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EUROSYSTEM

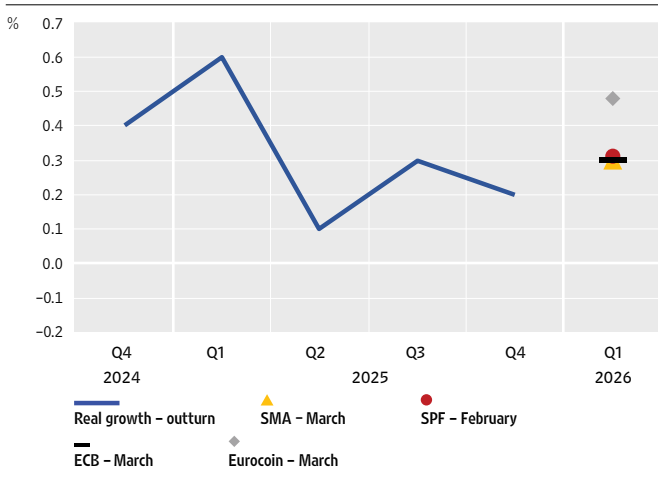
Information on economic, financial and monetary developments

April 2026

Summary

Survey data for March 2026 point to the worsening of the economic outlook for the euro area subsequent to the outbreak of the war in the Middle East. Available high-frequency indicators for the beginning of the year had generally shown continued moderate economic growth in the euro area (Figure 1). Despite a 1.5% decrease in the industrial production volume in January from December 2025 and the stagnation of construction and retail trade activity, survey data for the first two months of the year were slightly more favourable, indicating continued growth in the first quarter. This is particularly true of the manufacturing component of the purchasing managers' index (PMI), which rose sharply in January and February. The services component dropped slightly, but from a high level, remaining in positive territory. Survey data for March, which reflect the initial impact of the war in Iran, point to the deterioration of the euro area real growth outlook (Figure 2). The PMI fell to a ten-month low, with the services component recording an especially sharp decrease. The PMI manufacturing component increased sharply, but primarily due to the considerable lengthening of suppliers' delivery times, rather than to the strengthening of demand, which this component usually signals. The economic sentiment index (ESI) also worsened significantly, and consumer confidence dropped sharply, but less than at the outbreak of the war in Ukraine.

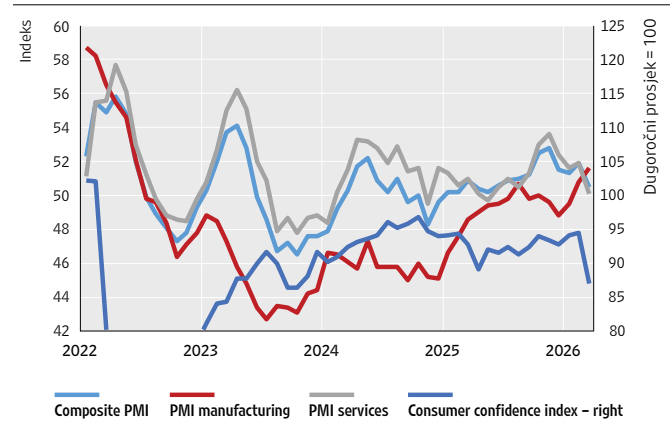
Figure 1 Quarterly growth rates of real GDP in the euro area



Note: The abbreviation ECB - March refers to the ECB March 2026 projection of real growth in the euro area (Macroeconomic Projection Exercise, MPE). The abbreviations SMA (Survey of Monetary Analysts) and SPF (Survey of Professional Forecasters) refer to the results of the ECB surveys of market participants in February and March 2026.

Sources: Eurostat and ECB.

Figure 2 Survey indicators for the euro area



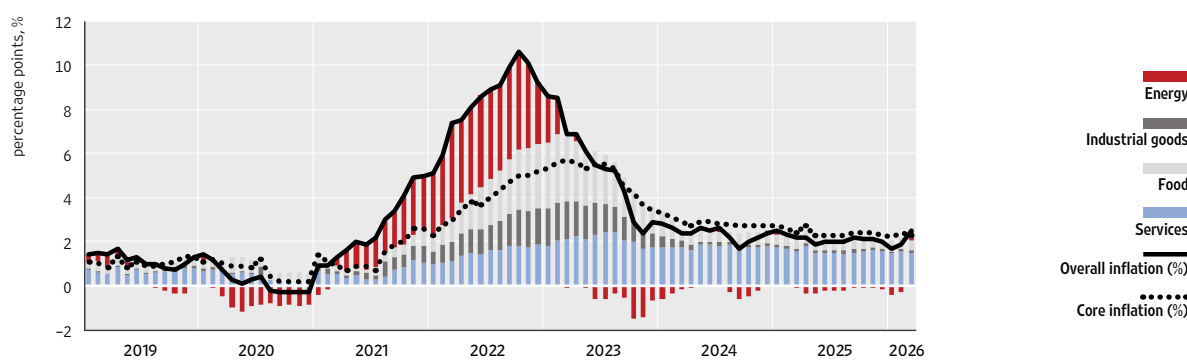
Sources: S&P Global and European Commission.

According to the Eurostat flash estimate, euro area inflation measured by the HICP¹ surged from 1.9% in February to 2.5% in March as a result of an acceleration in energy

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

price inflation (Figure 3). The annual rate of change in energy prices increased to 4.9% from -3.1% in February, primarily due to the spillover of a sharp increase in global crude oil prices to retail refined petroleum product prices. In contrast, the annual growth in the prices of other main inflation components decelerated mildly in March. Food price inflation decelerated to 2.4% in March from 2.5% in February, with the growth of both processed and unprocessed food product prices slowing down. Core inflation (which excludes energy and food prices) decelerated from 2.4% in February to 2.4% in March, with both of its main components recording a lower annual increase. Industrial goods inflation slowed down to 0.5% from 0.7% in February due to downward pressures exerted on the imported prices of consumer goods by imports of low-cost goods from China. Services price inflation dropped to 3.2% from 3.4% in February, mostly reflecting favourable base effects related to a sharper increase in these prices in March 2025.

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.

Having increased sharply in late 2025, monthly indicators for the first quarter of 2026 point to a marked slowdown in the growth of economic activity in Croatia. This is presumably due to temporary factors, especially the impact of adverse weather conditions on construction, but one should also bear in mind that the majority of available monthly indicators still do not cover the period following the outbreak of the war in Iran. According to the CNB's nowcasting model of economic activity, real growth could stand at only 0.2% on a quarterly level in the first quarter of 2026, following a very strong rate of 1.4%, recorded at the end of 2025. On an annual level, growth could decelerate to about 2.4%, from 3.6% in the previous quarter (Figure 4). The industrial production volume, which had already decreased sharply in January, fell again in February, with the result that it was 1.7% lower in the first two months of 2026 than in the last quarter of 2025. The decrease was broadly based both in January and in February. The production of capital goods recorded a particularly sharp decline, but it followed a very strong growth in the last four quarters. As the retail trade turnover fell for the second month in a row, real trade was 0.4% lower in January and February than the average for the previous quarter. Construction activity also plummeted in January, dropping by 1.9% from its average value in the last quarter of 2025, primarily due to depleted investments in buildings and to some extent also to

declining infrastructure project activity. The weaker construction performance early in the year could also be caused by unfavourable weather conditions, as suggested by the results of the Business Confidence Survey, which show that the share of respondents describing weather conditions as limiting factors has considerably increased.

Survey data for March indicate that the war in the Middle East had relatively limited initial effects on economic activity. Consumer confidence decreased considerably from February, but the decrease was much smaller than at the beginning of the war in Ukraine and the index remained considerably above its long-term average, suggesting that the heightened uncertainty should not considerably affect the personal consumption growth dynamics at this stage (Figure 5). Business optimism in retail trade and services also decreased relatively mildly, while confidence in construction remained almost unchanged. In contrast, business optimism in industry picked up noticeably as a result of a marked improvement in the current level of orders and in expectations regarding production in the following three months.

Figure 4 Quarterly gross domestic product

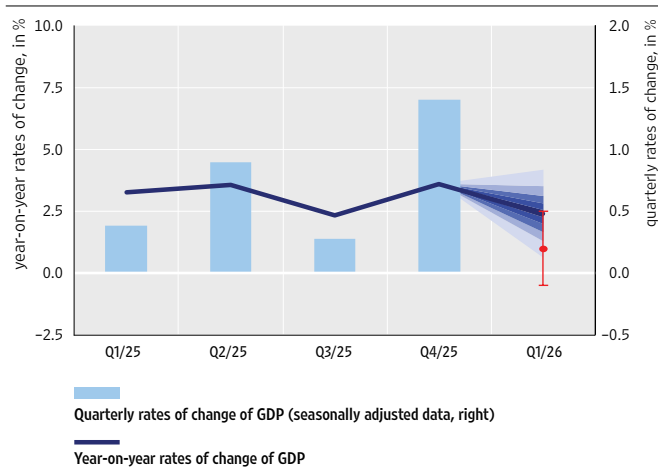
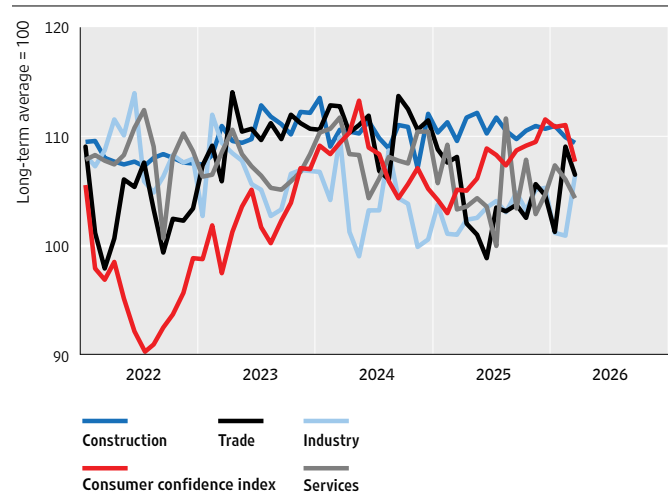


Figure 5 Consumer and business optimism indicators



Source: Ipsos (seasonally adjusted by the CNB).

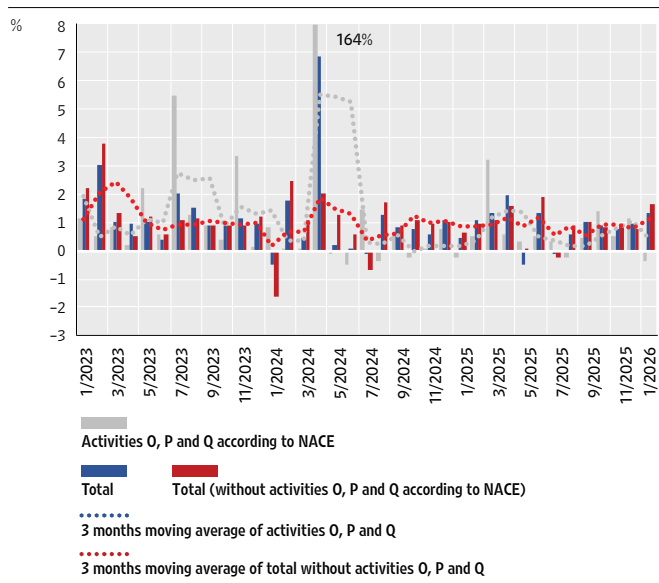
Notes: The estimate for the first quarter of 2026 refers to the monthly indicator of real economic activity of the CNB (for more details on the calculation of the MRGA indicator, see the CNB survey, Kunovac D. and Špalat B., Nowcasting GDP Using Available Monthly Indicators). The models are estimated on the basis of data published up to 31 March 2026. 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.

The number of employed persons continued to stagnate early in the year, while wage growth decelerated slightly. The growth in the number of employed persons almost held steady at 0.1% in February 2026 from January. Employment rose mildly in public administration, education, healthcare and social work, but stagnated in the rest of the economy. Employment also remained unchanged relative to its average in October and November 2025, while the annual rate of change decelerated to 0.8% (compared with the average of 2.5% in 2025). Unemployment continued to drop, at a somewhat faster pace than in January, as the outflow of a relatively large number of unemployed persons removed from the CES register was coupled with an increase in net employment. The number of registered unemployed persons stood at 72 thousand and the

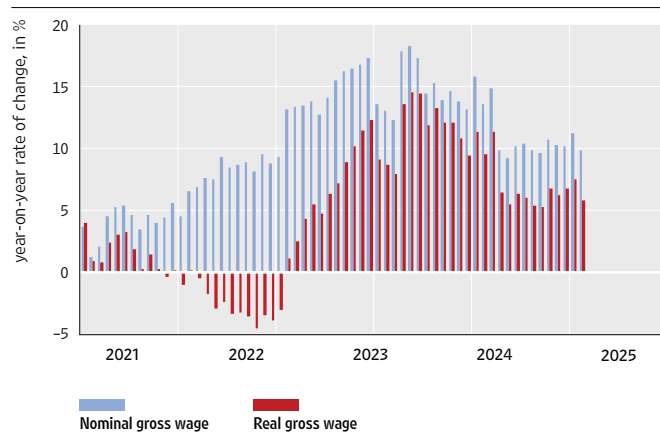
administrative unemployment rate at 3.9% (4.1% in January). Wage growth slowed down to 0.4% in February 2026 from 1.3% in January, while the real gross wage dropped by 0.7%. However, the average quarterly growth only slightly decelerated in the first two months of 2026 from the last quarter of 2025 due to the relatively strong growth of wages at the beginning of 2026 (*due to the CBS changeover to the new NCA 2025 classification, data on wage dynamics by activities are currently not available for February, because historical series have not yet been published*). The annual growth of the average nominal gross wage decelerated to 9.8% in February and that of the real wage to 5.8%, from 11.2% and 7.5%, respectively, in January. This was due to a weaker current increase in these wages and to some extent also to base effects, stemming from the relatively strong wage growth in the same month in the previous year (**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.

Overall inflation in Croatia accelerated considerably in March 2026 due to the rapid acceleration of energy prices caused by the deterioration of global energy market conditions amid the war in the Middle East, whereas core inflation decelerated. The acceleration of overall inflation measured by the harmonised index of consumer prices² to 4.7% in March from 3.9% in February³ (**Figure 8**) mainly reflects growing current pressures on energy prices, which are also driving up the momentum⁴ of energy inflation (**Figure 9**). Specifically, disruptions in maritime transport through the Strait of Hormuz and attacks on the energy infrastructure during the war in the Middle East quickly affected global energy prices and spilled over

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.)

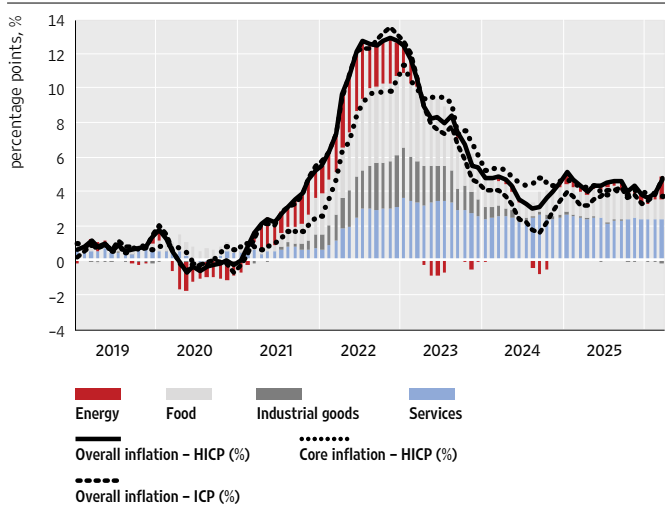
3 Since January 2026 changes have been introduced to the HICP calculation (see footnote 1). Since the national CPI is calculated according to a methodology that is aligned with the Eurostat methodology for harmonised indices of consumer prices, all changes are simultaneously applied in the national CPI.

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

to domestic retail prices of refined petroleum products. In addition, unfavourable base effects⁵ related to a sharp decrease in these prices in March 2025 also contributed, although to a much smaller extent, to the acceleration of the annual growth rate of energy prices to 10.9% from 3.9% in February, with the result that this rate made the largest contribution to overall inflation (1.3 percentage points) since the beginning of 2023. The growth of food prices accelerated slightly to 4.0% from 3.9% in February as a result of the accelerated growth of processed food product prices. In contrast, core inflation (which excludes energy and food prices) decelerated to 3.7% in March from 3.9% in February (**Figure 10**) due to the annual rate of change of industrial goods prices dropping sharply to -0.7%, from -0.2% in February, the lowest rate since the beginning of 2020. Service inflation, the second component of core inflation, held steady in March, standing at 7.2% for the third consecutive month, as current pressures on services prices have been offset by favourable base effects related to the strong growth of these prices in the same period in the previous year. The high annual growth rate of services prices mirrors domestic demand, which has remained robust amid continued disposable income growth and previous increases in some administered prices (rents, road fees, refuse and sanitation services, health insurance), whose contribution to overall service inflation is rising, while the contribution of market-based services prices is decreasing. Services remain the component with the greatest individual contribution to overall inflation, contributing 2.4 percentage points to the overall inflation rate of 4.7% in March. Inflation measured by the national consumer price index (CPI), which reflects the structure of consumption of Croatian citizens, accelerated to 4.8% in March from 3.8% in February mainly as a result of the faster growth of energy prices. Food and services prices also recorded faster growth in March than in February, while industrial goods prices decreased further. The harmonised indicator of overall inflation was for the first time in three years lower than the national indicator: the difference was 0.1 percentage points (**Figure 11**).

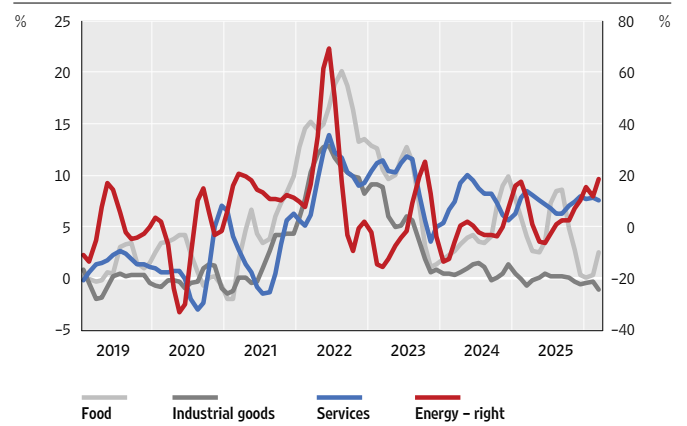
⁵ For more details, see HNBlog, Kunovac D. and Luketina M., On the way down – the role of base effects in the slowdown of consumer inflation. Available at: <https://www.hnb.hr/en/-/na-putu-prema-dolje-uloga-baznih-ucinaka-u-usporavanju-potrosacke-inflacije>

Figure 8 Inflation indicators in Croatia



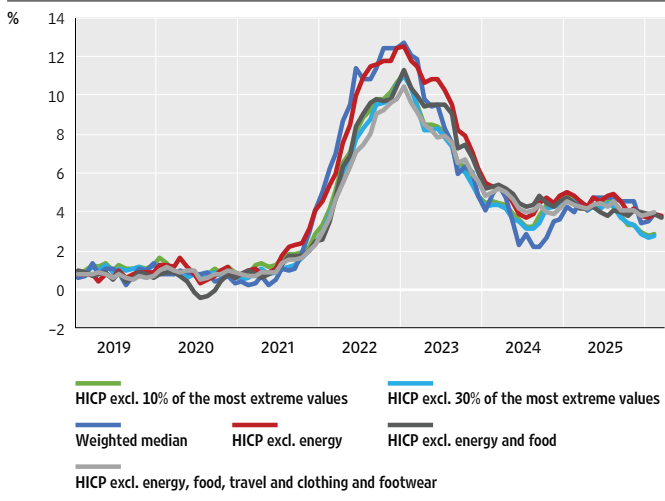
Note: Core inflation is measured by the harmonised index of consumer prices, which excludes energy, food, alcoholic beverages and tobacco prices.
 Sources: Eurostat, CBS and CNB calculations.

Figure 9 Momentums of the main inflation components



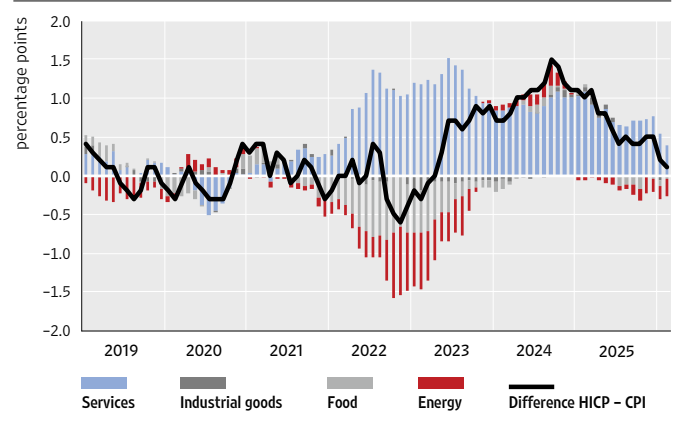
Note: The quarterly rate of change on an annual level is calculated from the quarterly moving average of seasonally adjusted harmonised consumer price indices.
 Sources: Eurostat and CNB calculations.

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



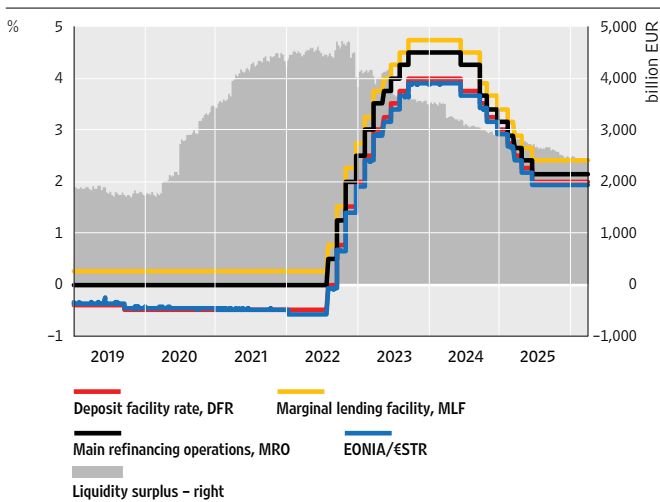
Note: A positive (negative) value denotes a larger (smaller) contribution of the inflation of prices of a specific component to overall HICP inflation than to CPI inflation.
 Sources: Eurostat, CBS and CNB calculations.

At its meeting on 19 March 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 war in the Middle East had made the outlook significantly more uncertain, creating downside risks for economic growth and upside risks for inflation. The war will have a material impact on near-term inflation through higher energy prices, whereas its medium-term implications will depend both on the intensity and duration of the conflict and on how energy prices affect consumer prices and the economy. Despite the unfavourable global

environment, longer-term inflation expectations are well anchored, and the economy has shown resilience over recent quarters. The incoming information in the period ahead will help the Governing Council assess how the war will affect the inflation outlook and the risks surrounding it. The Governing Council is determined to ensure that inflation stabilises at its 2% target in the medium term. Decisions on the appropriate level 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 pre-committing to a particular rate path.

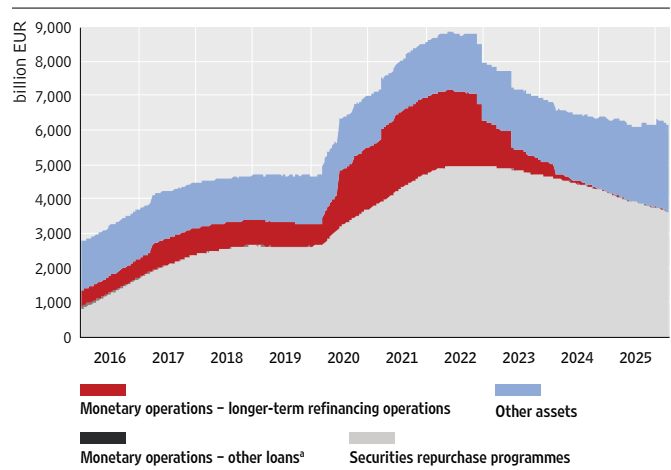
Eurosystem assets linked to the conduct of monetary policy continued to gradually decrease (Figure 13). The portfolio of securities purchased within the asset purchase programme (APP) and the portfolio of the pandemic emergency purchase programme (PEPP) of the Eurosystem are declining steadily at a measured and predictable pace, with the principal payments from maturing securities purchased under the APP not being reinvested since July 2023 and the reinvestment of the PEPP portfolio having been 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 monetary policy continued to grow. The rise in nonmonetary assets was especially marked in 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

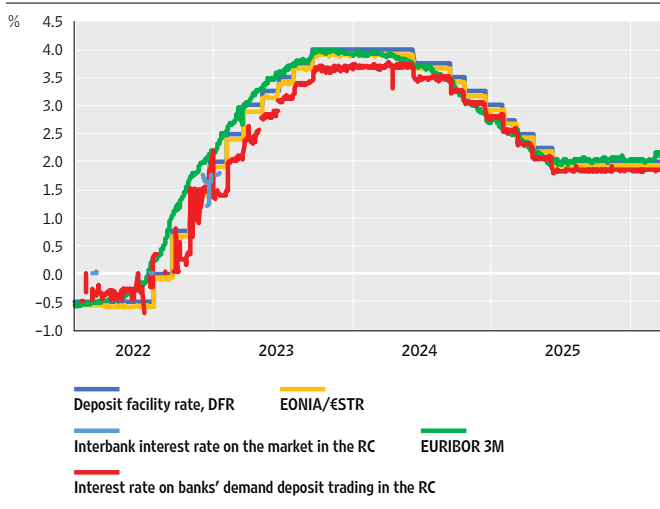


^a Other loans include main refinancing operations, fine-tuning reverse operations, structural reverse operations, marginal lending facility and credits related to margin calls.
Note: The Eurosystem monetary balance sheet asset items are shown in grey and red and non-monetary in blue.
Source: ECB.

Financial markets were in March impacted by the outbreak of the war in the Middle East, which caused a significant fall in share and bond prices and in the value of the euro, as well as their increased volatility. On the other hand, the April ceasefire agreement between the US and Iran spurred a partial price recovery. At the start of the war in Iran, the reaction of financial markets was relatively moderate, but it gradually strengthened as a longer and more intense conflict began to be expected. Particularly significant was the sharp

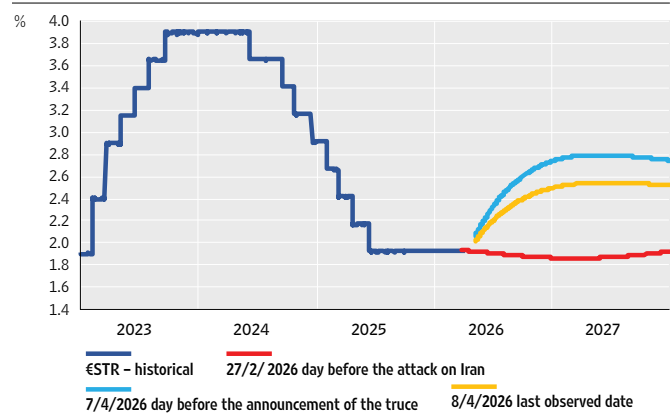
rise in energy prices due to increased risks surrounding supply disruptions. The price of Brent oil came close to USD 120 per barrel on several occasions, most recently in June 2022, when markets were still strongly incorporating the effects of the start of the war in Ukraine and the related disruptions in energy markets into the price of oil. The outbreak of the war in the Middle East was accompanied by an increase in near-term inflation expectations for the euro area as well as a shift in investor expectations towards a more restrictive monetary policy of the ECB. While before the escalation of the conflict market participants had estimated that the probability of a change in key interest rates during the year was relatively low, by the end of March expectations moved towards a multiple increase in interest rates (**Figure 15, shift from the red line to the yellow line**). Under these conditions, long-term bond yields increased sharply. The euro area GDP-weighted average of long-term government bond yields stood at 3.4% at the end of March, 45 basis points up from the end of February (**Figure 16**). This level was last recorded in October 2023, immediately after the completion of a cycle of ECB key interest rate hikes. Long-term German bonds, which often serve as a reference point for bonds of other European countries, concluded some trading days in March at yields above 3%, for the first time since 2011. The yield spreads between government bonds of individual euro area member states and benchmark German bonds were mostly stable. Croatia's long-term government bond yields increased by about 45 basis points in March, to 3.70%, in line with weighted European long-term yields, primarily reacting to dominant global events. Also significant in this respect, although to a lesser degree, was the information that Standard&Poor's raised Croatia's credit rating to 'A', the highest credit rating ever awarded to Croatia. Due to increased global uncertainty and reduced risk appetite, stock indices lost value and the dollar strengthened. The EuroStoxx 50 stock index, which tracks the stock prices of the 50 largest companies in the euro area, fell by more than 9% in March. The euro/US dollar exchange rate depreciated by more than 2% in March and stood at around USD/EUR 1.15 at the end of the month, partly probably reflecting the relatively favourable positioning of the US for this type of geopolitical and energy shock. In the second week of April, a two-week truce was agreed between the US and Iran, which increased the risk appetite of investors in the financial markets, most evident in the sharp rise in equity indices. At the same time, oil prices fell, to the levels of around USD 100 per barrel, somewhat dampening short-term inflation expectations for the euro area. Investors therefore eased their expectations of ECB monetary policy tightening during this year. The truce also led to a strengthening of the euro against the dollar and a decline in long-term bond yields.

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



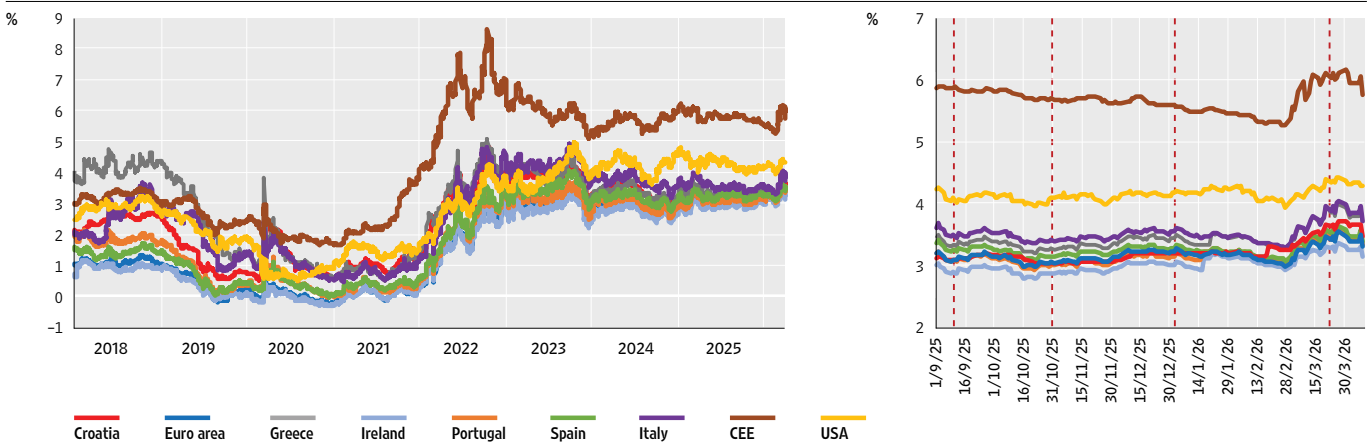
Note: DFR (deposit facility rate). Since the beginning of 2022, EONIA has been replaced by €STR. The overnight interest rate on the money market in Croatia in 2022 is based on euro transactions. Last data are for 31 March 2026.
Sources: ECB and CNB.

Figure 15 €STR forward curve



Note: 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 8 April 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



Note: 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 last data are for 8 April 2026.
Source: Bloomberg.

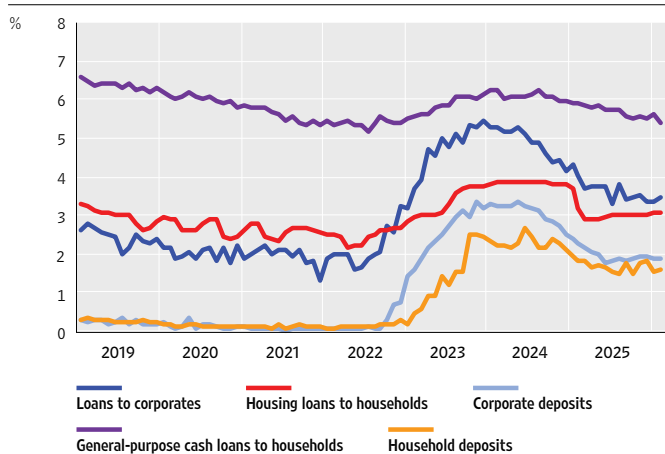
Interest rates on corporate and household loans and deposits in Croatia continued to oscillate within a relatively narrow range around the levels reached in mid-2025. In February 2026, interest rates on pure new corporate loans and housing loans to households increased slightly from January, while interest rates on general-purpose cash loans to households decreased. The average interest rate on pure new corporate loans increased by 7 basis points to 3.45% in February from January (Figure 17). Interest rates on loans for all purposes increased. Broken down by enterprise size, interest rates on loans to small, medium-sized and large enterprises increased, while interest rates on loans to micro enterprises decreased. As for households, the average interest rate on general-purpose cash loans went down by 19 basis points

in February from January, to 5.41%, the lowest level since the end of 2022. The average interest rate on housing loans amounted to 3.05% in February, 2 basis points more than in January.

Interest rates on existing corporate and household loans did not change much in February from January. Interest rates on existing corporate loans totalled 3.73%, up 1 basis point from January. Interest rates on general-purpose cash loans to households were 3 basis points lower, standing at 5.72%, while interest rates on housing loans held steady at 3.04%.

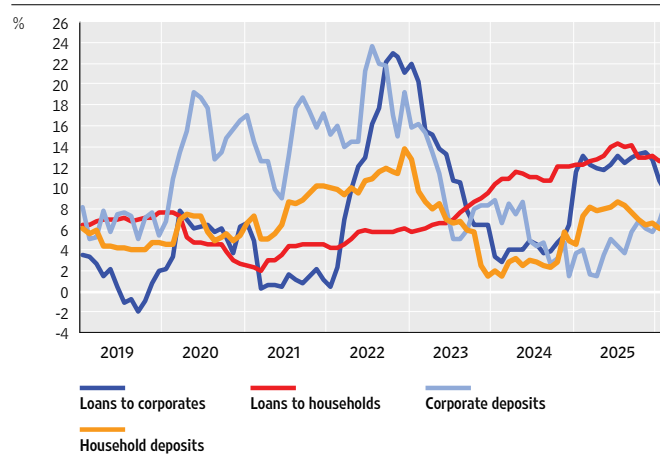
Interest rates on pure new corporate and household time deposits increased slightly in February from January. Interest rates on pure new corporate deposits grew by 1 basis point to 1.90%, while interest rates on pure new household time deposits went up by 8 basis points, reaching 1.61%. The largest contribution to the February increase in interest rates on pure new household time deposits was made by one large bank, with larger amounts of time deposits, as part of a promotional campaign offering higher interest rates on time deposits contracted for a period of 12 to 18 months. **Interest rates on existing deposits mostly remained unchanged in February from January.** Interest rates on total corporate deposits were 0.48% and interest rates on total household deposits amounted to 0.34%. Interest rates on existing time and overnight corporate deposits remained at 1.86% and 0.13% respectively. As regards households, interest rates on existing time deposits decreased by 1 basis point to 1.32% in February from January, while for overnight deposits they remained at 0.02%.

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



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.

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



Source: CNB.

Loans to domestic sectors (excluding general government) continued to grow in February at a faster pace than in January, reflecting the stronger growth of household loans, while corporate loans recorded a slightly lower increase than in the preceding month. The growth of household loans accelerated in February on the back of the stronger growth of housing loans (EUR 138m) and general-purpose cash loans (EUR 96m). The annual growth rate of housing loans accelerated from 15.1% in January to 15.4% in February. The growth of

general-purpose cash loans decelerated further (from 10.8% to 10.5%) due to the base effect, that is, a stronger growth of general-purpose loans in the same month of the previous year. Thus the annual growth in total household loans accelerated slightly from 12.6% to 12.7% (Figure 18). The momentum⁶ of housing loans strengthened from 11.3% to 11.8%, as did that of general-purpose cash loans, from 4.5% to 7.2%. Corporate loans grew by EUR 111m in February. The continued deceleration of the annual growth rate of corporate loans (from 10.6% in January to 9.5% in February) was caused by the weaker growth of loans in the current month and the base effect related to the stronger growth of these loans in February 2025. The short-term indicator of lending activity (momentum), which weakened further from 11.2% to 8.4%, also points to a slowdown in lending to the corporate sector. Loans to accommodation and food service activities contributed the most to the annual growth rate.

Domestic sectors' deposits with credit institutions (excluding general government) rose by EUR 0.1bn in February, up by 0.1% from January. The February deposit growth was due to the increase in net claims on the central government and the positive contribution of lending activity, whereas the decline in net foreign assets of monetary institutions mitigated this impact.⁷ As regards the structure of domestic deposits, time deposits grew by EUR 0.34bn, of which EUR 0.2bn was accounted for by the corporate sector, EUR 0.1bn by other non-banking financial institutions and a small portion by households. Overnight deposits also decreased (by EUR 0.26bn), a decline attributable almost entirely to the corporate sector. The share of time deposits in total corporate deposits increased to 28.7% in February from 27.4% in January and oscillated within a relatively narrow range around the levels reached in 2024. The share of time deposits in total household deposits remained at the January level of 24.4%, which is a noticeably lower level than the peak (29.2%) recorded in mid-2024. The annual growth of total deposits accelerated to 6.8% in February from 6.1% in January and remained relatively strong, after having accelerated gradually since mid-2025. The acceleration was the fastest in the segment of corporate deposits.

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

7 This excludes the effect of the inflow of funds from the issue of the RC Ministry of Finance ten-year eurobond worth EUR 2.0bn in February.