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Nowcast of GDP for the second and third quarters of 2025 and inflation in short-term period

Sarajevo, 29 September 2025

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Key points:

- *The CBBH estimates the annual growth of real economic activity in the second quarter of 2025 at 1.9%, which is lower by 0.6 percentage points compared to the previous round of nowcast. The GDP growth outlook has been revised downwards, compared to the previous round of nowcast, as a result of lower than estimated levels of activity in industrial production, stagnating tourism activity, stronger inflation pressure, and partly also due to the official data published for the first quarter of this year.*
- *The stagnation of activity in the service sector, especially tourism, in addition to the low level of the industrial sector activity, indicates that economic activity in the third quarter could remain relatively modest. Our first preliminary estimate of real GDP growth in the third quarter is 2.0%.*
- *We estimate headline inflation in the third quarter of 2025 at 4.3% and core inflation at 4.6%. Headline inflation has been revised significantly upwards (1.3 percentage points) compared to the June nowcast, due to a strong growth of food prices, additional increase of electric energy prices for domestic customers, and a stronger than expected effect of the minimum wage increase on wages in all activities, and prices in most categories.*
- *The growth of domestic prices is significantly impacted by factors from the domestic environment, such as the increasing prices of services. In the current circumstances, we expect inflation to slow down gradually in the short term. Nevertheless, inflation pressures will remain significant until the end of the year. Our preliminary estimate of headline inflation in the fourth quarter of 2025 is 3.9% and that of core inflation is 4.6%.*

On the basis of the available official statistical data, and information from international markets, published by 20 September 2025, the Central Bank of Bosnia and Herzegovina (CBBH) estimates the annual growth of real GDP in the second quarter of 2025 at 1.9% (Table 1). The real GDP growth rate has been revised downwards by 0.6 percentage points compared to the results of the June nowcast, when we had available incomplete data for April this year. GDP growth has been revised downwards, compared to the June nowcasts, as a result of lower than projected levels of activity in industrial production, stagnating tourism activity, as well as stronger inflation pressure.

Official data for the first quarter showed lower GDP growth (1.7%) than expected (2.5% estimated in June), which was also reflected in decreased estimate for the coming quarters. Weaker activity was recorded in tourism than previously expected, industry, and particularly construction, whose real activity in the previous year, along with trade, made the largest contribution to the growth of the overall economic activity.

High frequency data, such as industrial production and real retail trade, indicate a slowdown of economic activity, reflecting weakening domestic and foreign demand. For the first seven months of the current year, the real retail trade index recorded a decrease of 0.5%, with an 11.7% decrease recorded in the activity of retail sale of food, beverages and tobacco products. Activities in the services sector continue to have a positive impact on the dynamics of the expected real GDP trends. Having in mind that industrial production recorded a slightly stronger decline of activity in July in all activities, mining (-10.5%), manufacturing industry (-1.4%), and production and supply of electric energy and gas (-12.0%), with moderate activities in the field of tourism due to the seasonal effect, our first preliminary estimate is that the annual growth of economic activity could be at the level of around 2.0% in the third quarter.

Table 1: Annual change of GDP in BH

		Round of nowcasts from June 2025	Round of nowcasts from September 2025
Official data at the moment of preparing the report	Q1 2023.	2,3%	2,3%
	Q2 2023.	1,9%	1,9%
	Q3 2023.	2,3%	2,3%
	Q4 2023.	1,4%	1,4%
	Q1 2024.	2,5%	2,5%
	Q2 2024.	2,3%	2,3%
	Q3 2024.	2,6%	2,6%
	Q4 2024.	2,5%	2,5%
	Q1 2025.		1,7%
		Round of nowcasts from June 2025	Round of nowcasts from September 2025
Nowcast of CBBH	Q1 2025.	2,2%	
	Q2 2025.	2,5%	1,9%
	the first half of 2025	2,3%	1,8%
	Q3 2025.*		2,0%
	the first nine months		1,9%

Source: BHAS, estimates of CBBH. * the first preliminary estimate.

We currently estimate headline inflation to be 4.3% in the third quarter of 2025 and core inflation to be 4.6% (Table 2). The official statistics for the first eight months of the current year indicate increasing inflation pressures at the annual level. The deviation of estimated inflation in the third quarter of the current year, compared to the previous round, is mainly caused by a strong increase of food and electric energy prices, which resulted, among other reasons, from the minimum wage increase. The minimum wage increase in both Entities since the beginning of the year, and the chain effect on wage growth in all activities, was reflected in the growth of prices in most categories.

Rising food prices (the category of food and non-alcohol beverages recorded an 8.9% increase of prices in the first eight months of 2025), and persisting pressures of core inflation, which excludes the prices of food, alcohol beverages and tobacco, and energy, are the main factors of the acceleration of headline inflation in the country. While more expensive food directly raises the

cost of living, persisting pressures on the prices of goods and services due to increased utility costs, additionally raise the price level, partly through delayed effects, reducing the purchasing power of households. All of the above indicates that factors from the domestic environment significantly contribute to the price growth. Inflation in the services sector has been estimated at 4.8% in the first eight months of 2025. Import inflation is also a significant factor of headline inflation since a large part of the basic consumer basket comes from imports, with any change of prices in the international market being transferred to domestic prices. Our preliminary estimate of headline inflation in the fourth quarter of 2025, based on information available up to 20 September 2025, is 3.9% and core inflation is 4.6%.

The risks associated with the real GDP growth, as well as the maintenance or strengthening of the inflation pressures intensity, which we have pointed out before, remain distinct. In addition to the uncertainty in the field of domestic economic policies, the high uncertainty regarding the political situation in the country, as well as geopolitical tensions, and their possible further escalation, may result in revisions of nowcast as early as in the next round.

Table 2: Annual inflation in BH, for the period

			Headline inflation	Core inflation
Official data/CBBH estimate for core inflation		Q1 2024.	2,0%	4,7%
		Q2 2024.	1,9%	3,9%
		Q3 2024.	1,3%	3,9%
		Q4 2024.	1,5%	3,7%
		2024	1,7%	4,0%
		Q1 2025.	3,3%	4,2%
		Q2 2025.	3,9%	4,3%
		first eight months of 2025	3,8%	4,3%
CBBH nowcast	June 2025	Q2 2025.	3,3%	4,0%
		Q3 2025.	3,0%	4,0%
		first nine months	3,2%	4,1%
	September 2025	Q3 2025.	4,3%	4,6%
		first nine months	3,8%	4,4%
		Q4 2025.*	3,9%	4,6%
		2025.	3,9%	4,4%

Source: BHAS, estimates of CBBH.

We plan to publish the results of the next round of medium-term macroeconomic projections for the period 2025-2027 in November 2025. We plan to publish the next round of the GDP, headline and core inflation nowcast for the short term period at the end of 2025.