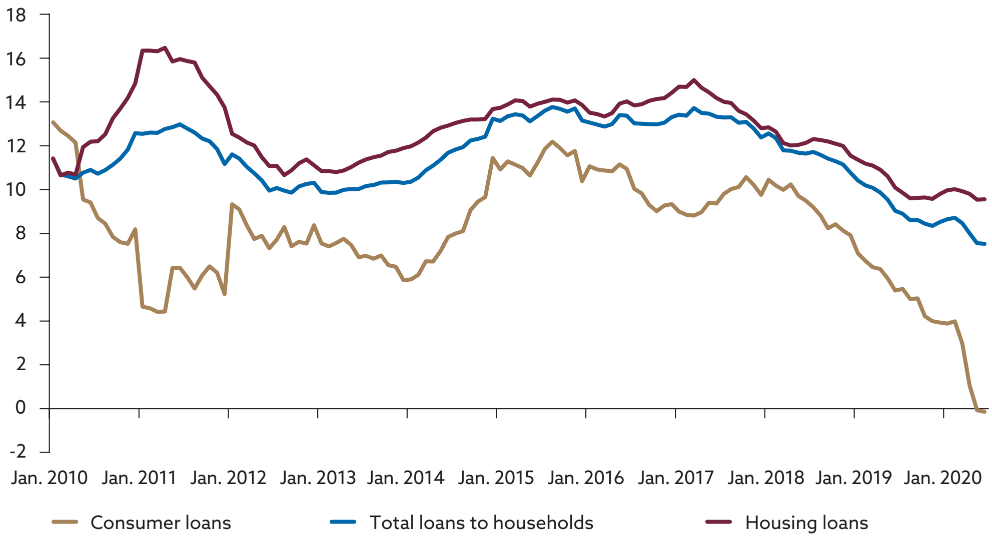


Source: ECB.

Growth in loans to households also slowed in the second quarter (Chart 23). Demand for housing loans continued to hold up, thereby putting upward pressure on property prices. By contrast, demand for consumer loans cooled (Chart 24). The outstanding amount of consumer loans fell by around €137 million in the second quarter. This decline stemmed from deteriorations in the labour market situation and households' expectations, which dampened expenditure on durable consumption goods.

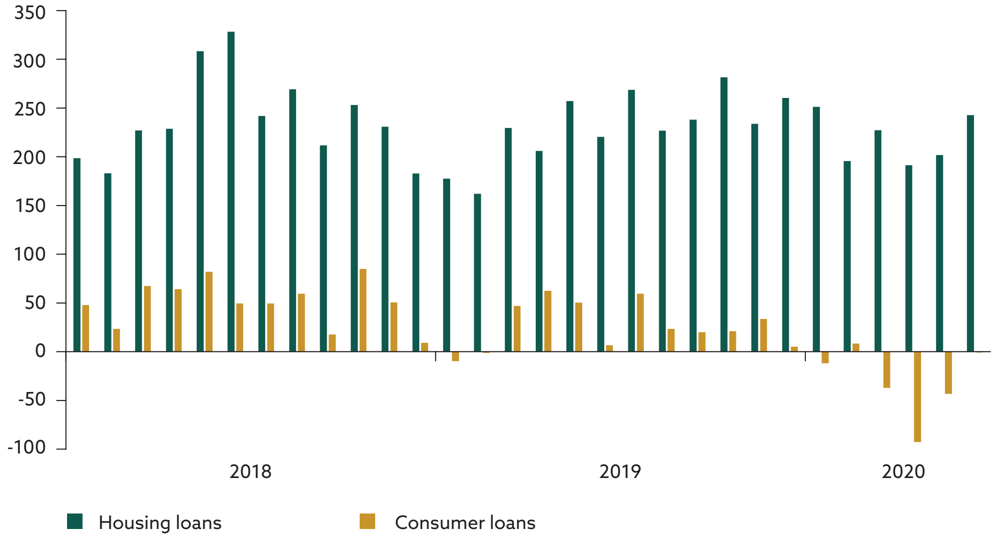
Chart 23

Loans to households (annual percentage changes)



Sources: ECB, and NBS calculations.

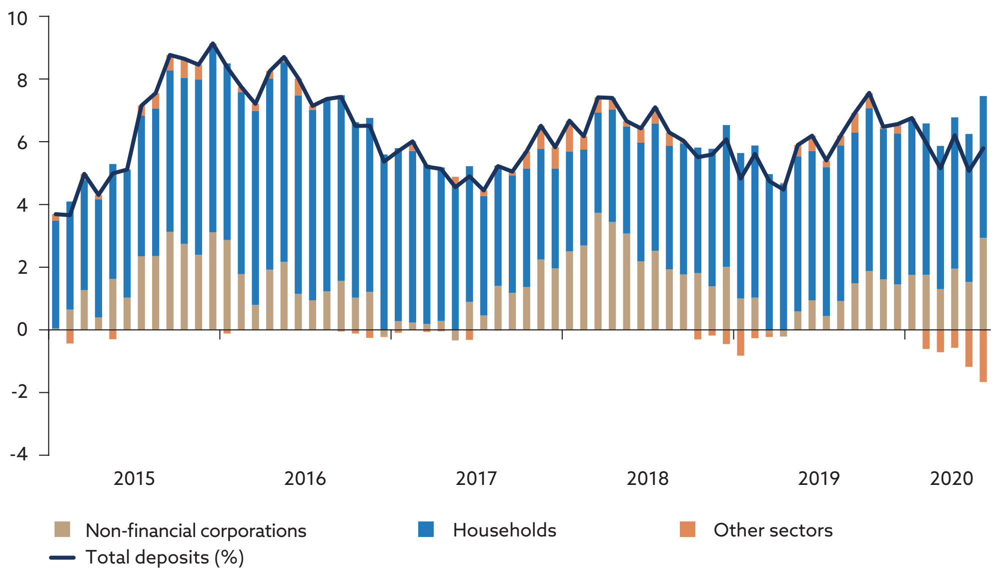
Chart 24
Monthly flows of household loans (EUR millions)



Source: ECB.

Private sector deposit growth accelerated in June in the wake of fiscal measures and the pick-up in economic activity. The annual growth rate of NFC deposits rose to 12.2% in June, its highest level since 2018 (Chart 25). The high degree of uncertainty about the duration of the pandemic's impact and about the situation following the lifting of the measures led firms to rein in their investment activity and to seek to maintain a liquidity buffer. As for household deposits, they came under upward pressure from the increase in household savings caused by the closure of service businesses and from the loan repayment moratorium. At the same time, however, there was downward pressure on these deposits from declines in wages and employment.

Chart 25
Total deposits (annual percentage changes; percentage point contributions)



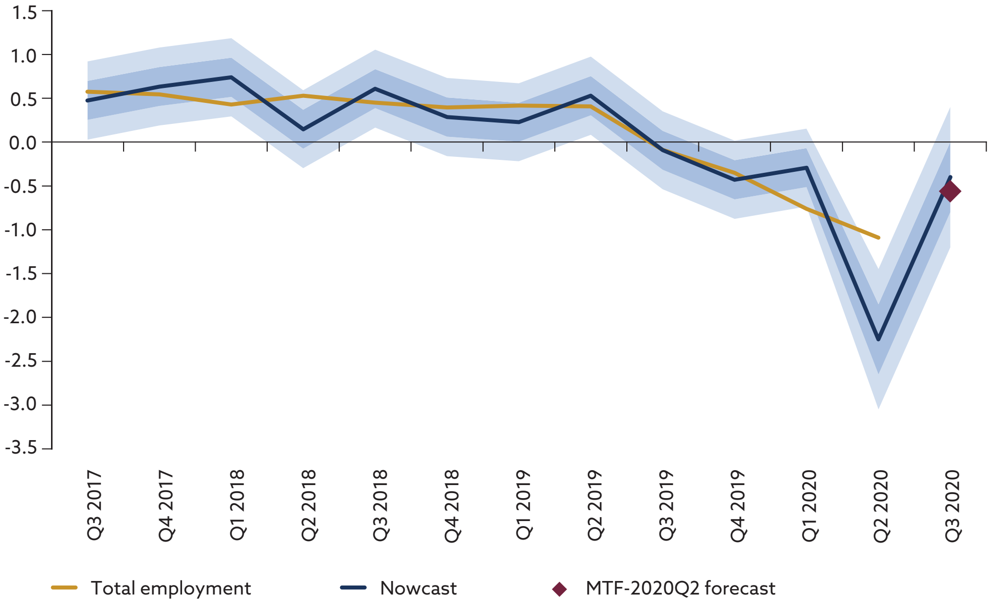
Sources: ECB, and NBS calculations.

4 Indicative impact on the forecast

The nowcast for employment growth (Chart 26) in the third quarter shows a slightly less negative rate than that projected in NBS's June 2020 Medium-Term Forecast (MTF-2020Q2). Owing to the shortage of available data, the nowcast incorporates only those leading indicators that are more informative about probable employment developments in the current quarter.

Chart 26

Nowcast for employment (quarter-on-quarter percentage changes)[8]



Sources: SO SR, and NBS calculations.

8 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.

Overview of main macroeconomic indicators for Slovakia

Table 2 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 jobseekers[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	91.9	8.8	3.8	-2.3	10.3	-3,811	-4.4	51.8	0.9	3.4	1.2848
2013	0.7	1.5	-0.1	-0.8	14.1	15.4	1.6	1.8	88.5	6.4	6.4	1.7	10.3	-2,023	-2.9	54.7	1.9	3.9	1.3281
2014	2.8	-0.1	-3.5	1.4	12.8	14.3	3.0	2.3	99.7	2.5	7.7	1.9	13.2	-2,923	-3.1	53.5	1.1	3.6	1.3285
2015	4.8	-0.3	-4.2	2.0	11.5	13.1	6.8	7.6	100.8	11.5	10.7	7.3	13.1	-1,933	-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	102.2	6.1	10.2	4.2	13.3	-980	-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	3.9	103.6	7.8	10.5	7.8	12.4	-1,220	-1.0	51.3	-1.9	0.7	1.1297
2018	3.9	2.5	5.0	2.0	5.4	6.6	4.4	6.0	100.5	5.1	9.4	8.2	10.7	-1,182	-1.0	49.4	-2.6	-0.2	1.1810
2019	2.4	2.8	2.5	1.2	5.0	6.1	0.5	0.4	96.3	6.8	7.2	4.4	8.5	-2,201	-1.3	48.0	-2.9	-0.8	1.1195
2019 Q3	1.5	3.0	1.8	1.0	4.9	6.0	-2.9	-2.9	96.5	6.0	7.5	7.1	8.6	-	-0.9	47.8	-5.1	-3.1	1.1119
2019 Q4	2.1	3.1	0.9	0.7	5.0	6.1	-4.7	-4.0	97.0	6.8	7.2	4.4	8.5	-	-3.4	48.0	-2.4	-0.3	1.1071
2020 Q1	-3.7	2.9	2.5	-0.5	5.0	6.1	-7.4	-4.2	97.6	5.7	6.7	4.5	8.5	-	-3.1	49.3	-4.0	-2.9	1.1027
2020 Q2	-12.1[5]	2.0	0.3	-2.6[5]	7.2	7.9	-28.1	-20.8	61.9	7.2	6.3	5.2	7.5	-	.	.	.	.	1.1014
2019 Aug.	-	3.0	1.9	-	4.9	6.0	-8.2	-6.0	97.1	5.4	6.7	5.1	8.6	-213	-	-	-	-	1.1130
2019 Sep.	-	3.0	1.3	-	4.9	6.0	-2.2	-1.6	99.4	6.0	7.5	7.1	8.6	-202	-	-	-	-	1.1000
2019 Oct.	-	2.9	-0.1	-	4.9	6.1	-3.8	-3.0	94.3	7.8	6.6	4.5	8.4	242	-	-	-	-	1.1050
2019 Nov.	-	3.2	1.2	-	5.0	6.1	-3.9	-5.5	100.5	7.0	6.5	4.8	8.3	-212	-	-	-	-	1.1050
2019 Dec.	-	3.2	1.7	-	4.9	6.1	-7.0	-3.4	96.2	6.8	7.2	4.4	8.5	-391	-	-	-	-	1.1110
2020 Jan.	-	3.2	2.4	-	4.9	6.0	0.5	0.6	98.9	7.4	6.3	3.1	8.7	-95	-	-	-	-	1.1100
2020 Feb.	-	3.1	2.9	-	5.0	6.1	-1.7	-0.2	97.2	6.7	6.7	3.9	8.7	-626	-	-	-	-	1.0910
2020 Mar.	-	2.4	2.1	-	5.2	6.3	-19.7	-12.4	96.7	5.7	6.7	4.5	8.5	-824	-	-	-	-	1.1060
2020 Apr.	-	2.1	1.3	-	6.7	7.5	-42.0	-31.9	55.1	7.1	6.6	5.0	8.0	-874	-	-	-	-	1.0860
2020 May	-	2.1	-0.6	-	7.3	8.0	-33.3	-25.2	59.0	6.4	6.5	5.1	7.6	-717	-	-	-	-	1.0900
2020 June	-	1.8	0.0	-	7.4	8.2	-8.6	-4.9	71.6	7.2	6.3	5.2	7.5	-774	-	-	-	-	1.1250
2020 July	-	1.8	.	-	7.6	8.4	.	.	83.3	.	.	.	.	77	-	-	-	-	1.1460

Sources: Statistical Office of the Slovak Republic, MF SR, 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.
5) Flash estimate Statistical Office of the Slovak Republic.

More detailed time series for selected macroeconomic indicators
http://www.nbs.sk/_img/Documents/_MonthlyBulletin/2020/StatisticsMB0820.xls