# WEEKLY ANALYSIS

## NO. 954, 7 SEPTEMBER 2026

### ECB Rate Hike Appears Certain

- In August, inflation in the Eurozone rose to 3.3% y/y (+0.4% m/m) from 2.9% in July - this is a record high since September 2023. In Croatia, harmonised inflation inched up by one tenth of a percentage point to 3.7%, while national index picked up by two tenths to 4.1%. By contrast, core inflation eased from 2.5% to 2.4% in the Eurozone and more sharply in Croatia, falling from 3.4% in July to 2.7%. Looking at main components: Energy, as in July, has once again become the main driver of the rise in the Eurozone, showing a sharp acceleration from 10.3% to 14.3% year-on-year (a new high since February 2023); over the month, energy prices rose by +2.9%. Similarly, harmonised energy inflation in Croatia accelerated to 16.9% (from 11.5% in July) i.e. in national terms to 17.4% from 12.1%. Evidently, having in mind also tight natural gas market, energy will remain in double digit area until February next year in the Eurozone, while in Croatia the potential withdrawal of government support will set the playground.

**Energy pushed inflation up to 3.3% in the euro area and 3.7% in Croatia.**

Food inflation remained stable at 1.2% in the Eurozone, which is the lowest level since June 2021 (with prices stable over the month), against a backdrop of a further slowdown for processed food (from 0.7% to 0.6% y/y) alongside a moderate pick-up for fresh food (from 2.4% to 2.7% y/y). In contrast, food inflation in Croatia continued to decelerate to 0.3% (HICP; lowest since April 2019) and to 0.1% (national; lowest since February 2021). Processed food inflation slowed to 0.5% (from 0.6% in July), while unprocessed food registered a drop of -0.4% - first in the last two years! Overall fitting well with benign near time outlook argued before as prices in the food sector are lagging past falls in producer prices in the sector. However, one could expect to see a rise in the coming months, driven by the indirect effects of rising energy costs.

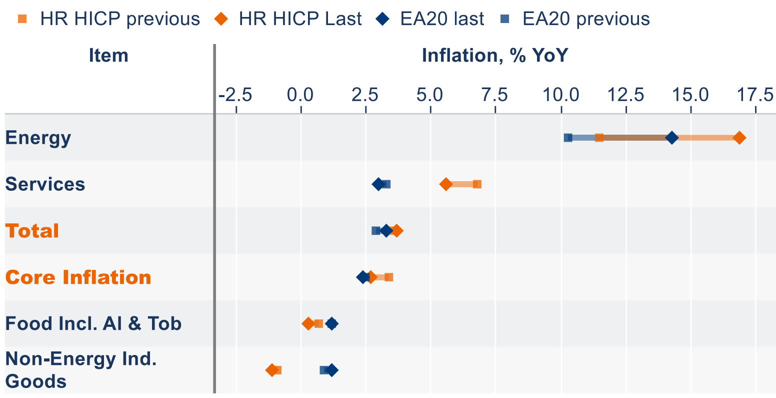
**Food Inflation Slows to Its Lowest Level Since 2019**

Eurozone non-energy industrial goods inflation rose for a second consecutive month, from 0.9% to 1.2% y/y—the highest rate in two and a half years—as prices increased by 0.6% m/m. The rise may partly reflect higher technology-goods prices amid the artificial intelligence boom. By contrast, prices in Croatia declined by 1.1% on the harmonised measure and 1.3% on the national measure.

Finally, inflation in services slowed again, in the Eurozone from 3.3% to 3% year-on-year (prices rose by just one-tenth of a percentage point month-on-month) and to find a lower figure, one has to go back to 2024. It is expected that inflation in the services sector will remain just above 3% in the coming months, as the services most sensitive to electricity and transport costs do not yet appear to have fully factored in the energy price rises. In Croatia, harmonised services inflation eased to 5.6% (0.2% MoM) - lowest since March 2022 – most likely reflecting (i) softer footprint in personal services and hospitality and (ii) base effect of housing component. National indicator points to a slowdown in service inflation to 7.2% from 8.5% in July.

In summary, the rise in inflation was driven entirely by energy, with limited pass-through to core prices and no evidence of second-round effects. This remains consistent with another ECB rate increase on 10 September but makes further hikes less likely unless renewed Middle East tensions trigger another surge in energy prices.

**Harmonised inflation: August 2026**




| Item | HR August 2026 | EA August 2026 | HR - CPI August 2026 |
|---|---|---|---|
| Energy | 16.9% | 14.3% | 17.4% |
| Services | 5.6% | 3.0% | 7.2% |
| **Total** | **3.7%** | **3.3%** | **4.1%** |
| **Core Inflation** | **2.7%** | **2.4%** | **n/a** |
| Food Incl. Al & Tob | 0.3% | 1.2% | 0.1% |
| Non-Energy Ind. Goods | -1.1% | 1.2% | -1.3% |

*Source: Eurostat, Croatian Bureau of Statistics*

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- Per the CBS data, after a relatively subdued activity in 1H2026 (-1.0% vs. 2H2025, i.e., 0.3% y-o-y), overall industrial production in July recorded growth of 6.8% compared to the average of the previous quarter, i.e., 7.2% y-o-y. Simultaneously, manufacturing recorded an acceleration of annual growth rate to 6.8%, while energy supply jumped by 10.9%. According to the main industrial sectors, intermediate products and the already mentioned energy (+9.1%) recorded strong growth of 16.6% (second month in a row), while after three months of decline, a somewhat muted growth of 1.7% was also noted in consumer non-durables. On the other hand, after a strong decline noted during last year, this year's production of capital goods has been falling almost continuously, with the decline continuing in July (-7.4%). Continuous ten-month decline of activities was also recorded in consumer durables (-6.3% in July). In conclusion, along with retail trade that we covered in the previous edition of the Weekly analysis, July industrial production brings about another positive signal, which could after a decline of gross value added in industry (stagnation in manufacturing) in Q2, bring about more positive trends in this year's Q3.

**Along with retail trade, industrial production also brought more positive trends in July**

## Zagreb Stock Exchange Equity Indices, last 04/09/2026

| | Last | Week % | 1Y % | YTD % |
|---|---|---|---|---|
| CROBEX | 4,390.81 | -0.9 | 17.4 | 13.83 |
| CROBEX10 | 2,856.66 | -0.4 | 20.7 | 16.05 |
| CROBEXindustrija | 3,864.70 | -0.3 | 24.8 | 15.31 |
| CROBEXkonstrukt | 1,463.20 | -1.7 | 48.5 | 36.91 |
| CROBEXnutris | 831.32 | -0.4 | -1.3 | 2.15 |
| CROBEXplus | 2,862.56 | -0.5 | 21.4 | 17.74 |
| CROBEXtransport | 1,612.52 | -2.1 | 28.0 | 44.14 |
| CROBEXturist | 6,025.51 | 0.2 | 27.9 | 24.45 |

Source: Zagreb Stock Exchange

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## FX Spot Rates

| | 04/09/2026 | 2026 Q1 | 2026 Q2 |
|---|---|---|---|
| EUR/USD | 1.162 | 1.17 | 1.16 |
| USD/JPY | 155.650 | 156.92 | 159.43 |
| USD/CHF | 0.809 | 0.78 | 0.79 |

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

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## Interest Rates

| % | 31/12/2025 | 31/03/2026 | 30/06/2026 | 04/09/2026 |
|---|---|---|---|---|
| Deposit rate | 2.00 | 2.00 | 2.25 | 2.25 |
| Euribor 1m | 1.94 | 1.89 | 2.20 | 2.36 |
| Euribor 3m | 2.03 | 2.08 | 2.32 | 2.68 |
| Euribor 6m | 2.11 | 2.48 | 2.57 | 2.79 |

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

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**ECONOMIC RESEARCH**

Ivana Jović

**TRANSLATION**

Ana Biloš

Jelena Marinović

www.pbz.hr