WEEKLY ANALYSIS

NO. 953, 31 AUGUST 2026

Continuation of a more moderate GDP growth

- Real GDP increased in Q2 2026 to 1.7% y-o-y. Although growth remained positive, it decreased from 2.2% in Q1 2026 and was significantly lower than 3.8% recorded in Q2 2025.

GDP growth in Q2 slowed down to 1.7% with positive contribution of domestic demand and negative net foreign demand

Domestic demand remained the main cornerstone of economic activity and contributed to GDP's annual growth with approximately 2.1 p.p. The contribution of household consumption and non-profit institutions serving households was just 0.3 p.p., considering that its real growth decreased from 2.5% in the previous quarter to a mere 0.5%. Government spending was stronger: it rose by 2.0% y-o-y, contributing to growth with around 0.5 p.p., partially mitigating weaker contribution from household consumption.

Gross investments contributed the most to growth, with 1.3 p.p. However, the structure of this contribution reveals that changes in inventories accounted for 0.9 p.p., while gross fixed capital formation, with a 1.7% growth, contributed 0.4 p.p. and mostly referred to investments in construction, specifically in other buildings and structures.

Net exports reduced GDP growth in Q2 2026 by approximately 0.4 p.p. Exports of goods and services increased by 3.0% y-o-y, contributing 1.4 p.p. to growth after a 1.6% decline in Q1. The recovery was led by export of goods, which increased by 5.2% and contributed 1.2 p.p., while export of services rose by 1.0% with a contribution of 0.2 p.p. Also interesting is that the biggest contribution to the growth of total export came from the 17.9% growth of export to EU member states outside the euro area, while export to the euro area members recorded a growth of 1.2% and to other markets of 0.8%. Import increased by 3.4%, faster than export, and reduced GDP growth by 1.8 p.p. Goods' import increased by 2.5% and had a negative contribution of 1.1 p.p., while import of services strongly increased by 7.8% and took away an additional 0.7 p.p.

GVA stagnation in the manufacturing industry, feeble growth in trade, transport, accommodation and catering, and solid growth in construction

Real gross value added (GVA) increased in Q2 2026 by 1.6% y-o-y, slowing down from 2.1% in Q1 and 3.5% from the year before. Agriculture had the fastest growth by 6.2%, followed by information and communication with a growth of 5.1%. Construction increased by 3.1%, while real estate business and public administration, education, health and social services increased 2.9% each. Financial and insurance activities increased by 2.0%. The results in other activities were weaker: industry decreased by 0.5%, with stagnation in the manufacturing industry, pointing to weakness in mining, energy or other industrial activities. Professional, scientific, technical and administrative activities decreased by 0.6%, while trade, transport, accommodation and catering increased by a mere 0.8%.

Therefore, both expenditure and output indicators paint a harmonised picture of positive but slowing growth in line with our current assessment that this year's growth will be around 2%. Namely, we expect domestic demand to continue supporting growth in the current quarter as well, confirmed by information showing that, after a very meagre Q2, real retail trade growth increased by 1.7% in July compared to the previous quarter's average, accelerating y-o-y growth to 3.6% from only 0.4% in June and 0.5% in May, which is partially the result of good tourism indicators for July, as well as record-low unemployment and continued solid wage growth. Even the incomplete data for August indicate a relatively solid continuation of consumption growth, with the amount of fiscalized invoices increasing (cor. for transactional invoices) in retail trade of around 4.0%. We also expect a continuation of the positive contribution of investments in line with the completion of the implementation of the NRRP, primarily in the construction segment. And while Q3 that is characterised by tourist season results could bring about mild growth acceleration, and Q4 that is characterised by high last year's base could return a slower pace, the outlook for the remainder of the year, and particularly for 2027, will depend heavily on the expected recovery of foreign demand that would provide an additional boost to exports but could also stimulate (private) investments, considering that from next year onwards we will lean more on the pace of withdrawal of "regular" EU funds. Although an uncertain international geopolitical environment still represents a risk, we estimate that economic growth could be around or just over 2% in the next year, depending on the "generosity" of fiscal policy in the pre-election year of 2027.

Trends confirm our assessment that growth in 2026 will be around 2% and current expectations for 2027 are similar.

Croatia GDP breakdown

% YoY & cntrb in pp for inventories	2/2026	1/2026	4/2025	3/2025	2/2025	FY 2025	FY 2024
GDP	**1.7**	**2.2**	**3.9**	**2.6**	**3.8**	**3.4**	**3.8**
Households & NPISH	0.5	2.5	2.5	1.9	4.1	2.5	6.0
General Government	2.0	0.7	2.8	4.4	3.9	4.1	7.2
Gross Fixed Capital Formation	1.7	2.5	7.0	7.5	5.0	6.1	5.3
Changes in Inventories (cntrb)	0.9	-0.2	-1.1	2.0	-1.2	0.5	1.4
Export, Goods & Services	3.0	-1.6	1.5	-1.1	0.7	0.9	1.6
Exports of goods	5.2	-2.3	2.4	4.1	2.8	5.0	6.4
Exports of services	1.0	2.6	1.6	-4.6	-1.1	-2.6	-2.6
Import, Goods & Services	3.4	-0.3	0.3	2.4	0.1	2.8	8.4
Import, Goods	2.5	-1.1	-0.4	0.3	-1.9	1.6	7.9
Import, Services	7.8	4.8	3.1	12.7	11.5	8.6	10.9

Source: Eurostat

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GVA breakdown

% YoY	% of GDP (2025)	2/2026	1/2026	4/2025	3/2025	2/2025	FY 2025	FY 2024
GVA	83%	**1.6**	**2.1**	**2.8**	**2.1**	**3.5**	**2.8**	**3.2**
Agriculture	3%	6.2	4.8	1.7	0.7	-0.6	-1.1	-0.7
Industy	12%	-0.5	1.4	5.3	1.8	2.5	2.9	-3.1
Manufacturing	10%	0.0	1.1	6.4	3.3	3.7	3.9	-2.8
Construction	7%	3.1	2.8	7.2	7.3	7.1	7.3	15.1
Trade, transport, hospitality	20%	0.8	1.8	2.1	1.8	5.0	2.7	5.9
ICT	5%	5.1	4.5	4.2	2.0	3.2	2.1	3.2
Financial services	4%	2.0	1.2	2.9	4.4	1.4	2.5	1.4
Real Estate activities	7%	2.9	2.8	-0.3	-0.6	3.6	1.7	2.0
Professional activities	7%	-0.6	-1.1	1.1	1.7	4.9	3.6	2.9
Public sector	15%	2.9	3.0	1.0	3.0	1.4	2.1	3.3
Other services	3%	1.3	1.2	0.6	1.0	6.1	3.4	1.2

Source: Eurostat, Croatian Bureau of Statistics

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Zagreb Stock Exchange Equity Indices, last 28/08/2026

	Last	Week %	1Y %	YTD %
CROBEX	4,430.06	0.1	19.7	14.85
CROBEX10	2,868.45	0.5	23.6	16.53
CROBEXindustrija	3,877.90	0.1	33.9	15.70
CROBEXkonstrukt	1,488.30	-0.8	51.9	39.25
CROBEXnutris	834.70	2.0	0.8	2.56
CROBEXplus	2,875.55	-0.1	23.9	18.27
CROBEXtransport	1,646.74	-2.8	35.8	47.20
CROBEXturist	6,013.41	1.1	24.9	24.20

Source: Zagreb Stock Exchange

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FX Spot Rates

	28/08/2026	2026 Q1	2026 Q2
EUR/USD	1.164	1.17	1.16
USD/JPY	159.310	156.92	159.43
GBP/USD	1.358	1.35	1.34
USD/CHF	0.804	0.78	0.79

Source: ECB (European Central Bank), Bank of Japan (BOJ), Bank of England, National Bank of Switzerland (Schweizerische Nationalbank)

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Interest Rates

%	31/12/2025	31/03/2026	30/06/2026	28/08/2026
Deposit rate	2.00	2.00	2.25	2.25
Euribor 1m	1.94	1.89	2.20	2.29
Euribor 3m	2.03	2.08	2.32	2.57
Euribor 6m	2.11	2.48	2.57	2.76

Source: ECB (European Central Bank), European Money Markets Institute (EMMI)

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