

Monthly Forecasts – Slovakia – January 2016

Major economic indicators

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Industrial production growth slowed down to 4.1% y/y in October. We expect the slowdown to have been only temporary. **Industrial production growth is expected to have returned to slightly higher levels, at around 6% y/y in November.** Our view is mirrored by the consensus view that also regards the October slowdown as a temporary rather than more permanent factor. Nevertheless, reasons for some caution remain due to the volatile sentiment in the industry (both November and December marked decreases in the industrial sentiment).

Deflation is slowly getting milder, yet low oil prices coupled with the ensuing lower energy prices are still the main reason for the lack of inflationary pressures in the Euro Area. Flash estimate shows that annual inflation in the Eurozone remained at 0.2% y/y in December, unchanged from November. Slovak deflation stood at -0.4% y/y in November, above the October value of -0.6% y/y. **We expect a further slight improvement in December, whereby annual CPI inflation could reach -0.3% and harmonised inflation could stand at -0.2%. Core inflation is expected at 0.1% y/y.**

Producer price decrease is likely to have continued at a slightly milder rate in December. **We expect producer prices to have fallen by 4% y/y in December.**

Date	Indicator		Time period	Our forecast	Min	Market average	Max	Previous	A year ago
11 Jan	Industrial production	% y/y	Nov 15	6.0	3.5	6.0	7.5	4.1	-3.5
15 Jan	Core inflation	% y/y	Dec 15	0.1	0.0	0.1	0.1	0.0	0.2
15 Jan	Headline inflation	% y/y	Dec 15	-0.3	-0.3	-0.3	-0.3	-0.4	-0.1
19 Jan	Harmonised inflation	% y/y	Dec 15	-0.2	-0.3	-0.2	-0.2	-0.4	-0.1
28 Jan	Producer prices	% y/y	Dec 15	-4.0	-	-	-	-5.0	-3.7

Source: NBS, Reuters, SLSP

Erste Group Research
Short note | Fixed Income | Slovakia
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