

INTERNATIONAL ECONOMY

09

9.1. Global economic and financial trends

According to the IMF's April data, the global economy growth rate in 2024 was 3.3%. This rate was slightly lower than the previous year, mainly due to economic performance in the second half of the year falling short of expectations in the largest economies of Europe and Asia. Compared to the October report, the IMF slightly revised down its growth forecast for 2025 (by 0.4 pp) with the current projection standing at 2.8% (table 9.1).

Table 9.1

Overview of selected global indicators, in %						
Indicator	2023	2024 estimate	Forecasts		Difference relative to October 2024 projections, percentage points	
			2025	2026	2025	2026
Real GDP growth						
World	3.5	3.3	2.8	3.0	-0.4	-0.3
Advanced economies	1.7	1.8	1.4	1.5	-0.4	-0.3
USA	2.9	2.8	1.8	1.7	-0.4	-0.3
Euro area	0.4	0.9	0.8	1.2	-0.4	-0.3
Japan	1.5	0.1	0.6	0.6	-0.5	-0.2
Emerging market and developing economies	4.7	4.3	3.7	3.9	-0.5	-0.3
China	5.4	5.0	4.0	4.0	-0.5	-0.1
India	9.2	6.5	6.2	6.3	-0.3	-0.2
Russia	4.1	4.1	1.5	0.9	0.2	-0.3
Emerging and developing European economies	3.6	3.4	2.1	2.1	-0.1	-0.4
Volume of global trade (goods and services)	1.0	3.8	1.7	2.5	-1.7	-0.9
Prices of stock exchange goods, average rate						
Oil	-16.4	-1.8	-15.5	-6.8	-5.1	-3.2
Non-energy producing products	-5.7	3.7	4.4	0.2	4.6	-0.6
Consumer prices, average rate						
Advanced economies	4.6	2.6	2.5	2.2	0.5	0.2
Emerging market and developing economies	8.0	7.7	5.5	4.6	-0.4	-0.1

Source: IMF, April 2025

For 2025, the IMF forecasted growth for advanced economies at 1.4%. Lower growth is expected in the United States, with a projected rate of 1.8%. On the other hand, the growth estimate for the euro area (0.8%) is roughly in line with the previous year's economic activity projections. Emerging market and developing economies globally are expected to grow by 3.7% according to IMF forecasts. China's

economic growth forecast was revised down by 0.5 percentage points to 4%. For the group of emerging and developing Europe, which includes Montenegro, the projected growth rate remained almost unchanged at 2.1% compared to the October forecast, and is 1.3 pp lower than the previous year's growth rate.

In Q1 2025, the economic activity in the euro area recorded the growth of 0.6%. Germany, France, Italy, and Spain, as the largest euro area economies, recorded the following rates of growth: 0.3%, 0.1%, 0.3%, and 0.6%, respectively. Comparing the first quarter of 2025 with the same period in 2024, economic activity in the euro area increased by 1.5%.

The U.S. economy recorded a contraction in Q1 2025 compared to the previous quarter, with GDP declining by 0.5%⁷³. During the same period, China's economy grew by 1.2%.

The ECB reduced its key interest rate (main overnight rate) twice in Q1 2025 by 0.25 percentage points each time, bringing it to 2.5%. Additionally, in April and June (after the reporting period), the rate was further lowered by 0.25 percentage points to 2%. The ECB deemed it appropriate to ease monetary policy based on updated assessments of inflation outlook and dynamics, as well as the effectiveness of monetary policy transmission. Most core inflation indicators suggest that inflation will remain stable around the medium-term target of 2%. One of the reasons is the reduced concern that increased uncertainty and volatile market reactions to trade tensions could tighten financing conditions.

In contrast, the Fed kept its key interest rate unchanged in Q1 2025 at 4.25–4.50%. Current market expectations (CME FedWatch) indicate that there will be no further rate cuts by the Fed until the last quarter of 2025.

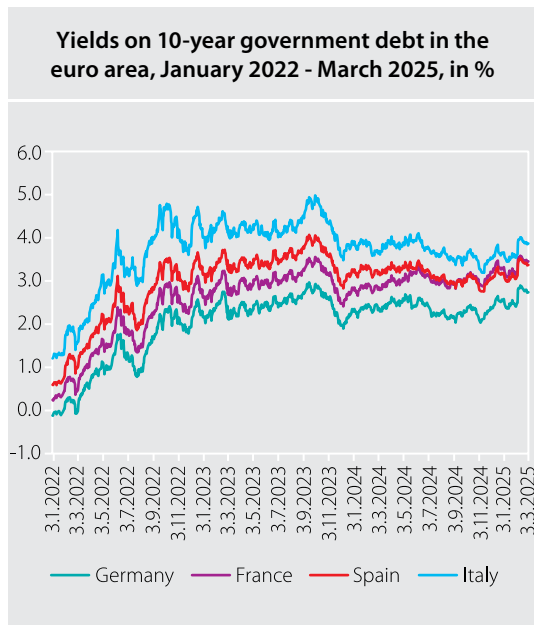
Yields on ten-year government bonds in the four largest euro area economies did not experience significant fluctuations during Q1 2025 (graph 9.1). Yields on German, French, Spanish and Italian ten-year government debt rose compared to end-2024 and averaged at 2.58%, 3.32%, 3.21%, and 3.69%, respectively. Spreads, i.e., the differences between French, Spanish, and Italian ten-year bond yields and the equivalent German bond yield, were 0.74 pp, 0.63 pp, and 1.11 pp (graph 9.1). Similarly, the yield on equivalent U.S. debt was higher in Q1, reaching 4.46%.

After the German government's announcement of a 500 billion euro spending program for infrastructure and defence projects, German bond yields rose slightly. Since German debt serves as a reference point for the entire euro area, this increase also affected other countries, raising their borrowing costs. Additionally, inflationary risks in Europe and globally contributed to this rise.

Short-term market reference interest rates continued following the suit of the reference interest rates of central banks (graph 9.2). During the first quarter of 2025, the three-month *EURIBOR* decreased by 0.38 pp, reaching 2.34% at the end of March. The *€STR* was 0.49 pp lower than at the end of 2024, at 2.42%. The *SOFR* stood at 4.41% at the end of Q1, a decline of 0.08 pp from the previous quarter.

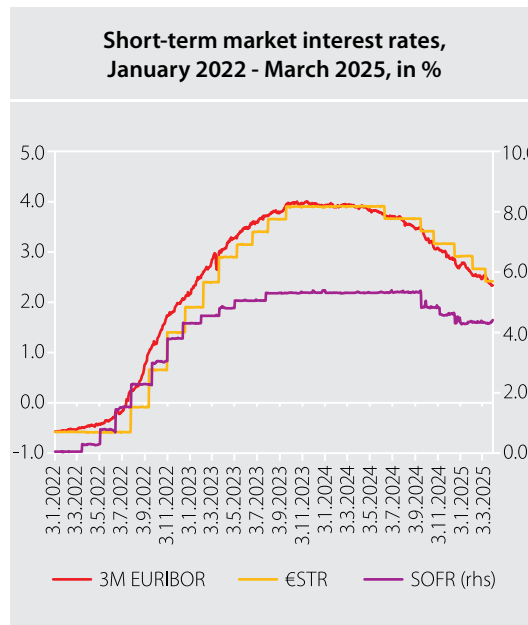
⁷³ The rate at the annual level - the so-called annualized growth rate.

Graph 9.1



Source: Bloomberg, CBCG calculations

Graph 9.2



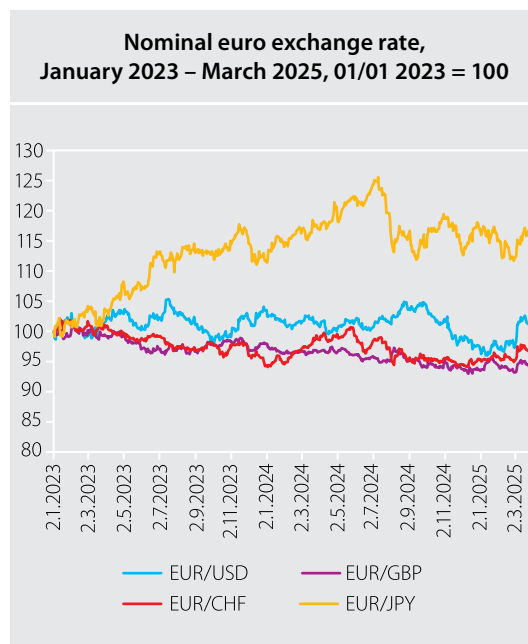
Source: Bloomberg, CBCG calculations

In nominal terms, the euro appreciated against the US dollar (4.46%), the Swiss franc (1.73%) and the Sterling pound (1.18%), yet depreciated against the Japanese Yen (-0.35%) (graph 9.3). During the reporting period, the euro moved on average at the level of 1.053 US dollars per euro, and at the end of March the exchange rate was 1.082 US dollars per euro. The euro's strengthening against the US dollar in Q1 was largely driven by stronger economic growth in the euro area, a more favourable ECB monetary policy, higher capital inflows, and greater political and economic stability in Europe relative to rising uncertainties in the United States.

At the end of the first quarter of this year, the prices of stock commodities were 0.46% higher than at the end of the previous year. Energy prices as a whole decreased by 2.65%. This included oil (-3.23%), natural gas (-0.39%), and coal (-21.88%). Non-energy commodity prices increased by 2.87%, with metal prices going up by 8.04%, while food and beverage prices dropped by 2.31%.

In Q1 2025, oil prices showed a moderately volatile trend. Prices rose at the start of the quarter, peaking in mid-January, followed by a gradual decline until March, when prices began rising again and maintained this trend until the end of the quarter. Price changes were influenced by seasonal demand, expectations regarding the OPEC+ production policy, and signals of economic recovery in key consuming regions.

Graph 9.3



Source: Bloomberg, CBCG calculations

According to the VIX index⁷⁴, financial market volatility remained moderate but slightly higher than in the previous quarter, mainly due to increased volatility in early March. The average value in the first quarter was 18.52 points, ranging from 14.77 to 27.86 points. In April, after the reporting period, the VIX index reached its highest level since the start of the COVID-19 pandemic, driven by protectionist policies and corresponding countermeasures marking the new U.S. administration's early actions. However, markets stabilized somewhat following the postponement of tariff implementations and some agreements on their reductions.

Gold prices, a specific indicator of stress and risk in the global economy and financial markets, rose in Q1 2025, with minor fluctuations, reaching new record levels. One of the main reasons for the price increase was geopolitical uncertainty, which, together with tensions in global trade and the weakening of the US dollar, contributed to higher demand for safe-haven assets. At the quarter-end, the price of gold was around 3,120 USD/oz.

Global stock indices mostly rose during Q1 so the London *FTSE 100* increased by 5.01%, the Frankfurt *DAX* by 11.32%, and the Pan-European *STOXX* index rose 11.32%. In contrast, the New York *SPX* ended Q1 2025 down 4.59%.

9.2. Euro area

Economic activity in the euro area recorded the growth of 1.5% in the first quarter of 2025. According to the European Commission's⁷⁵ forecast, the GDP growth rate will be 0.9% in 2025 and 1.4% in 2026. The four largest economies—Germany, France, Italy, and Spain—recorded growths of 0%, 0.6%, 0.7%, and 2.8%, respectively. The highest growth in economic activity was recorded in Ireland (21.1%), Croatia (3.1%), Cyprus (3%), and Lithuania (3%).

Industrial production in the euro area rose 2%, construction activity by 0.4%, and retail trade turnover by 0.7% compared to the previous quarter.

The unemployment rate stood at 6.4% as at end-Q1 2025. In the euro area, the unemployment rate was the lowest in Malta (2.7%) and Germany (3.6%), and the Netherlands (3.9%), and the highest in Spain (10.9%), Greece (9.7%) and Finland (9.2%).

The declining inflation trend from 2024 continued into 2025, dropping down to 2.2% at end-Q1 2025. Observed by the country, inflation was the highest in Estonia (4.3%), Croatia (4.3%), and Slovakia (4.2%), and the lowest in France (0.9%), Luxembourg (1.5%), Ireland (1.8%), and Finland (1.8%). According to the main components of the Harmonized Index of Consumer Prices (HIPC), the prices of food, alcohol and tobacco recorded a growth rate of 2.9%, energy generating products -1%, industrial products (non-energy commodities) 0.6%, whilst the prices of services increased 3.5%; their contributions to the total inflation rate amounted to 0.57 pp, -0.10 pp, 0.16 pp, and 1.56 pp, respectively.

⁷⁴ A measure of the expected volatility of the US stock prices.

⁷⁵ *European Commission, Spring 2022 Economic Forecast.*

Fiscal deficit amounted to 3.2%⁷⁶ of GDP in Q4 2024. Cyprus, Ireland, and Greece recorded budget surpluses of 3.4%, 1.3%, and 2.2% of GDP, respectively. The largest deficits were recorded in Malta (10.7%), Slovakia (8.8%) and France (6.1%). The total budget revenues of the euro area in 2024 were reduced by 0.5 pp to 46.5% of GDP, while budget expenditure increased by 0.1 pp, to 49.6% of GDP.

The euro area public debt at the end of Q4 2024 increased to 87.5% of GDP (13.26 trillion euros), compared to 87.4% at the end of Q4 2023. Greece ran the highest public debt of 153.6%, followed by Italy with 135.3%, and France with 113.1% of GDP. Besides the aforementioned countries, the public debts of Spain and Belgium exceeded 100% of GDP. On the other hand, the lowest levels of public debt were recorded by Estonia and Luxembourg of 23.6% and 26.3% of GDP, respectively. The public debts of Latvia, Lithuania, Malta, the Netherlands, Ireland, Croatia, and Slovakia were also below the Maastricht criterion of 60% of GDP. Looking at the financial instruments, the main share of the debt or as much as 84% referred to debt securities, 13.5% referred to loans, while 2.5% were cash and deposits.

Table 9.2

ECB's macroeconomic projections for the euro area, 2024–2027, in %				
	2024	2025	2026	2027
Real GDP	0.8	0.9	1.1	1.3
Private spending	1.0	1.2	1.2	1.2
Government spending	2.6	1.6	1.2	1.0
Gross fixed capital formation	-1.8	0.7	1.7	1.9
Exports	1.1	0.5	1.6	2.6
Imports	0.2	1.9	2.0	2.7
Employment	1.0	0.6	0.5	0.6
Unemployment rate, % of labour force	6.4	6.3	6.3	6.0
HICP	2.4	2.0	1.6	2.0
HICP, excluding energy	2.9	2.5	2.0	2.0
HICP, excluding energy and food	2.8	2.4	1.9	1.9
HICP, excluding energy, food, and changes in indirect taxes	2.8	2.4	1.9	1.9
Unit labour costs	4.7	2.8	2.1	2.0
Earnings per employee	4.5	3.2	2.8	2.8
Labour productivity	-0.1	0.4	0.7	0.8
Government budget balance, % of GDP	-3.1	-3.1	-3.4	-3.5
Structural government budget balance, % of GDP	-3.1	-3.1	-3.4	-3.5
Public debt, in % of GDP	87.5	88.4	89.6	90.3
Current account balance, % of GDP	2.7	2.7	2.6	2.6

Source: ECB, June 2025

9.3. Region

According to the estimate of the Statistical Office of the **Republic of Serbia**, the economic activity of that country in the first quarter of 2025 recorded a growth of 2%. Growth was achieved in the sector of industry, water supply and waste water management (2.1%) and in the information and communi-

⁷⁶ The latest available data, adjusted for seasonal and calendar effects.

cations sector (8%). Observed by GDP aggregates as per the expenditure approach of calculation, the final household spending increased by 1.7%, and visible and invisible imports rose 7.5% and 11.5%, respectively, while gross fixed capital formation dropped by 1%.

The annual inflation amounted to 4.4% in March this year. The reference interest rate remained unchanged since September 2024, standing at 5.75% at the end of the first quarter of 2025.

The unemployment rate was 9.1%, which is 0.3 percentage points lower compared to the same period of the previous year. The employment rate was 51.4% or 0.5 pp higher than in the comparative period of the previous year. The average net salary was nominally higher by 11.2% and in real terms by 6.4% year-over-year.

The current account recorded a deficit and amounted to 3.4% of GDP. By the end of this period, the fiscal deficit stood at 1.2% of GDP, while the share of central government debt in GDP was 44.3%. In October 2024, the rating agency *Standard & Poor's* upgraded Serbia's credit rating to investment grade (BBB-) with a stable outlook.

According to the data of the Agency for Statistics of **Bosnia and Herzegovina**, the economy of that country achieved a growth of 1.7% in the reporting quarter. Observed per the components of GDP using the production method, a significant year-on-year real growth was recorded in the hotel and catering industry of 11.8%. Based on GDP components using the expenditure approach, growth was recorded across all categories: household consumption (1.7%), government spending (1.6%), gross fixed capital formation (5.5%), exports and imports of goods and exports and imports of services (0.4% and 1.6%, respectively).

At end-Q1 2025, the annual inflation rate amounted to 3.2%. The unemployment rate in 2024 was 12.6%, and the employment rate reached 42.9%.

The average monthly net salary recorded a nominal growth of 13.1% in the first quarter of 2025 compared to the same period of the previous year. The share of public debt in GDP amounted to 25.7% *at the end of the fourth quarter of 2024*.

Croatian economy recorded a real annual growth of 2.9% in the first quarter of 2025. Observed according to GDP components using the production method, growth in the first quarter of 2025 was driven by the growth of construction of 7.1%. Based on the GDP components using the expenditure approach, growth was recorded in household consumption and gross fixed capital formation of 2.8% and 4.5%, respectively.

The annual inflation during Q1 2025 continued to trend downwards, dropping down to 3.2% in March. The unemployment rate amounted to 5.1% in March this year, being 1 pp lower year-on-year. The average net earnings recorded a nominal growth of 11.6% in the period January - March 2025 and a real growth of 7.7% year-over-year.

According to data from the Croatian National Bank, the general government debt amounted to 57.6% of GDP at the end of 2024, down by 4.2 percentage points compared to 2023.

Table 9.3 shows the key economic indicators by country in the region for the period from 2024 to 2026, presented in the relevant documents of Eurostat (for 2024) and the IMF (2025 and 2026 forecasts).

Table 9.3

Key economic indicators by countries in the region for the period 2024–2026 ⁷⁷								
		Albania	Bosnia and Herzegovina	Montenegro	Croatia	Kosovo	North Macedonia	Serbia
Real GDP-growth, %	2024	4.0	2.5	3.8	4.4	3.0	2.8	3.9
	2025	3.8	2.8	3.1	4.0	3.2	3.2	3.5
	2026	3.5	3.0	2.7	4.0	3.2	3.2	4.2
Inflation, %	2024	2.1	2.9	4.5	1.0	2.1	4.3	4.3
	2025	2.7	1.8	3.0	2.4	5.2	2.3	3.5
	2026	2.9	1.6	2.2	2.0	1.3	2.0	3.3
Unemployment, %	2024	8.8	13.2	5.5	---	---	13.0	8.6
	2025	8.8	13.2	5.3	---	---	12.8	8.5
	2026	8.8	13.2	5.3	---	---	12.7	8.4
General government budget balance, % of GDP	2024	-0.5	-1.6	-2.1	-0.3	-2.8	-4.4	-1.7
	2025	-2.5	-2.2	-2.4	-2.1	-3.4	-5.0	-2.8
	2026	-2.6	-2.4	-1.9	-2.0	-3.3	-4.5	-2.8
Current account, % of GDP	2024	-2.4	-3.6	-1.2	-9.0	-17.4	-2.3	-6.3
	2025	-3.1	-3.8	-0.7	-8.7	-15.2	-2.2	-5.8
	2026	-3.1	-3.8	-0.6	-8.0	-14.0	-2.1	-5.7
GDP per capita, EU27_2020 = 100	2024	37	35	54	77	---	42	51
Credit rating, S&P	rating	BB	B+	B+	A-	no rating	BB-	BBB-
	Outlook	Stable	Stable	Stable	Positive		Stable	Stable

Source: IMF (WEO Database, April 2025); Eurostat; tradingeconomics.com

⁷⁷ For indicators 1-5, the data source is the IMF. Eurostat is the source of data for the indicator 6. The source of data for the indicator 7 is *tradingeconomics.com*, where the data refer to the credit ratings assigned by Standard and Poor's at end-March 2025.