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The European Commission's autumn forecasts

- The European Commission's autumn forecasts, released last week, present a fairly optimistic outlook for Europe's economy, largely due to the anticipated growth in Germany. The report notes that in the first nine months of the year, economic growth surpassed expectations, with real GDP expanding more than what was projected in the spring. This strong performance stemmed initially from a surge in exports ahead of expected tariff hikes, as well as better-than-expected investment in equipment and intangible assets – particularly in Ireland. Additionally, October data from the Commission's surveys and PMIs indicate ongoing momentum for growth in the upcoming quarters. According to the report, the main conditions for increased economic activity are still intact, despite tough external climate and lingering uncertainty. Growth is forecast to be supported by a robust labour market, lower inflation, and favourable financing. Policy measures like the Recovery and Resilience Facility and other EU funding are helping to offset stricter fiscal policies in several member states. Overall, the forecast predicts that EU real GDP will rise by 1.4% in both 2025 and 2026 – a 0.3 percentage point increase from spring predictions. The euro area is expected to follow a similar trend, with real GDP growth of 1.3% in 2025 and 1.2% in 2026; this is 0.4 p.p. higher for 2025 but 0.2 p.p. lower for 2026 compared to previous forecasts. Ireland stands out, with its 2025 GDP projection dramatically revised upwards from 3.4% to 10.7%. In total, 13 countries saw their current outlook revised upward, two (including Croatia) remained unchanged, and 12 had downward revisions. For 2026, Croatia's outlook is mostly unchanged, along with those for Greece, Slovenia, and Portugal. Compared to six months ago, 14 countries (such as Ireland and Romania) have lowered growth expectations, while 9 (like Bulgaria and Sweden) are set for higher growth. Ultimately, the Commission expects growth to pick up in 13 member states in 2026 (note Germany), while eight countries – including Croatia – are likely to see a slowdown compared to 2025.

Germany set to rebound as Ireland cools off from export-driven peak

2025 Autumn economic forecast vs Spring forecast: GDP growth in 2025



Source: European Commission (DG ECFIN)

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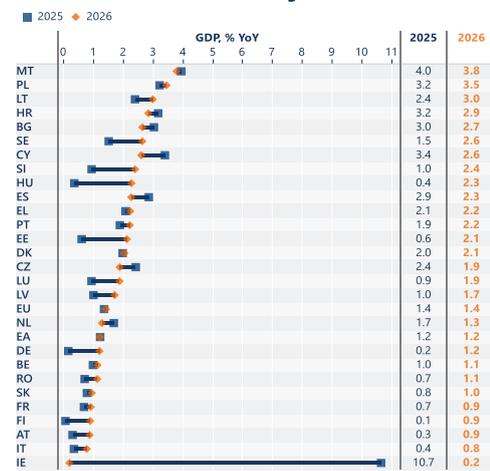
2025 Autumn economic forecast vs Spring forecast: GDP growth in 2026



Source: European Commission (DG ECFIN)

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Autumn economic forecast: GDP growth in 2025 & 2026



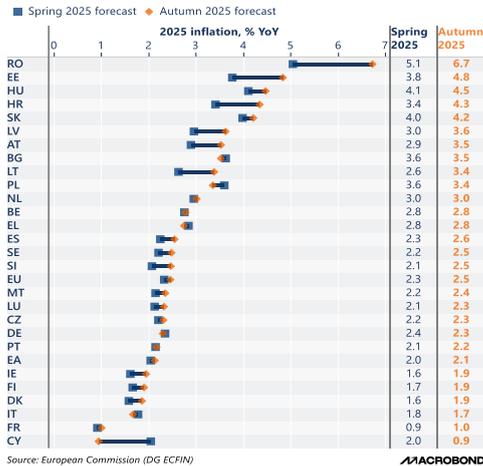
Source: European Commission (DG ECFIN)

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Headline inflation in the euro area is expected to hover around the ECB target of 2% throughout the forecast horizon. Thus, inflation in the euro area is expected to slow down from 2.4% in 2024 to 2.1% in 2025 and then remain broadly stable at 1.9% in 2026 and 2.0% in 2027. In the EU, headline inflation is projected to fall marginally from 2.6% in 2024 to 2.5% in 2025, before declining to 2.1% in 2026 and reaching 2.2% in 2027.

Headline inflation in the euro area set to hover around the 2% target

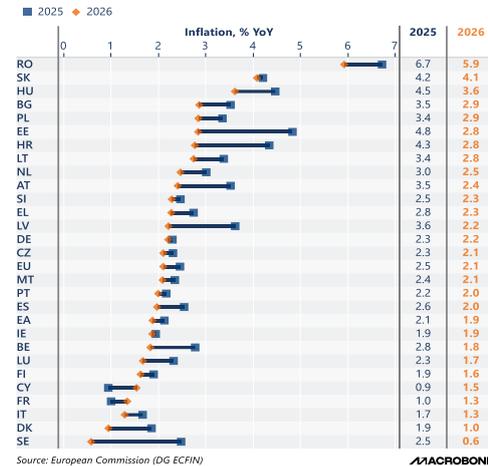
2025 Autumn economic forecast vs Spring forecast: Inflation in 2025



2025 Autumn economic forecast vs Spring forecast: Inflation in 2026

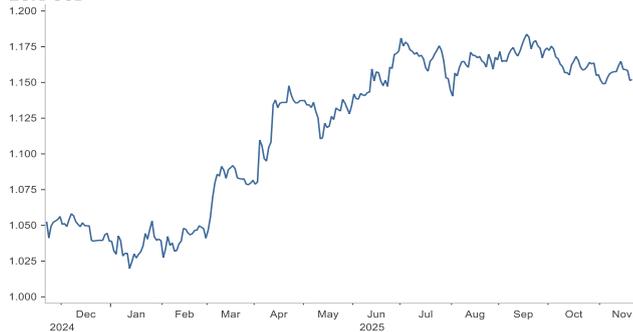


Autumn economic forecast: Inflation in 2025 & 2026



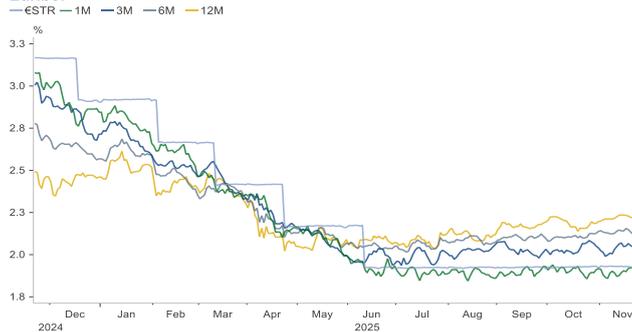
- The ending of the US government shutdown supported the dollar which appreciated by 1.1% w-o-w to the euro, to 1.1520 dollars to the euro.
- Euribor recorded shifts up to 3 bps w-o-w, so 3M was 2.05%, and 6M 2.12% at the end of the week. Last week, the first round of subscriptions of 1Y T-bills was concluded and the second one was held. Natural persons subscribed EUR 984 million of T-bills with a yield of 2.6% and legal entities EUR 545 million with a 2.05% yield. Thus, total government indebtedness regarding T-bills increased to EUR 5.2 billion. Next maturity of subscriptions is on 18 December when EUR 1.5 billion of 3M T-bills is due.
- After a recovery the week before, Crobex again finished Friday in the red (-1.2%, i.e., at 3,732 points) with uneven performance of sectoral indices (CROBEXindustry -1.7% at 3,280, CROBEXnutris and CROBEXtourist +0.3% at 790, i.e., 4,794). Crobis stagnated at 99.2 points.

EUR/ USD



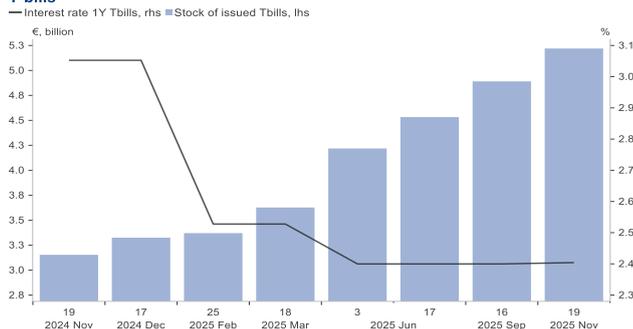
Source: ECB

Euribor



Source: EMMI, ECB

T-bills



Source: MoF

Crobex/Crobis



Source: Zagreb Stock Exchange

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