

Instant Comment Slovakia

Structural deficits are expected to persist though

The Ministry of Finance published its new Stability Programme which expects public finances to be balanced on the 2019-2022 horizon, albeit the structural balance is still expected to be in a deficit (ranging from -0.4% to -0.2% of GDP). This presents a slight relaxation of the original targets which foresaw headline budget surpluses from 2020 onwards (0.1% of GDP in 2020 and 0.3% of GDP in 2021). We see a bumpier pace of consolidation, with deficits at 0.7% and 0.4% of GDP in 2019-20, respectively.

The medium-term budgetary objective (MTO) was adjusted up to 1% of GDP (from 0.5% of GDP), to be applicable from 2020.

The downward trend in the public debt/GDP ratio should continue, with public debt gradually dropping from last year's expected 48.9% of GDP to 44.4% of GDP in 2022, a somewhat slower pace than in last year's Stability Programme but in line with the domestic as well as European criteria (The first, spring, notification of public debt and fiscal balance for 2018 will be released on Tuesday, 23rd April.)

Macroeconomic projections were adjusted a bit compared to January, reflecting the actual 2018 development – the Ministry revised its GDP growth forecast down to 4% (from 4.2% in January) and the 2020 projection inched up by 0.1pp to 3.7%. Our forecasts are more conservative, as we expect growth to average 3.4% and 3.6% in 2019-20, respectively. Household consumption should still remain a key backbone of growth, supported by favourable labour market development. Car exports, aided by the new contribution of Jaguar Land Rover, should provide an important helping hand, as well.

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