

Croatia and CEE: macroeconomics topics for 2025

Mauro Giorgio Marrano, Senior CEE Economist, Group Investment Strategy

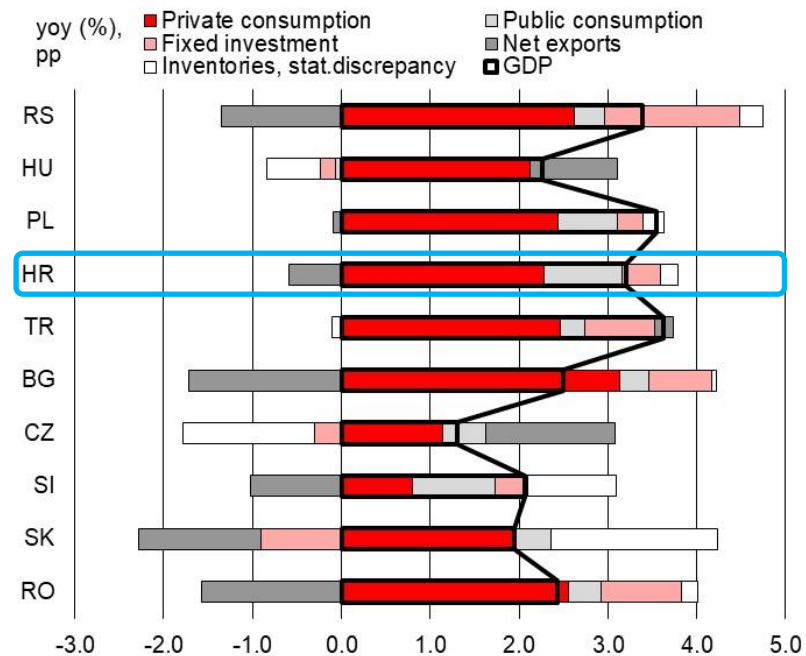
Zagreb, 18 September 2024

Topic 1: Domestic demand – the main driver of growth also in 2025

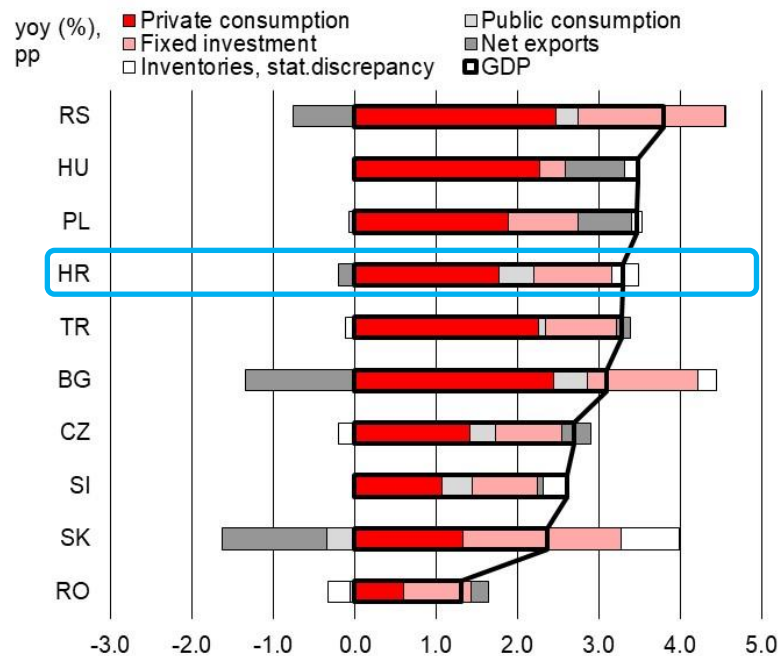


Economic growth driven by domestic demand in 2024 and 2025

2024: Private consumption and public investment to offset the drag from exports



2025: Growth still driven by domestic demand



Source: national statistical offices, Eurostat, UniCredit Group Investment Strategy

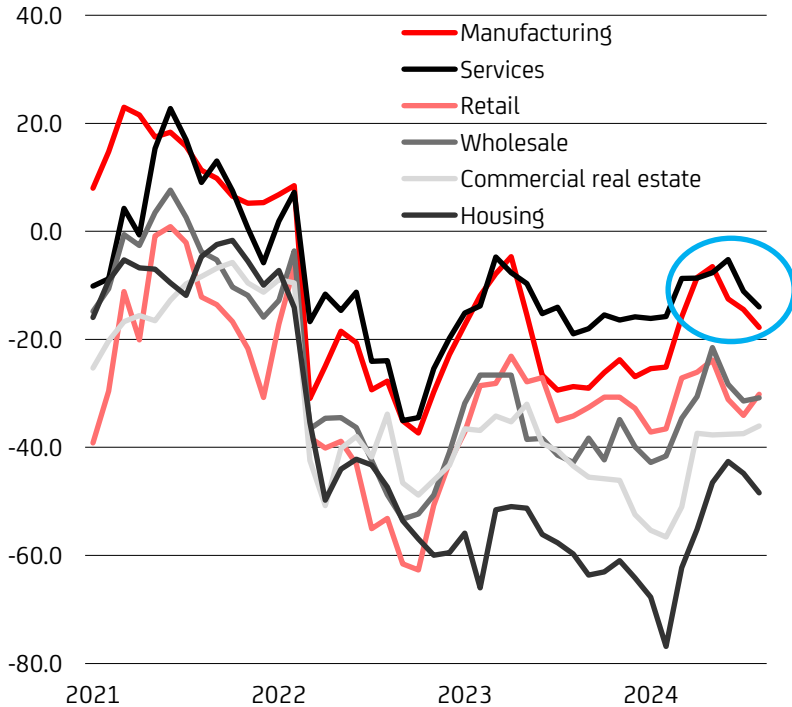


Topic 2: Weakness in manufacturing activity in Germany



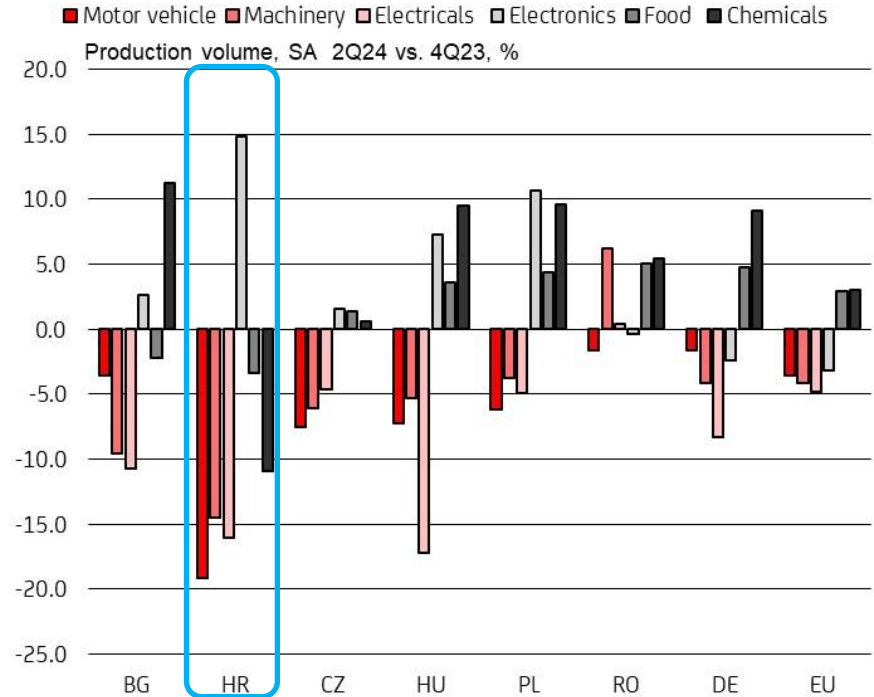
Germany: challenges ahead, especially for manufacturers

Ifo business expectations (diffusion index)



Source: Ifo, UniCredit Group Investment Strategy

CEE: automotive and related sectors particularly affected

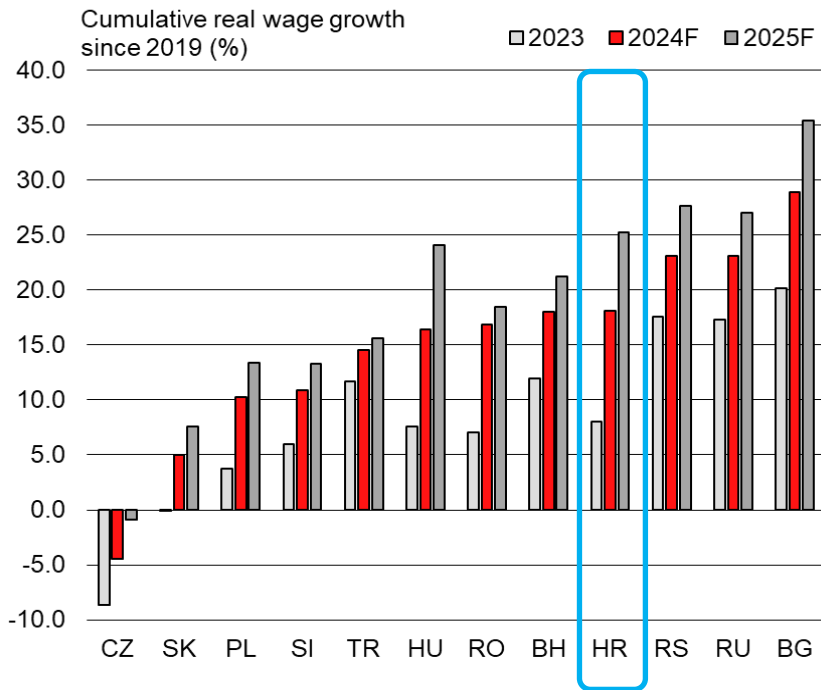


Topic 3: Consumption, the main driver of growth



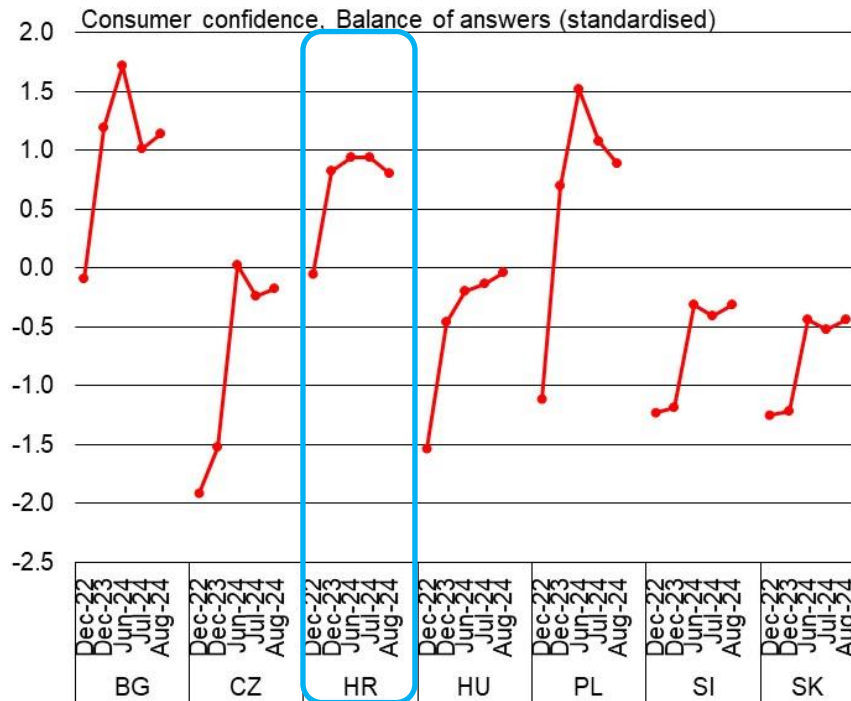
Real wages and government transfers boosted consumption

Purchasing power has increased in CEE since 2019



Source: national statistical offices, Eurostat, UniCredit Group Investment Strategy

Optimism still high among CEE consumers

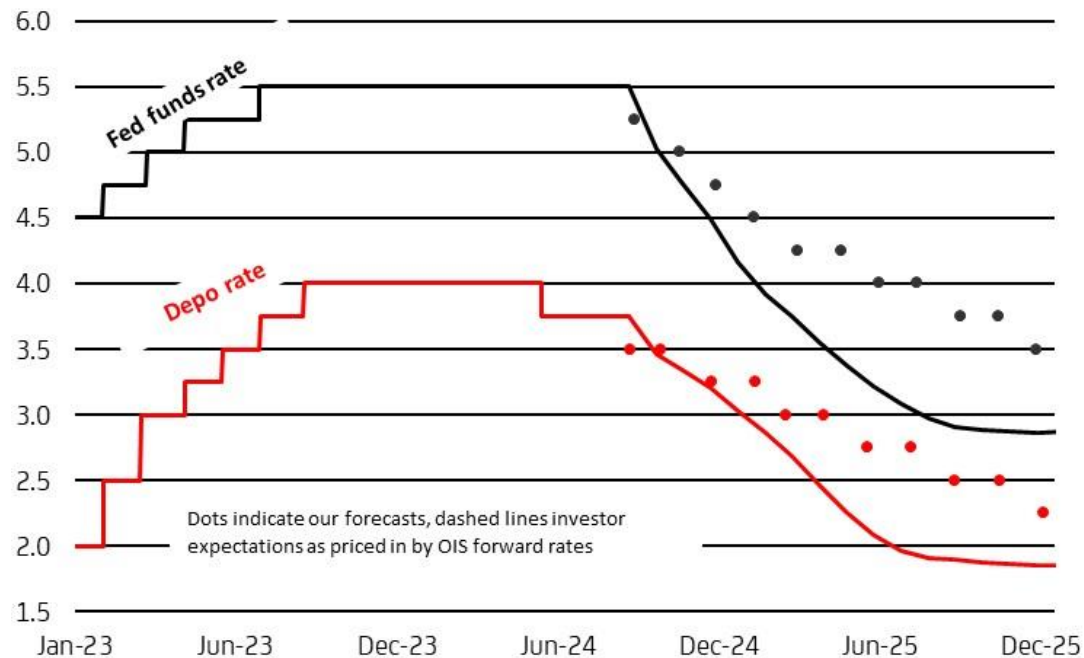


Topic 4: More interest rate cuts coming



Further reduction of interest rates in the euro area and the US

ECB and Fed interest rate forecast

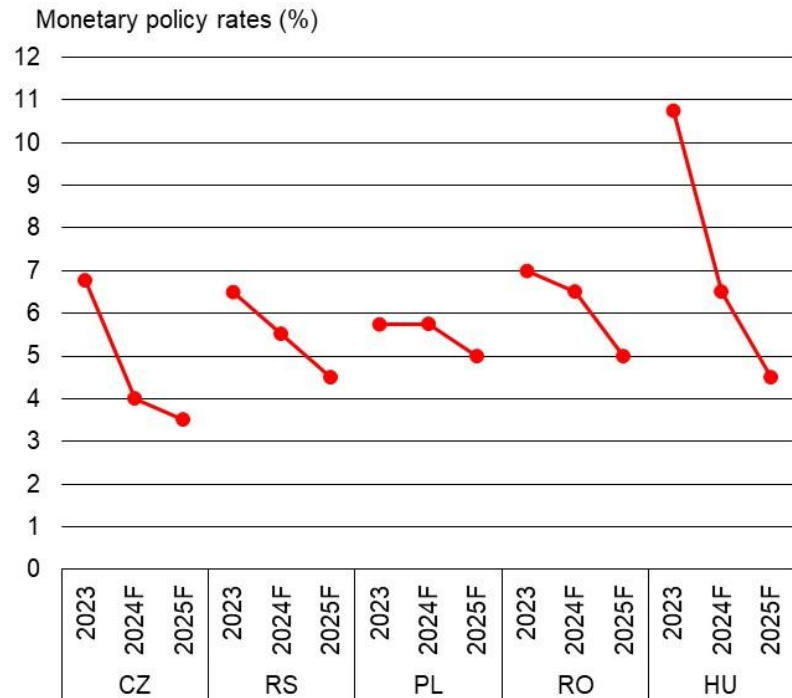


Source: Bloomberg, UniCredit Group Investment Strategy

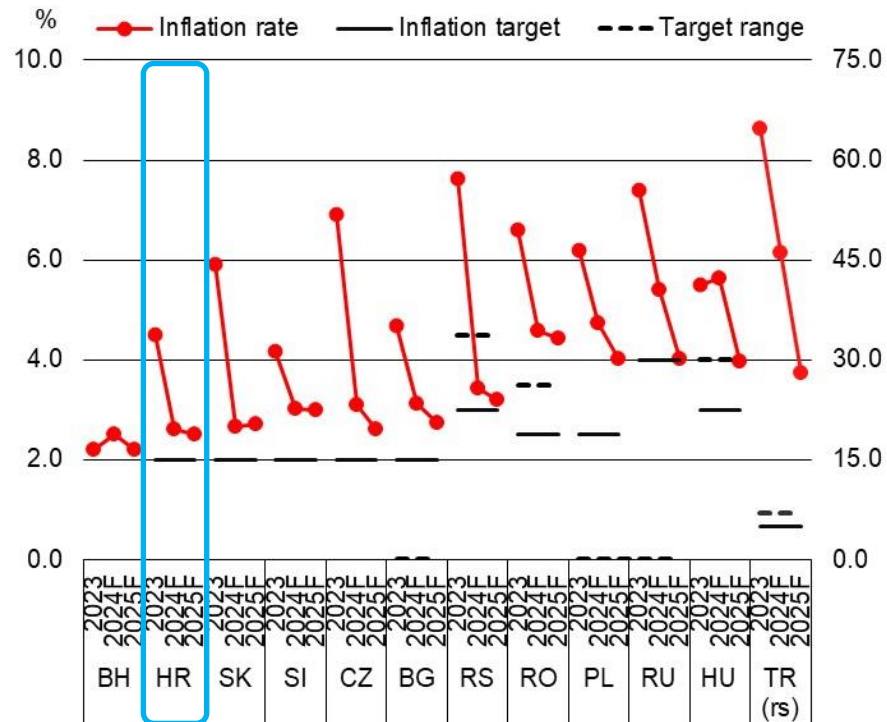


Lower interest rates also in CEE

Further reduction in interest rates



Inflation to moderate further



Source: national statistical offices, central banks, UniCredit Group Investment Strategy

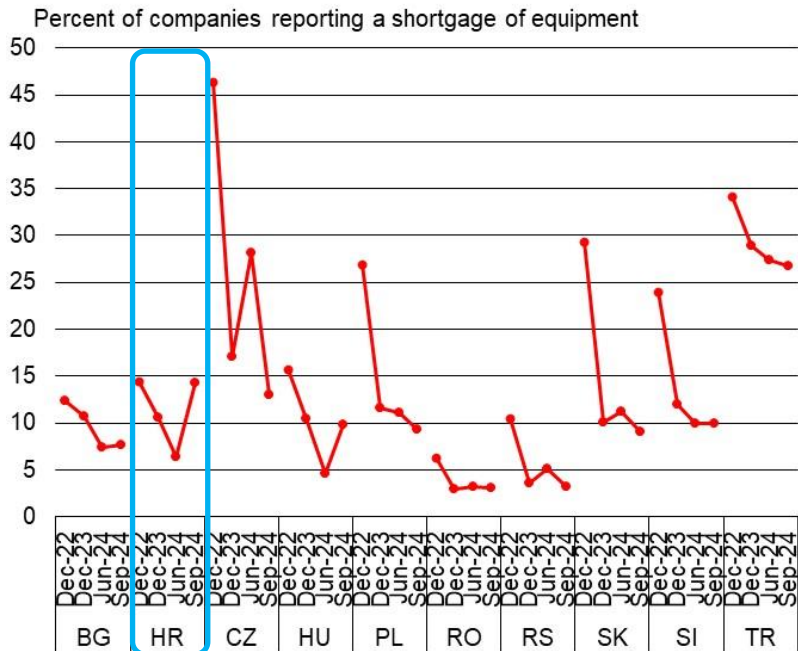


Topic 4: Investment, the second driver of growth



Lower interest rates and EU funds support investment

Few CEE companies reporting shortages of equipment



EU transfers to support public investment

Recovery and Resilience Fund (RRF), EUR bn Disbursements

	Total 2021-3Q24	% of allotment	Expected in 2024		Expected in 2025	
				% GDP		% GDP
Bulgaria	1.4	24.1	0.6	0.6	1.1	1.0
Croatia	4.5	45.3	2.4	3.1	1.9	2.2
Czechia	2.7	29.3	1.2	0.4	1.7	0.5
Hungary	0.9	9.5	1.0	0.5	0.2	0.1
Poland	11.4	20.0	6.3	0.7	13.0	1.5
Romania	9.4	33.2	0.2	0.1	4.0	1.1
Slovakia	2.7	41.7	0.9	0.7	1.6	1.2
Slovenia	0.8	32.2	0.5	0.8	0.6	0.9
Total	33.8	26.2	13.1		16.9	

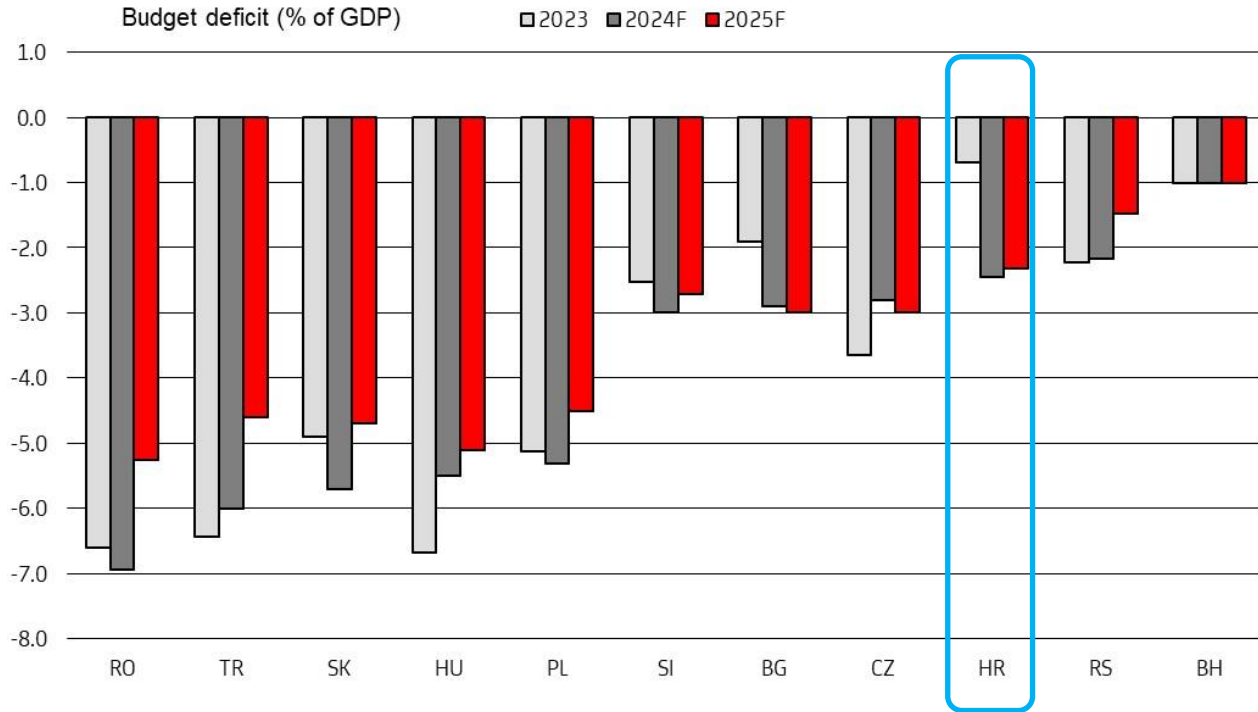
Source: national statistical offices, Eurostat, European Commission, UniCredit Group Investment Strategy



Topic 6: Limited fiscal space to support growth



Limited fiscal space to support growth



Source: national statistical offices, Eurostat, UniCredit Group Investment Strategy



Topic 7: US presidential elections, uncertainty



Author

UniCredit

Mauro Giorgio Marrano
Senior CEE Economist
Group Investment Strategy
mauro.giorgiomarrano@unicredit.eu

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Client Solutions
UniCredit
Group Investment Strategy
Vienna



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