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# The spring round of medium-term macroeconomic projections in 2026

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May 22, 2026



With the spring round of macroeconomic projections for the period 2026 – 2028, economic activity and inflation for 2026 have been revised significantly, compared to the previous announcement from October

*Key messages:*

- *In this round, the CBBH revised the medium-term macroeconomic projections, primarily due to the global energy shock caused by the escalation of the conflict in the Middle East. Strong volatility and price increases in oil and natural gas markets, accompanied by higher global supply uncertainty, have intensified inflation and cost pressures in the international and domestic environment.*
- *The inflation rate has been revised to 4.7% in 2026 as a result of higher inflation pressures from the international environment, including rising energy prices on the global market and their spill-over into domestic price growth. In addition, domestic factors, such as rising cost pressures in the services sector, rising electric energy prices, rising wages, contribute to keeping inflation at a higher level compared to previous projections.*
- *The projection for the BH economic activity growth in 2026 has been revised downwards, to the level of 1.9%, due to the weakening of domestic and external demand, which is reflected through personal consumption, investments, and imports and exports.*
- *The sharp increase of oil and natural gas prices, which has been recorded since the beginning of March this year, affects the increase of production and transport costs, which is reflected in the decline of the economic entities' profitability and the weakening of investment activity. At the same time, higher energy costs reduce household disposable income, leading to lower private consumption. As a result, economic growth is expected to be slower than in previous projections.*

The Central Bank of Bosnia and Herzegovina (CBBH) publishes projections of key macroeconomic variables for the period 2026-2028. The previously published medium-term projections (October 2025) for 2025 amounted to 2.0% for real economic activity and 4.1% for inflation, which is almost identical to the official data published later (real GDP growth of 2.1% and inflation of 4.0%), although at that time we had available only official GDP data according to the expenditure calculation as of the first quarter of 2025. Significant revisions of the official data have also been published subsequently<sup>1</sup>. Compared to the previous round of projections, the values of all key macroeconomic variables have been adjusted for 2026 and 2027, primarily due to unforeseen circumstances in the international environment at the beginning of 2026 (Table 1).

Table 1. Selected macroeconomic indicators

	First round of projections in 2026; May						Second round of projections in 2025; October					
	Official data in time of preparation*			Projections			Official data in time of preparation			Projections		
	2023	2024	2025	2026	2027	2028	2022	2023	2024	2025	2026	2027
	Changes at annual level in %											
Real GDP	3,8	2,6	2,1	1,9	3,3	3,5	6,2	4,1	2,6	2,0	3,3	3,5
Inflation (Consumer Price Index)	6,1	1,7	4,0	4,7	2,8	2,5	14,0	6,1	1,7	4,1	2,8	2,1
Personal consumption	3,5	4,4	2,3	2,2	2,0	1,7	5,2	4,0	4,4	3,1	2,9	1,6
Government spending	2,1	2,8	2,8	2,4	2,0	1,5	1,3	2,1	2,8	1,6	1,7	1,4
Investments	3,0	8,7	6,8	2,1	3,4	4,4	3,7	3,0	8,7	3,6	4,1	7,8
Total export of goods and services	-1,2	-1,6	2,5	3,2	3,5	5,5	11,8	-1,2	-1,6	4,1	5,1	5,8
Total import of goods and services	-1,3	4,7	5,3	3,2	1,4	2,5	6,2	-1,3	4,7	4,3	4,9	5,2
	u % BDP-a											
Personal consumption	65,9	67,1	67,2	67,4	66,5	65,4	66,2	66,2	67,4	68,1	67,9	66,7
Government consumption	17,6	17,6	17,7	17,8	17,6	17,2	17,7	17,4	17,4	17,4	17,1	16,8
Investment	24,5	26,0	27,2	27,2	27,3	27,6	24,5	24,3	25,7	26,6	26,8	27,9
Net exports	-8,1	-10,9	-12,2	-12,4	-11,4	-10,1	-8,5	-8,0	-10,7	-11,2	-11,2	-11,2

Note: The official data used at the time of the projections were as of 06 May 2026, and the external and technical assumptions for the exogenous assumptions from the ECB were concluded on 11 March 2026.

The Agency for Statistics of BiH has conducted a major revision of the series of GDP data for the period from 2000 to 2024 and published it at the end of 2025. The main objective of the revision was alignment with European statistical standards (ESA 2010) and change to a new classification of personal consumption (COICOP 2018).

We expect economic activity to remain rather modest in 2026, with a gradual and slight intensification of growth over the projection horizon

The macroeconomic outlook has changed significantly due to the energy shock caused by the war in the Middle East, and disruptions in global energy markets. The sharp rise of oil and gas prices has led to an increase of inflation pressures and weakening of economic activity at the global level. Accordingly, the CBBH revised the projections of key macroeconomic indicators in this round. We expect the real GDP growth to slow down to 1.9% in 2026, following the recorded 2.1% growth in 2025. Economic activity is expected to recover gradually in the coming years, with the real GDP growth of 3.3% in 2027 and 3.5% in 2028.

The weaker growth outlook in 2026 mainly arises from slowdown of domestic and external demand, with strong uncertainty in the international environment. Private consumption, as the largest component of GDP, continues to grow at a more moderate pace, with its real growth estimated at 2.2% in 2026. Although nominal wages continue to rise, the high costs of living and continuing inflation pressures limit the growth of disposable income and the purchasing power of households. Consequently, domestic consumption remains relatively subdued. Investment developments continue to be affected by changes in stocks, but also by higher uncertainty affecting private sector investment decisions. Accordingly, we project a very modest investment growth of 2.1% in 2026, followed by gradual growth until the end of the projection period.

The contribution of net exports to economic growth remains limited due to the continuing low external demand, particularly from the key euro area trading partners. In addition, the slowdown of tourist activity and lower inflows of foreign guests have a negative impact on the exports of services, including the tourism-related segments. Consequently, we project the growth of imports and exports of goods and services slightly above 3% in 2026, with a gradual intensification in the coming period.

The risks to the economic growth projections are assessed as predominantly negative. They are mainly related to a possible further deterioration of geopolitical tensions, prolonged pressures on energy and raw material prices, as well as a slower recovery of economic activity in the main trading partner countries. On the other hand, a potential positive effect on medium-term growth

could result from the acceleration of the European integration process and the strengthening of investment activity.

### Inflation for 2026 has been revised upwards to 4.7%

After the U.S. and Israel launched an attack on Iran in late February 2026, downside risks to the global economic outlook have intensified further. The escalation of the conflict has led to strong volatility in global energy markets, rising oil and natural gas prices, as well as increased uncertainty in international markets. The increase of energy prices on the world market soon spilled over into the growth of retail prices of oil products in the domestic market, which is further reflected in other goods and services. The headline inflation in BH, measured by the consumer price index, was already 5.1% in March 2026. In line with these developments, the inflation projections for 2026 have been revised upwards, to 4.7%

Over the projection horizon, the dynamics of the inflation rate are strongly influenced by external factors, but also by domestic factors, although they are generally more moderate compared to external pressures. From the domestic environment, potential inflation pressures arise from the labour market, with regard to wage growth as well as increases of production costs. When preparing macroeconomic projections in this round, the assumed scenario of energy prices on world markets includes a gradual stabilisation of prices in the medium term.

Risks to inflation in the medium term remain visible, mainly depending on the developments in the external environment, with geopolitical tensions and potential new volatility in global energy and food markets particularly standing out. Additional uncertainty is related to inflation expectations and possible effects through the formation of prices and costs in the economy. At the same time, domestic factors carry moderate risks, which basically depend on the dynamics of the labour market and the intensity of domestic economic activity. Downside risks to inflation over the medium term remain significant.

Our projections so far have proven to be very reliable, even in contingency circumstances such as the pandemic, the subsequent additional 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 results of the next round of medium-term macroeconomic projections for the period 2026-2028

are planned for publishing in October 2026. Nowcast of economic activity and inflation, which may indicate the direction and intensity of the adjustments to the medium-term projections of real GDP and inflation, will be published at the end of each quarter. The first following release of nowcast is scheduled for June 2026.