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# Autumn Round of Medium-Term Macroeconomic Projections

**Sarajevo, 22 October 2025**

## In line with indications from the quarterly nowcast, economic activity has been revised downwards, and inflation upwards, in the autumn round of medium-term macroeconomic projections.

*Key notes*

- *The projection of economic activity growth in BH in 2025 has been revised downwards, to 2.0%, due to the weakening of domestic and external demand, which was reflected in personal consumption, investment, imports and exports. These components of national accounts are also partly affected by the base effect from 2024. The most significant contribution to economic growth in the short term is still expected from personal consumption, as the largest macroeconomic aggregate. By the end of the projection horizon, we currently expect a gradual intensification of economic activity and a gradual weakening of inflationary pressures.*
- *Due to the lack of official data on GDP according to the expenditure approach for the second quarter of the current year, the latest nowcast of real GDP growth for the second quarter (1.9%) was used. A detailed revision of official statistical data on GDP according to the consumption approach is underway, and revisions of projections in the spring round of 2026 are also possible on this basis.*
- *Domestic inflationary pressures have increased significantly since the beginning of the year. In 2025, we have projected inflation at 4.1%, which is revised upwards by 0.6 percentage points compared to the spring round of medium-term macroeconomic projections, and it is consistent with the latest nowcast of inflation in the short term. Domestic inflationary pressures are expected to gradually weaken over the projection horizon.*
- *Estimated values of real GDP, its components and other macroeconomic variables are exposed to an extremely high degree of uncertainty related to economic activity in main trading partner countries, political conditions at the global and local levels, but also the possible significant effects of changes in the domestic labor market on the price competitiveness of domestic products and services.*

The Central Bank of Bosnia and Herzegovina (CBBH) publishes projections of key macroeconomic variables for the period 2025-2027. In this round of medium-term macroeconomic projections, we have the official data on GDP according to expenditure accounting available up to the first quarter, while official data for the second quarter, due to a detailed, official revision of the data, will only be available on 31 December 2025. Compared to the previous round of projections (May 2025), the values of all key macroeconomic variables have been slightly corrected in the projection horizon Table (1).

Table 1: Projections of key macroeconomic aggregates and inflation

| | The second round of projections in 2025; October | | | | | | The first round of projections in 2025; May | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Official data at the moment of preparation* | | | Projections | | | Official data at the moment of | | Projections | | |
| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2023 | 2024 | 2025 | 2026 | 2027 |
| | Changes at annual level, % | | | | | | | | | | |
| Real GDP | 6,2 | 4,1 | 2,6 | 2,0 | 3,3 | 3,5 | 1,9 | 2,5 | 2,4 | 3,3 | 3,8 |
| Inflation (Consumer price index) | 14,0 | 6,1 | 1,7 | 4,1 | 2,8 | 2,1 | 6,1 | 1,7 | 3,5 | 2,4 | 1,9 |
| Personal spending | 5,2 | 4,0 | 4,4 | 3,1 | 2,9 | 1,6 | 1,1 | 2,1 | 3,3 | 2,6 | 1,2 |
| Government spending | 1,3 | 2,1 | 2,8 | 1,6 | 1,7 | 1,4 | 2,1 | 2,2 | 1,6 | 1,7 | 1,4 |
| Investment | 3,7 | 3,0 | 8,7 | 3,6 | 4,1 | 7,8 | 2,1 | 13,6 | 0,8 | 6,2 | 7,4 |
| Total exports of goods and services | 11,8 | -1,2 | -1,6 | 4,1 | 5,1 | 5,8 | -1,2 | -3,1 | 3,7 | 4,6 | 5,3 |
| Total imports of goods and services | 6,2 | -1,3 | 4,7 | 4,3 | 4,9 | 5,2 | -1,3 | 2,8 | 3,6 | 4,6 | 3,1 |
| | in % of GDP | | | | | | | | | | |
| Personal spending | 66,2 | 66,2 | 67,4 | 68,1 | 67,9 | 66,7 | 64,7 | 64,5 | 65,1 | 64,7 | 63,0 |
| Government spending | 17,7 | 17,4 | 17,4 | 17,4 | 17,1 | 16,8 | 18,5 | 18,5 | 18,4 | 18,1 | 17,7 |
| Investment | 24,5 | 24,3 | 25,7 | 26,6 | 26,8 | 27,9 | 25,1 | 27,9 | 28,0 | 28,8 | 29,8 |
| Net exports | -8,5 | -8,0 | -10,7 | -11,2 | -11,2 | -11,2 | -8,6 | -11,1 | -11,2 | -11,3 | -10,4 |

Source: BHAS (official statistical data) and CBBH projections.

**Note: Official data on GDP according to the expenditure calculation used at the time of preparing the projections are as of the first quarter of the current year, while the official data for the second quarter will be available as early as on 31.12.2025. The value used for the second quarter is identical to that estimated in the September round of nowcast of key macroeconomic variables. The GDP components according to the expenditure approach for the second quarter were estimated on the basis of available official data of higher frequency.*

*Official annual data for 2022, 2023 and 2024, available during the preparation of the second round of projections in 2025 differ from the official data for the same period, which were used in the spring projection round. The reason is a significant revision of data, primarily for final consumption expenses of households, but also data on gross investments in fixed assets, and the CBBH data on total exports and imports.*

## Expected economic activity in 2025 is quite modest, with indications of mild, gradual growth over the projection horizon

The CBBH expects that real GDP growth could slow to approximately 2.0% in 2025, with indications of gradual, mild growth over the next two years, with a weakening of inflation, which has been revised upwards in this round of projections, to 4.1%. The weaker outlook for 2025, compared to the previous round of projections, mainly stems from the weakening of domestic and foreign demand. Currently, available official data indicate a rather low real GDP growth of 1.7% for the first quarter of the current year. Personal consumption, as the largest macroeconomic aggregate, has slowed down due to strong inflationary pressures, although the level of average wages is increasing. The increase in the minimum wage, both in the FBH and the RS since the beginning of the year, has led to an increase in the average nominal net wage. However, this growth is not sufficient to offset the impact of persistent price increases, so personal consumption is being limited due to a decrease in purchasing power, as indicated by trade data, primarily food trade.

Real export growth rates remain rather limited due to weaker external demand, while imports show a lower growth tendency compared to the previous period, due to lower purchasing power and more cautious behavior of domestic consumers. Consequently, the growth of the total trade volume has slowed down, its contribution to economic growth thus becoming weaker. In addition, the growth of external demand for tourism-related services, accounting for a significant part, over 50%, of total services, has slowed down. The slowdown of the surplus growth in this category of services results from the base effect, but also from the fact that the inflow of tourists from the Middle East has significantly decreased, as well as the reduced number of tourists on the Adriatic coast, some of whom visited BH.

Investment, as part of national accounts, also includes changes in stocks, which contributes to fluctuations of their contribution to quarterly GDP data. In addition, statistical discrepancies make it even more difficult to accurately assess the actual level of investment and its role in the economy growth. Regarding other domestic factors determining the trend and intensity and economic activity, there were no significant deviations in the projected real growth rates compared to the previous round of projections. Risks related to real GDP growth are assessed as mildly negative and arise from domestic and external factors. Positive risks to economic growth in the medium term period are related to the Reform Agenda finalisation, and the start of negotiations for the EU accession, which paves the way for attracting significant investments, including those from the Growth Plan. Negative risks are related to the further decline of the domestic economy price competitiveness, and the slow recovery of foreign demand.

## Inflation for 2025 has been revised upwards, to the level of 4.1%

In 2025, inflation pressures have intensified due to rising food prices, and rising prices of electric energy and services. The minimum wage increase, from January 2025, further intensified inflation pressures, bringing about a significant revision of the projected inflation rate for 2025 in the spring round of macroeconomic projections. Inflation measured by consumer price index was revised upwards by 0.6 percentage points to 4.1% in 2025. The deviation of estimated inflation in 2025 compared to the previous round was mainly caused by a strong increase of food and electric energy prices, which took place, among other reasons, due to the minimum wages 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.

Growing food prices (the category of food and non-alcoholic beverages recorded an 8.9% price increase in the first eight months of 2025), and persisting pressures of core inflation (estimated at 4.3% in the first eight months of 2025), are the main factors accelerating headline inflation in BH. The growth of food prices and utility costs directly increase the costs of living, while pressures on the prices of goods and services, driven by rising utility costs, additionally contribute to the increase of price levels, decreasing purchasing power. Inflation in the services sector was estimated at 4.8% in the first eight months of 2025, indicating that domestic factors are significantly contributing to the growth of domestic prices. Import inflation is also a significant factor in the formation of the general price level in BH, because a large part of the basic consumer basket comes from imports, with any change in prices on the international market being transferred to domestic prices. Weakening global inflation pressures contribute to mitigating import price increases, but some risks remain, especially those related to geopolitical uncertainty and trade restrictions. Based on current expert estimates, we expect headline inflation to weaken over the projection horizon, to 2.1% in 2027.

Our projections so far have proven to be very reliable, even in extreme circumstances such as the pandemic, the subsequent extreme inflation shock and floods, or the unprecedented increase of labour costs, and are in line with the trends in the projections of other relevant institutions. The publication of the results of the next round of medium-term macroeconomic projections for the period 2026-2028 is planned for April 2026. Nowcast of economic activity and inflation, which may indicate the direction and intensity of modifications of the medium-term projections for real GDP and inflation, will be published at the end of each quarter. The first subsequent release of nowcast is planned for the end of 2025.