



HNB

EUROSYSTEM

Information on economic, financial and monetary developments

October 2026



Summary

The latest survey indicators point to continued moderate euro area economic growth in the third quarter of 2026, despite the still unfavourable geopolitical environment (Figure 2). The composite Purchasing Managers' Index (PMI) reached 53.1 points in September, its highest level since April 2023. With its average value increasing significantly in the third quarter, the index returned to expansion territory after contracting in the second quarter. Improvement was observed across all sectors and was the greatest in the services sector, which is recovering from the strong contraction driven by the energy shock. Manufacturing is primarily supported by the strengthening of defence and infrastructure investments. The Economic Sentiment Indicator edged down in September, mainly due to a drop in consumer confidence caused by a renewed rise in energy prices, but remained considerably higher in the third quarter than in the second quarter. However, the favourable developments in survey indicators have not influenced monthly economic indicators for the beginning of the third quarter. Industrial production decreased slightly in July for the second consecutive month, while retail trade turnover dropped considerably, primarily due to the lower sales of non-food products. The decline in retail trade could indicate that households have remained cautious despite the summer rebound in confidence, as uncertainty remains elevated.

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

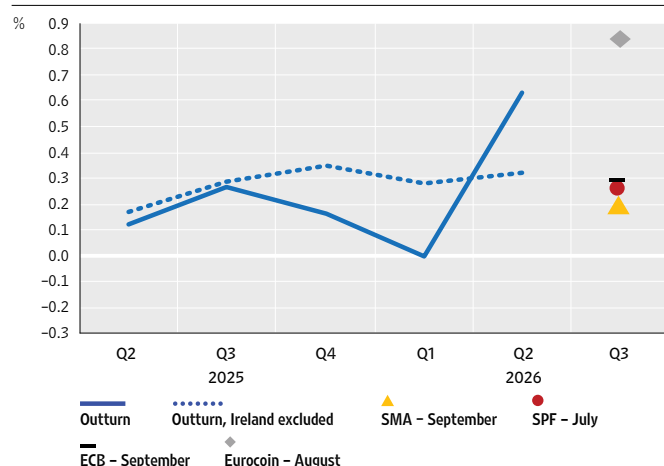
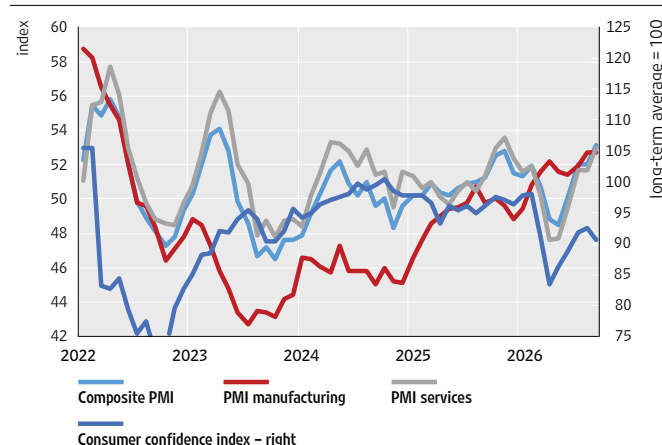


Figure 2 Survey indicators for the euro area



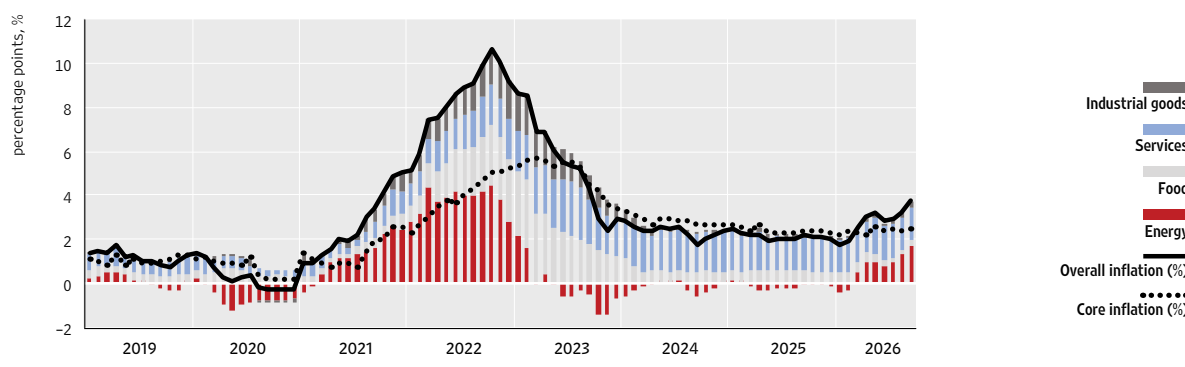
Notes: ECB - September denotes the ECB's September 2026 short-term projection of real growth in the euro area (Broad Macroeconomic Projection Exercise, BMPE). The abbreviations SMA (Survey of Monetary Analysts) and SPF (Survey of Professional Forecasters) refer to the results of the ECB's surveys of market participants of July and September 2026, respectively. Sources: Eurostat and ECB.

Sources: S&P Global and European Commission.

According to Eurostat's flash estimate, euro area inflation measured by the harmonised index of consumer prices (HICP) accelerated to 3.8% in September from 3.2% in August. This was primarily due to the increased contribution of energy to overall inflation, while the contribution of unprocessed food products and services also increased, albeit to a lesser extent (Figure 3). The annual growth rate of energy prices jumped to 18.8% from 14.3% in August, largely reflecting a rise in the retail prices of refined petroleum products caused by the continuing

disturbances and uncertainty in energy markets. Food inflation increased to 1.4% from 1.1% in August, with the growth of unprocessed food product prices accelerating. In contrast, the price inflation of processed food products continued the downward trend started in the middle of the previous year. Core inflation accelerated slightly to 2.5% in September from 2.4% in August due to services inflation accelerating to 3.2% from 3.0%, which could partly be attributed to the gradual spillover of increased energy prices. Industrial goods inflation, the other main core inflation component, slowed down slightly to 1.1% in September from 1.2% in August.

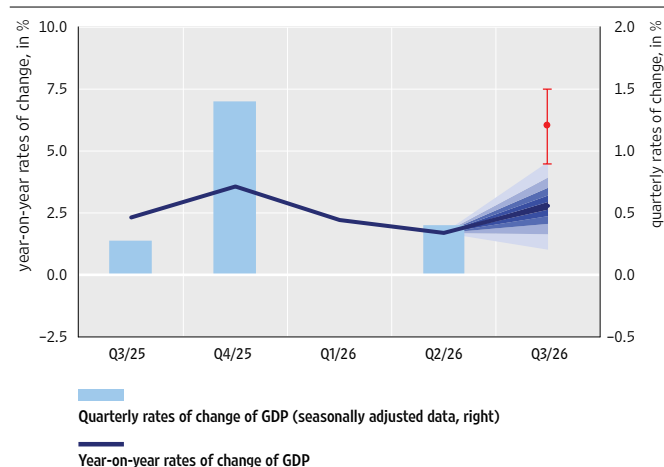
Figure 3 Euro area inflation indicators



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.

Available high-frequency indicators point to the strong acceleration of economic activity growth in Croatia in the third quarter of 2026. According to the CNB's nowcasting model of economic activity, real GDP could increase at a quarterly rate of 1.2% in the third quarter from 0.4% in the second quarter, while the annual growth rate could pick up to 2.8% from 1.7% (Figure 4). This assessment has not changed from the previous September assessment, although most indicators for August have now become available. The industrial production volume decreased mildly on a monthly level in August, but its average value remained much higher (4.6%) in July and August than in the second quarter. Growth was broadly based, with notable increases seen in the production of intermediate goods, energy and capital goods. Real retail trade turnover also increased noticeably, maintaining in August the level reached after the strong growth in July, and was on average 1.7% higher than in the previous quarter. Favourable tourism developments probably contributed partly to this increase, as shown by the annual growth of the number of tourist arrivals and nights during July and August. The volume of construction works decreased in July after the strong increase in June, but remained slightly above the second quarter average. As shown by survey indicators, developments in the last month of the third quarter will remain relatively favourable (Figure 5). Business optimism improved in all activities in September, remaining substantially higher than the long-term average. Optimism was higher in the third quarter than the average recorded in the previous quarter in all activities except in construction. Industry experienced the most favourable trends, with optimism reaching the peak this year due to more favourable expectations regarding production. Consumer confidence declined in September, mainly reflecting the weaker assessment of the household financial situation and lower economic expectations. However, it remained considerably higher on average than in the second quarter and close to the level from the beginning of the year.

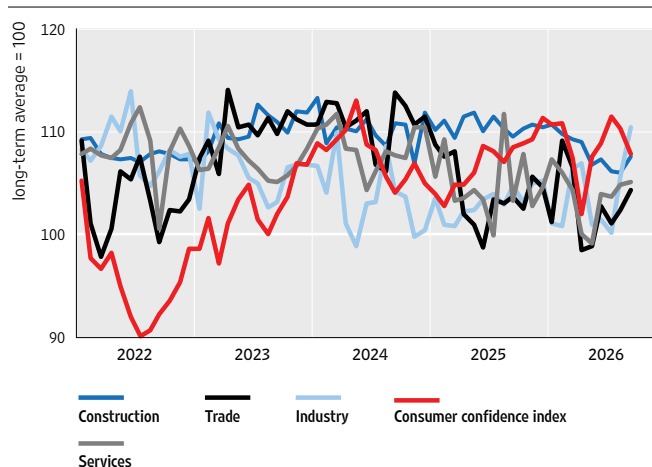
Figure 4 Quarterly gross domestic product



Notes: The estimate for the third 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 CNB survey Kunovac, D., and B. Špalat: "Nowcasting GDP Using Available Monthly Indicators", (CNB Working Paper, WP-39). The models are estimated on the basis of data published up to 30 September 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.

Figure 5 Consumer and business optimism indicators



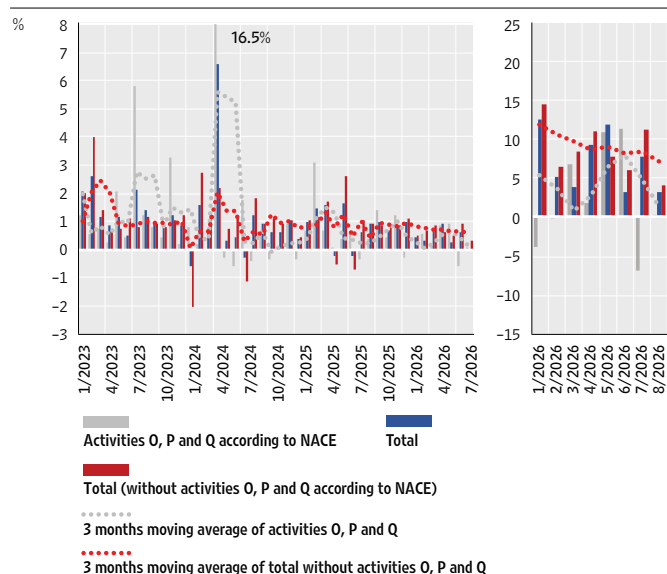
Source: Ipsos (seasonally adjusted by the CNB).

Employment growth slowed down even further during the third quarter, while wages continued to grow at a relatively strong pace, decelerating only slightly. The number of employed persons grew slightly in August on a monthly level after stagnating in July, with the result that the average employment was 0.2% higher in July and August than in April and May (the first two months of the second quarter) after the 0.3% growth in the second quarter. Employment in public administration and defence, education, healthcare and social work (sections P, Q and R under NACE 2025; i. e. the public sector) increased by 1.7% in July and August, dropping by 0.2% in the rest of the economy relative to April and May. Unemployment continued to decline, down by 3.2% in July and August from April and May, after falling 5.9% and 3.6% in the first and second quarters respectively. These developments influenced trends in the registered unemployment rate, which fell to 3.7% in August from an average of 3.9% in the previous quarter. The average nominal gross wage rose at a monthly rate of 0.3% in August after increasing by 0.6% in July (Figure 6), with the result that it was 1.5% higher in the first two months of the third quarter than in April and May. This continued the slowdown of quarterly growth (2.2% in the first quarter and 1.8% in the second quarter), which was more pronounced in the public sector,¹ where wages increased by 0.7% (down from 1.4% in the second quarter), than in the rest of the economy, which grew by 1.9% (as against the 2.1% of the second quarter). The annual wage growth has remained robust: the nominal gross wage grew at an annual rate of 8.2% in August (8.8% in July) and the real wage increased by 3.8% in August from 4.7% in July (Figure 7).

1 Due to the recent transition of the methodology of the National Classification of Activities from the 2007 version to the 2025 version, long-term wage data under the new methodology are still unavailable; therefore, public sector wages continue to be calculated according to NACE 2007 activities O, P and Q.

Figure 6 Nominal gross wages

monthly rate of change (left) and annualised rate (right)

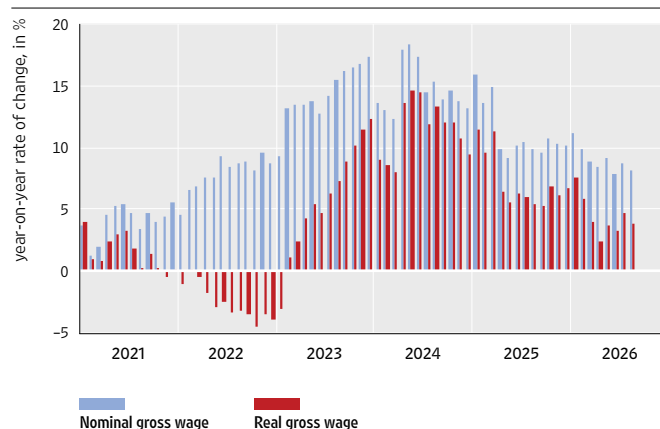


Notes: The data refer to NACE 2007. The right side of the figure showing 2026 displays annualised growth rates.

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 accelerated in September 2026 due to the accelerated growth of services and energy inflation.

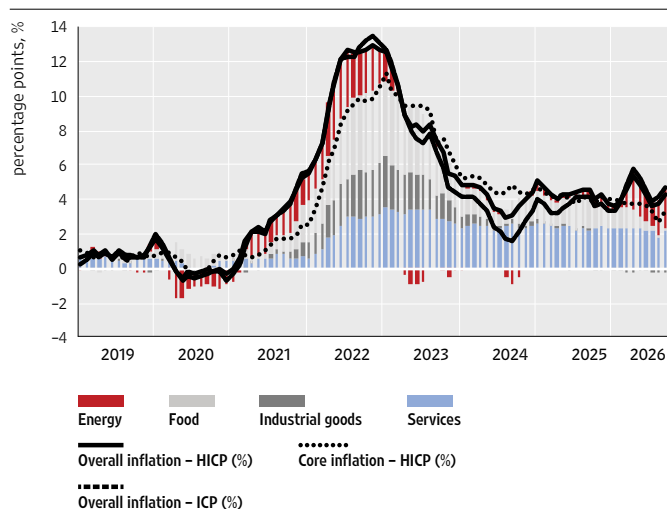
According to a flash estimate, inflation measured by the harmonised index of consumer prices (HICP)² accelerated to 4.3% in September from 3.7% in August (Figure 8) as a result of the sharp acceleration of core inflation and energy inflation. Core inflation, which excludes volatile energy and food prices, accelerated to 3.3% in September from 2.7% in August. The acceleration, mainly driven by the growth of service prices picking up from 6.7% to 5.6%, as shown by the short-term service inflation indicator, or momentum, as it is called³ (Figure 9), could point to the indirect effects of increases in energy prices. In addition, the annual rate of change in industrial goods prices, the other core inflation component, also increased, although to a much lesser extent (0.2 percentage points), but remained in negative territory. The annual growth of energy prices accelerated further to 19.7% from 17.0% in August, so these prices continued to be the main inflation driver in September, contributing 2.4 percentage points. Limited traffic through the Strait of Hormuz and difficulties in refinery production continue to prevent the normalisation of the supply of crude oil and petroleum products. The pass-through of these pressures to domestic fuel prices is partly mitigated by Government measures limiting retail fuel prices, so the observed increase in retail petrol and diesel prices in September was mitigated by lower excise duties and allowed merchant premiums. In contrast with core inflation and energy inflation, food inflation continued to decelerate for the sixth consecutive month, edging down to 0.2% in September from 0.3% in August due to the slowdown in inflation of processed food product prices. Inflation measured by the national consumer price index (CPI), which reflects the

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

structure of consumption of Croatian residents, accelerated to 4.7% in September from 4.2% in August, primarily as a result of the accelerated growth of energy prices and, to a lesser extent, of services and food prices, while the annual rate of decrease in industrial goods prices slightly deepened. In September, the harmonised indicator of overall inflation was 0.4 percentage points lower than the national indicator, while in August the difference was 0.5 percentage points (Figure 10). The inflation acceleration rate in Croatia equalled the euro area average in September, so the gap between inflation in Croatia and the euro area average remained unchanged from August at 0.5 percentage points, which is the lowest inflation differential since the beginning of 2022 (Figure 11).

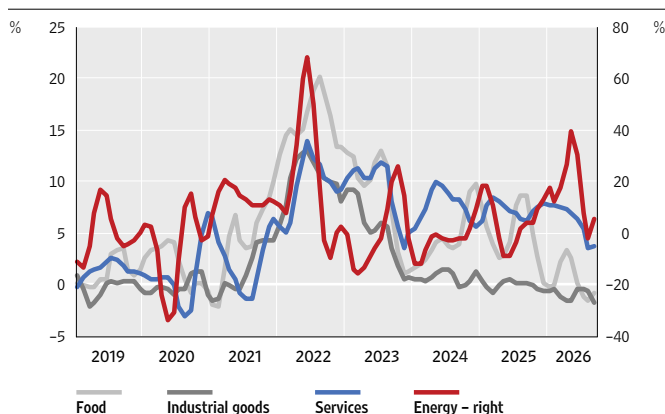
Figure 8 Inflation indicators in Croatia



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.

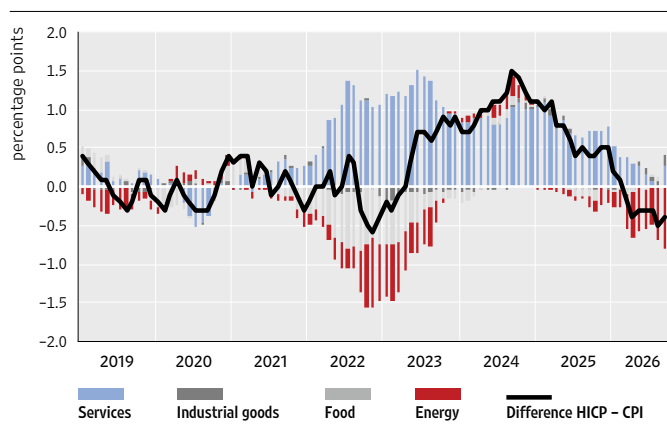
Figure 9 Momentums of the main inflation components



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.

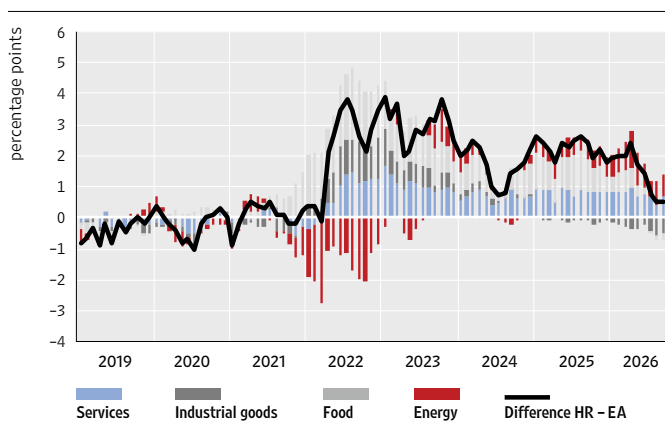
Figure 10 Difference between the contributions of the main components to the overall HICP and CPI



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.

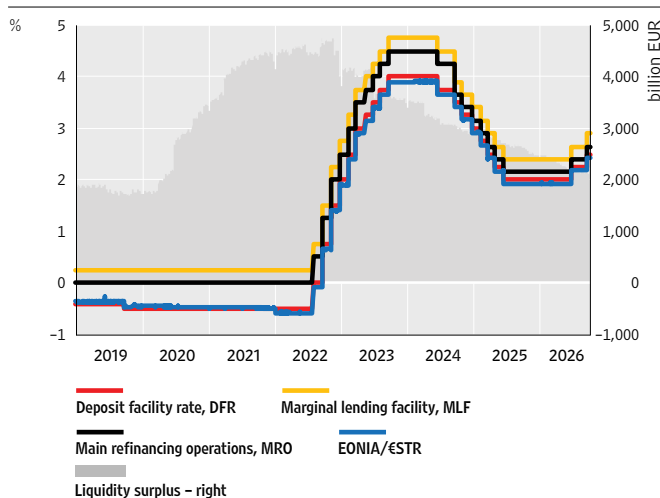
Figure 11 Difference between overall inflation and the contributions of the main components to overall inflation in Croatia and the euro area



Note: A positive (negative) value denotes a larger (smaller) contribution of the inflation of prices of a specific component to overall HICP inflation in Croatia relative to the euro area average.

Sources: Eurostat and CNB calculations.

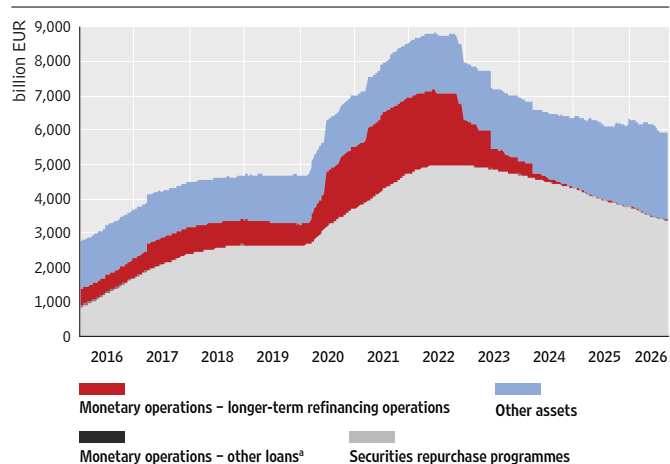
Figure 12 Key ECB interest rates



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

Source: ECB.

Figure 13 Eurosystem balance sheet



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

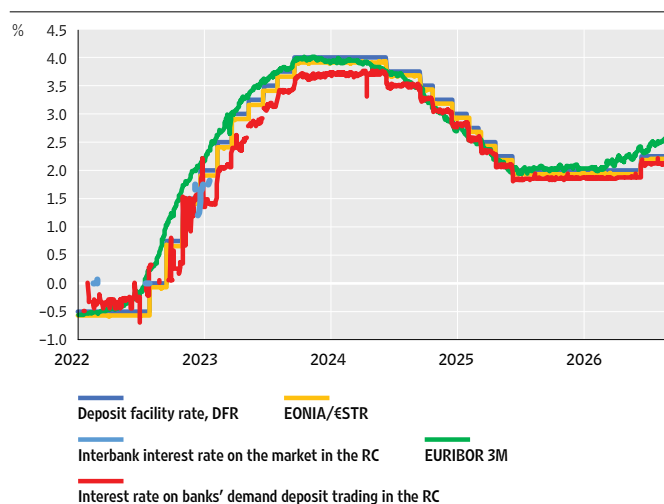
Note: The Eurosystem monetary balance sheet asset items are shown in grey and red and non-monetary in blue.

Source: ECB.

Further increases in oil prices and inflationary pressures persisting throughout September shifted market participants' expectations towards stronger monetary tightening and fuelled bond yield growth, while equity indices declined despite favourable macroeconomic indicators. The continuation of the US-Iran conflict and the uncertainty over energy supplies in September spurred the continued rise in the price of Brent oil, which stood at USD 104 a barrel at the end of September, some 14% higher than at the end of August. Most recently, a barrel was traded systematically above USD 100 in May. Elevated oil prices supported a rise in short-term inflation expectations in the euro area, but despite rising energy prices and financing costs, economic activity indicators remained relatively favourable, as indicated by good GDP figures for the second quarter and the PMI for September. Rising inflation expectations and the resilience of the economy shifted market participants' expectations towards a stronger tightening of the ECB's monetary policy. After the ECB raised key interest rates by 25 basis points in September, market participants expected further increases at the next ECB Governing Council meetings at the end of September. Market expectations for a stronger increase in the key ECB interest rates translated into a rise in the 3-month EURIBOR, which reached 2.7% in September, its highest level since January 2025 (Figure 14). Elevated inflation expectations and expectations of the tightening of US and euro area monetary policy triggered the growth of long-term bond yields. The euro area GDP-weighted average yield on long-term government bonds of euro area member states rose by around 40 basis points during September, reaching 4.1 % at the end of the month, its peak since January 2012. The yield on ten-year Croatian bonds increased from 3.8% at the beginning of September to 4.2% at the end of the month, its highest level since October 2023. However, despite the growth of Croatian bond yields, the spread between these yields and the yield on the ten-year German bond has remained approximately 60 basis points, slightly above this year's average. Long-term US bond yields grew somewhat more strongly, with 10-year US bond yields fluctuating at around 5.3% at the end of September, about 60 basis points above the end of August level and

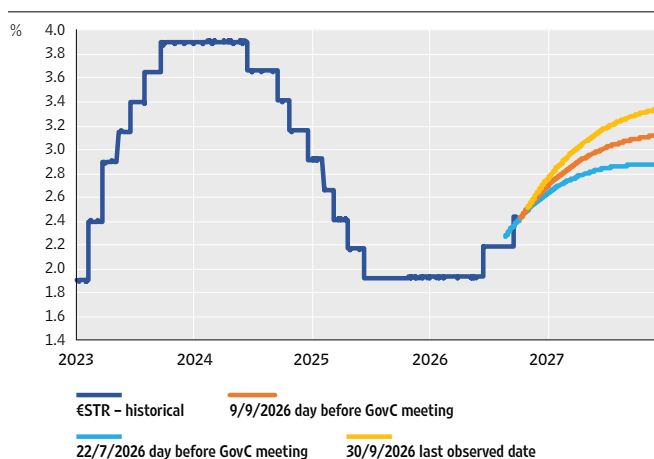
the highest level since 2007. At the same time, the euro weakened by around 2% in September, to around USD/EUR 1.13. In equity markets, the European stock index Eurostoxx 50 fell by around 2% by the end of September from the end of August, due to the rise in bond yields, high energy prices and geopolitical uncertainty, while favourable macroeconomic indicators and the rise in technology sector share prices to some extent cushioned the intensity of the decline in the overall index.

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



Notes: DFR (deposit facility rate). At the beginning of 2022, EONIA was 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 September 2026.
Sources: ECB and CNB.

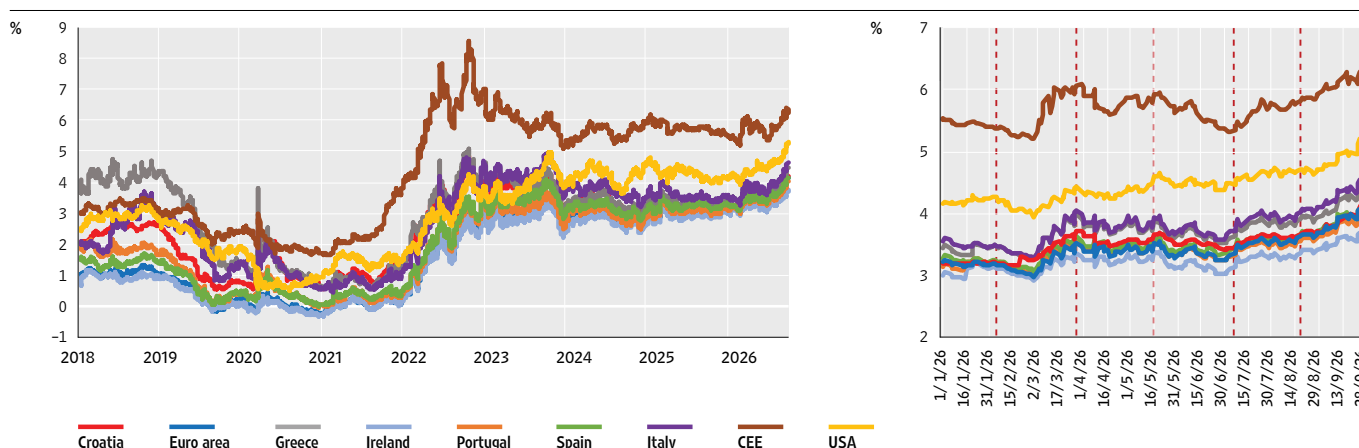
Figure 15 €STR forward curve



Notes: The forward curve is estimated using the overnight indexed swap rate (OIS). Forward curves show the selected forward curves formed during the observed period, concluding with the latest available data from 30 September 2026.

Sources: Bloomberg and CNB calculations.

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

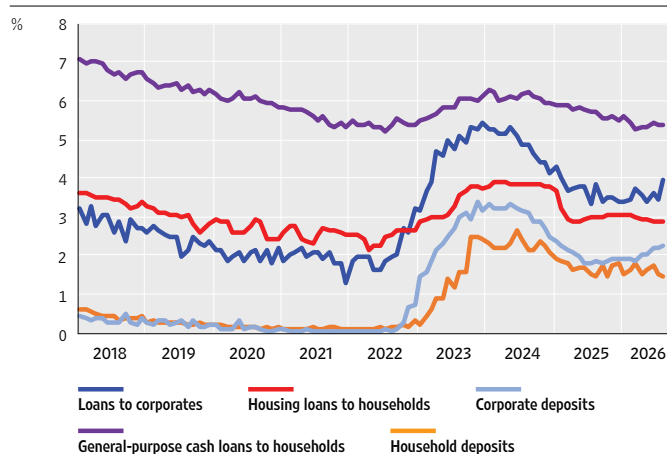


Notes: CEE – countries of Central and Eastern Europe (the Czech Republic, Hungary, Poland and Romania); yields for the euro area and CEE have been weighted by the share of GDP of the countries included. Data from the euro area do not include those from Bulgaria, Lithuania, Latvia, Estonia, Luxembourg and Malta. The red dotted lines denote ECB Governing Council meetings in the observed period. The latest data are for 31 August 2026.

Average interest rates on pure new corporate loans were much higher in August than in July 2026, interest rates on general-purpose cash loans to households edged up and those on housing loans held steady. The interest rate on corporate loans increased by 49 basis

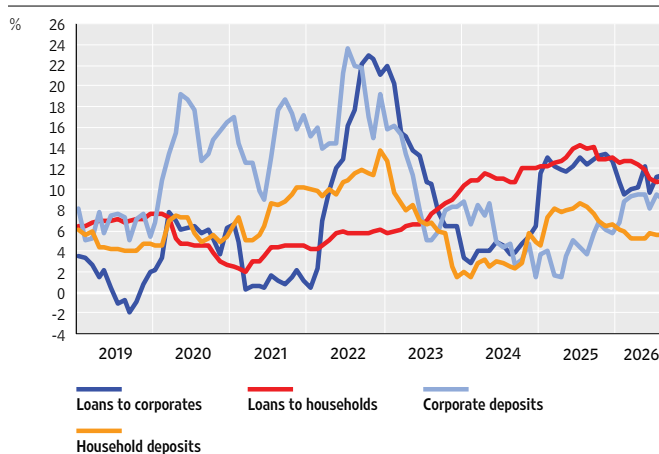
points, to 3.94% (**Figure 17**), mainly reflecting higher interest rates on long-term loans, while interest rates on short-term loans also increased slightly. Interest rates on loans with variable interest rates linked to the EURIBOR increased significantly (67 basis points), while interest rates charged on fixed-rate loans went up by 16 basis points. Broken down by loan amount, the average interest rate on loans above EUR 1m grew by 64 basis points. Although interest rates on loans with larger amounts oscillated considerably, depending on the enterprises borrowing in a given month, a large number of banks recorded interest rate growth in August. The average interest rate on corporate loans increased by 49 basis points from the last quarter of 2025. As regards household lending, interest rates on general-purpose cash loans grew mildly to 5.38% after a sharp decrease at the beginning of the year, amid a series of promotional offers by banks, which were later renewed. Interest rates on loans with variable interest rates linked to the EURIBOR increased, although their share in total general-purpose cash loans is very small. Due to favourable financing conditions, the amount of cash loans granted in August stood at the relatively high EUR 294m, rising by EUR 67m from the same month in the previous year. In August, the interest rate on pure new housing loans stood at 2.90%, i.e. 15 basis points below the February level, close to the level reached after the sharp fall in early 2025, a period marked by promotional bank offers. The interest rate on housing loans with a fixed-to-maturity interest rate edged up to 2.93%, with their share rising to 87.6%, while the interest rate on loans with a variable interest rate indexed to the EURIBOR edged down to 2.73%. However, the effective interest rate on the latter loans grew slightly, up to 3.37%, exceeding that on fixed-rate loans (3.24%). The interest rate on existing corporate loans ticked up to 3.86%, while interest rates on household loans held steady at 5.63% and 3.02% for cash and housing loans, respectively.

In August, interest rates on pure new corporate time deposits increased and those on household time deposits decreased. The interest rate on pure new corporate time deposits continued to grow, rising by 4 basis points to 2.23%, while that on household time deposits decreased by 8 basis points to 1.45%. Interest rates on existing corporate deposits increased slightly to 0.59%, with rates on both time and overnight deposits rising. The average interest rate on household deposits was 0.30%, with rates on both kinds of deposits remaining almost unchanged.

Figure 17 Interest rates on pure new loans and time deposits of corporates and households

Notes: Data up to December 2022 refer to loans and deposits in kuna, kuna with a currency clause in euro and those 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) edged down in August by EUR 19m, due to a drop in corporate loans, while household loans continued to grow, but at a weaker pace than in the previous few months. Corporate loans decreased by EUR 176m (0.9%), with the bulk of the decrease related to the segment of loans to large enterprises. Looking at the loan purpose, working capital loans experienced the largest decline, and manufacturing was the activity making the most significant contribution to the fall in the monthly interest rate⁴. The momentum of corporate loans weakened from 14.4% in July to 0.1% in August because the strong growth in May was excluded from the calculation and those loans fell in June too. The annual growth rate accelerated slightly from 11.2% to 11.3 % due to the base effect, i.e. even stronger contraction of corporate loans in the same month of the previous year. Real estate activities and accommodation and food service activities continued to provide the biggest contributions to annual growth. The growth of household loans slowed down seasonally as a result of the slower growth of housing loans (EUR 120m) and general-purpose cash loans (EUR 57m) than in the previous months. The momentum of housing loans weakened from 13.3% to 12.5% and that of cash loans from 11.8% to 9.9%. The annual growth of housing loans accelerated from 12.1% to 12.4% and that of cash loans from 9.8% to 10.1%, with the result that the annual growth of total household loans accelerated slightly from 10.7% to 10.8% (Figure 18).

Domestic deposits (excluding general government) grew by EUR 1.3bn in August, building on the strong July growth during the peak tourist season. Net foreign assets of monetary institutions grew strongly, while the intensity of the increase in deposits was mitigated by the decline in net claims on the central government and the slight decline in loans to domestic sectors. Corporate deposits increased by EUR 0.7bn, household deposits went up by EUR 0.5bn and deposits of other non-bank financial institutions grew by EUR 0.9bn. Overnight deposits increased by EUR 0.9bn and time deposits went up by EUR 0.4bn. On an annual basis, the growth in

4 Approximately 80% of the fall was accounted for by loans to a large manufacturing company (EUR 140m).

total deposits continued to accelerate gradually, reaching 6.4% in August. The share of corporate time deposits dropped from 29.6% in July to 29.0% in August and continued to fluctuate around the levels reached in 2024, while the share of household deposits also continued to decrease, from 22.9% in July to 22.5% in August, remaining well below the peak of 29.2% in mid-2024.