

# Monthly Forecasts – Slovakia – May 2016

## Major economic indicators

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**Following faster growth of industrial production in February, we expect a slight slowdown in March to around 4% y/y.** Industrial sentiment indicators decreased somewhat and reasons for some caution stem also from external factors (especially development in Germany, our main trading partner). Furthermore, despite adjusting for working days, it is possible that this year's timing of Easter could have caused some slowdown in IP growth.

**The Statistical Office will publish the flash estimate for 1Q16 GDP and employment growth on Friday.** Data for the first quarter of this year released up to now have been mixed – there were fairly positive news regarding industrial production (the running 1Q16 average thus far stands at 4.6% y/y) and labour market improvement progressed further. However, retail sales and foreign trade performance in 1Q16 were less impressive and missed expectations. Moreover, public investment growth is expected at lower levels, as EU funds absorption returns to lower levels following last year's rapid growth (as funds from 2007-13 programming period had to be used up by the end of 2015). **We expect 1Q16 GDP growth to have reached 3.5%, in line with the market consensus.**

Deflation has persisted for well over two years now. March even saw a slight dip into greater deflation. Despite a small increase, oil prices remain at low levels and coupled with the ensuing lower energy prices they continue to drag down inflation indices in the Euro Area. **We expect April inflation figure for Slovakia to have remained at the same annual level as in the previous month, at -0.5% y/y. A slight improvement to -0.4% y/y is expected in the case of harmonised inflation.**

Producer price decrease is likely to have continued at a slower pace than in March, when PPI fell by 6% y/y. **We expect producer prices to have fallen by 4.9% y/y in April.**

Date	Indicator		Time period	Our forecast	Min	Market average	Max	Previous	A year ago
12 May	Industrial production	% y/y	Mar	4	-1.1	5	5.7	7.4	17.6
13 May	Flash GDP growth	% y/y	1Q16	3.5	3.4	3.5	3.8	4.3	2.9
13 May	Core inflation	% y/y	Apr	0.1	-0.1	0.1	0.1	0	0.2
13 May	Headline inflation	% y/y	Apr	-0.5	-0.5	-0.5	-0.4	-0.5	-0.1
18 May	Harmonised inflation	% y/y	Apr	-0.4	-0.6	-0.5	-0.4	-0.5	-0.1
27 May	Producer prices	% y/y	Apr	-4.9	-	-	-	-6	-3.5

Source: NBS, Reuters, SLSP

**Erste Group Research**  
Short note | Fixed Income | Slovakia  
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