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### Public debt at the end of Q2 60.1% of GDP

- Data on public finances' trends published last week suggest that in late Q2 (based on the last four quarters) the general government's budget recorded a total deficit of -1.7% of GDP. For comparison, at the end of Q1 the deficit was -0.8%, and in the same period in 2023 it was -0.5%. Per the revised budget plan, the total deficit for the entire year should amount to -2.6% of GDP. Published data reveal that total general government expenditures reached 46.9% of GDP at the end of Q2, while total revenue decreased slightly to 45.2%.
- After eight quarters of strong double-digit growth, revenue growth slowed from 11.8% in Q1 to 4.5% in Q2. The growth of indirect taxes slowed down to 6.9% (from 9.9% in Q1), also attributable to last year's high base because in Q2 2023 the growth of indirect taxes amounted to 19% y-o-y. Revenues collected from direct taxes increased by 9.4%. Social security contributions, helped by strong wage growth and record employment, increased by 18.6%, an acceleration from 15.3% in Q1. Simultaneously, other revenues decreased by 18.5% y-o-y, mainly due to the more than halved amount of capital transfers (-58.5% y-o-y) – i.e., EU funds which decreased to EUR 293 million from EUR 706 million in the same period in 2023.
- At the same time, total expenditures increased by 13% y-o-y, accelerating growth compared with 11% recorded in Q1 2024. And while intermediate consumption expenditures slowed to 1.1% y-o-y (from 5.2% in Q1), the wage bill increased significantly by as much as 29.4% y-o-y, reflecting a strong double-digit wage growth in the public sector. The growth of interest expenses slowed to 9.4%, while subsidies increased by 8.2% y-o-y. The growth of social benefits slowed to 12.1% from 19.8% in the previous quarter, while capital transfers and investments grew by 9.8% y-o-y, i.e., by 13% in Q1 and Q2 together.
- In conclusion, at the end of Q2, the share of public debt in GDP was 60.1%, and was lower by -1.9 p.p. compared to the previous quarter, while compared to the same period last year it was lower by as much as -5.7 p.p., which can be attributed to a stronger positive effect of nominal GDP growth than the negative one resulting from the nominal public debt growth (from 47.9 billion in Q2 2023 to 49.2 billion in Q2 2024).

**General government's deficit increased to 1.7% of GDP**

- The largest share of public debt in gross domestic product at the end of Q2 was recorded by Greece (163.3%), followed by Italy (137%), France (112.2%), Belgium (108%), Spain (105.3%) and Portugal (100.6%), while the smallest share is recorded by Bulgaria (22.1%), Estonia (23.8%) and Luxembourg (26.8%).
- Strengthening expectations that the decline in ECB rates will accelerate supports the further weakening of the euro against the dollar so EUR/USD finished last week at 1.0825, down by 0.2% w-o-w.
- Euribor decreased by 0.1 p.p. w-o-w, so 3M and 6M were 3.1, i.e., 2.9% on Friday.
- Crobex maintained a strong upward trend in the month when the report was published with a growth of 0.8% w-o-w to 3,053 points. Sectoral indices record divergent trends (CROBEXindustry -1.5% to 2,274, CROBEXnutris +1.3% to 894, CROBEXtourist -0.3% to 4,160). Crobis slightly decreased to 97.7 points.

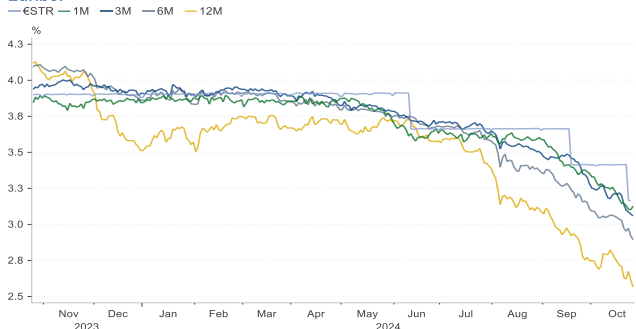
### EUR/ USD



Source: ECB

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### Euribor

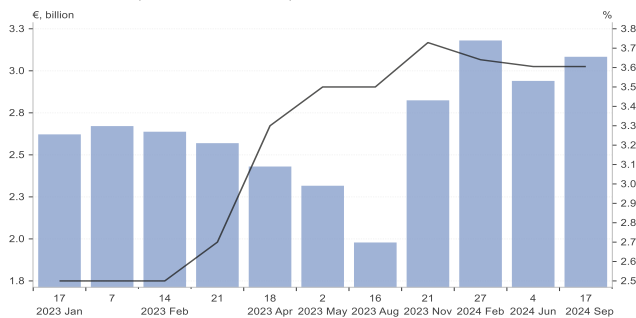


Source: EMMI, ECB

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### T-bills

— Interest rate 1Y Tbills, rhs ■ Stock of issued Tbills, lhs



Source: MoF

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### Crobex/Crobis

— Crobex, rhs — Crobis, lhs



Source: Zagreb Stock Exchange

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