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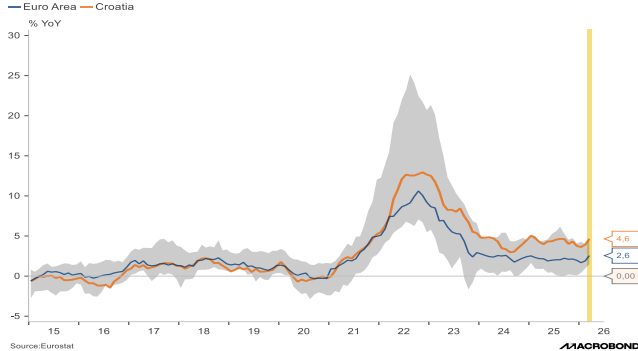
What interesting things do the available data tell us?

Given that we currently do not yet have high-frequency economic indicators for March/April, we monitor the impact of the war in the Middle East mainly through data on headline inflation (available for March) and, more precisely, through the prices of petroleum products (diesel and euro super 95) published on a weekly basis by the European Commission. In addition, survey indicators, the latest ones available for March, reveal the impact on consumer confidence, including expectations related to inflation in the next twelve months, but also the impact on the overall economic (sectoral) mood through the Economic Sentiment Index and its components. In the graphical overview that follows, we tried to compare the available data for Croatia with the euro area average.

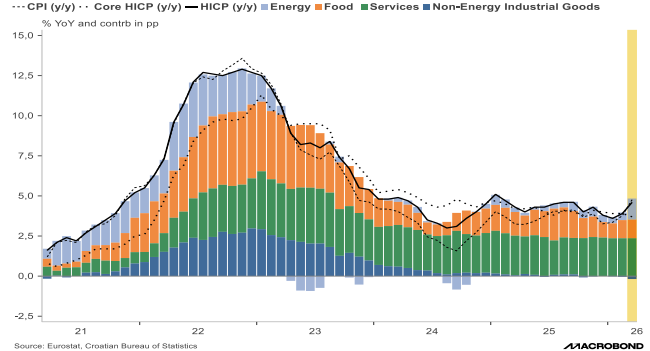
We monitor the impact through inflation and survey indicators

In March, the harmonised inflation rate in Croatia jumped to 4.6% from 3.9% recorded in February, influenced by a strong acceleration in energy price growth (from 3.9% to 10.8%), which increased the contribution of this category to 1.3 pp from 0.5 recorded a month earlier. Compared to other EU member states, only Romania (9.0%) recorded a higher inflation rate in March, while within the euro area, Croatia occupies a leading position ahead of Lithuania (4.4%), and the lowest inflation rate was recorded in Cyprus (1.5%). The EU average is 2.8% and the euro area average is 2.6%.

Harmonised inflation

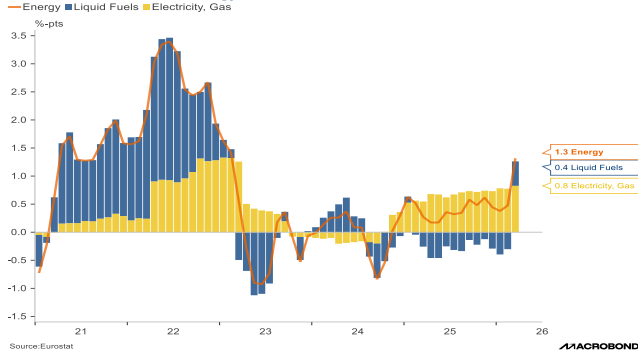


Croatia: HICP and items contribution

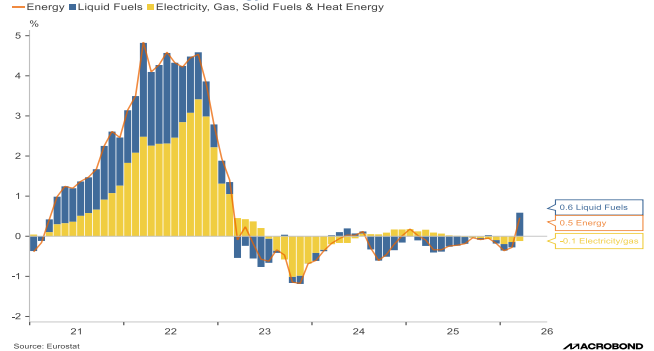


It is also interesting to look at the details of the energy component of inflation. Of the said total contribution, 2/3 refers to the contribution of electricity and gas prices, and the remaining part to liquid fuels, in the euro area the complete contribution came through the prices of petroleum products, given that the contribution of electricity/gas was still negative, although somewhat milder than in the previous two months.

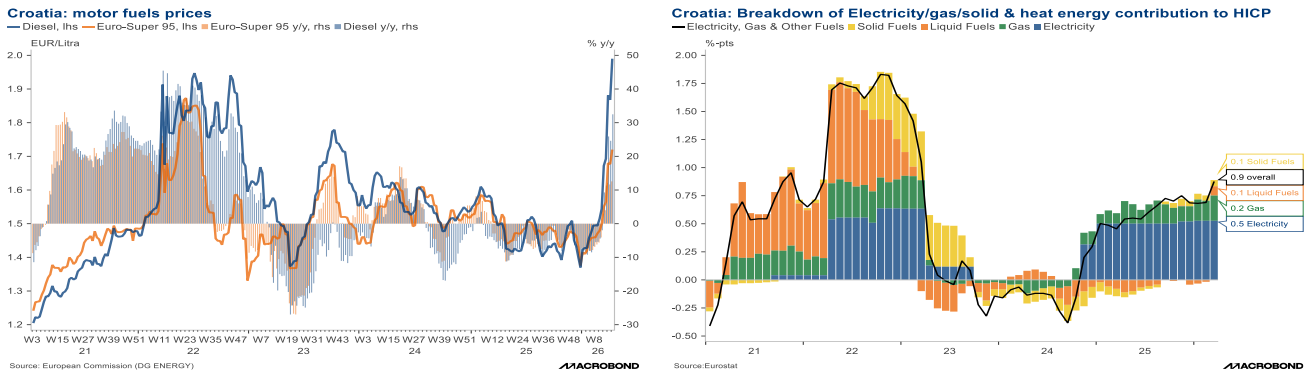
Croatia: Breakdown of Energy contribution to HICP



Euro Area: Breakdown of Energy contribution to HICP



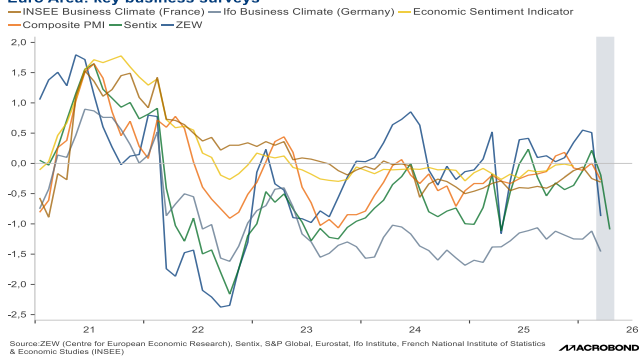
If we look at the components of headline inflation in more detail, we see the direct impact of the increase in energy prices through the category of Transport and through the category of Housing, water, electricity, gas and other fuels, more precisely, i.e. Subcategory Electricity, gas and other fuels. The contribution of Transport to headline inflation in March amounted to 0.7 pp, with the largest part due to the increase in motor fuel prices, while the contribution of Electricity, gas and other fuels amounted to 0.9 pp, where we are actually talking about a 0.5 pp contribution of the increase in electricity prices and 0.2 pp contribution of gas. Let us recall that the increase in electricity prices started in November 2024 (+6.7% m/m), then in January 2025 the price increased by 3.7% m/m, and again in November by 7.1% m/m, i.e. in January this year by 4.6% m/m, which resulted in a price increase of 12.1% year-on-year.



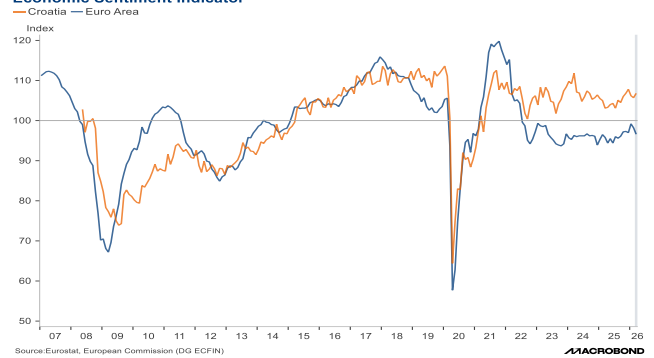
As mentioned in the introduction, in addition to inflation, we also monitor the impact through survey indicators. And while the first indicators collected during April (Sentix) are slowly arriving for the euro area, for Croatia we have data for March. As expected, all indicators recorded a decline in March, and according to the currently available data, Sentix recorded an additional decline in April to a level comparable to April last year (remember "The Liberation day"). Of course, it should also be taken into account that the inputs for Sentix were collected before the agreement on the two-week ceasefire, and the timing of the collection of responses will also have an impact on other indicators given the currently very dynamic development of the situation (breakdown of negotiations in Islamabad – naval blockade of the Strait of Hormuz – Israel-Lebanon ceasefire). Unlike the euro area, the economic sentiment index (ESI) in Croatia recorded a slight increase in March, although sectoral indices indicate a slight decline in retail trade, services and construction, while sentiment in industry rose driven by a significantly better assessment of the level of orders and (for the second month in a row) an improved assessment of expected production in the next three months. At the same time, consumer confidence recorded a decrease compared to February, but noticeably less compared to the euro area average, but also compared to the beginning of the Russian invasion of Ukraine. During this week, we expect the publication of a new set of survey indicators such as the German ZEW and Ifo indexes, then the first publication of the consumer confidence index for the euro area, and the eagerly awaited PMI indices, which will reveal the impact of the crisis on economic activity as well as the price expectations of the business sector. The published data will give us an insight into how the euro area economies opened the second quarter of this year, after, probably, still a solid first quarter. As far as Croatia is concerned, we will wait for the publication of data on industrial production and retail trade in March to assess economic growth in the first quarter, but it is certain that personal consumption will record stronger growth than in the comparable quarter last year (1.6%, consumer boycotts), and we are also interested in what exactly will change with the disclosure of revised gross domestic product data by quarters of 2025, which publication is announced for Wednesday, April 22. The disclosure of the Report on the Excessive Budget Deficit Procedure has also been announced for the same day, so we will also find out how the fiscal year 2025 ended.

On Wednesday, the publication of revised quarterly GDP data and fiscal data for 2025.

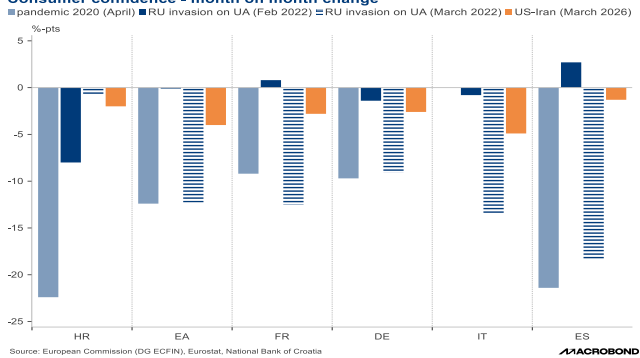
Euro Area: key business surveys



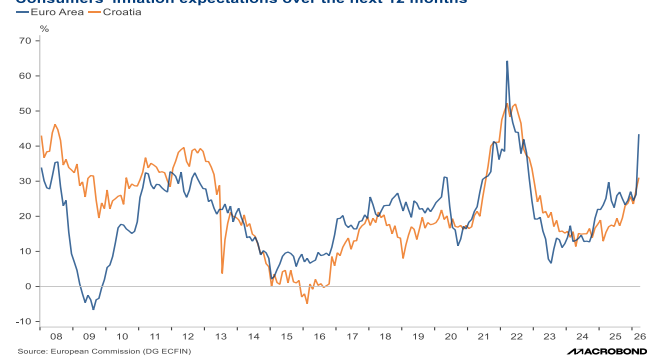
Economic Sentiment Indicator



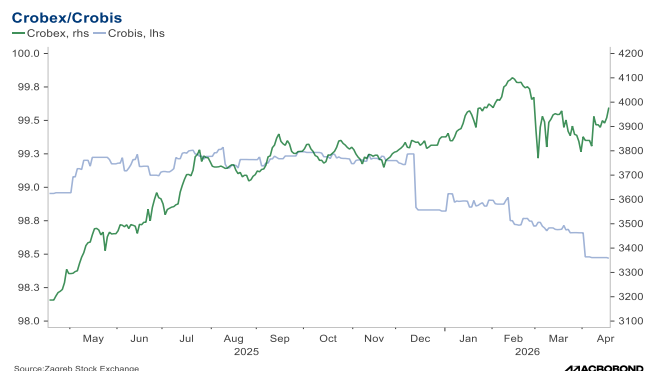
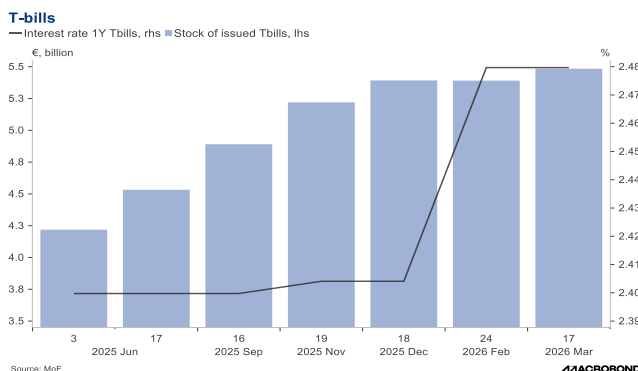
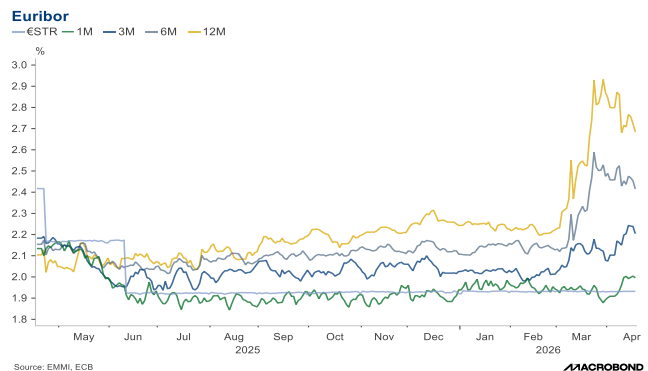
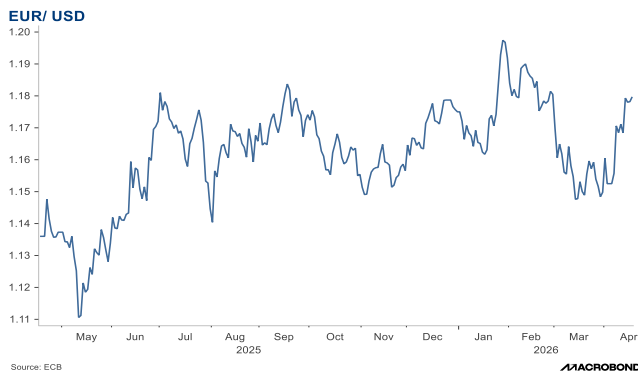
Consumer confidence - month on month change



Consumers' inflation expectations over the next 12 months



- Last week, the dollar continued to strengthen, and Friday closed at \$1.1797 per euro (+0.7% on a weekly level).
- Although they rose during the week, 3M and 6M Euribor closed the week at (unchanged) 2.20%, and (slightly) lower 2.42% respectively compared to Friday a week earlier.
- Crobex closed the week at 3,978 points, or +1.8% on a weekly level. The most important sectoral indices also ended the week in the red (CROBEXindustrija +1.4% to 3,836, CROBEXnutris +0.2% to 840, CROBEXtunist +0.7% to 5,622). Crobis stood still at 98.5 points.



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