WEEKLY ANALYSIS

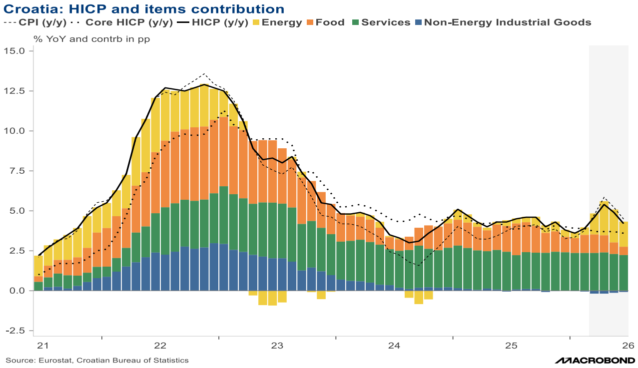
NO. 949, 6 JULY 2026

Overview of the week

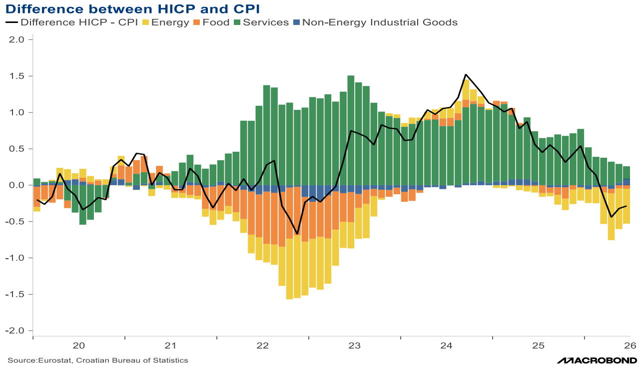
- According to initial estimates, inflation slowed down further in June, both in Croatia and in the euro area. In Croatia, harmonized inflation slowed to 4.2%, from 4.9% in May and a peak of 5.4% in April. The main reason was a noticeable slowdown in the growth of energy prices, to 12.9% year-on-year, from 16.9% in May, with a simultaneous milder growth in food prices (1.8% after 2.5% a month earlier) and services prices (to 6.8% from 7.0%). The contribution of energy to headline inflation decreased to 1.6 percentage points, food to 0.5 points (the lowest in five years) and services to 2.2 points. Inflation, as measured by the national price index, slowed to 4.5% from 5.2% in May, with year-to-year growth in energy and food prices slowing down (to 13.2% and 1.8%, respectively), services accelerating slightly (to 8.1%) and industrial goods remaining unchanged at -0.6%. The euro area also saw a widespread moderation in inflation, with headline inflation declining by 0.4 percentage points to 2.8%. Lower energy inflation was again a key factor (-1.7% m/m, to 8.7% from 10.8% y/y in May), but milder food prices also contributed (-0.2% m/m, to 1.6% y/y from 1.9% a month earlier). Services inflation slowed to 3.2%, while industrial goods price growth remained stable at 0.9%. For now, the June data point to the absence of spillovers from the earlier energy price shock, which should calm the ECB to some extent, so after the June interest rate hike by 25 basis points, the likelihood of a new move in July is decreasing.

Harmonised inflation rate slows down to 4.2% in Croatia and 2.8% in euro area

Croatia: HICP and items contribution



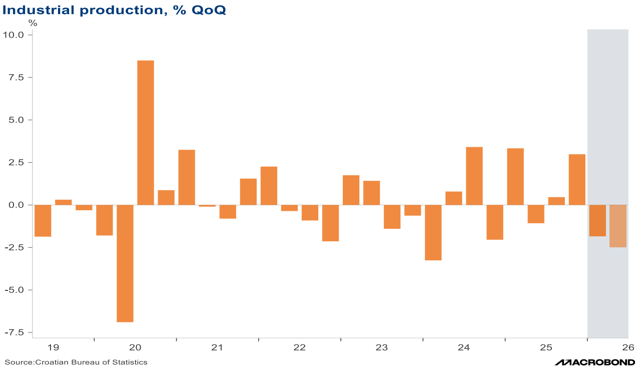
Difference between HICP and CPI

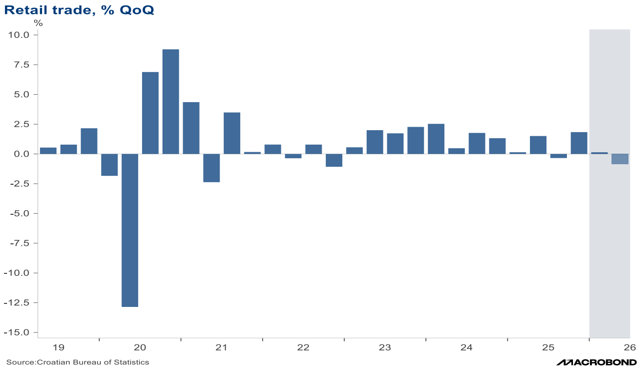


- Meanwhile, high-frequency indicators of economic activity for May were less favourable: after a decline of 1.8% q/q and a slight increase of 0.4% y/y in the first quarter, industrial production deteriorated further in April and May, decreasing by 2.5% compared to the average of the previous quarter and by 1.6% year-on-year. The weakness was widespread, with a decline in production in most categories, and was further exacerbated by the weak May result (-1.9% m/m and -1.1% y/y). Intermediate goods, which account for 36% of production, increased only slightly in May (+0.4% y/y), while energy production (15% share) increased by 4.6% y/y. By contrast, non-durable consumer goods (32% share) decreased by 2.8% y/y for the second month in a row, while capital goods (14% share) and durable consumer goods (2% share) fell sharply, by 11% y/y. In the period from the beginning of the year to May, industrial production decreased by 0.4% y/y.

May brought a new decline in industrial production, followed by a slowdown in retail trade to only 0.5% y/y

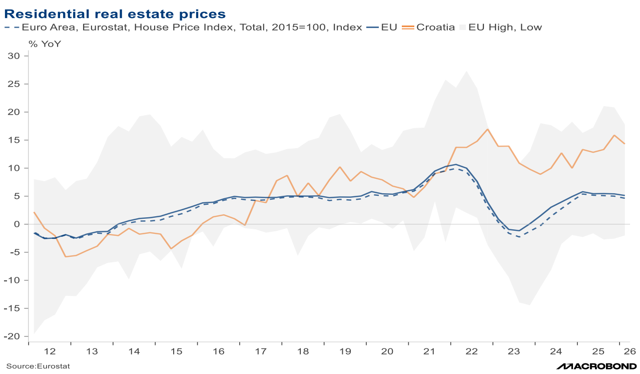
At the same time, retail trade turnover also lost momentum after remaining largely unchanged q/q in the first quarter and rising by 3.0% y/y. After weak May data (-2.0% m/m and +0.5% y/y), volumes in April and May decreased by 0.8% compared to the average of the previous quarter, slowing the annual growth in those two months to 1.2%. In May, sales were weighed down by an 11.8% y/y decline in fuel sales and stagnant sales of non-food products, which recorded the weakest result in the last 33 months, while food sales growth slowed to 1.9% y/y. In the period from January to May, the volume of retail trade turnover increased by 2.3% y/y.



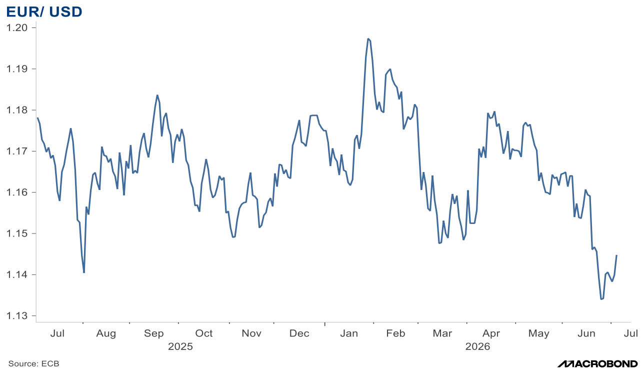


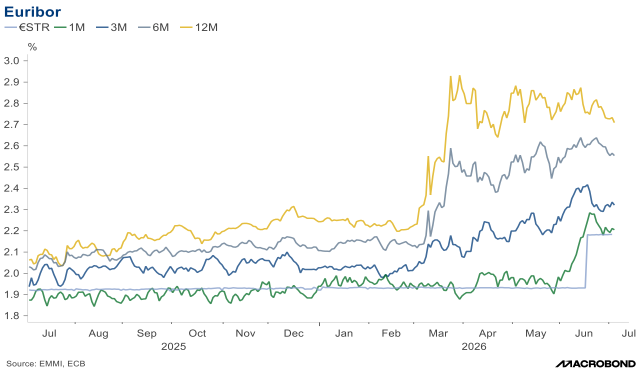
- The week was concluded with the publication of data on movements of residential real estate prices in the first quarter of this year, which increased by 3.3% compared to the previous quarter and by 14.3% compared to the same quarter last year. Regionally, residential real estate prices in Zagreb increased by 4.8% compared to the previous quarter – i.e. similar to 1Q2025 – which kept the annual growth rate (14.7%) at a similar level as in the last quarter of 2025. In the Adriatic, prices rose by a slightly slower 2.3%, and the annual price growth rate slowed to 12.6% from 14.4% in 4Q25. In the rest of the country, prices recorded a quarterly increase of 2.2% (the slowest in the last five quarters), while the annual growth rate fell to 18.1% from a record 23.4% posted at the end of last year. Quarterly growth in prices of new housing slowed down by almost a full percentage point (to 2.1% from 3.1%), while year-on-year the growth rate slowed to 9.7% from 14.5% in 4Q25. Prices of existing housing increased by 3.7% quarter-on-quarter, which is a slight acceleration compared to the 3.4% recorded in 4Q25, but still slower than the 4.0% in 1Q25, and the annual growth rate slowed to 16.1% from 16.4% in the last quarter of 2025. It is interesting that at the same time, the data on the number of sold housing indicate a halved number of new residential real estate sold (-50.9%), while the existing ones were sold 37.4% less than in the same quarter last year.

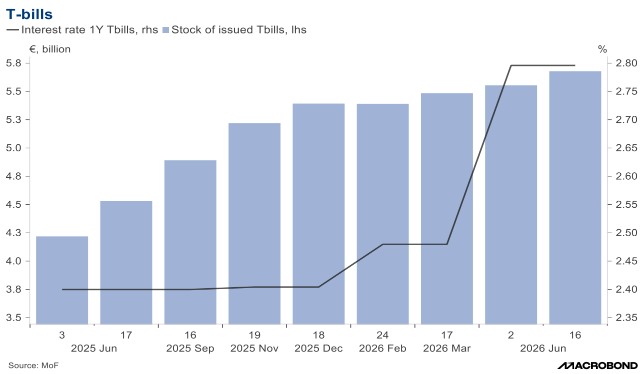
In 1Q26, residential real estate prices increased by 14.3%



- The week behind us closed at an exchange rate of 1.1448 dollars to the euro, which is 0.4% more than a week earlier. The dollar lost support after the release of a weaker-than-expected June payroll report, which brought only 57,000 new jobs compared to the expected 110,000, reducing the likelihood of interest rate hikes in September from 55% to 35%.
- Compared to Friday a week earlier, 3M Euribor closed the week at 2.32%, i.e. +3 basis points, while 6M Euribor closed the week at 2.55% and 12M at 2.71% (-4 and -5 basis points week-on-week, respectively).
- Crobex closed the week at 4,478 points, or +0.5% week-on-week, with CROBEXindustry, CROBEXconstruct and CROBEXtransport recording growth of 1.8% (to 4,126) and 6.0% (to 1,506) and 7.4% (to 1,699), respectively, while CROBEXtourist and CROBEXnutris recorded a decrease of 1.5% and 1.1%, respectively, to 5,876 and 842 points.







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