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Macroeconomic developments and projections amid elevated uncertainty

Boris Vujčić, Governor

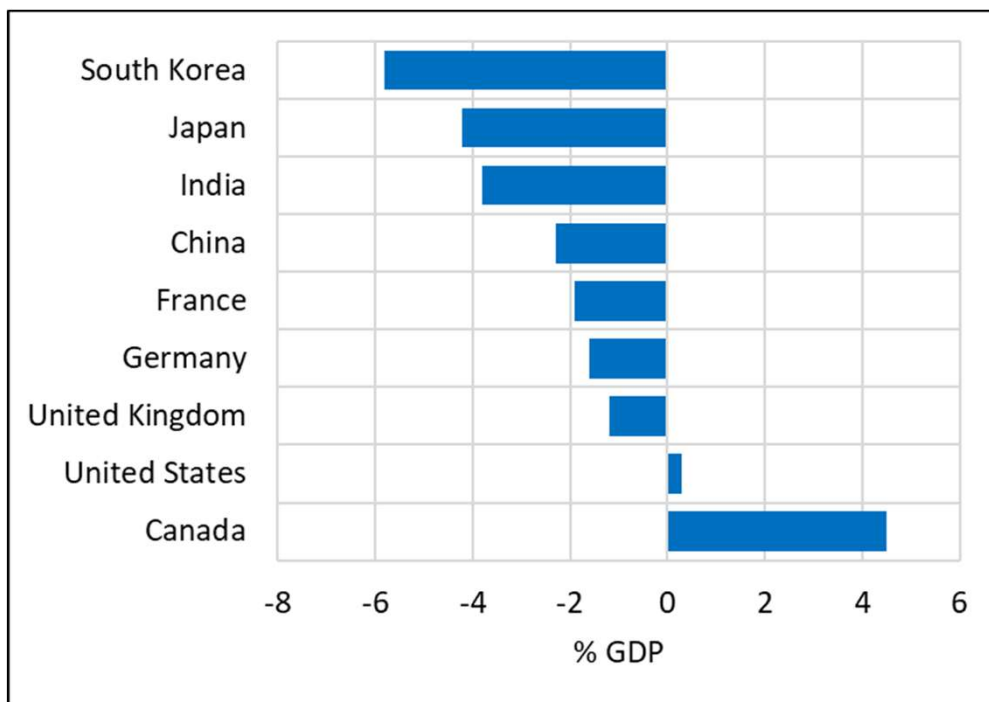
New York
April 21, 2026



Macroeconomic developments and projections – overview and forecast

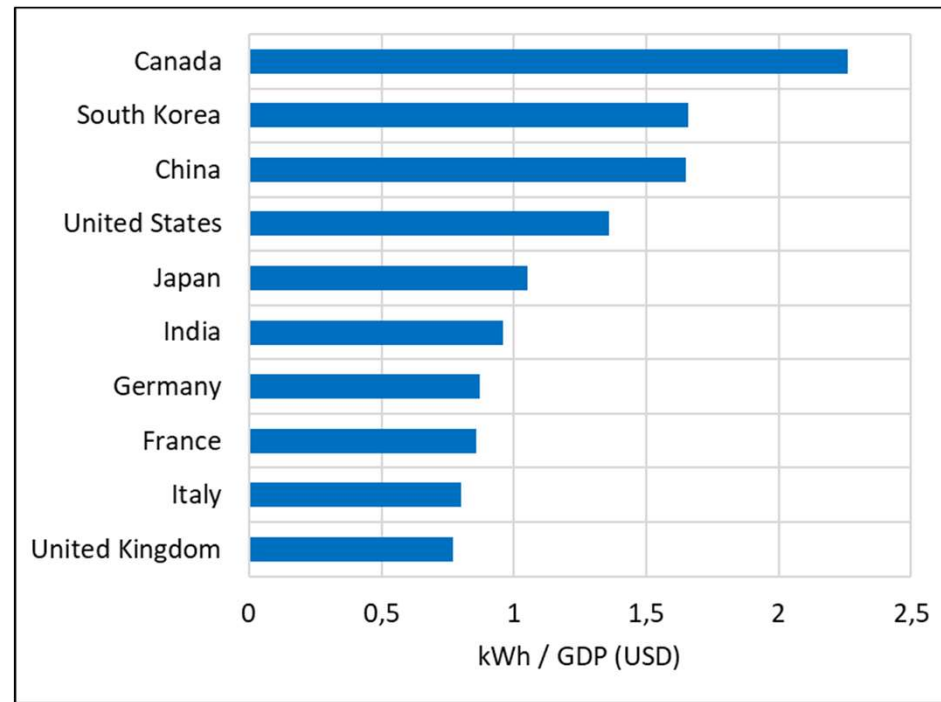
Europe and Asia are the most exposed to the negative effects of conflicts in the Middle East due to their dependence on energy imports

Energy trade balance



Note: The data refer to 2024.
Source: Capital Economics; Eurostat for Croatia.

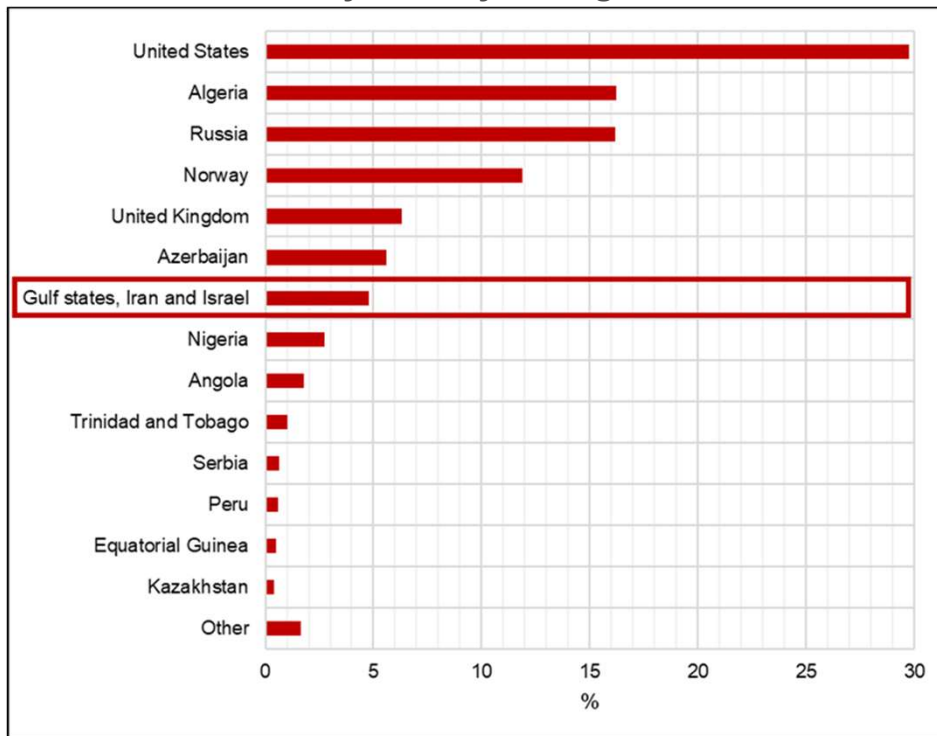
Energy intensity



Note: The data refer to 2022 and are expressed in kilowatt-hours per constant 2011 international dollar of GDP.
Source: World Resources Institute

Although the EU is not directly dependent on gas from the Middle East, it is still exposed to price pressures due to the interconnectedness of the global market

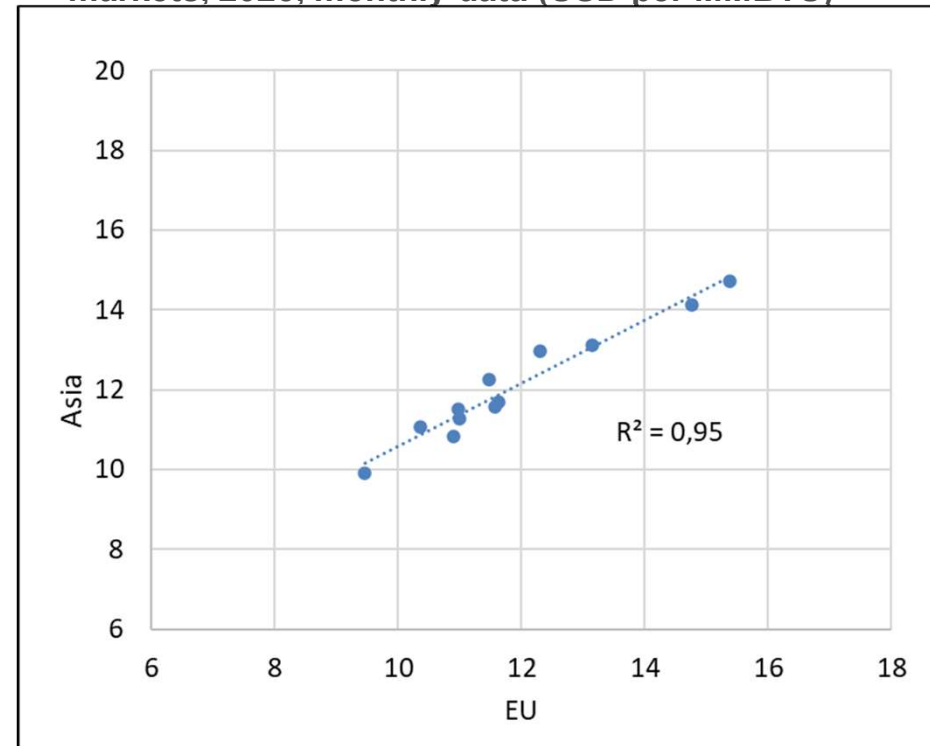
Structure of natural gas imports into the EU by country of origin



Note: The data refer to 2025.
Source: Eurostat

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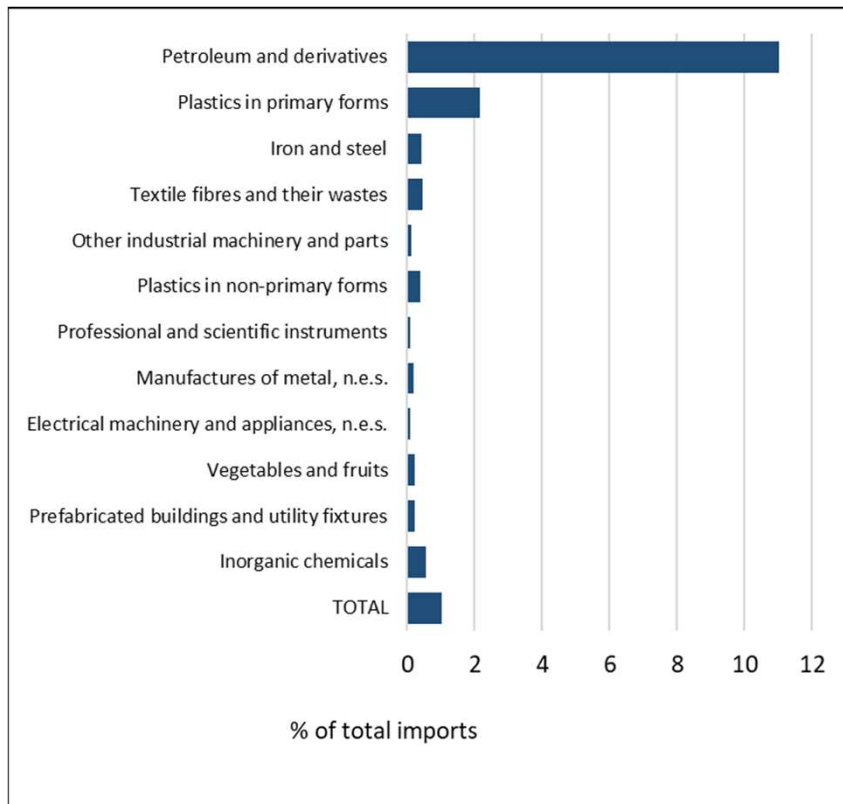
Correlation of gas prices in the European and Asian markets, 2025, monthly data (USD per MMBTU)



Source: Federal Reserve Bank of St. Louis

The European Union has relatively limited direct trade with the Middle East, except in the energy sector and its by-products

EU imports of goods from the Middle East



Note: The data refer to 2025.
Source: Eurostat

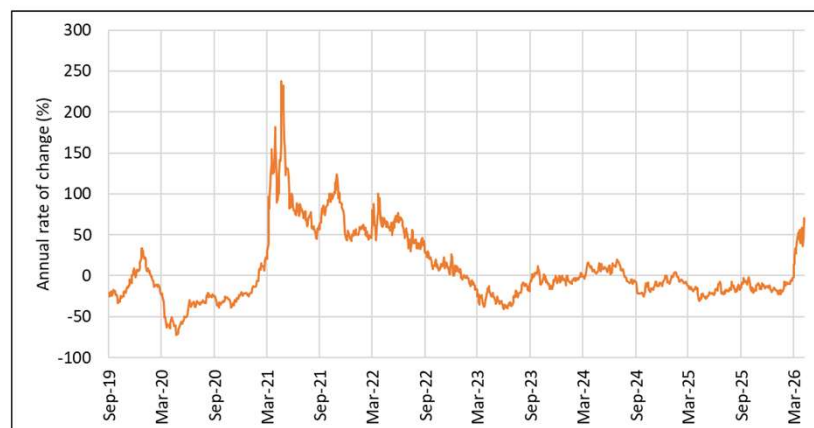
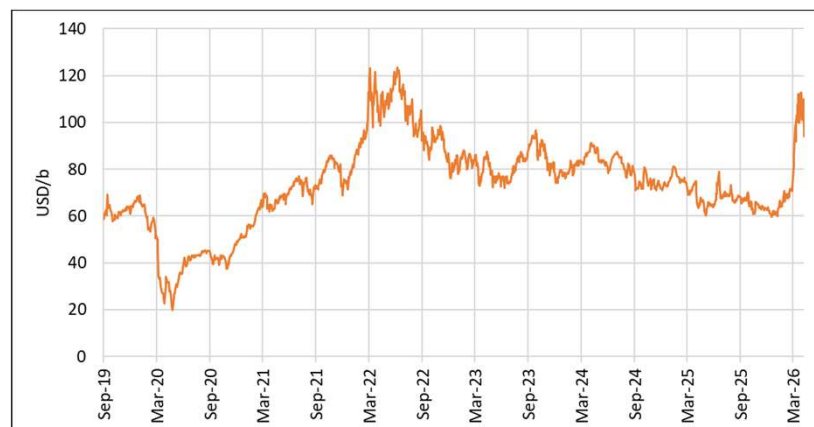
EU exports of goods to the Middle East



Note: The data refer to 2025.
Source: Eurostat

Current energy price levels and their relative changes still indicate a milder shock compared to 2022

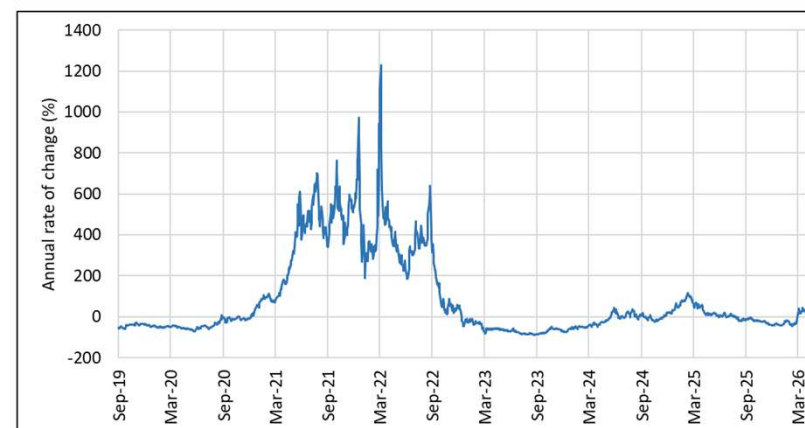
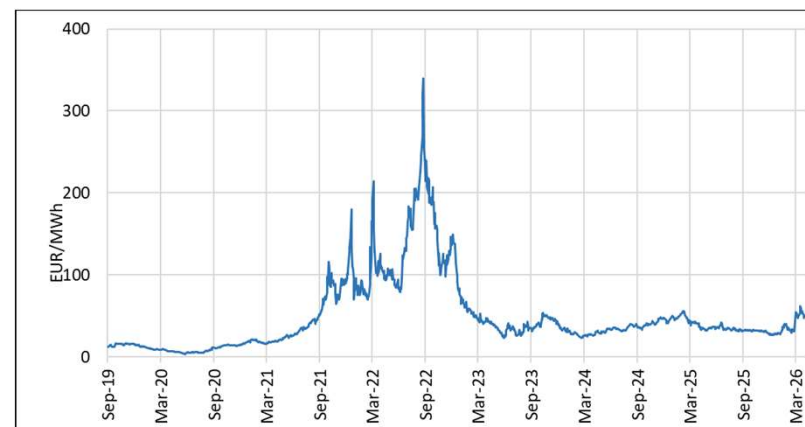
Brent oil prices



Source: Bloomberg

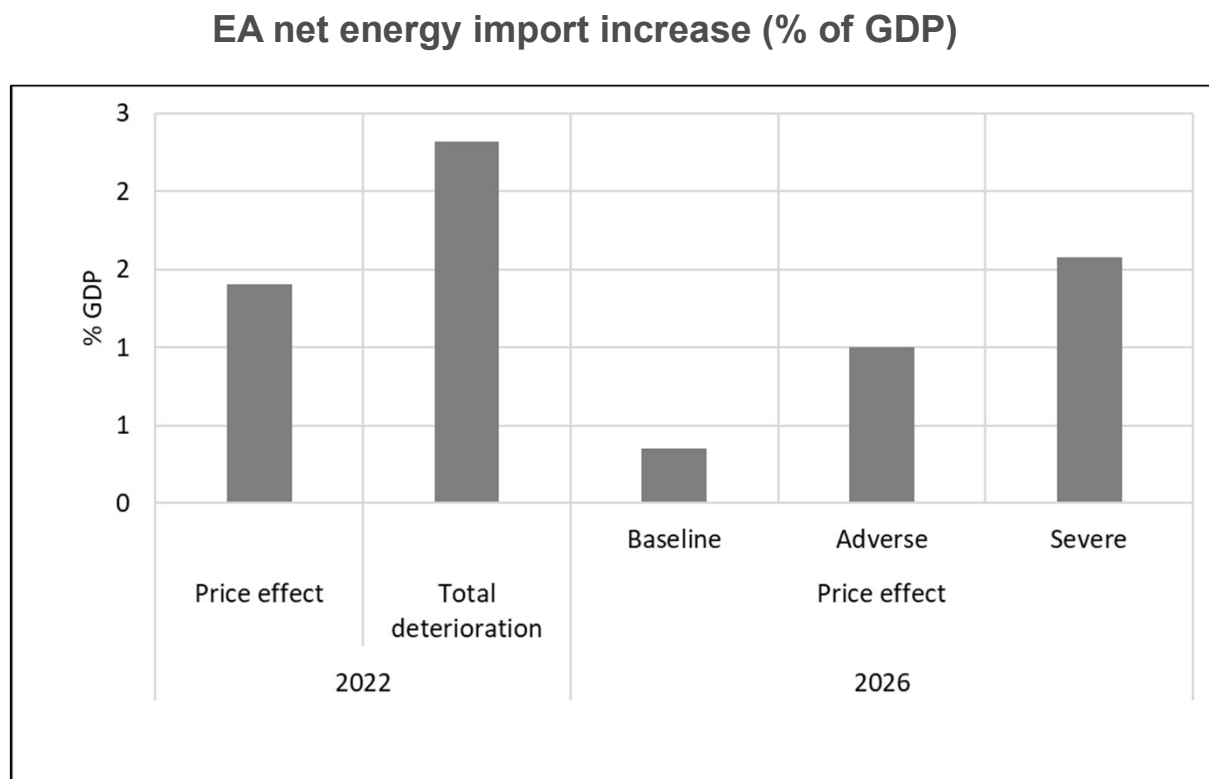
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TTF gas prices



Source: Bloomberg

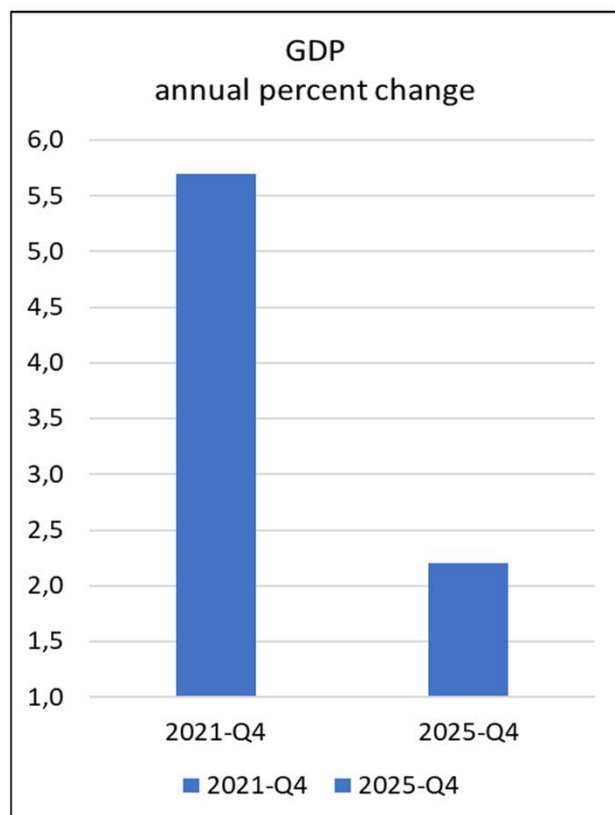
Consequently, the impact on EA energy trade balance may be smaller than in 2022



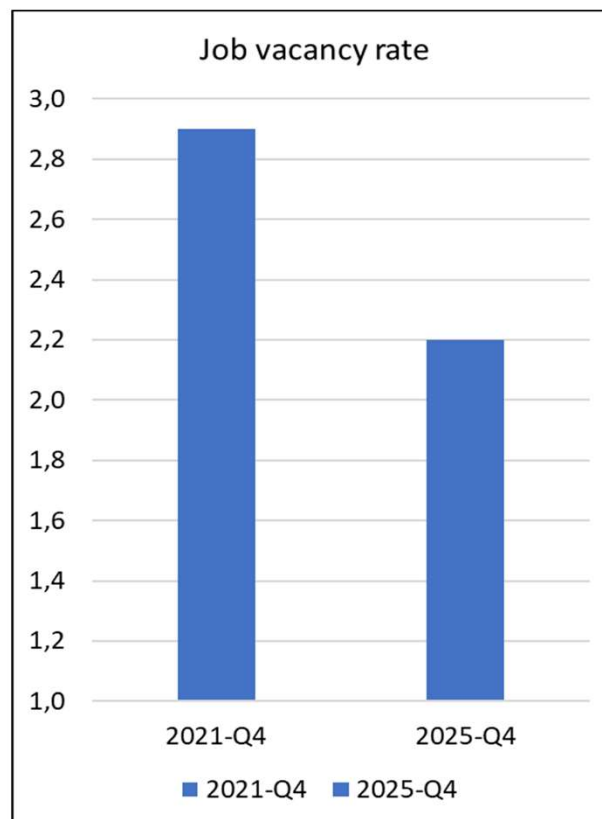
Note: The price effect represents the direct impact of changes in energy prices on the trade balance, while the overall deterioration also includes indirect effects through changes in net imported quantities. The projections for 2026 assume unchanged net import volumes, while energy prices are based on different ECB scenarios from the latest official projection.

Source: Eurostat; CNB calculations.

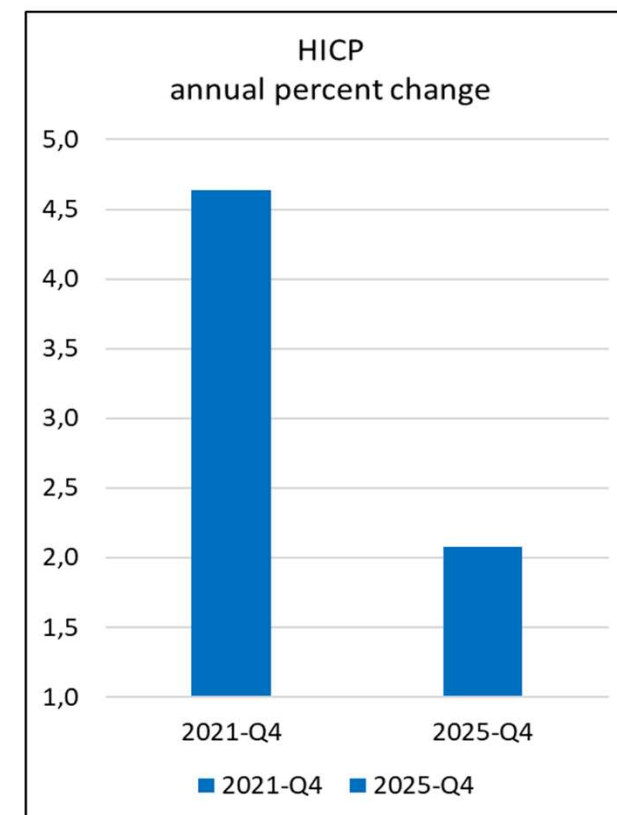
The current shock is occurring amid weaker growth, inflation closer to target, and lower labour market pressures than in 2022, reducing the risk of second-round effects on inflation



Source: Eurostat



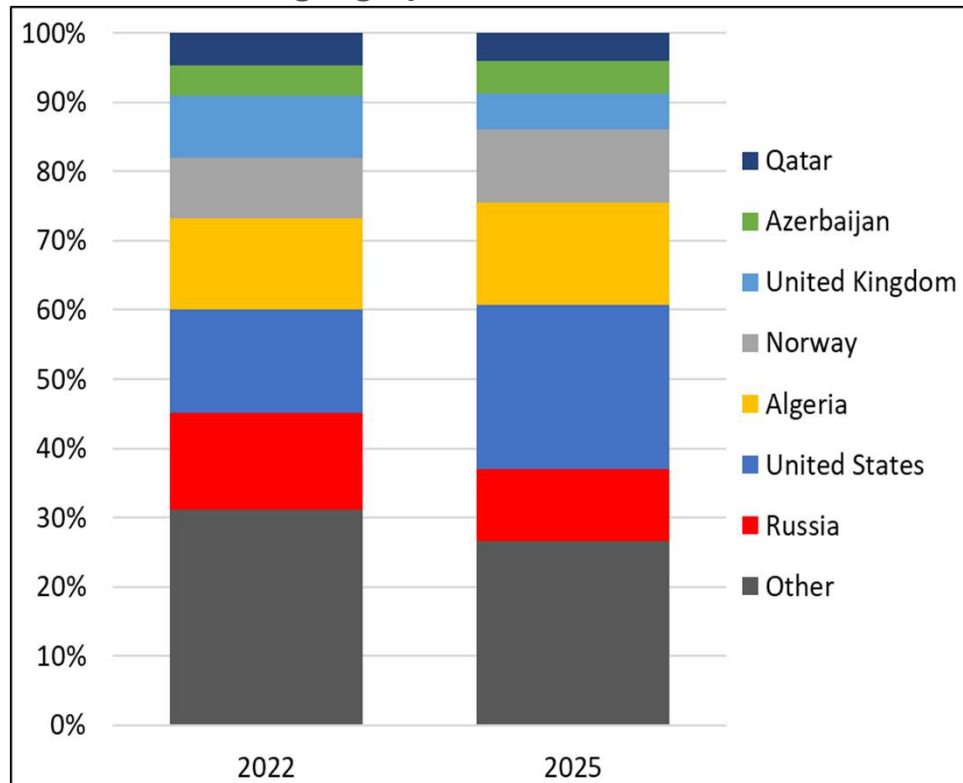
Source: Eurostat



Source: Eurostat

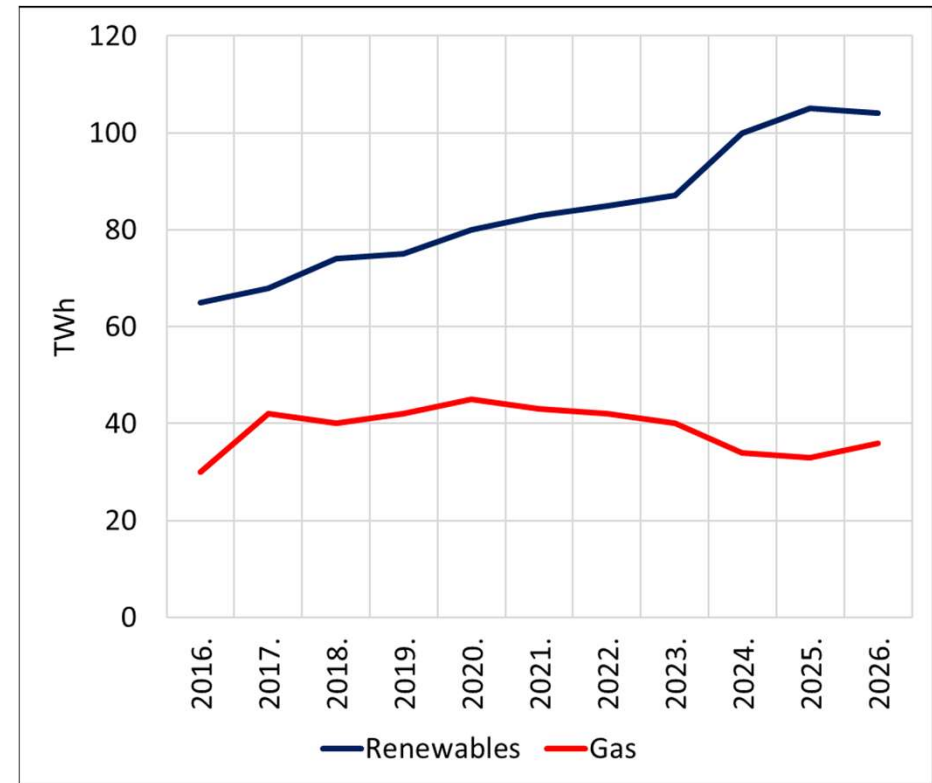
Moreover, the European energy system is now more resilient to shocks thanks to the diversification of supply and sources of production

**Natural gas imports into the EU,
geographical structure**



Source: Eurostat

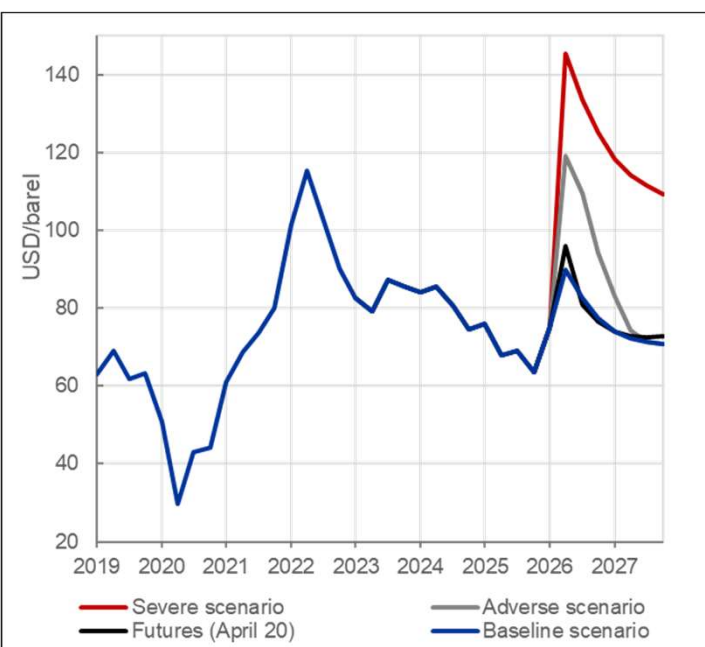
Electricity production in the European Union



Source: Capital economics

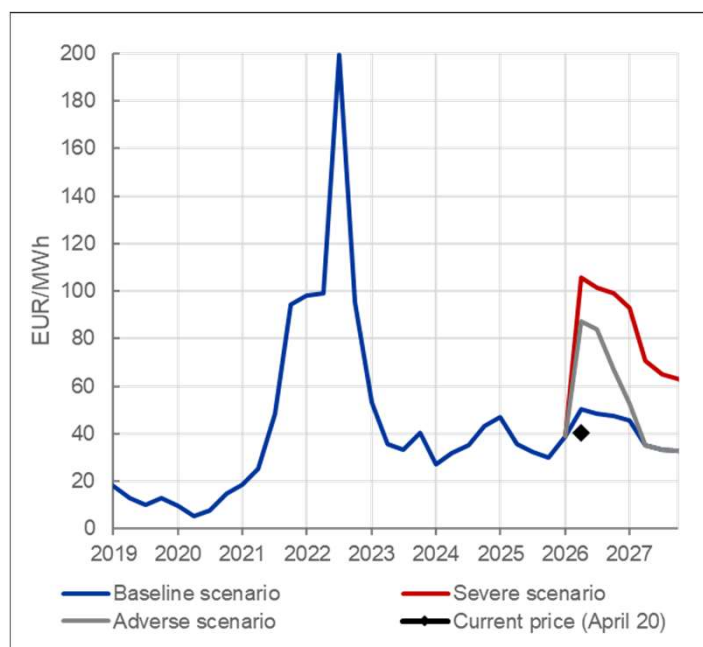
The two-week ceasefire agreed upon in April resulted in oil and gas prices falling close to the March baseline scenario levels

Oil



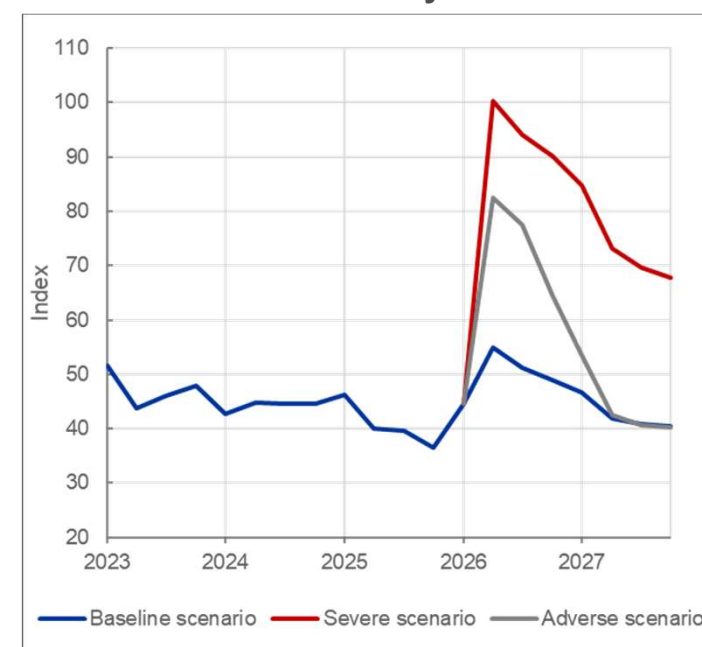
Source: ECB, Bloomberg

Gas



Source: ECB, Bloomberg

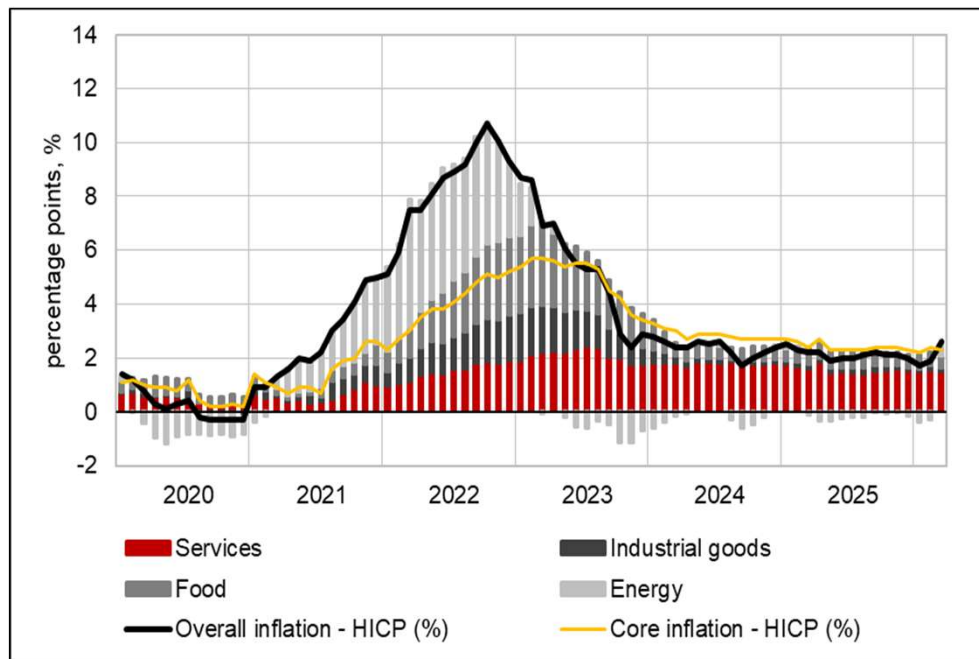
Uncertainty



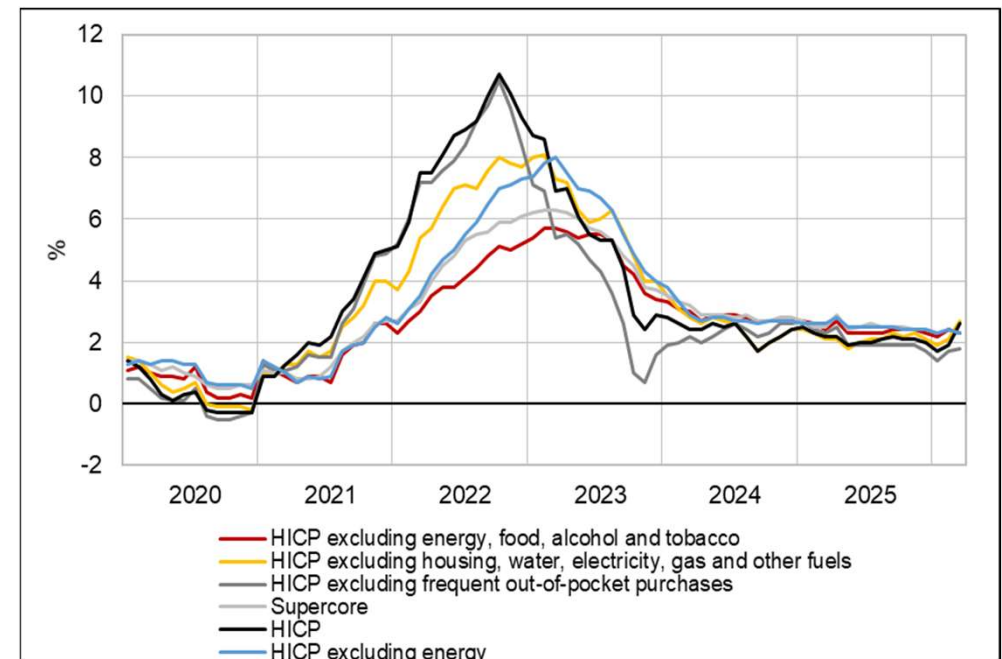
Source: ECB

Headline inflation in the euro area accelerated to 2.6% in March following higher energy inflation, while core inflation eased slightly to 2.3%

Annual inflation rate in the euro area and the contributions of main components



Core inflation indicators in the euro area



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

Sources: Eurostat, CNB calculations

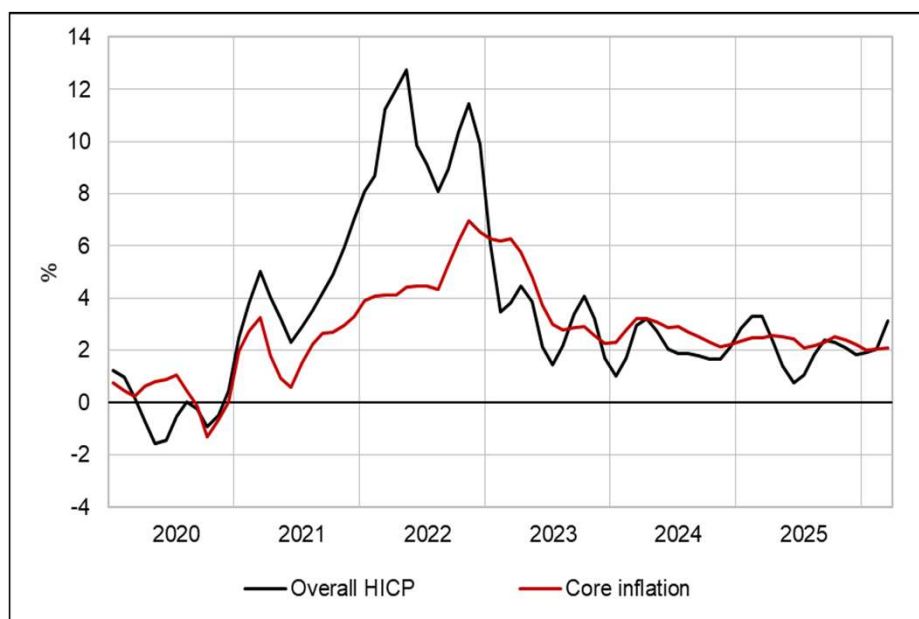
Sources: Eurostat, ECB

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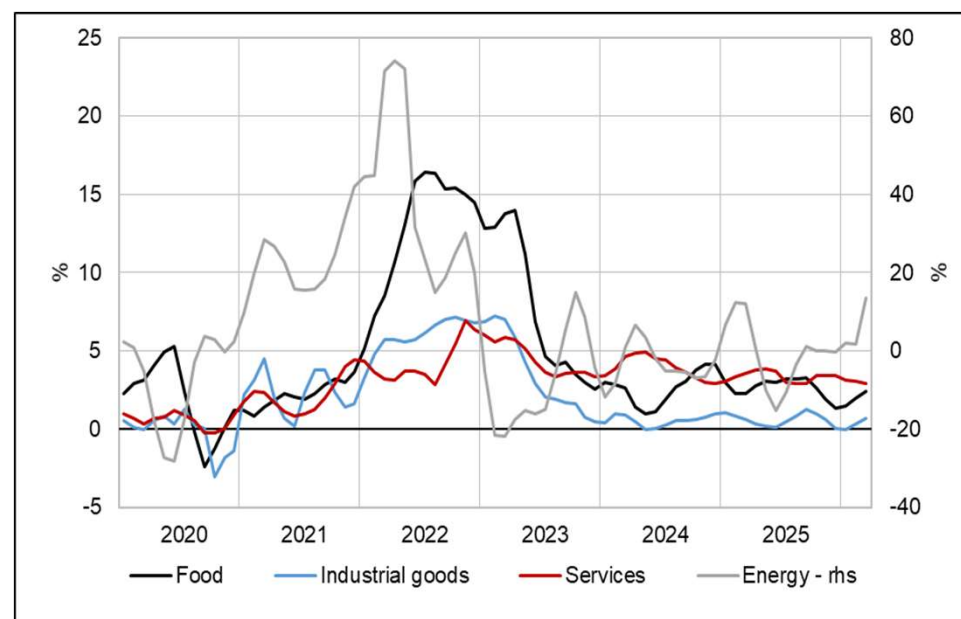
Price pressures are re-emerging, driven by energy

Momentums of overall and core inflation in euro area



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: ECB and CNB calculations

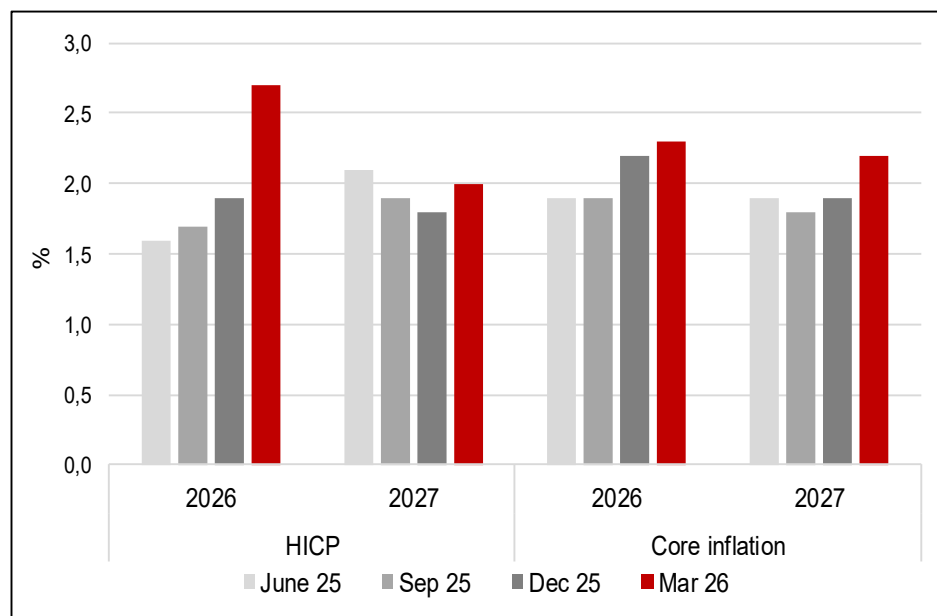
Momentums of main inflation components in euro area



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: ECB and CNB calculations

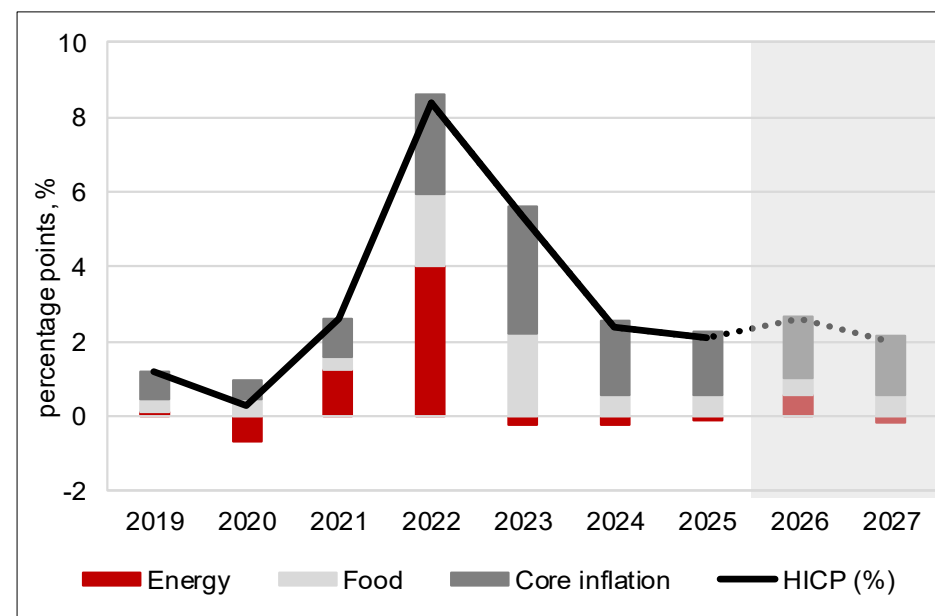
According to baseline inflation is projected to overshoot the target in 2026

Inflation forecast in EA



Sources: Eurostat; ECB forecast

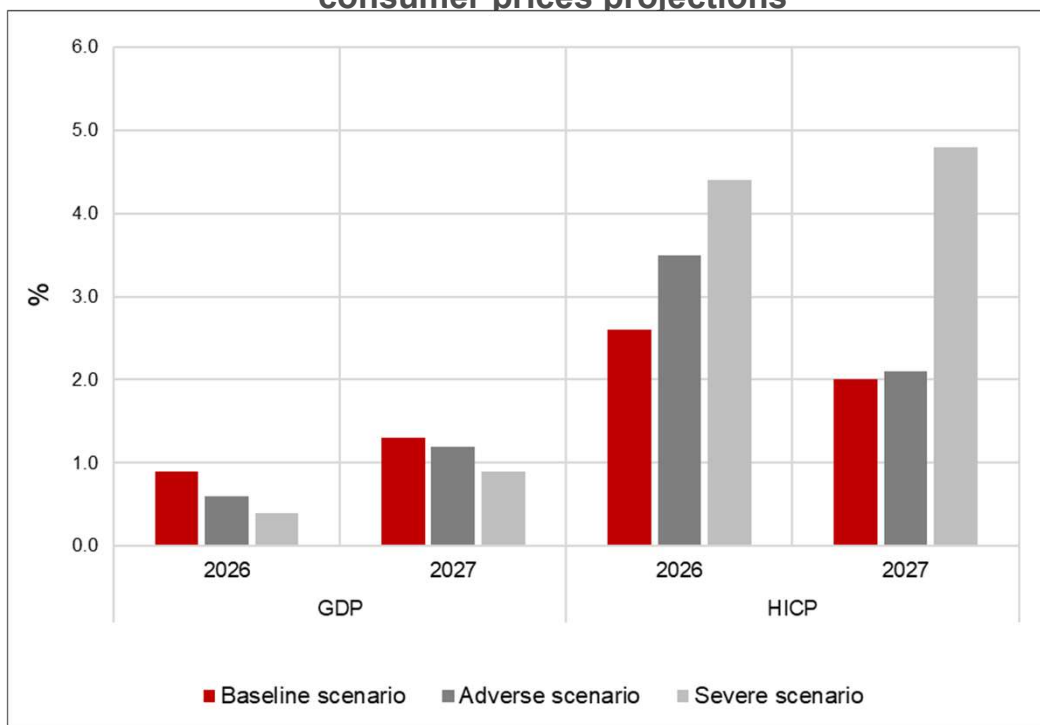
Inflation forecast in EA



Sources: Eurostat; ECB forecast

Alternative scenarios include stronger indirect and second-round effects on inflation than in baseline

Gross domestic product and harmonised index of consumer prices projections



Sources: Eurostat; ECB staff macroeconomic projections

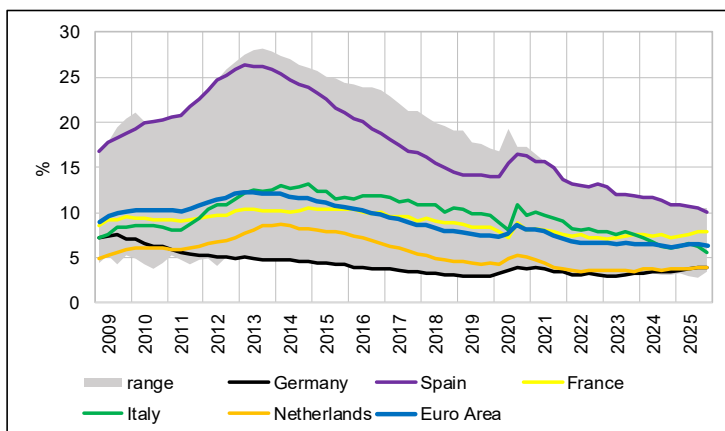
Gross domestic product and harmonised index of consumer prices projections under alternative scenarios

| | | Annual percentage change (%) | | | Deviation from baseline (p.p.) | |
|-------------|------|------------------------------|------------------|-----------------|--------------------------------|-----------------|
| | | Baseline scenario | Adverse scenario | Severe scenario | Adverse scenario | Severe scenario |
| GDP | 2026 | 0.9 | 0.6 | 0.4 | -0.3 | -0.5 |
| | 2027 | 1.3 | 1.2 | 0.9 | -0.1 | -0.4 |
| HICP | 2026 | 2.6 | 3.5 | 4.4 | 0.9 | 1.8 |
| | 2027 | 2.0 | 2.1 | 4.8 | 0.1 | 2.8 |

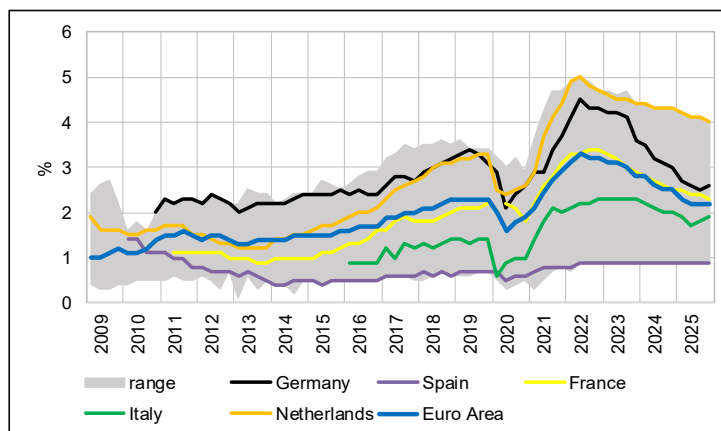
Sources: Eurostat; ECB staff macroeconomic projections

Wage pressures in the euro area expected to stabilise in 2026 in line with easing labour market tightness

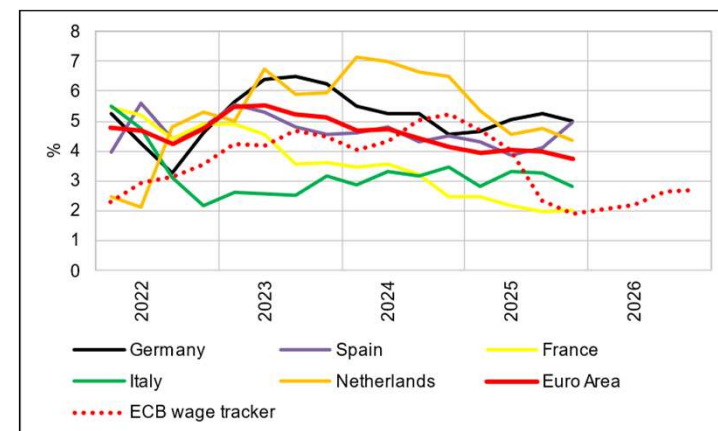
Unemployment rate



Job vacancy rate



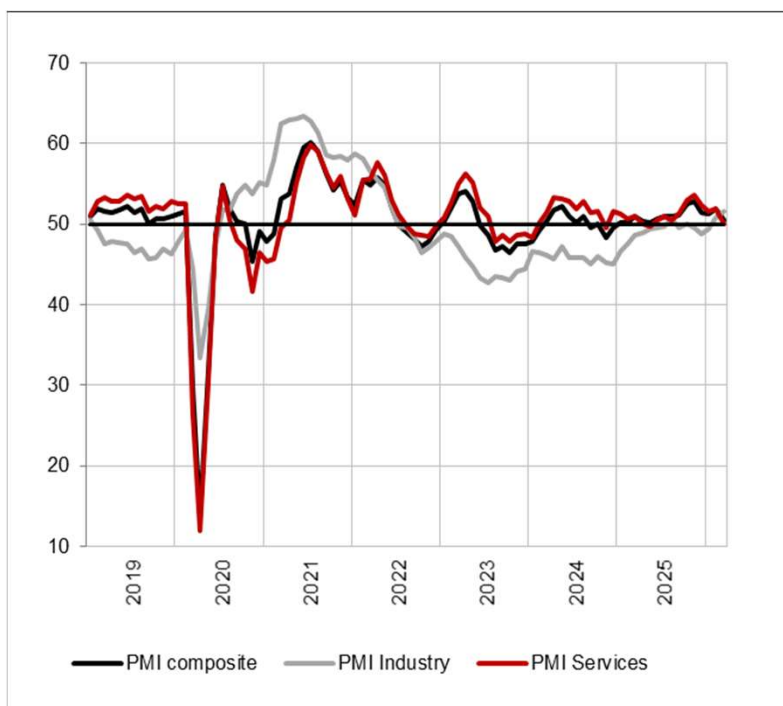
Compensation per employee



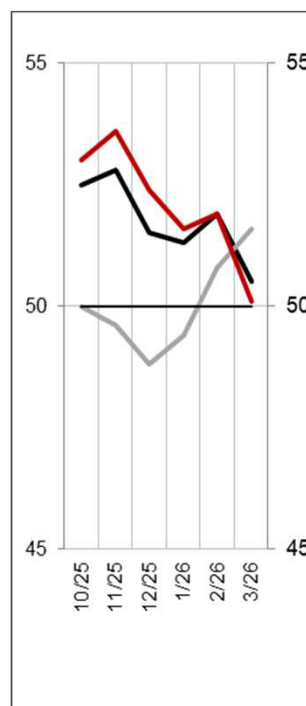
Sources: Eurostat and ECB

Middle East escalation raises uncertainty, pushing March PMIs in euro area towards stagnation

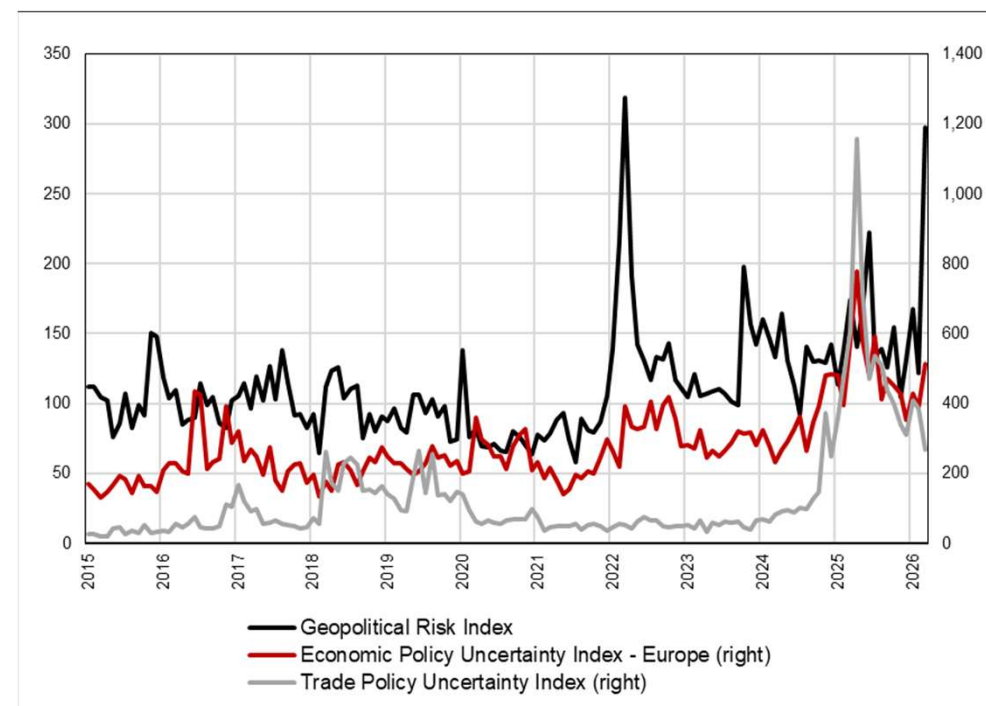
Purchasing Managers' Index



Source : S&P Global Market Intelligence



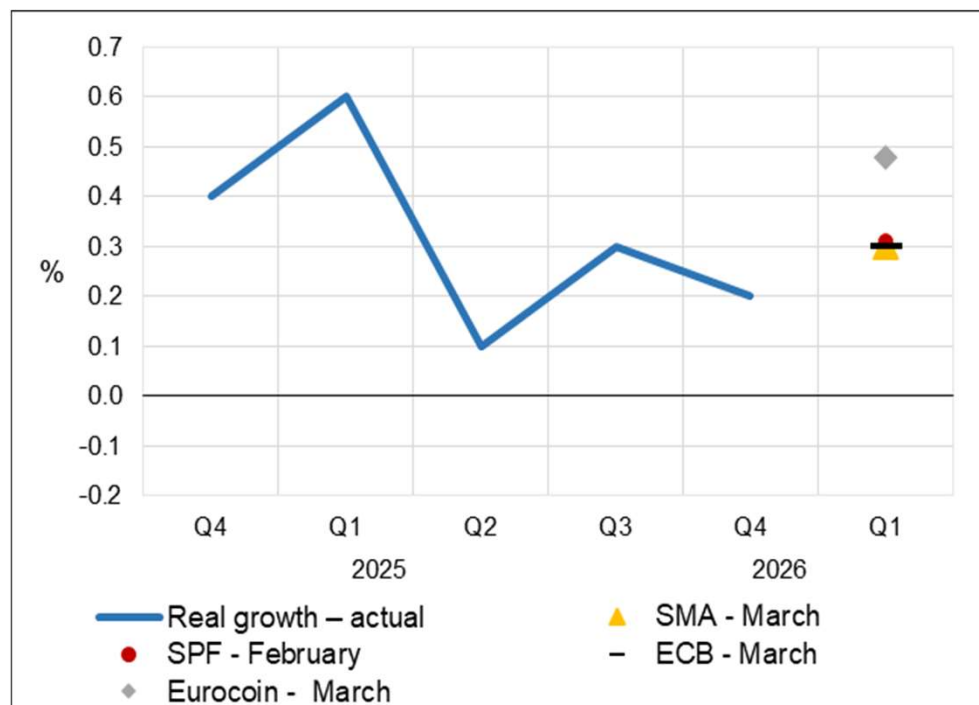
Economic uncertainty indicators



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

Q1 2026 growth expected to remain moderate, while energy price risks and economic uncertainty weigh on the outlook

Projection of economic growth in the euro area



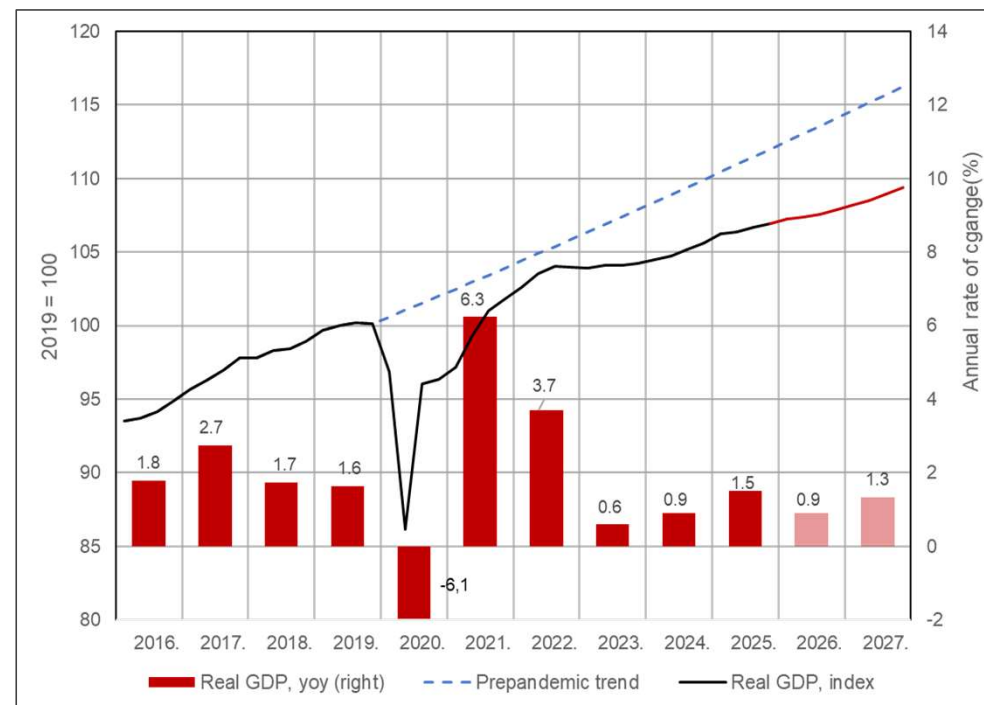
Notes: The abbreviation ECB – March refers to the ECB's March 2026 short-term projection for euro area real growth (Macroeconomic Projection Exercise, MPE). The abbreviations SMA (Survey of Monetary Analysts) and SPF (Survey of Professional Forecasters) refer to the results of the ECB's surveys of market participants from February and March 2026.

Source: ECB, Eurostat

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Euro area and pre-pandemic trend

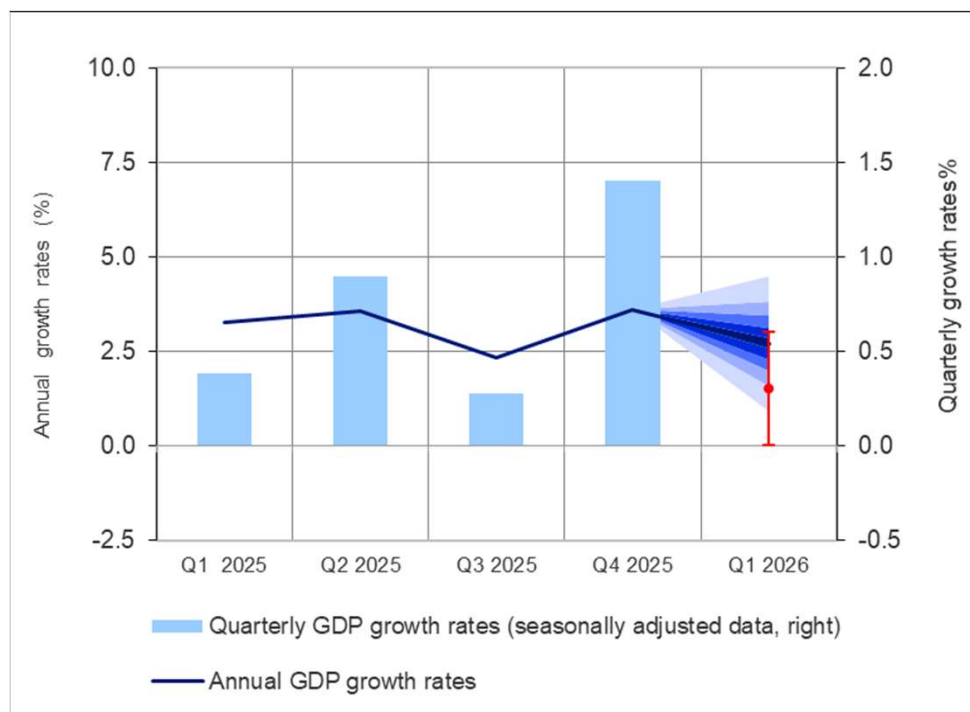


Note: ECB MPE March 2026

Sources: ECB, Eurostat

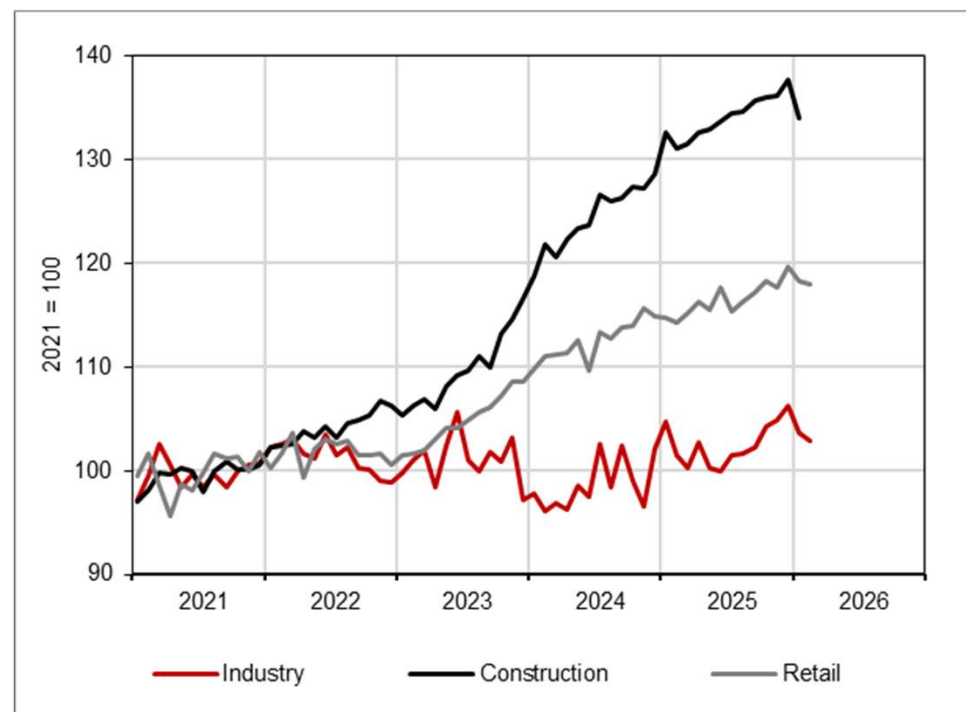
Economic growth in Croatia could decelerate notably at the beginning of the year, partly due to temporary factors

Quarterly gross domestic product



Sources: CBS, CNB estimate

Monthly indicators of economic activity in Croatia

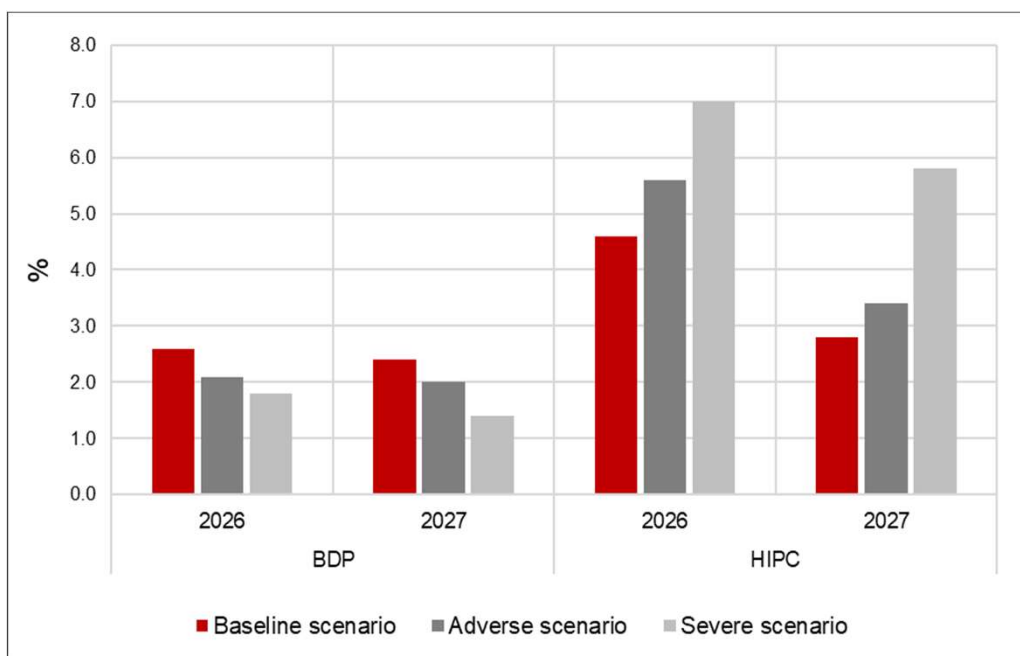


Note: Q1 2026 data for construction refer to January, while data for retail trade and industry refer to February

Sources: CBS, CNB estimate

Economic growth in Croatia is projected at around 2.5% in 2026 and 2027, assuming energy prices gradually return to pre-war levels

Gross domestic product and harmonised index of consumer prices projections in Croatia



Sources: Eurostat; ECB staff macroeconomic projections

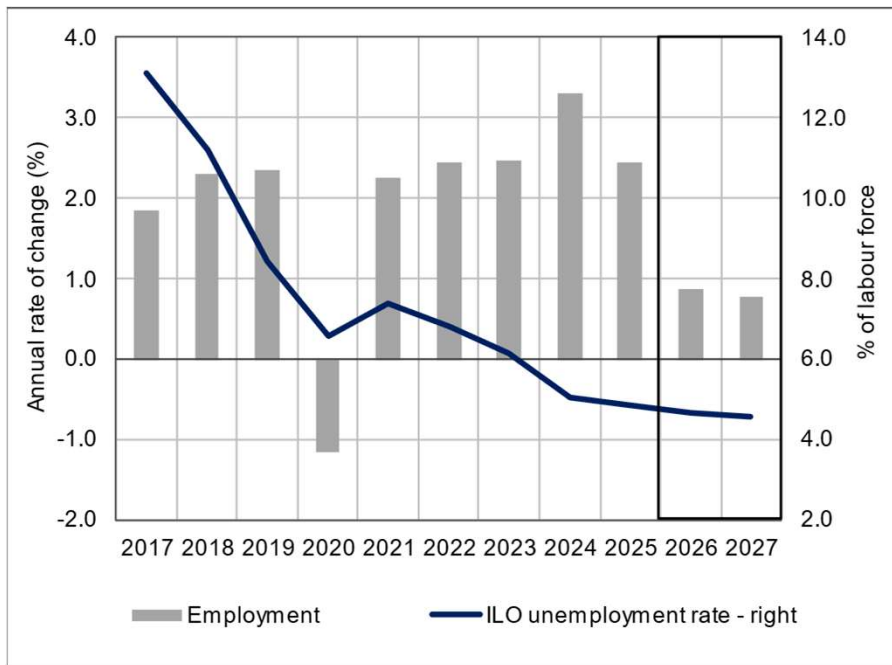
Gross domestic product and harmonised index of consumer prices projections under alternative scenarios

| | | Annual percentage change (%) | | | Deviation from baseline (p.p.) | |
|------|------|------------------------------|------------------|-----------------|--------------------------------|-----------------|
| | | Baseline scenario | Adverse scenario | Severe scenario | Adverse scenario | Severe scenario |
| GDP | 2026 | 2.6 | 2.1 | 1.8 | -0.5 | -0.8 |
| | 2027 | 2.4 | 2.0 | 1.4 | -0.4 | -1.0 |
| HICP | 2026 | 4.6 | 5.6 | 7.0 | 1.0 | 2.4 |
| | 2027 | 2.8 | 3.4 | 5.8 | 0.6 | 3.0 |

Sources: Eurostat; ECB staff macroeconomic projections

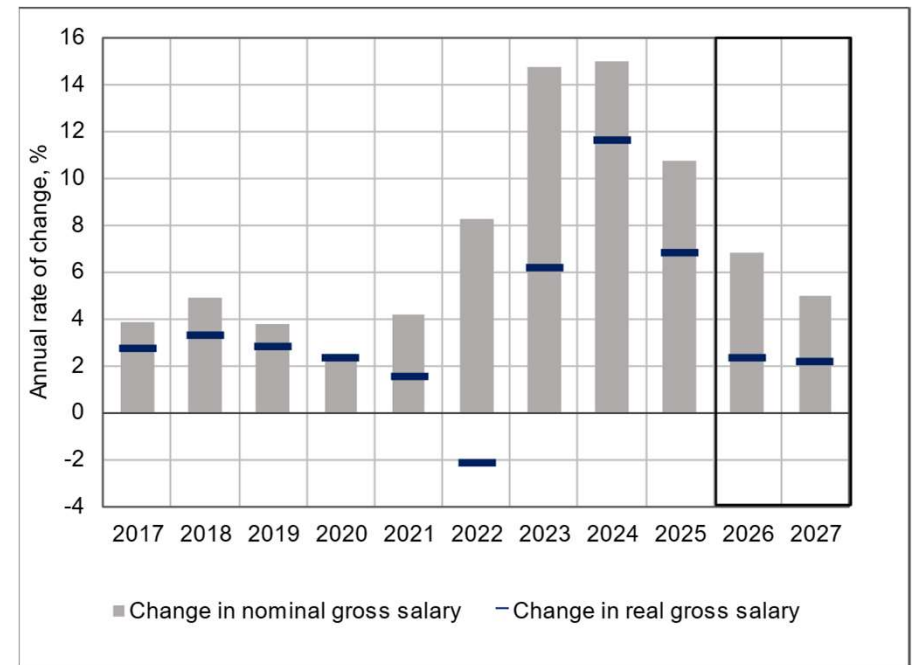
Employment growth is expected to ease, with wage growth gradually moderating

Employment and ILO unemployment rate in Croatia



Sources: CPII, CBS, CNB projection

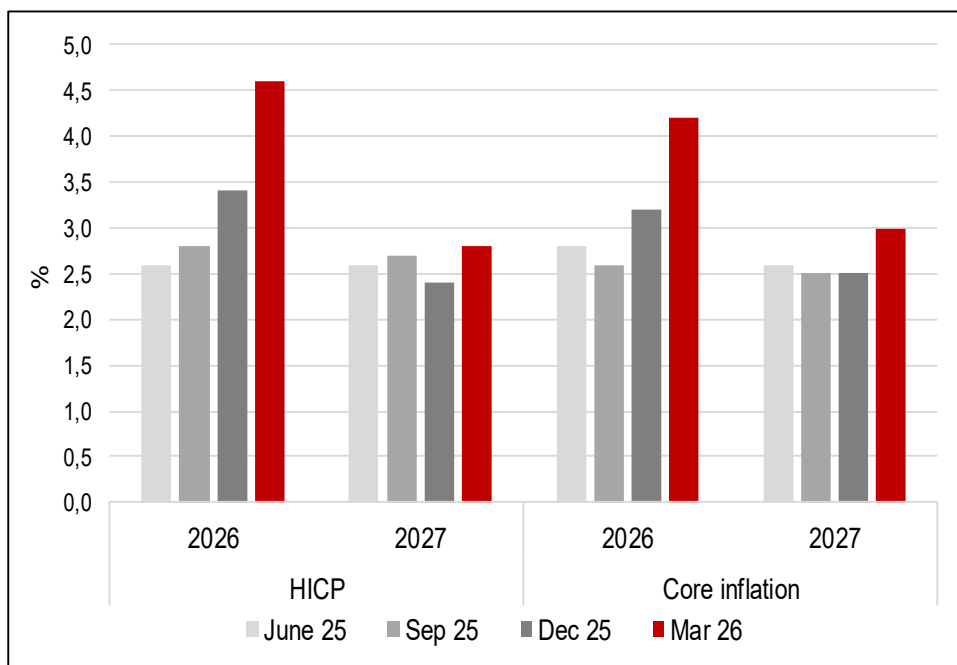
Nominal and real gross wages in Croatia



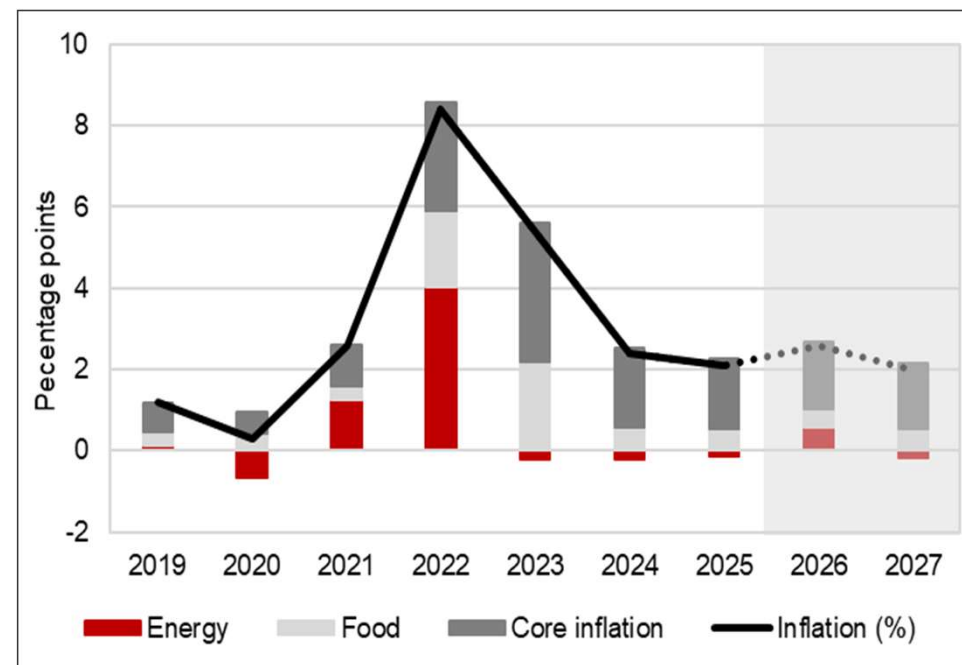
Sources: CBS, CNB calculations and projection

After increasing in 2026, headline HICP inflation in Croatia is expected to decline to 2.8% in 2027 according to baseline forecast

HICP inflation forecast in Croatia



HICP inflation forecast in Croatia

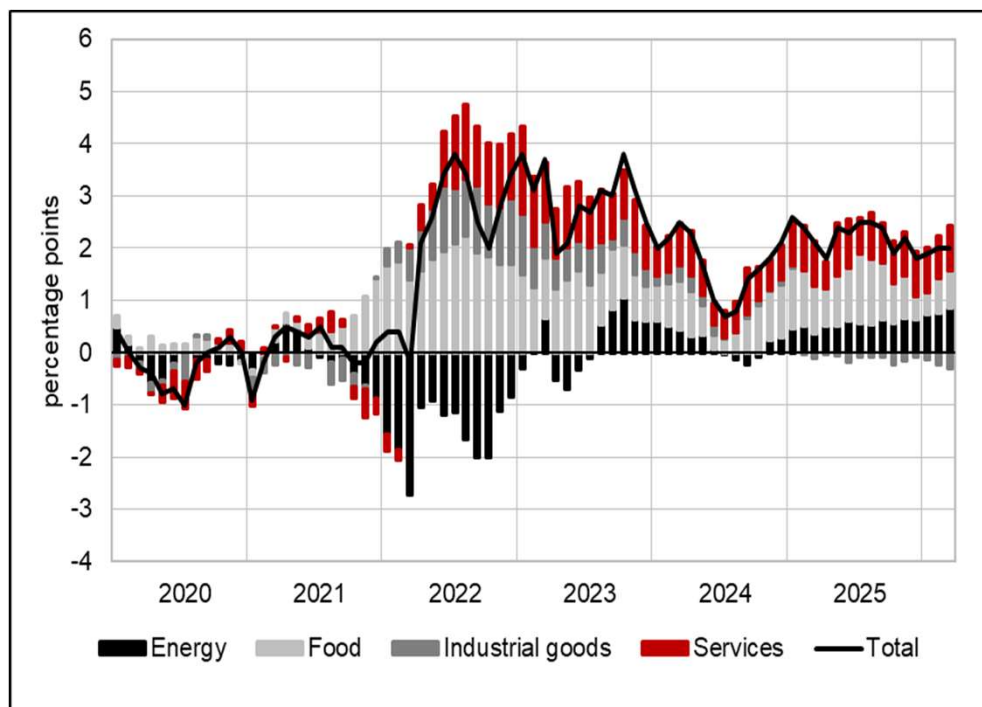


Sources: Eurostat; CNB forecast

Sources: Eurostat; CNB forecast

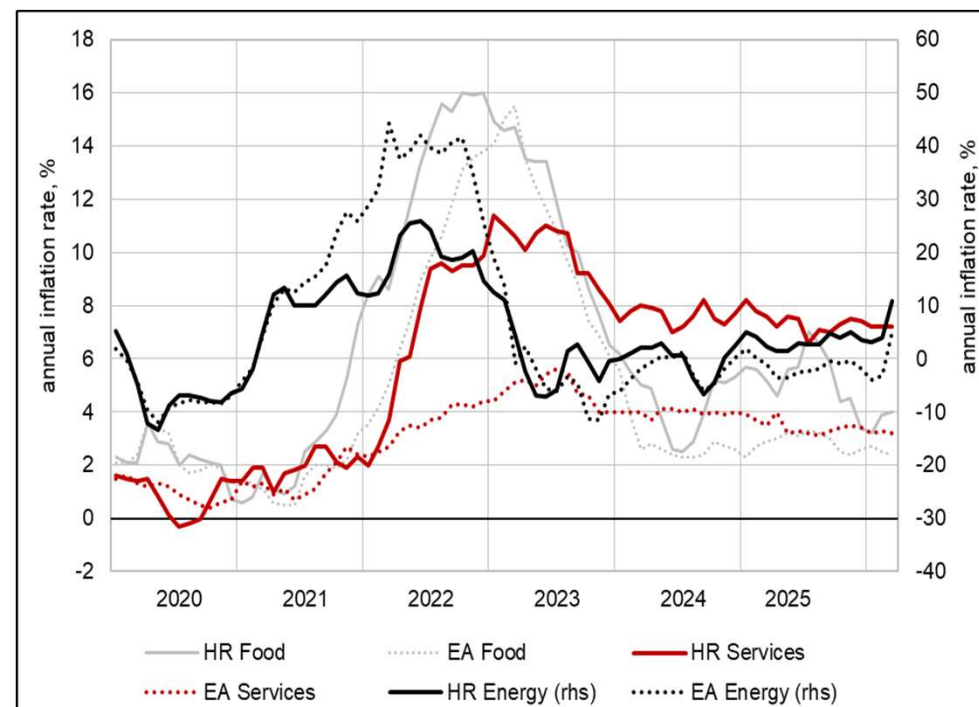
Inflation differential relative to euro area average stems mainly from services, followed by energy and food

Difference between HICP inflation rates and contributions of main components in Croatia and euro area



Sources: Eurostat, CNB calculations

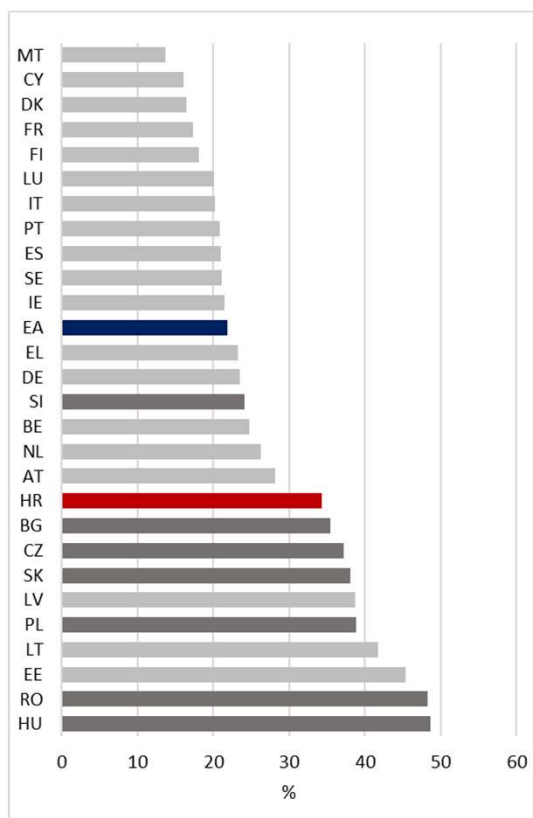
Inflation rates in Croatia and euro area



Source: Eurostat

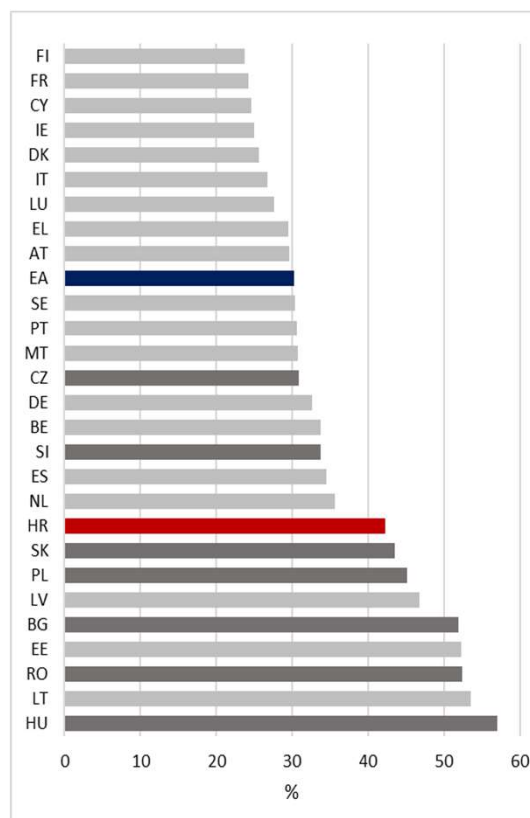
Since mid-2021, cumulative increase in general price level in Croatia has been lower compared to other CEE countries (except Slovenia)

Cumulative headline inflation
from June 2021 to March 2026



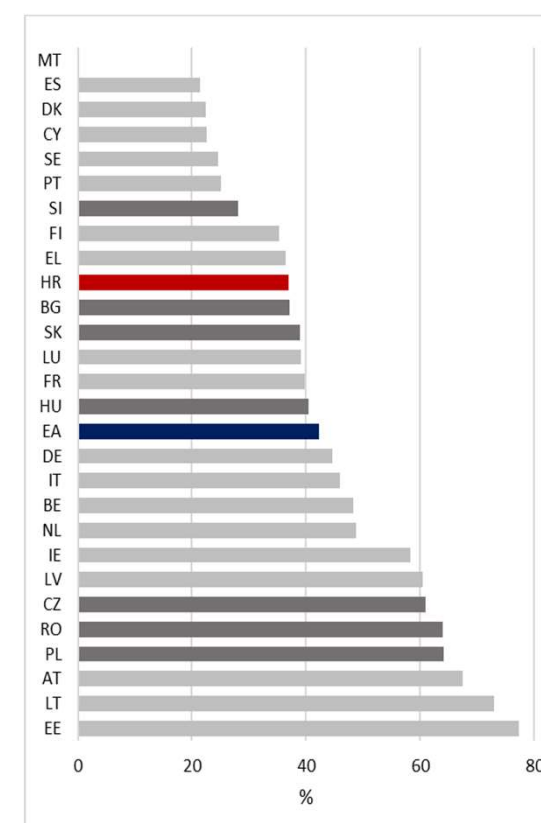
Sources: Eurostat; CNB calculations

Cumulative food inflation
from June 2021 to March 2026



Sources: Eurostat; CNB calculations

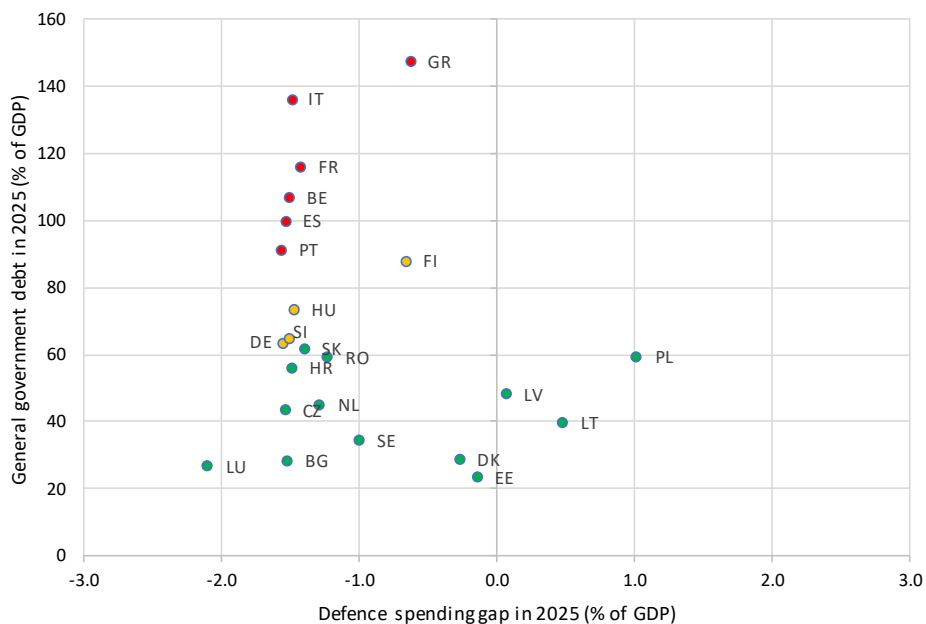
Cumulative energy inflation
from June 2021 to March 2026



Sources: Eurostat; CNB calculations

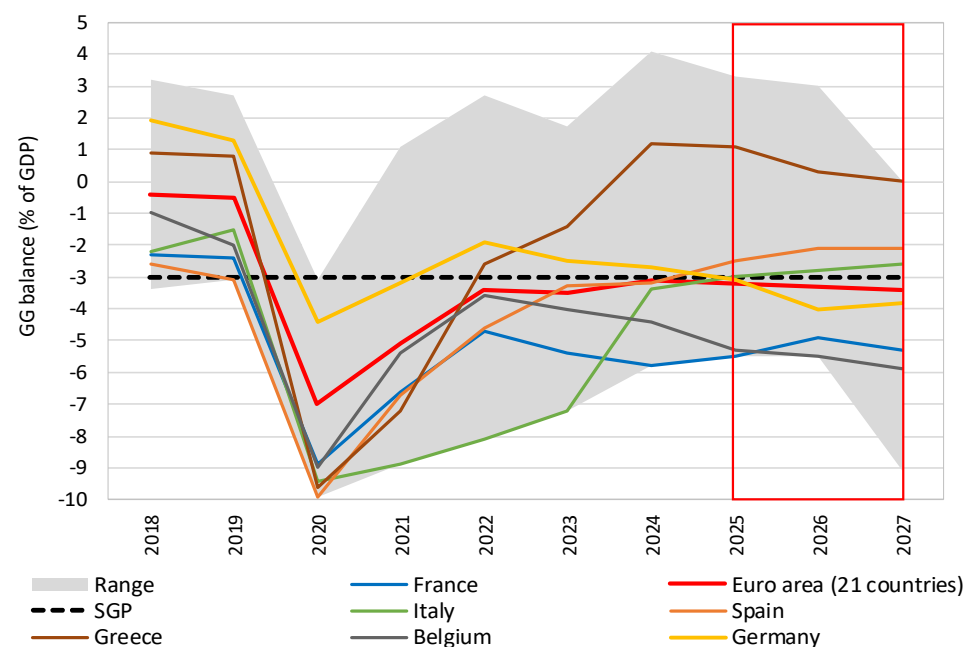
Defence funding needs are increasing in an already tight fiscal space

General government debt and the defence expenditure gap



Note: The defence spending gap is calculated as the difference between the current defence spending and the NATO defence spending target of 3,5% of GDP. Colors indicate different levels of debt under the new fiscal rules: green=lowest risk (< 60%), orange=medium risk (60%-90%) and red=high risk (> 90%). The defence spending gap data for Germany is an estimate for 2024.
Source: AMECO, Eurostat, NATO.

General government balance

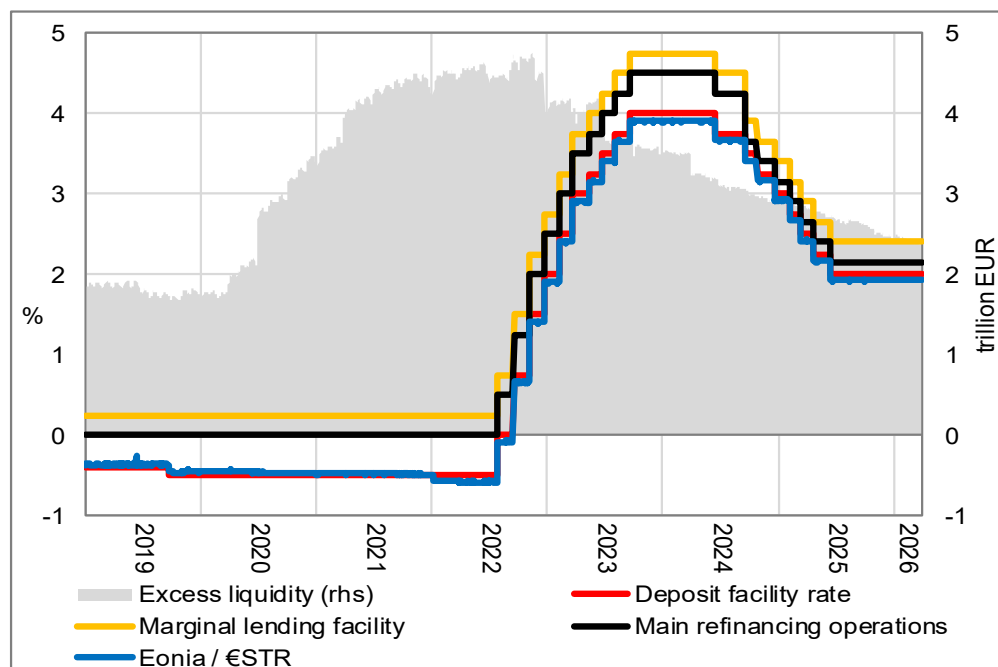


Note: The red rectangle represents the projection period
SGP represents the Stability and Growth Pact criterion, which sets a limit of -3% for the government deficit as a percentage of GDP.
Source: EC, AMECO

Monetary policy, interest rates and business financing

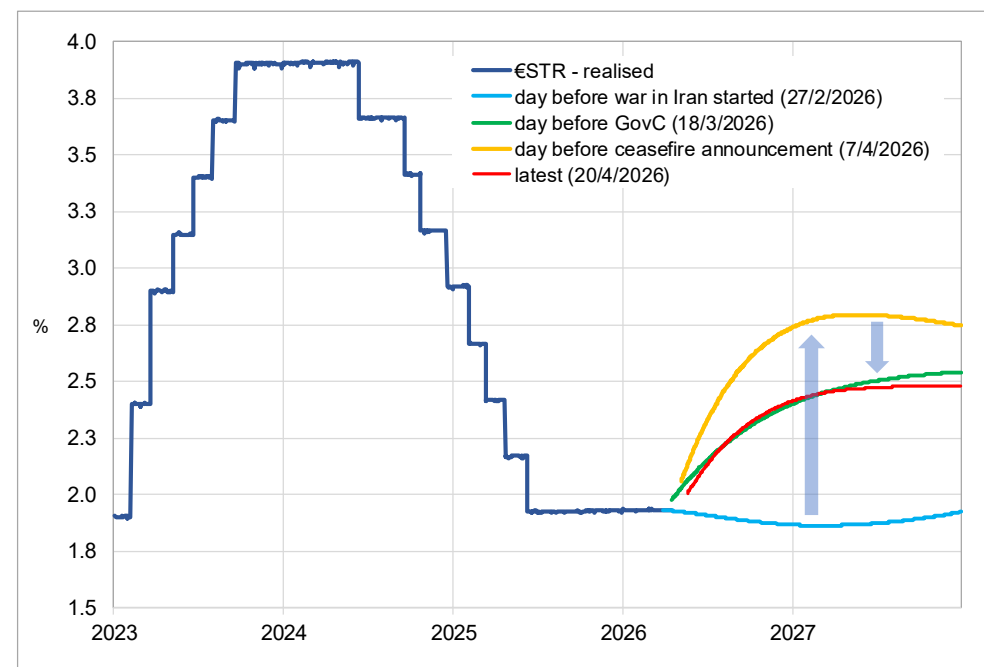
Market expectations for the ECB's policy rate path shifted higher following the outbreak of war in the Middle East

Key ECB interest rates



Note: The EONIA was replaced by €STR in early 2022.
Source: ECB.

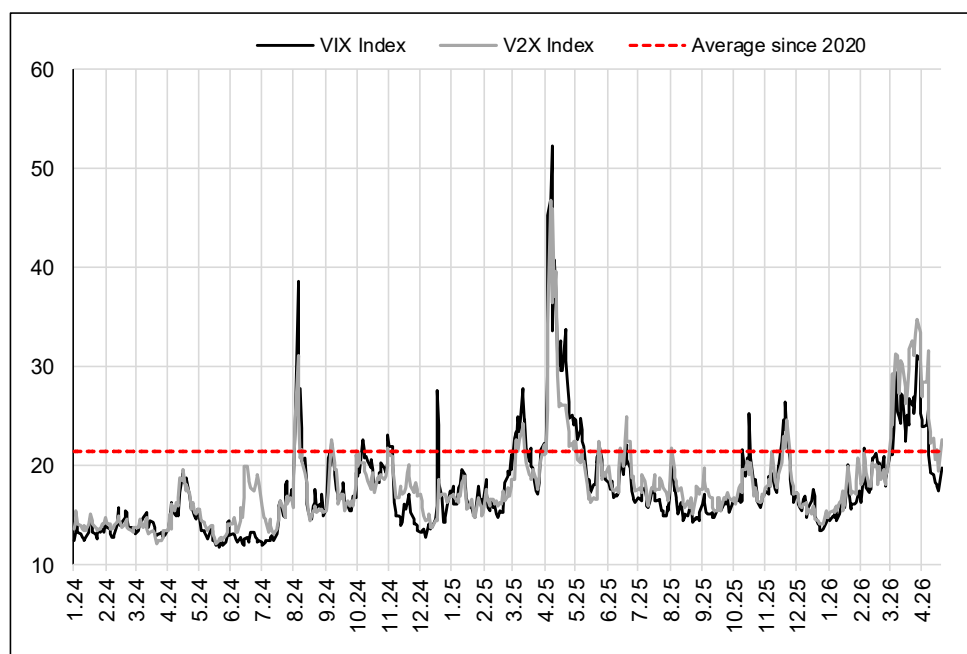
ESTR forward curve



Note: The picture shows forward curve estimated using the overnight indexed swap rate (OIS). The curves represent forward curves formed at the selected dates and on the last observation date.
Sources: Bloomberg, CNB calculations

Financial markets are currently not positioned for a stagnation scenario; the ceasefire announcement in April marked the end of heightened volatility and fueled a swift equity recovery

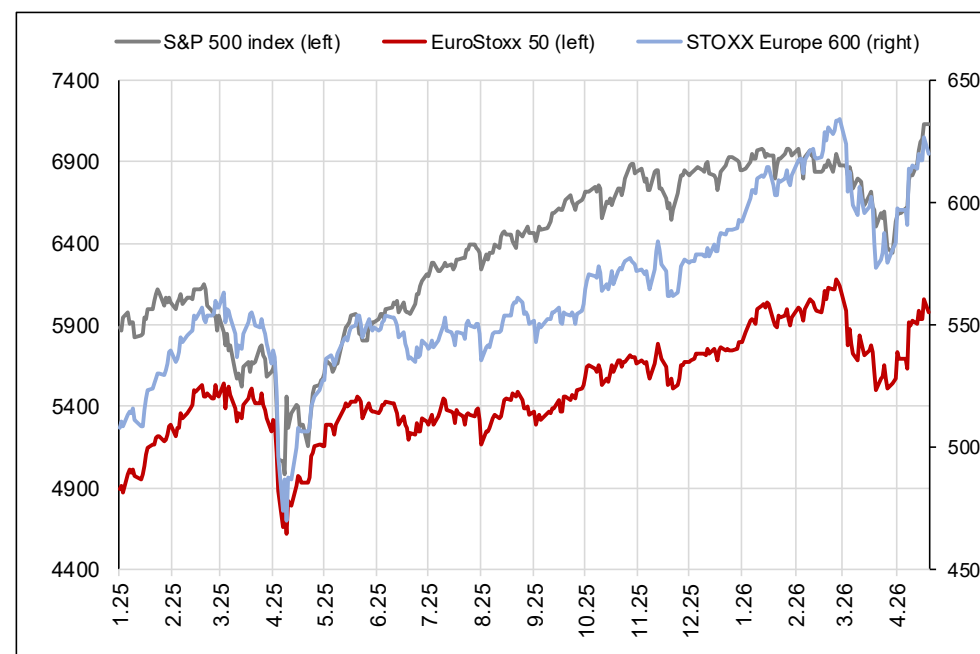
Volatility indices



Notes: The VIX index reflects the expected future volatility of the market based on S&P 500 index options, while the V2X index represents the same for the Euro Stoxx 50 index. The red dashed line indicates the average value over the observed period.

Sources: Bloomberg

Equity indices



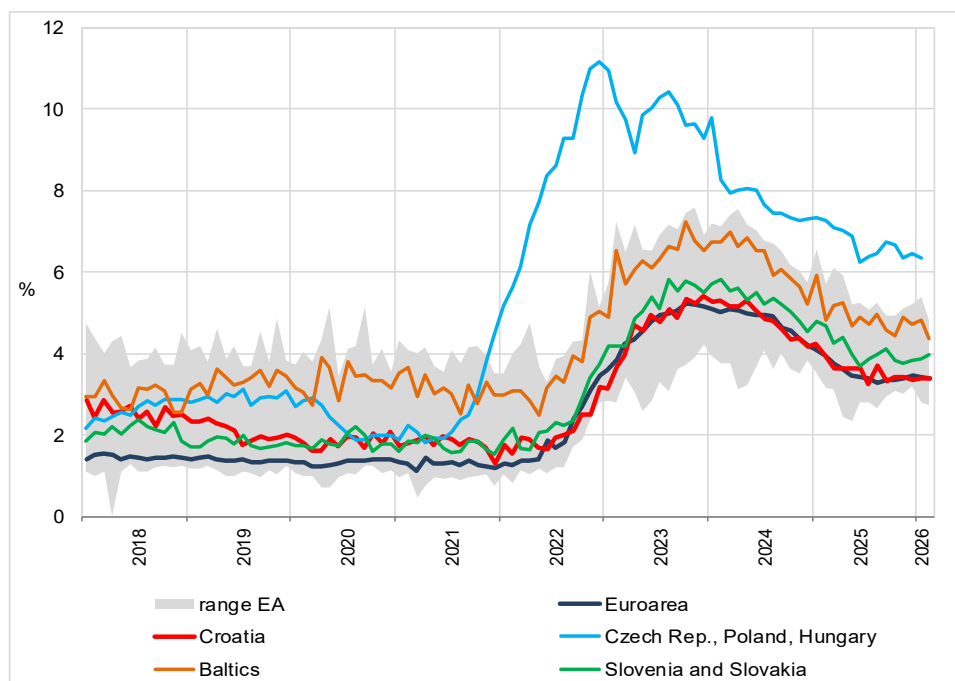
Sources: Bloomberg

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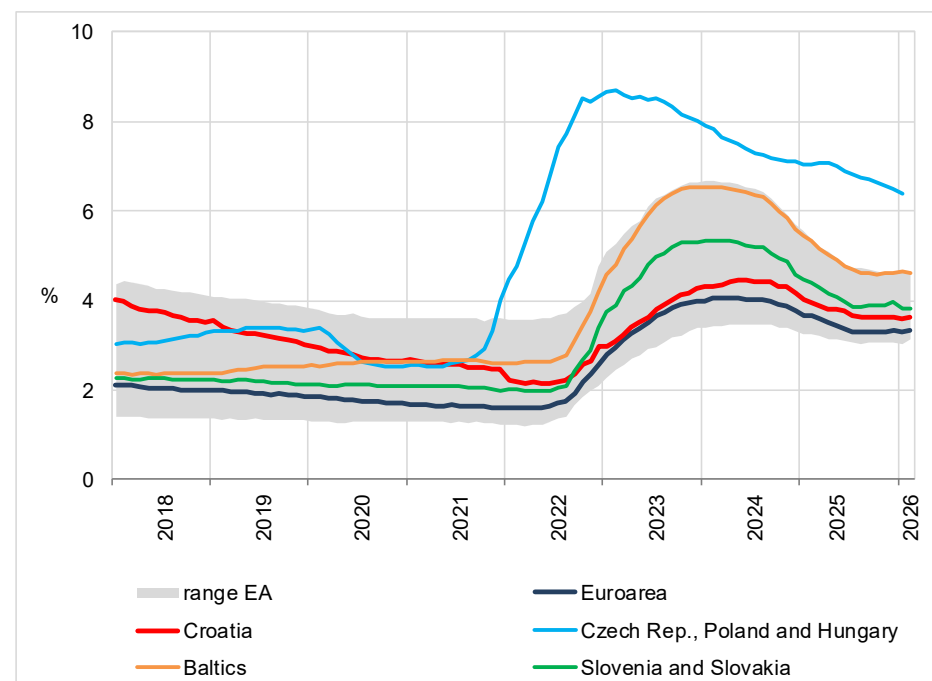
Interest rates on loans to corporates have remained broadly stable at the level reached in mid-last year

Interest rates on new loans to NFC's



Source: ECB.

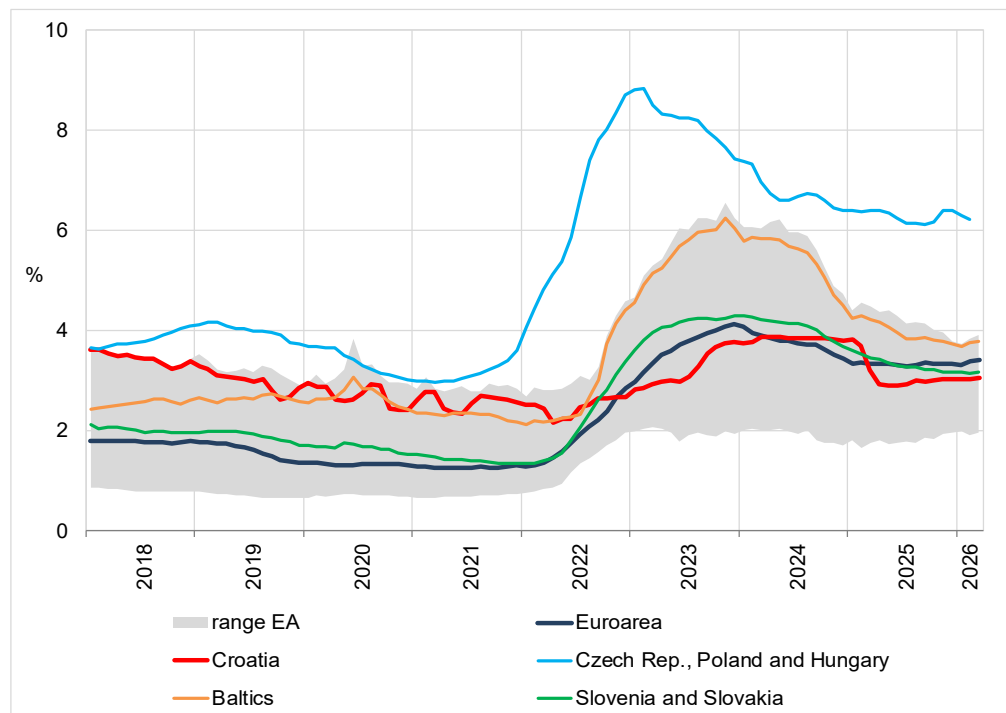
Interest rates on existing loans to NFC's



Source: ECB.

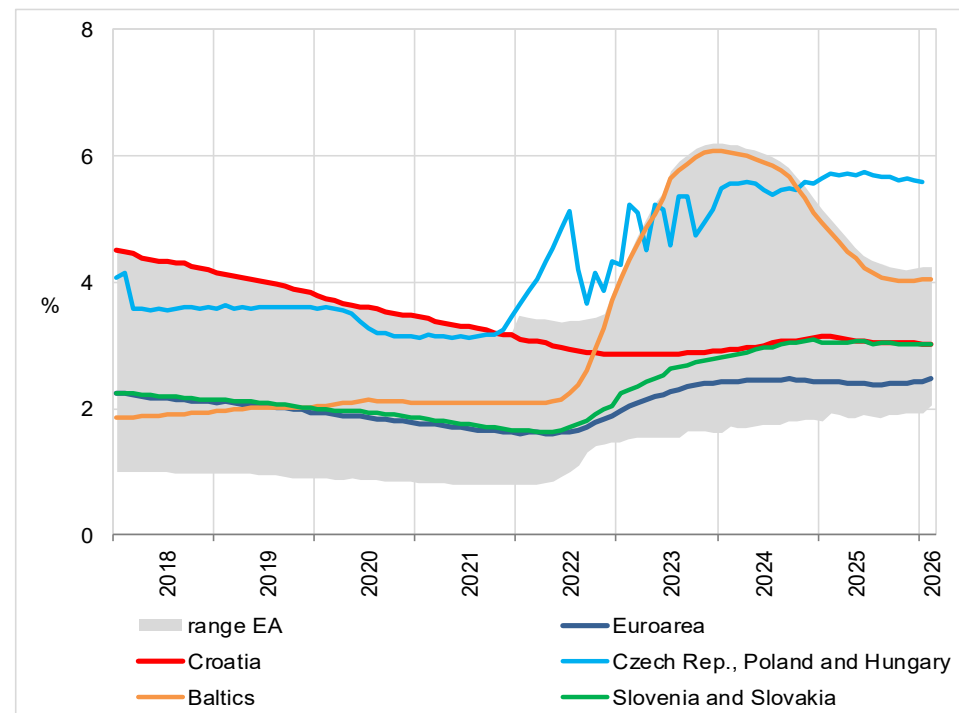
Interest rates for households have slightly increased at the beginning of this year

Interest rates on new loans to HH's



Source: ECB.

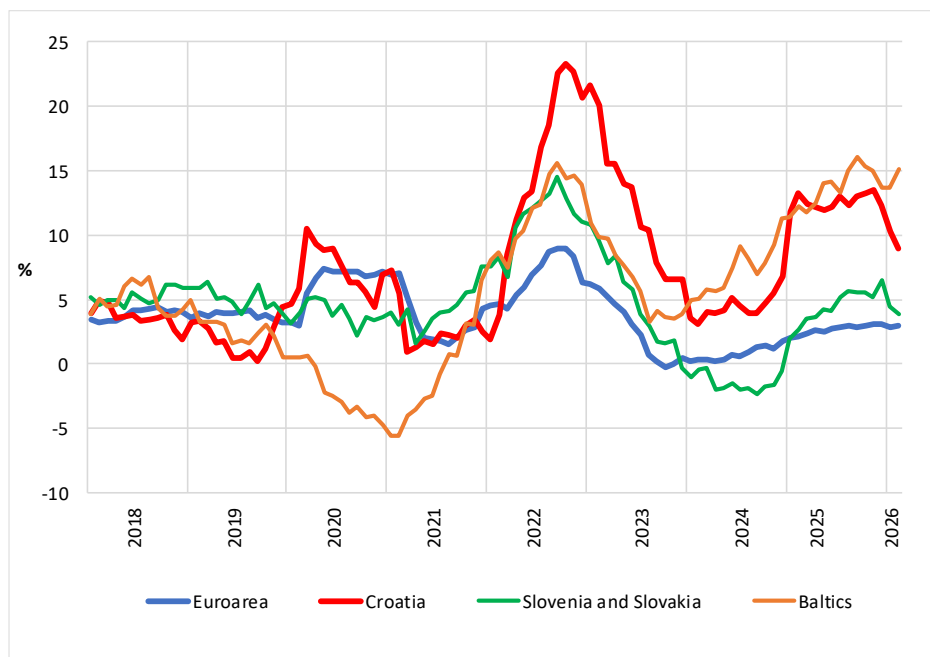
Interest rates on existing loans to HH's



Source: ECB.

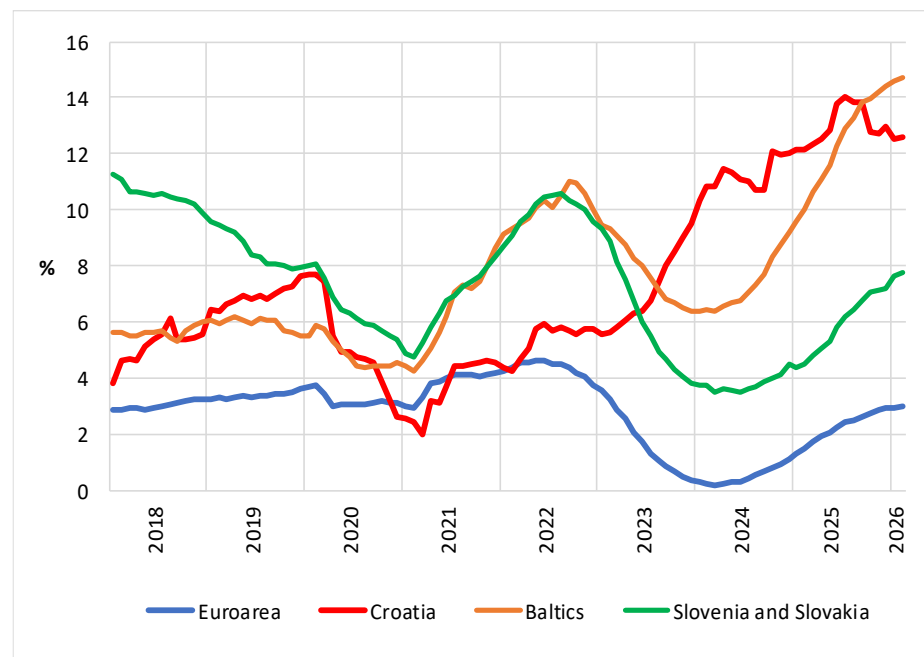
The credit activity in EA is slowly recovering

Loans to NFC's
annual rate of change



Source: ECB.

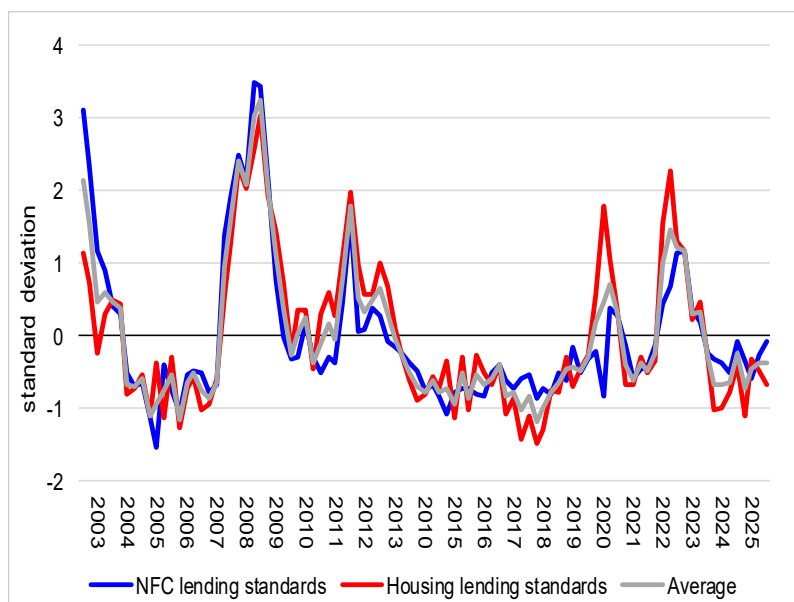
Loans to HH's
annual rate of change



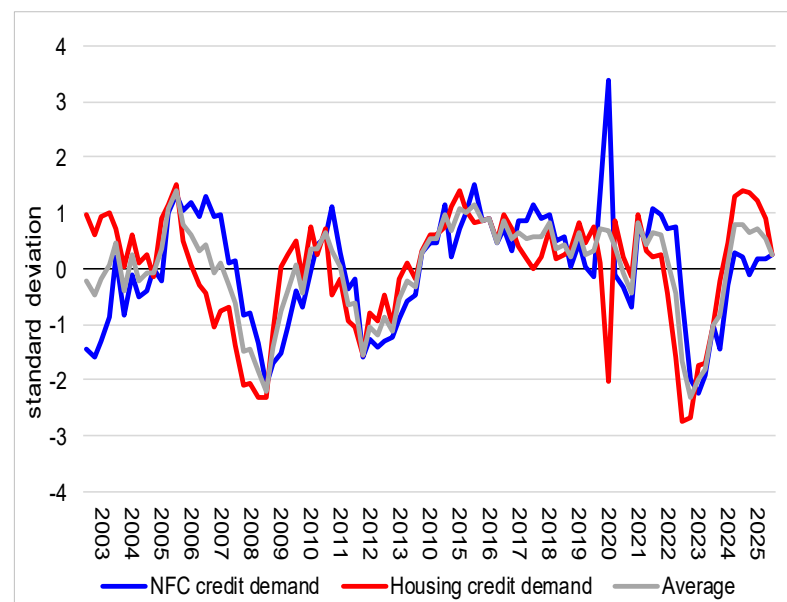
Source: ECB.

Lending standards in EA not restrictive with loan demand growth slightly above historical averages

Standardized credit standards



Standardized credit demand



Note: Original values are demeaned and divided by the standard deviation. Positive values of credit standards denote tightening and vice-versa.

Source: ECB Bank Lending Survey



HNB

Thank you very much for your attention!

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