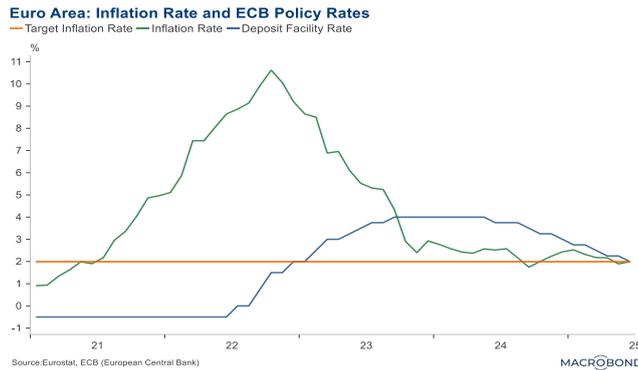


WEEKLY ANALYSIS

NUMBER 912, JULY 28, 2025

"We are in a good place"

- Ahead of last week's ECB meeting, the last one before the summer break, the Governing Council's decision to cut interest rates once again was unlikely. A marginal increase in inflation in June, to 2.0% from 1.9% a month earlier, with unchanged core inflation of 2.3%, and the



ECB keeps interest rates at current levels

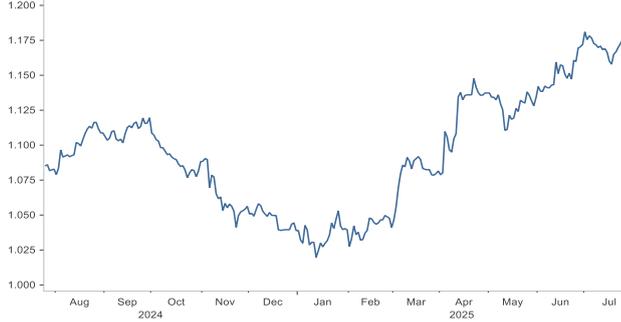
(re)postponement of the application of US reciprocal tariffs until August supported such expectations. In line with expectations, the ECB decided to keep interest rates at their current levels (on overnight deposit 2.00%), explaining the decision with inflation in line with the medium-term target of 2%, weakening domestic price pressures and slowing wage growth, as well as the fact that the euro area economy has so far proved resilient (0.6% quarterly GDP growth in the first quarter, although induced by Ireland's high exports, significantly exceeded expectations). At a press conference, Lagarde, responding to a question about whether the resilience of the economy was reducing the need for another interest rate cut in the autumn, replied "we are in a good place". She explained this by the fact that inflation has dropped to 2% as well as the projections that indicate medium-term stabilization of inflation around the target level, adding that in addition to the slowdown in wage growth, we also have economic growth, which is not only based on increased exports induced by tariffs, but also by consumption and investments.

- The ECB's June baseline scenario with US tariffs on imports from the EU at the current level (it is speculated that the most likely outcome of trade negotiations is at around 15%) envisages another interest rate cut, so our scenario remains unchanged for the time being, i.e. we expect another cut in September. However, after last week's meeting, it does not seem entirely certain. When asked about market participants' expectations of another cut, Lagarde avoided answering, reiterating "we are in a good place."

We expect the final cut in September, although it is not entirely certain

- The euro strengthened against the dollar amid rumours of a successful US-EU trade deal, as well as market assessments that the ECB had ended the monetary policy easing cycle, closing the week at \$1.1724 per euro, up by 0.6% week-on-week.
- Euribor recorded a slight week-on-week shift, with 3M and 6M standing at 2.0 and 2.1%, respectively, at the end of the week.
- Crobex jumped 3,800 points on Thursday, only to weaken slightly at the end of the week, closing Friday with a 1.6% weekly growth (to 3,756 points) owing to the positive performance of sectoral indices (CROBEXindustry +4.9% to 3,000, CROBEXnutris +3.1% to 860, CROBEXtourist +2.4% to 4,764). Crobis stagnated (at 99.2 points).

EUR/ USD



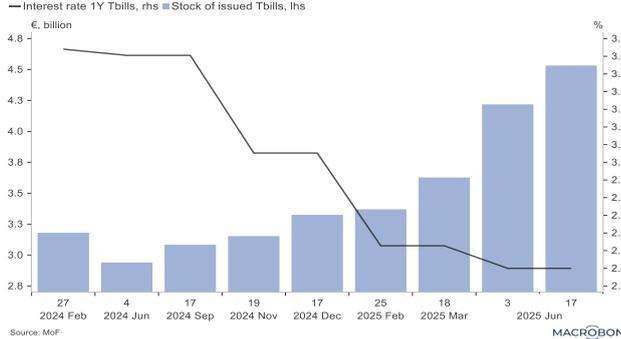
Source: ECB

Euribor



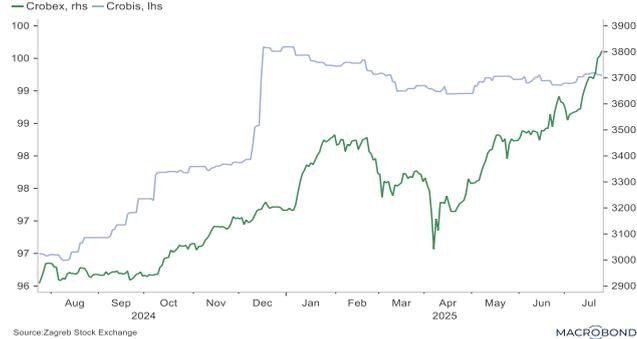
Source: EMMI, ECB

T-bills



Source: MoF

Crobex/Crobis



Source: Zagreb Stock Exchange

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