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### Continuation of strong growth in this year's Q3

- In accordance with high-frequency data, per the flash estimate of the Croatian Bureau of Statistics, gross domestic product in this year's Q3 recorded growth of 3.9% compared to the same period last year. Per seasonally adjusted data, growth was 0.8% q-o-q and 4.1% y-o-y, which placed Croatia (again) at the very top of the European Union. The growth structure did not bring any special surprises: household consumption grew by 5.5%, supported by double-digit real growth of the average net salary and a low unemployment rate, but also by a 15% growth of cash loans. At the same time, government consumption recorded an interannual growth rate of 5.3%, while investments powered by EU funds rose by 9.2%. Data on the exports and imports' trends bring a continuation of an interesting turn. Namely, for the third quarter in a row, the export of goods recorded real growth of 6.3%, while the export of services, dominated by tourism, recorded real decrease of -1.8%, which is a milder decline rate than those recorded in the first two quarters (whereas the decline recorded in Q1 is not related to tourism, while in Q2 it is), but considering that a decline of -0.5% was already recorded in last year's Q3, it is certainly a warning information. Considering that real import growth by 4.1% was recorded simultaneously in Q3 (goods +3%, services +9.6%), total net foreign demand had a negative contribution to the gross domestic product growth. All in all, during this year's first three quarters, gross domestic product recorded growth of 3.8%, while the growth could be around 3.6% y-o-y, considering we expect a slight slowdown in the growth rate in Q4. Currently available data suggest a continuation of solid growth in personal consumption, given that real turnover in retail trade during October recorded growth of 6.7% y-o-y per calendar-adjusted data, i.e., 7.3% per original data, while data from the Tax Administration on the amounts of fiscalised invoices during November suggest a nominal increase of 9.7%. Simultaneously, industrial production is starting Q4 on the wrong foot, considering that in October a decline in activities of -2.1% was recorded compared to the same month last year, with the processing industry recording a decline of -1.7% (15 out of 24 business activities in the red), while electricity production recorded a -2% fall, and mining and quarrying recorded growth of 0.4%.
- We maintain our assessment that growth in 2025 will be around 2.9% yoy, with milder growth dynamic of consumption and investments, and a negative contribution of net exports considering the evidently problematic recovery of foreign demand in view of the

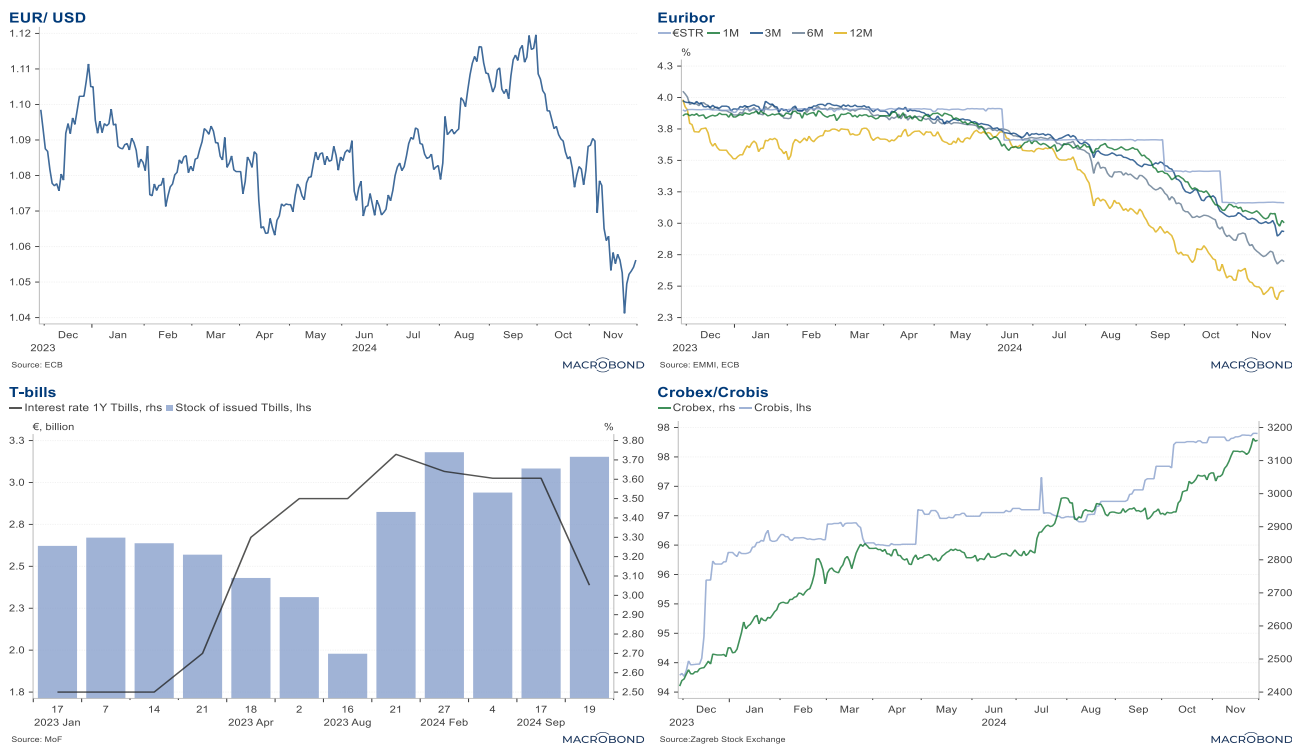
**Growth powered by personal consumption and investments**

**Slow-down in 2025**

disappointing sentiment of the European industrial sector and restrained consumption, but also the fact that tourism is facing certain challenges both on the supply and demand side, trying to exceed pre-pandemic records. A faster and stronger than expected recovery of the European economy could boost domestic growth, while the continuation of slow and uneven growth would represent a negative risk, as well as possible additional shocks arising from an uncertain geopolitical environment.

- Per the CBS' flash estimate, the inflation rate in November according to the national index slowed down to 0.4% from 1.1% m-o-m recorded in October, while it accelerated from 2.2% to 2.8% y-o-y. Simultaneously, the harmonised inflation rate recorded stagnation m-o-m (after an increase of 0.8% during October), while it accelerated to 4.0% y-o-y under the base influence (from 3.6% in October). The acceleration of headline inflation reflects a strong increase in energy prices y-o-y, from -4.4% in October to 0.3% in November, while the remaining components recorded a slight slowdown in the annual growth rate: food to 5.1% from 5.2 %, industrial products to 0.7% from 0.8% and services to 7.3% from 7.5% in the previous month. Simultaneously, per the flash estimate, the inflation rate in the eurozone accelerated to 2.3% in November from 2.0% in October.
- Euro bounced off the bottom as the dollar weakened by following the trends of US yields, but the stronger growth of the eurozone's common currency is resisted by expectations that the ECB will dare to reduce interest rates more strongly at its meeting in December. EUR/USD closed the week at 1.0562, up by 1.4% w-o-w.
- Euribor recorded a decline to 0.1 p. p. w-o-w, so at the end of the week 3M and 6M lowered to 2.9, i.e., 2.7%.
- Crobex recovered, finishing the week up by 1.4% w-o-w, i.e., increasing to 3,162 points. Sectoral indices had a colourful performance (CROBEXindustry -0.4% to 2,285, CROBEXnutris +2.8% to 896, CROBEXtourist -0.6% to 4,175). Crobis remained at 97.9 points a.

**Acceleration of  
annual inflation rate  
in November**



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## ECONOMIC RESEARCH

Ivana Jović  
Ana Lokin

## TRANSLATION

Ana Biloš  
Jelena Marinović

[www.pbz.hr](http://www.pbz.hr)