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A statistically rich week

- After the lean week in terms of the statistical data, it was the turn of a really data-rich week:
- According to the Croatian Bureau of Statistics, retail trade recorded a real decline of -1.4% month-on-month in May, which slowed down the annual growth rate to 2.6%, after a 4.9% growth in April. Thus, in the first two months of the second quarter, consumption increased by 0.8% compared to the first quarter of this year, and by 3.8% compared to the same period last year. The data of the Tax Administration, on the other hand, suggest an additional strengthening of consumption in June, given that the amount of fiscalized invoices in Retail trade activity recorded an increase of 11.4% year-on-year. The trends described therefore suggest a stronger positive contribution of the private consumption to total economic activity than was the case in the first quarter, when private consumption recorded a growth of only 1.7%. In the rest of the year, retail trade turnover will continue to be supported by a stable labour market, but also by the upcoming tourist season and favourable consumer sentiment.
- At the same time, industrial production recorded a decrease of -2.9% month-on-month due to a 17% decline in electricity production, and -0.5% less activity in manufacturing, which slows the annual growth rate to 1.7% from 6.5% recorded in April. And while year-on-year, manufacturing recorded a growth of 4.9%, electricity production recorded a decrease of 11.9%. In manufacturing, the positive effect of the reactivation of the Rijeka Refinery has been showing signs of abating, while the year-on-year decline in activity was recorded in the production of tobacco products, textiles, clothing, pharmaceuticals, non-metallic mineral products, metals, fabricated metal products and manufacture of machinery and equipment. In the first two months of the second quarter, industrial activity thus declined by 1% compared to the previous quarter, while year-on-year the growth rate decelerated to 4.1% from 5.2% recorded in the first quarter. Cumulatively, the growth of industrial production in the first five months amounted to 4.8%, with a positive contribution from the growth of the production of intermediate (+3.4%) and capital goods (+6.0%) and energy (+18.3%), while the decline in activity was recorded in manufacture

2.6% growth in retail trade in May

Decelerated growth of industrial production

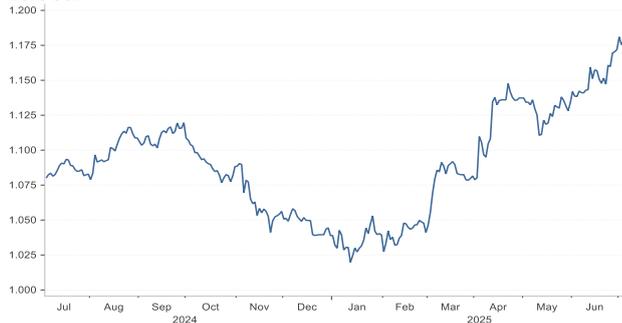
of durable (-6.8%) and non-durable (-0.2%) consumer goods. It is certain that the upcoming period of heightened trade uncertainty will have an adverse impact on industrial production movements, as indicated by the deteriorated expectation of production trend and a further decline in the assessment of the (export) order book.

- According to the flash estimate for June, the harmonised inflation rate accelerated slightly to 4.4% from 4.3% in May, while the monthly price growth rate rose to 0.8% compared to 0.5% in the previous month. The highest monthly growth was recorded in services (2.4% after 1.1% in May) and energy, which rose by 0.4% after a decline of -1.4% in May. At the same time, food price growth slowed to 0.5% (from 1.2%), while prices of non-energy industrial products fell by -0.6%, after -0.1% in May. Year-on-year, there was a pronounced acceleration in energy price growth (3.0% after 1.4% in May) and a slight acceleration in food prices (5.7% vs. 5.6%), while prices of services slowed slightly (7.5% after 7.6%), and prices of non-energy industrial products fell by -0.2%. In the first six months, the average inflation rate measured by the harmonised index was 4.5%, and 3.6% measured by the national one.
- The week ended with data on the acceleration of housing price growth in the first quarter of this year. After an increase of 1.4% in the last quarter of last year, prices rose by 4.5% quarter-on-quarter in the first quarter of 2025. The growth of prices of new housing reached 6.4%, while the prices of existing ones increased by 4.0%. Year-on-year, housing prices advanced by 13.1%, with the growth being more pronounced in new real estate (14.3%) compared to existing real estate (12.7%). At the same time, price growth in Zagreb amounted to 12.9%, on the Adriatic coast 11.3%, while in the rest of the country a sharp increase of as much as 18.5% was recorded – the highest since 2003, since the data is monitored. From the end of 2022 to the end of 2023, Croatia led the EU in housing price growth. According to the latest available data, in the first quarter of 2025, faster growth than Croatia was recorded only in Portugal (16.3%) and Bulgaria (15.1%), while the average growth in the EU was 5.7% and in the euro area 5.4%.
- Heightened uncertainty ahead of the approaching July 9 deadline for an agreement on tariffs, and the effect of new fiscal policies continued to put pressure on the dollar, with the week closing at \$1.1767 per euro, up by 0.5% week-on-week.
- The Euribor recorded varied movements in the week behind us, from a marginal decline, i.e. growth in shorter maturities to stagnation in longer maturities. At the end of the week, 3M and 6M were both at 2.0%. Last week, a ten-year bond in the amount of €1 billion was issued on the domestic capital market with a yield to maturity of 3.16%.
- After a two-week growth, Crobex recorded a correction of 1.2% week-on-week to 3,564 points due to a decline in all sectoral indices (CROBEXindustry -1.1% to 2,613, CROBEXnutris -0.1% to 857, CROBEXtourist -2.6% to 4,573). Crobis stood still at 99.1 points.

**Inflation in June
slightly accelerated**

**Strong
acceleration in
the growth of
housing prices**

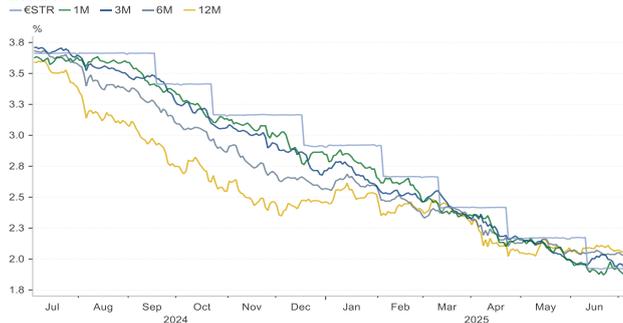
EUR/ USD



Source: ECB

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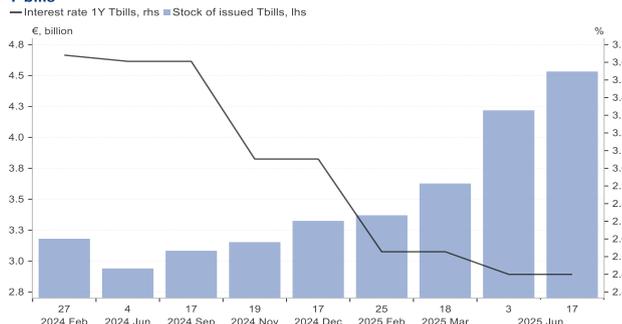
Euribor



Source: EMMI, ECB

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T-bills



Source: MoF

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