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Stronger GDP growth in 2023, but also a larger-than-expected fiscal deficit

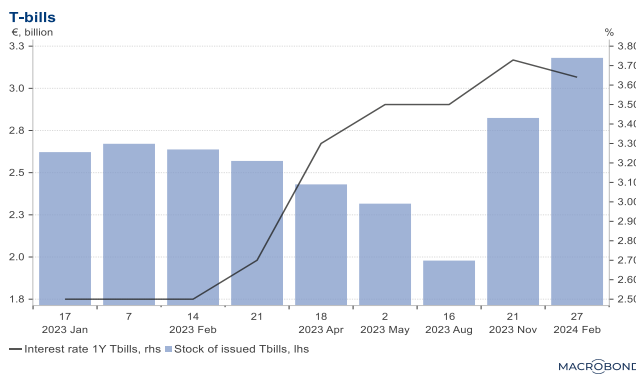
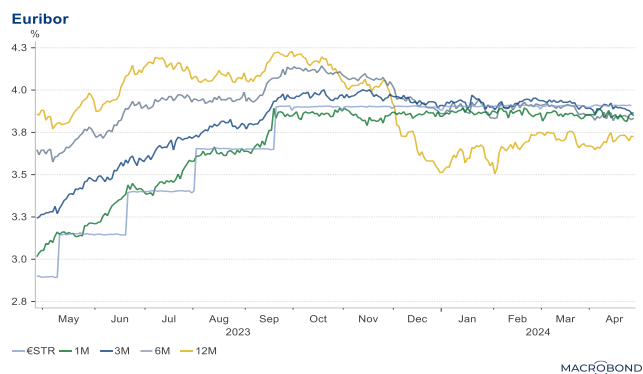
- Data published at the beginning of the week suggest a rather significant revision of data on gross domestic product growth in 2023, but also in 2022 and 2021. Thus, according to the disclosure of the Croatian Bureau of Statistics, GDP growth in the last year was revised from the previously published 2.8% to 3.1% due to a substantial revision of the growth of government final consumption (from the previously published 2.8% to 6.6%), with the quarterly dynamics of GDP growth also significantly revised. At the same time, the GDP growth rate in 2022 was also revised from 6.3% to 7.0%, while the growth rate in 2021 decreased from the previously published 13.8% to 13%.
- At the same time, a report on the excessive budget deficit procedure and the level of general government debt was also published, according to which the total deficit in the last year amounted to 0.7% of GDP, while the share of public debt in gross domestic product decreased from 67.8% in 2022 to 63% in 2023. Although data for the first three quarters of 2023 suggested more favourable developments in public finances, in the last quarter the recorded deficit of 1.5 billion euros annulled the previously accumulated surplus and pushed year-round implementation into a deficit of 529 million euros, i.e. the aforementioned -0.7% of GDP (as opposed to the planned -0.3% of GDP).
- Last week, data on the movement of the construction works index in February were also released. The statistics showed that the monthly growth of construction activity accelerated slightly to 1.9% after the 1.8% recorded in January, with the monthly growth of building activity accelerating to 2.9% (from 1.8% in January), while the dynamics of civil engineering slowed slightly (to 0.6% from 0.7%). Year-on-year, the overall growth rate accelerated from the 14.3% recorded in January to 15%, with an acceleration in buildings from 20.2% to 21.9% and a slight slowdown in civil engineering (from 3.9% to 3.7%). However, at the same time, currently available data on issued building permits indicate a future calming of activities, given that in the first two months of this year, 4.8% fewer building permits were issued than at the same time last year, with the number of permits issued for buildings reduced by 1.8%, while the number of permits for civil engineering was reduced by almost ¼. Labour shortages continue to be the most pronounced limiting factor in the construction sector.

GDP last year grew by 3.1%

Deficit in 2023 -0.7%, public debt 63% of GDP

Accelerated growth of construction activity

- The dollar weakened against the euro in the week behind us in which the data on the U.S. first-quarter GDP growth was released, which was lower than expected. At the end of the week, the exchange rate was \$1.0714 for the euro, up by 0.6% week-on-week.
- Euribor rose slightly on 1M maturity, while at longer maturities it posted a slight decline, so on Friday 3M was 3.9% and 6M was 3.8%, which is only slightly lower week-on-week. This week, €811 million of treasury bills are due, but there will be no auction held.
- Crobex recovered and recorded a 0.6% week-on-week increase (to 2,815 points) owing to the growth of almost all the most important sectoral indices (CROBEXindustry +1.3% to 2,034, CROBEXnutris +0.8% to 922, CROBEXtourist -1.3% to 4,477). Crobis continued to stagnate (at 96.0 points).



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