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EUROSYSTEM

Information on economic, financial and monetary developments

November 2026

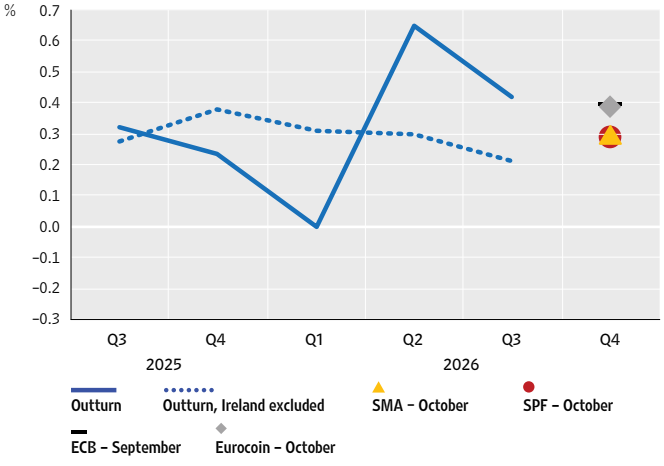
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Summary

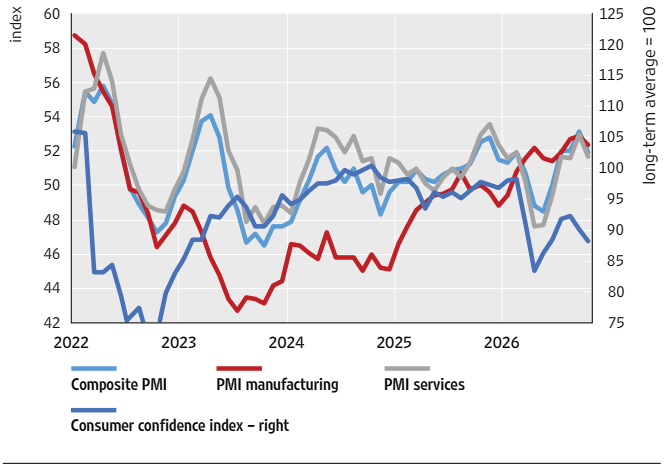
Economic activity in the euro area grew moderately in the third quarter and is expected to continue at a similar pace in the fourth quarter. Following a quarterly growth of 0.6% in real gross domestic product in the second quarter, preliminary Eurostat estimates for the third quarter of 2026 point to an increase of 0.4% (Figure 1). After the 0.3% recorded in the second quarter, the growth of euro area economic activity moderated slightly to 0.2% in the third quarter. This excludes Ireland due to its highly volatile data, which are strongly influenced by multinational enterprise operations. As regards the four largest euro area economies, Spain again showed the fastest growth (0.6%), followed by Germany (0.2%). Economic activity in Italy stagnated (0.0%) while it edged down slightly in France (–0.1%). Most available estimates for the fourth quarter point to continued moderate economic activity expansion in the conditions of the continuing energy shock (Figure 2). Even though somewhat weaker than compared with the third quarter average, the composite purchasing manager index (PMI) continued to significantly exceed the threshold separating economic growth and economic downturn. The industrial component held steady at the level of the third quarter, maintaining the trend of mild expansion. The services component saw a slight decrease compared with the third quarter primarily due to the contraction in activity in the French services sector, largely attributable to strikes and protests in parts of the country. On the other hand, the consumer confidence index in the euro area declined in October compared with the third quarter due to the downgraded outlook for a peace agreement in the conflict in the Middle East, leading to an increase in energy prices.

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



Notes: Abbreviation ECB – September refers to ECB September 2026 short-term projections of real growth in the euro area (Broad Macroeconomic Projection Exercise, BMPE). Abbreviations SMA (Survey of Monetary Analysts) and SPF (Survey of Professional Forecasters) refer to the results of the ECB survey of market participants in October 2026.
Sources: Eurostat and ECB.

Figure 2 Survey indicators for the euro area

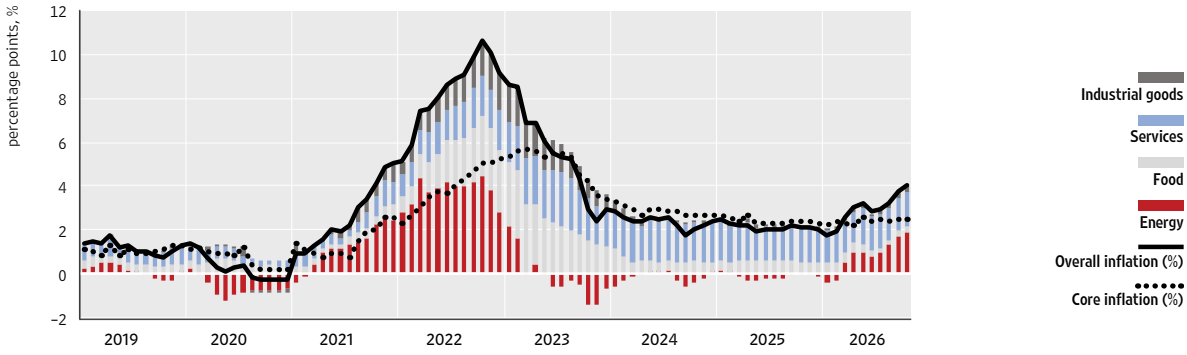


Sources: S&P Global and European Commission.

According to Eurostat's flash estimate, euro area inflation in October accelerated to 4.0% from 3.8% in September, mostly as a result of the increase in energy price inflation from 18.9% to 20.8%, reflecting disruptions and uncertainty in energy markets (Figure 3). Furthermore, food price inflation increased to 1.6% from 1.3% in September, with processed food

price inflation slightly accelerating (to 0.5% from 0.4%). The acceleration of unprocessed food price inflation was more pronounced (from 4.0% to 4.6%), which could partly reflect the adverse effects of the summer drought experienced by many European countries. Core inflation (which excludes energy and food prices) in the euro area was 2.5% in October, pointing to the so far limited indirect effects of this year's substantial upward shift in energy prices. However, annual inflation rates of both main core inflation components slightly increased from September and industrial goods price inflation accelerated to 1.2% from 1.1%, and services price inflation to 3.3% from 3.2%.

Figure 3 Euro area inflation indicators



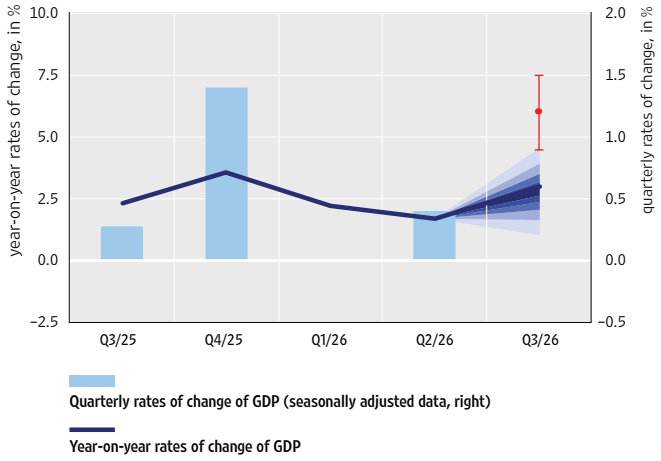
Note: Core inflation is measured by the harmonised index of consumer prices, which excludes energy, food, alcoholic beverages and tobacco prices.
Sources: Eurostat and CNB calculations.

Available monthly indicators point to the strong acceleration of economic activity growth in Croatia in the third quarter. 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, and the annual growth rate could pick up to 3.0% from 1.7% (Figure 4). The expected annual rate is somewhat higher than that estimated in September, given the relatively favourable monthly indicators, while the estimated quarterly dynamics remained unchanged due to the revision of historical data that was reflected in the estimate of seasonal factors. The volume of industrial production increased by 2.3 % in September from August and was 5.4 % higher in the third quarter (as a whole) than in the second quarter. The quarterly growth was mostly due to the strong increase of intermediate goods production (14.0%), followed by energy production (3.9%) and capital goods production (3.3%). Retail trade also recorded favourable developments, with real turnover continuing to increase in September, up by 1.4% in the third quarter relative to the previous quarter. Such developments largely reflect increased sales of non-food products, while motor fuels sale was significantly below the levels of the end of last year due to the increase in energy prices following the exacerbation of the conflict in the Middle East. Somewhat more moderate growth was recorded in construction, with the volume of construction works in August remaining almost unchanged from July (0.1%). The July and August average was thus 0.4% higher than the second quarter average, with building construction works increasing by 2.1% and other civil engineering works reducing by 1.5%.

As shown by survey indicators, developments in the beginning of the fourth quarter will remain relatively favourable (Figure 5). Consumer confidence increased slightly in October

from September despite further exacerbation of the conflict in the Middle East and the continued strong energy prices growth on the global market. The monthly growth is primarily a reflection of an improved perception of the current financial situation in households compared with the previous year and the improved expectations for the overall economic situation in Croatia in the next 12 months. Nevertheless, consumer optimism in October dropped slightly below the third quarter average. On the other hand, business optimism declined from September except in the services sector. Notwithstanding this, in most of the observed activities, apart from construction, optimism remained above the average of the previous quarter. The industry sector saw the most favourable developments, with optimism maintained above the longer-term average in all observed activities.

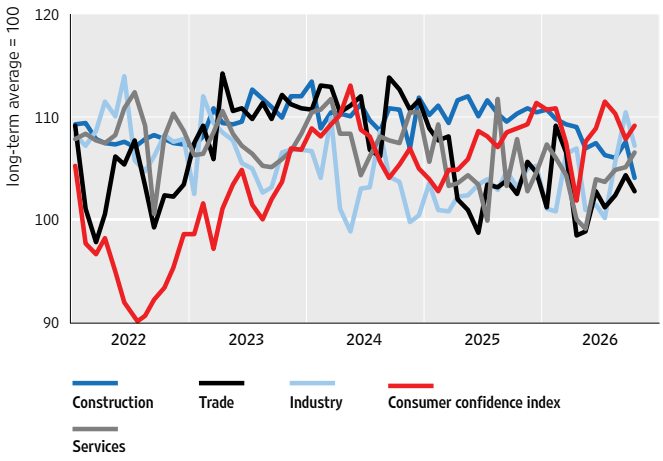
Figure 4 Quarterly gross domestic product



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 October 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



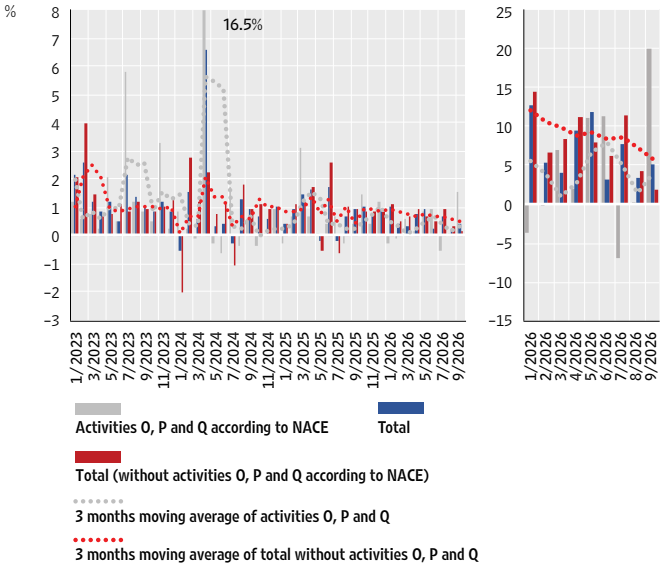
Source: Ipsos (seasonally adjusted by the CNB).

Employment growth slowed down slightly in the third quarter, as did wage growth, which nevertheless remained relatively strong. The number of employed persons in September was unchanged from the previous month. However, employment rose slightly at the level of the entire third quarter, but at a somewhat slower rate than in the previous quarter (0.2%, versus 0.3% in the second quarter). Employment in education, healthcare and social work (sections P, Q and R under NACE 2025; i. e. the public sector) increased by 0.9% in the third quarter, while remaining almost unchanged in the rest of the economy. The number of unemployed persons in the CES register continued to moderate, decreasing by 2.8% in the third quarter following the decline of 5.9% in the first and 3.6% in the second quarter. The registered unemployment rate dropped to 3.8% from 3.9% in the second quarter. The average nominal gross wage in September rose by 0.4% on a monthly level, following the 0.3% growth in August (Figure 6). Public sector wages rose by 1.5% after plateauing in August, reflecting the increase in the base for the calculation of wages of civil servants and government employees, while in the rest of the economy, the wages increased only slightly from the month before (0.1% in September following 0.3% in August). Wage growth

continued to slow down in the third quarter in the rest of the economy (1.7%, following 2.1% in the second quarter), while remaining relatively strong. The annual wage growth remained relatively strong: the nominal gross wage grew at an annual rate of 8.2% in September (the same as in August) and the real wage increased by 3.3% from 3.8% in August (Figure 7).

Figure 6 Nominal gross wages

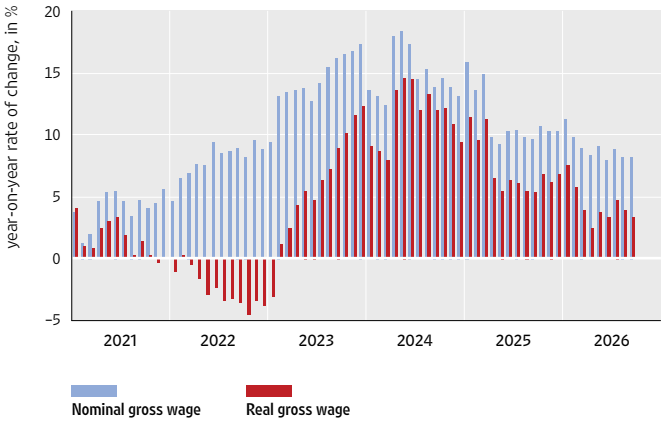
monthly rate of change (left) and annualised rate (right)



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.

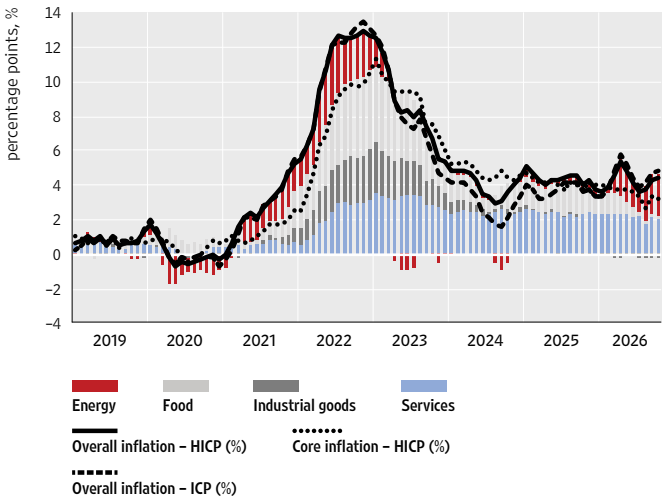
Inflation (HICP) in Croatia in October 2026 slightly accelerated due to a pick-up in food prices and, to a lesser extent, energy prices, while core inflation, which excludes volatile energy and food prices, decreased slightly. According to a flash estimate, inflation measured by the harmonised index of consumer prices (HICP)[1] accelerated slightly in October, increasing to 4.4% in October from 4.3% in September (Figure 8). The increase was mostly driven by food prices, whose growth, following six consecutive months of deceleration, picked up in October due to faster growth in processed food prices. Regardless of the increase, the annual food price growth rate continued to be relatively low and, following 0.2% in September, it was 0.5% in October, i.e. noticeably lower than the average of 3.7% in the first quarter of 2026. Cost pressures on world energy markets related to geopolitical tensions in the Middle East and disruptions in energy supply continued so the annual growth of energy prices further accelerated in October, increasing to 19.9% from 19.6% in September, while the short-term indicators of energy price inflation, i.e. the momentum[2], also accelerated significantly (Figure 9). Still, the pass-through of price pressures from global markets to domestic retail fuel prices has continued to be partly mitigated by Government measures limiting refined petroleum product prices. Unlike food and energy

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

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

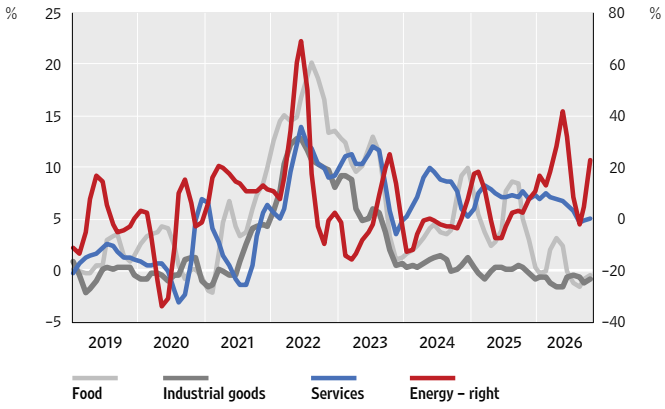
price inflation, core inflation edged down to 3.2% in October from 3.3% in September as a result of slower growth of service prices (to 6.3% from 6.7%). At the same time, industrial goods prices, the other component of core inflation, edged down slightly (to –0.6% from –0.9%). The pick-up in inflation seen in Croatia in October was less pronounced than at the euro area level, so the inflation differential moderated slightly to 0.4 percentage points from 0.5 percentage points in the previous two months, which is the lowest differential level since the beginning of 2022 (Figure 11). In October, the harmonised indicator of overall inflation in Croatia was 0.5 percentage points lower than the national indicator (CPI), which reflects the Croatian household consumption structure, while in September the difference was 0.5 percentage points (Figure 10). Inflation measured by the CPI picked up in October to 4.9% from 4.7% in September mostly due to the increase in the annual rate of change in industrial goods prices and to lesser extent energy prices while food price inflation remained unchanged and services price inflation decelerated only slightly.

Figure 8 Inflation indicators in Croatia



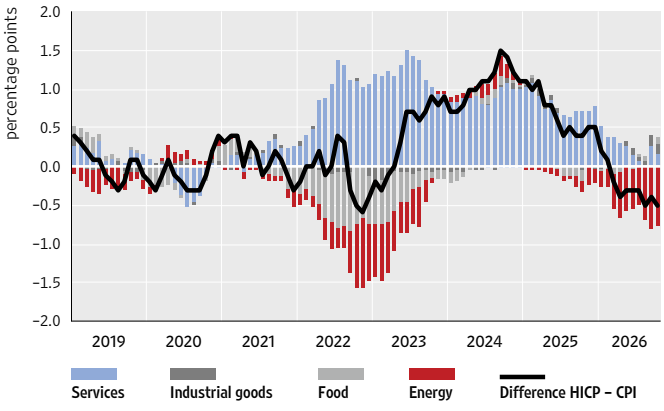
Note: Core inflation is measured by the harmonised index of consumer prices, which excludes energy, food, alcoholic beverages and tobacco prices.
Sources: Eurostat, CBS and CNB calculations.

Figure 9 Momentums of the main inflation components



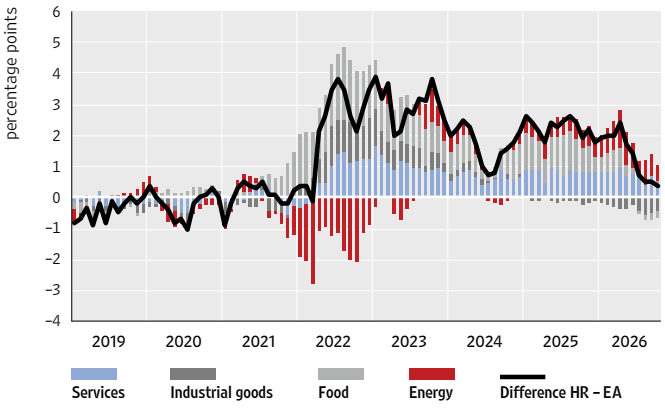
Note: The quarterly rate of change on an annual level is calculated from the quarterly moving average of seasonally adjusted harmonised consumer price indices.
Sources: Eurostat and CNB calculations.

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

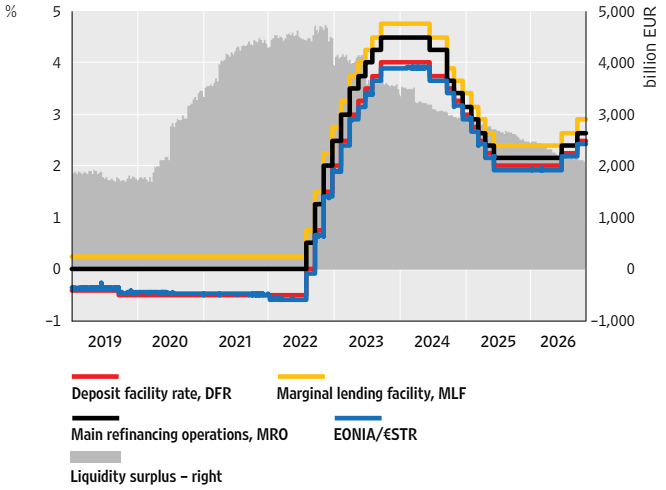


Note: A positive (negative) value denotes a larger (smaller) contribution of the inflation of prices of a specific component to overall HICP inflation in Croatia relative to the euro area average.
Sources: Eurostat and CNB calculations.

At its meeting on 29 October, the Governing Council of the ECB decided to keep the key ECB interest rates unchanged (Figure 12). The deposit facility rate, a relevant indicator of the ECB's monetary policy, was at 2.50%. The Governing Council underlined the continued increase of energy prices, with the risks to the upside for inflation and to the downside for economic growth. The effects of the energy shock to inflation are still unfolding so core inflation remains broadly stable and the energy shock does not significantly affect the wage growth. An increased intensity and duration of the energy shock as well as its indirect and secondary effects will probably contribute to a stronger increase in inflation and reduced growth relative to earlier expectations. The tightening of financing conditions since the Governing Council's last meeting will also likely weigh on inflation and growth. The Governing Council is determined to ensure that inflation stabilises at its 2% target in the medium term. Decisions on the appropriate levels of interest rates will continue to be based on a data-dependent and meeting-by-meeting approach. The Governing Council is not precommitting to a particular rate path.

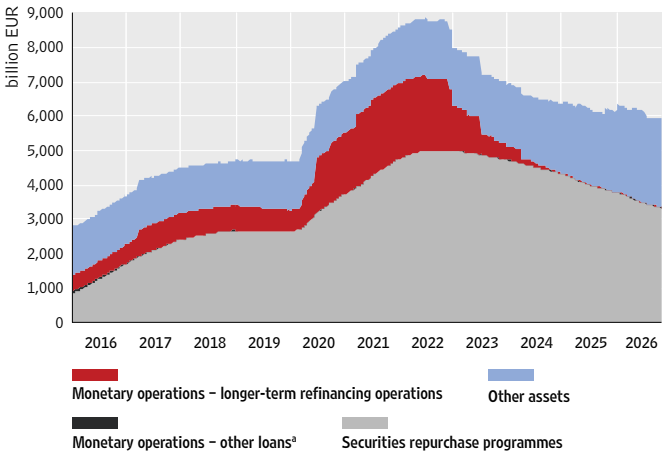
The Eurosystem's assets related to the implementation of monetary policy continue to decrease gradually (Figure 13). The Eurosystem's asset purchase programme (APP) and the pandemic emergency purchase programme (PEPP) portfolios are declining at a measured and predictable pace, with the principal payments 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. In October, non-monetary policy assets were close to the level recorded in the previous quarter. However, since the beginning of 2024 non-monetary assets have increased markedly, mainly owing to the rise in the price of gold in financial markets.

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.

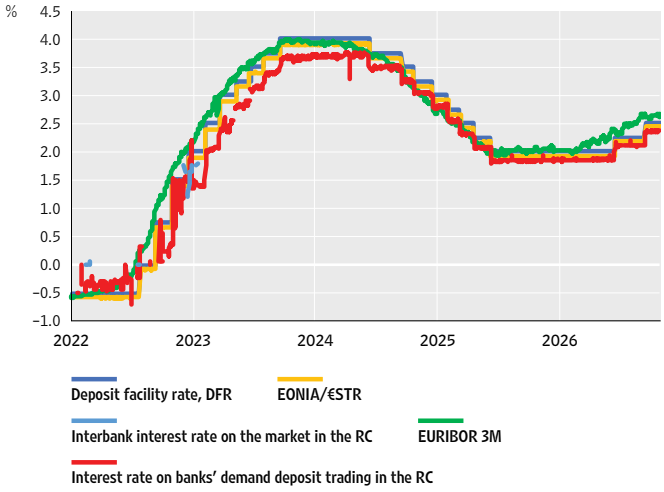
Figure 13 Eurosystem balance sheet



[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.

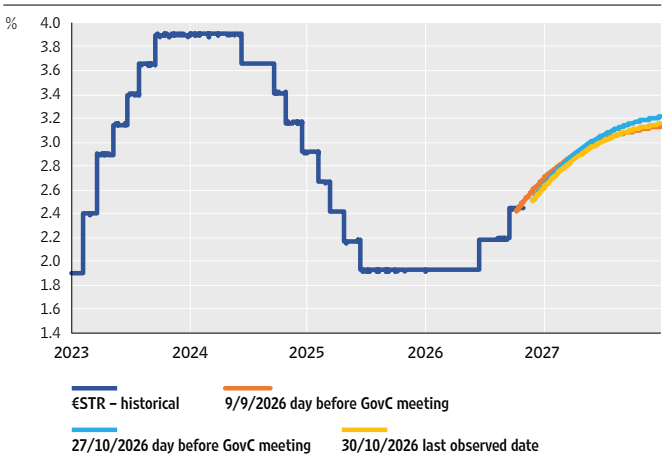
Geopolitical uncertainty and higher energy prices continued to support short-term inflationary expectations in the euro area in October, as well as expectations about further increases in the ECB's key interest rates, while yields on euro area long-term government bonds declined amid increased fragmentation. Continued geopolitical tensions in the Middle East paired with uncertainty surrounding energy supply contributed to further increase in energy prices in October. Brent oil at the end of October costs approximately USD 118 a barrel, the highest price since April this year and 14% higher than at the end of September. Natural gas prices in the European market rose by 44% to EUR 104 per Mwh in the same period, the highest level since December 2022. Higher energy prices continued to support short-term inflation expectations in the euro area. Notwithstanding this, market actors slightly reduced expectations of an additional increase in ECB key interest rates in the following quarters. Yields on euro area long-term government bonds declined while fragmentation increased. In particular, the euro area GDP-weighted average of long-term government bond yields dropped in October by around 14 basis points and reached 4.0% at the end of the month. At the same time, following robust increases in September, the yield on ten-year French bonds rose further in October, exceeding 5% for the first time in over 20 years. At the end of the month, the spread between the French and German ten-year yields reached around 165 basis points, the highest level since November 2011, contributing to the rise in fragmentation in the euro area bond market. The yield on long-term Croatian bonds followed the average yield of the euro area, declining from 4.1% in early September to 4.0% in late October. The difference between the Croatian and German ten-year yield edged up, amounting to around 70 basis points at the end of the month, the highest level since April 2025. Long-term US bond yields declined significantly, with ten-year US bond yields fluctuating at around 4.9 % at the end of October, about 36 basis points lower than at the end of September. The euro depreciated by 1.5% against the US dollar to around USD/EUR 1.12 and in equity markets, the European stock index Eurostoxx 50 fell in October by around 2.2% when compared with the end of September.

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



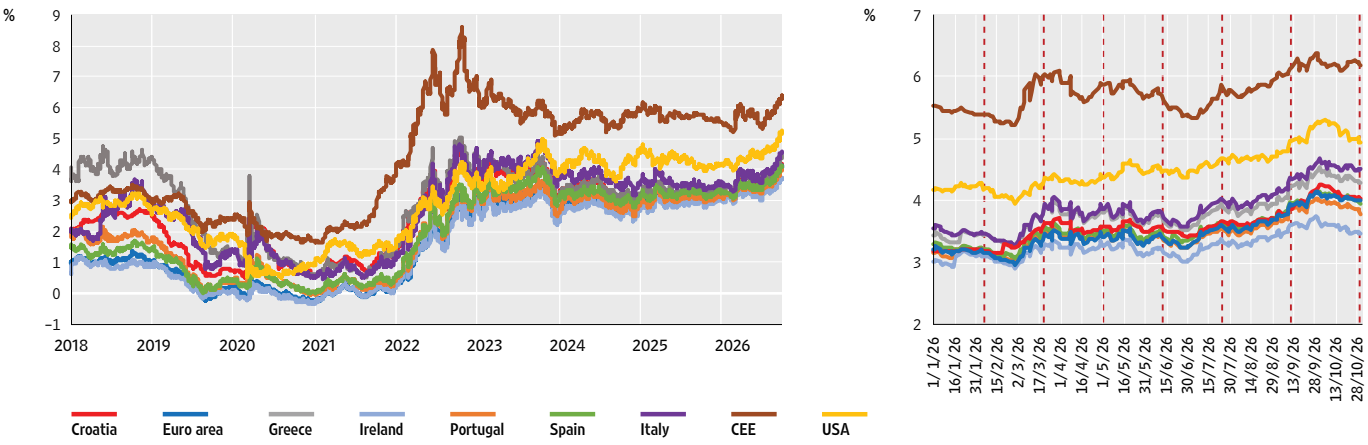
Notes: DFR (deposit facility rate). At the beginning of 2022, EONIA was replaced by €STR. The overnight interest rate on the money market in Croatia in 2022 is based on euro transactions. The latest data are for 30 October 2026.
Sources: ECB and CNB.

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 October 2026.
Sources: Bloomberg and CNB calculations.

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



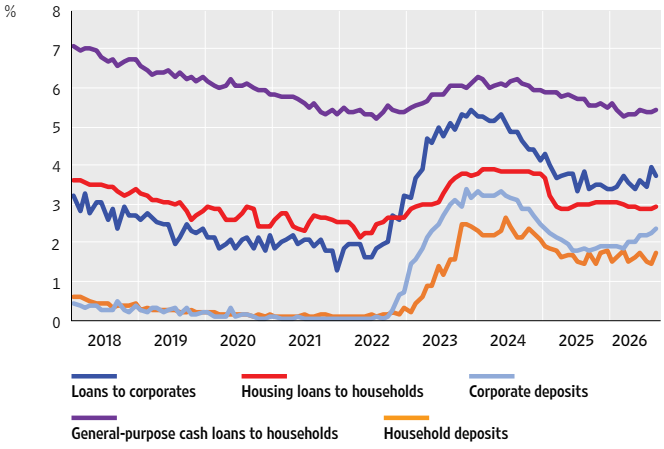
Notes: CEE – countries of Central and Eastern Europe (the Czech Republic, Hungary, Poland and Romania); yields for the euro area and CEE have been weighted by the share of GDP of the countries included. Data from the euro area do not include those from Bulgaria, Lithuania, Latvia, Estonia, Luxembourg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

Average interest rates on pure new corporate loans declined in September 2026 after surging in August, while interest rates on general-purpose cash loans and housing loans to households rose slightly in September. The average interest rate on pure new corporate loans decreased to 3.74% in September or by 20 basis points (Figure 17), after surging in August, with a large number of banks reducing interest rates. Interest rates on loans with larger amounts oscillated significantly from month to month depending on the borrowing conditions of a smaller number of companies with large loans in a particular month, so the lower total average in September was due to the fall in the average interest rate for loans over EUR 1m by 37 basis points. On the other hand, the average interest rate on loans below EUR 1m grew by 16 basis points. The decrease in the average interest rate in September mostly reflects lower interest rates on

long-term loans, but short-term loan interest rates also edged down. Interest rates on loans with variable interest rates linked to the EURIBOR decreased by 27 basis points while those charged on fixed-rate loans fell by 4 basis points from August. The average interest rate on corporate loans increased by 29 basis points from the last quarter of 2025 when EURIBOR already began to rise. As regards household lending, interest rates on general-purpose cash loans grew mildly to 5.44% in September from August after a sharp decrease at the beginning of the year, amid promotional offers by a series of banks, which were later renewed. The higher interest rate on loans with a fixed-to-maturity interest rate (5.50%), which account for 95.3% of total general-purpose cash loans, contributed to the total average interest rate increase in September. The interest rate on loans with variable interest rates linked to the EURIBOR also rose slightly (to 4.16%). The amount of pure new general-purpose cash loans remains high, reaching EUR 352m, i.e. EUR 32m more than in the same month the previous year. The interest rate on pure new housing loans was 2.91% in September and it was relatively stable in the last six months. Following a slight increase in the second half of 2025, it decreased at the beginning of 2026 before returning to approximately the same level as in the first quarter of 2025 when banks were offering promotional interest rates. The interest rate on housing loans with a fixed-to-maturity interest rate held steady at 2.92% in September, with the share of such loans rising to 89.0%, while the interest rate on loans with a variable interest rate indexed to EURIBOR rose to 2.85%. The effective interest rate on loans with a variable interest rate linked to EURIBOR also rose, to 3.47%, exceeding that on the interest rate on fixed-rate loans (3.25%). In contrast, the nominal interest rate is higher on fixed-rate housing loans than on loans with variable interest rates. The interest rate on existing corporate loans ticked up to 3.92%, while the interest rates on household loans held steady at 5.62% and 3.02% for cash and housing loans, respectively, staying at almost the same level as in August. The average interest rate on general-purpose cash loans was 10 basis points lower and that on housing loans was 11 basis points lower in September than in the last quarter of 2025.

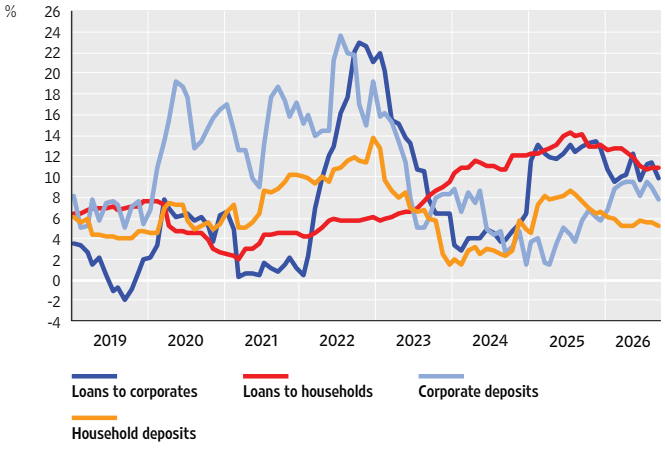
In September, interest rates on pure new corporate time deposits continued to increase and those on household time deposits also rose. The interest rate on pure new corporate time deposits rose by 13 basis points to 2.36%, while the rate on household time deposits increased by 28 basis points to 1.73%. Interest rates on existing corporate deposits increased slightly to 0.61%, with rates on time deposits rising and rates on overnight deposits remaining unchanged. For total deposits of households the average rate held steady at 0.30%, with rates on both deposit types remaining the same.

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, 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) rose in September by EUR 0.2bn, due to the continuation of relatively strong growth of household loans, with corporate loans edging down for the second consecutive month. Household loans increased sharply in September, with both housing (EUR 0.2bn) and general-purpose cash loans (EUR 0.1bn) growing significantly. The momentum of cash loans grew from 9.9% in August to 10.9% in September and that of housing loans from 12.5% to 13.0%. The annual growth rate of general-purpose cash loans accelerated from 10.1% to 10.3% and that of housing loans from 12.4% to 12.5%, so the annual growth of total household loans accelerated slightly from 10.8% to 10.9%. Following the decline in August, corporate loans also decreased in September, albeit at a much lower pace (EUR 0.1bn. or 0.5%), mostly for large companies. Looking at the loan purpose, working capital loans and trade and power supply activities made the most significant contribution to the month-on-month rate decline. Corporate loans momentum picked up slightly from 0.1% in August to 1.9% in September, while the annual growth rate moderated from 11.3% in August to 9.8% in September. Companies in real estate and financial activities as well as accommodation and food service activities (Figure 18) made the biggest contribution to the annual growth rate.

Domestic deposits (excluding the general government) rose only slightly in September compared with August, by EUR 25m. Non-bank financial institution deposits rose by EUR 0.4bn, while at the same time household deposits decreased by EUR 0.2bn, and corporate deposits by EUR 0.1bn. Overnight deposits increased by EUR 0.3bn and time deposits fell by almost the same amount. The growth of total deposits remained unchanged at an annual level from August (6.4%). The growth of non-bank institution deposits picked up and the annual growth of corporate and household deposits slowed down. The share of time deposits in total deposits of companies decreased from 29.0% in August to 28.3% in September. This decrease notwithstanding, corporate deposit structure has been relatively stable since the beginning of 2024 and the share of time deposits has been moving within a relatively narrow range The share of household

deposits remained at the August level of 22.5%, a noticeably lower level than the peak (29.2%) recorded in mid-2024.