



HNB

EUROSYSTEM

Information on economic, financial and monetary developments

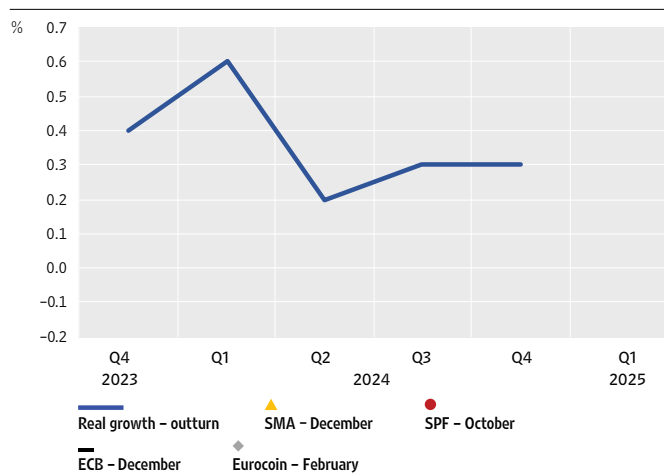
February 2026



Summary

The euro area economy continued to grow moderately in the last quarter of 2025. Quarterly economic growth stood at 0.3% at the end of the year, slightly surpassing the ECB's expectations. In 2025 as a whole, economic activity grew from 2024 at a rate of 1.5%. As regards the four largest economies, in the fourth quarter, growth was again the fastest in Spain (0.8%), followed by Germany (0.3%), Italy (0.3%) and France (0.2%). The German economy has thus been showing signs of recovery after the relatively weak performance over the past three years. Broken down by sectors, the growth was relatively broadly distributed. In October and November, the volume of industrial production increased by 0.9%, the volume of construction works rose by 0.6% and retail trade turnover edged up by 0.5% from the third quarter. As regards the estimates for the first quarter of 2026, most of the available projections point to continued moderate economic growth amid still elevated uncertainty, which increased to a certain extent in early 2026 (Figures 1 and 2). The euro area composite purchasing managers' index (PMI) was still expanding in January despite having decreased slightly from the last quarter of 2025, primarily due to the rather slow expansion of the service component. On the other hand, the Economic Sentiment Indicator surged in January, reaching its highest level in almost four years.

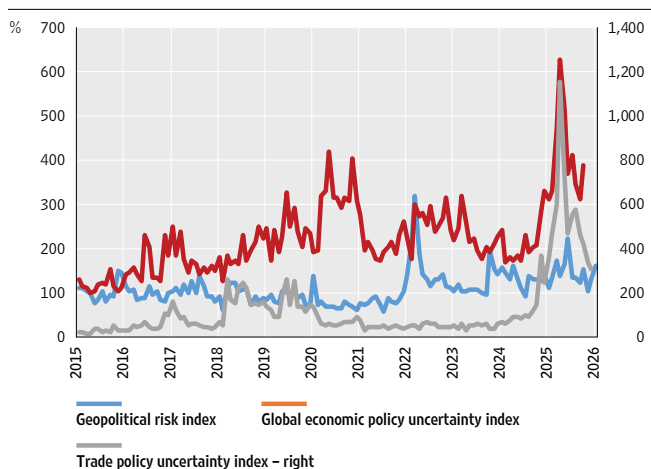
Figure 1 Quarterly growth rates of real GDP in the euro area



Notes: Abbreviation ECB – December refers to ECB December 2025 short-term projections of real growth in the euro area (Macroeconomic Projection Exercise, MPE). Abbreviations SMA (Survey of Monetary Analysts) and SPF (Survey of Professional Forecasters) refer to the results of the ECB survey of market participants in October and December 2025.

Sources: Eurostat and ECB.

Figure 2 Uncertainty indices



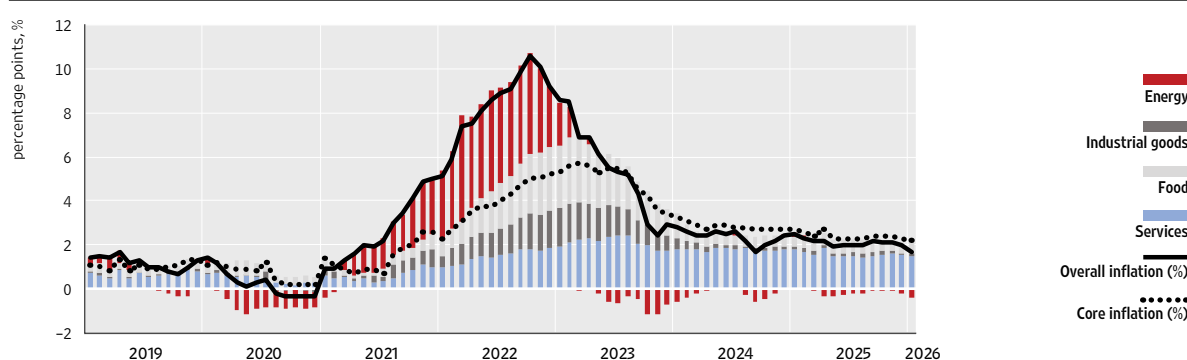
Sources: Bloomberg, Caldara and Iacoviello (2022) and Goldman Sachs Research.

According to Eurostat's flash estimate, euro area inflation measured by the HICP¹ slowed down from 2.0% in December to 1.7% in January 2026 (Figure 3). This was primarily a result of a decrease in the annual rate of change in energy prices (from –1.9% in December to –4.1%),

1 As of January 2026, changes have been introduced in the HICP calculation, with the application of the new European Classification of Individual Consumption according to Purpose, version 2 (ECOICOP, ver. 2) being one of the most noteworthy changes. In addition, the HICP calculation now includes a new category, Games of chance. The implementation of the new classification did not affect the historical time series of the total HICP (2015 = 100), which has remained unchanged to the second decimal place. Furthermore, the base year for harmonised indices of consumer prices has been changed from 2015 = 100 to 2025 = 100. While the rebasing of the index does not affect the rates of change already released, in some cases a slight change may occur due to rounding.

reflecting a favourable base effect linked with a pronounced monthly growth in energy prices seen in 2025. In contrast, food inflation accelerated from 2.5% in December to 2.7% in January, driven by the pick-up in the inflation of unprocessed food product prices. Core inflation (excluding the prices of energy and food) decelerated slightly in January (from 2.3% in December to 2.2%) owing to the slowdown in the services inflation from 3.4% in December to 3.2%. On the other hand, the inflation of the prices of industrial goods accelerated slightly from 0.3% to 0.4%. The low inflation of industrial goods is supported by weak inflationary pressures amid euro appreciation and the decline in the import prices of Chinese products.

Figure 3 Euro area inflation indicators

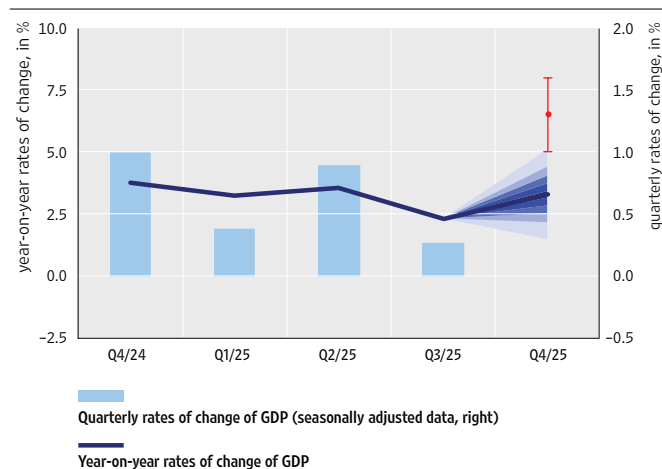


Note: Core inflation is measured by the harmonised index of consumer prices, which excludes energy, food, alcoholic beverages and tobacco prices.
Sources: Eurostat and CNB calculations.

Monthly indicators for the Croatian economy point to accelerated economic activity towards the end of 2025, following the moderate growth seen in the third quarter. According to the CNB's nowcasting model of economic activity, real GDP growth in the fourth quarter could reach 1.3% on a quarterly level, up from 0.3% in the third quarter, while on an annual level, it could pick up to 3.3%, from 2.3% in the third quarter (**Figure 4**). In the fourth quarter, the volume of industrial production was 3.3% higher than that recorded in the preceding quarter. Such developments reflect the strong growth in the production of energy, capital goods and non-durable consumer goods. Furthermore, real retail trade increased by 2.0% in the last quarter relative to the average of the preceding quarter, which could point to an increase in personal consumption, following a slight decline in the third quarter. The volume of construction works dropped by 1.9% in November from the previous month, reflecting a decrease in the volume of both works on buildings and construction works. Still, thanks to favourable performance in October, the volume of construction works increased by 1.4% from the average of the third quarter in October and November (**Figure 5**).

Survey indicators of business and consumer optimism point to divergent sectoral developments at the outset of 2026, with consumer confidence remaining high. In January, the consumer confidence index decreased slightly from December, but is still hovering around its highest levels over the past two years. Furthermore, business confidence indicators point to a noticeable increase in optimism in service activities, and construction also recorded a slight growth. On the other hand, confidence deteriorated noticeably in trade and industry. Nevertheless, confidence in all observed activities remains above the long-term average.

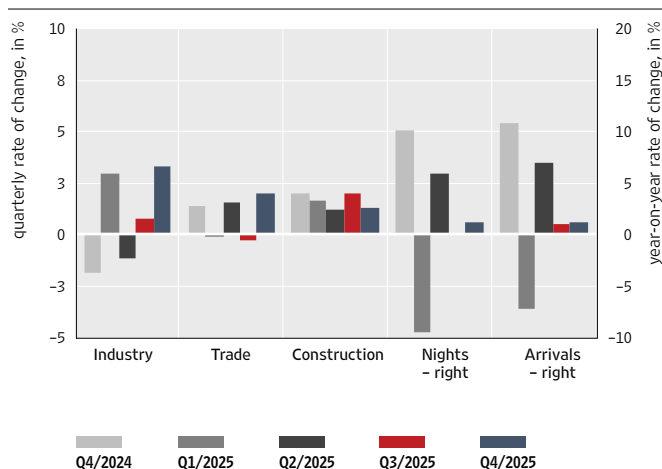
Figure 4 Quarterly gross domestic product



Notes: The estimate for the fourth quarter of 2025 refers to the monthly indicator of real economic activity of the CNB (for more details on the calculation of the MRGA indicator, see CNB survey Kunovac, D., and B. Špalat: "Nowcasting GDP Using Available Monthly Indicators"). The models are estimated on the basis of data published up to 30 January 2025. The red dot denotes an estimate of the quarterly change in real GDP, with historical errors of estimates within ± 1 standard deviation.

Sources: CBS (seasonally adjusted by the CNB) and CNB calculations.

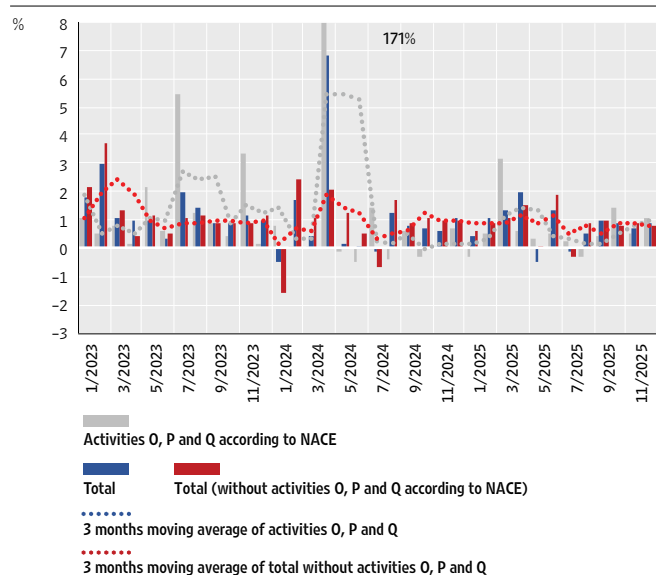
Figure 5 Monthly indicators of economic activity in Croatia



Note: Data for the fourth quarter of 2025 for construction refer to October and November 2025.
Sources: CBS and eVisitor.

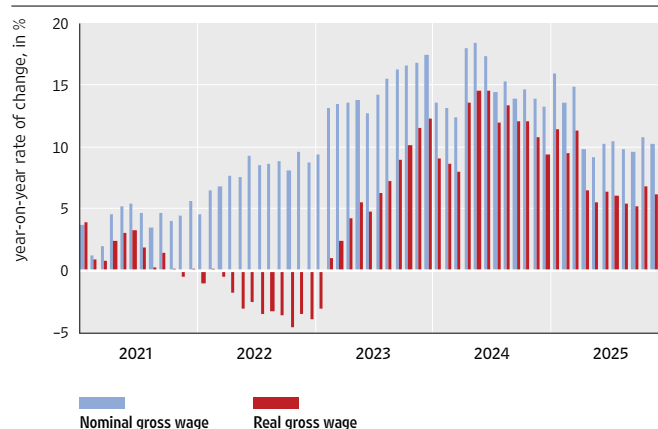
Employment growth continued to moderate in the fourth quarter of 2025, with the number of employed persons recording only a marginal increase, while wage growth picked up. Employment growth decelerated steadily towards the end of 2025, so that in December, employment increased only slightly from the preceding month. At the level of the fourth quarter of 2025, employment remained almost unchanged from the third quarter, with growth standing at 0.1% relative to 0.3% and 0.4% in the third and the second quarter, respectively. Employment grew the most in public administration, education, healthcare and social work activities (activities O, P and Q, hereinafter: the public sector), while in other activities it held steady. The ongoing slowdown in total employment growth may partly be attributed to the tightening of legislation governing the employment of foreign workers; however, a gradual moderation is also evident in labour demand, as reflected in the decline in the job vacancy rate. At the same time, the registered unemployment rate dropped to 4.3% from 4.5% in the third quarter, primarily on account of the increase in the number of persons removed from the CES register for reasons other than employment. The average nominal gross wage increased in December (0.9%), continuing the dynamics seen in the preceding months, with wages in the public sector slightly outpacing those in the rest of the economy (1.1% versus 0.8%) (Figure 6). At the level of the fourth quarter, wage growth accelerated to 2.6% from 1.3% in the third quarter, while the annual rate of change stood at 10.4%, with a slightly slower wage growth in the public sector (8.2%) than in the rest of the economy (11.1%). Real wage growth also picked up in December, while wage purchasing power increased by 6.8% on an annual basis (Figure 7).

Figure 6 Nominal gross wages
monthly rate of change



Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

Figure 7 Nominal and real gross wages
year-on-year rate of change



Sources: CBS and CNB calculations.

Inflation in Croatia, as measured by the harmonised index of consumer prices, decelerated in January 2026 thanks to the slowdown in the inflation of the prices of all main components, while the difference between the harmonised and the national indicator of inflation narrowed. According to first estimates, inflation measured by the harmonised index of consumer prices (HICP)² slowed down from 3.8% in December 2025 to 3.6% in January 2026³ (Figure 8) thanks to the slowdown in the inflation of the prices of all the main components. As a result of the slowdown in the annual increase in the prices of both processed and unprocessed food products, food price inflation decelerated from 3.4% and 7.0% in December and July 2025, respectively, to 3.1% in January. Food price inflation has been on an almost continuous downward trajectory since August 2025, reflecting favourable base effects stemming from a sharp increase in prices in the same period of the previous year as well as weaker current pressures. The trend was also driven by a decline in the prices of food raw materials on the global and European markets, which gradually slowed the increase of producer prices in the food industry, and, in turn, of domestic retail prices, alongside a slowdown in wage growth. The easing of current pressures on food prices is also evident in the momentum⁴ of food inflation, which decreased further in January (Figure 9), sinking considerably below its long-term pre-pandemic average. Energy price inflation slowed down from 3.6% in December to 3.1% in January, reflecting the favourable base effect linked to the pronounced increase in energy prices recorded in January 2025. The slowdown in energy price inflation was partly offset by the increase in electricity prices stemming

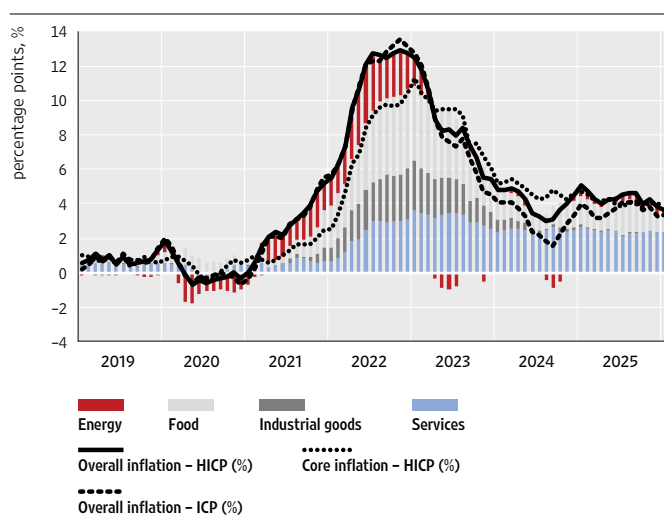
² In contrast to the CPI, the HICP covers the consumption of foreign tourists and institutional households (such as educational, health and religious institutions, etc.)

³ As of January 2026, changes have been introduced in the HICP calculation (see footnote 1). Since the national CPI is calculated according to a methodology that is aligned with the Eurostat methodology for harmonised indices of consumer prices, all changes are simultaneously applied in the national CPI.

⁴ Momentum is a short-term inflation indicator that shows annualised three-month-on-three-month rates of price change, seasonally adjusted.

from the gradual withdrawal of energy subsidies to households. The annual rate of change in the prices of industrial products and of services also shrank slightly (from 0.0% in December to -0.1% in January and from 7.4% to 7.3%, respectively). The still elevated services inflation, which hovered around an average of 7.3% over the past six months, reflects the still significant increase in wages and solid domestic demand as well as the increase in some administered prices (rent). In line with the still pronounced current pressures on the prices of services, the momentum of the services price inflation moved around 8.0% over the past two months, exceeding the annual rate of growth in the prices of services. Services contribute the most to the overall consumer price inflation with 2.4 percentage points, while the contribution of food prices decreased to 0.9 percentage points. Overall inflation measured by the national consumer price index (CPI), which reflects the structure of consumption of Croatian citizens, stood at 3.4% in January, to which the services price inflation contributed 1.8 percentage points, and food price inflation 1.0 percentage point. The annual rate of increase in prices stood at 7.2% for services, 3.7% for energy, 3.0% for food and 0.1% for industrial products. The difference between the harmonised and the national indicator of overall inflation narrowed to 0.2 percentage points in January (Figure 11).

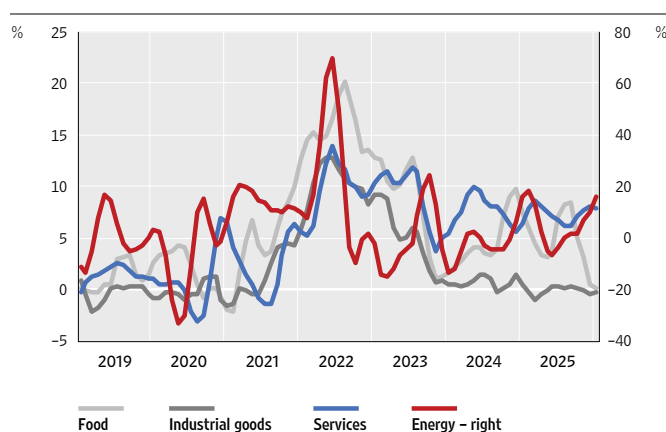
Figure 8 Inflation indicators in Croatia



Note: Core inflation is measured by the harmonised index of consumer prices, which excludes energy, food, alcoholic beverages and tobacco prices.

Sources: Eurostat, CBS and CNB calculations.

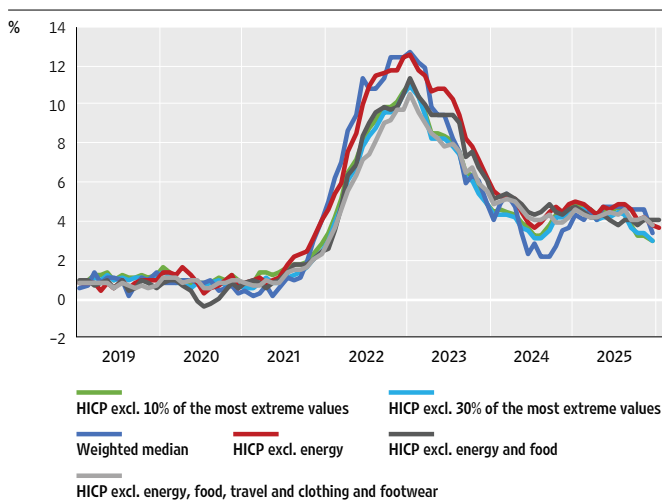
Figure 9 Momentums of the main inflation components



Note: The quarterly rate of change on an annual level is calculated from the quarterly moving average of seasonally adjusted harmonised consumer price indices.

Sources: Eurostat and CNB calculations.

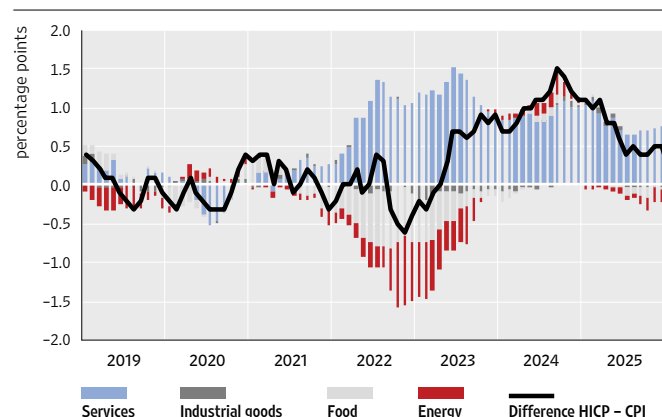
Figure 10 Core inflation indicators



Notes: Trimmed mean eliminates 5% (15%) of subcomponents (out of a total of 107 subcomponents) with maximum and minimum annual rates of change. The weighted median excludes all values except the weighted median of the distribution of price change.

Sources: Eurostat and CNB calculations.

Figure 11 Difference between the contributions of the main components to the overall HICP and CPI



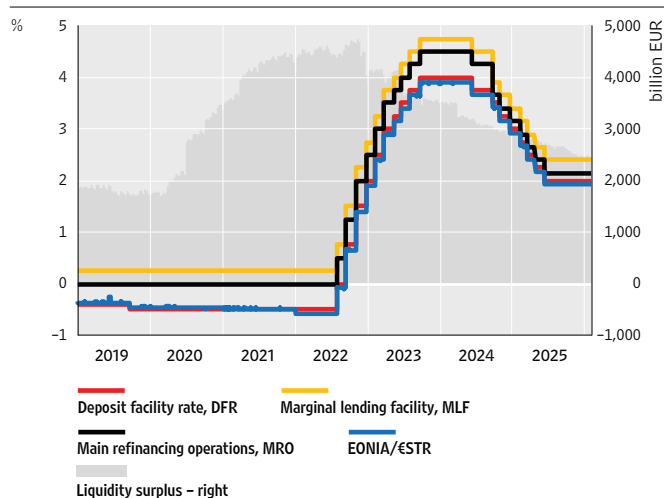
Note: A positive (negative) value denotes a larger (smaller) contribution of the inflation of prices of a specific component to overall HICP inflation than to CPI inflation.

Sources: Eurostat, CBS and CNB calculations.

At its meeting on 5 February the Governing Council of the ECB decided to keep key ECB interest rates unchanged (Figure 12). The deposit facility rate, a relevant indicator of the ECB's monetary policy, thus remained at 2.00%, unchanged from its last decrease in June 2025. The Governing Council noted that the latest assessment of the inflation outlook reconfirms that inflation should stabilise at its 2% target in the medium term. The economy remains resilient in a challenging global environment. Growth is supported by low unemployment, the gradual rollout of the plan to increase public spending on defence and infrastructure and the supportive effects of the past key interest rate cuts. However, the outlook is still uncertain, owing particularly to ongoing global trade policy uncertainty and geopolitical tensions. The Governing Council is determined to ensure that inflation stabilises at its 2% target in the medium term. Decisions on the appropriate levels of interest rates will continue to be based on a data-dependent and meeting-by-meeting approach. In doing so, the Governing Council is not precommitting to a particular rate path.

Eurosystem assets linked to the conduct of monetary policy continued to gradually decrease (Figure 13). The portfolio of securities purchased within the asset purchase programme (APP) and the portfolio of pandemic emergency purchase programme (PEPP) of the Eurosystem are declining steadily at a measured and predictable pace, with the principal payments from maturing securities purchased under the APP not being reinvested since July 2023, and the reinvestment of PEPP portfolio being brought to a halt at the end of 2024. Also, in mid-December 2024 the banks repaid the remaining amounts borrowed under the targeted longer-term refinancing operations, completing that part of balance sheet normalisation. On the other hand, assets not linked to the conduct of the monetary policy continued to grow. The rise in nonmonetary assets was marked especially by gold, the value of which on the Eurosystem's balance sheet has increased pronouncedly since the beginning of 2024 due to the rise in gold prices in financial markets.

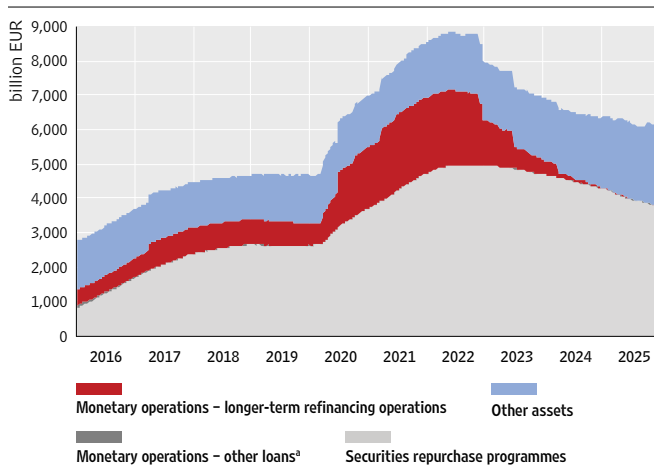
Figure 12 Key ECB interest rates



Notes: DFR (deposit facility rate); MLF (marginal lending facility); MRO (main refinancing operations). Since the beginning of 2022, EONIA has been replaced by €STR.

Source: ECB.

Figure 13 Eurosystem balance sheet



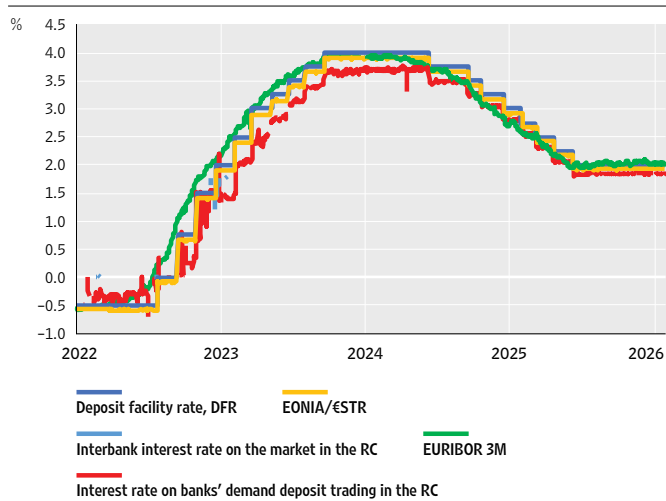
^a Other loans include main refinancing operations, fine-tuning reverse operations, structural reverse operations, marginal lending facility and credits related to margin calls.

Note: The Eurosystem monetary balance sheet asset items are shown in grey and red and non-monetary in blue.

Source: ECB.

The beginning of the year brought about a series of geopolitical shocks that did not strongly affect financial markets. The year 2026 started with a series of geopolitical shocks, including the US military intervention in Venezuela, mass protests in Iran and speculations of a possible US military intervention in that country, as well as with the US challenging the sovereignty and territorial integrity of Denmark and Greenland. Investors did not react to these events by reducing their exposure to risk. To the contrary, numerous global share indices reached new highs precisely in the first half of January. However, further escalation of Greenland-related rhetoric, accompanied by U.S. threats to impose new tariffs on individual European countries and failure to exclude the possible use of force soon led to a sharp decline in stock indices. At the same time, euro area long-term government bond yields rose amid increasing concerns about the consequences of the impact of the potential increase in European defence spending on public finances. However, the fall in stock prices was short-lived because already at the World Economic Forum in Davos on January 21, President Trump withdrew the threats of tariffs and the use of force, with a framework agreement being reached on the resumption of negotiations on Greenland. This was followed by an increase in equity market prices, with the EuroStoxx 50 stock index ending January close to record highs while yields on euro area long-term government bonds slightly declined. The euro area GDP-weighted average of yields on long-term government bonds stood at 3.2% at the end of January, several basis points down from the end of August (Figure 16). After the meetings of the ECB Governing Council in December 2025, the €STR forward curve edged down across the maturities spectrum until the end of January 2026 (Figure 15). The second half of the month recorded increased volatility of the exchange rate of the euro against the US dollar, which at one point strengthened to more than 1.20, for the first time in four years. Nevertheless, by the end of the month it decreased to some 1.18, which led to its having appreciated by less than 1% from the end of last year.

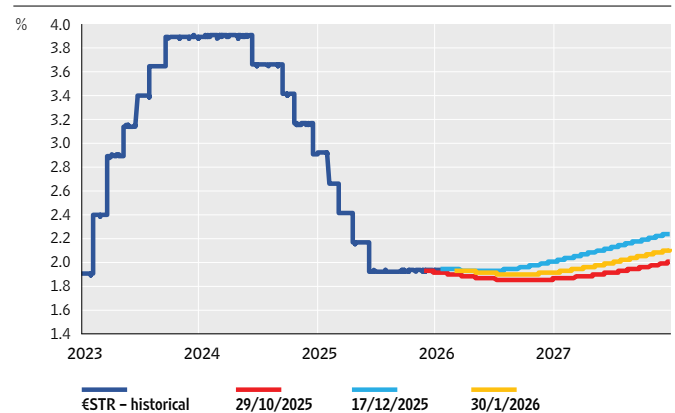
Figure 14 Key ECB interest rate and overnight market interest rates in the euro area and Croatia



Notes: DFR (deposit facility rate). Since the beginning of 2022, EONIA has been replaced by €STR. The overnight interest rate on the money market in Croatia in 2022 is based on euro transactions. The latest data are for 30 January 2026.

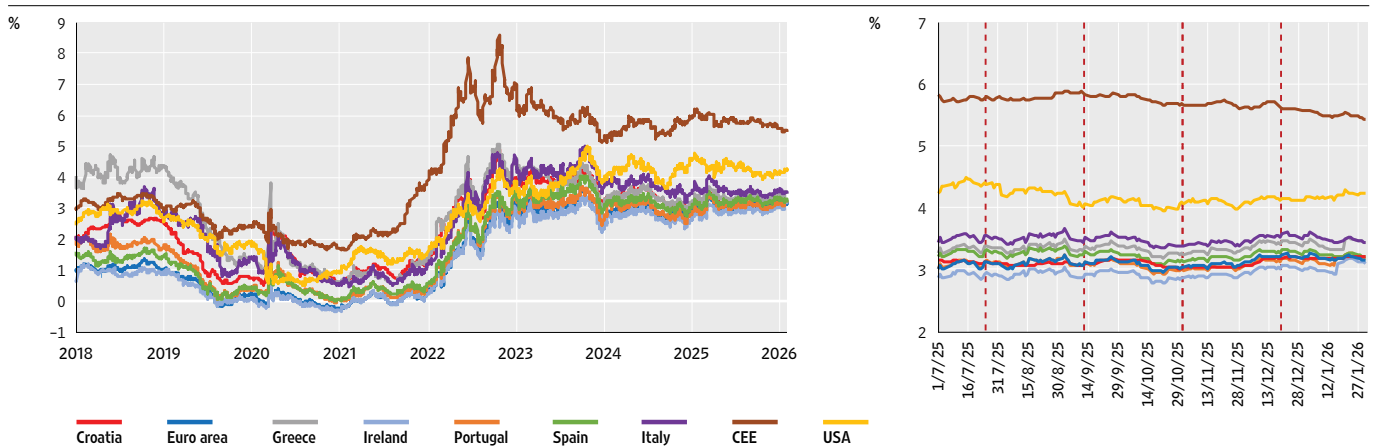
Sources: ECB and CNB.

Figure 15 €STR forward curve



Notes: The forward curve is estimated using the overnight indexed swap rate (OIS). Forward curves show the selected forward curves formed one day before the ECB Governing Council meeting during the observed period and on 30 January 2026, the day of the last available data. Sources: Bloomberg and CNB calculations.

Figure 16 Yields on long-term government bonds with a remaining maturity of approximately 10 years



Notes: CEE – countries of Central and Eastern Europe (the Czech Republic, Hungary, Poland and Romania); yields for the euro area and CEE have been weighted by the share of GDP of the countries included. Data from the euro area do not include those from Lithuania, Latvia, Estonia, Luxembourg and Malta. The red dotted lines denote ECB Governing Council meetings in the observed period. The latest data are for 30 January 2026.

Source: Bloomberg

In Croatia, interest rates on pure new corporate loans decreased in December, as did interest rates on general-purpose cash loans to households, while interest rates on housing loans hovered around the levels seen in November. Interest rates on loans to corporates and households continued to oscillate within a relatively narrow range at levels reached in mid-2025. The average interest rate on pure new corporate loans decreased by 14 basis points (b.p.) to 3.36% in December from November (Figure 17). Following increased volatility during the summer months, interest rates on loans to corporates stabilised in the last quarter of 2025 at levels slightly lower than in the previous part of the year. Broken down by purpose, interest rates on loans for working capital went down the most in December, while, observed by size, large corporations were the only ones to be able to borrow at lower rates. As for households, the average interest rate

on general-purpose cash loans went down by 4 basis points to 5.53% from November, the lowest level since the beginning of 2023. The average interest rate on housing loans in December totalled 3.03%, 1 basis point more than in November. Although stable at levels reached after falling in the first quarter of 2025, interest rates on housing loans have been edging up since summer, ending December some 10 basis points higher than June. Interest rates on existing loans continued their gradual slight decline. Interest rates on existing corporate loans in December totalled 3.73%, up 2 basis points on November. Interest rates on general-purpose cash loans to households were 7 basis points lower (5.77%), while interest rates on housing loans to households held at 3.05%.

Interest rates on pure new time deposits of corporates increased slightly in December from the previous month. The interest rate on pure new time deposits of corporates increased by 2 basis points to 1.93%, and on those of households by 3 basis points, to 1.80%. Interest rates on existing deposits remained almost unchanged in December (0.45% on total corporate deposits and 0.35% on total household deposits). The interest rate on existing corporate time deposits fell by 1 basis point to 1.86%, while the interest rate on overnight deposits held at 0.12%. As regards households, interest rates on existing time and overnight deposits remained unchanged and stood at 1.37% and 0.02%, respectively.

Figure 17 Interest rates on pure new loans and corporate and household time deposits

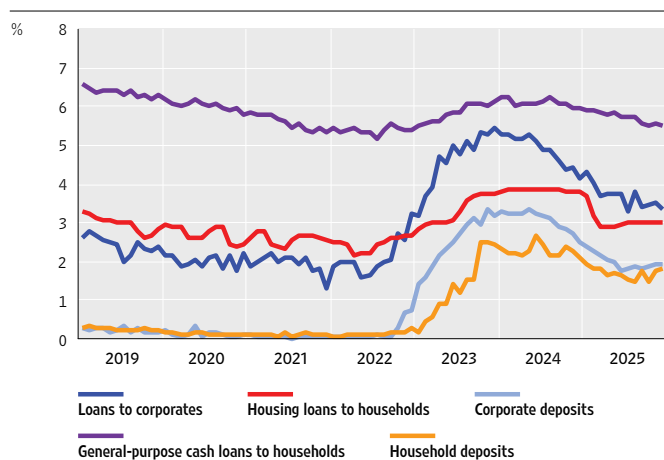
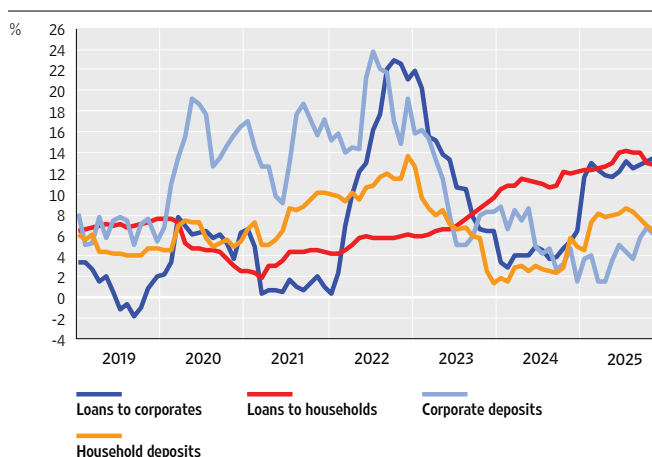


Figure 18 Corporate and household loans and deposits, year-on-year rates of change, transaction-based



Notes: Data up to December 2022 refer to loans and deposits in kuna, in kuna with a euro currency clause and in euro, and from January 2023 to loans and deposits in euro. Data refer to pure new loans and deposits. Deposits with a maturity of less than one month have been excluded.
Source: CNB.

Source: CNB.

Loans to domestic sectors (excluding the general government) continued to grow relatively strongly in December, although at a slower pace than in the months before, reflecting weaker growth of loans to households and corporates. Although still relatively strong, the growth dynamics of household loans has been gradually weakening as a result of the weaker intensity of growth in general-purpose cash loans, which grew by EUR 38m in December⁵. At the same time

⁵ With a view to improving the quality of data on household loans, as of the reporting date of 31 December 2025, a portion of mortgage loans was reclassified as general-purpose cash loans with a collateral in the amount of EUR 412.4m and as other loans in the amount of EUR 8.1m. The reclassification resulted in an increase in the stock of general-purpose cash loans and a decrease in the stock of other loans.

housing loans went up by almost double from the same month of the previous year (EUR 175m), with the annual growth rate of housing loans accelerating from 14.9% in November to 15.5% in December, while the growth of general-purpose loans continued to decelerate (from 11.5% to 11.3%). Thus, the annual growth of total household loans accelerated from 12.9% to 13.1% (**Figure 18**). In the corporate sector, weaker loan growth in December was reflected in the slowdown of the annual growth rate from 13.4% in November to 12.8% in December. In addition to manufacturing, real estate activities and accommodation and food services activities provided the biggest contributions. The momentum⁶ of housing loans grew from 12.7% in November to 13.9% in December, while that of general-purpose cash loans weakened from 8.5% to 6.3%. The momentum of corporate loans moderated from 15.2% to 13.7%.

Domestic sectors' deposits with credit institutions (excluding the general government) rose in December by EUR 0.8bn or 1.2% from November. The deposit increase in December is a result of the strong growth in net claims on the central government and the mentioned growth in loans to domestic sectors, while the decline in net foreign assets of monetary institutions mitigated the contributions of strong lending activity and the growth in net claims on the government. As regards the structure of domestic deposits, overnight deposits of all domestic sectors went up (EUR 0.9bn, of which households accounted for EUR 0.6bn and corporations for EUR 0.3bn), while time deposits went down (EUR 0.1bn) owing almost primarily to movements in corporate deposits. The share of time deposits in total corporate deposits decreased from 27.9% in November to 26.9% in December and oscillated within a relatively narrow range at levels reached in 2024. As regards household deposits, their share continued to gradually decline (from 24.5% to 24.2%), remaining well below the peak of 29.2% attained in mid-2024. The annual growth of total deposits continued to slow down, from 6.6% in November to 6.4% in December.

⁶ Momentum is a short-term indicator of lending activity which shows annualised three month-on-three-month rates of change in loans.