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# Nowcast on the GDP in the second quarter of 2024 and on the short term inflation

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Sarajevo, 19 September 2024



## Nowcast on the GDP in the second quarter of 2024 and on the short term inflation

*Key notes:*

- *CBBH estimates the annual growth of real economic activity in the second quarter of 2024 at 2.5%, which is 0.1 percentage point higher than the estimate from June.*
- *We expect moderate economic growth in the third quarter of the current year as well. The preliminary estimate of real GDP growth for the third quarter of 2024 is 2.3% on an annual basis.*
- *We estimate that headline inflation could amount to 2.2%, and core inflation to 3.8% in the third quarter of 2024.*
- *According to preliminary estimates, without unforeseen price shocks, we expect a slight strengthening of inflationary pressures by the end of the year, primarily due to the low base in the previous year. We expect that in the last quarter of 2024, headline inflation could amount to 2.3%, and core inflation would remain at the level of 3.8%.*

According to the available official statistics and information from international markets published until September 6, 2024, the Central Bank of Bosnia and Herzegovina (CBBH) estimates the annual growth of real GDP in the second quarter of 2024 at 2.5%, which is almost identical to the estimate from June (2.4%). The moderate growth of economic activity is the result of intensive activity in the service sector, which partially compensates for the decline in activity in the manufacturing sector. At the beginning of the year, and later on, the biggest contribution to annual growth rates was made by trade, hotel and catering activities, while the manufacturing industry had a negative contribution. External demand from the EU is still quite weak, and no significant recovery is expected in the short term. Consequently, our preliminary estimate of the intensity of real GDP growth for the third quarter of 2024 is 2.3%.

Table 1: Annual change of GDP in BH

		June round of nowcast	September round of nowcast	
Official data at the moment of preparing the report	Q1 2022.	5,8%	5,8%	
	Q2 2022.	5,7%	5,7%	
	Q3 2022.	3,0%	3,0%	
	Q4 2022.	2,6%	2,6%	
	Q1 2023.	1,8%	1,8%	
	Q2 2023.	1,2%	1,2%	
	Q3 2023.	1,9%	1,9%	
	Q4 2023.	1,7%	1,7%	
	Q1 2024.		2,7%	
		Main estimate from June, 2024	Main estimate from September, 2024	
CBBH nowcast	June 2024	Q1 2024.	1,8%	
		Q2 2024.	2,4%	
		The first half of 2024	2,1%	
	September 2024	Q2 2024.		2,5%
		Q3 2024.*		2,3%
		The first nine months of 2024		2,5%

Source: BHAS, estimate by CBBH \* The first preliminary estimate..

Headline inflation in the third quarter of 2024 is estimated at 2.2%, while core inflation is estimated at 3.8%. Except for the unpredicted price shocks, our preliminary estimate of headline inflation in the last quarter of 2024 is 2.3%, while that of core inflation is 3.8%. Unexpected strong slowdown of inflation in the second half of 2023 will have a significant base effect on the trend of the estimated consumer price index by the end of the current year. We expect the increased transport prices, due to the base effect, and the effect of spillover of electric energy price increases will have a slightly stronger impact on dynamics of the trend of consumer price index by the end of the year. Our inflation estimates in short term period are still in accordance with those from the spring round of medium term macroeconomic projections.

Inflation in BH is mainly under the impact of the changes in the core inflation level, which excludes the prices of food, alcohol beverages and tobacco, and energy sources, which indicates that the expected growth of local prices is to a significant extent brought about by the expected growth of service prices. We currently do not expect the increase of inflation pressures in the country due to the effects of inflation spillover from international environment. Inflation in the euro area in August came down to 2.2%. from 2.6% in July. According to the latest projection of Consensus Forecast (September 2024), inflation in the euro area will remain at the level of 2.2% in the third quarter, while being projected at 2.4% in the fourth quarter.

Tabela 2: Godišnja inflacija u BiH, za period

		Headline inflation	Core inflation	
Official data/the CBBH estimate for core inflation	Q1 2023.	12,4%	6,7%	
	Q2 2023.	6,4%	7,5%	
	Q3 2023.	4,3%	6,8%	
	Q4 2023.	2,0%	5,2%	
	2023.	6,1%	6,5%	
	Q1 2024.	2,0%	4,7%	
	Q2 2024.	1,8%	3,9%	
	July 2024	1,8%	3,8%	
CBBH nowcast	Q2 2024.	2,6%	4,2%	
	Q3 2024.	2,9%	4,4%	
	June 2024	The first half of 2024	2,3%	4,4%
	Q3 2024.	2,2%	3,8%	
	September 2024	Q4 2024.	2,3%	3,8%
	2024.	2,1%	4,1%	

Source: BHAS, estimate by CBBH.

The headline inflation model from the previous round, compared to the subsequently published official data, slightly overestimates inflation because the official data are still showing stagnation of utility costs, and a slow growth of prices of food and other categories, despite a significant growth of average wages, and price trends in the EU. Our expectation in the latest rounds is based on exogenous estimates and announced increase of electric energy price in the current year, which is still, according to the latest available official data in the first seven months of the current year, unchanged (0.0%) compared to the same period of 2023.

The announced results of the next round of medium term macroeconomic projections for the period 2024–2026 is planned for November 2024. The following round of nowcasts of GDP, and headline and core inflation is planned for publishing in late 2024.