

## On GDP in Q2 of 2024

**The economic situation is gradually starting to improve**

According to the Central Statistical Office, in the 2nd quarter of this year, GDP at constant prices was 0.5% higher than a year ago. For comparison, in the last three quarters of 2023, GDP decreased, but in the 1st quarter of this year, it increased by 0.1%. Due to the still tense geopolitical situation, the slight increase in GDP growth in the 2nd quarter of this year is assessed positively and indicates that the situation in the economy is gradually starting to improve.

The pace of price growth is more moderate than wage growth, strengthening the purchasing power of the population. Household consumption growth continues to increase — in the 2nd quarter, private consumption was 0.5% higher than a year ago.

Government consumption continues to grow. In the 2nd quarter, it grew by 8.5% year-on-year.

The decline, although more moderate than in the 1st quarter, continued in investments. Investments in gross fixed capital formation decreased by 5.7% year-on-year. Investments in housing, buildings, and structures decreased by 1.5%, and investments in machinery and equipment, including vehicles, fell by 9.5%. Investments in intellectual property products decreased by 8.8%.

The export volumes of goods and services continue to be affected by the unfavourable situation in foreign markets. In the 2nd quarter, exports were 3.4% lower than a year ago. The decline was greater for service exports — by 6%. Export volumes of goods decreased by 2.4% in the 2nd quarter. The main export goods were wood and wood products, mineral products, electrical appliances, and electrical equipment. Import volumes in the 2nd quarter of this year were also lower than a year ago. In the 2nd quarter of this year, imports decreased by 2.9%.

In terms of sectors, total value added decreased by 0.1% in the 2nd quarter compared to the 2nd quarter of last year. Service sectors recorded an increase of 0.5%, while manufacturing sectors recorded a decrease of 1.4%. Contrary to the situation in the 1st quarter, in the 2nd quarter, increases were already observed in several private sector areas — information and communication services, professional, scientific, and technical services, as well as accommodation and catering services.

The pace of decline is also slowly decreasing in manufacturing. The decline in manufacturing was mainly influenced by a decline in woodworking (-0.8%), metal products (-7%), and electronic and optical equipment (-11.2%). In turn, positive trends are observed in the production of food products (+2%), production of chemicals and chemical products (+12.2%), and production of non-metallic mineral products (+5.1%). In the construction sector, after a rapid increase in volume in 2023, a decline in production volumes was observed in the 2nd quarter of this year — by 1.5%.

In the service sectors, production volumes in the 2nd quarter of this year increased by 0.5% compared to the 2nd quarter of 2023. Growth was observed in the ICT sector (+5.6%), the education sector (+6.7%), the health and social care sector (+6.5%), as well as in retail trade, including non-food retail trade (+1.2%), and in the volumes of automotive fuel sold (+3.8%).

It is expected that geopolitical uncertainty and weak external demand will continue to affect economic development. The pace of economic growth will most likely increase slightly in the second half of the year. The Ministry of Economics forecasts that overall GDP could grow by up to 1% in 2024.

