NÁRODNÁ BANKA SLOVENSKA
EUROSYSTÉM

Medium-term forecast

Q2
2011

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1 Summary

The medium-term forecast of Národná banka Slovenska (NBS) has been updated to take into account new technical assumptions for the external environment and the latest figures for real economy indicators. This Medium-Term Forecast (MTF-2011Q2) is based on estimates of higher oil prices, high external prices, and slightly stronger external demand. The extent and structure of fiscal consolidation remained unchanged from the previous medium-term forecast (MTF-2011Q1).

GDP growth in the first quarter of 2011 as stated in the flash estimate of the Slovak Statistical Office (SO SR) was higher than projected in MTF-2011Q1. The main cause of this positive development was probably the higher contribution of net exports, a view that is also supported by the available monthly statistics.[1] The stronger economic growth at the beginning of the year is expected to be reflected in higher GDP growth for 2011 as a whole. Likewise, according to the published data, the labour market recovered sooner than expected, largely due to the rise of employment in industry.

The main source of economic growth in 2011 is expected to be net exports, while the contribution of domestic demand to GDP growth is projected to be minimal. Rising external demand is assumed to support further growth in exports of goods and services in 2011. The current improvement in the labour market situation is also passing through to household incomes. As a consequence, households are expected to be able to realise some of their consumption plans in the period ahead without having to dip into savings. Only general government consumption is assumed to make a negative contribution to economic growth, owing to planned reductions in government spending and in the general government deficit. Another effect of fiscal consolidation is expected to be lower government investment. Lower public investment is, however, projected to be fully offset by private sector investment activity, which began to pick up last year. As GDP continues to grow, the labour market situation is expected to show further improvement, with employment growth being accompanied by a gradual decline in unemployment. A further acceleration of consumer price inflation is assumed, given current developments in consumer prices as well as the expected development of commodity prices.

In the medium-term horizon, economic activity is expected to continue growing. The domestic part of the economy should see a gradual recovery, especially in private consumption and fixed investments. The upturn in domestic demand is assumed to be accompanied by a gradual reduction in the contribution of net exports to GDP growth. External demand is, however, expected to have a positive effect throughout the projection horizon. Continuing economic growth is assumed to result also in further improvements in labour market indicators. Consumer price inflation is expected to decelerate in 2012 and 2013, given the fading effects of indirect tax rises and high prices of agricultural commodities and oil.

GDP growth throughout the projection horizon is expected to be slightly higher than forecast in MTF-2011Q1. In the medium-term horizon, foreign trade developments are assumed to be favourable and to have a slightly upward effect on growth in domestic demand, particularly investments. Given current developments in the labour market and the continuing rise in economic activity, we expect higher growth in employment and a sharper decline in the unemployment rate. Inflation growth in 2011 is assumed to be higher than forecast in March, given the movement in consumer prices so far this year. GDP growth in the medium-term horizon, particularly in 2012, is assumed to be stronger, largely due to higher prices of energy (reflecting the rise in oil prices) and services.

The current forecast for GDP remains subject to upside risks in relation to the impact and structure of fiscal consolidation. Another positive risk in the short-term horizon is that foreign trade figures, which were better than projected at the beginning of the year, continue to outperform forecasts in the periods ahead. An upside risk to the GDP growth forecast is that the relatively high savings ratio declines and household consumption increases. In the medium-term

1 The current GDP forecast is based on data from the SO SR's flash estimate for the first quarter of 2011, which includes published data on GDP and employment. Data on the structure and individual components of GDP were not available as at the cut-off date of this forecast.

horizon, however, the prevailing downside risks are that the government implements additional fiscal consolidation measures and that external demand decelerates.

The risks to the inflation forecast for the entire projection horizon appear to be slightly on the upside. In 2011, possible rises in energy prices may have an inflationary effect, while food prices may dampen the inflation rate. If the risks expected in the medium-term horizon were to materialise, they would push up inflation due to the labour market recovering more quickly and to external inflation. In contrast, lower than expected external demand could have a dampening effect on inflation.

2 Technical assumptions and the international environment

The technical assumptions for the medium-term forecast as well as developments in the international economy were taken from the Eurosystem's June forecast (Eurosystem Staff Macroeconomic Projections for the Euro Area).[2]

The technical assumptions about interest rates and commodity prices are based on market expectations, with a cut-off date of 18 May 2011. The average level of short-term interest rates is expected to be 1.6% for 2011 and 2.3% for 2012. The market expectations for euro area ten-year nominal government bond yields imply an average level of 4.5% in 2011 and 4.8% in 2012. Regarding financing conditions, the baseline projection assumes that bank lending rate spreads vis-à-vis short-term interest rates will narrow slightly. Spreads vis-à-vis long-term rates are assumed to increase gradually, following their marked contraction in 2010, and to have returned to a level in line with their historical average by the end of the projection horizon. As regards commodity prices, the price of a barrel of Brent crude oil is assumed to average USD 111.1 in 2011 and USD 108.0 in 2012. The prices of non-energy commodities in US dollars are assumed to rise sharply in 2011 and to continue increasing in the following year, albeit at a far slower pace. The bilateral EUR/USD exchange rate is assumed to remain unchanged over the projection horizon at the average level prevailing in the ten-working day period ending on the cut-off date. This implies an exchange rate of EUR/USD 1.42 in 2011 and EUR/USD 1.43 in 2012, and an effective exchange rate of the euro that, on average, appreciates by 0.8% in 2011 and by 0.4% in 2012.

Compared with the projections published in March, the June projections assume a higher level of oil prices. Their impact in euro terms is, however, expected to be dampened somewhat by the euro's stronger exchange rate against the dollar. By contrast, the rise in prices of non-energy commodities is assumed to be more moderate (especially in 2011) than stated in the previous projections.

The recovery in the global economy is becoming increasingly self-sustained, although substantial differences between different economies persist. Whereas several emerging economies are subject to overheating pressures, advanced economies are growing at a slower pace, reflecting the need for balance-sheet restructuring. In 2011, global economic growth may be affected by bad weather, a more restrictive fiscal policy in the United States, and the natural disaster in Japan, as well as the political unrest in the Middle East and North Africa. World GDP growth outside the euro area is projected to increase from 4.5% in 2011 to 4.7% in 2012. Compared with the previous projections, the growth forecasts for 2011 and 2012 are, respectively, slightly lower and higher. The estimated of growth in the euro area's export markets has been revised upwards

Table 1 Technical assumptions

	Published in	Projection for	
		2011	2012
Oil (USD/barrel)	March 2011	101.3	102.4
	June 2011	111.1	108.0
Non-energy commodities (annual percentage chenges)	March 2011	27.5	1.0
	June 2011	20.4	1.2
USD/EUR exchange rate	March 2011	1.37	1.37
	June 2011	1.42	1.43

Source: ECB.

2 *More detailed information about the ECB projections is available at www.ecb.int*

throughout the projection horizon (particularly in 2011), to stand at 8.3% this year and 7.9% in 2012. The NBS forecast for 2013 assumes a continuing decline in oil prices, a moderate rise in non-energy commodity prices and an ongoing recovery in the global economy.

3 Medium-term forecast for the euro area

GDP growth is likely to moderate in the second to fourth quarters of 2011, after recording relatively strong growth in the first quarter of 2011 – partly due to the recovery of construction production from its weather-related weakness in the last quarter of 2010. Domestic demand is projected to contribute increasingly to GDP growth over the projection horizon, as a result of monetary-policy measures as well as financial system support. The rise in domestic demand will, however, probably be dampened by the need to repair balance sheets in particular economic sectors. Private consumption growth is projected to be subdued in 2011 as rising commodity prices adversely affect real disposable income growth. External trade is expected to make a declining, but still positive, contribution to real GDP growth. With real GDP growth expected to exceed the estimated level of potential economic growth over the projection horizon, the negative output gap is assumed to narrow.

Following the relatively strong GDP growth in the first quarter of 2011, the real GDP growth projection for the year has been revised upwards. For 2012, by contrast, the range has narrowed somewhat.

Owing primarily to recent strong oil price increases, overall HICP inflation is projected to remain above 2.0% for the remainder of 2011. Thereafter, commodity prices are assumed to moderate and thus to put downward pressure on the annual inflation rate in 2012. Domestic price pressures are expected to pick up moderately due to the gradual recovery in economic activity and in domestic demand. The growth rate of the HICP excluding food and energy is projected to increase gradually. Growth in nominal compensation per employee is projected to rise, reflecting the improvement in the labour market. Real compensation per employee is expected to decline in 2011, owing to higher inflation, but to recover somewhat in 2012. Growth in unit labour costs is expected to accelerate over the projection horizon on account of a moderation in labour productivity gains and a gradual incre-

Table 2: Projections of selected euro area indicators (average annual percentage changes)

	Published in	Actual figures	Prediction for	
		2010	2011	2012
HICP	March 2011		2.0 – 2.6	1.0 – 2.4
	June 2011	1.6	2.5 – 2.7	1.1 – 2.3
Real GDP	March 2011		1.3 – 2.1	0.8 – 2.8
	June 2011	1.7	1.5 – 2.3	0.6 – 2.8
Private consumption	March 2011		0.6 – 1.4	0.4 – 2.2
	June 2011	0.8	0.6 – 1.2	0.4 – 2.2
Government consumption	March 2011		-0.3 – 0.5	-0.5 – 0.9
	June 2011	0.6	-0.4 – 0.6	-0.5 – 0.9
Gross fixed capital formation	March 2011		0.4 – 3.4	0.7 – 5.5
	June 2011	-0.9	2.0 – 4.2	1.1 – 5.9
Exports (goods and services)	March 2011		4.9 – 9.5	3.0 – 9.2
	June 2011	11.1	5.8 – 9.6	2.6 – 10.6
Imports (goods and services)	March 2011		3.5 – 7.7	2.8 – 8.4
	June 2011	9.3	4.3 – 7.9	2.6 – 10.0

Source: ECB.

ase in the growth rate of nominal compensation per employee. This development is reflected in the slower rise in profit margins in 2011. In 2012, however, profit margins are expected to accelerate moderately.

With regard to HICP inflation, the range for 2011 has been noticeably revised upwards (particularly at the lower end of the range). The forecast for consumer prices in 2012 has remained largely unchanged.

4 Medium-term forecast for Slovakia

This NBS medium-term forecast takes into account the aforementioned technical assumptions and new data on real economy indicators, as well as the SO SR's flash estimate of GDP and employment for the first quarter of 2011. The upward revision of GDP growth and employment for the whole of 2011 was mostly based on the stronger economic growth and faster recovery in the labour market recorded at the beginning of the year. The extent and structure of fiscal consolidation, as well as assumptions for external investment, remained unchanged from the previous forecast.

4.1 The real economy

Current account

In the balance of payments current account for the first quarter of 2011, exports and imports continued to record robust annual growth amid the recovery of external demand. With external demand expected to carry on rising, it may be assumed that export and import growth will remain largely unchanged in the remaining quarters of 2011 as well as in the years ahead, and the trade balance surplus will increase gradually in year-on-year terms. Compared with the previous forecast, the trade balance for 2011 will be moderately worse, since the positive effect of external demand on the import side was outweighed by prices of raw materials in global markets. In 2012 and 2013, it is expected that the adverse effect of higher raw material prices on the trade balance will lessen and that the trade balance will improve as a result.

Due to current developments in the services balance, reflected mainly in lower expenditure on certain types of services and consequently in a reduction in the overall deficit, expectations for the services balance for the whole year were adjusted. Assumptions for the services balance in the medium-term horizon remained unchanged, since, with domestic demand rising, expenditure on services can be expected to increase gradually.

Forecasts for other current account components in the years 2011 to 2013 remained unchanged in the light of current developments.

In line with the previous forecast, the current account deficit to GDP ratio in the years 2011 to 2013 is expected to improve in year-on-year terms due to steady growth in external demand. There were no substantial revisions to the previous forecast for this ratio.

Labour market

Employment growth in the first quarter of 2011 as stated in the SO SR's flash estimate was higher than expected, implying that the labour market recovery has been stronger than previously projected by NBS. Monthly indicators of employment in selected sectors suggest that this growth may have been driven mainly by rising employment in industry.[3] However, employment also began to rise gradually in other sectors under review.

The current forecast assumes that employment growth in 2011 will maintain the positive trend of the first quarter of the year. As before, the main driver of this growth is expected be the rising number of workers in the industry sector, while assumption about lay-offs in the public sector and at the state-owned railway companies remain unchanged.

In the medium-term horizon, a trend of gradually rising employment amid a faster pick-up in economic activity is expected, with employment thus assumed to be back at its pre-crisis level by the end of the projection horizon. Due to current developments as well as faster economic growth, employment growth is expected to be higher than projected in the previous forecast.

The gradual economic recovery is assumed to show up in labour productivity growth and also in higher compensation per employee. The annual rate of growth in compensation per employee in 2011 is expected to accelerate, and this view is supported by current monthly indicators. The main component of this growth is assumed to be the increase in private sector wages, while wages in the public sector are expected to come under downward pressure from fiscal consolidation measures. In the medium-term horizon, compensa-

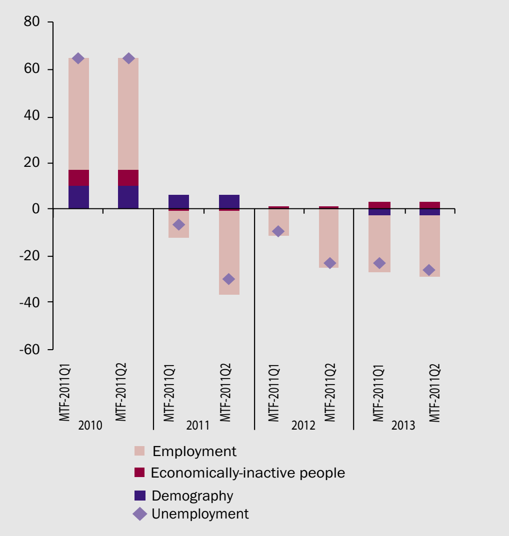
3 *As at the Forecast cut-off date, detailed data on employment developments were not available.*

tion per employee growth is projected to increase amid the gradual economic expansion. Compared with the previous forecast, compensation per employee growth in the medium-term horizon is expected to be more moderate, assuming that total labour costs remain unchanged in an environment of faster employment growth.

The assumption for unemployment is that its level will respond gradually to the faster growth in employment and to the economy's improving performance. Thus, in the medium-term horizon, the unemployment rate is assumed to decline by around 2.9 percentage points from its current level. In 2013, the unemployment rate is projected to fall to below 12%, since it is assumed that economic growth will have an upward effect on the number of people in employment. Compared with the previous forecast, unemployment will decline more sharply owing to the more positive situation in the labour market.

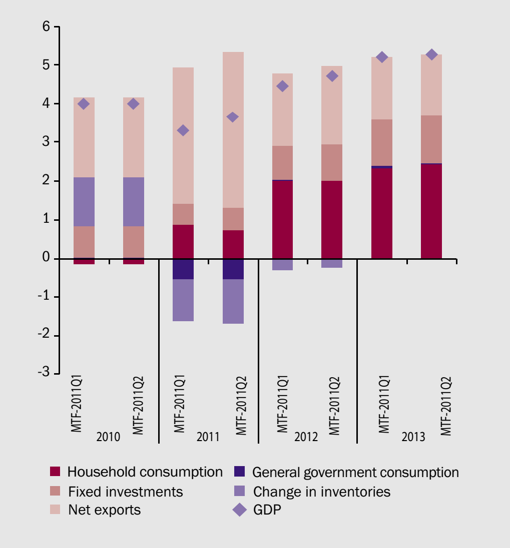
In the medium-term horizon, it is the increase in employment that is expected to have the most significant effect on the unemployment rate. The risks to the current forecast for labour market indicators are mostly positive. One of the upside risks to the employment forecast is that strong economic growth continues to generate more jobs than projected. Another potential upward risk to employment is that additional job-creating infrastructure investments are undertaken.

Chart 1 Contributions of labour market indicators to unemployment (thousands of persons)



Source: SO SR and NBS calculations.
Notes: The contributions of individual labour market indicators refer to their effect on the number of unemployed: for example, unemployment is reduced by a rise in employment, a drop in the number of people of productive age (demographics), and an increase in the economically-inactive population. In the medium--term horizon, a more pronounced impact of the increase in the number of employed on unemployment is not expected.
Year 2010: actual data.

Chart 2 Contributions to GDP growth at constant prices (p.p.)



Source: NBS.
Note: Year 2010: actual data.

GDP

GDP growth in the first quarter of 2011 as stated in the flash estimate of the Slovak Statistical Office (SO SR) was higher than projected in MTF-2011Q1. The main cause of this positive development was probably the higher contribution of net exports, a view that is also supported by the available monthly statistics. The contribution of the domestic part of the economy to GDP growth was probably no more than minimal. The stronger economic growth at the beginning of the year is expected to be reflected in higher GDP growth for 2011 as a whole.
GDP growth in 2011 is expected to be slightly slower than in 2010 owing to the expected consolidation of public finances. Thus external demand is assumed to continue being the main source of GDP growth in the short-term hori-

zon. Employment growth and wage growth are expected to be reflected in household incomes and subsequently in household consumption. Consumption growth is projected to be modest, however, given the persistently low level of consumer confidence, the negative effects of Government measures on household income, and the rising price level. Investments are expected to continue their recovery this year and to make a positive contribution to economic growth.

In the medium-term horizon, recovery is expected in the domestic part of the economy, mainly in private consumption and fixed investments. The contribution of government consumption to GDP growth is projected to be very modest. The upturn in domestic demand is assumed to be accompanied by a gradual reduction in the contribution of net exports to GDP growth. External demand is, however, expected to have a positive effect throughout the projection horizon.

The current forecasts for growth in GDP at constant prices are 3.6% in 2011, 4.7% in 2012, and 5.3% in 2013. Owing to current developments, these forecasts are slightly higher than those given in MTF-2011Q1. In the medium-term horizon, better foreign trade developments are assumed to have a slightly upward effect on growth in domestic demand, particularly investments.

Domestic demand

Household final consumption is expected to record moderate growth in 2011. On one hand, household incomes will rise as a result of the labour market recovery; on the other hand, their growth will be dampened by the effect of the Government's fiscal consolidation measures. With the labour market improvement reflected in incomes, households will be able to realise some of their consumption plans without having to dip into savings. Current monthly indicators do not, however, imply that household consumption growth will be higher. Consumer sentiment remains at low levels despite having improved slightly, while retail sales are stagnating. Such caution in household final consumption is, however, expected to be only temporary, and its rate of growth is assumed to accelerate in the medium-term horizon. The growth in labour productivity is creating scope for an increase in compensation per employee. These developments, along with rising employment are expected to put upward pressure on household consumption expenditure.

Gross fixed capital formation is expected to boost growth in 2011 as investments deferred from the crisis period are realised and as additional investment activities are carried out. The main factors contributing to this development are expected to be corporate profitability growth (resulting from accelerating industrial production) and the easing of bank lending standards. The completion of infrastructure investments is also expected to have a positive effect. It is assumed that investment activity growth will to a certain extent be dampened by the expected cuts in government expenditure. In the medium-term horizon, the gradual rise in GDP growth is assumed to be accompanied by continuing growth in fixed investments, with their amount approaching pre-crisis levels.

The current forecast expects changes in inventories to make a slightly negative contribution to economic growth in 2011, as existing stocks are used in the production process. In the medium-term horizon, changes in inventories are not expected to affect GDP growth.

Compared with the previous forecast, domestic demand is projected to a make a slightly lower contribution to GDP growth in the short-term horizon, largely due to lower household consumption. In the medium-term horizon, by contrast, the contribution of domestic demand is expected to increase. With the labour market situation improving and economic growth accelerating, private consumption growth is assumed to increase and there should also be a rise in investment activity.

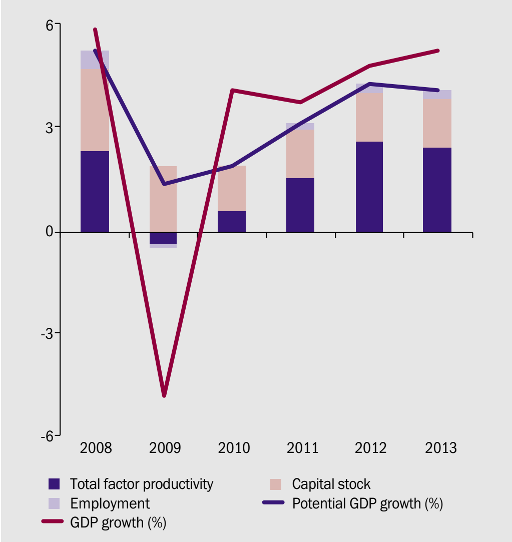
Net exports

The stronger growth in exports in the first quarter of 2011 and the continuing rise in external demand are expected to boost export performance in the short-term horizon. Growth in imports of goods and services is assumed to be slower owing to the moderate increase in domestic demand. Net exports are expected to make a positive contribution to GDP growth and to be the main source of economic growth in 2011. The continuing rise in external demand in the medium-term horizon will pass through to further growth in exports, while exports should receive another boost in 2012 when the production of a new car model is launched. Given the recovery of domestic demand and the current level of import intensity, imports are also projected to grow

Chart 3 Forecast for GDP growth at constant prices (%)

Source: NBS.
Note: Years 2008 -2010: actual data.

Chart 4 Contributions to potential GDP growth (p. p.)



Source: NBS.

in coming years. However, the positive contribution of foreign trade will gradually lessen.

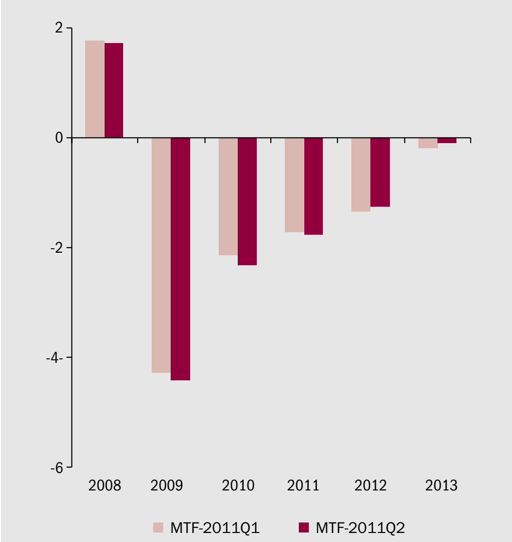
Compared with the previous forecast, the positive contribution of net exports to GDP is expected to increase, mainly due to the more favourable development of exports in the first quarter of 2011 and to moderately higher external demand.

The risks to the current forecast for GDP in 2011 remain mostly to the upside and concern the impact and structure of fiscal consolidation. Another positive risk in the short-term horizon is that foreign trade figures, which were better than projected at the beginning of the year, continue to outperform forecasts in the periods ahead. An upside risk to the GDP growth forecast is that the relatively high savings ratio falls and household consumption increases. In the medium-term horizon, however, the prevailing downside risks are that the government implements additional fiscal consolidation measures and that external demand decelerates.

Potential GDP and the output gap

The potential growth of the Slovak economy is expected to reach around 4% in 2012 and 2013, driven up by the projected increase in total factor productivity. Investment activity is expected to accelerate gradually and thus to create scope for growth in capital stocks. As a consequence of the expected recovery of the labour market in 2011, potential employment growth is projected to accelerate and have a positive effect on potential GDP. Nevertheless, demographic developments mean would limit the future scope for potential employment growth, despite the falling rate of

Chart 5 Output gap (%)



Zdroj: NBS.

natural unemployment. Compared with the MTF-2011Q1 forecast for GDP potential in the medium-term horizon, no significant factors have emerged which would indicate a change in the rate of economic growth. Like MTF-2011Q1, the current forecast envisages that the production launch of a new car model at the end of 2011 will provide a one-time impulse to potential output.

Compared with the previous forecast, the outlook for the cyclical position of the economy is virtually unchanged. It is assumed that the economy will continue its expansion and that the recovery will have gradually shifted the economy to equilibrium by 2013. In 2011, the main development accompanying GDP growth is expected to be an increase in potential output, whereas in 2012 and 2013 the faster closing of the output gap is expected to contribute to economic growth.

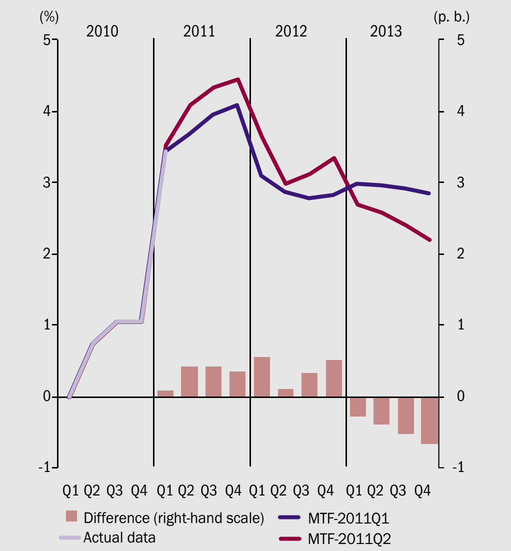
4.2 INFLATION

The rate of inflation from January 2011 to April 2011, as measured by the Harmonised Index of Consumer Prices (HICP), was marked by an accelerating trend, as the annual rate of change in prices of goods and services increased. In the case of goods prices, the increase in their annual rate of change since the beginning of 2011 reflected the rise in food prices and the slower annual decline in prices of non-energy industrial goods. The annual rate of inflation in prices of services accelerated slightly due to rising prices of services in health-care, transport and housing. The annual rate of change in the overall HICP inflation rate in 2011 exceeded the projections given in the previous forecast.

During 2011, the inflation rate may be expected to accelerate gradually, mainly due to the projected increase in unprocessed food prices based on current development and on assumptions for commodity price movements. Prices of services and non-energy industrial goods are assumed to rise gradually in 2011, owing to the recovery of domestic demand and also the pass-through of cost impulses.

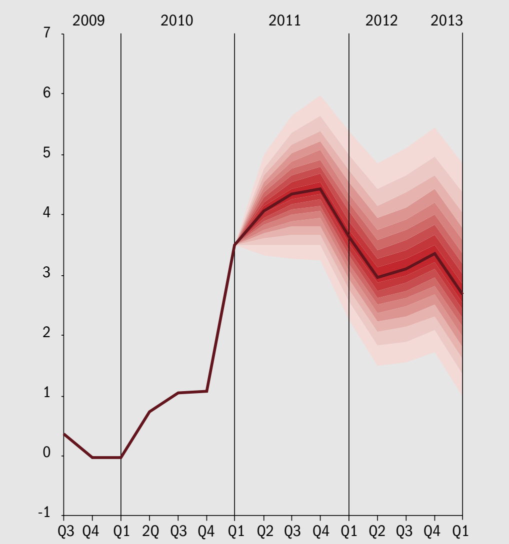
The annual rate of inflation is expected to decelerate at the beginning of 2012, given the fading effects of indirect price rises and high prices of agricultural commodities and fuel. The overall increase in the price level in 2012 and 2013 is expected to be driven by hikes in regulated energy prices (at the beginning 2012), as well as by prices of services and non-energy industrial goods, which are assumed to rise more sharply as a result of the upturn in the labour market and expected growth in consumer demand. The forecast for regulated energy (gas and heat) prices in 2012 reflects current and expected deve-

Chart 6 Changes in the HICP inflation forecast (%, p.p.)



Source: NBS.

Chart 7 HICP forecast (%)



Source: NBS.

lopments in oil prices as well as the regulator's efforts to improve the efficiency of the main supplier of household gas and to take into account prices in the natural gas spot market. As regards current and expected movements in global oil prices, the estimate for energy prices continues to represent an upside risk to the inflation forecast, especially for 2011 and 2012.

The rate of consumer price inflation is expected to be 4.1% in 2011, 3.3% in 2012, and 2.5% in 2013. Due to current developments in prices, the rate of inflation in 2011 is expected to be higher than projected in MTF-2011Q1. In 2012, consumer price inflation is assumed to accelerate due to relatively sharp increases in regulated energy prices (driven up by higher oil prices) and services prices. In 2013, consumer prices are expected to rise at a slower pace, with the annual rate of change in regulated prices being lower than projected in the previous forecast.

The risks to the inflation forecast for the entire projection horizon appear to be mainly on the upside. Given the current high oil prices in world markets, energy prices may represent an upside risk in 2011, particularly regulated prices of gas and heat for households in the second half of the year. Inflation may be dampened by food prices if this year's harvest is better than projected.

In the medium-term horizon, labour market developments continues to be an inflationary risk, even with an increase in employment growth projected in the current forecast. External inflation is also expected to contribute to domestic price-level growth, while lower external demand could have a dampening effect.

Table 3 Medium-term forecast (MTF-2011Q2) – main macroeconomic indicators

(year-on-year percentage changes, unless otherwise indicated)	Actual data	Projection in MTF–2011Q2			Difference versus MTF-2011Q1		
	2010	2011	2012	2013	2011	2012	2013
Prices							
HICP inflation (average)	0.7	4.1	3.3	2.5	0.3	0.4	-0.4
CPI inflation (average)	1.0	4.1	3.2	2.5	0.4	0.4	-0.4
ULC[1] (compensation per employee at current prices / labour productivity ESA 95 at constant prices)	-2.7	2.3	2.6	2.2	0.8	0.1	-0.1
Labour productivity ESA 95 (GDP at constant prices / employment ESA 95)	5.5	2.0	3.6	4.0	-0.7	-0.3	0.0
Compensation per employee (current prices)	2.7	4.3	6.3	6.3	0.0	-0.2	-0.1
Economic activity							
Real GDP	4.0	3.6	4.7	5.3	0.3	0.2	0.1
Final consumption of households	-0.3	1.4	3.8	4.7	-0.2	0.0	0.2
Final consumption of general government	0.1	-3.0	-0.1	0.1	0.0	-0.2	-0.3
Gross fixed capital formation	3.6	2.7	4.4	5.6	0.1	0.4	0.1
Exports of goods and services	16.4	11.7	9.8	9.2	1.4	0.3	-0.1
Imports of goods and services	14.9	8.0	8.7	8.7	0.9	0.2	-0.1
Gross real disposable income of households	-1.4	1.0	3.8	4.5	0.8	0.0	-0.1
Output gap (% of the potential output)	-2.3	-1.8	-1.3	-0.1	0.0	0.0	0.1
Labour market							
Employment, based on ESA 95	-1.4	1.6	1.1	1.2	1.0	0.6	0.1
Unemployment rate, LFSS-based[2] (%)	14.4	13.2	12.4	11.5	-0.9	-1.4	-1.4
Balance of payments							
Economic openness (% of GDP)	162.3	178.3	184.4	189.6	5.4	5.1	4.3
Balance of trade (% of GDP)	0.2	1.4	2.6	3.1	-0.2	0.2	0.3
Balance of services (% of GDP)	-1.1	-0.8	-0.8	-0.7	0.2	0.0	0.0
Current account (% of GDP)	-3.5	-1.6	-0.2	0.4	-0.1	0.1	0.2
Current and capital account (% of GDP)	-1.9	0.3	1.7	2.2	0.0	0.2	0.2

Source: NBS.
1) ULC – unit labour costs.
2) LFSS – Labour Force Sample Survey.