

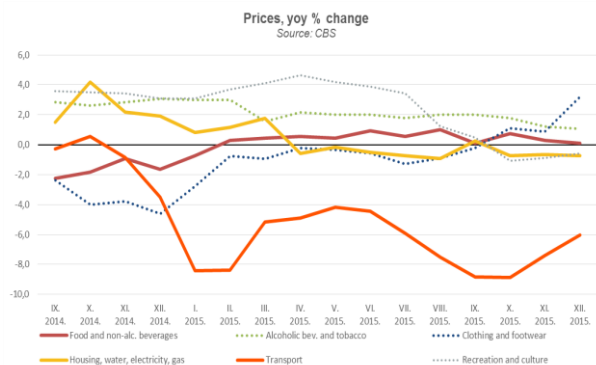
PBZ Weekly Analysis

Number 501, January 25, 2016

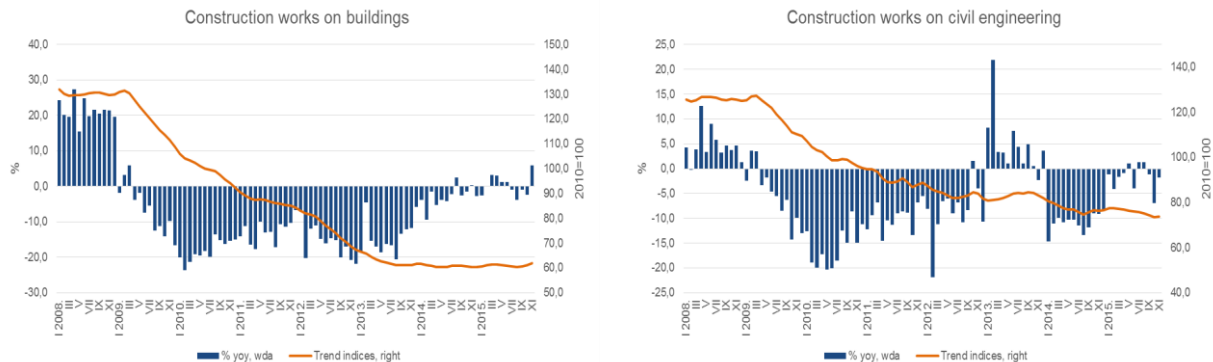
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Weekly overview

- In December 2015, the consumer price index recorded a decrease of 0.6% mom and yoy, respectively. Monthly prices declined in the categories *Clothing and footwear* (-5.5%, due to seasonal sales), *Furnishings, household equipment and routine household maintenance* (-0.9%), *Transport* (-0.7%, lower fuel prices by 1.6%), *Food and non-alcoholic beverages* (-0.4%), *Health* (-0.3%), *Alcoholic beverages and tobacco* (-0.1%) and *Miscellaneous goods and services* (-0.1%). An increase in the prices from November 2015 was recorded only in the category *Recreation and Culture* (+0.2%), while in the categories *Housing, water, electricity, gas and other fuels*, *Communication* and *Education* the price level remained unchanged. As compared to December 2014, December of 2015 saw reduced prices in the categories *Transport* (-6%, of which fuels and lubricants -9.3%), *Education* (-1%), *Housing* (-0.7%, with a drop in the prices of electricity, gas and other fuels of 2.5%), *Recreation and culture* (-0.6%) and *Communication* (-0.3%, a drop in the prices of telephone services of 0.4%). A rise in the prices yoy was recorded in the *Clothing and footwear* (+3.2%), *Health* (+1.8%, higher prices of pharmaceutical products of 1.5%), *Alcoholic beverages and tobacco* (+1.1%, of which tobacco +1.3%), *Food and non-alcoholic beverages* (+0.1%), while the price level of *Furnishings, household equipment and routine household maintenance* remained unchanged. In 2015, the overall price level dropped by 0.5% compared with 2014 (in 2014, the inflation was -0.2%), primarily due to lower prices of oil products and the absence of higher domestic demand pressures. The largest drop in prices was thus recorded in the category *Transport* (-6.7%), i.e. in the prices of fuels and lubricants for personal transport equipment which were lower by an average of 10.6%. A drop in the prices was recorded in the categories *Education* (-0.4%), *Furnishings, household equipment and regular household maintenance* (-0.3%), *Clothing and footwear* (-0.2%) and *Housing, water, electricity, gas and other fuels* (-0.1%). On the contrary, an increase in the prices in 2015 was recorded in the categories *Recreation and culture* (+2.1%), *Alcoholic beverages and tobacco* (+2.0%), *Health* (+1.7%), *Communication* (+1.1%), *Restaurants and hotels* (+1.1%) as well as *Food and non-alcoholic beverages* (+0.4%). The annual core inflation rate in 2015 compared with 2014 amounted to 0.2%.
- According to wda indices, construction works in November 2015, increased by 2.1% from November 2014, while, according to seasonally adjusted indices, construction works rose by 3.1% compared with December 2015. The first eleven months of 2015 saw an overall fall in construction works of 0.7%, while over the same period of 2014, the fall amounted to -7.7%.

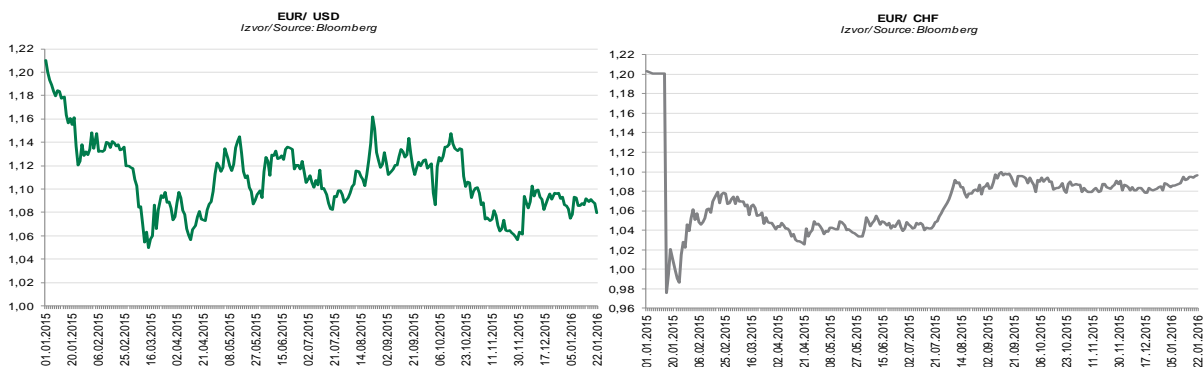


The index of construction works on buildings rose by 0.5% over the first eleven months (with a 43.9% share of hours worked on sites), while the index of civil engineering works decreased by 1.7% (with a 56.1% share of hours worked on sites). The construction work activity on buildings in 2015 indicates a slight recovery of the activities, however, due to a larger fall in civil engineering works, the overall annual rate will remain below positive levels.

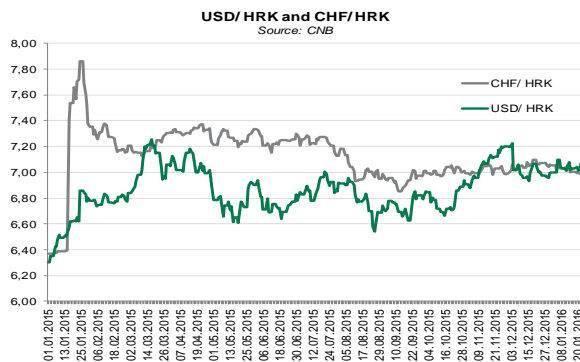


Draghi announces further monetary policy measures

After the statement of the European Central Bank President that in a few months, due to low inflationary pressures and slow economic growth, further monetary policy measures may be taken (probably a deposit rate cut and changes to the APP), the euro to the USD weakened to 1.0796 dollar, i.e. down by 1.1% wow.

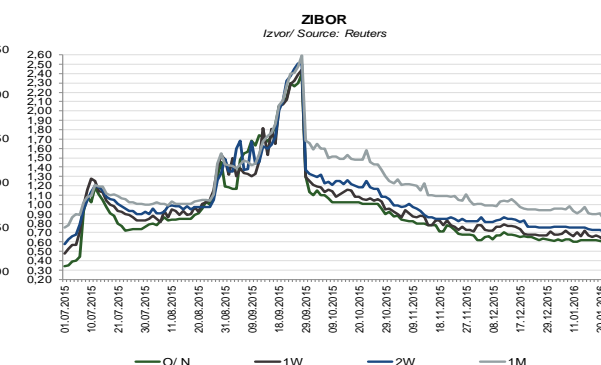
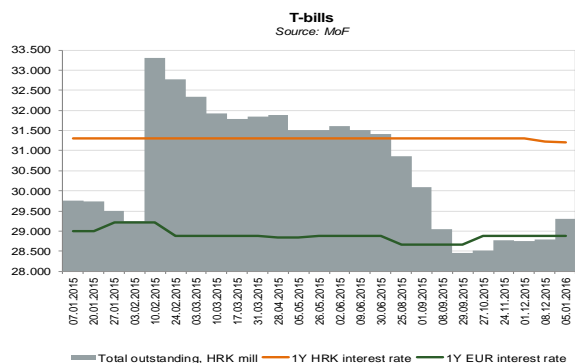


The domestic market exchange rate closed the week at the almost unchanged 7.6655 kuna to the euro, whereas the kuna weakened against the dollar (by 0.6% to 7.0721) and strengthened against the Swiss franc, respectively, by 0.1% to 6.9992.



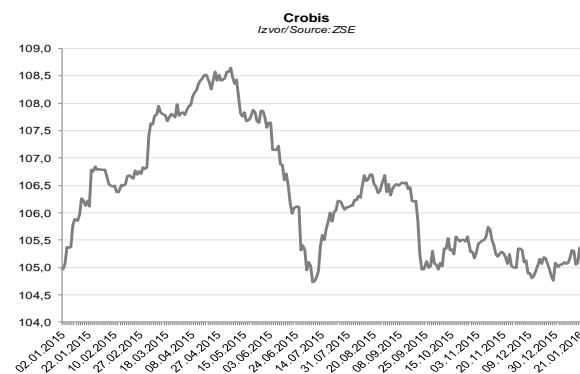
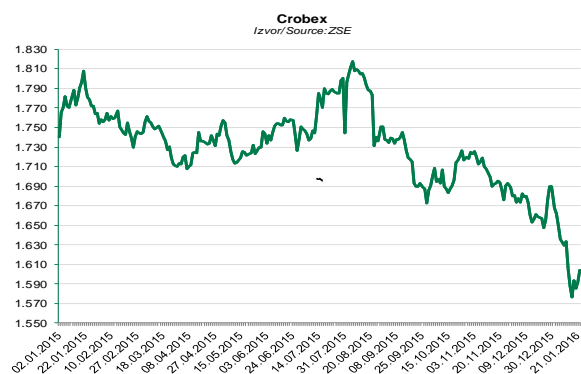
Zibor moves down along the curve

The overnight Zibor closed the week at 0.60% (vs 0.62 the week before), while 1M and 3M at 0.83% (vs 0.91%), and 0.98% (vs 1.06% the week before), by which the impact of high liquidity on the interest rate decline has continued.



Crobex closes the week on upward trend

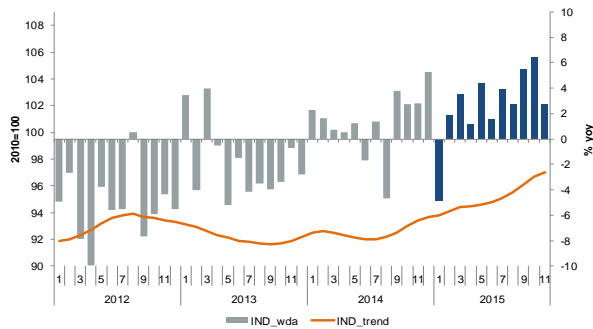
Last week the Crobex closed at 1,604.20 points, i.e. gaining 1% wow and, as compared with the end of last year, the index is at a 5.1% lower level. The Crobis index closed the week at 105.38 points, which is a slight growth of 0.1% wow (+0.3% compared with the end of last year). The total ZSE turnover rose by 15.6% wow, amounting to 507 million kuna.



Statistics and macroeconomic forecasts

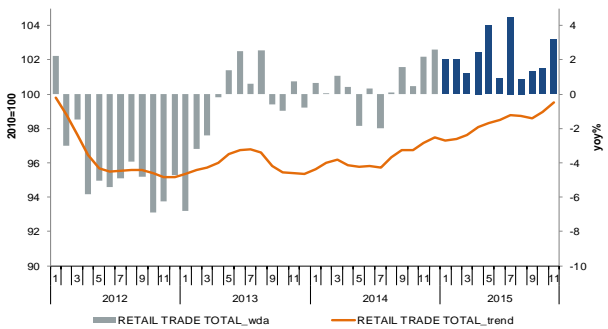
Industrial production, wda yoy % ch.

Source: Eurostat



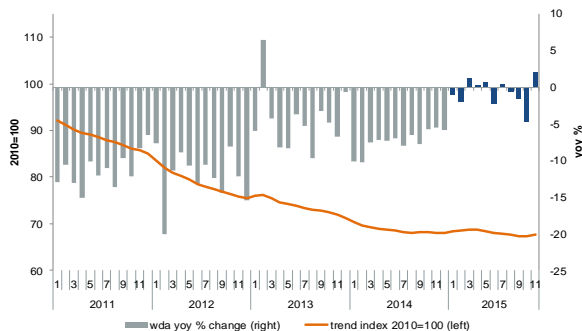
Retail trade, real, wda yoy ch.

Source: CBS



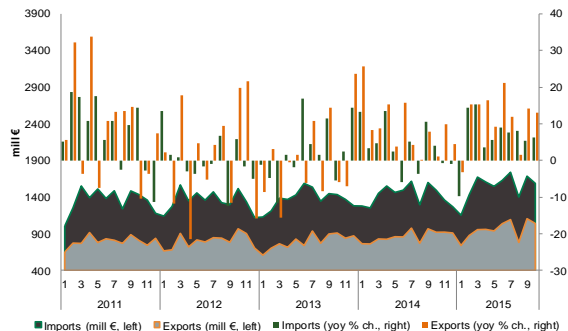
Construction works, yoy % ch. and index 2010=100

Source: CBS



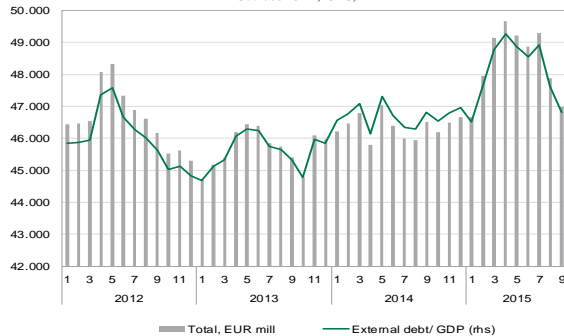
Goods exports and imports (yoy % ch. and mill €)

Source: CBS



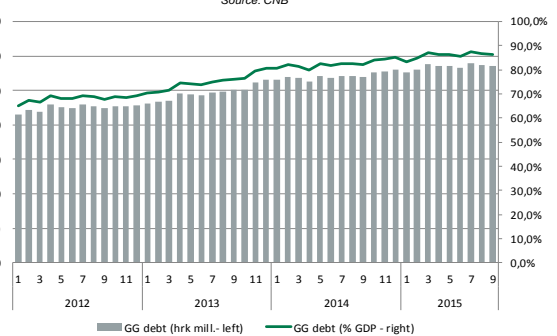
External debt, amount and share to GDP

Sources: CNB, CBS, PBZ



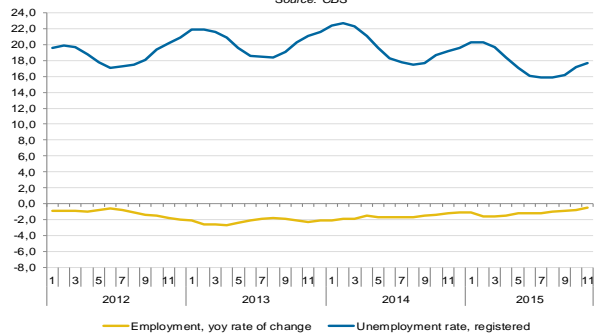
General government debt

Source: CNB



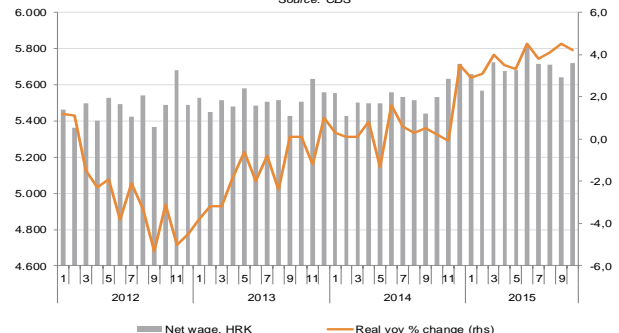
Employment, yoy rate of change and unemployment rate, %

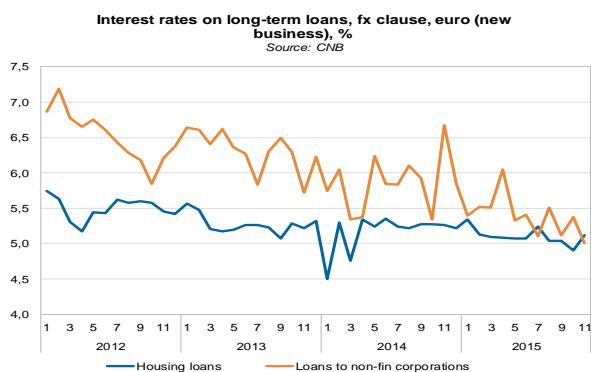
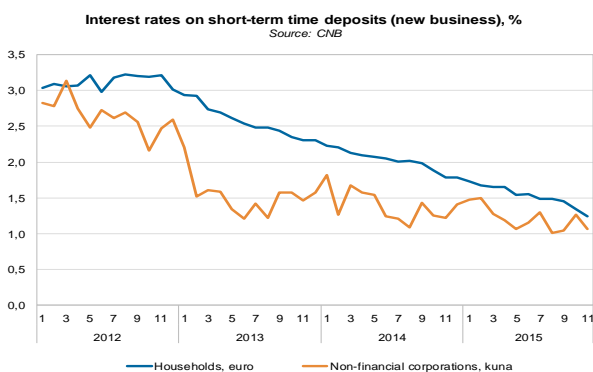
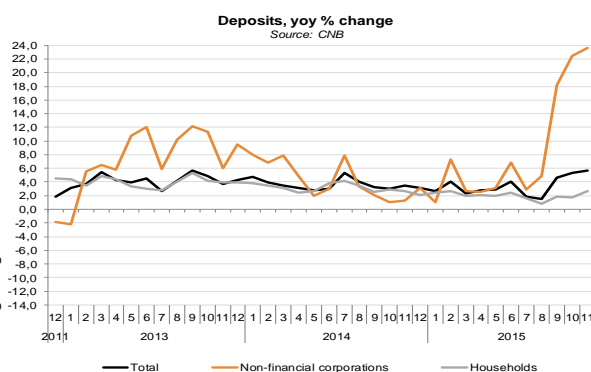
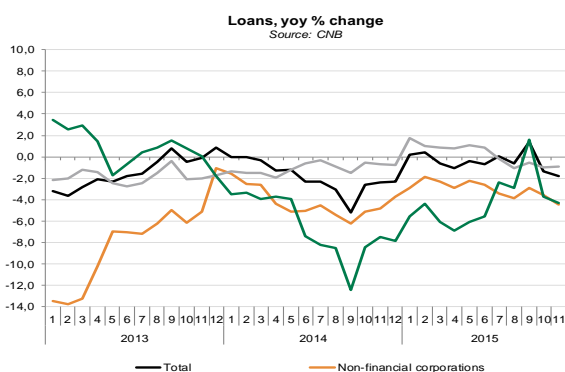
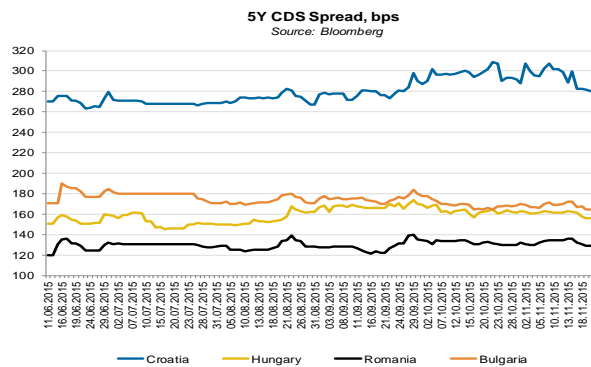
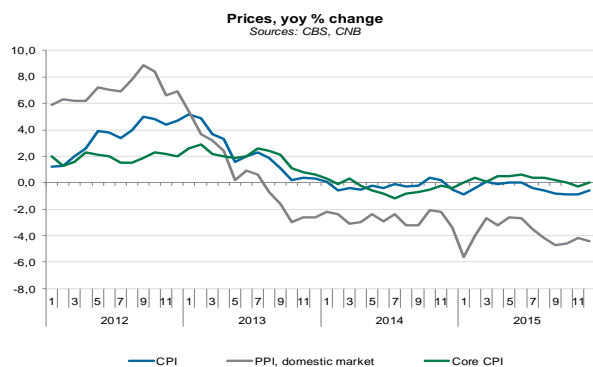
Source: CBS



Net wages: amount and real yoy rate of change

Source: CBS





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