

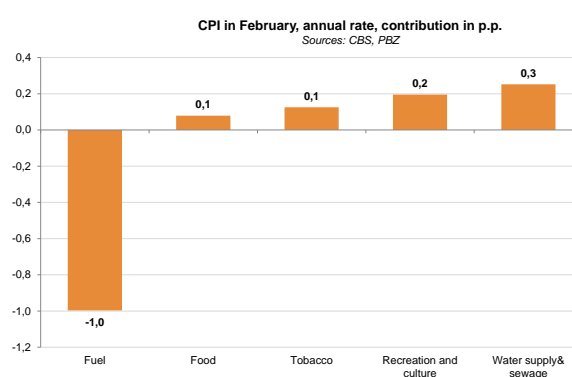
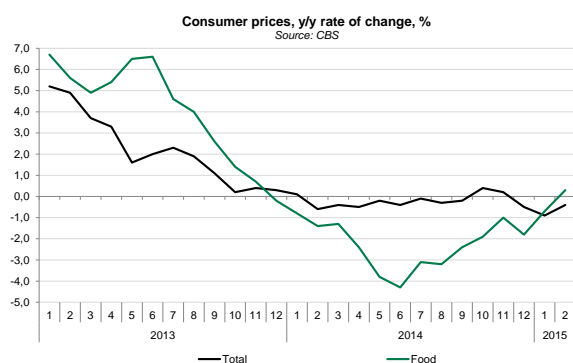
# PBZ Weekly Analysis

## Number 466, March 23, 2015

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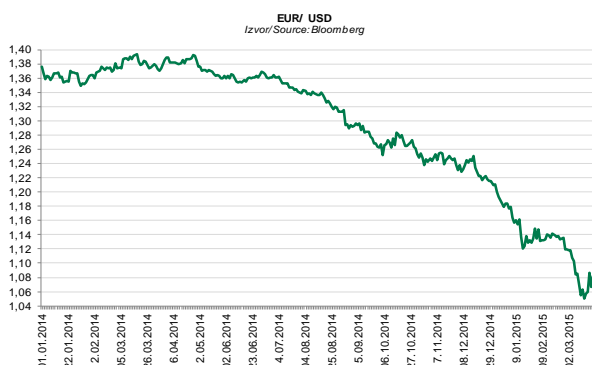
## Weekly overview

- The fall in consumer prices continued in February which saw an inflation rate of -0.4 yoy, whereas the twelve-month average remained at -0.3%. The price growth was limited mainly by 14.3% lower fuel prices, as without their negative contribution (-1.0 p.p.) the average inflation rate would be positive. After 14 consecutive months of a decrease, the prices of food increased by 0.3% yoy, therefore their contribution amounted to 0.1 p.p. A positive contribution also came from more expensive tobacco (+3.1%), recreation and culture (3.7%) as well as water supply and sewage collection (8.0% and 7.4%, respectively). In the upcoming period, the price movement trends will be affected by a gradual increase in the prices of fuel and lower prices of gas (the contribution of which might be around -0.2 p.p.).

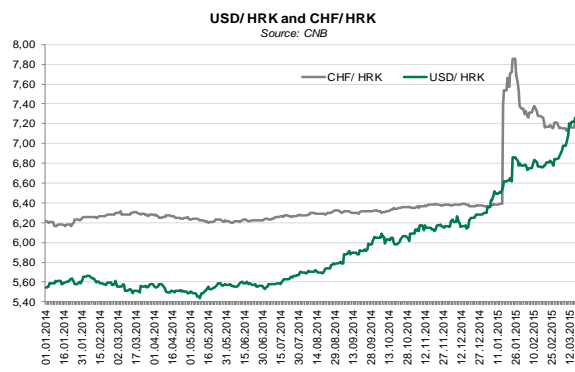
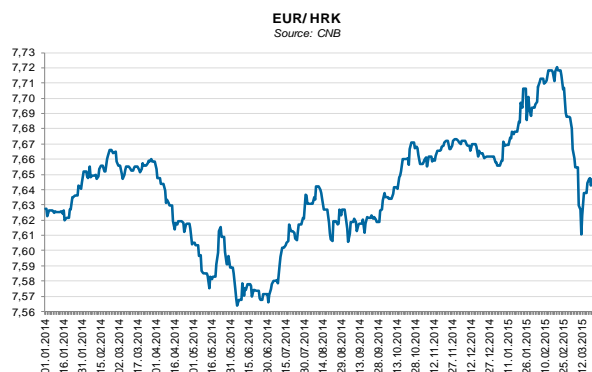


## Dollar corrected, kuna stable

The value of the dollar underwent a correction following the FOMC meeting where the news were released announcing that the Fed will carefully adjust the beginning of interest rate rise to the economic activity trends. Given the recent indicators, the likelihood that this will occur in June is now reduced, while the beginning of the interest rate rise cycle has been temporarily postponed to the meeting in July or September. The trading by the end of the week closed at 1.0821 dollar to the euro, up by 3.1% wow. The Swiss franc remained unchanged against the euro, ending the week at 1.05518 franc to the euro.



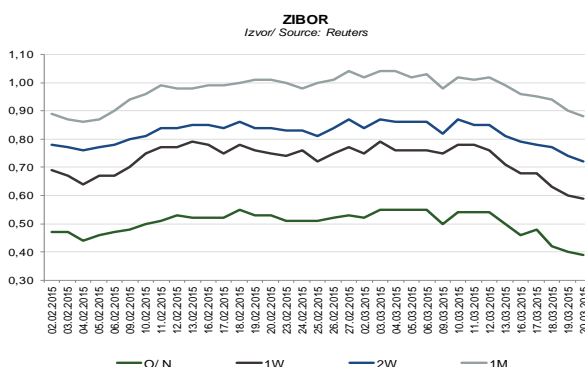
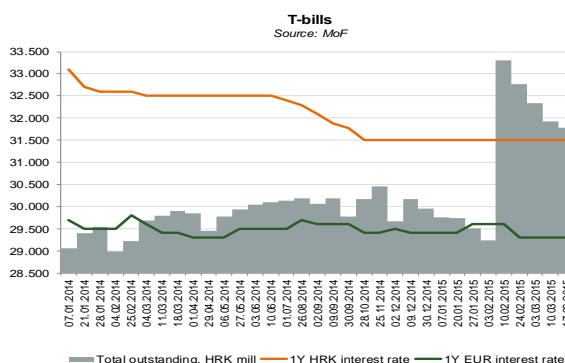
After a longer period of volatility, last week was relatively calm and the exchange rate of the kuna against the euro was in a tight range 7.64-7.65. The week ended with a mid-exchange rate of 7.6473, which is down by 0.1% wow. The exchange rate of the kuna against the dollar fell to 7.1537, down by 0.9% wow, while the kuna against the franc weakened by 1.3% to 7.2528 kuna to the franc. This week, we expect the trading in the range 7.62-7.66 and, as the tourist season begins in two weeks, we anticipate the first FX inflows in a short time.



## High liquidity

The Zibor on overnight loans closed the week at the corrected 0.39% (vs 0.50%), 1M and 3M at 0.88% (vs 0.99%) and 1.10% (vs 1.13% the previous week), respectively. As the supply remained high and there was almost no demand in the money market – the overall turnover barely exceeded 15 million kuna last week.

A total of 504 million kuna in T-bills with 364-day maturity and an unchanged yield of 1.50% were issued at the auction last week. The overall government debt under T-bills amounts to 31.8 billion kuna. There will be no maturity this week.



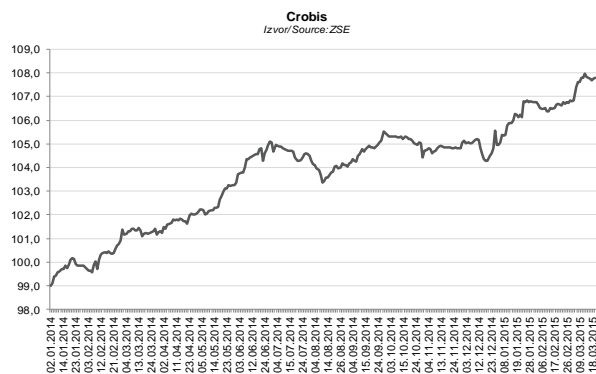
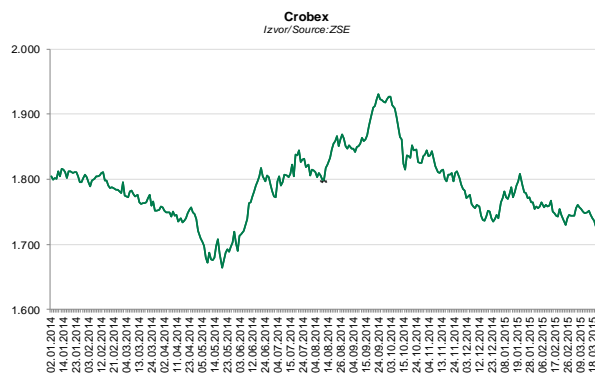
## Crobex continues negative trend

The total turnover in the ZSE decreased by 43% wow to 438 million kuna. The turnover in shares fell by 32% to 76 million kuna, while the turnover in bonds fell by 44%, amounting to 360 million kuna.

The Crobex declined by 1.3% wow to 1,727.37 points due to a mostly negative performance of the major index components shares (HT -1.9%, Valamar +0.8%, Adris Grupa -4.4%, Ledo -0.1%,

Podravka -2.6%, Ina -1.4%, Končar EI -2.2%, Ericsson NT -0.5%, Atlantic Grupa -4.1%). The highest turnover of 16 million kuna was achieved by the shares of Ledo, with a weekly price drop from 7,862.50 to 7,854.36 kuna, followed by the shares of HT with an 8 million kuna turnover and a price drop from 164.03 to 160.93 kuna.

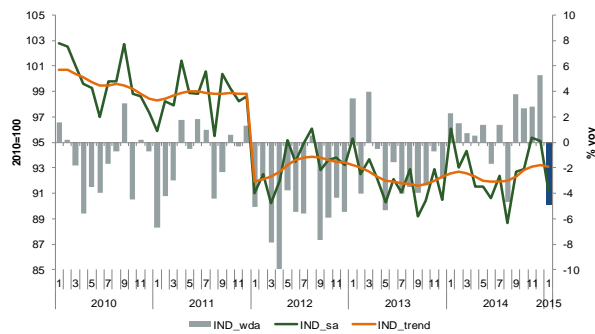
The same as the previous week, the highest turnover of 169 million kuna in the debt market was achieved by the MF kuna bond maturing in 2016. The Crobis stood still at 107.8 points.



# Statistics and macroeconomic forecasts

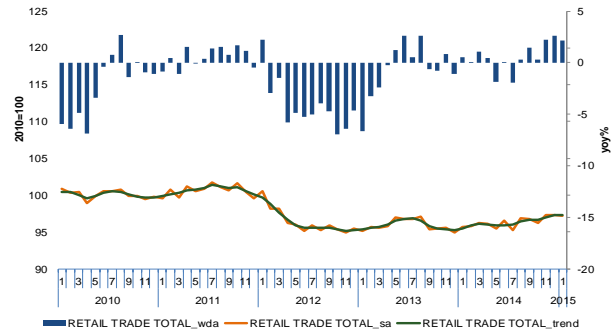
**Industrial production, wda yoy % ch.**

Source: Eurostat



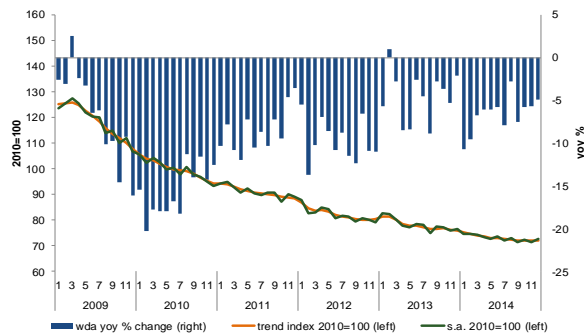
**Retail trade, real, wda yoy ch. and index 2010=100**

Source: CBS



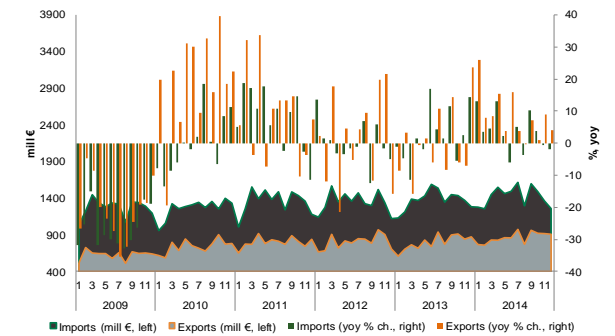
**Construction works, yoy % ch. and index 2010=100**

Source: CBS



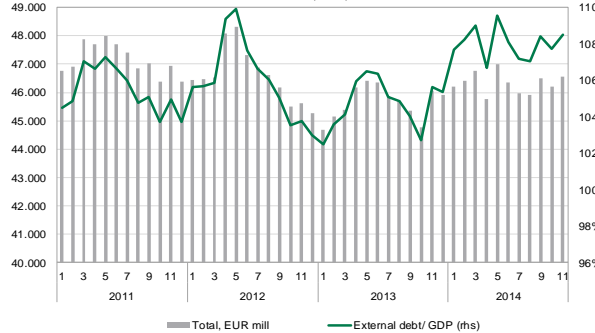
**Goods exports and imports (yoy % ch. and mill €)**

Source: CBS



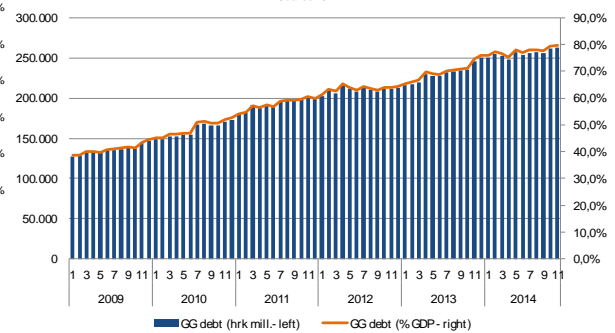
**External debt, amount and share to GDP**

Sources: CNB, CBS, PBZ



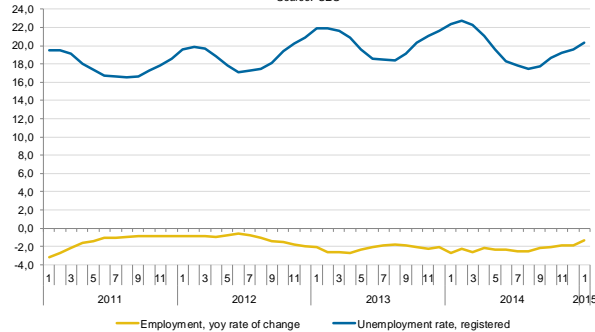
**General government debt**

Source: CNB



**Employment, yoy rate of change and unemployment rate, %**

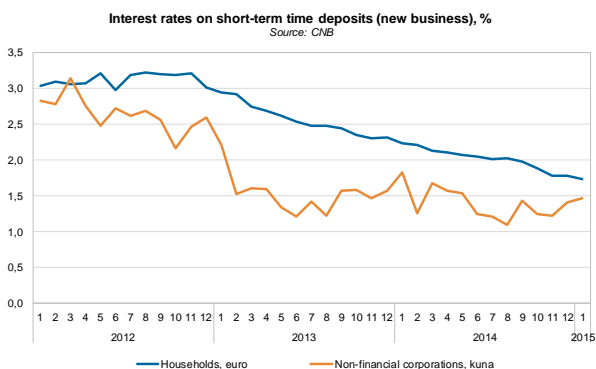
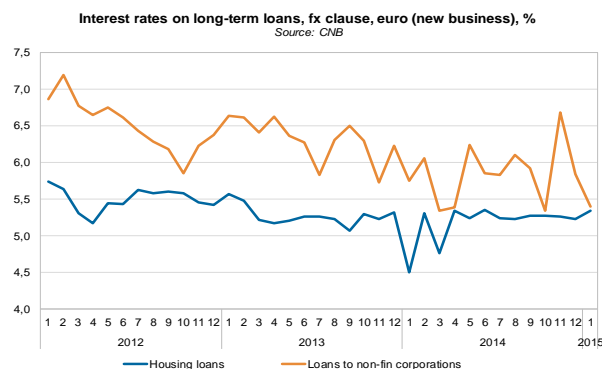
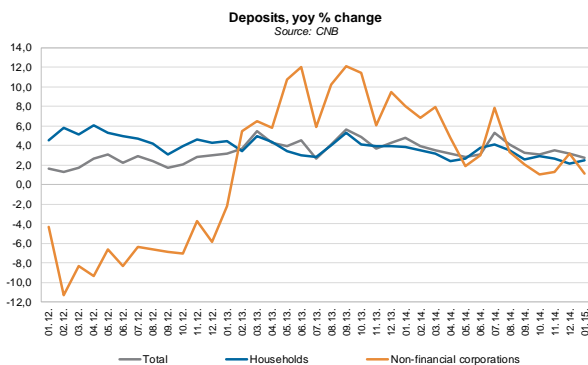
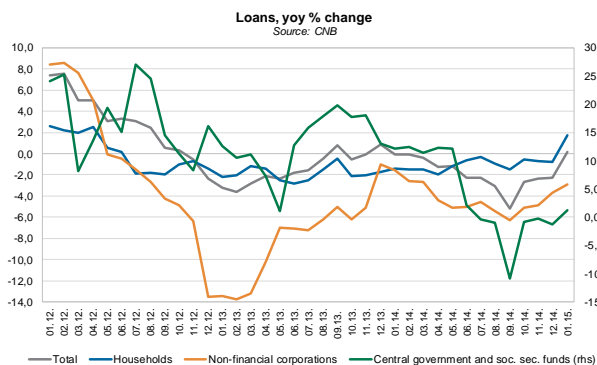
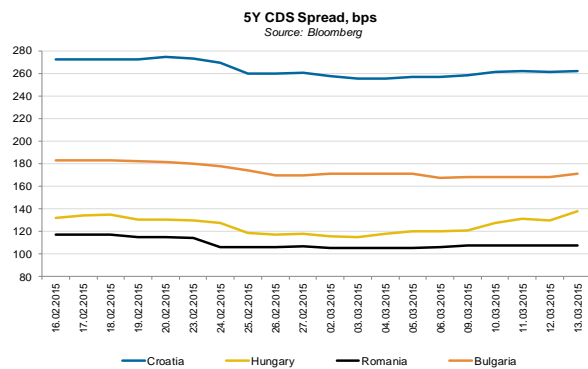
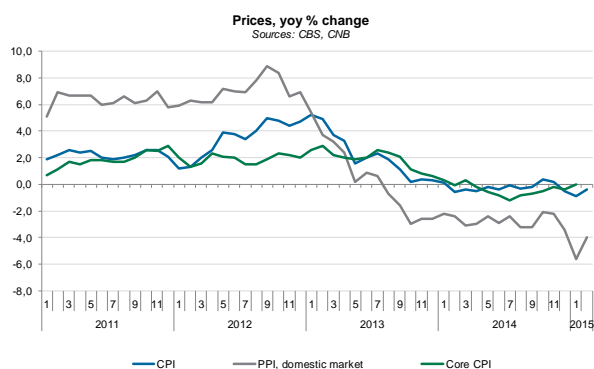
Source: CBS



**Net wages: amount and real yoy rate of change**

Source: CBS





## BASIC MACROECONOMIC INDICATORS

based on data available till 12/15/2014		2014e	2015f
GDP, current prices	HRK mill	327.278	329.896
GDP, current prices	EUR mill	42.894	43.067
GDP, real	annual growth, in %	-0,7	0,0
GDP, nominal	annual growth, in %	-0,9	0,8
CPI	annual average, in %	-0,2	0,8
HRK / EUR	annual average	7,63	7,66
HRK / USD*	annual average	5,73	6,32
HRK / CHF*	annual average	6,28	6,23

\* computed on the basis of ISP forecasts for EUR/USD and EUR/CHF

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