

SLOVAK REPUBLIC

Economic activity rebounded in the second quarter after the sharp falls earlier on. Notwithstanding continued positive growth in the third quarter, annual GDP is expected to fall by close to 6% in 2009. Activity will gradually pick up in 2010 owing to a brighter outlook for world trade growth and a resumption of inflows of foreign direct investment, and growth should reach an annual rate of above 4% in 2011. The strong increase in unemployment is expected to gradually level off. With substantial slack in the economy, consumer price inflation is expected to remain fairly low.

The fiscal position will worsen markedly this year and next, largely due to the cyclical rise in spending on social benefits and the fall in tax revenues but also to two fiscal stimulus packages enacted earlier in 2009. In 2010, the rise in the deficit will be limited by a set of ambitious expenditure cuts. Over the medium term, further fiscal consolidation will be necessary to ensure the sustainability of public finances. Whilst the automatic phasing-out of the stimulus measures at the end of 2010 will help in this regard, additional measures will be needed.

Slovak Republic: Demand, output and prices

	2006	2007	2008	2009	2010	2011
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	31.3	7.0	6.1	-1.0	0.8	4.0
Government consumption	10.6	-1.3	4.3	4.1	-5.9	-2.2
Gross fixed capital formation	14.6	8.7	6.8	-11.8	2.1	6.9
Final domestic demand	56.5	5.9	6.0	-2.9	-0.1	3.6
Stockbuilding ¹	0.7	0.6	0.5	-3.6	0.9	0.0
Total domestic demand	57.2	6.4	6.4	-6.3	0.8	3.7
Exports of goods and services	46.5	13.8	3.2	-19.6	5.2	11.6
Imports of goods and services	48.6	8.9	3.3	-20.4	3.2	10.7
Net exports ¹	-2.1	3.8	-0.2	1.2	1.2	0.5
GDP at market prices	55.1	10.4	6.4	-5.8	2.0	4.2
GDP deflator	—	1.1	2.9	-0.6	0.7	3.0
<i>Memorandum items</i>						
Harmonised index of consumer prices	—	1.9	3.9	1.0	1.7	2.4
Private consumption deflator	—	2.6	4.4	1.9	2.0	2.4
Unemployment rate	—	11.0	9.6	11.6	12.7	12.5
General government financial balance ²	—	-1.9	-2.3	-5.9	-6.3	-5.0
Current account balance ²	—	-4.9	-6.4	-3.8	-3.1	-2.8

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

Source: OECD Economic Outlook 86 database.

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