

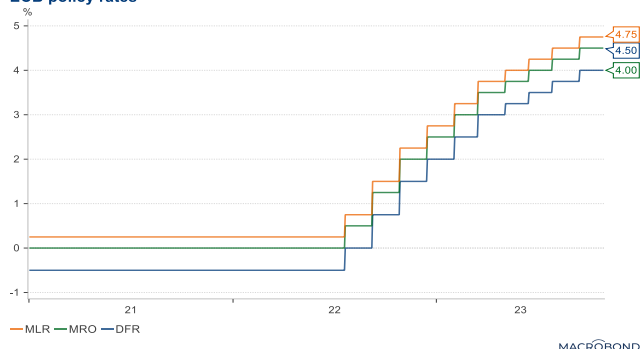
NUMBER 836, OCTOBER 30, 2023

ECB's meeting without a change in interest rates

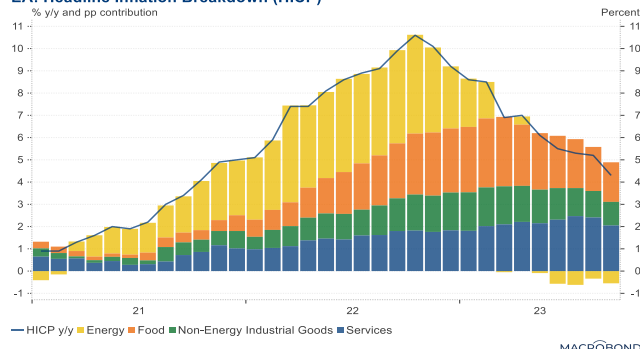
- Last week's meeting of the Governing Council of the European Central Bank took place as per expectations. As hinted at the previous meeting, interest rates reached their peak with their last hike and were therefore maintained at current levels. It was emphasized that the Governing Council feels that key interest rates are at the levels that, over a certain time, will allow for the inflation to be brought down towards the medium-term goal.
- The latest data on inflation trends in the eurozone which was reduced in September to 4.3% y-o-y (from 5.2% in August) support the opinion that inflationary pressures are winding down. Underlying inflation is also in decline (4.5% in September, 5.3% in August). ECB feels that raised interest rates are gradually being transmitted, with growing effect, into financing conditions which is dampening demand and thereby, ultimately, weakening inflationary pressures, and that the transmission will continue by the end of this year and at the beginning of the next.
- ECB estimates that economic activity in the eurozone is weakening, and the labour market is cooling down, despite the unemployment rate at a historical low (6.4% in August). They gave a mostly negative assessment of growth risks and continue to predict that the strengthening of real incomes and export recovery will support eurozone growth in the upcoming period. Inflation is weakening, but the ECB notes that, due to growing geopolitical tensions, it is becoming increasingly difficult to predict energy price trends. We stand by our assessment that there will be no interest rate decrease before September 2024. Ms Lagarde stated at the press conference that the discussion on slashing interest rates right now would be premature.

**We stand by our
assessment of
first interest rate
cut in
September 2024**

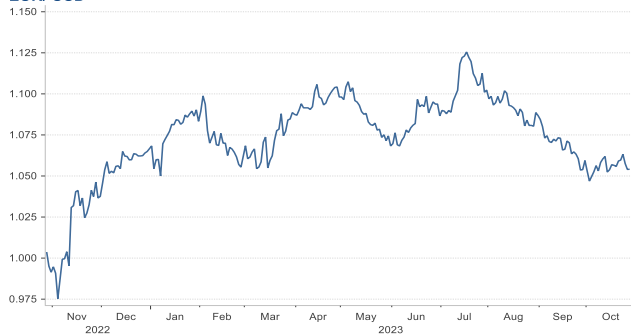
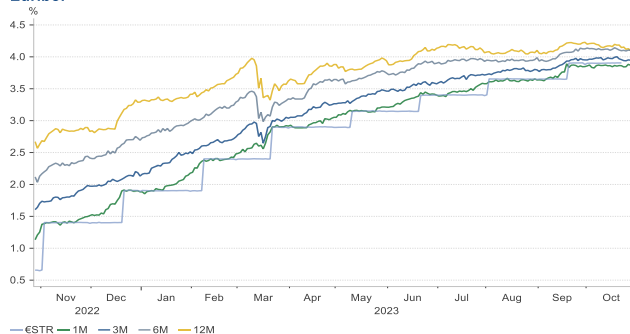
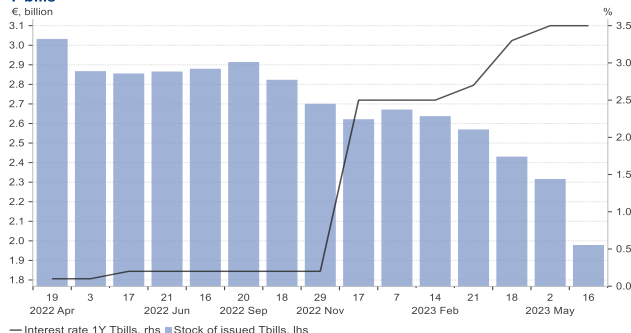
ECB policy rates



EA: Headline Inflation Breakdown (HICP)



- The dollar strengthened against the euro and the end of the week the exchange rate was 1.0541 dollar to the euro, down by 0.5% w-o-w.
- Euribor continues to stagnate after the ECB's decision, so on Friday 3M was 3.9%, and 6M was 4.1%. This week 110 mil. € of T-bills is due, but no auction.
- We saw a trend reversal at the ZSE and a weekly increase of Crobex by 0.6% to 2,351 points. Sectoral indices showed divergent developments (CROBEXindustry +0.2% to 1,503, CROBEXnutris -0.4% to 844, CROBEXtourist +1.8% to 4,012). Crobis stagnated at 93.7 points.

EUR/ USD**Euribor****T-bills****Crobex/Crobia****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