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Central banks' decisions in the focus of the week

- Euro area inflation continued to move close to its target, reaching 2.2% year-on-year in September (2.0% a month earlier). Accordingly, at last week's meeting, the ECB again kept interest rates at their current levels. The statement issued after the meeting reiterated that economic growth continued (according to the first estimate, in the third quarter the euro area GDP increased by 0.2% quarter-on-quarter) despite the unfavourable global environment, but that the outlook remains uncertain. At the press conference, Lagarde pointed out that some of the risks to growth have now weakened (a ceasefire in the Middle East has been reached, progress in trade negotiations between the US and China), while there are still numerous risks for inflation to be both higher and lower than targeted. At this moment, it is unlikely that the ECB will continue to lower interest rates this year, they would decide to take this step only in the event of significant deviations of economic developments than expected, which is not the case so far.
- The U.S. recorded an increase in the consumer price index from 2.9% year-on-year in August to 3.0% in September, which is the highest level in the last eight months (PCE inflation is estimated at 2.8% in September, after 2.7% a month earlier). The Fed nevertheless decided to lower the fed funds rate by 25 b.p. because it assesses the current inflationary pressures as transitory and partly caused by tariffs, but with the caveat that expectations about the one-off effect of tariffs may turn out to be incorrect, which is a risk that needs to be assessed and managed. At this moment, the Fed, which has a dual mandate, is more concerned about the cooling of the labour market, with the blockade of the federal government and the absence or delay of the publication of data on recent economic developments contributing to uncertainty. At the press conference, Fed Chairman Powell, stressing that there are no official statistics on the labour market, said that it is less dynamic and slower, and it seems that risks to employment have strengthened in recent months. Our expectations are that the Fed will once again cut interest rates by 25 b.p. at its meeting in early December, but this move is strongly dependent on the assessment of economic trends, which the (un)availability of data will make more difficult and potentially delay further steps by the Fed.

ECB maintains interest rates, inflation stable

FED cuts the fed funds rate, cooling labour market

EA Inflation

■ Headline m/m ■ Core m/m — Core (Excluding Energy, Food, Alcohol & Tobacco) y/y — Headline y/y

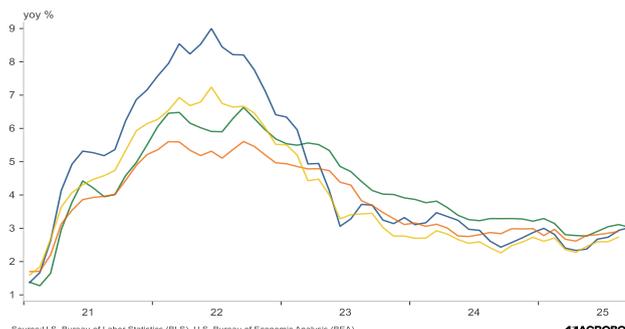


Source: Eurostat, ECB (European Central Bank)

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US Inflation

— PCE — Core PCE — Core CPI — CPI



Source: U.S. Bureau of Labor Statistics (BLS), U.S. Bureau of Economic Analysis (BEA)

MACROBOND

Launch of the next phase of the digital euro project

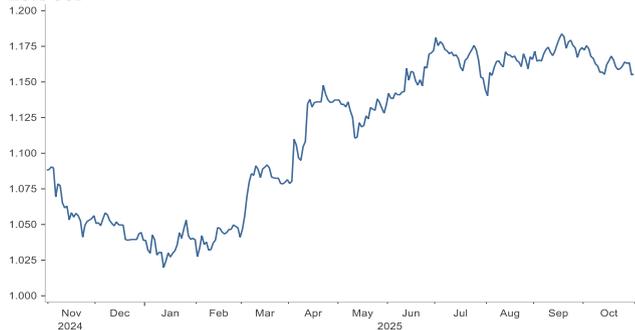
- On 29 October, following the completion of the preparatory phase that began two years ago, the ECB's Governing Council decided to move to the next phase of the digital euro project. The aim of the new phase is technical readiness for the first issuance, i.e. the development of the technical foundations of a digital euro, including the initial set-up of the system and pilot activities. The ECB aims to be ready for a possible first issuance of a digital euro in 2029, provided that the EU co-legislators adopt a Regulation on the introduction of a digital euro in 2026. Pilot activities and initial transactions could begin as early as mid-2027. ECB leaders also on this occasion reiterated that a digital euro will not replace cash: "The digital euro will complement cash and bring its benefits – simplicity, privacy, reliability, availability across the whole euro area – to digital payments." The digital euro should safeguard Europe's monetary sovereignty and economic security, foster innovation in payments and contribute to the competitiveness, resilience and inclusiveness of European payments, which are predominantly dependent on non-European providers.

	P2P		POS		E-commerce	
	Market leader	Relevant domestic option present?	Market leader	Relevant domestic option present?	Market leader	Relevant domestic option present?
Austria		No		No		Yes
Belgium		Yes		Yes		Yes
Croatia		No		No		No
Cyprus		No		No		No
Estonia		No		No		No
Finland		Yes		No		Yes
France		Yes		Yes		Yes
Germany		No		Yes		No
Greece		Yes		No		No
Ireland		No		No		No
Italy		No		Yes		No
Latvia		No		No		No
Lithuania		Yes		No		Yes
Luxembourg		No		No		No
Malta		No		No		No
Netherlands		Yes		No		Yes
Portugal		Yes		Yes		Yes
Slovakia		No		No		No
Slovenia		Yes		No		No
Spain		Yes		No		No

Source: [Preparation phase of a digital euro - Closing report](#)

- The dollar strengthened after the Fed's decision to \$1.1554 per euro, down by 0.5% week-on-week.
- The Euribor recorded divergent movements, so 3M decreased by 3 b.p. week-on-week (to 2.04%), and 6M increased by 3 b.p. (to 2.14%).
- Crobex fell by 0.7% week-on-week to 3,815 points with a mixed performance of sectoral indices (CROBEXindustry +1.6% to 3,340, CROBEXnutris -1.9% to 812, CROBEXtourist -1.0% to 4,710. Crobis stagnated at 99.2 points.

EUR/ USD



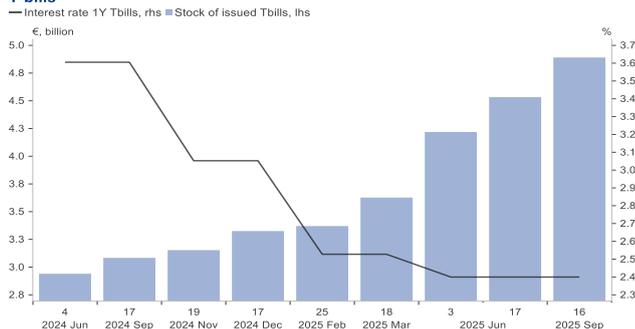
Source: ECB

Euribor



Source: EMMI, ECB

T-bills



Source: MoF

Crobex/Crobis



Source: Zagreb Stock Exchange

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