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Boost of private consumption and investments in Q3

- After the data revision from approximately a month ago resulted in the cut of realised GDP growth in 1H23 from 2.7% to 2.1%, publication for Q3 brought a noticeably stronger growth of 2.8%. Observed by seasonally adjusted data, although the quarterly growth slowed down to 0.3% (after 0.9%, i.e., 1.5% in first two quarters), annual growth rate was 3.0%, the strongest growth rate in the EU per available data.
- Observed by components, noticeable acceleration of growth rate y-o-y was recorded in private consumption (3.0% vs 2.0% in 1H23), unsurprising considering the acceleration of real wage growth and stable labour market, also signalled by monthly retail trade volume data. Simultaneously, investment activity growth sped up to 6.1% (after stagnating in Q1 and a 4.2% increase in Q2), also the strongest growth rate recorded in the last nine quarters. Although monthly data on construction activity trends pointed to an increase of activities, acceleration is somewhat stronger than expected and probably the result of accelerated usage of EU funds. In line with monthly data, there was a strong decline in export of goods in Q3 (-20.4%), while export of services (primarily tourism) recorded a mild contraction of -0.5%, which was expected more or less, considering the stagnating trends (-0.3%) of foreign tourist overnight stays. Although we cannot exclude with certainty, until more detailed data are published, a stronger decline in export of other services, tourism is still dominant by its share. However, considering that total imports (-12.1%) simultaneously declined faster than total exports (-8.5%), net foreign demand has again positively contributed to overall growth.
- Positive developments were also continued by the publication of data on retail trade trends in October that had a monthly increase of 1.1%, i.e., a yearly one of 6.5%, and consumer confidence index trends also point to the continuation of private consumption growth. At the same time, the usual zig-zag industrial production trends continued in October. Namely, there was a decline in activities of -1.4% m-o-m (manufacturing +0.3%, electricity/gas production -12.1%), while there was an increase of 1.0% y-o-y (manufacturing +1.8%, electricity/gas production -1.1%). It is certain that we won't have more stable trends at least until, the currently mild recovery, signalled by the industrial PMI index movements for the eurozone, shows stronger positive trends.

The strongest GDP growth y-o-y in the EU, but growth slowdown q-o-q

Acceleration of growth of private consumption and investments

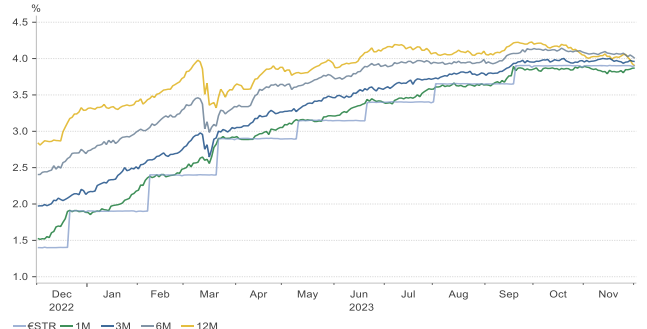
Retail trade +6.5%

- And finally, the CBS' flash estimate confirmed disinflation continuation in November. Namely, prices were reduced by -0.2% m-o-m, while the annual inflation rate was reduced to 4.7% from 5.8% recorded in October.
- Total loans in October slowed down to 5.6% y-o-y due to a decline in lending to the central government (-2.9%) followed by a slightly more moderate growth of private sector loans (7.5%). Growth of loans to households continued to strengthen (8.3%), mostly due to increased demand for cash loans, while loans to non-financial corporations retained the multi-month slowdown trend (6.2%). In late October deposits were higher by 5.2% y-o-y (private sector 6.6%).
- At the end of last week, the dollar reversed the trend due to somewhat more favourable indicators of the U.S. economy, so on Friday the exchange rate EUR/USD decreased to 1.0875, down by 0.4% w-o-w.
- Euribor recorded growth in shorter maturities and decline in longer ones, so on Friday 3M was 4.0%, as well as 6M, which means stagnation, i.e., a decline of 10 bps w-o-w. There will be no T-bills due until the end of year.
- Due to positive environment Crobex recovered, increasing by 1.7% w-o-w (to 2,440 points) with the most important sector indices recording a mixed performance (CROBEXindustry -1.9% to 1,617, CROBEXnutris +4.5% to 900, CROBEXtourist -0.5% to 3,927). Crobis mildly increased (to 93.8 points).

EUR/ USD



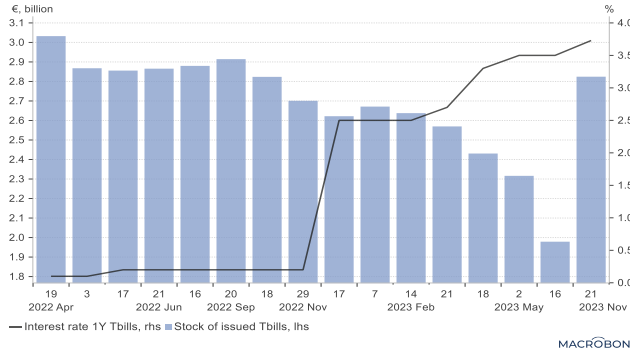
Euribor



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T-bills



Crobex/Crobis



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