

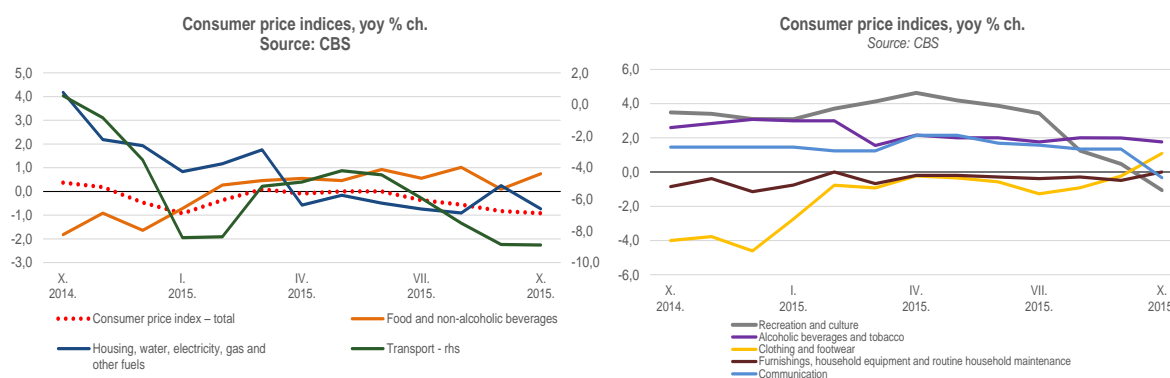
PBZ Weekly Analysis

Number 496, November 23, 2015

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Weekly overview

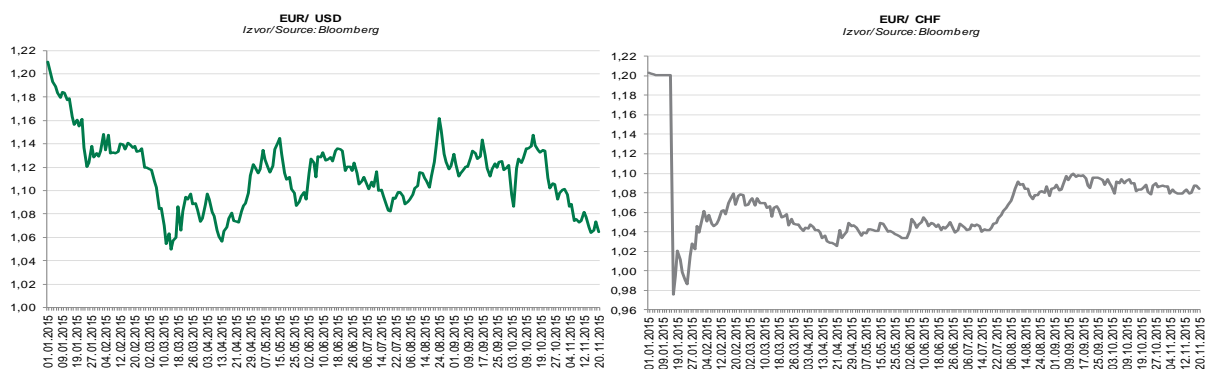
- According to the data of the Croatian Bureau of Statistics (CBS), the consumer price index in October 2015 increased by 0.1% compared with September, while the comparison with October 2014 shows a decrease of 0.9%, where on an annual average a fall of 0.4% was recorded. Although October saw a growth in the prices of clothing and footwear (by 1.1% yoy and by 6.6% mom), food products (by 0.7% yoy, stagnation mom) and health (by 2.4% yoy, stagnation mom), a fall in the prices, mainly petroleum products (-14.4% yoy, i.e. -0.5 mom) and gas (-6.6% yoy and +0.1% mom) had a major impact on the movements of the overall index. Given a large share of food (29%), housing (18%) and transport (13%) in the overall index, every change in the price level within these categories significantly affects the movements of the overall index. Excluding volatile movements of the energy and food prices from monitoring, the annual core inflation rate in October was +0.7%. The so-called "import" influence of lower prices of petroleum products on the international markets and the still relatively low domestic demand will continue to have a major influence on the consumer price index movements.



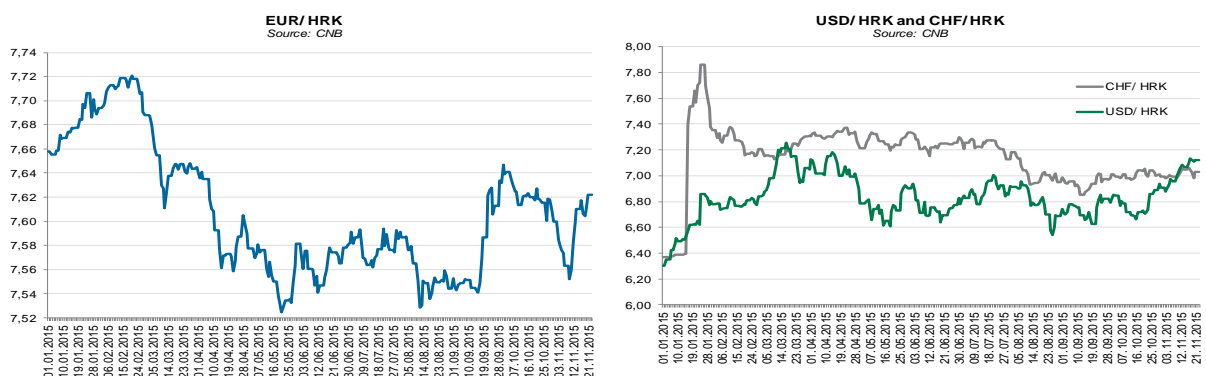
- As Friday and the announcement of the flash estimate of the GDP growth for the third quarter of this year are approaching, the HINA survey indicates an expected significant acceleration of the economic growth. Specifically, macroeconomists in the survey anticipate a growth in the third quarter between 1.6 and 3.0%, i.e. an average of 2.2%, which would be the highest growth recorded since 2q2008. We expect a growth of 2%, mainly due to the exports of goods and services as well as a record high tourist season as well as positive movements resulting from the share of the most substantial personal consumption. In addition to the flash estimate of GDP, this week we expect the release of the preliminary data on the labour market for October, including the registered unemployment rate and the gross and net earnings movements. Also, at the end of the week, CBS will release data on the industrial production trends for October.

USD strengthens

Last week, the international market trends were mostly influenced by expectations of reports from the last FOMC meeting held at the end of October and speculation whether the FED will raise its key interest rate. Solid economic indicators positively affected the dollar, therefore the week closed at 1.0646 dollar to the euro, down by 1.2% wow, and 1.0844 Swiss franc to the euro, up by 0.1% wow.



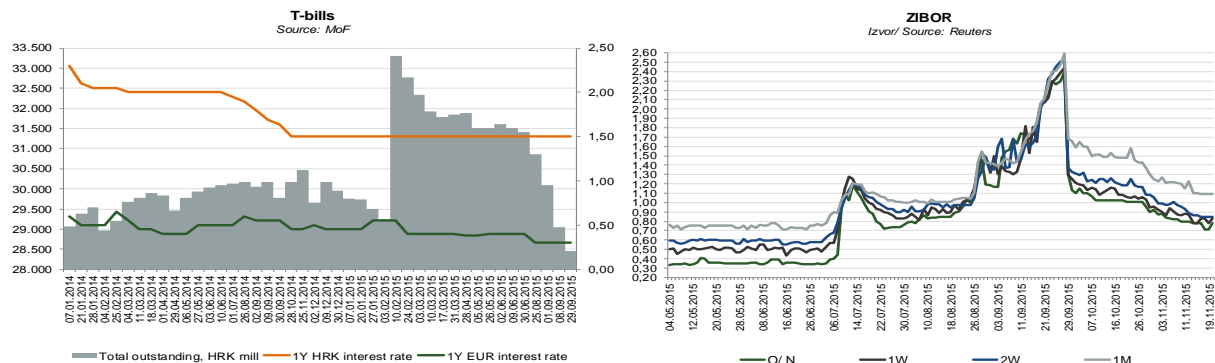
Moderate volatility was recorded on the domestic market as well, where depreciation pressures were dominant and the EUR/HRK exchange rate amounted to 7.6221 kuna to the euro at the end of the week, which is up by 0.2% wow. The kuna also weakened against the dollar (by 0.8%, to 7.1241), whereas the kuna strengthened against the Swiss franc (by 0.3%, to 7.0289).



Money market at standstill

Due to regular reverse repo auctions (258 million kuna at 0.50% injected last week) and low foreign demand for kuna, interest rates stabilized and the overnight Zibor closed the week at the unchanged 0.78%, while 1M and 3M at 1.09% (vs 1.10%), respectively, and 1.38% (vs 1.39% the previous week).

The Ministry of Finance has announced a T-bill auction for tomorrow (24 November), with the planned issue of 1.15 billion in kuna and 10 million in euro T-bills.



Crobex continues its negative trend

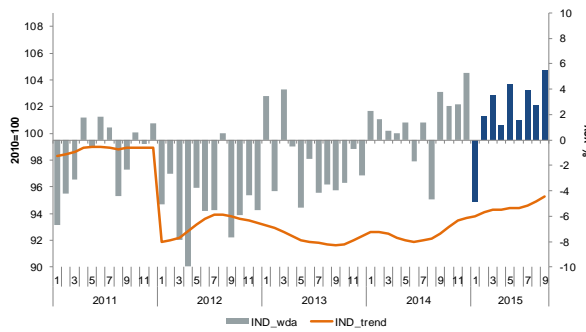
The Crobex declined by 0.3% wow, closing the week at 1,693.68 points, whereas the Crobis closed the week at 105.26 points, which is a minor decline of 0.1% compared with the previous week. The total ZSE turnover was up by 0.9% wow, amounting to 313 million kuna.



Statistics and macroeconomic forecasts

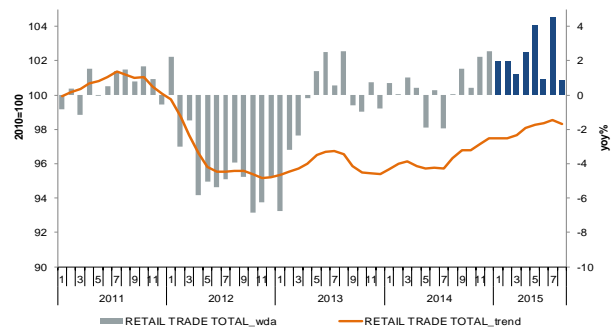
Industrial production, wda yoy % ch.

Source: Eurostat



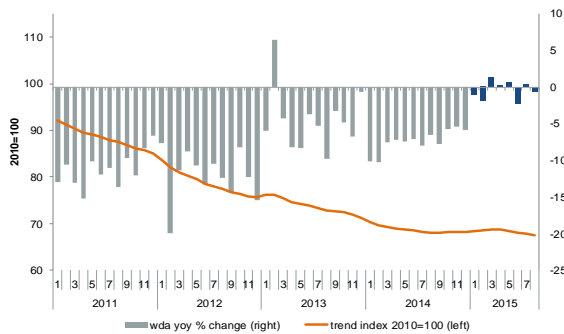
Retail trade, real, wda yoy ch.

Source: CBS



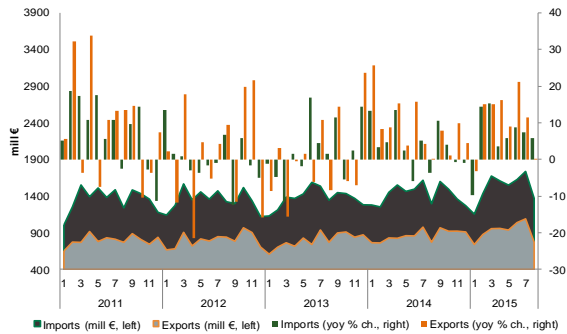
Construction works, yoy % ch. and index 2010=100

Source: CBS



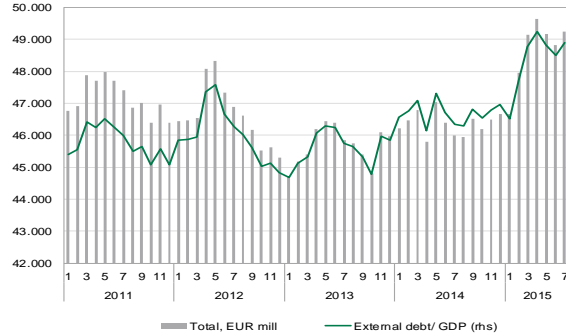
Goods exports and imports (yoy % ch. and mill €)

Source: CBS



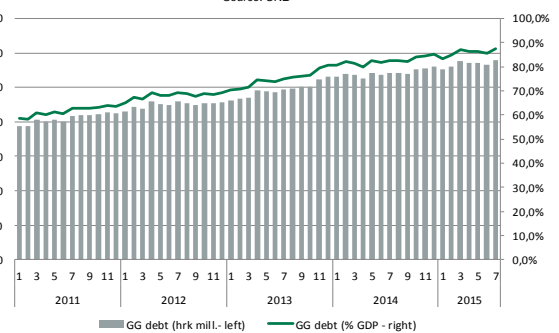
External debt, amount and share to GDP

Sources: CNB, CBS, PBZ



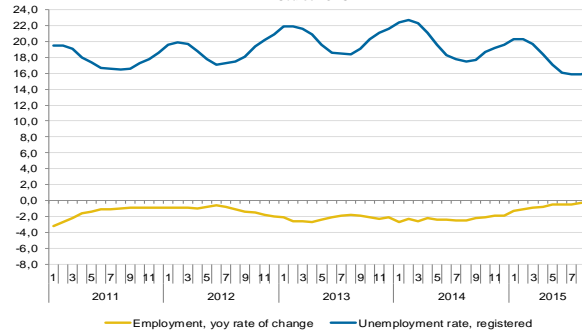
General government debt

Source: CNB



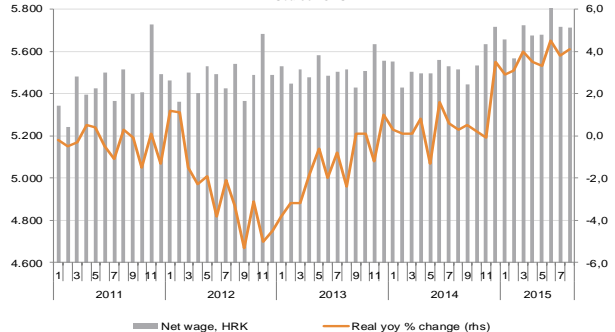
Employment, yoy rate of change and unemployment rate, %

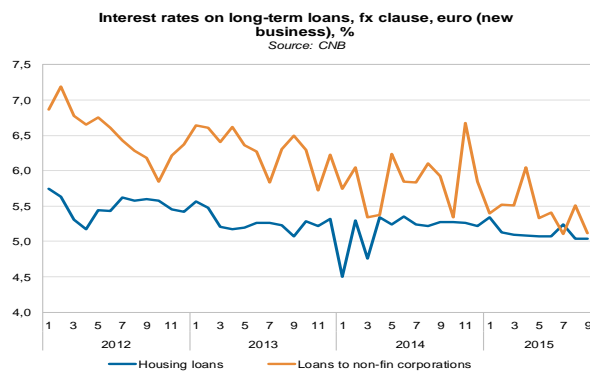
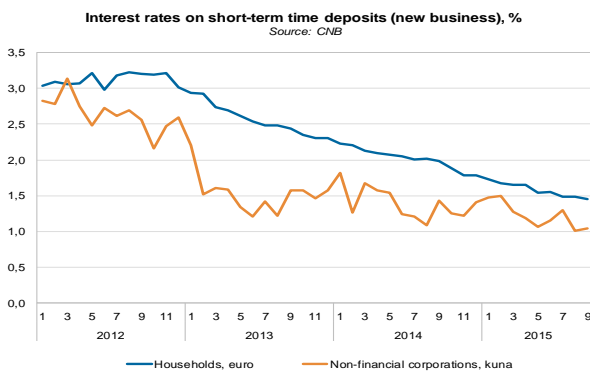
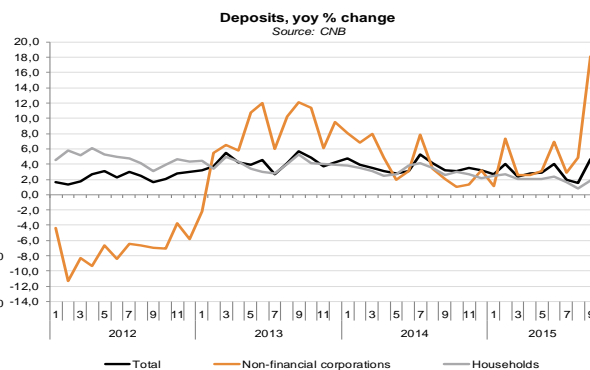
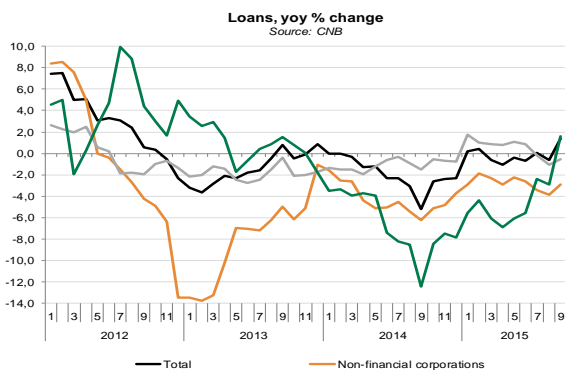
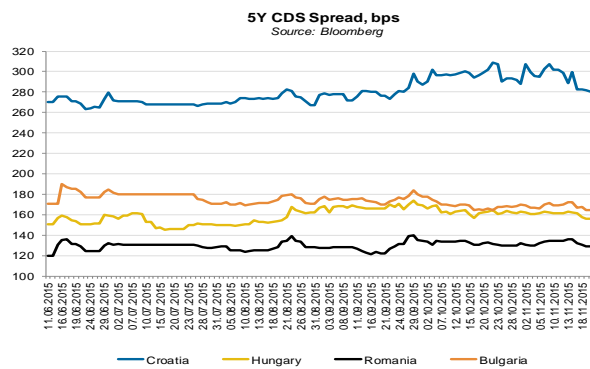
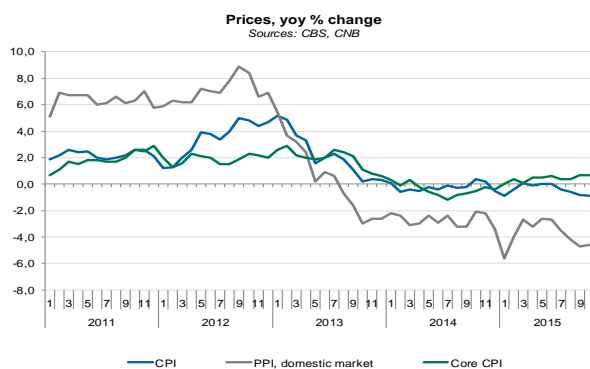
Source: CBS



Net wages: amount and real yoy rate of change

Source: CBS





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