

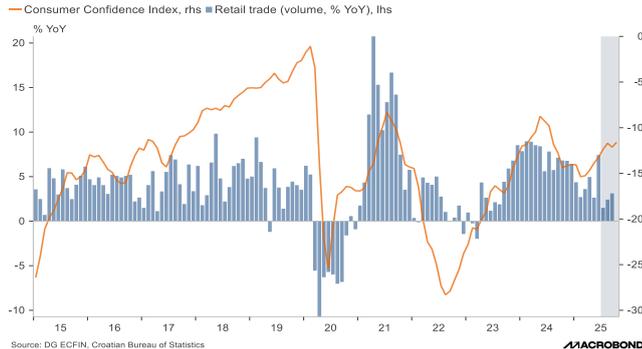
NUMBER 922, NOVEMBER 10, 2025

Monthly data suggest slowdown in Q3 growth

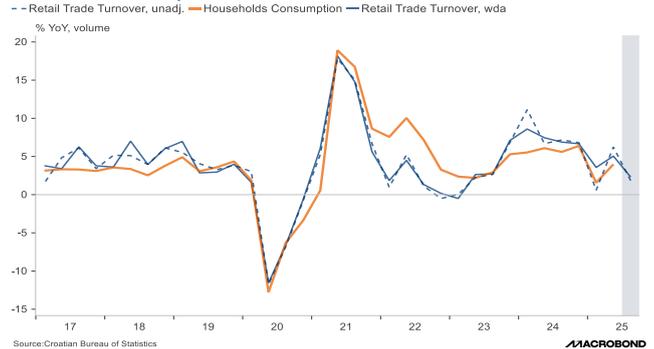
- Although the Croatian Bureau of Statistics will publish the first estimate of gross domestic product trends in the third quarter of this year only at the end of this month, monthly statistical data suggest a slowdown in economic activity compared to the growth rates recorded in the previous two quarters (3.3% and 3.6%, respectively). According to available data, real retail trade turnover during the third quarter recorded a slight decrease of -0.2% compared to the previous quarter (seasonally and cal. adjusted), while according to calendar-adjusted data, the annual growth rate slowed down to 2.3% - which is also the lowest growth rate recorded in the last eleven quarters. Such a noticeable slowdown in retail trade is associated with weaker spending by foreign tourists during the main tourist season, given that in the observed period, both the number of arrivals and overnight stays de facto stagnated (+0.3% and -0.1%, respectively), with a decline recorded during July and August, while only September brought a more noticeable growth. At the same time, the movement of the confidence index suggests less pessimistic consumers, given that the index has recorded a more or less uniform recovery after the minimum reached at the beginning of the year, supported by continued wage growth and solid labour market. According to the described developments, the publication of data on GDP in the third quarter is likely to show slower growth in private consumption and further decline in exports of services. Namely, the fiscalization data for Q3 show that the nominal amount of fiscalized invoices in activity I-55 (Accommodation) was 6.4% (with an average price increase of 11.1%), while in activity I-56 (Restaurants) the growth was 10.6% (with a price increase of 7.5%), which suggests a real decline in I-55 and growth in I-56. At the same time, data on trade in goods indicate a slowdown in the growth of goods exports followed by a decline in imports. Specifically, according to preliminary data, the growth of goods exports slowed down from 4.1% in the second quarter to 2.9% in the third, while imports at the same time recorded a decline of -0.4% after a growth of 5.3%. Thus, the data on trade in goods suggest a further slowdown in the growth of goods exports after the real growth decelerated to 2.8% in the second quarter, according to national accounts statistics, from 11% recorded in Q1, at the same time, a continuation of the decline in goods imports is likely, but due to methodological differences between the two statistics, let's wait for the end of the month and the publication of GDP data. The volume index of construction works in July and August so far indicates an acceleration compared to the previous quarter, while year-on-year during these two months activity recorded a growth of 6.4%, suggesting a slight slowdown compared to the 8.5% growth recorded in the second quarter. Given that slightly more than half of the investments relate to the construction sector, there is no reason not to expect a continuation of the positive contribution of investments to the overall GDP growth in the third quarter of this year. Overall, the available data point to a slowdown in the GDP growth rate in the third quarter of this year, which would be in line with our current estimate of this year's overall growth of around 3%, while due to the recently revised data for the first half of the year, growth could be only slightly higher than estimated.

In anticipation of the publication of data on GDP trends in Q3, the available monthly data are analysed

Retail Trade and Consumer Confidence Index



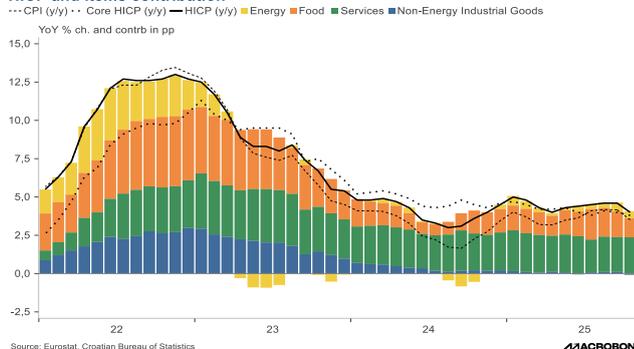
Households' Consumption and Retail Trade Turnover



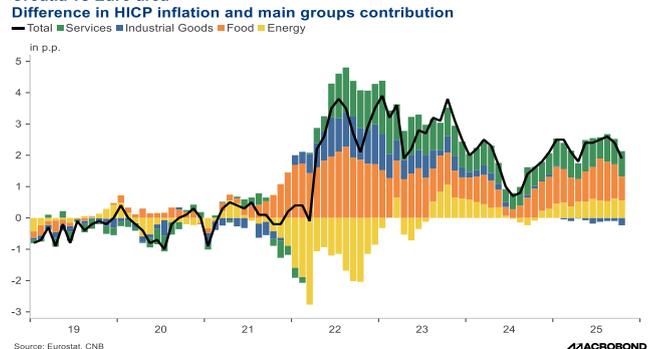
- With the publication of the first estimate of the inflation rate in October, we are slowly rounding off a year of accelerated inflation. According to the first estimate, the harmonised inflation rate slowed to 4.0% in October from 4.6% in September, with prices rising by 0.2% month-on-month. At the same time, in the euro area, the inflation rate slowed slightly from 2.2% to 2.1%. The slowdown in inflation reflects a slowdown in all components except services, which accelerated from 7.0% to 7.3%. At the same time, the growth of food prices slowed down from 5.9% to 4.4%, energy prices from 4.7% to 3.7%, while industrial goods fell by -0.3% after a 0.4% price increase a month earlier. Overall, the average inflation rate in the first ten months of this year was rounded to 4.4%, and the data for the full year will also be around this level, which is only slightly higher than our estimate (4.3%), but also than the average 4% inflation recorded during 2024.

Inflation slowing down in October

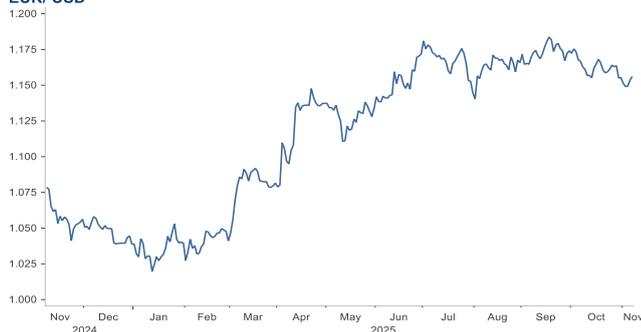
HICP and items contribution



Croatia vs Euro area



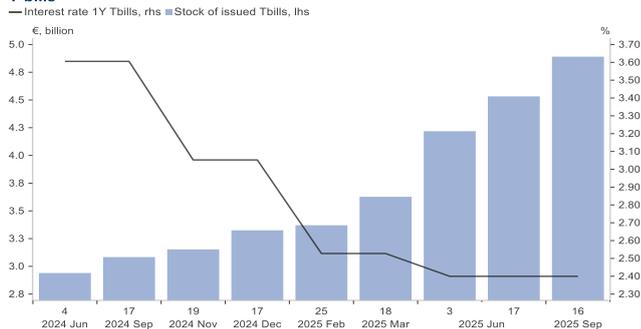
- Data from the US economy and expectations that the Fed will continue to cut interest rates support the dollar. Week-on-week, the exchange rate rose by a marginal 0.1% to \$1.1561 per euro.
- Week-on-week, the Euribor recorded a decrease, of 3 b.p. to 3M (to 2.01%) and 1.b.p. to 6M (to 2.12%). This week, the first round of subscription of one-year treasury bills for natural persons begins with a yield of 2.6%. The target amount of the issue is 1.2 billion euro.
- The positive streak was interrupted by a week-on-week 1.8% drop in Crobex to 3,746 points. Sectoral indices recorded a varied trend (CROBEXindustry -2.0% to 3,272, CROBEXnutris -1.8% to 797, CROBEXtourist +1.6% to 4,785). Crobis stagnated at 99.2 points.

EUR/ USD

Source: ECB

Euribor

Source: EMMI, ECB

T-bills

Source: MoF

Crobex/Crobis

Source: Zagreb Stock Exchange

LEGAL DISCLAIMER

This publication is issued by PRIVREDNA BANKA ZAGREB-DIONIČKO DRUŠTVO (Zagreb, Radnička 50 (hereinafter: PBZ) and aimed at clients of the PBZ Group. This publication is intended for information purposes only and may not in any way be considered an offer or invitation to purchase any property or rights mentioned in it. The informative nature of this publication means that it may not serve as a substitute for the personal judgment and assessment of any reader or anyone who receives this publication. The information, opinions, analyses, conclusions, forecasts and projections given here are founded on publicly available data whose accuracy PBZ relies on but cannot guarantee. Accordingly, all the opinions, attitudes, conclusions, forecasts and projections given in this publication are subject to changes, which depend on changes to the data as published by the source used. PBZ allows further utilization of the data given in this publication on the condition that the publication is indicated as the source. All the property mentioned in this publication and whose movement is the subject of comment may from time to time be the subject of trade or positions taken by PBZ.

ECONOMIC RESEARCH

Ivana Jović
Ana Lokin

TRANSLATION

Ana Biloš
Jelena Marinović

www.pbz.hr