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EUROSYSTEM

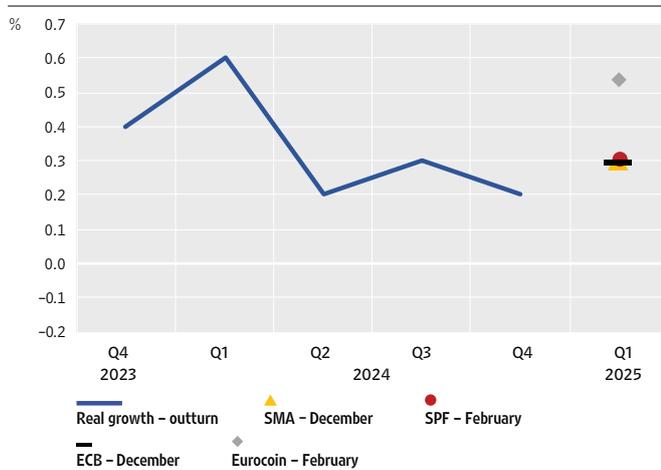
Information on economic, financial and monetary developments

March 2026

Summary

Available high-frequency indicators suggest that at the beginning of the current year, the euro area economy continued to grow moderately; however, it is necessary to note that available data do not refer to the period after the escalation of the Middle East conflict in late February and the subsequent increase in the prices of energy. Most available estimates for the first quarter of 2026 point to continued moderate economic expansion in that period (Figure 1). The euro area composite purchasing manager's index (PMI) was still expanding in January and February, although it had shrunk slightly from the last quarter of 2025, primarily due to the slower expansion of the service component. On the other hand, the Economic Sentiment Indicator rose strongly from the preceding quarter in January and February, reaching its highest levels in almost four years. However, the intensification of the conflict in the Middle East at the end of February further exacerbated the already high economic uncertainty and caused a jump in energy prices. The effects on economic growth and inflation will depend on the intensity and the duration of the conflict. Still, based on current energy prices and market expectations that they will gradually decrease towards the end of the year, it appears that markets do not anticipate long-lasting disruptions in energy supply for now, so that macroeconomic effects should be limited. However, such expectations may change rapidly.

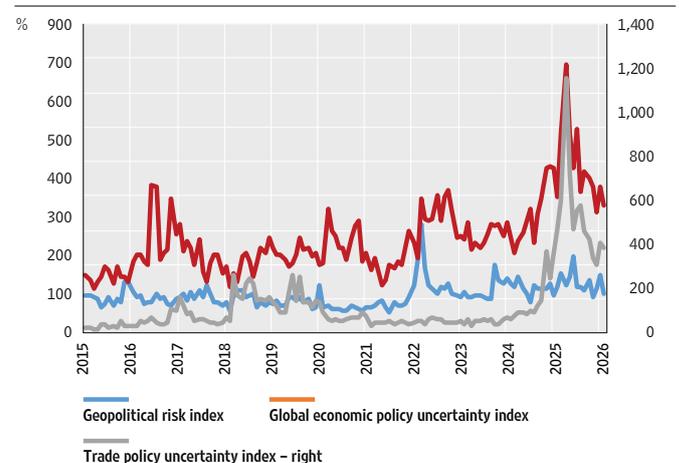
Figure 1 Quarterly growth rates of real GDP in the euro area



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 February 2026.

Sources: Eurostat and ECB.

Figure 2 Uncertainty indices



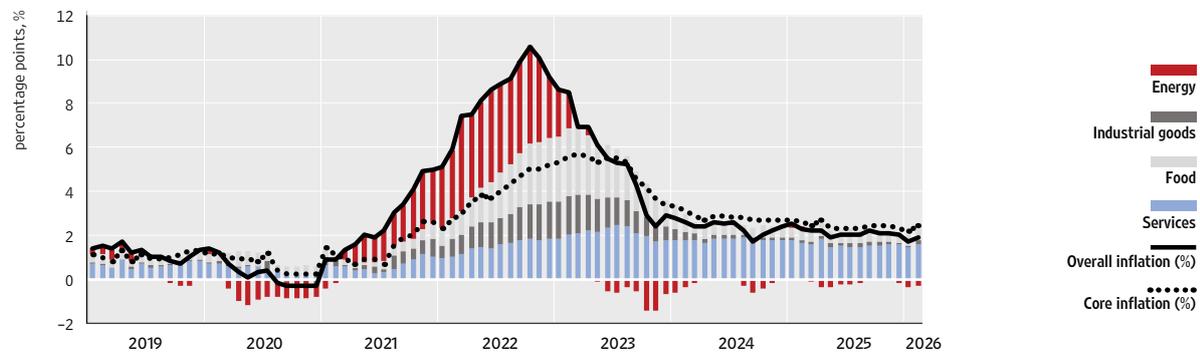
Sources: Bloomberg, Caldara and Iacoviello (2022) and Goldman Sachs Research.

According to Eurostat's flash estimate, euro area inflation measured by the HICP¹ picked up from 1.7% in January to 1.9% in February as a result of an acceleration in the inflation

1 As of January 2026, changes have been introduced in the HICP calculation. The application of the new European Classification of Individual Consumption according to Purpose, version 2 (ECOICOP, ver. 2) is 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.

of all of its main components except food (Figure 3). Under the significant influence of the increase in the prices of crude oil on the global market, the annual rate of change in energy prices increased from -4.0% in January to -3.2% in February. Food price inflation remained at the level of 2.6% , with the higher contribution of unprocessed food products compensating for the lower contribution of processed products in February. Core inflation (excluding the prices of food and energy) picked up from 2.2% in January to 2.4% in February, with the prices of both of its main components recording a higher annual increase. Services price inflation remains persistent, having picked up from 3.2% in January to 3.4% in February. The inflation in the prices of industrial products increased slightly, but remained low (0.7%), near its pre-pandemic long-term average, owing to downward pressures exerted on the imported prices of consumer goods by the appreciation of the euro and the import of low-cost goods from China.

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.

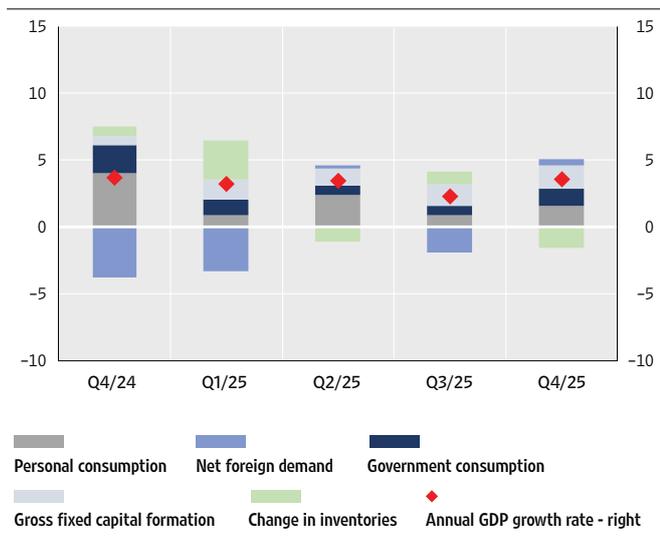
Economic activity strengthened significantly in Croatia at the end of 2025, reflecting an increase in personal consumption and goods and services exports. According to the first CBS estimates, real GDP went up by 1.4% on a quarterly basis in the fourth quarter, picking up considerably from 0.4% in the third quarter. Observed on an annual basis, the growth stood at 3.6% at the end of the year, having gone up from the 2.3% recorded in the preceding quarter. The pick-up in economic activity primarily reflects an increase in personal consumption and the exports of goods and services coupled with the continued strong growth in government consumption and investments on a quarterly basis. On the production side of GDP, growth was broadly based across activities. After having decreased in the preceding quarter, activity increased noticeably in trade, transport, accommodation and food services amid the rapid increase in personal consumption. At the entire 2025 level, real GDP growth slowed down to 3.2% after reaching 3.8% in 2024. The slowdown primarily reflects the slower growth in personal consumption in spite of the continued increase in employment and real wages, which is partly attributable to the retail chain boycott at the very beginning of 2025 and the subdued consumption over the summer months. In addition, the growth in government consumption slowed down considerably, while investments accelerated, with data pointing to a strong growth in both private and public investments. As regards foreign demand, the exports of goods and services increased slightly, with the increase in the exports of goods remaining relatively robust, while the exports of services

continued to decline at a similar pace as in 2024, which may partly be linked with the diminished price competitiveness of Croatian tourism. At the same time, the growth in imports moderated noticeably, resulting in a lower negative contribution of net foreign demand.

High-frequency indicators for the first quarter of 2026 point to a slowdown in economic growth on a quarterly basis. According to the CNB's nowcasting model of economic activity, real GDP growth in the first quarter could stand at 0.3% on a quarterly level, from 1.4% in the third quarter, while on an annual level, it could decelerate to 2.7%, from 3.6% in the third quarter (Figure 1). It is necessary to note that GDP nowcasting is based on a relatively limited set of data, mostly available only for January 2026. The volume of industrial production dropped by 2.4% in January from December, and by 1.4% from the fourth quarter. The drop from the fourth quarter was primarily a result of a decline in the production of capital goods and energy. At the same time, production of intermediate goods and durable and non-durable consumer goods increased. Furthermore, after the strong growth at the end of 2025, in January, real retail trade turnover recorded a decrease of 1.3% from December and of 0.3% from the preceding quarter. On the other hand, the volume indicators of tourist activity point to favourable performance at the beginning of the year, with the number of arrivals and overnight stays up by 7.1% and 6.3%, respectively, on an annual basis.

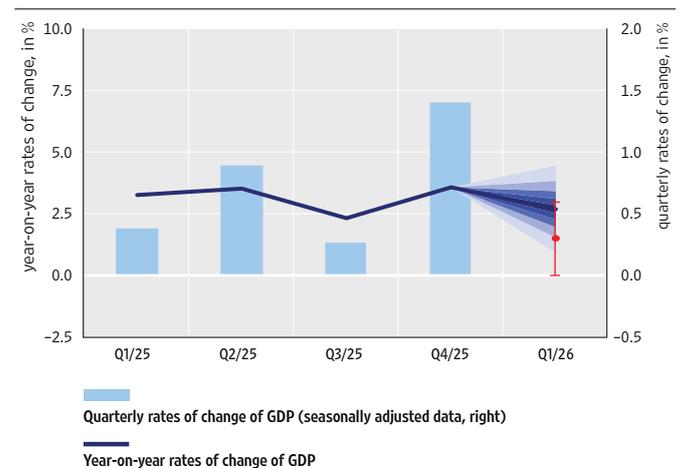
Survey indicators of business and consumer optimism point to divergent sectoral developments at the outset of 2026, with consumer confidence stable and high. The consumer confidence index rose slightly from the end of 2025 in January and February, hovering around its highest levels over the past two years. Furthermore, business confidence indicators point to an increase in optimism in service activities and trade. On the other hand, a slight decline was seen in construction, albeit from exceptionally high levels, while industry recorded a noticeable deterioration of confidence. Nevertheless, confidence in all observed activities remains above the long-term average.

Figure 4 Contributions to the annual growth of GDP in Croatia



Source: CBS.

Figure 5 Quarterly gross domestic product



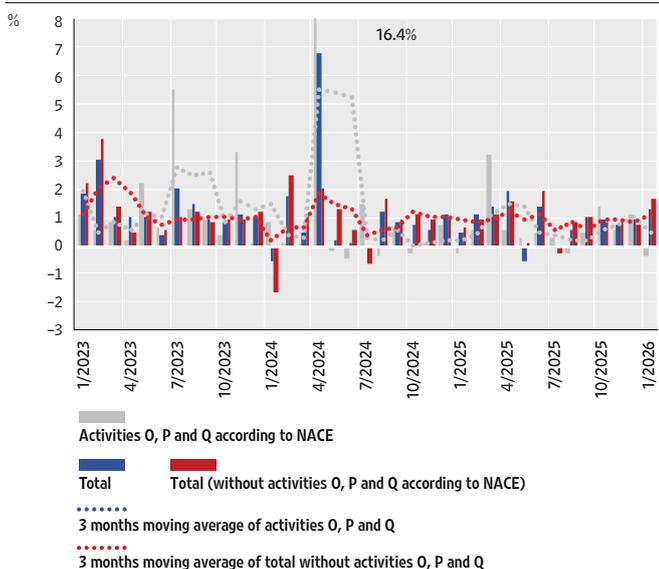
Notes: The estimate for the fourth quarter of 2025 refers to the monthly indicator of real economic activity of the CNB (for more details on the calculation of the MRGA indicator, see CNB survey Kunovac, D., and B. Špalat: "Nowcasting GDP Using Available Monthly Indicators"). The models are estimated 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.

At the beginning of 2026, the number of employed persons continued to stagnate, while the growth in wages picked up.

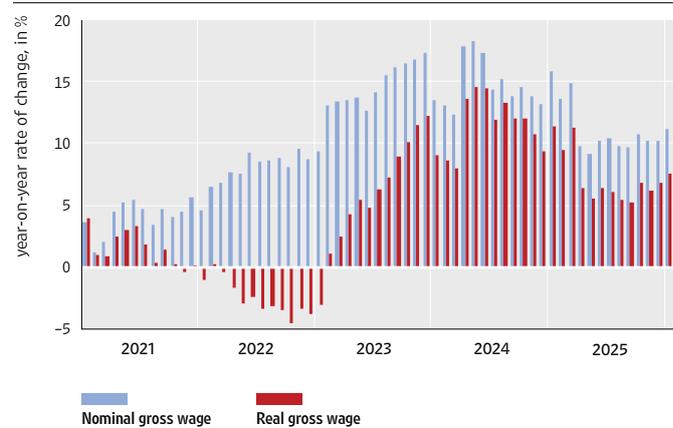
In January 2026, the total number of employed persons in Croatia remained almost unchanged from December 2025 (–0.1%), continuing the stagnation observed since mid-2025. Employment in January decreased slightly in public administration, education, healthcare and social work activities (activities O, P and Q, hereinafter: the public sector), while in other activities it held steady. At the beginning of 2026, the number of unemployed persons continued to decline on a monthly level (from 1.5% in December to 1.6% in January). This resulted in the further decrease in the registered unemployment rate, which dropped to 4.1% (according to seasonally adjusted data). The decrease in registered unemployment reflects increased clearings from the CES records for reasons other than employment. As regards labour costs, the monthly increase in the average nominal gross wage picked up in early 2026 from 0.9% to 1.3%. Public sector wages dropped by 0.4%, while wages in the rest of the economy edged up by 1.7%, with the growth being relatively broadly distributed (Figure 6). Hence, on an annual basis, the growth in nominal gross wages picked up to 11.2% (versus 10.2% in December and November), reflecting the developments in the rest of the economy. At the beginning of the year, the annual growth in real gross wages picked up as well, reaching 7.5% (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 measured by the harmonised index of consumer prices picked up in February 2026, spurred by increases in the prices of food and energy, while core inflation remained unchanged. The difference between the harmonised and the national indicator of overall inflation narrowed to only 0.1 percentage points. According to first estimates, inflation measured by the harmonised index of consumer prices (HICP)² increased from

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

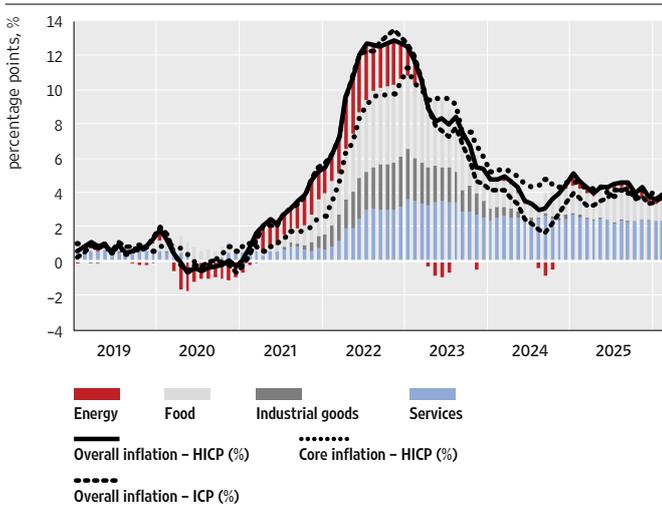
3.6% in January to 3.9% in February 2026³ (Figure 8). This was a result of the pick-up in the annual increase of food and energy prices, while core inflation, which excludes prices of food and energy, remained unchanged from January (3.9%). At the same time, the pace of the acceleration of the inflation rate at euro area average was somewhat slower, so that the difference between inflation in Croatia and the euro area average widened slightly to 2.0 percentage points. After moderating almost continuously since August 2025, food price inflation in Croatia picked up from 3.2% in January to 3.9% in February. This acceleration was mainly a result of new current pressures on the prices of unprocessed food, the annual increase of which accelerated from 3.9% to 6.5%, while the annual growth in the prices of processed food remained at 2.9%. The strengthening of current pressures on the increase in food prices in February is still not reflected in the increase of momentum⁴, as the momentum measured in February still includes a significant decrease in the prices of food seen in December 2025 (Figure 9). Energy price inflation picked up as well, from 3.1% in January to 3.7% in February. The increase reflects the growth in the prices of crude oil on the international market, but also the unfavourable base effect⁵ related to the low monthly rate of growth seen in February 2025. On the other hand, the annual rate of change in the prices of industrial goods shrank further amid low import pressures, from -0.1% in January to -0.2% in February. Services price inflation remained at 7.2%; however, services are still growing at a high annual rate against the backdrop of pronounced wage increases, robust domestic demand, previous rises in some administered prices (rents, road fees, refuse and sewage collection) and the increase in administered prices in February (most notably in the price of the supplementary health insurance policy of the Croatian Health Insurance Fund). Services thus remain the component with the greatest individual contribution to overall inflation (2.4 percentage points), while the contribution of food prices increased from 0.9 percentage points in January to 1.1 percentage points. Overall inflation measured by the national consumer price index (CPI), which reflects the structure of consumption of Croatian citizens, stood at 3.8% in February, having accelerated from 3.4% in January as a result of a pick-up in the prices of food, energy and services. The difference between the harmonised (HICP) and the national (CPI) indicator shrank to only 0.1 percentage point (Figure 11), the smallest difference recorded since April 2023.

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 which shows annualised three month-on-three-month rates of price change, seasonally adjusted.

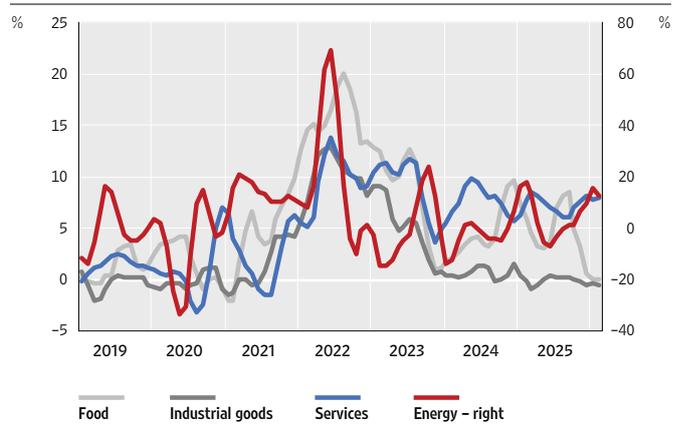
5 For more details, see HNBlog by D. Kunovac and M. Luketina, On the way down – the role of base effects in the slowdown of consumer inflation. Available at: <https://www.hnb.hr/en/-/na-putu-prema-dolje-uloga-baznih-ucinaka-u-usporavanju-potrosacke-inflacije>

Figure 8 Inflation indicators in Croatia



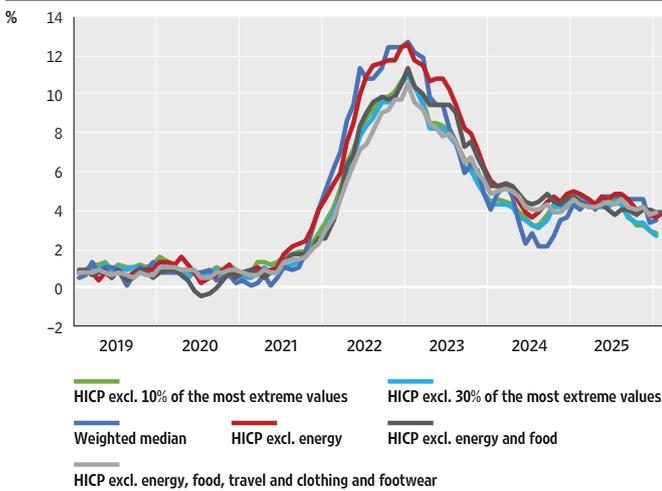
Note: Core inflation is measured by the harmonised index of consumer prices, which excludes energy, food, alcoholic beverages and tobacco prices.
Sources: Eurostat, CBS and CNB calculations.

Figure 9 Momentums of the main inflation components



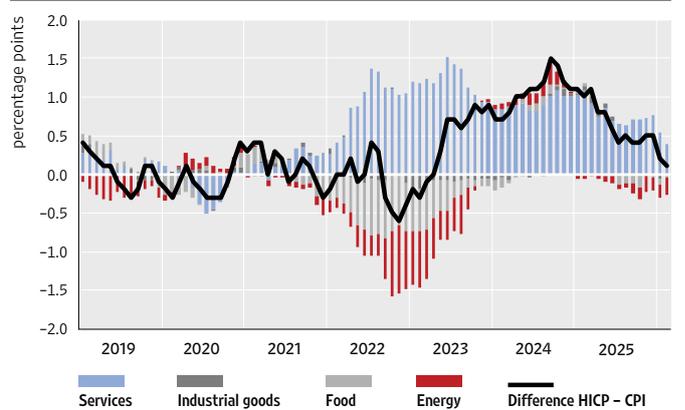
Note: The quarterly rate of change on an annual level is calculated from the quarterly moving average of seasonally adjusted harmonised consumer price indices.
Sources: Eurostat and CNB calculations.

Figure 10 Core inflation indicators



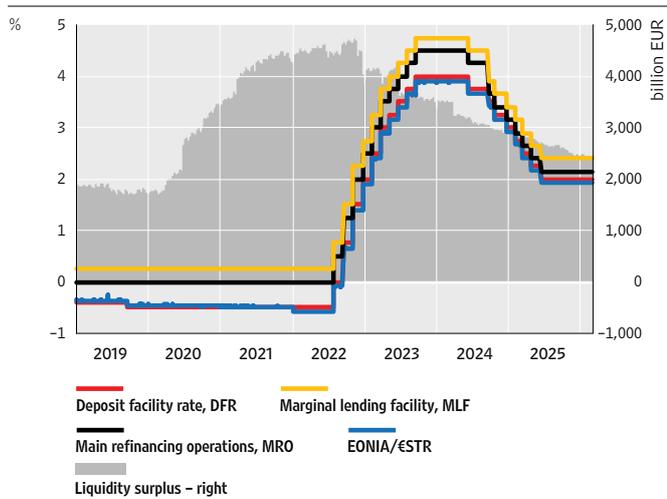
Notes: Trimmed mean eliminates 5% (15%) of subcomponents (out of a total of 107 subcomponents) with maximum and minimum annual rates of change. The weighted median excludes all values except the weighted median of the distribution of price change.
Sources: Eurostat and CNB calculations.

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.

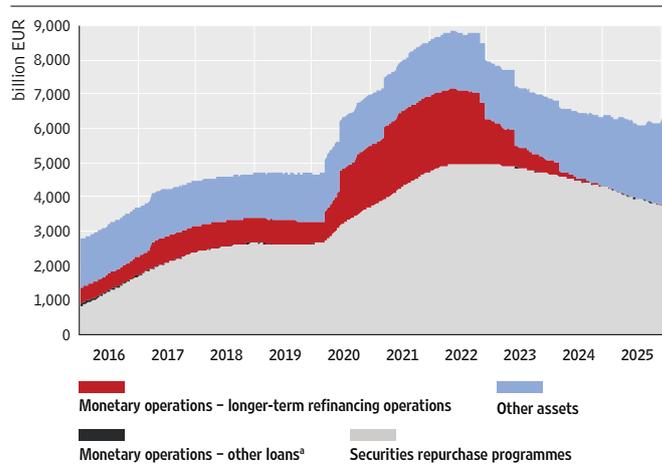
Figure 12 Key ECB interest rates



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.

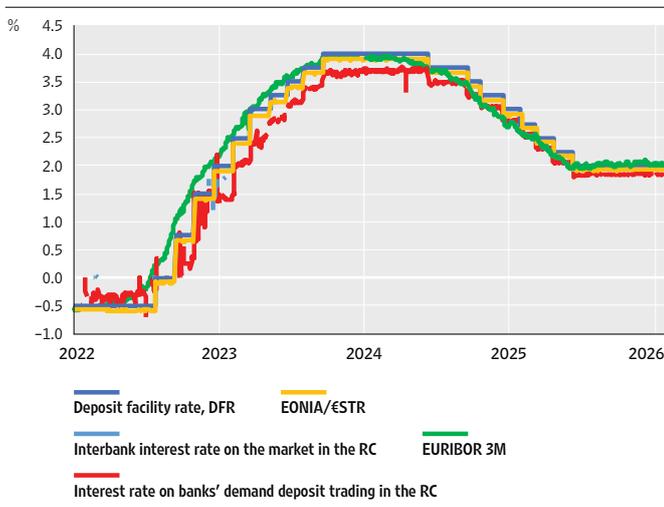
Note: The Eurosystem monetary balance sheet asset items are shown in grey and red and non-monetary in blue.

Source: ECB.

In February, the yields on euro area long-term government bonds decreased, the exchange rate of the euro versus the US dollar depreciated slightly, and Croatia successfully released a new ten-year eurobond. However, at the end of February, the conflict in the Middle East escalated, triggering a series of reactions on the financial markets, from energy price increases to a rise in gold prices and the strengthening of the US dollar. The €STR forward curve edged slightly down across the maturities spectrum in February (Figure 15), reflecting, in part, the lower-than-expected euro area inflation in February and the weaker-than-anticipated December data on the trends in industrial production and retail trade, usually interpreted by investors as the leading indicators of future economic activity. This, coupled with persistently high trade and geopolitical tensions, contributed to the drop in long-term bond yields. The euro area GDP-weighted average of long-term government bond yields stood at 3.0% at the end of February, 20 basis points down from the end of January (Figure 16). Yields on long-term US government bonds fell by 30 basis points, reaching 3.9% at the end of February, which was possibly partly a result of the nomination of a new governor considered by investors to be more likely to rapidly reduce the Fed's key interest rates than the former governor. After appreciating over the past two months, the exchange rate of the euro versus the US dollar depreciated around 1% in February, standing at USD/EUR 1.18 at the end of the month. The yield spreads of government bonds of individual euro area member states and benchmark German bonds were mostly stable. As regards Croatian bonds, in mid-February, the Republic of Croatia issued a new euro bond with a yield of 3.3% falling due in 2036. An amount of EUR 2bn was released to investors, with the bid-to-cover ratio exceeding 3. A similar amount was previously issued by Croatia on the foreign market only twice: in the pandemic year of 2020 and last year. In February, the Ministry of Finance issued a one-year T-bill amounting to around EUR 830m, roughly matching the amount that was maturing. The retail tranche was issued with an annual yield of 2.6%, while the tranche for institutional investors was issued at 2.15%. For comparison, the maturing one-year T-bills issued in 2025 were issued at 2.6% and 2.3%, respectively. The last day of February was

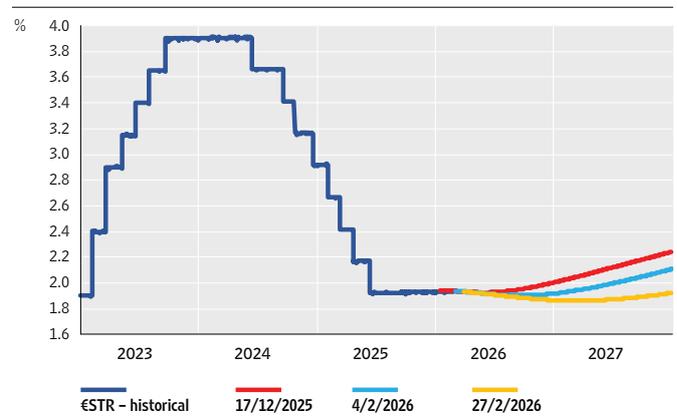
marked by the US and Israeli strike on Iran. This event triggered a noticeable wave of reactions on the financial markets in the first week of March, although the reactions remained relatively moderate, as most investors do not expect a long-lasting conflict for now. The most notable reaction was the surge in the prices of oil and gas caused by the concern over disruptions in supply, which led to an increase in inflationary expectations for the euro area and the shift of investor expectations towards a more restrictive monetary policy of the ECB before the conflict in the Middle East escalates. Also noteworthy are the rapid increase in the price of gold and the strengthening of the US dollar, reflecting investors' increased propensity for safe-haven assets.

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



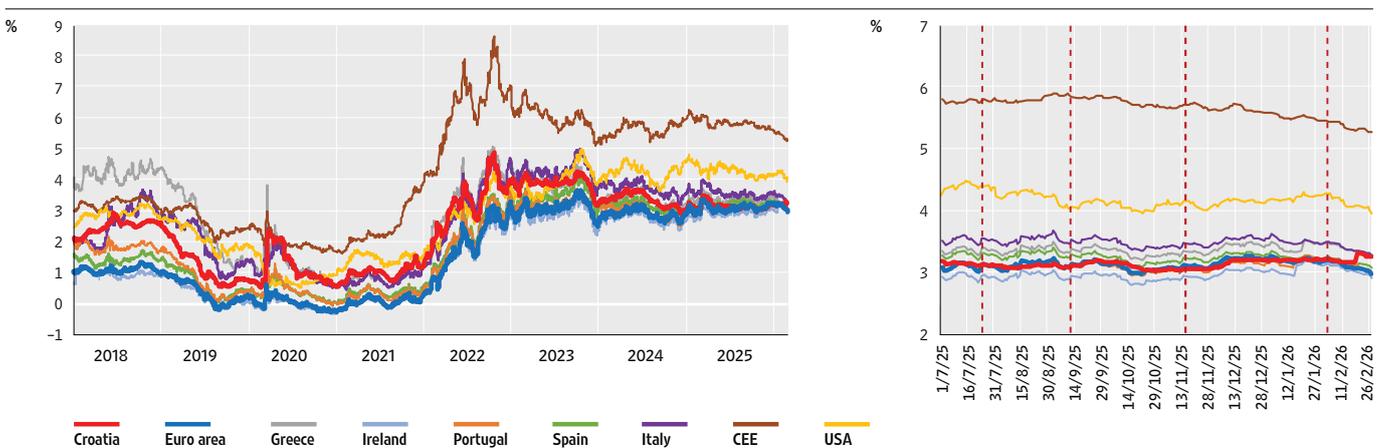
Notes: DFR (deposit facility rate). Since the beginning of 2022, EONIA has been replaced by €STR. The overnight interest rate on the money market in Croatia in 2022 is based on euro transactions. Last data are for 27 February 2026.
Sources: ECB and CNB.

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 27 February 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

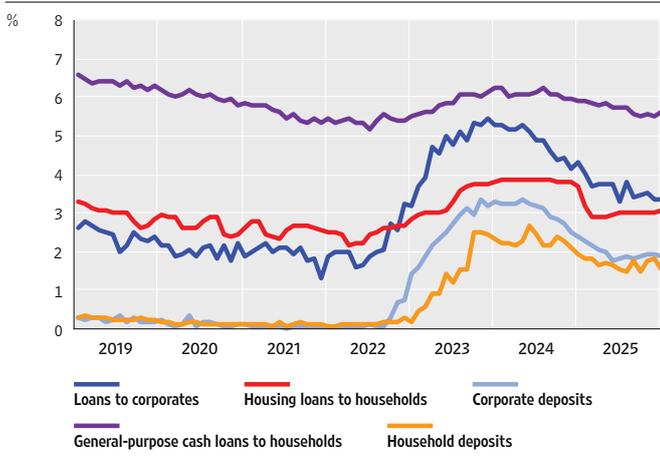
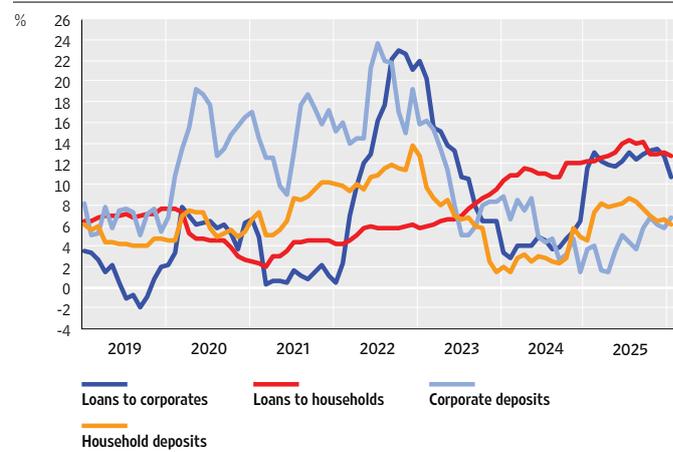


Notes: CEE – countries of Central and Eastern Europe (the Czech Republic, Hungary, Poland and Romania); yields for the euro area and CEE have been weighted by the share of GDP of the countries included. Data from the euro area do not include those from Lithuania, Latvia, Estonia, Luxembourg and Malta. The red dotted lines denote ECB Governing Council meetings in the observed period. Last data are for 27 February 2026.
Source: Bloomberg.

In early 2026, interest rates on corporate and household loans in Croatia remained stable, hovering around levels reached in mid-2025. In January, the interest rates on pure new corporate loans and housing loans to households remained at December levels, while interest rates on general-purpose cash loans increased slightly. The average interest rate on pure new corporate loans remained unchanged at 3.37% in January (Figure 17). The positive contribution of the increase in interest rates on investment loans, syndicated loans and other financing was offset by the negative contribution of interest rates on working capital loans and factoring. In terms of corporate size, unlike micro and small enterprises that borrowed at a higher interest rate than in December, loans to medium-sized and large enterprises recorded lower interest rates. As regards households, the average interest rate on general-purpose cash loans in January edged up by 6 basis points from December (to 5.59%). The average interest rate on housing loans to households stood at 3.04% in January, the same as in December, remaining close to the levels reached following the decline seen in the first quarter of 2025.

Interest rates on existing loans also continued to decline gradually in January. Interest rates on existing corporate loans stood at 3.72% in January, down by 1 basis point from December. Interest rates on existing general-purpose cash loans to households and housing loans went down by the same amount, standing at 5.75% and 3.04%, respectively. The decrease was primarily attributable to a further decline in the NRR, which has been on a continuous downward path since its peak in December 2024: in the third quarter of 2025, the six-month NRR (6mNRR1), the most frequently applied reference rate, was 10 basis points lower than in the first quarter of the same year. Accordingly, interest rates on existing housing and non-housing loans linked to the NRR decreased by 7 basis points from December to January. On the other hand, in mid-2025, EURIBOR stabilised after declining continuously since the end of 2023, so that interest rates on existing housing loans linked to the EURIBOR have remained stable at approximately the same level since summer 2025. In contrast, interest rates on non-housing loans linked to EURIBOR decreased slightly in January, which may reflect the inflow of new loans granted at interest rates lower than the interest rates on existing loans.

The interest rate on pure new time deposits of corporates and households was lower in January than in December. The interest rate on pure new corporate deposits dropped by 4 basis points to 1.89%, while in the household sector, it went down by 27 basis points, reaching 1.52%. The decline in interest rates on new household time deposits is mainly linked to the decrease of the interest rate for time deposits with maturities between three and six months by one large bank, which came after a promotional interest-rate increase in December. Interest rates on time deposits thus continued to oscillate moderately without a clear trend, reflecting the promotional activities of certain large banks. **At the same time, interest rates on existing deposits remained almost unchanged** in January (0.48% on total corporate deposits and 0.34% on total household deposits). The interest rate on existing corporate time deposits remained at 1.86%, while for overnight deposits, it increased by 2 basis points, reaching 0.13%. As regards households, interest rates on existing time deposits decreased by 1 basis point to 1.33%, while for overnight deposits, they remained at 0.02%.

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 in January, albeit at a slower pace than in the preceding months, reflecting the slowdown in the growth of household loans, while corporate loans increased somewhat faster than in the preceding month. The growth in household loans has moderated the most in the segment of general-purpose cash loans, which increased by EUR 42m in January. The growth in housing loans also slowed down significantly in the same month (EUR 72m). Since housing loans rose at a slower pace than in the same month in 2025, the annual rate of growth slowed down from 15.5% in December to 15.1% in January, after having accelerated continuously for almost a year. At the same time, the growth of general-purpose cash loans continued to decelerate (from 11.3% to 10.8%). Thus, the annual growth in total household loans slowed down from 13.1% to 12.7% (Figure 18). The momentum⁶ of housing loans weakened from 13.9% to 11.3%, as did that of general-purpose cash loans, from 6.3% to 4.4%. Despite the slight acceleration in the growth of corporate loans in January, on an annual basis, their growth slowed down from 12.8% in December to 10.6% in January due to the surge in corporate loans in January 2025⁷. Accommodation and food service activities and trade contributed the most to the annual rate of growth in January. The short-term indicator of lending activity (momentum), which weakened from 13.7% to 11.2%, also points to a slowdown in corporate lending activity.

Domestic sectors' deposits with credit institutions (excluding the general government) also decreased in January by EUR 0.9bn or 1.5% from December). The decline in deposits in January reflects the drop in the net foreign assets of monetary institutions and net claims on the central government, which was mitigated by the positive contribution of lending activity. In the structure of domestic deposits, overnight deposits shrank by EUR 0.7bn, of which EUR 0.5bn is

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

⁷ In January 2025, corporate loans increased strongly largely due to the disbursement of a loan to a large company in the manufacturing industry (EUR 274m).

attributable to the corporate sector and EUR 0.2bn to households. Time deposits dropped as well (by EUR 0.2bn). The share of time deposits in total corporate deposits increased from 26.9% in December to 27.4% in January and is oscillating within a relatively narrow range around the levels reached in 2024. The share of time deposits in total household deposits stood at 24.4% in January, which is a level noticeably lower than the peak (29.2%) recorded in mid-2024. On an annual basis, the growth in total deposits has been slowing down gradually since mid-2025, but remains relatively strong: in January, it stood at 6.1% (versus 6.4% in December). The slowdown is noticeable primarily in the segment of household overnight deposits, while corporate deposits, particularly overnight deposits, are still accelerating on an annual basis.

