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GDP growth slowed down to 4.0%

- According to the preliminary assessment of the Croatian Bureau of Statistics, in last year's Q4 the q-o-q growth rate for GDP was 0.9%, thus avoiding technical recession (in Q3 decline in activity by 0.5% was recorded). At the annual level, GDP growth rate slowed down to 4.0% from 5.2% recorded in 3Q2022, while the total annual GDP growth rate in 2022 was estimated at 6.3%.
- Observed by components, in last year's Q4 the expected strong slowdown of personal consumption (to 1.3%) was recorded, reflecting the influence of two-digit inflation on disposable income of the population. Simultaneously, government spending accelerated substantially (to 6.8%) in line with aid measures to the citizens and economy, and with wage bill growth. A positive signal came from investment activity that closed the previous year by accelerating growth rate to 9.6%, which was hinted by the dynamic of construction works, and we presume, also by the dynamic of EU funds. At the same time, export and import recorded significantly slower growth rates (14.2%, i.e., 14.6%) from those recorded during first three quarters, thus resulting in negative contribution of net foreign demand to total GDP growth.
- All in all, a preliminary assessment of the Croatian Bureau of Statistics suggests that in 2022 a high annual GDP growth rate of 6.3% was recorded. Personal consumption was up by 5.1% y-o-y, primarily due to strong growth recorded in 1H of the year. At the same time, government spending increased by 3.0%, and investment activity accelerated to 5.8%. During last year both import and export recorded similar real growth rates of 25.4%, i.e., 25.0%.
- Regarding the expectations for the current year and considering somewhat favorable trends in the environment but also improved economic sentiment in February, we feel that risks to growth are currently balanced. Namely, although inflationary bite will continue to hamper personal consumption, and general level of uncertainty will restrict private sector investments, public investments backed by EU funds should alleviate those pressures. Export activity will depend on the trends in most important trade partners which could be even more positive than expected backed by export, but at the same time China's recovery could result in the strengthening of global inflationary pressures and additional tightening of monetary policy.

Technical recession avoided

Strong slowdown of personal consumption in Q4

Total annual growth rate high 6.3%

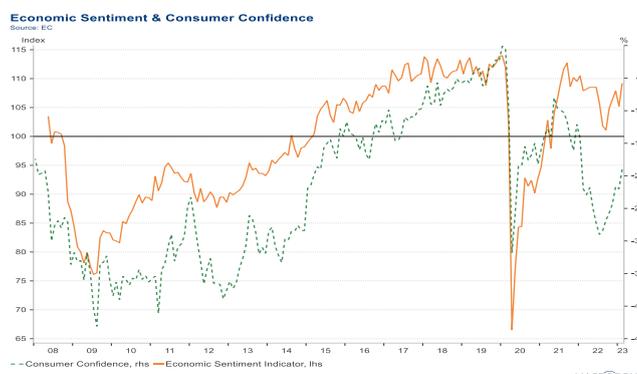
Expected slowdown in 2023

However, expected positive effects of entering the Schengen and the euro zone to both goods export and tourism should not be disregarded. For now, while waiting for the preliminary statistical data for the beginning of the year, we stand by our assessment that the 2023 growth will slow down to 1%.

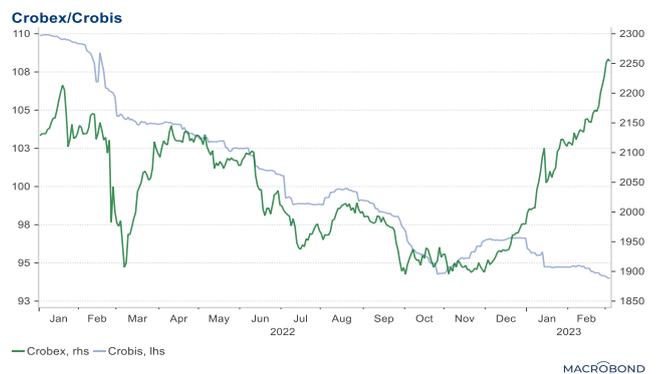
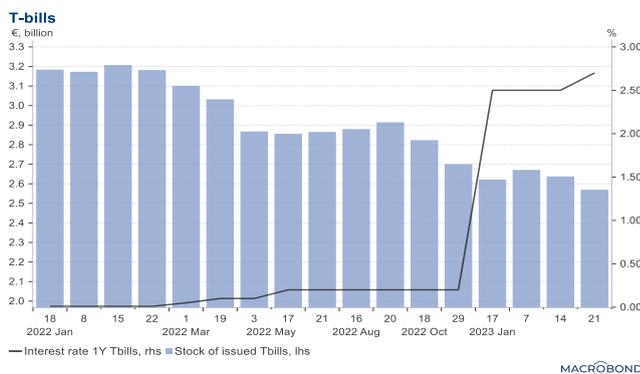
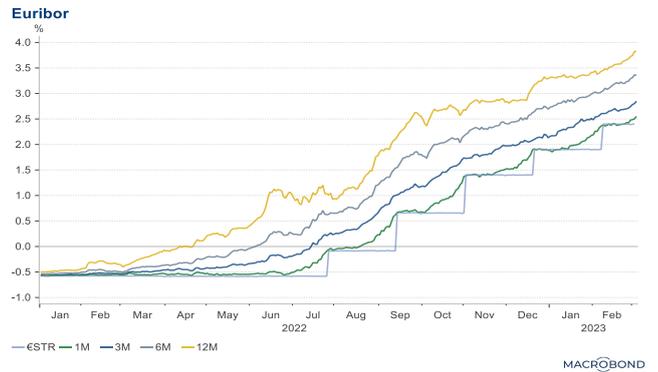
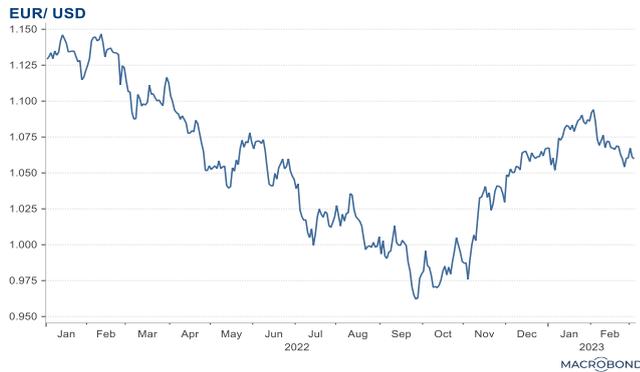
Croatia GDP breakdown: % YoY change

	4/2022	3/2022	2/2022	1/2022	4/2021	3/2021	2/2021	1/2021
GDP	4.0	5.2	8.7	7.8	12.2	16.7	20.8	2.6
Private consumption	1.3	5.4	7.5	6.2	7.5	15.8	18.0	-0.2
Government consumption	6.8	1.3	-2.2	5.8	14.3	-4.5	8.4	-5.7
Investments	9.6	8.0	3.9	2.0	-5.0	0.7	16.5	8.5
Exports of goods & services	14.2	23.3	40.3	27.8	34.4	53.0	45.7	0.7
Exports of goods	13.4	37.0	22.9	22.9	27.3	15.2	37.1	6.6
Exports of services	13.9	18.4	66.7	36.0	51.4	77.3	63.2	16.1
Imports of goods & services	14.6	30.5	26.5	29.5	20.1	19.8	33.5	-0.4
GDP QoQ % ch. (sa)	0.9	-0.5	1.3	2.4	2.1	2.4	0.5	7.2

MACROBOND



- Out of interesting data published last week we highlighted the first assessment of inflation in February, which recorded a 0.2% m-o-m growth in Croatia, after a decline in December and stagnation in January, while it deaccelerated y-o-y to 11.9% (from 12.7% in January). Monthly increase reflects price growth in energy (0.8%) and services (0.1%), while according to a preliminary assessment of the Croatian Bureau of Statistics, the prices of industrial non-food products excluding energy and food prices remained unchanged m-o-m.
- According to the CNB's data, total loans of other MFIs in January strengthened to 10.9% y-o-y, with loans to the central government accelerating to 15.0%, and loans to the private sector to 11.4% (non-financial corporations 21.5%, households 5.2%). Total deposits slowed down to 12.5% y-o-y in January (private sector to 13.5%).
- Dollar fluctuated last week, waiting for clearer signals regarding further trajectory of FED interest rates. The week ended with exchange rate of 1.0615 dollar to the euro, up by 0.4% w-o-w.
- Euribor continued upwards, rising last week from 10 to 20 bps w-o-w, with 3M and 6M increasing to 2.8, i.e., 3.4% at the end of the week. Last week EUR 56 million of T-bills was due, but there was no auction. This week there is no tenor or auction, and next tenor is March 23.
- Publications of companies' reports continued to support Crobex upward trend that finished the week up by 2.4% w-o-w, i.e., at 2,253.7 points. Most important indices showed mixed trends; CROBEXindustry and CROBEXtourist recorded growth of 2.8 and 4.6% to 1,266.3, i.e., 4,173.4 points, while CROBEXnutris sunk 1.1% to 798.6 points. Crobis decreased by 0.2% to 94.0 points.



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