

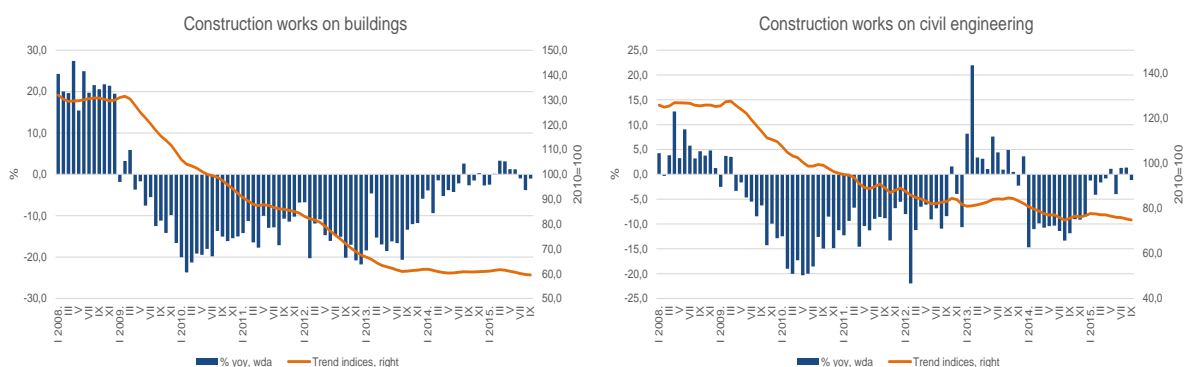
PBZ Weekly Analysis

Number 499, December 14, 2015

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Weekly overview

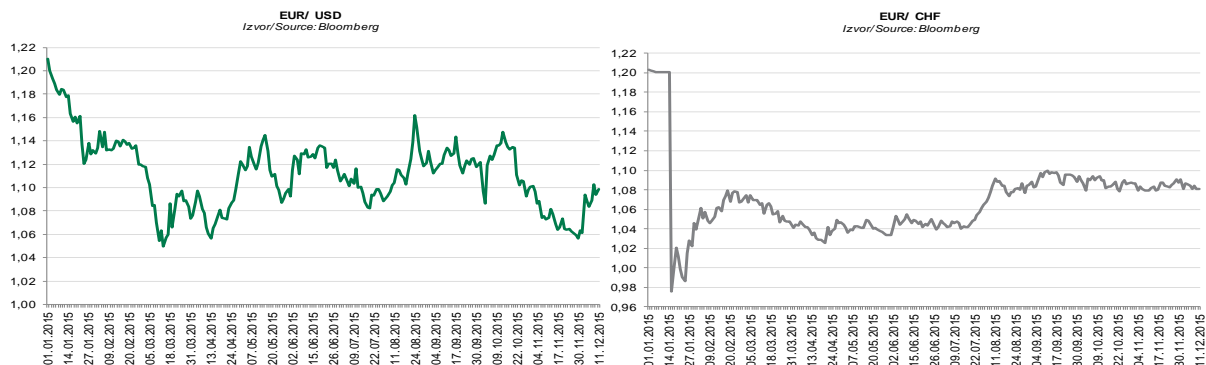
- According to wda indices, construction works in September decreased by 1.6% compared with the same month last year, while, according to seasonally adjusted indices, construction works decreased by 0.5%, compared with August. The total fall in construction works in the first nine months of this year amounted to 0.3%, whereas, for instance, over the same period of 2014 the fall in the construction works amounted to 8.1%. According to the type of works, over the first nine months the index of works on buildings increased by 0.3%, with respective 43.9% hours worked on sites, while, at the same time, the index of civil engineering works declined by 0.9% (with the 56.1% share of hours worked). The previous trends lead to a conclusion that the fall in the construction activities substantially slowed down compared with the rates of decrease recorded in the period 2009-2014, however, a periodic growth recorded in some months of 2015 is not sufficient to move the overall annual rate into positive territory.



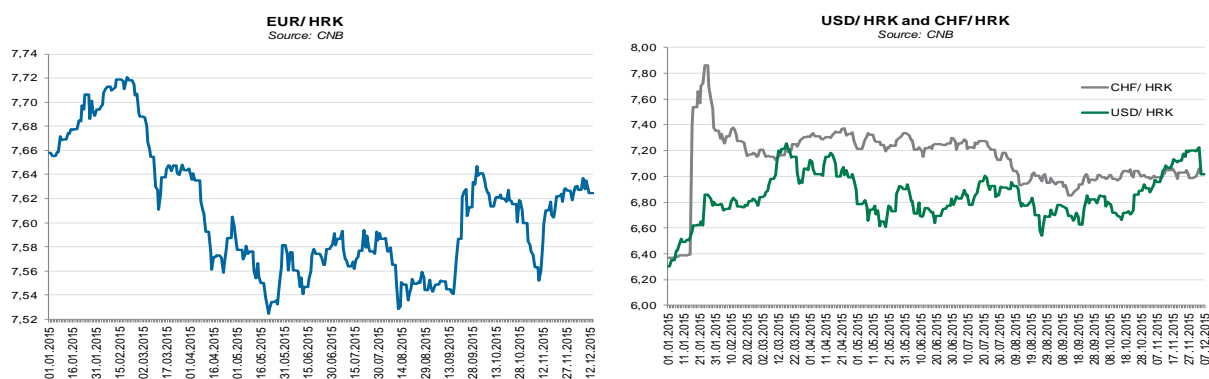
- The data of the Croatian Bureau of Statistics (CBS) indicate a strong September growth in the export of goods (+12.5%), and the growth in the import of 3.9%, which positively impacted the trade of goods deficit which was lower by 9.2% in September, compared with the same month of the previous year, amounting to 4.4 billion kuna. Cumulatively, in the first nine months, the export of goods rose by 11.2% (to 64.5 billion kuna), and the import by 6.4% (to 105.5 billion kuna). Over this period, the trade in goods deficit amounted to 50 billion kuna, i.e. 0.3% less than over the same period of 2014. Positive trends in the trade in goods may be seen in the fact that a decline in the export in the first nine months has been recorded in only a few activities, for instance mining and quarrying (-23%, but a relatively small share of around 1% in total exports); manufacture of tobacco products (-5.4%, 0.3% share) and information and communication activity which dropped by 13.4% (0.5% share). Two activities, more substantial by their share, which recorded a decrease in the export are the manufacture of coke and refined petroleum products (7.5% share and a decrease of 17.9%) and the production of basic metals (2.7% share and a decrease of 24.6%).
- Last week, CBS confirmed its flash estimate according to which the retail trade index in October rose by 1.5% compared with the same month last year, while the comparison with September shows a decline of 0.2%, according to working-day adjusted and seasonally adjusted indices.

Government bond issue

The Swiss central bank kept its interest rates at record-low levels and the week ended at 1.0810 Swiss franc to the euro, down by 0.4% wow. Compared with USD, the euro strengthened to 1.0986 dollar, which is up by 1.0% wow. We are expecting the FED meeting to be held this week.



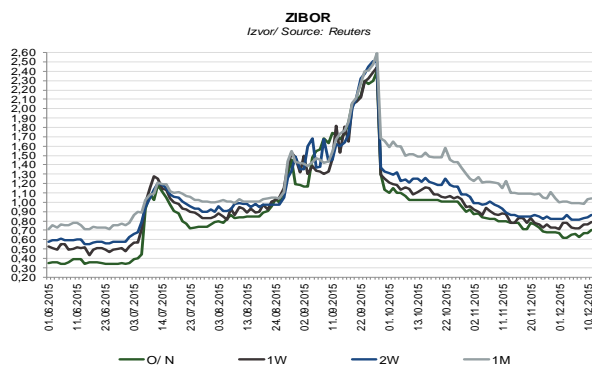
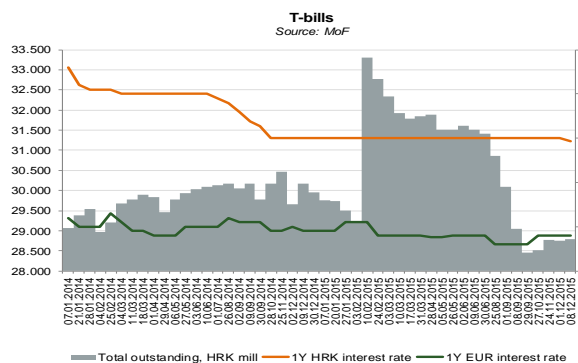
Last week, the domestic market focused on the issue of a new 11-year government bond worth 6 billion kuna. The bond carries a yield of 4.4% and has a semi-annual coupon of 4.25%, and the issue is aimed at the refinancing of the matured bond (5.5 billion kuna). The exchange rate ended the week at the almost unchanged 7.6246 kuna to the euro. The kuna strengthened against the dollar (by 0.9%, to 6.9548), while the kuna against the Swiss franc weakened (by 0.3%, to 7.0363).



Last T-bill auction in 2015

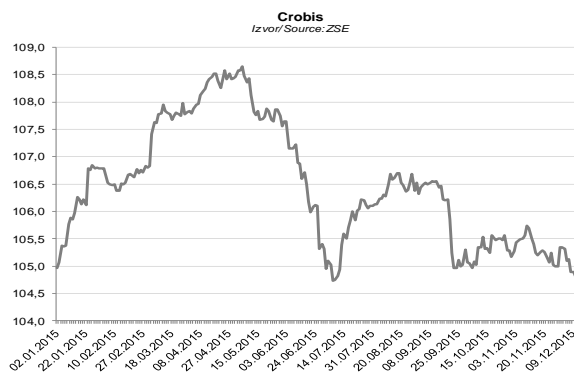
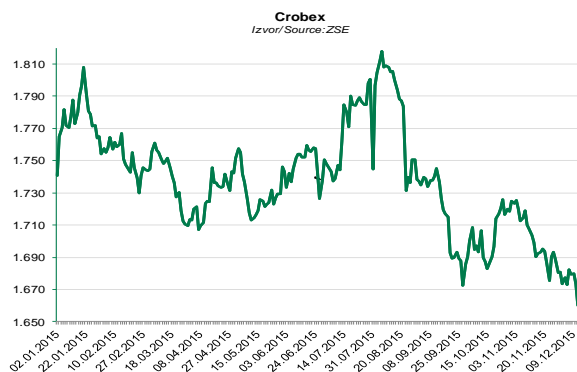
Interest rates were moderately corrected on Friday and the overnight Zibor closed the week at 0.70% (vs 0.65 the previous week), while 1M and 3M at 1.04% (vs 0.99%), or 1.31% (vs 1.29% the previous week), respectively.

The last week's auction saw a subscription of 1.466 billion in kuna and 2.6 million in euro T-bills, as follows: 100 million kuna each in three-month and six-month T-bills with an unchanged yield of 0.43% and 0.55%, respectively; 1.266 billion kuna in one-year T-bills with a slightly lower yield of 1.47% (vs 1.50%) and 2.6 million euro with the same maturity and an unchanged yield of 0.40%. The current balance of the subscribed T-bills is 28.8 billion kuna. The next auction will be held on 5 January 2016.



Crobex at 3.5-year minimum

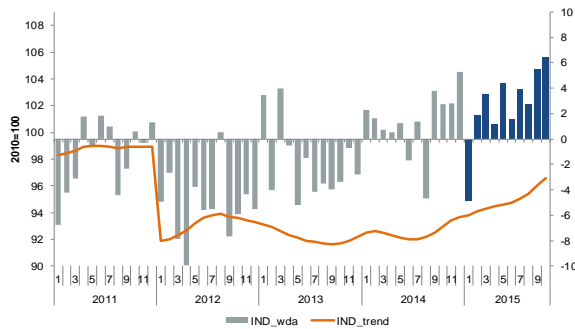
The Crobex closed the week at 1,659.99 points, i.e. at a 0.8% lower level compared with the week before, whereas the Crobis closed the week at 104.85 points, i.e. -0.2% compared with the previous week.



Statistics and macroeconomic forecasts

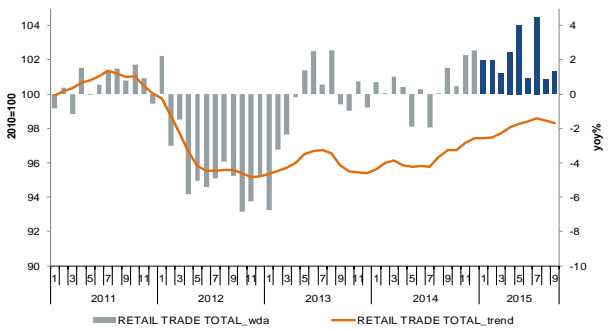
Industrial production, wda yoy % ch.

Source: Eurostat



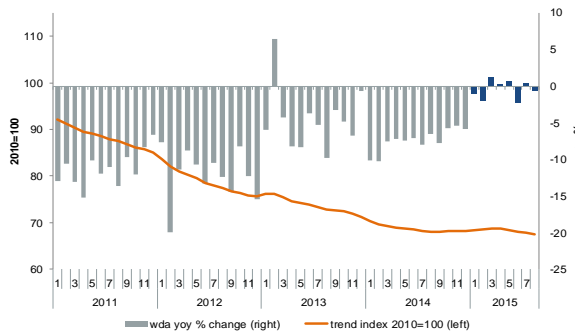
Retail trade, real, wda yoy ch.

Source: CBS



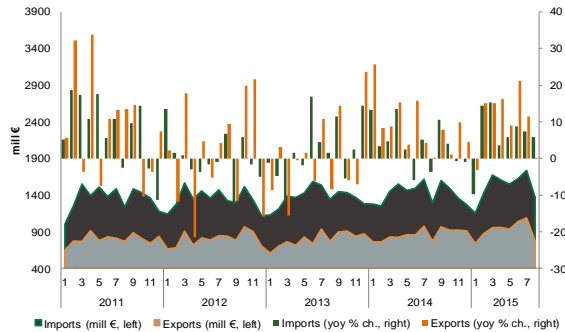
Construction works, yoy % ch. and index 2010=100

Source: CBS



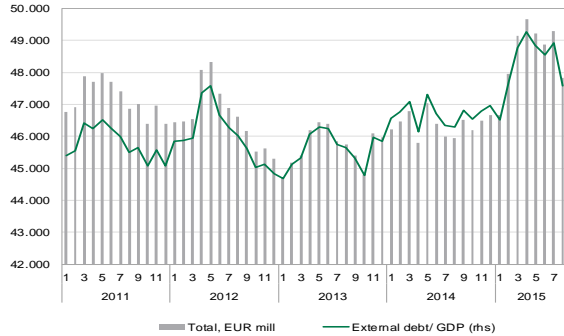
Goods exports and imports (yoy % ch. and mill €)

Source: CBS



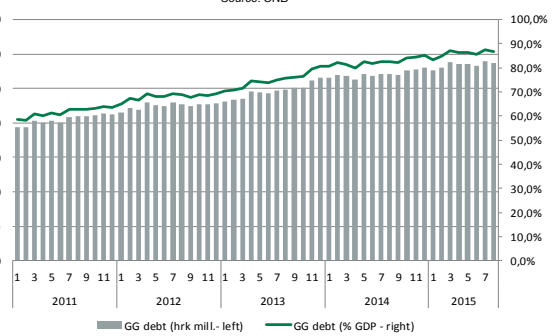
External debt, amount and share to GDP

Sources: CNB, CBS, PBZ



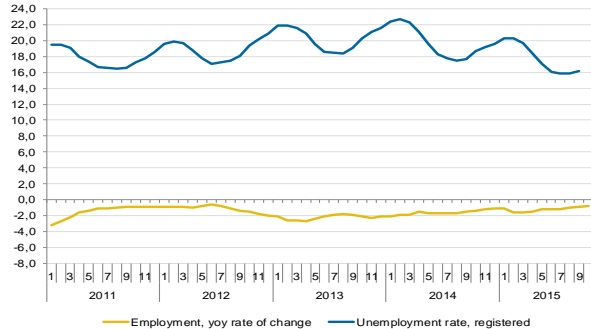
General government debt

Source: CNB



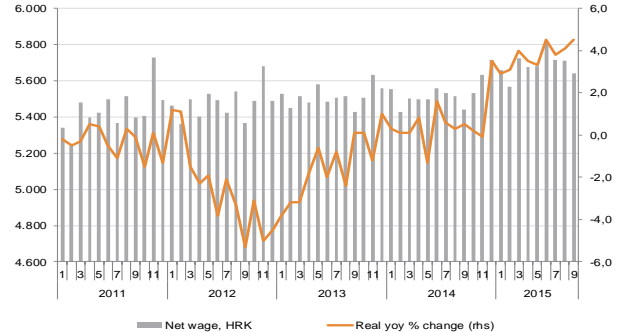
Employment, yoy rate of change and unemployment rate, %

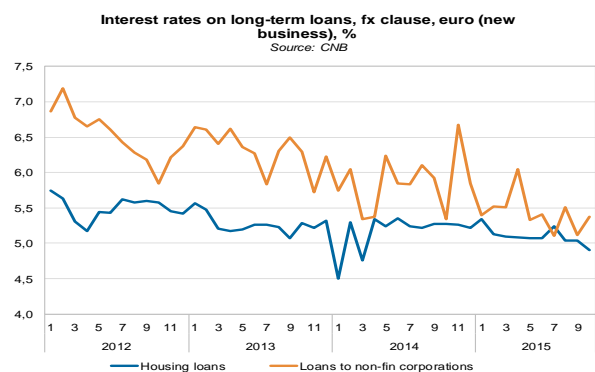
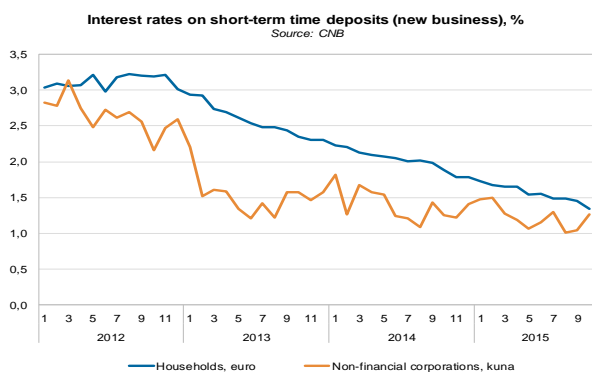
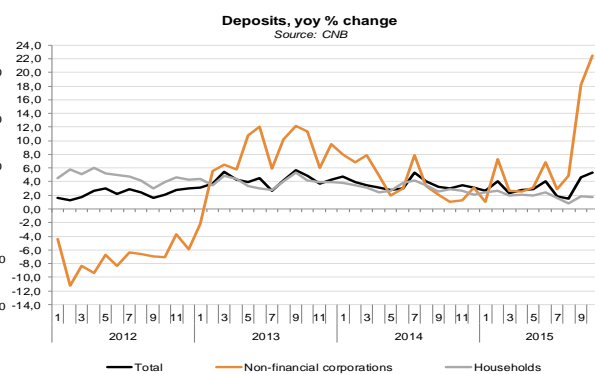
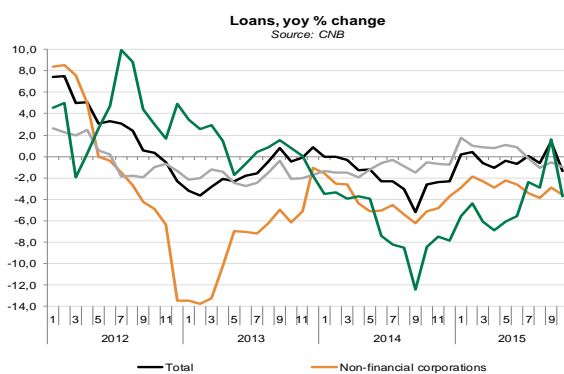
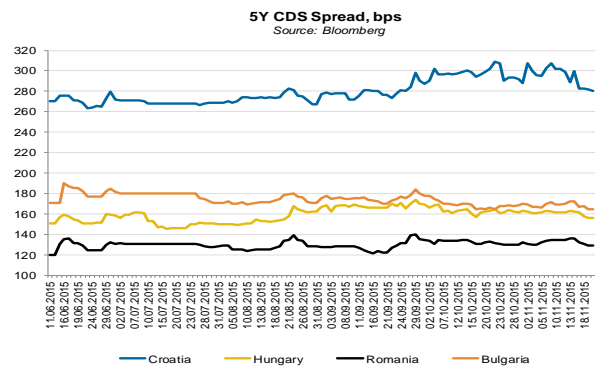
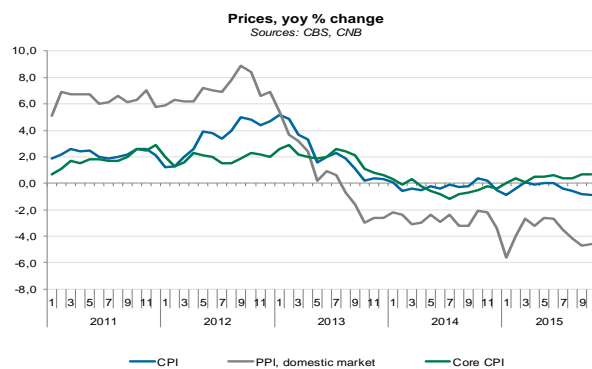
Source: CBS



Net wages: amount and real yoy rate of change

Source: CBS





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