WEEKLY ANALYSIS

NUMBER 828, SEPTEMBER 4, 2023

Continuation of economic growth in Q2

- Previous week, abounding with statistical data, confirmed the expected continuation of economic growth in this year's Q2 and with 1.1% rate compared to previous quarter, i.e., 2.7% compared to the same quarter last year (2.5% seasonally adjusted data), only a mild deacceleration compared to growth rates realised in Q1. Thus, GDP rose by 2.7% y-o-y in this year's H1. Observed by expenditure approach, private consumption recorded a significant acceleration of annual growth rate (from 1.4% in Q1 to 2.3% y-o-y in Q2), which also suggested a trend of retail trade that recorded a significantly better result in Q2 than in Q1 and is additionally supported by service consumption due to stable labour market and return of real wage growth. Thus, private consumption contributed to total growth with 1.3 p.p., while remaining growth originated from positive contribution of net foreign demand. More precisely, smaller real decline of total export (-1.6%) than import (-3.6%, with goods -7.3%, services +23.9%) resulted in positive contribution of net export of 1.4 p.p. Real decline of export is the consequence of strong decline of export of goods of -9.7% which is the first and strongest decline recorded since the pandemic 2020 and reflects the weakening of foreign demand, while simultaneously a continuation of growth of export of services (8.3%) has been recorded, reflecting a good tourist pre-season (+17% more foreign arrivals, i.e., +10% more overnight stays). During Q2, investments also increased but by a somewhat lower rate than the one realised in Q1: 3.2% vs 3.9%.

GDP up by 2.7% in 2Q23

- First inclinations of economic trends in Q3 are emitting similar signals for now. Namely, data show that during July retail trade volume recorded a monthly growth of 0.4%, i.e., 2.9% y-o-y, but at the same time industrial production recorded strong monthly decline of activities of -3.9%, i.e., -0.7% y-o-y. A certain degree of caution, due to which we will stand by our assessment that this year's total economic growth will be around 2.5%, is brought also by a decline of economic sentiment which sank to the lowest level in the last year at the end of August, with especially pronounced exacerbation of the sentiment in industry and the service sector, while consumer confidence, although in decline for the second month in a row, remains close to the long-term average.

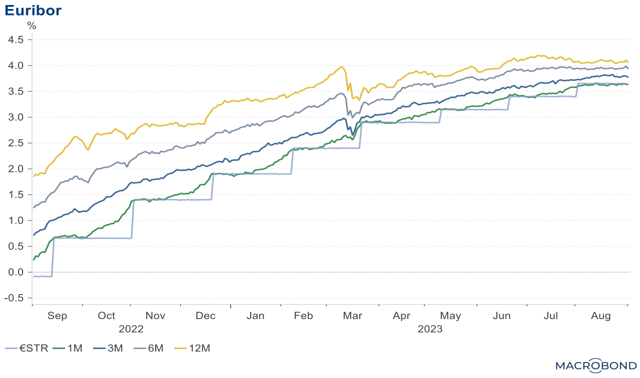
We stand by estimated growth of 2.5% in 2023

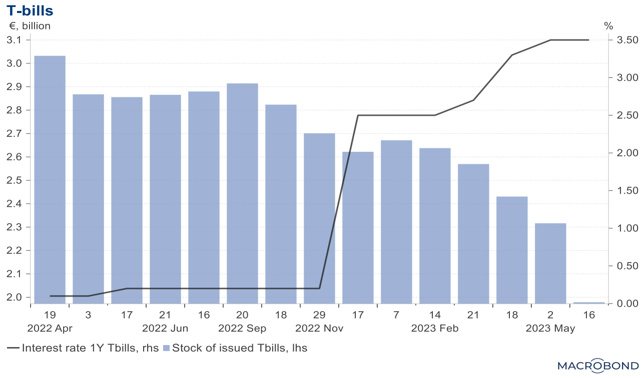
Inflation flash estimate for August

- The biggest disappointment last week was the announcement of the inflation flash estimate for August which brought acceleration of monthly inflation to 0.6% (after 0.2% in July), i.e., of annual to 7.8% from 7.3% in July. Acceleration of monthly inflation rate is primarily a consequence of monthly price growth of Energy (2.7% after 1.7% in previous month), Services (0.7% but a slow-down after 1.7% in July) and Food (0.2% after 0.4%), while rate decline was recorded in Non-food industrial goods without energy (-0.5% after -2.4% recorded in July compared to June). Average inflation rate was 9.4% in the first eight months, and we estimate it could be around 8% on an annual level.

Credit activity continues to weaken

- Credit activity continues to weaken so in late July total loans of other MFIs were larger by 5.9% y-o-y, with loans to the central government recording a decline of 3.8%, while loans to the private sector slowed down to 8.0%. Loans to non-financial corporations rose by a moderate 10.4%, while loans to households mildly strengthened to 6.4% due to solid growth of housing loans boosted by subsidies (9.3%) and acceleration of cash loans (5.8%). Total deposits in July recorded weakening of interannual growth to 5.5%, and private sector deposits to 6.4% (non-financial corporations 5.3%, households 6.9%).
- In anticipation of the Fed's and ECB's meetings, dollar mildly depreciated against the euro in late August and on the first day of September and finished last week at 1.0844 dollar to the euro, up by 0.3% w-o-w.
- Euribor stagnated last week so on Friday 3M was 3.8%, and 6M 3.9%. At the last auction in August, 12.5 million € of 6M T-bills was subscribed with interest rate of 3.2%. There are no T-bills due this week so there will be no auction.
- Crobex closed Friday up by 0.1% compared to previous week, i.e., at 2,351 points with mixed performance of the most important sector indices. CROBEXindustry and CROBEXtourist thus recorded an adjustment of 0.7, i.e.,1.6% (to 1,598 and 4,209 points), and CROBEXnutris growth of 0.6% (to 871 points). Crobis continued its negative string and fell to 0.2% (to 94.0 points).





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