

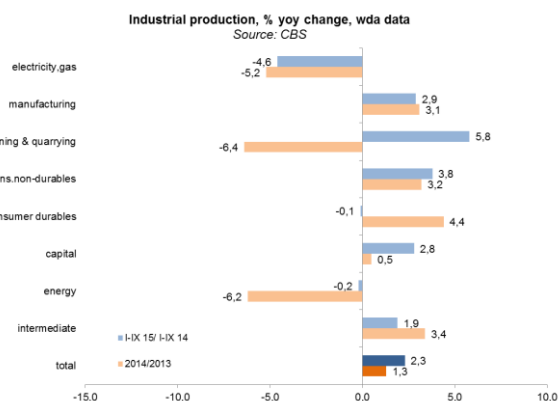
PBZ Weekly Analysis

Number 493, November 2, 2015

- Weekly overview (p. 1)
- Euro weakens further (p. 2)
- New T-bill auction (p. 2)
- Crobex continues its positive trend (p. 3)
- Statistics and macroeconomic forecasts (p. 4-5)

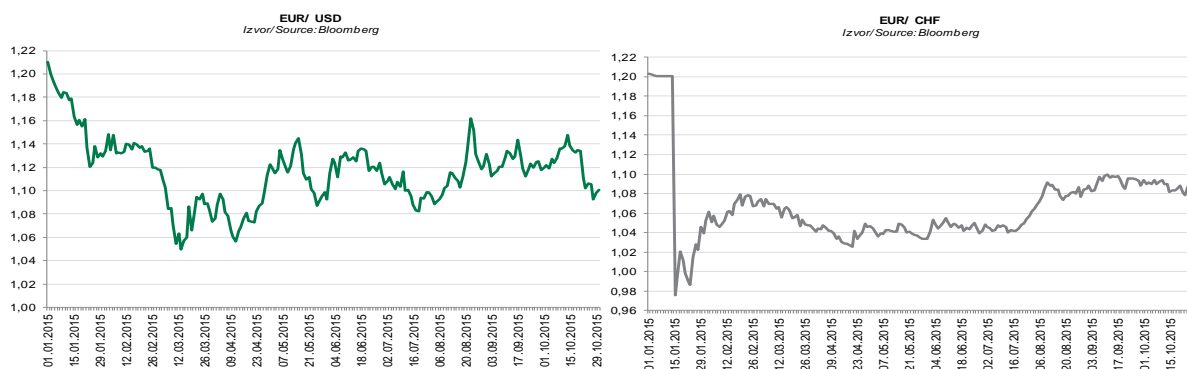
Weekly overview

- According to the seasonally adjusted data, the industrial production in September increased by 5.9% compared with August, while the wda data show an increase of 5.4% yoy (for the eight consecutive month, the largest increase since 2008). The annual growth is the result of a continuation in positive trends in Manufacturing (+7.2%, where *Manufacture of food products* rose by 9.6%, and *Manufacture of fabricated metal products, except machinery and equipment* by 8.6%, as well as the two components with the largest share in total IP) and Mining and quarrying (+12.4%, where *Extraction of crude petroleum and natural gas* grew by 23.5%). The opposite movements, i.e the decrease of 16.4% was recorded in Electricity, gas, steam and air conditioning supply. The cumulative data for the first month of this year show an increase in the industrial production by 2.3% compared with the same period of 2014.
- The total number of persons in employment in September, compared with the previous month, fell by 1.1% to reach 1.345.682. Specifically, the number of persons in employment in legal entities decreased by 0.4% (to 1,124,660), in trades and crafts by 5.3% (to 200,055), while the number of private farmers fell by 0.4% (to 20,967). The number of unemployed persons in September increased by 1.1%, to 259,459 persons, whereas the total registered unemployment rate rose from 15.9% to 16.2%. The decrease in the monthly number of persons in employment is the result of the end of the tourist season and the inclusion of seasonal workers in the unemployment statistics again.
- In August, the average monthly net earnings per person in employment in legal entities amounted to 5,712 kuna, which is a nominal increase of 3.6% and a real increase of 4.2% yoy. The highest average net earnings for August were paid off in the activity *Air transport* (10,804 kuna), whereas the lowest average net earnings for August were paid off in the activity *Manufacture of wearing apparel* (3,058 kuna). Over the first eight months, the average net earnings yoy climbed by 3.3% in nominal terms, and 3.6% in real terms.

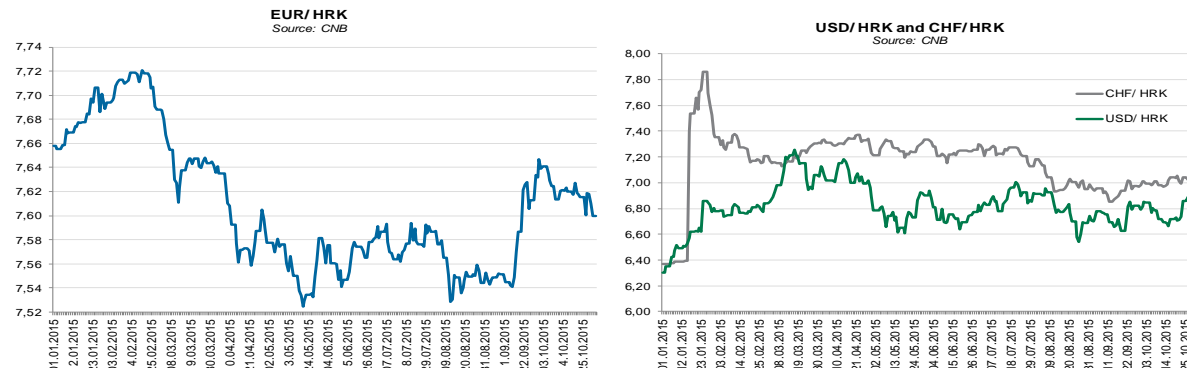


Euro weakens further

As the ECB did not take actions the previous week, the FED did not decide to change its monetary policy, or, in this case, increase its key interest rate, leaving this option open for 16 December. As ECB will hold its meeting on 3 December, the December of 2015 will be extremely interesting. The euro weakened further and market movements ended on Friday at 1.1006 dollar to the euro, i.e. 0.11% less wow, while the Swiss franc closed the week at 1.0873 franc to the euro, up by 0.8% wow.



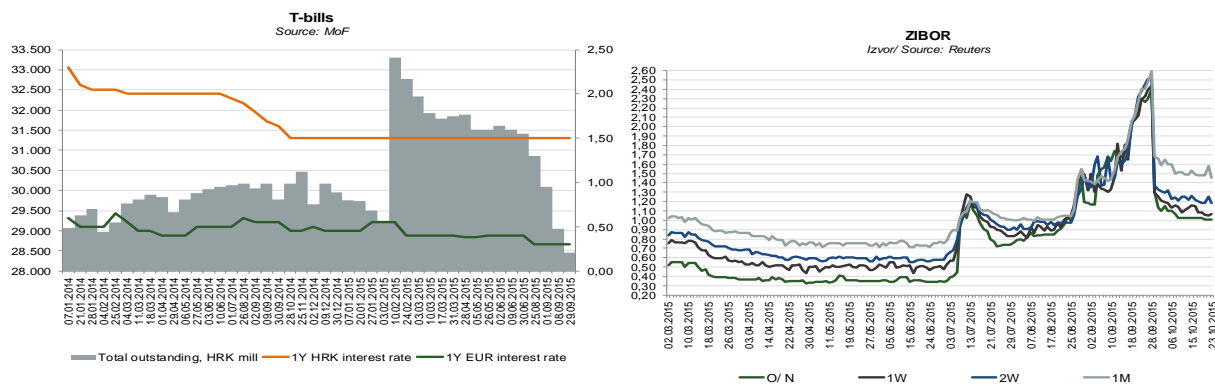
The domestic market mainly saw appreciation pressures and the EUR/HRK exchange rate amounted to 7.5997 kuna to the euro at the end of the week, i.e. down by 0.2% wow. The kuna weakened against the dollar (by 0.8% to 6.9082), whereas the kuna against the Swiss franc strengthened by 0.7% and the exchange rate on Friday amounted to 6.9934 kuna to the franc.



New T-bill auction

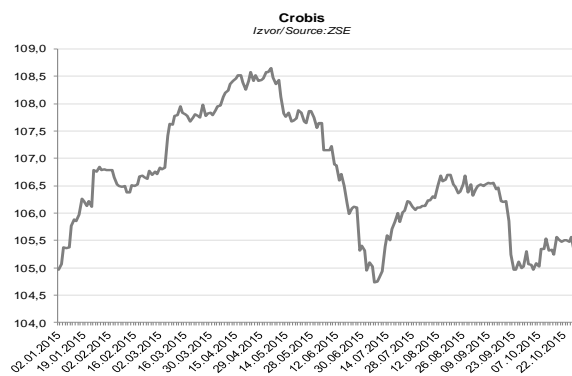
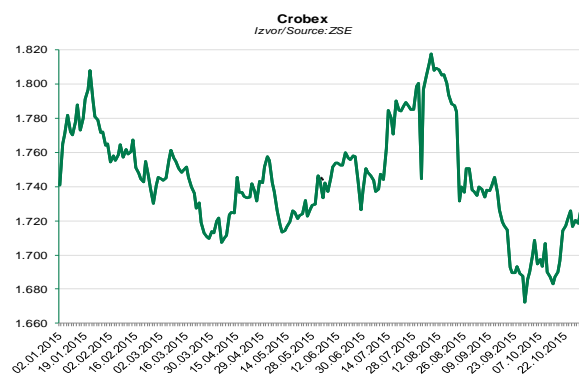
High liquidity and CNB measures stabilised the market, and the overnight Zibor closed the week at 0.92% (vs 1.01%), while 1M and 3M at 1.25% (vs 1.45%), and 1.66%, respectively (vs 1.69% the previous week).

The last week's auction saw a subscription of 1.29 billion kuna in 1Yr T-bills with an unchanged yield of 1.50%, and 6 million euro in 3Mo (with an unchanged yield of 0.20%) and 8.8 million euro in 1Yr T-bills (yield slightly increased from 0.30 to 0.40%). The amount of the subscribed T-bills largely exceeded the initially planned 500 million kuna and 10 million euro. The total public debt under T-bills is 28.5 billion kuna. There will be no T-bill maturity for the next three weeks.



Crobex continues its positive trend

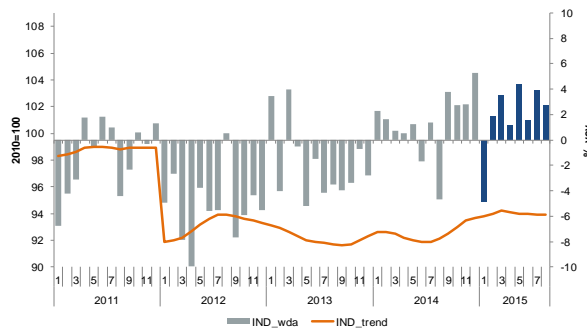
The Crobex moderately rose by 0.27% wow, closing the week at 1,725.10 points, whereas the Crobis closed the week at 105.17 points, which is a decline of 0.32% compared with the previous week. Last week, the total turnover in the ZSE amounted to 375 million kuna, which is an increase of 159% wow.



Statistics and macroeconomic forecasts

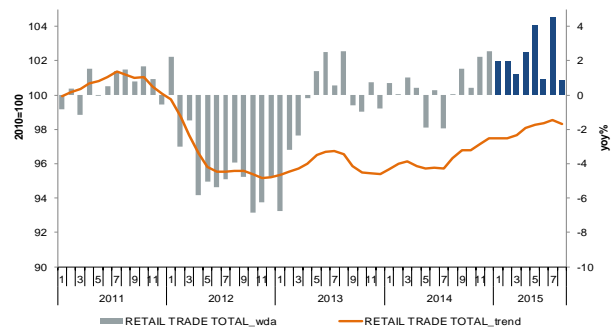
Industrial production, wda yoy % ch.

Source: Eurostat



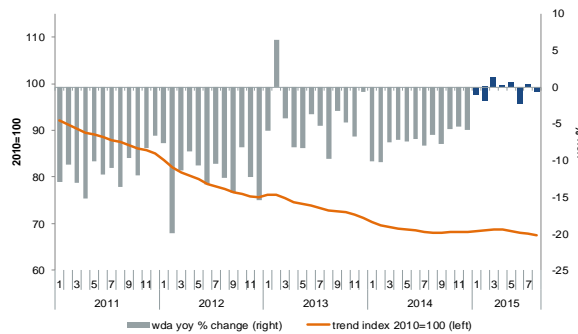
Retail trade, real, wda yoy ch.

Source: CBS



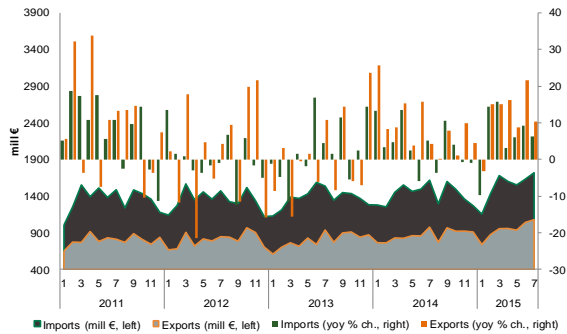
Construction works, yoy % ch. and index 2010=100

Source: CBS



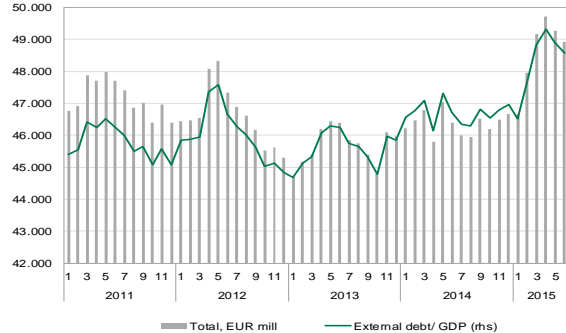
Goods exports and imports (yoy % ch. and mill €)

Source: CBS



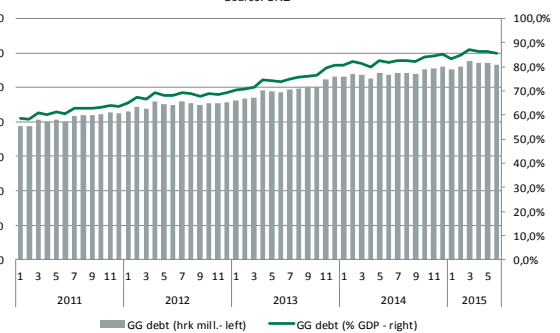
External debt, amount and share to GDP

Sources: CNB, CBS, PBZ



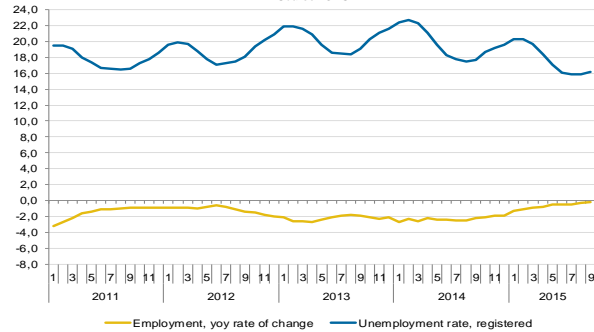
General government debt

Source: CNB



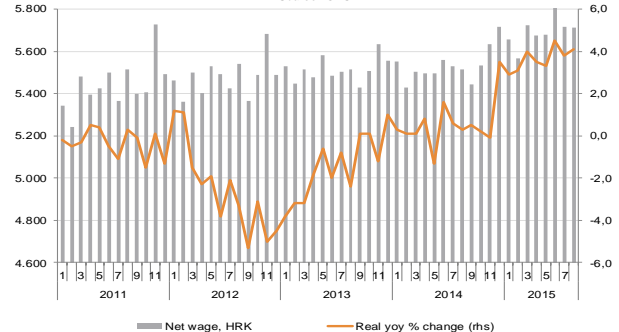
Employment, yoy rate of change and unemployment rate, %

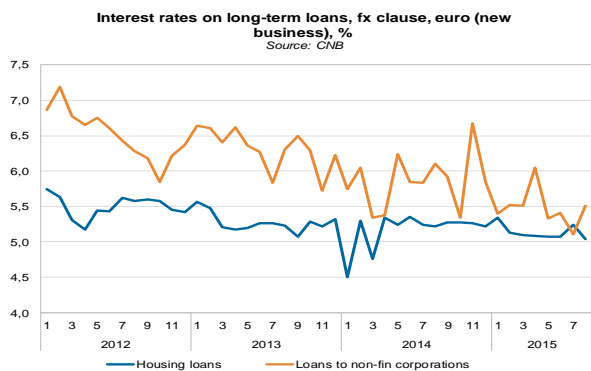
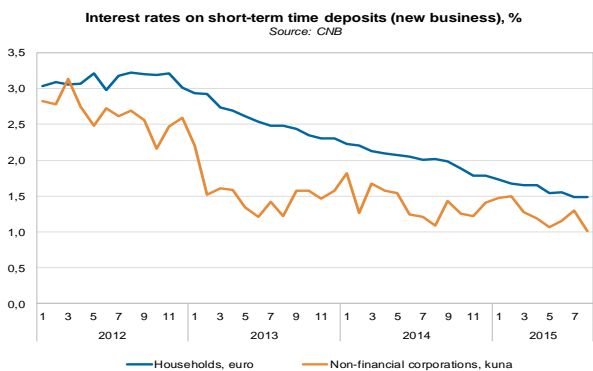
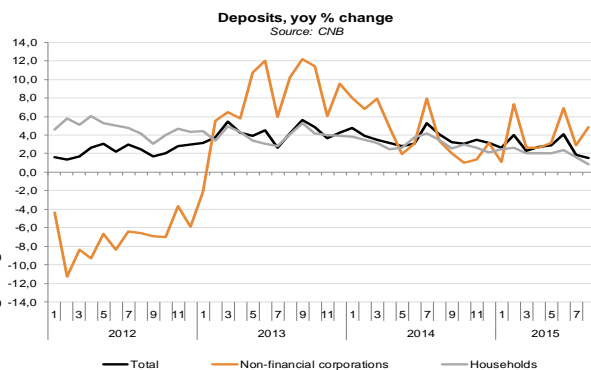
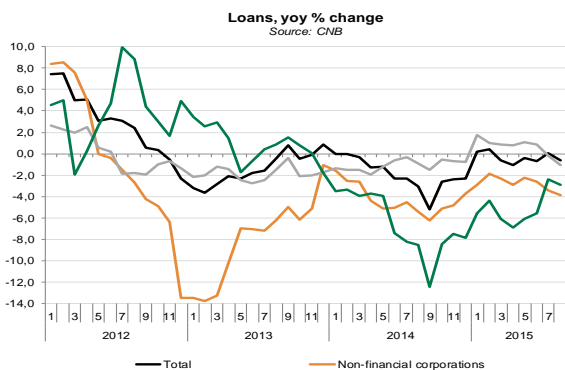
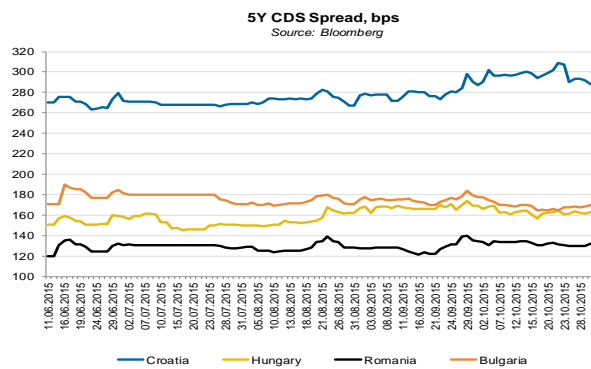
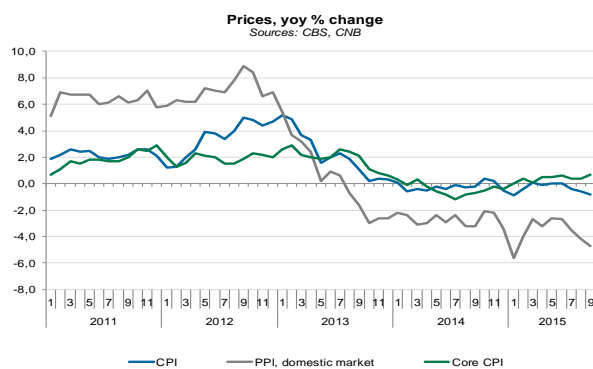
Source: CBS



Net wages: amount and real yoy rate of change

Source: CBS





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