

WEEKLY ANALYSIS

Number 800, November 28, 2022

Growth slowdown in the third quarter	1
Weekly overview	2
Statistics.....	3

Growth slowdown in the third quarter

The first estimate of gross domestic product developments for the third quarter of this year, according to seasonally adjusted data, indicates a q-o-q decline in economic activity by 0.4%, which is the first q-o-q contraction recorded after the pandemic second quarter of 2020. At the same time, according to seasonally adjusted data the y-o-y growth rate was 5.5%, or 5.2% according to non-seasonally adjusted data, and represents a slowdown in activity compared to the average growth rate of 8.2% recorded during the first half of the year. According to the components of the expenditure approach, the household consumption, most significant in terms of share, recorded a slowdown in the real growth rate from an average of 7.1% posted in the first half of the year, to 5.6% in the third quarter, reflecting the negative impact of high inflation on household consumption. At the same time, investment activity recorded an acceleration of the growth rate to 8.0% from the average 3.0% recorded during the first six months, partly reflecting the low last year's base, but also solid activity in the construction sector, primarily in the segment of works on buildings. Foreign demand continues to support GDP growth, and in the observed quarter the growth of exports of goods accelerated to 37% (from 23% during the first two quarters), while exports of services (mostly tourism) in line with expectations and considering the high last year's base recorded a more than solid y-o-y increase of 18.4% in real terms. Simultaneously, imports of goods and services posted an increase of 30.5% compared to the same quarter last year.

Given that we expect a further slowdown in economic activity in the last quarter of this year, as indicated by the available data of the Tax Administration on fiscalized accounts, as well as by the still subdued survey indicators of economic and consumer sentiment in October, we stand by the estimate that the year-round growth rate in 2022 will be around 5.9%. As for the year ahead, given the high level of uncertainty both in terms of the geopolitical situation and the energy situation, it is quite certain that there will be a noticeable slowdown in economic activity across Europe, where Croatia will not be an exception. Exports will be under pressure from weakening foreign demand, while the increased cost of living will surely affect tourism plans in the coming year. Unlike this year when the post-pandemic return to normality and the desire for vacation and travel overcame inflationary pressures, in the upcoming period the ratio of price and service obtained will be more cautiously evaluated. Restraint in spending is also expected from domestic consumers, as well as from the private business sector in respect of expected investments, while partial shock absorber for negative pressures could be investments financed by EU funds. In any case, we expect growth to slow down to below 1%, but more on that at the end of December when we complete a new cycle of macroeconomic projections.

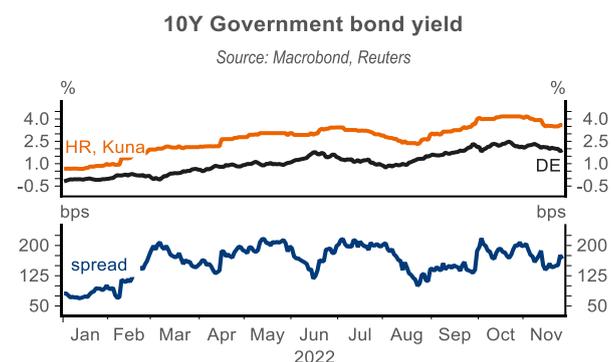
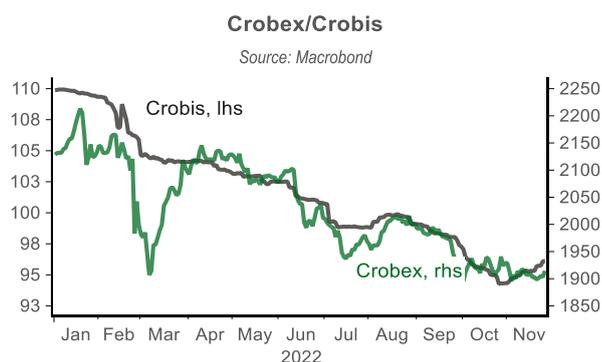
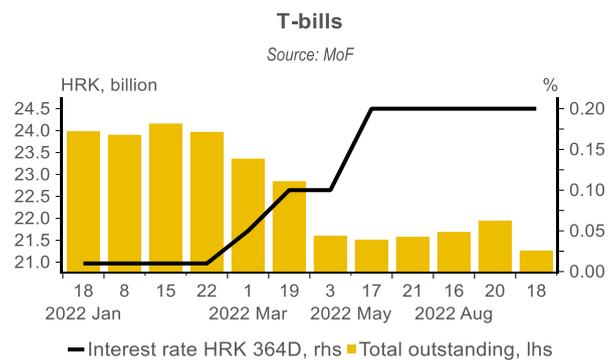
Croatia GDP breakdown: % YoY change

	4/2020	1/2021	2/2021	3/2021	4/2021	1/2022	2/2022	3/2022
GDP	-5.9	2.6	20.8	16.7	12.2	7.8	8.7	5.2
Private consumption	-3.3	-0.2	18.0	15.8	7.5	6.2	7.5	5.4
Government consumption	3.0	-5.7	8.4	-4.5	14.3	5.8	-2.2	1.3
Investments	-1.2	8.5	16.5	0.7	-5.0	2.0	3.9	8.0
Exports of goods & services	-7.5	0.7	45.7	53.0	34.4	27.8	40.3	23.3
<i>Exports of goods</i>	9.3	6.6	37.1	15.2	27.3	22.9	22.9	37.0
<i>Exports of services</i>	-30.4	-9.8	63.2	77.3	51.4	36.0	66.7	18.4
Imports of goods & services	-5.6	-0.4	33.5	19.8	20.1	29.5	26.5	30.5

MACROBOND

Weekly overview

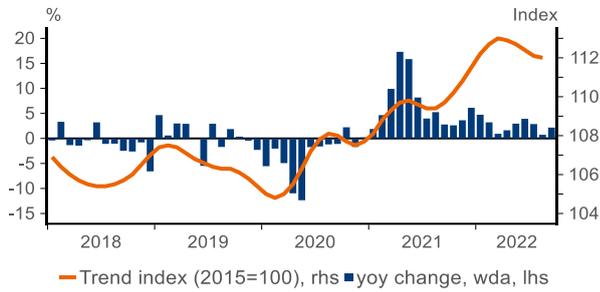
- Last week we recorded slight fluctuations in the exchange rate of the kuna against the euro and Friday closed with a mid-point exchange rate at the level of 7.5436, almost unchanged on a weekly basis. The kuna continued to be appreciated against the dollar (-0.8% to 7.2444 kuna per dollar) due to the weakening of the dollar against the euro.
- Excess liquidity increased to HRK 88 billion in the week behind us, interest rates stagnated, and there were no placements at the CNB's repo auction. This week, HRK 1,959 million of one-year T-bills are due, and MoF has published a call for auction with planned amounts of HRK 100 million of 3-month and 6-month T-bills and HRK 1.2 billion of one-year T-bills.
- In the week behind us, ZSE turnover was 1.5 times higher on a weekly basis and reached HRK 189 million, with turnover in shares halved (to HRK 21 million), while turnover in bonds multiplied (to HRK 168 million). Crobex achieved noticeable growth on Friday, closing the week up by 0.6% w-o-w at the level of 1,914.4 points due to the mostly positive performance of the most important indices (CROBEXindustry -0.1% to 1,028.4, CROBEXnutris +1.8% to 714.4, CROBEXtourist +1.3% to 3,253.7). Crobis continued to grow (+0.8% to 96.1 points).



Statistics

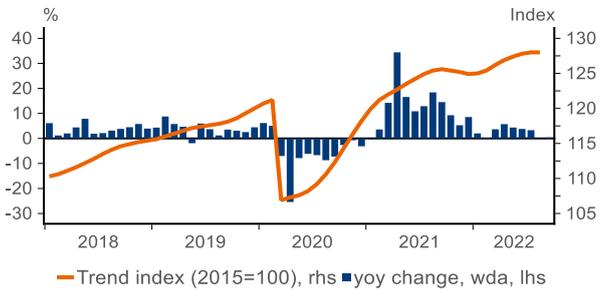
Industrial production

Source: Macrobond



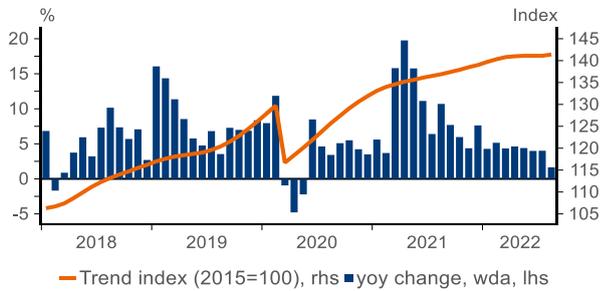
Retail trade, real

Source: Macrobond



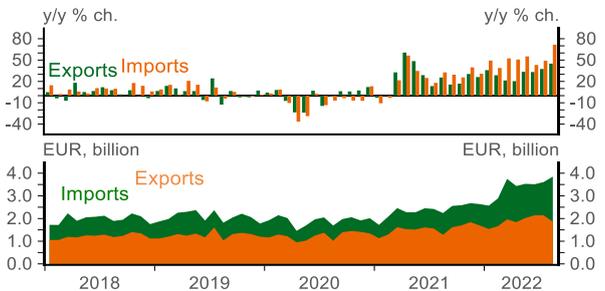
Construction works

Source: Macrobond



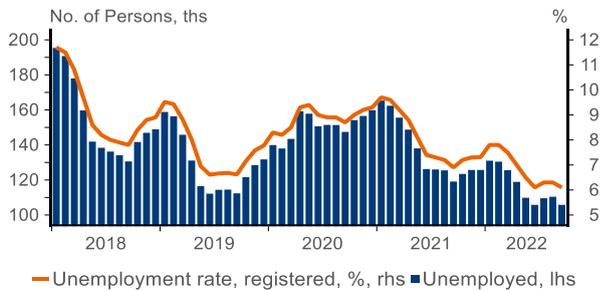
Goods exports and imports

Source: Macrobond



Unemployment

Source: Macrobond



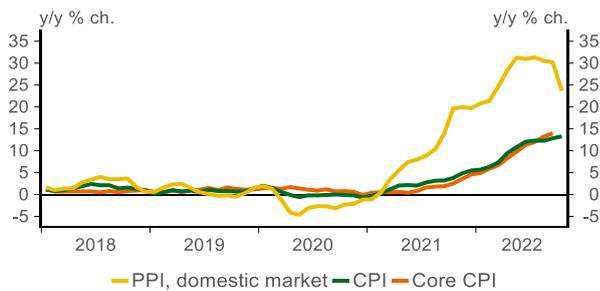
Wages

Source: Macrobond, CBS



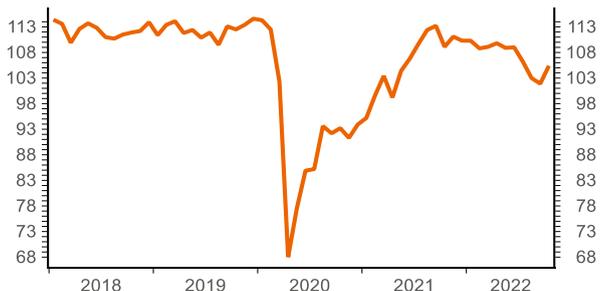
Prices

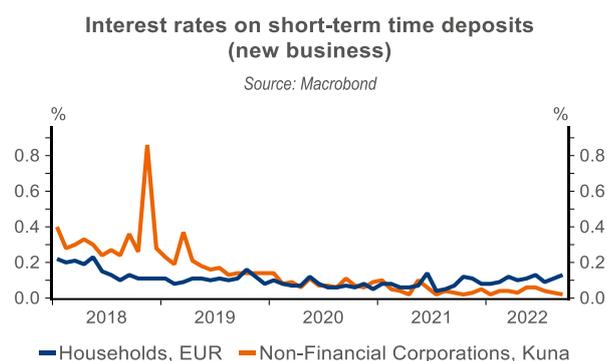
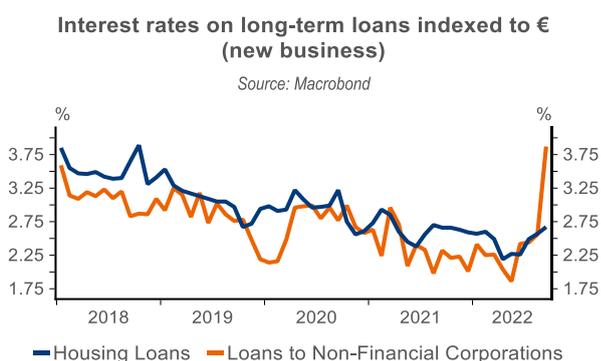
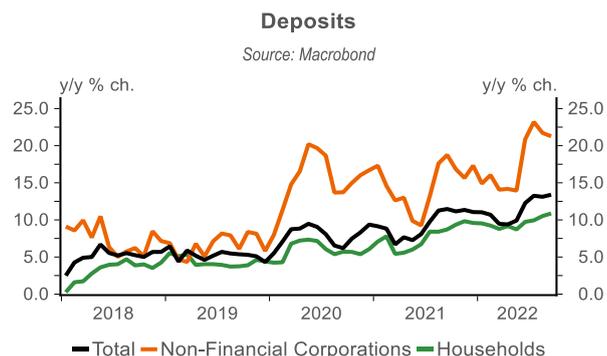
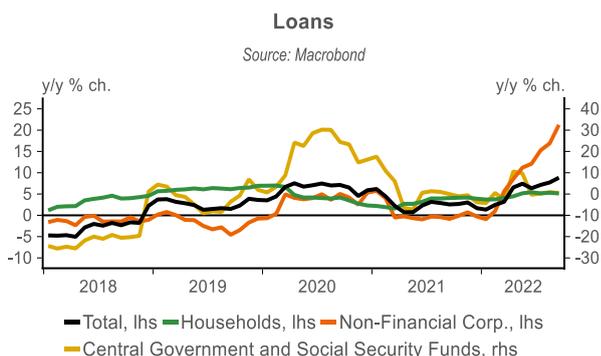
Source: Macrobond



Economic Sentiment Indicator (ESI)

Source: Macrobond





RESEARCH OFFICE

Ivana Jović
Ana Lokin

TREASURY

Eugen Bulat

TRANSLATION

Ana Biloš
Jelena Marinović

LEGAL DISCLAIMER

This publication is issued by PRIVREDNA BANKA ZAGREB-DIONIČKO DRUŠTVO, Zagreb, Radnička 50 (hereinafter: PBZ) and aimed at clients of the PBZ Group. This publication is intended for information purposes only and may not in any way be considered an offer or invitation to purchase any property or rights mentioned in it. The informative nature of this publication means that it may not serve as a substitute for the personal judgment and assessment of any reader or anyone who receives this publication. The information, opinions, analyses, conclusions, forecasts and projections given here are founded on publicly available data whose accuracy PBZ relies on but cannot guarantee. Accordingly, all the opinions, attitudes, conclusions, forecasts and projections given in this publication are subject to changes, which depend on changes to the data as published by the source used. PBZ allows further utilization of the data given in this publication on the condition that the publication is indicated as the source. All the property mentioned in this publication and whose movement is the subject of comment may from time to time be the subject of trade or positions taken by PBZ.