

# Monthly Forecasts – Slovakia – February 2016

## Major economic indicators

### Analyst:

Katarína Muchová  
 +421 2 4862 4762  
[muchova.katarina@slsp.sk](mailto:muchova.katarina@slsp.sk)

Following the fast pace of growth in November, industrial production growth is likely to have slowed down somewhat in December. **We expect IP growth at 7.9% y/y, which is slightly above the consensus forecast of 6.9% y/y.** Nevertheless, reasons for some caution remain due to the volatile sentiment in the industry (both November and December marked decreases in the industrial sentiment).

The Statistical Office will publish the flash estimate for 4Q15 GDP and employment growth on Friday. Data for the last quarter of 2015 released up to now have been mostly positive: industrial production (the running 4Q15 average thus far stands at 8% y/y), retail sales picked up and labour market improvement progressed further. **Somewhat more conservative than the market consensus, we expect 4Q15 GDP growth at 3.5% y/y. Seasonally adjusted quarterly growth could thus reach 0.8% q/q.**

Deflation has not yet disappeared from the Slovak economy, on the contrary – December brought about a further decrease of consumer prices to -0.5% y/y. Low oil prices coupled with the ensuing lower energy prices continue to drag down the inflation indices in the Euro Area. Flash estimate shows that annual inflation in the Eurozone increased slightly to 0.4% y/y in January, up from 0.2% y/y in December. **Given the introduction of the VAT cut on selected foodstuffs (10% instead of the standard 20% VAT rate) and continued low oil prices, we expect Slovak inflation to have remained at -0.5% y/y in January.**

Producer price decrease is likely to have continued at a slightly milder rate in January. **We expect producer prices to have fallen by 3.6% y/y in January.**

Date	Indicator		Time period	Our forecast	Min	Market average	Max	Previous	A year ago
11 Feb	Industrial production	% y/y	Dec 15	7.9	6	6.9	9	11.9	2.8
12 Feb	Flash GDP growth estimate	% y/y	Q4 15	3.5	3.4	3.9	4.2	3.7	2.8
12 Feb	Flash GDP growth estimate	% q/q	Q4 15	0.8	-	-	-	0.9	0.8
15 Feb	Core inflation	% y/y	Jan 16	0.2	-0.3	0	0.2	-0.2	-0.2
15 Feb	Headline inflation	% y/y	Jan 16	-0.5	-0.6	-0.5	-0.4	-0.5	-0.4
25 Feb	Harmonised inflation	% y/y	Jan 16	-0.5	-0.6	-0.5	-0.4	-0.5	-0.5
26 Feb	Producer prices	% y/y	Jan 16	-3.6	-	-	-	-4.5	-3.9

Source: NBS, Reuters, SLSP

**Erste Group Research**  
Short note | Fixed Income | Slovakia  
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Erste Group Bank AG  
1010 Wien, Börsegasse 14/DG1  
Telefon: +43 (0)5 0100 11902

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## Contacts

### Group Research

**Head of Group Research**  
Friedrich Mostböck, CEFA +43 (0)5 0100 11902

#### Major Markets & Credit Research

Head: Gudrun Egger, CEFA +43 (0)5 0100 11909  
Ralf Burchert (Agency Analyst) +43 (0)5 0100 16314  
Hans Engel (Senior Analyst Global Equities) +43 (0)5 0100 19835  
Christian Enger, CFA (Covered Bonds) +43 (0)5 0100 84052  
Margarita Grushanina (Economist AT, CHF) +43 (0)5 0100 11957  
Peter Kaufmann, CFA (Corporate Bonds) +43 (0)5 0100 11183  
Stephan Lingnau (Global Equities) +43 (0)5 0100 16574  
Carmen Riefler-Kowarsch (Covered Bonds) +43 (0)5 0100 19632  
Rainer Singer (Senior Economist Euro, US) +43 (0)5 0100 17331  
Bernadett Povazzsai-Römhild (Corporate Bonds) +43 (0)5 0100 17203  
Gerald Walek, CFA (Economist Euro) +43 (0)5 0100 16360  
Katharina Böhm-Klamt (Quantitative Analyst Euro) +43 (0)5 0100 19632

#### Macro/Fixed Income Research CEE

Head CEE: Juraj Kotian (Macro/FI) +43 (0)5 0100 17357  
Zoltan Arokszállasi (Fixed income) +43 (0)5 0100 18781  
Katarzyna Rzentarzewska (Fixed income) +43 (0)5 0100 17356

#### CEE Equity Research

Head: Henning Eßkuchen +43 (0)5 0100 19634  
Franz Hörl, CFA (Basic Resources, Real Estate) +43 (0)5 0100 18506  
Daniel Lion, CIIA (Technology, Ind. Goods&Services) +43 (0)5 0100 17420  
Christoph Schultes, MBA, CIIA (Industrials) +43 (0)5 0100 11523  
Vera Sutudja, CFA (Telecom) +43 (0)5 0100 11905  
Thomas Unger, CFA (Banks, Insurance) +43 (0)5 0100 17344  
Vladimira Urbankova, MBA (Pharma) +43 (0)5 0100 17343  
Martina Valenta, MBA (Real Estate) +43 (0)5 0100 11913

#### Editor Research CEE

Brett Aarons +420 956 711 014

#### Research Croatia/Serbia

Head: Mladen Dodig (Equity) +381 11 22 09178  
Head: Alen Kovac (Fixed income) +385 72 37 1383  
Anto Augustinovic (Equity) +385 72 37 2833  
Milan Deskar-Skrbic (Fixed income) +385 72 37 1349  
Magdalena Dolenc (Equity) +385 72 37 1407  
Ivana Rogic (Fixed income) +385 72 37 2419  
Davor Spoljar, CFA (Equity) +385 72 37 2825

#### Research Czech Republic

Head: David Navratil (Fixed income) +420 224 995 439  
Head: Petr Bartek (Equity) +420 224 995 227  
Renáta Durdová (Equity) +420 224 995 213  
Jiri Polansky (Fixed income) +420 224 995 192  
Dana Hajkova (Fixed income) +420 224 995 172  
Martin Krajhanzl (Equity) +420 224 995 434  
Jana Urbankova (Fixed income) +420 224 995 456

#### Research Hungary

Head: József Miró (Equity) +361 235 5131  
Gergely Ürmösy (Fixed income) +361 373 2830  
András Nagy (Equity) +361 235 5132  
Vivien Barczel (Fixed income) +361 373 2026  
Tamás Pletser, CFA (Oil&Gas) +361 235 5135

#### Research Poland

Head: Magdalena Komaracka, CFA (Equity) +48 22 330 6256  
Marek Czachor (Equity) +48 22 330 6254  
Tomasz Duda (Equity) +48 22 330 6253  
Adam Rzepecki (Equity) +48 22 330 6252

#### Research Romania

Chief Economist, Director: Radu Craciun +40 3735 10424  
Head: Mihai Caruntu (Equity) +40 3735 10427  
Head: Dumitru Dulgheru (Fixed income) +40 3735 10433  
Chief Analyst: Eugen Sinca (Fixed income) +40 3735 10435  
Dorina Ilasco (Fixed Income) +40 3735 10436

#### Research Slovakia

Head: Maria Valachyova, (Fixed income) +421 2 4862 4185  
Katarina Muchova (Fixed income) +421 2 4862 4762

#### Research Turley

Umut Ozturk (Equity) +90 212 371 25 30  
Oguzhan Evranos (Equity) +90 212 371 25 42

### Treasury - Erste Bank Vienna

#### Saving Banks & Sales Retail

Head: Thomas Schaufler +43 (0)5 0100 84225

#### Equity Retail Sales

Head: Kurt Gerhold +43 (0)5 0100 84232

#### Fixed Income & Certificate Sales

Head: Uwe Kolar +43 (0)5 0100 83214

#### Treasury Domestic Sales

Head: Markus Kaller +43 (0)5 0100 84239

#### Corporate Sales AT

Head: Christian Skopek +43 (0)5 0100 84146

### Fixed Income & Credit Institutional Sales

#### Institutional Sales

Head: Manfred Neuwirth +43 (0)5 0100 84250

#### Bank and Institutional Sales

Head: Jürgen Niemeier +49 (0)30 8105800 5503

#### Institutional Sales Western Europe AT, GER, FRA, BENELUX

Head: Thomas Almen +43 (0)5 0100 84323  
Charles-Henry de Fontenilles +43 (0)5 0100 84115  
Marc Pichler +43 (0)5 0100 84118  
Rene Klasen +49 (0)30 8105800 5521  
Dirk Seefeld +49 (0)30 8105800 5523  
Bernd Bollhof +49 (0)30 8105800 5525

#### Bank and Savingsbanks Sales

Head: Marc Friebertshäuser +49 (0)711 810400 5540  
Sven Kienzle +49 (0)711 810400 5541  
Michael Schmotz +43 (0)5 0100 85542  
Ulrich Inhofner +43 (0)5 0100 85544  
Klaus Vosseler +49 (0)711 810400 5560  
Andreas Goll +49 (0)711 810400 5561  
Mathias Gindele +49 (0)711 810400 5562  
Bernd Thaler +43 (0)5 0100 85583  
Fabian Bütger +49 (0)151 53810580  
Jörg Moritzen +49 (0)30 8105800 5581

#### Institutional Sales CEE and International

Head: Jaromir Malak +43 (0)5 0100 84254

#### Central Bank and International Sales

Head: Margit Hraschek +43 (0)5 0100 84117  
Christian Kössler +43 (0)5 0100 84116  
Gabriele Loecker +43 (0)5 0100 84101

#### Institutional Sales PL and CIS

Pawel Kielek +48 22 538 6223  
Michal Jarmakowicz (Fixed Income) +43 50100 85611

#### Institutional Sales Slovakia

Head: Peter Kniz +421 2 4862 5624  
Monika Smelikova +421 2 4862 5629

#### Institutional Sales Czech Republic

Head: Ondrej Cech +420 2 2499 5577  
Milan Bartos +420 2 2499 5562  
Radek Chupik +420 2 2499 5565  
Barbara Suvadova +420 2 2499 5590

#### Institutional Sales Croatia

Head: Antun Buric +385 (0)7237 2439  
Natalija Zujic +385 (0)7237 1638  
Željko Pavičić +385 (0)72 37 14 94

#### Institutional Sales Hungary

Norbert Sikosi +36 1 2355 842

#### Institutional Sales Romania

Head: Ciprian Mitu +43 (0)50100 85612  
Stefan Racovita +40 373 516 531

#### Institutional Solutions and PM

Christopher Lampe-Traupe +43 (0)50100 85507