

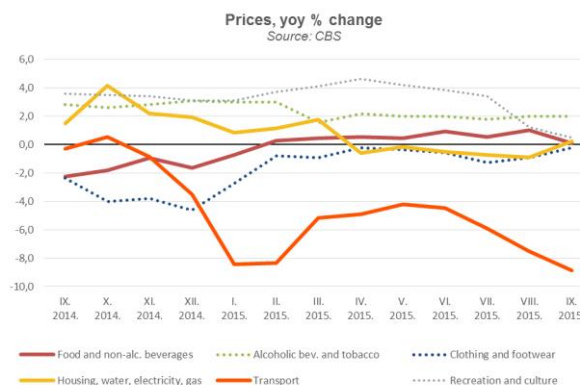
PBZ Weekly Analysis

Number 491, October 19, 2015

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Weekly overview

- The consumer price index in September increased by 0.4% mom, however, compared with September 2014, the consumer price index decreased by 0.8% yoy, while the 12-month average fell to -0.3%. The largest monthly drop was recorded by the prices of *Transport* (-2.3%, due to 4.3% lower prices of fuels and lubricants for personal transport equipment of 4.3%),

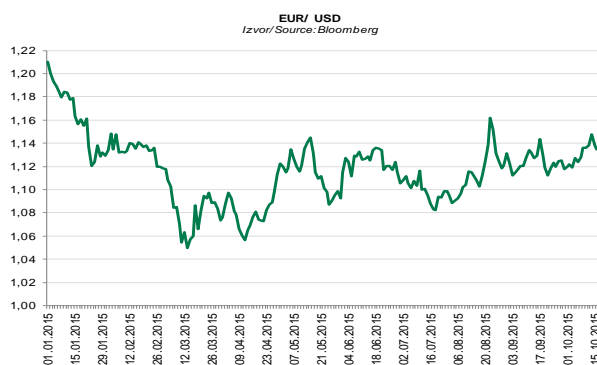


Recreation and culture (-0.8%, lower prices of package holidays), *Food and non-alcoholic beverages* (-0.4%, due to a fall in the prices of food, mainly fruits by 1.8% and meat by 1.2%), *Restaurants and hotels* (-0.2%), *Miscellaneous goods and services* (-0.2%) and *Education* (-0.1%). The influence on the total growth mom came from higher prices of *Clothing and footwear* (13.9%, due to the arrival of the latest collection) and *Housing, water, electricity, gas and other fuels* (1.2%). The prices of *Alcoholic beverages and tobacco*, *Furnishings, household equipment and routine household maintenance*, *Health* and *Communication* remained at the same level in September, compared with August. The highest impact on the drop at the annual level had a decrease in the prices of *Transport* (-8.8%, due to a significant fall in the prices of fuels and lubricants for personal transport equipment of 14.8%), *Education* (-0.9%), *Furnishings, household equipment and routine household maintenance* (-0.5%, of which the largest fall of 1.8% was recorded by the prices of non-durable household goods for routine household maintenance), as well as *Clothing and footwear* (-0.3%). The opposite trend, i.e. an increase yoy was recorded by the prices of *Health* (2.4%), *Alcoholic beverages and tobacco* (2%) as well as *Communication* (1.4%).

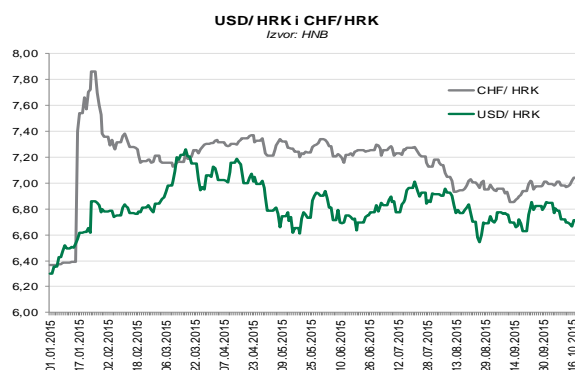
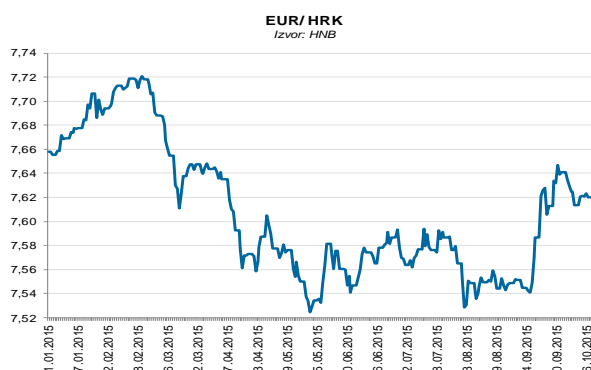
- August saw a drop in the issue of building permits by 9.7% yoy (473 permits), therefore, the total number of building permits issued in the first eight months of this year decreased by 7.4% from the same period of last year, i.e. 3,901 permit was issued. In August, the number of building permits issued for buildings fell by 9.9% yoy, while the number of building permits issued for civil engineering works fell by 8.9% yoy. The expected total value of works over the first eight months of this year was 12.14 billion kuna, while over the same period of 2014 the expected total value was 13.37 billion kuna, which is a drop of 9.2%.

Kuna slightly weaker

Following a strong midweek growth, the euro weakened by the end of the week and market movements ended on Friday at 1.1348 dollar to the euro. i.e down by 0.1% wow, while the Swiss franc closed the week at 1.0829 franc to the euro, down by 0.9% wow. This week's ECB meeting will have a crucial impact on the euro exchange rate trends.

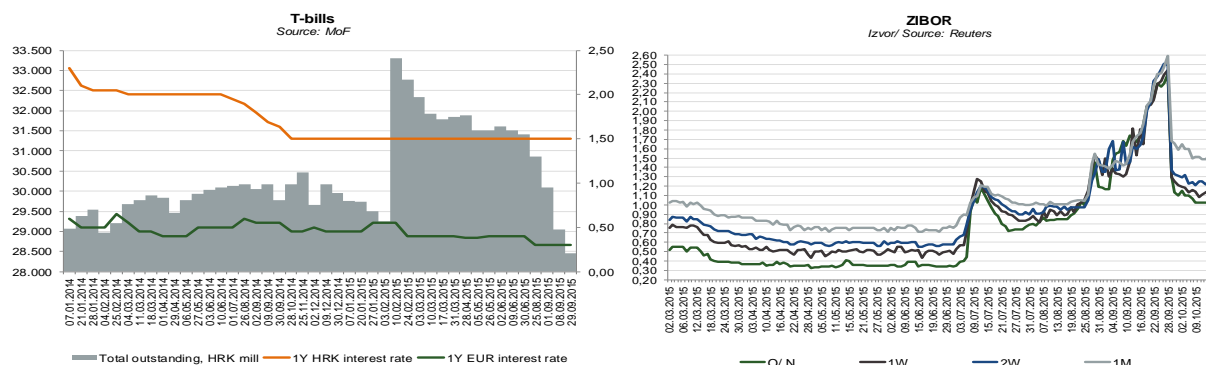


The domestic market mainly saw depreciation pressures, therefore the EUR/HRK exchange rate amounted to 7.6201 kuna to the euro at the end of the week, i.e. 0.1% more wow. The kuna remained almost unchanged against the dollar (at 6.7161), however, the kuna weakened against the Swiss franc by 0.9% and the exchange rate on Friday amounted to 7.0426 kuna to the franc.



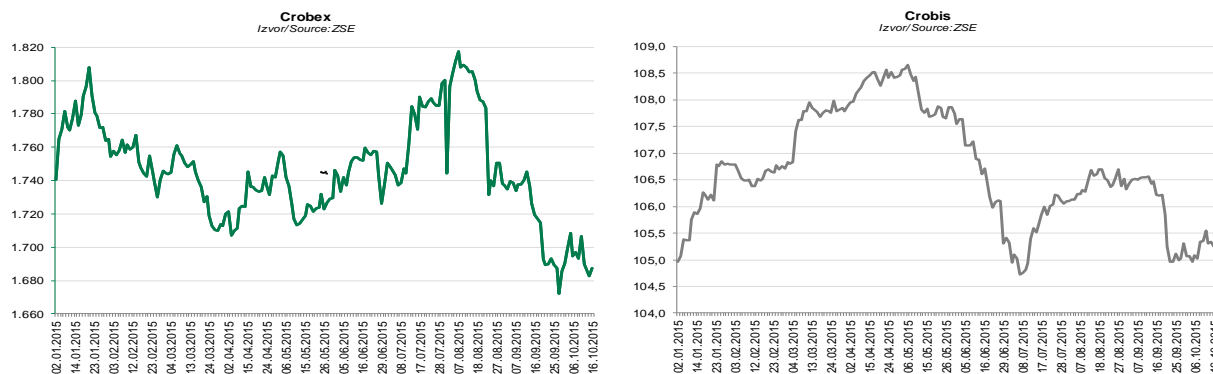
Interest rate stabilisation

Following the maturity of the last week's auction (535 million kuna), CNB injected in the system 571.5 million kuna this Wednesday as well, which additionally increased the already abundant liquidity (around 9 billion kuna) and stabilised interest rates. Thus the overnight Zibor closed the week at the unchanged 1.02%, while 1M and 3M at 1.49% (vs 1.51%) and 1.74% (vs 1.75% the previous week), respectively.



Crobex continues negative trend

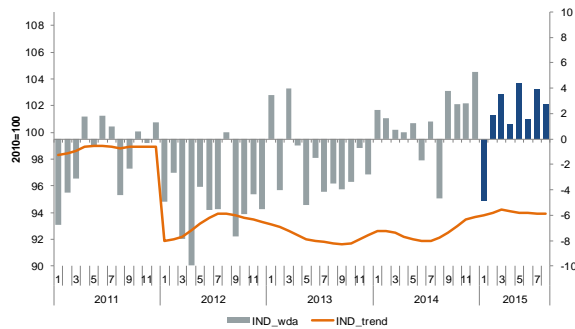
The Crobex declined by 0.3% wow, closing the week at 1,687.43 points, whereas the Crobis closed the week at 105.25 points, which is a minor drop of 0.1% compared with the previous week. The total turnover in the Zagreb Stock Exchange decreased by 10% wow, amounting to 397 million kuna.



Statistics and macroeconomic forecasts

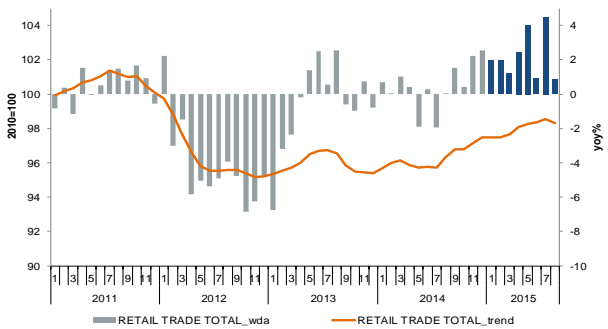
Industrial production, wda yoy % ch.

Source: Eurostat



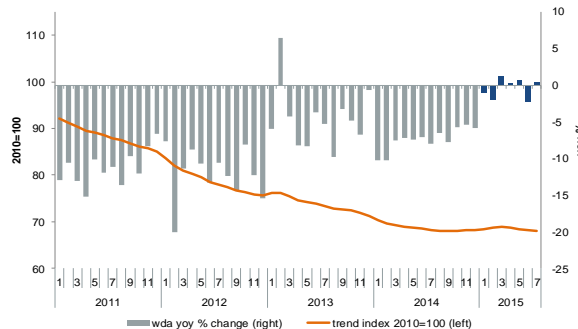
Retail trade, real, wda yoy ch.

Source: CBS



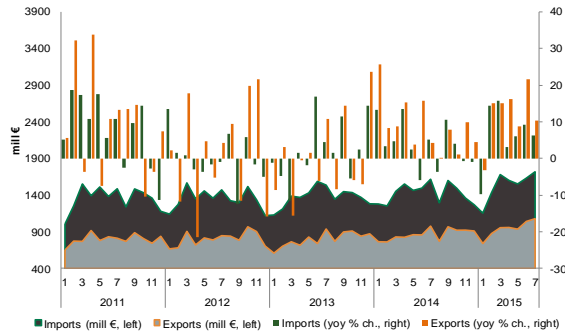
Construction works, yoy % ch. and index 2010=100

Source: CBS



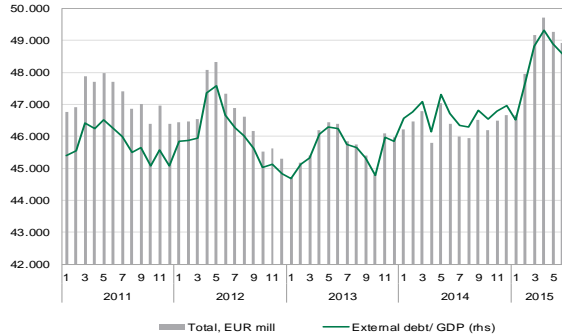
Goods exports and imports (yoy % ch. and mill €)

Source: CBS



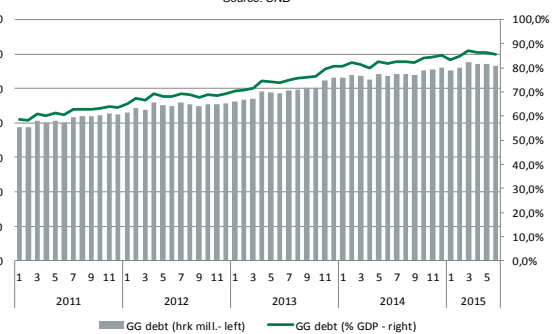
External debt, amount and share to GDP

Sources: CNB, CBS, PBZ



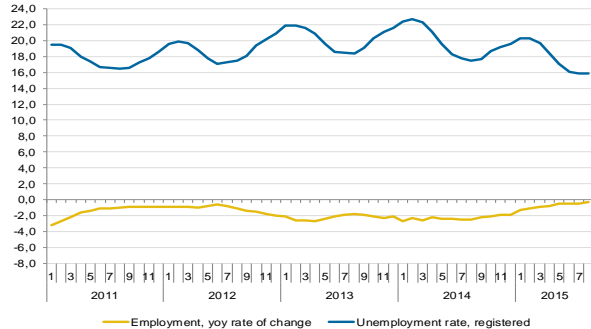
General government debt

Source: CNB



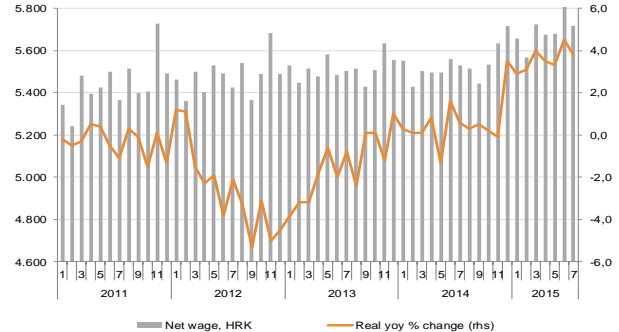
Employment, yoy rate of change and unemployment rate, %

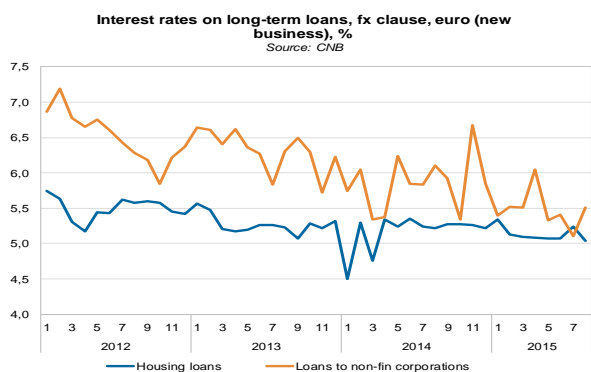
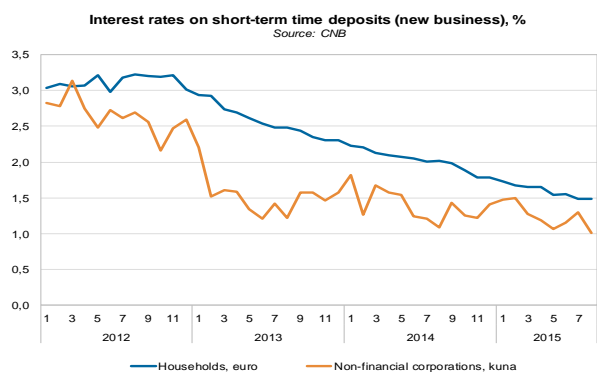
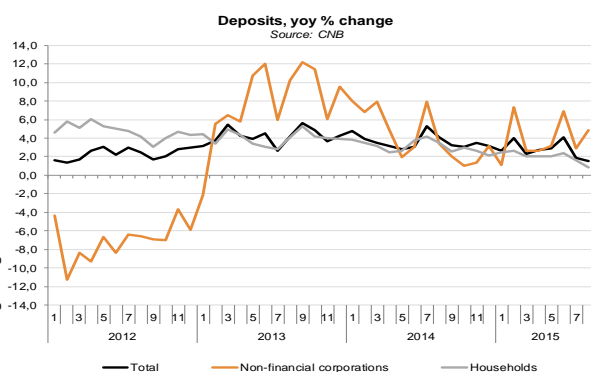
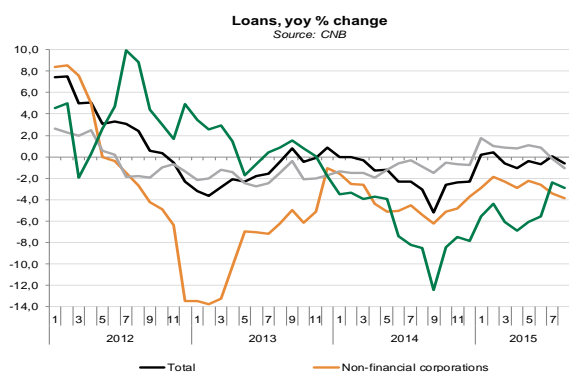
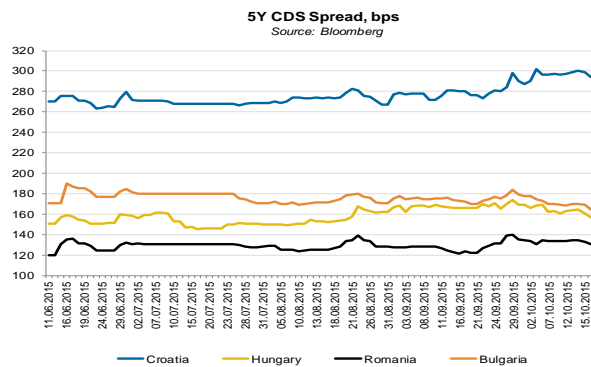
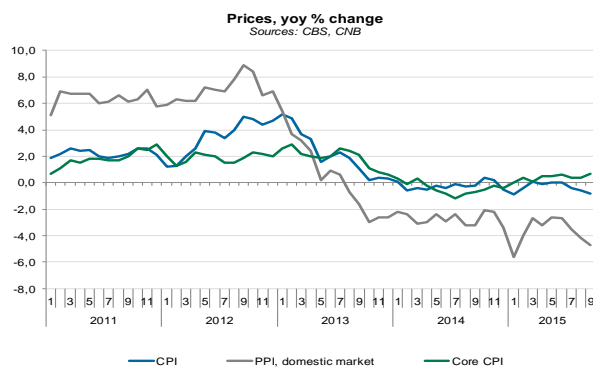
Source: CBS



Net wages: amount and real yoy rate of change

Source: CBS





RESEARCH OFFICE

Ivana Jović, ivana.jovic@pbz.hr

Ana Lokin, ana.lokin@pbz.hr

TREASURY

Eugen Bulat

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