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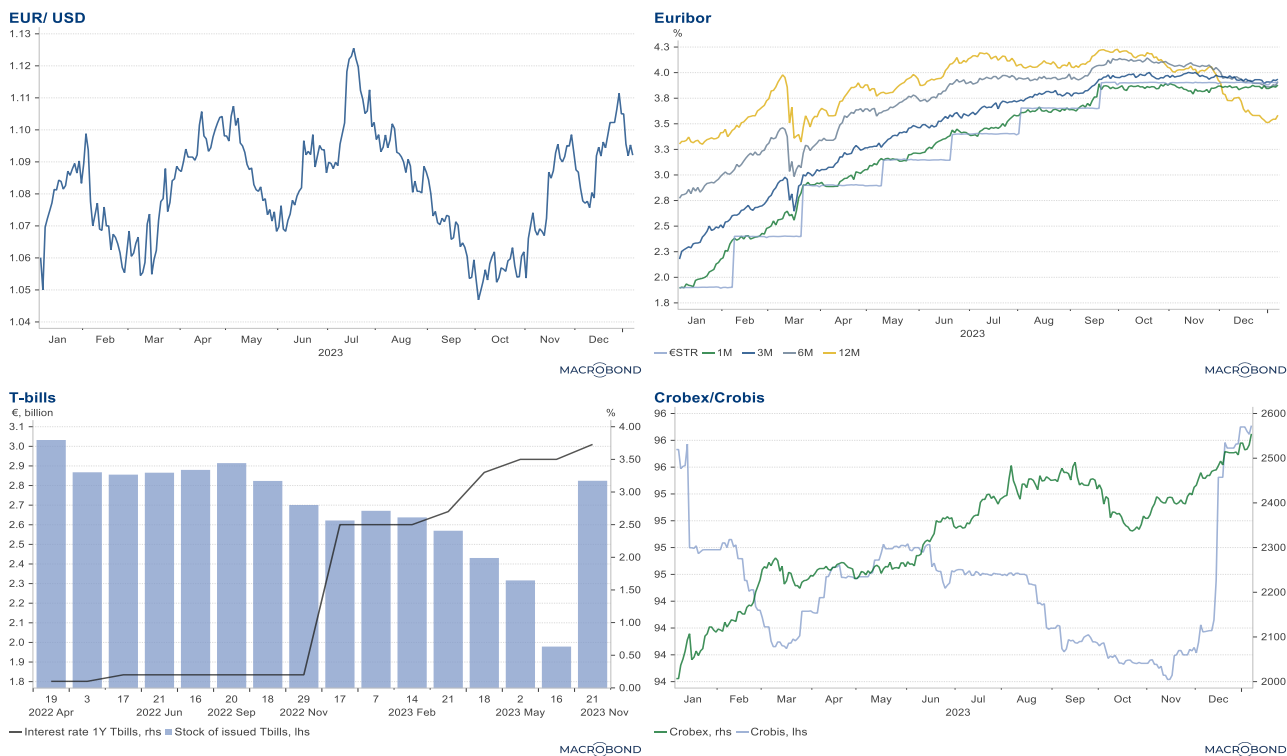
Average inflation rate in 2023 – 8.0%

- Per flash estimate of the Croatian Bureau of Statistics published on Friday, the final last year's month noted a price decline of 0.5% m-o-m (second consecutive month), while the annual inflation rate was slightly reduced to 4.5% from 4.7% recorded in November. Observed per main index components, estimated annual rate of change for Food, beverages and tobacco and Services is 6.3% per each component, for Non-food industrial products without energy 3.9% and for Energy -0.6%. Increase of rate of change was estimated m-o-m for the components Food, beverages and tobacco and Services, each by every component by 0.1%, while the rate drop was estimated for the components Energy by 1.7%, and for Non-food industrial products without energy by 1.2%. By publishing the data for December, average annual inflation rate in 2023 was thus rounded to 8.0% (2022: 10.8%). Harmonised index of consumer prices, comparable with the euro area, slightly deaccelerated in December to 5.4% (from 5.5% in November), which reduced the average annual inflation measured by this indicator to 8.4% (from 10.7% recorded in 2022). Our current estimation is that the average annual inflation in the current year will be around 3.8%.
- Simultaneously, Eurostat published an early estimate of the harmonised index of consumer prices' (HICP) trend on euro area level which recorded growth in December of 0.2% m-o-m, i.e., 2.9% y-o-y, representing an (expected) acceleration after 2.4% recorded in November. Mentioned acceleration is the consequence of, primarily, the base effect of energy prices that were down by 6.7% y-o-y in December, while in November the annual rate was -11.5%. Namely, in December 2022, energy prices recorded a strong monthly decline of -6.6%, while in last year's December they were reduced only by -1.5%. And while prices of food and non-energy industrial products stagnated m-o-m, they recorded a y-o-y increase of 6.1%, i.e., 2.5%, thus continuing the trend of weakening of inflationary pressures started in early 2023. At the same time, prices of services recorded an increase of 0.7% m-o-m, maintaining the annual rate at unchanged, compared to November, 4.0%. Core inflation recorded a monthly increase in December of 0.4%, while slowing down to 3.4% y-o-y – the lowest rate since March 2022.

**Inflation in
December: -0.5% m-
o-m, i.e., 4.5% y-o-y**

**Temporary inflation
acceleration in the
euro area?**

- In this year's first week, EUR/USD trend was reversed so the dollar appreciated by 1.2% w-o-w, thus reducing the exchange rate on Friday to 1.0921 dollar to the euro.
- Euribor mildly rose in the last week, up to 10 bps w-o-w, and on Friday 3M and 6M were 3.9%.
- Positive environment at the ZSE continues, so Crobex achieved growth of 0.8% w-o-w, to 2,555 points, due to growth of almost all most important sectoral indices (CROBEXindustry +4.5% to 1,711, CROBEXnutris -0.3% to 929, CROBEXtourist +0.7% to 4,144). Crobis stagnated at 95.9 points.



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