

Monthly Forecasts – Slovakia – October

Major economic indicators

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The lukewarm dynamic of foreign trade in the past few months is unlikely to have changed in August. Eurozone's economic climate is still fairly fragile and currently also exposed to the slowdown from China. **We expect foreign trade balance at around EUR 207.1 mil. in August, which is above the market consensus but below last year's level.**

Industrial production in July pleasantly surpassed expectations and reached 11.9% y/y. **We expect industrial production growth to have persisted at a strong rate in August, albeit somewhat slower - our forecast stands at 9.2% y/y.** Even though sentiment in the industry improved in August, due to its volatility it is not always a precise indicator of actual performance. A month later, in September, sentiment was down again.

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 dropped back into deflationary territory in September, at -0.1% y/y. Slovakia still experiences mild deflation - consumer prices remained at -0.2% y/y in August. **Inflationary pressures are still largely absent and given the 3.91% cut in gas prices from 1st September, our September forecasts stand at -0.4% y/y CPI and -0.5% y/y HICP inflation.**

Producer price decreases have been fairly stable over the past few months. **For September, we expect a milder decrease of producer prices, at -3.8% y/y.**

Date	Indicator		Time period	Our forecast	Min	Market average	Max	Previous	A year ago
9 Oct	Foreign trade balance	mil. Eur	Aug 15	207.1	141.6	178.6	212.1	268.7	212
9 Oct	Industrial production	% y/y	Aug 15	9.2	-	-	-	11.9	2.6
13 Oct	Core inflation	% y/y	Sep 15	0.1	0.0	0.1	0.3	0.1	0.0
13 Oct	Headline inflation	% y/y	Sep 15	-0.4	-0.4	-0.2	0.0	-0.2	-0.1
16 Oct	Harmonised inflation	% y/y	Sep 15	-0.5	-0.5	-0.3	-0.1	-0.2	-0.1
28 Oct	Producer prices	% y/y	Sep 15	-3.8	-	-	-	-4.1	-3.9

Source: NBS, Reuters, SLSP

Erste Group Research
Short note | Fixed Income | Slovakia
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