1 Macroeconomic developments

1.1 THE EXTERNAL ECONOMIC ENVIRONMENT

1.1.1 Global trends in output and prices

Global economic growth remained solid in 2018. According to IMF estimates, world GDP growth slowed only slightly, from 3.8% in 2017 to 3.7%.[1] But in contrast to the previous year, when the expansion was strong and highly synchronised throughout the year, the second half of 2018 saw the start of economic deceleration and signs of lower business cycle synchronisation. The global economy remained afflicted by trade tensions between the United States and China, with both sides putting up new tariff barriers. At the same time, uncertainty continued to surround the question of the future post-Brexit arrangements between the United Kingdom and the European Union. These factors may also have contributed to a slowdown in global trade. Economic developments were further affected by geopolitical uncertainty in emerging market economies, as well as by concerns about the ability of these countries to adapt to the implications of monetary policy normalisation in advanced economies. Overall financial conditions remained favourable, though the weakening of global growth accentuated stock market volatility, particularly towards the end of the year.

As regards advanced economies, Japan experienced a significant economic slowdown in 2018. Its strongly export-oriented economy was hurt by a decline in foreign demand, stemming from weaker GDP growth in China and from the US–China trade dispute. Japan's export performance was also dampened by adverse weather conditions and natural disasters at home. Domestic demand, underpinned by favourable employment developments, supported the economy. In the euro area, too, GDP growth moderated in 2018, particularly in the second half of the year when the car industry's performance was subdued by a temporary factor – the need to adapt to new emission standards. Meanwhile, a deterioration in economic sentiment indicators across countries and sectors implied a more prolonged impact of adverse factors on the economy. Continuing monetary policy accommodation supported investment demand growth, but did not boost household consumption growth, which was lower in 2018 than in the previous year. Export growth also eased, resulting in a decline in net exports' contribution to GDP growth. The UK's economic growth in 2018 was its weakest since the global financial crisis. GDP growth was dented significantly by the uncertainty surrounding the future trade relations between the UK and the European Union, which weighed on consumer confidence and consequently on household consumption. The effect of the Brexit uncertainty on the UK in 2018 was also evident in stagnating investment demand and weaker foreign trade. But despite mounting concerns about the economic impact of a possible no-deal Brexit, the Bank of England increased its base rate in 2018, justifying the further monetary policy tightening as appropriate in order to return inflation to its target level. In the United States, the economy was aided significantly by strong labour market figures, improving consumer confidence, and fiscal stimulus. On the other hand, the import tariffs aimed at addressing long-running trade deficits, in particular with China, did not have a significant impact on the US economy. The tax reform benefiting higher-income households is expected to have supported demand for imports, which maintained the same robust growth observed in the previous year. Import may also have been boosted by firms' stocking up ahead of the imposition of tariffs. The result was the United States' highest trade deficit in ten years. The process of normalising US monetary policy continued in 2018, as the Federal Reserve responded to strong consumer price inflation by raising the target range for the federal funds rate on four occasions.

Turning to emerging market economies, China's annual GDP growth in 2018 was its lowest since 1990. Nevertheless, its performance over the whole year exceeded the politically set target for 2018. The slowdown is likely to have reflected the effects of China's trade dispute with the United States as well as the country's efforts to rein in credit growth and the weakening of industrial production growth related to anti-pollution

1 *World Economic Outlook Update, January 2019.*

measures. Growth also moderated in the Chinese construction sector, implying a dampening of investment demand. Likewise, the country's lower retail trade growth in 2018 indicates a softening of private consumption growth. Brazil's economic growth, underpinned by domestic demand, was the same in 2018 as in the previous year. A combination of lower interest rates and reforms supported a relatively strong pick-up in investment, which increased for the first time in five years. India contributed positively to global economic growth in 2018, becoming the fastest-growing G20 economy. Investment growth accelerated on back of increasing capacity utilisation, a recovery of corporate profits, and the recapitalisation of state-owned banks. Private consumption also had a positive impact on India's GDP growth, accelerating despite monetary policy tightening and an increase in the unemployment rate. On the other hand, net trade had a dampening effect on growth, as the increase in export growth was not enough to offset the continuing strength of import growth. Russia's GDP growth recorded a six-year high in an environment of rising oil prices and favourable labour market developments. Net trade contributed positively to the growth, with export growth accelerating and import growth slowing significantly due to the rouble's substantial depreciation. Domestic demand also had positive impact on GDP growth, both through large investment projects in the oil and gas industry and through increased public expenditure related to the country's hosting of the 2018 FIFA World Cup. Looking ahead, Russia's economic activity growth is expected to moderate as oil output is reduced under the terms of an agreement between OPEC members and non-OPEC oil producers. The Russian economy may also be adversely affected by sanctions and weak consumer confidence.

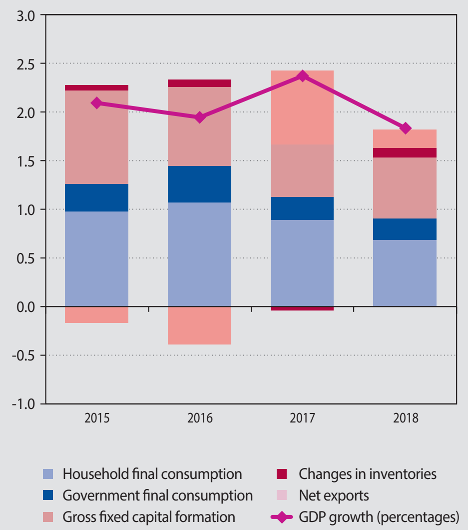
Global consumer price inflation accelerated in 2018, showing responsiveness to energy commodity prices. The global inflation rate therefore reflected developments in energy inflation, which on average was higher in 2018 than in the previous year. Food prices also had an upward impact on headline inflation. Across advanced economies, the average annual inflation rate increased to 2.0% in 2018, from 1.7% in 2017, with core inflation also rising. The headline inflation rate for emerging market economies accelerated from 4.3% in 2017 to 4.9%.

The global commodity price index increased in 2018. The increase in the energy commodity component included a year-on-year rise of more than 30% in the average oil price, which reflected the impact of the US–China trade dispute, the Venezuelan economic crisis, the United States' withdrawal from the Iran nuclear deal and its subsequent imposition of sanctions on that country, and the adherence of OPEC members and Russia to their production restraint agreement. Non-energy commodity prices also increased, but more slowly compared with 2017. Inflation in overall non-energy commodity prices was dampened by food commodity prices, which declined, on average, owing to overproduction and rising inventories.

1.1.2 The euro area

The euro area's annual GDP growth slowed appreciably in 2018, to 1.8%, down from 2.4% in 2017. Net exports had the largest dampening effect on activity growth, with export growth falling sharply, year on year, owing to weaker global trade and rising protectionism. Import growth also moderated, but to a lesser extent. Private consumption made the largest positive contribution to GDP growth despite its growth rate easing, too. Consumer demand was supported by labour market developments, as well as by favourable financing conditions. These also bene-

Chart 1 Euro area GDP and its components (annual percentage changes; percentage point contributions)

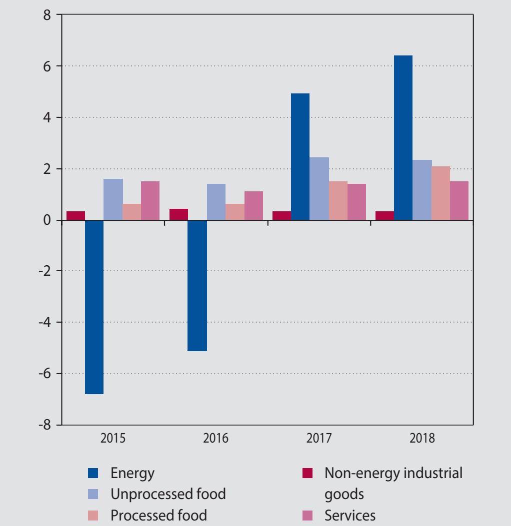


Source: Eurostat.

fited investment, as did the pick-up in firms' profitability. Besides being affected by geopolitical developments and weakening global trade, the euro area's overall economic trends in 2018 reflected the impact of temporary factors, including adverse weather conditions in the first half of the year and new emission standards in the car industry in the second half of the year. The labour market continued to recover in 2018, and by December the unemployment rate was at its lowest level (7.8%) since October 2008 (having decreased from 8.6% in January 2018).

The euro area's average annual HICP inflation was 1.8% in 2018, 0.3 percentage point higher than in the previous year. The headline inflation rate was accelerating moderately until May 2018 and then fluctuated around 2% until November, before dropping to 1.5% in December. Among HICP components, energy commodity prices had the largest impact on the inflation rate over the year as a whole, with energy prices coming under strong upward pressure until October and moderating over the last two months. Food price inflation eased at the end of the year, while core inflation (HICP inflation excluding energy and unprocessed food), after accelerating slightly in May, remained, on average, at lower levels in the second half of the year. Average core inflation was 1.2% for 2018 (up from 1.1% in 2017).

Chart 2 Contributions of components to HICP inflation (percentage points)



Source: Eurostat.

The euro's exchange rate against the US dollar was on a depreciating trend in 2018. After fluctuating in the first quarter, the euro weakened appreciably in April and May; thereafter, until the year-end, it tended to depreciate gradually while also experiencing bouts of volatility. The exchange rate's movement reflected the impact of monetary policy settings in major world economies and geopolitical developments, as well as outlooks for euro area GDP growth and inflation. In its trading against the US dollar, the euro was around 5% weaker at the end of 2018 than at the start of the year.

1.2 MACROECONOMIC DEVELOPMENTS IN SLOVAKIA

Slovakia's annual GDP growth accelerated to 4.1% in 2018 (from 3.2% in 2017), driven by domestic demand in the form of increasing investment and consumption.

The labour market situation supported economic growth. Employment as defined in the ESA 2010 increased by 2.0% year on year (after increasing by 2.2% in 2017), with most of the new jobs being added in the industry and trade sectors. The unemployment rate decreased to an all-time low of 6.5% at the end of 2018 (from 8.1% a year earlier). Average annual nominal wage growth increased to 6.2% in 2018 (from 4.6% in 2017). The sectors reporting the strongest wage growth were public administration and defence, trade, industry, health care, and construction.

In the balance of payments for 2018, the current account showed a deficit of €2.2 billion (after a deficit of €1.7 billion in 2017), with the deterioration caused mainly by a decline in the trade surplus.

Average annual HICP inflation accelerated to 2.5% in 2018 (from 1.4% in 2017), owing mainly to increases in the energy and services components.

1.2.1 Prices

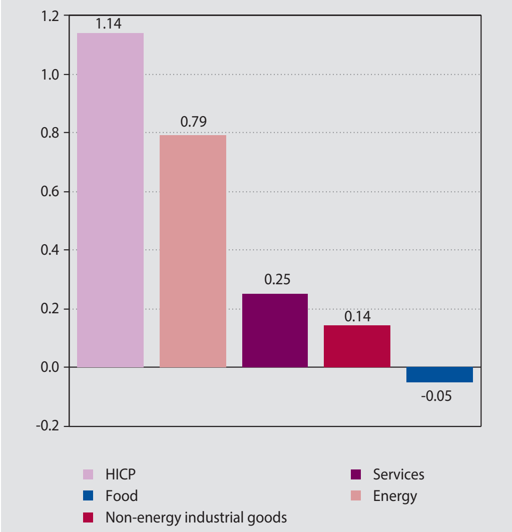
Annual HICP inflation in Slovakia increased from 1.4% in 2017 to 2.5% in 2018, owing mainly to commodity price movements and demand-pull inflation.

Euro oil prices increased by 25% year on year, and their growth passed immediately through to domestic motor fuel prices. This did not, however, contribute to the increase in headline inflation, since the inflation in motor fuel prices in 2018 was similar to that in 2017. Energy prices had an upward impact on the headline rate, following increases in administered prices of gas, electricity and heat – prices which in the previous year had fallen quite sharply.

The acceleration of demand-pull inflation during 2018 reflected labour market developments and the impact of external factors on import prices, as well as changes in the methodology used to measure the price level. Imported inflation, wage growth, and household final consumption expenditure had a moderate upward impact on non-energy industrial goods inflation. The acceleration of services inflation continued to be supported by labour market dynamics, as well as by a marked increase in the weight of air fares in the consumption basket.

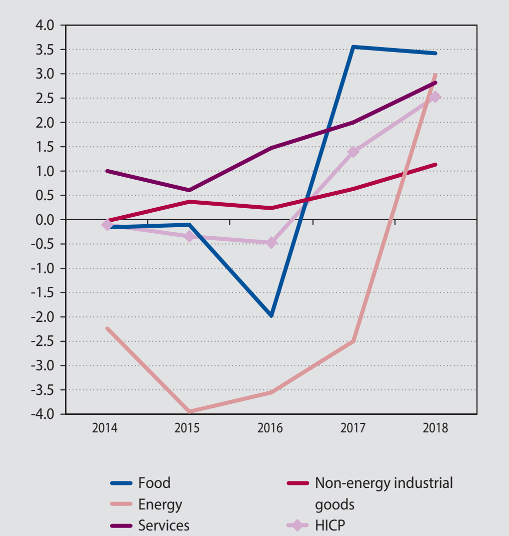
Food price inflation outpaced headline inflation for a second successive year, but its rate of 3.4% in 2018 was not enough to contribute to the acceleration in the headline rate. The relatively high food inflation, especially in the first three quarters, continued to reflect the impact of a previous supply shock (a significant rise in prices of dairy products and eggs). Food inflation slowed sharply in the last quarter as the effect of that shock faded, and its decline was further supported by a downward trend in fruit prices.

Chart 4 Contributions of components to the acceleration of the HICP inflation rate between 2017 and 2018 (percentage points)



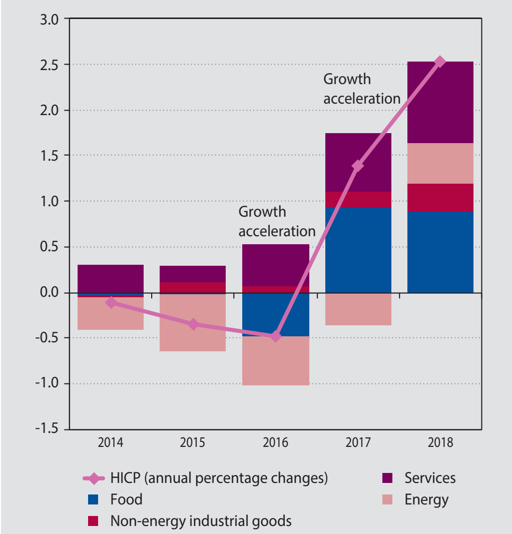
Sources: SO SR and NBS calculations.

Chart 3 HICP components (annual percentage changes)



Sources: SO SR and NBS calculations.

Chart 5 HICP and its components (percentage point contributions unless otherwise stated)



Sources: SO SR and NBS calculations.

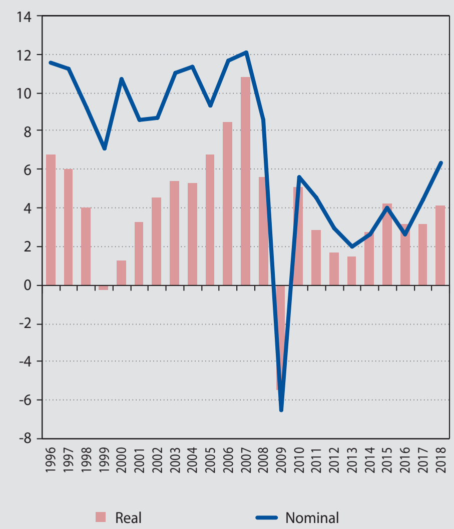
1.2.2 Gross domestic product

Slovakia's real gross domestic product (GDP) increased, year on year, by 4.1% in 2018 (after rising by 3.2% in 2017). This acceleration was driven by domestic demand, with increases in both investment and household consumptions. Nominal GDP for the year was €90.2 billion, 6.3% higher compared with 2017. The GDP deflator also increased, by 2.2% year on year (1.3% in 2017), under upward pressure from gradual increases in consumer prices, producer prices, and foreign trade prices.

GDP – the expenditure measure

Domestic demand increased, year on year, by 4.2% in 2018, which represented a considerable improvement on its rise of 2.6% in the previous year. Its growth was driven mainly by investment demand, with fixed investment growth accelerating to 6.8%. There was major investment in the automotive industry related to the roll-out of new production. The general government sector also contributed positively to domestic demand growth, thanks to rising absorption of EU funds, particularly later in the year. The financial corporations sector was the only sector in which investment was lower compared with the previous year. Net exports made a slightly negative contribution to annual GDP growth, as import growth (5.3%) was higher than the growth in exports of goods and services (4.8%).

Chart 6 Real and nominal GDP (annual percentage changes; constant prices)



Source: SO SR.

The favourable labour market situation in 2018 translated into higher household disposable income growth and subsequently into high household consumption. The increase in household consumption was slightly lower year on year, owing mainly to higher inflation. With their incomes rising, households were able to increase their spending on goods and services other than necessities such as food, housing and transport. The increase in household consumption included growth in spending on furniture and equipment, on recreational and cultural activities, and on restaurants and hotels. Yet even while their consumption grew, households managed to increase their savings in 2018, and the sector's saving ratio continued to rise.

The year-on-year increase in Slovakia's exports of goods and services moderated to 4.8% in 2018, amid a gradual slowdown in foreign demand growth. Export growth was driven mainly by car producers, which were expanding production capacities and gaining market shares by dint of making cars that complied with new emission standards. Their efforts were not enough, how-

Table 1 GDP based on the expenditure approach (annual percentage changes; constant prices)

	2017	2018				
	Q1–Q4	Q1	Q2	Q3	Q4	Q1–Q4
Gross domestic product	**3.2**	3.7	4.5	4.6	3.6	**4.1**
Final consumption of households and non-profit institutions serving households	**3.5**	3.5	2.0	3.1	3.4	**3.0**
Final consumption of general government	**1.7**	1.2	0.7	1.6	3.8	**1.9**
Gross fixed capital formation	**3.4**	8.1	18.5	-5.7	9.0	**6.8**
Exports of goods and services	**5.9**	1.3	7.6	5.6	4.7	**4.8**
Imports of goods and services	**5.3**	1.1	6.6	5.4	7.8	**5.3**

Source: SO SR.

ever, to prevent a slowdown in overall export growth, which was dampened by falling exports among auto parts suppliers (hurt by the impact of the same emission standards) and in other sectors, such as manufacturing of electrical equipment. Towards the year-end, the positive impact of carmakers was gradually fading and the slowdown in foreign demand growth began having a greater impact. Imports of goods and services were boosted by increases in investment and in consumption demand.

Export performance as measured by the export-to-GDP ratio increased, year on year, by 0.4 percentage point in 2018, to around 97.2%. Import intensity increased by a moderately higher 1.3 percentage points. As for the openness of the Slovak economy, measured by goods and services exports and imports as a percentage of GDP, it rose by 1.7 percentage points, to 192.3%.

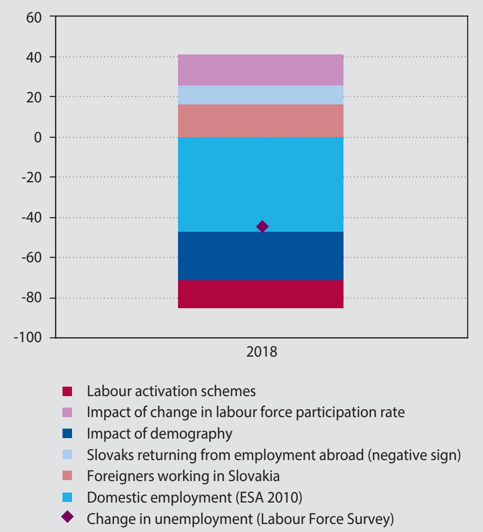
1.2.3 Labour market

Slovakia's labour market indicators in 2018 reflected the impact of relatively strong economic growth. Average annual wage growth surged as labour demand remained high and was putting upward pressure on wages in several sectors. A further boost to overall wage growth came from a statutory increase in wage premia for night, weekend and public holiday work; it was in force from May 2018. Employment growth moderated slightly, but nevertheless was relatively elevated. The unemployment rate fell sharply, ending the year at a historical low.

Employment

Employment as defined in the ESA 2010 increased in 2018 by 2.0% year on year or around 47,600 in headcount terms (after rising by 2.2% in 2017). The sectors that contributed most to that growth were industry and trade. There was also robust job growth in the construction sector. Public sector employment[2] growth was the same in 2018 as in 2017 (1.3%), and the strongest job growth within the public sector was in health care. The number of Slovak citizens working abroad decreased for a second successive year, this time by 6.5% year on year (or around 9,700). On the other hand, the number of foreigners working in Slovakia increased by around 15,900 in 2018. These facts, together with a rising labour force participation rate, were to some extent easing tightness in the labour market.

Chart 7 Contributions of key labour market variables to the change in unemployment (number of persons)



Sources: SO SR and NBS calculations.

Unemployment

According to the Labour Force Survey (LFS), the number of unemployed in 2018 was lower, year on year, by 20% or around 44,000; thus, the unemployment rate dropped by 1.6 percentage points, to an all-time low of 6.5%. As for the registered unemployment rate (based on labour office data), its average level in 2018 was 5.4%, 1.7 percentage point lower than in 2017. The unemployment rate fell partly because demand for labour was increasing and partly because the economically active population declined sharply, after falling in the previous year, too. The long-term unemployment rate also recorded a notable drop in 2018.

Wages and labour productivity

Slovakia's average annual nominal wage growth accelerated to 6.2% in 2018, and the average nominal wage increased to €1,013. The sectors recording the strongest wage growth were public administration and defence (8%), trade (7.8%), industry (7%), health care (7.1%), and construction (6.4%). The increase in wage growth may be attributed to the labour market situation, with several sectors continuing to experience labour shortages and resulting wage competition among employers. Owing to the year-on-year increase in the price level, real wage growth was lower than nominal wage growth in 2018, at

2 *Including also the health care and education sectors.*

Table 2 Labour market indicators

	2017	2018				
	Q1–Q4	Q1	Q2	Q3	Q4	Q1–Q4
Nominal wages (index)	4.6	6.5	6.4	6.1	5.8	6.2
Real wages (index)	3.3	4.1	3.5	3.3	3.5	3.6
Nominal compensation per employee – ESA 2010 (index)	5.2	5.4	5.6	5.3	5.5	5.4
Labour productivity – GDP per person employed (index; current prices)	2.2	3.5	4.8	5.0	3.5	4.2
Labour productivity – GDP per person employed (index; constant prices)	1.0	1.4	2.3	2.7	1.8	2.1
Employment – ESA 2010 (index)	2.2	2.2	2.1	1.9	1.7	2.0
Unemployment rate – LFS[1] (percentage)	8.1	7.1	6.6	6.4	6.1	6.5
Nominal unit labour costs (ULCs)[2]	4.2	3.9	3.2	2.6	3.7	3.3

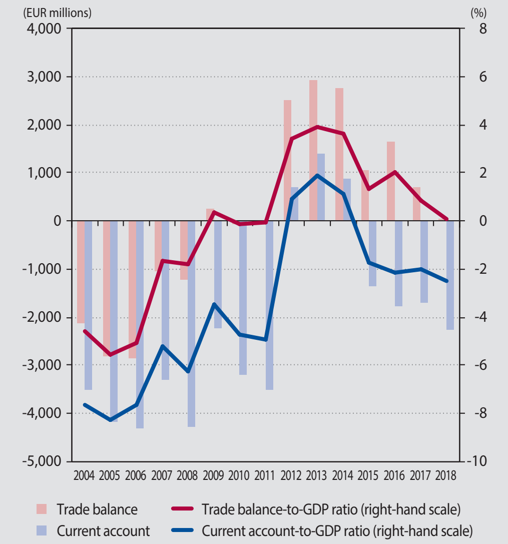
Source: SO SR and NBS calculations.
1) Labour Force Survey.
2) Ratio of compensation per employee growth at current prices to labour productivity growth (ESA 2010) at constant prices.

3.6%. As for nominal labour productivity (GDP per person employed), its rate of increase picked up in 2018 on the back of stronger economic growth, and although it still lagged behind wage growth, the gap was lower compared with the previous year.

1.2.4 Financial results in the non-financial corporation sector

According to data from the Statistical Office of the Slovak Republic (SO SR), non-financial corporations (NFCs) in Slovakia made a total profit of €11.1 billion in 2018, which represented a year-on-year increase of 8.6% (after a drop of 2.2% in 2017). The highest profit growth was in the following sectors and sub-sectors: wholesale and retail trade (17.7%); real estate brokerage (17.8%); information and communication (21.4%); and manufacture of motor vehicles (6.7%). By contrast, the sectors that recorded the largest declines in profit were electricity, gas and steam supply (4.0%) and the chemical industry (16.3%).

Chart 8 Current account balance and trade balance



Sources: SO SR and NBS calculations.

1.2.5 Balance of payments

Current account

In Slovakia's balance of payments for 2018, the current account showed a deficit of €2.2 billion, which was €0.5 billion higher than the deficit in 2017 owing mainly to a decline in the trade surplus. The ratio of the current account deficit to GDP (at current prices) increased by 0.5 percentage point year on year, to 2.5%.

The services balance surplus was almost the same in 2018 as in 2017, only marginally lower owing to an increase in freight payments. The primary income deficit was reduced, year on year, by an increase in the absorption of EU funds and, to a lesser extent, by higher interest income.

The capital account surplus increased significantly, year on year, owing to the higher absorption of EU funds.

Table 3 Current account and capital account balances (EUR billions)

	2017	2018
Goods	0.7	0.0
Exports	71.5	76.4
Imports	70.8	76.4
Services	0.9	0.8
Primary income balance	-2.0	-1.8
Secondary income balance	-1.3	-1.2
Current account	**-1.7**	**-2.2**
Current account-to-GDP ratio (percentage)	-2.0	-2.5
Capital account	**0.8**	**1.4**

Sources: SO SR and NBS calculations.

Financial account

The balance of payments financial account recorded a net inflow of €1.9 billion, which was €0.3 billion lower than the inflow in 2017.

In the direct investment balance of the financial account, the impact of the inflow from non-residents' equity investments was offset by the outflow of debt capital arising from firms' economic activity. The changes in the portfolio investment balance in 2018 were affected by NBS's investment policy, as purchases of foreign securities translated into an increase in assets and a substantial overall outflow in the balance. The inflow in the other investment balance stemmed mainly from developments in short-term loans (repo transactions) in the central bank (NBS) sector.

Table 4 Financial account balance (EUR billions)

	2017	2018
Direct investment	-1.7	-0.2
Portfolio investment and financial derivatives	1.0	3.5
Other investment	-2.0	-6.6
Reserve assets	0.5	1.4
Financial account	**-2.2**	**-1.9**

Source: NBS.
Note: The figures for the financial account balances are shown in net terms (assets minus liabilities), with a positive value denoting a net outflow and a negative value denoting a net inflow.

External debt of Slovakia

Slovakia's balance of payments transactions in 2018 resulted in its external debt increasing by €8.0 billion (from €94.2 billion to €102.2 billion). According to preliminary data, the country's ratio of gross external debt to GDP (at current prices) in 2018 was 113.3%, which was 2.3 percentage points higher than the figure for 2017 (111.0%). The ratio of short-term external debt to gross external debt increased by 1.3 percentage points in 2018, to 50.1%. Debt per capita rose by €1,489 in 2018, to €18,931 as at the year-end.

Nominal and real effective exchange rates[3]

The nominal effective exchange rate (NEER) of the euro as measured against the currencies of 15 of Slovakia's most important trading partners increased, year on year, by an average of 0.5% in 2018, after depreciating by 0.2% in the previous year. This increase was largely attributable to the impact of the euro's appreciation vis-à-vis the Russian rouble, Hungarian forint and Chinese renminbi, which in each case stood at 0.2 percentage point. The NEER's appreciation was dampened only by the euro's year-on-year weakening against the Czech koruna, which had a negative impact of 0.3 percentage point. The depreciation vis-à-vis the koruna was a consequence of the decision of the Czech central bank to end its exchange rate floor policy. The floor, which was set at 27 Czech koruna and lasted until 6 April 2017, was an additional instrument for easing monetary policy, and its discontinuance was followed by the koruna's gradual appreciation up to the levels near which it stayed during 2018.

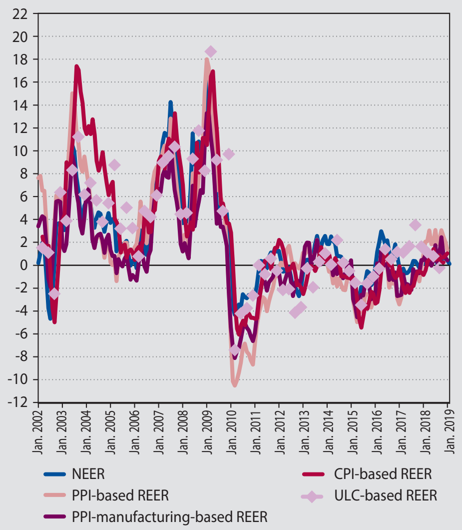
Looking at the real effective exchange rate (REER) based on the producer price index in manufacturing (PPI-manufacturing-based REER), it increased in 2018 by an average of 0.8% year on year, after falling by 1.3% in the previous year. The appreciation of the REER was greater than that of the NEER owing to positive inflation differentials vis-à-vis Slovakia's most important trading partners. The largest differentials were those against the Czech Republic (1.4 percentage point), Italy (1.3 percentage point), Germany (1.2 percentage point) and South Korea (1.0 percentage point). After taking into account trading partners' weights in the REER, the inflation differentials that had the largest positive impact on the REER's appreciation in 2018 were those

3 The methodology used to calculate the effective exchange rate is published on the NBS website at http://www.nbs.sk/_img/Documents/_Statistika/VybrMakroUkaz/EER/NEER_REER_Metodika.pdf.

with Germany (with an impact of 0.3 percentage point), the Czech Republic (0.2 percentage point), and Italy (0.1 percentage point). The joint impact of the nominal exchange rate and inflation differential vis-à-vis a given trading partner is captured by the bilateral real exchange rate (RER) with that country. The RERs that had the largest positive impact on the REER's appreciation in 2018 were those vis-à-vis Germany (0.3 percentage point), China, South Korea, Russia, the United States, Italy and France (each 0.1 percentage point), while the RER vis-à-vis the Czech Republic made the largest negative contribution (-0.2 percentage point). With the REER's estimated equilibrium path still appreciating (due largely to equilibrium labour productivity growth being higher in Slovakia than in its trading partners), the year-on-year rate of increase in the REER's undervaluation continued to moderate in 2018, despite the REER's appreciation. The REER's undervaluation continued to support the price competitiveness of domestic firms and enabled a return to growth in Slovakia's market share (measured as the ratio of exports to foreign demand).

The REER based on unit labour costs (ULC-based REER) increased in the first three quarters of 2018 by an average of 0.6% year on year. The RERs contributing most to that appreciation were those vis-à-vis the United States (with an impact of 0.3 percentage point), Germany, Poland and South Korea (each 0.2 percentage point). The RER against the Czech Republic had the largest dampening effect on the ULC-based REER, with a contribution of -0.9 percentage point.

Chart 9 Slovakia's NEER and REER (calculated with respect to 15 trading partners; annual percentage changes)



Source: NBS calculations.
Note: Appreciation and depreciation of the NEER and REER indices are denoted by positive figures and negative figures respectively.

2 Eurosystem monetary policy

2.1 Monetary policy operations

In 2018 the European Central Bank (ECB) maintained the accommodative monetary policy stance that it had been pursuing since 2014. Euro area economic trends over the past decade have called for the implementation of several non-standard monetary policy measures, contributing to a marked increase in the European banking sector's liquidity position. At the same time, these measures have supported changes in the liquidity-providing monetary policy operations used by the banking sector. Furthermore, the ECB Governing Council's forward guidance on monetary policy has played an auxiliary but important role in the implementation of that policy.

The Governing Council left the key ECB interest rates unchanged throughout 2018, with the main refinancing rate standing at 0.00%, the marginal lending facility rate at 0.25%, and the deposit facility rate at -0.40%. At its monetary policy meeting in June 2018, the Governing Council enhanced its forward guidance on the key ECB interest rates, saying it expected to keep them unchanged at least through the summer of 2019 and in any case for as long as necessary to ensure the evolution of inflation remained aligned with its expectations of a sustained adjustment path. The more detailed forward guidance on the key interest rates had the effect of keeping market interest rates unchanged for the rest of the year. The overnight interest rate for unsecured deposits remained just above the