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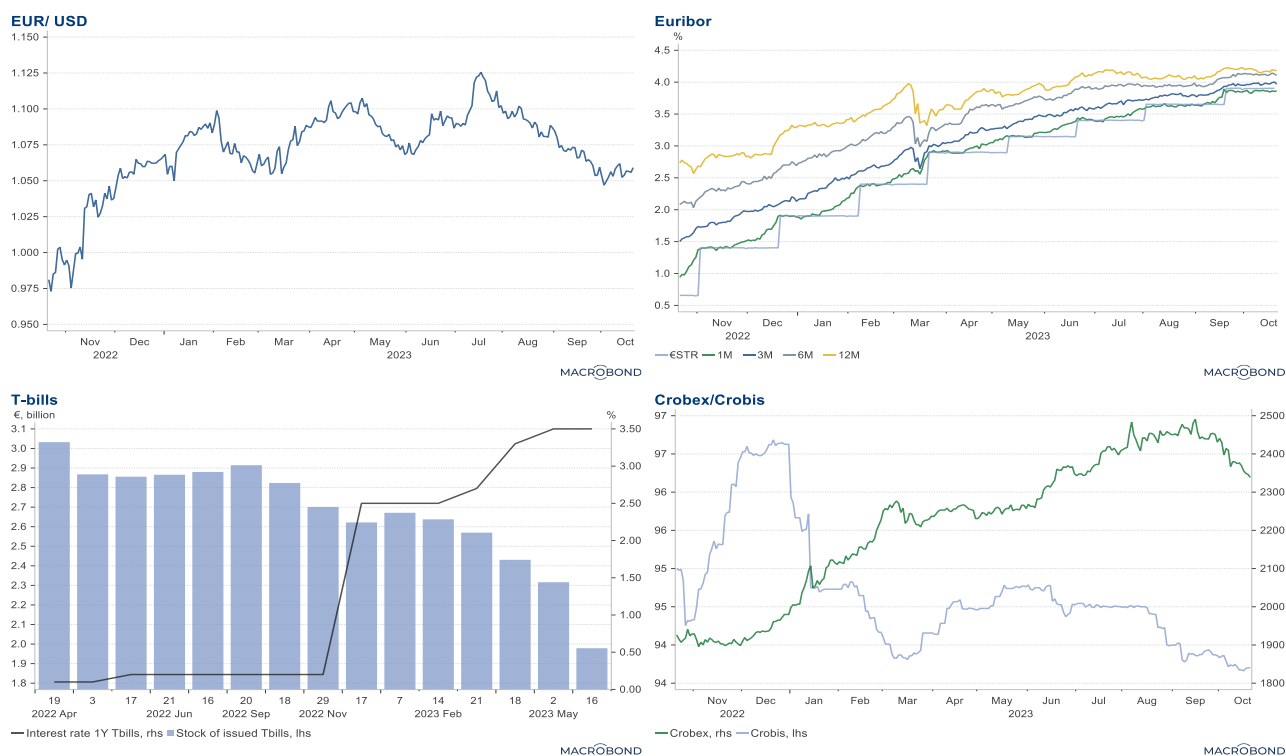
Week overview

- Early last week, the CBS published slightly corrected annual inflation rate for September that was 6.7% vs 6.6% published in the flash estimate whereby, after a break in August, the disinflationary trend has returned. Monthly rate was corrected from 0.4% to 0.5%, with the highest price increase recorded in Clothing and footwear (+13.1% m-o-m), Education (+2.7%) and Transport (+1.4%, due to a 3.6% increase of fuel price – with month-to-month price increase being noted for the fourth consecutive month, but at a milder rate compared to August and July). For the first time in the last year, September also recorded food products price decrease by -0.7% m-o-m, but the annual inflation rate of this most important category proportion-wise still amounts to double-digit 10.4%, although half the size than in October last year when a rate of 19.8% was recorded. Simultaneously, with the end of the tourist season we also recorded a price decrease in the category Restaurants and hotels by -3.5% m-o-m, thus reducing the annual inflation rate to 12.5% from 14.2% in August. Core inflation in September slowed down to 5.9% y-o-y (from 7.5% in August) but accelerated to 0.9% m-o-m after a monthly price stagnation recorded in August and -0.4% m-o-m recorded in July. Although the Middle East conflict escalation brings negative risks with regards to energy price trends, primarily oil, for now we stand by our estimation that the average inflation rate for this year could be around 8.1%, while a continuation of weakening of inflationary pressures should reduce the average inflation rate in 2024 to 3.7%.
- Revised annual GDP calculation was also published last week for the 1995 – 2022 period, with the most important revision referring to increased growth rate for 2021 from previously published 13.1% to 13.8% and a slightly less revised but still provisional data, according to which last year's growth was 6.3%. The most important one is certainly the revision of GDP growth in this year's first two quarters which primarily affected, i.e., reduced growth in Q1 from previously published 2.8% to 1.6%, while the data for Q2 was reduced from 2.7% to 2.6%. In line with revised data, growth rate that was achieved in this year's first semester has been reduced from previously published 2.7% to 2.1%, thus subsequently reducing our estimation of the annual growth rate in 2023, due to this revision, by 0.3 p.p., not taking into account the expected economy slow-down in the second half of the year.

**Inflation in
September 6.7%**

**Annual
calculation of
GDP also revised
quarterly rates in
2023**

- Statistical week was concluded by publishing the labour market data and the index of construction works. Labour market is still recording stable trends with unemployment rate being reduced in September to 5.8% (from 6% in August), while the average net wage for August increased by 14.1% in nominal, i.e., 5.8% in real amount. In August, the index of construction works recorded a monthly decrease of 0.4%, with activity regarding residential buildings being reduced by 0.7% while activity regarding infrastructural works increased by 1.5%. Total construction activity on an annual level recorded growth of 4.1%, with activity regarding residential buildings increasing 7.1%, and infrastructural works declining by -0.3%. After the construction activity recorded a mild contraction of -0.3% in Q1 compared to Q4 last year, and in Q2 a mild recovery and growth of 0.5% on a quarterly level, average activity in the first two months of Q3 points to a more significant recovery of activities (+1.9% q/q), also suggesting positive contribution to GDP in Q3.
- The dollar recorded a slight correction to the euro and at the week's end the exchange rate was 1.0591 dollar to the euro, up by 0.6% w-o-w.
- Euribor recorded only mild oscillations, pending this week's ECB meeting. On Friday, 3M remained at 4.0%, and 6M at 4.1%. There is no tenor or T-bill auction this week.
- Lack of good news resulted in continuation of a negative trend at the ZSE so Crobex finished on Friday at 2,339 points, -1.6% w-o-w. All the most important sector indices noted a decline (CROBEXindustry -1.9% at 1,500, CROBEXnutris -0.1% at 848, CROBEXtourist -1.5% at 3,940). Crobis stagnated at 93.7 points.



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