

# B&H Watch: Disinflation continues

Inflation in B&H for Jan-Oct 2024 (+1.7% yoy avg) continued to decelerate, led by stabilization in the food, housing, and transport segments. Prices were elevated only in services. However, B&H is still reporting the lowest level of inflation in the SEE.



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## Stable price levels within the key segments and rising service inflation

It could be summarized that disinflation continued and became even more pronounced in the last two months in B&H (September +0.8% yoy; October +0.9% yoy). As a result, B&H reported a cumulative inflation rate of +1.7% yoy for January–October 2024. Behind these figures, the key trends in the structure were:

- The segments which were core drivers for the acceleration of inflation in 2022/23 recorded strong deceleration and then stabilization in 2024: food +1.7% yoy, transport -0.4% yoy and housing +0.3% yoy. These were supported by the clothing and footwear segment which was the only one with deflation in 2024 (-7.5% yoy) and added to the overall deceleration trend.
- The other side of the coin showed that core inflation – particularly the service segment recorded the strongest inflation rate in 2024 (financial services +8.0% yoy avg, restaurants and hotels +7.4% yoy avg, insurance +4.9% yoy avg, recreation and culture +3.7% yoy avg, and healthcare +3.4% yoy avg.) which is in line with the trends visible on the regional and global markets.

Compared with the countries in the SEE region, B&H still keeps the best position in the context of inflation rate for the period January–October 2024, slightly better than Kosovo (+1.8% yoy avg) and Albania (+2.3% yoy avg), and substantially better in comparison to Croatia (+3.0% yoy avg), North Macedonia (+3.3% yoy avg), Montenegro (+3.7% yoy avg) and Serbia (+4.6% yoy avg).

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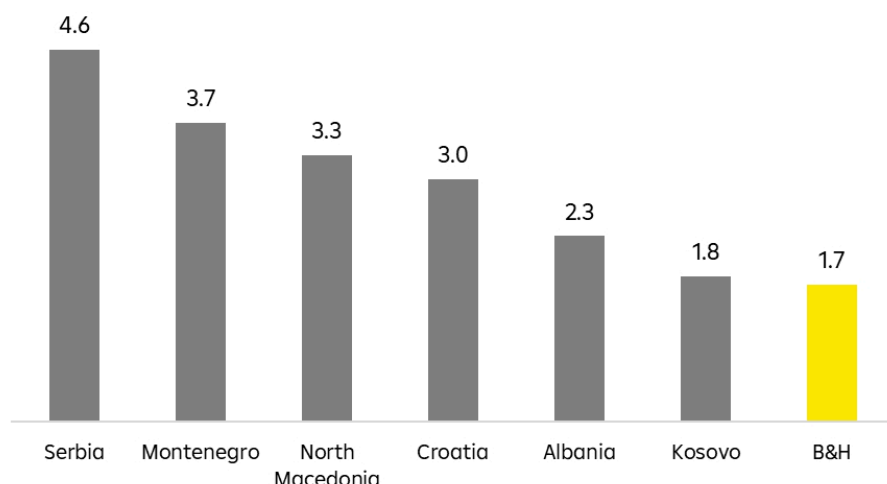
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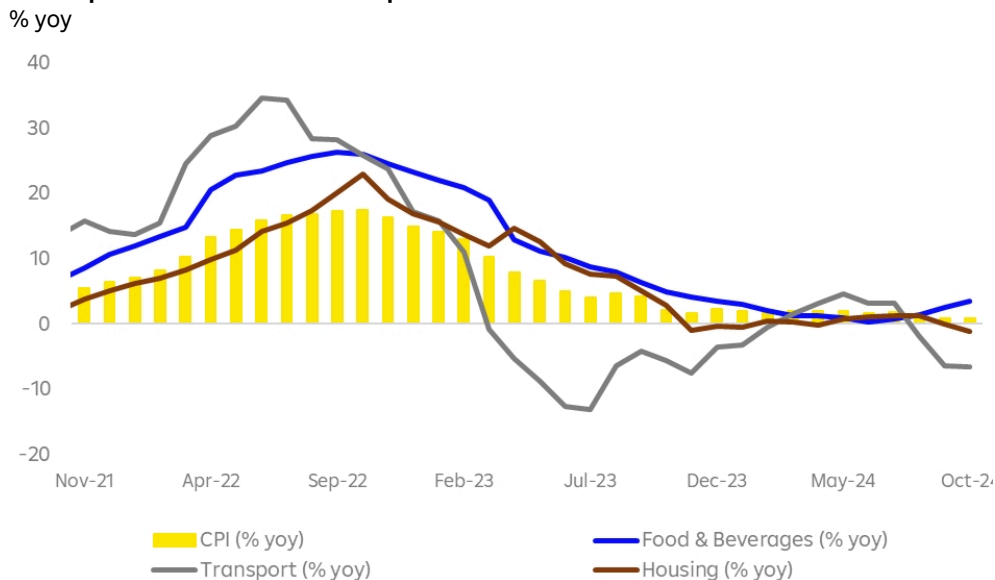
**Overview of average inflation rates in the CEE region for the period Jan-Oct 2024**  
(% yoy)



Source: tradingeconomics.com

The latest inflation reading as of October 2024, displayed the annual inflation rate below 1% yoy (0.9% yoy), and an almost unchanged monthly dynamic of the price level (+0.2%). In annual terms, October's figures reveal significantly different rates in key segments food +3.4% yoy, housing -1.1% yoy and transport -6.6% yoy, and these numbers clearly show where the nucleus of the deceleration trend is. On the other side, along with the food segment, the strongest contribution to growth still came from the services segment. For instance, financial services posted growth of +10.6% yoy, restaurants and hotels +6.7% yoy and recreation and culture: +3.0% yoy.

**Development of inflation rate in period Nov 2021 - Oct 2024**



Source: BHAS, Raiffeisen RESEARCH

**Inflation below 2% yoy is expected in 2024/25**

Our inflation forecast was adjusted due to an unexpected stronger-than-anticipated slowdown in the last few months. As a result, the inflation outlook for 2024 has been revised to +1.6% yoy consequently leading to an adjustment for 2025 to +1.8% yoy. This revision also takes into account an upward base effect stemming from electricity price hikes since August 2024, as well as post-flood disruptions to supply chains, which are anticipated to result in a still-low inflation level in 2025. Only new substantial hikes in electricity prices in 2025 or major

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supply chain changes in the international commodity markets could result in potential more upward pressures.

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