

On GDP in Q2 of 2023

In Q2 of 2023, the economy has slowed down

According to the data of the Central Statistical Bureau (CSB), in Q2 of 2023, GDP at constant prices was 0.5% lower than a year ago. The economy continues to be affected by the geopolitical situation and uncertainty, still high prices, as well as interest rate hikes in the Eurozone. In general, in the first half of this year, GDP was 0.1% higher than a year ago.

High price levels continue to affect household consumption. Although the gross salary in the second quarter of this year was 12% higher than a year ago, it was only 0.1 percentage points ahead of inflation. In Q2 of 2023, private consumption was 1.2% lower than a year ago.

Similar to the beginning of the year, in Q2 of 2023, an increase in investments, which was determined by the growth of the construction, was observed. Investments in gross fixed capital formation increased by 5.1% year-on-year. Investment in housing, buildings and structures increased by 15.3%, while investment in machinery and equipment decreased by 1.8%, while investment in intellectual property products increased by merely 0.1%.

Export volumes of goods and services in Q2 of 2023 were 1.5% lower than a year ago. The exports of services continue to recover, which in Q2 of 2023 was 9.8% higher than a year ago. The growth was facilitated by the export of air transport services, as well as professional and technical economic activity services, and computer services. Export volumes of goods at constant prices decreased by 5.4%. The main exports were wood and wood products, machinery and mechanical appliances, and electrical appliances and electrical equipment. It should be noted that the volumes of imports of goods and services in the second quarter have decreased faster than exports - by 2.9%. In Q2 of 2023, the export-import balance in actual prices was -3.8% of GDP.

In terms of sectors, the total added value in Q2 of 2023 remained at the level of the corresponding period last year. However, trends are very different across economic sectors. The decrease in volumes is observed in the manufacturing sectors, which is largely related to the deterioration of export performance. In Q2 of 2023, the manufacturing shrank by 7.9%. On the other hand, a decrease of 6% was recorded in the agriculture and forestry sector, which was largely influenced by the decrease in the crop production sector in connection with this summer's unfavorable weather conditions. In the rest of the industry, the decrease in volumes (by 5.5%) was affected by the decline in electricity, gas supply, heat supply, as well as in the mining industry. The decrease in volumes in the transportation and storage sector (by 4.9%) was influenced by land transport and auxiliary activities of storage and transport. The drop in volumes in Q2 of 2023 on an annual basis was also in the trade sector - by 1.6 percent.

On the other hand, the increase in Q2 of 2023 can be observed in construction and most service industries. For the second consecutive quarter, double-digit growth rates have been recorded in the construction sector - the annual increase of 15.4% provided the largest positive contribution to the economy. Stable growth rates are maintained in the sectors that were most affected by the restrictions of Covid-19 - in Q2 of 2023, the accommodation and food service activities grew by 4.3% year-on-year, the arts, entertainment, and recreation sector - by 8.7%. A steady increase can still be observed in the ICT sector. In Q2 of 2023, it increased by 10.1%.

The still high inflation will continue to limit growth, albeit the dynamics will remain very different across sectors. It is expected that the economic pace will be very moderate in the second half of the year as well - similar to those observed in the last four quarters.

