

Monthly Forecasts – Slovakia – November

Major economic indicators

Analyst:

Katarína Muchová
 +421 2 4862 4762
muchova.katarina@slsp.sk

Foreign trade performance has been rather lukewarm in the previous months and we do not expect a substantial deviation from this trend in September. Eurozone's economic recovery is still fragile and currently also exposed to the slowdown from China. **We expect foreign trade balance at around EUR 228 mil. in September, which is a more cautious estimate than the market consensus but below last year's level.**

After the dynamic growth of industrial production in July (11.9% y/y), IP surprisingly plunged to -0.5% y/y in August. Even though a slowdown was expected due to the summer holiday schedules for major plants in Slovakia, the scale of the change was unexpectedly large. **We expect industrial production to have returned to positive growth in September and our forecast stands at 2.7% y/y.** Our forecast is more conservative than the market consensus mainly due to perceived volatility of industrial sentiment as well as weaker performance of the German industrial sector (as Germany remains Slovakia's main trading partner).

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 returned to 0.0% y/y in October. Slovak deflation deepened in September, driven down by the announced 3.9% cut in gas prices. **Inflationary pressures are still largely absent, thus our October forecast stands at -0.5% y/y (both CPI and HICP inflation). Core inflation is expected at 0.0% y/y .**

The Statistical Office will publish the flash estimate for 3Q15 GDP next Friday. Data for the third quarter released up to now have been mostly positive: industrial production (despite August's slowdown, the running 3Q15 average thus far stands at 5.7% y/y), retail sales picked up and labour market improvement progressed further. On the other hand, foreign trade performance could have been significantly better. **Slightly more conservative than the market consensus, we expect 3Q15 GDP growth of 3.2% y/y. Seasonally adjusted quarterly growth could thus reach 0.8% q/q.**

Producer price decrease accelerated somewhat in September. **We expect a milder fall in producer prices, reflected in our October forecast of -4.5% y/y.**

Date	Indicator		Time period	Our forecast	Min	Market average	Max	Previous	A year ago
9 Nov	Foreign trade balance	mil. Eur	Sep 15	228	228	312.4	500	87	541
10 Nov	Industrial production	% y/y	Sep 15	2.7	2.3	4.8	5.2	-0.5	0.1
12 Nov	Core inflation	% y/y	Oct 15	0.0	0.0	0.1	0.2	0.0	0.2
12 Nov	Headline inflation	% y/y	Oct 15	-0.5	-0.5	-0.5	-0.3	-0.5	0.0
13 Nov	Flash GDP estimate	% y/y	Q3 15	3.2	3.2	3.3	3.5	3.2	2.4
13 Nov	Flash GDP estimate	% q/q	Q3 15	0.8	-	-	-	0.8	0.7
16 Nov	Harmonised inflation	% y/y	Oct 15	-0.5	-0.5	-0.5	-0.3	-0.5	0.0
27 Nov	Producer prices	% y/y	Oct 15	-4.5	-	-	-	-5.2	-3.9

Source: NBS, Reuters, SLSP

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 International 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 (International 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 Poyaszai-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 Härdl, 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 Sutedja, 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 Durčová (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
Lubos Mokras (Fixed income)	+420 224 995 456
Jan Sedina (Fixed income)	+420 224 995 391
Research Hungary	
Head: József Miró (Equity)	+361 235 5131
Gergely Ürmössy (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 Turkey	
Head: Can Yurtcan	+90 212 371 2540

Research Slovakia

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

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
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Head: Uwe Kolar	+43 (0)5 0100 83214
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Head: Markus Kaller	+43 (0)5 0100 84239
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Head: Christian Skopek	+43 (0)5 0100 84146
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Head: Manfred Neuwirth	+43 (0)5 0100 84250
Bank and Institutional Sales	
Head: Jürgen Njemejer	+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 Frebertshäuser	+49 (0)711 810400 5540
Sven Kienzle	+49 (0)711 810400 5541
Michael Schmotz	+43 (0)5 0100 85542
Ulrich Jhoffer	+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
Natalia Zujic	+385 (0)7237 1638
Zeljko Pavičić	+385 (0)72 37 14 94
Institutional Sales Hungary	
Norbert Siklosi	+36 1 2355 842
Attila Hollo	+36 1 2355 846
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