

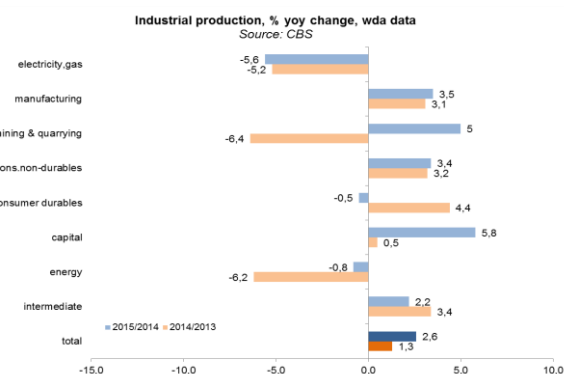
# PBZ Weekly Analysis

## Number 502, February 1, 2016

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## Weekly overview

- According to the seasonally adjusted data, the industrial production in December 2015 decreased by 1.3%, compared to November 2015, while the wda data show an increase of 1% yoy (for the eleventh consecutive month). December saw an annual increase in Manufacturing (+4.1%), where the two components with the largest share in

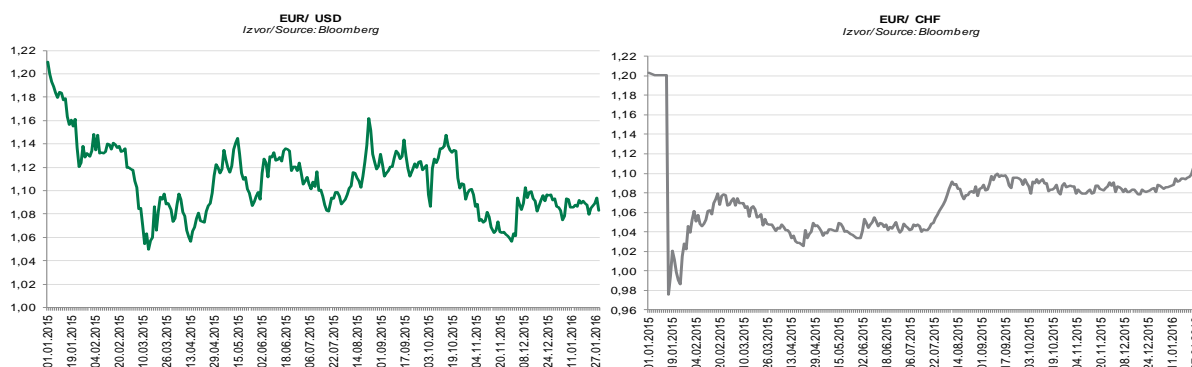


the category *Manufacture of food products* and *Manufacture of fabricated metal products, except machinery and equipment* recorded a decline of 7% and an increase of 20%, respectively. In December, the activity Mining and quarrying rose by 2%, whereas Electricity, gas, steam and air conditioning supply dramatically dropped by 16.2%. In 2015, the industrial production grew by 2.6% compared with the same period of 2014. According to the industrial branches, the largest production volume was recorded in Capital goods (+5.8%), Non-durable consumer goods (+3.4%) and Intermediate goods (+2.2%). At the same time, a fall in the industrial production was recorded in Energy (-0.8%) and Durable consumer goods (-0.8%). Currently, the total industrial production is at a 14.5% lower level compared with 2008, however, in 2016 we expect positive trends to continue, mainly boosted by foreign demand, whereas the domestic market movements will depend on the dynamics of the utilisation of EU funds and potential investments in the improvement of export capacities.

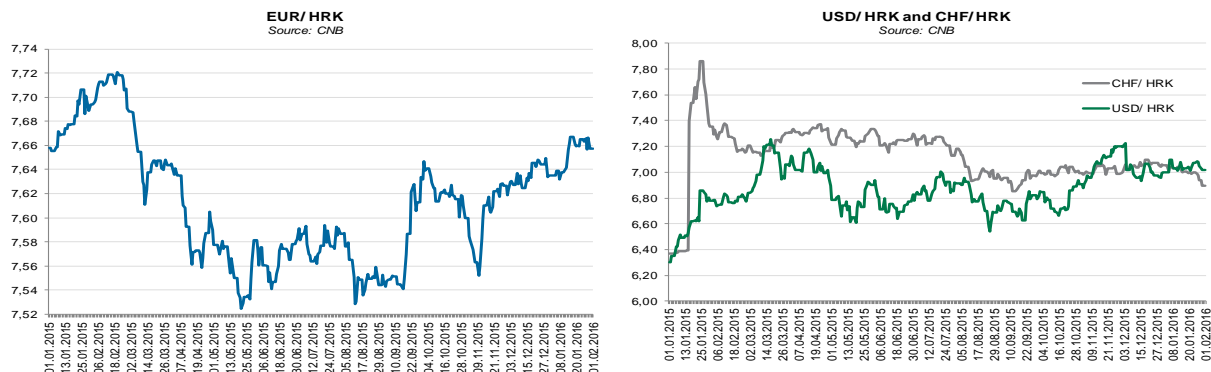
- In December, the total number of employed persons amounted to 1,307,030, down by 0.9% mom. The number of persons in paid employment in legal entities dropped by 0.9% (1,103,000), in crafts and trades and free lances by 1.3% (to 183,212), while the number of private farmers slightly fell compared with November (20,818). In 2015, the total number of employed persons decreased by an average of 1%, compared with 2014 (-0.7% in legal entities, -2.4% in crafts and trades and free lances, and -6.7% in agriculture). The registered number of unemployed persons rose to 285,468 persons in December (+0.3% compared with November), while the registered unemployment rate rose from 17.7% to 17.9%. The average registered number of unemployed persons in 2015 amounted to 285,906 (328,187 in 2014), while the average registered unemployment rate amounted to 17.7% (19.7% in 2014).

## BOJ surprise

As anticipated by the markets, the FED did not increase its reference rate, lowering the expectations that this might happen in March. However, the possibility of the interest rate hike remains open, in case the data indicate its necessity. The Bank of Japan surprised the markets this week by introducing a negative interest rate of 0.1%, aimed at boosting the economic growth and inflation. The euro/USD closed the week at 1.0831 dollar, up by 0.3% wow, while the eur/chf ended at a 1% higher level (1.1078 franc to the euro).



The domestic market exchange rate ended the week at the almost unchanged 7.657 kuna to the euro, while the kuna against the dollar and the Swiss franc strengthened even by 0.8% (to 7.0146 kuna to the dollar) and 1.5% (to 6.8951 to the franc), respectively.

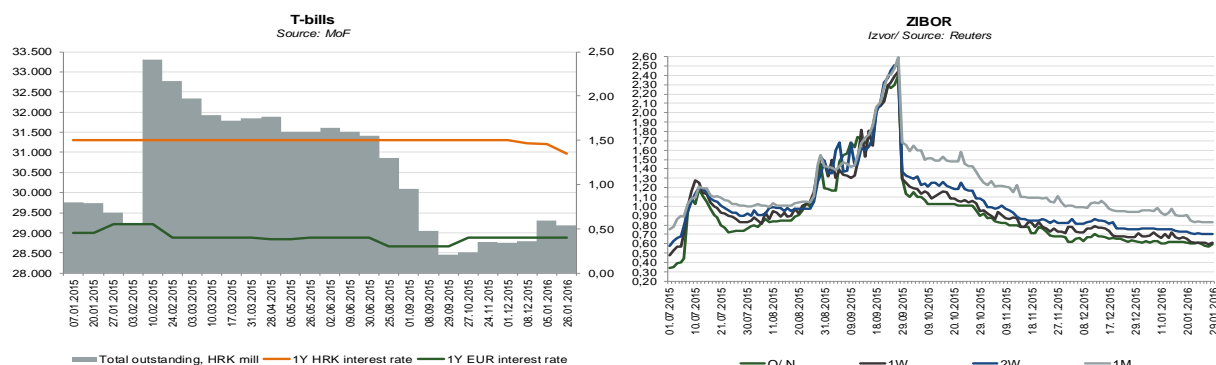


## Generous liquidity

The generous level of liquidity continues to push interest rates downwards, therefore the overnight Zibor closed the week at 0.59% (vs 0.60 the week before), while 1M and 3M to the unchanged 0.83%, and 0.97% (vs 0.98% the week before), respectively. We also expect similar movements in the upcoming period, having in mind that in February, according to the announcements, CNB may hold its first reverse repo auction with longer maturity.

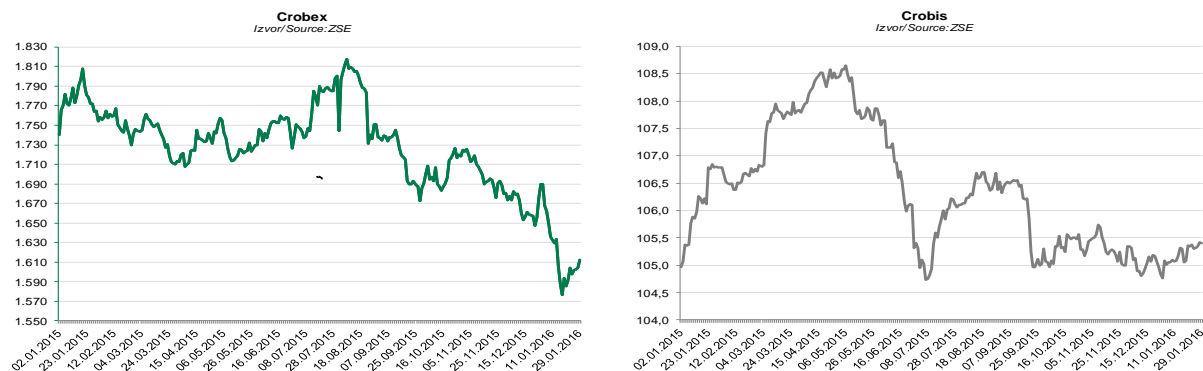
The last week's auction saw a subscription of 668 million in kuna and 2.0 million in one-year euro T-bills. The kuna T-bill yield declined to 1.35% (from 1.46%) while the euro T-bill yield remained at the

unchanged 0.40%. The current balance of the subscribed T-bills amounts to 29.2 billion kuna. The next auction will be held on Tuesday, and 442 million kuna in T-bills will mature this week.



## Crobex in positive territory wow

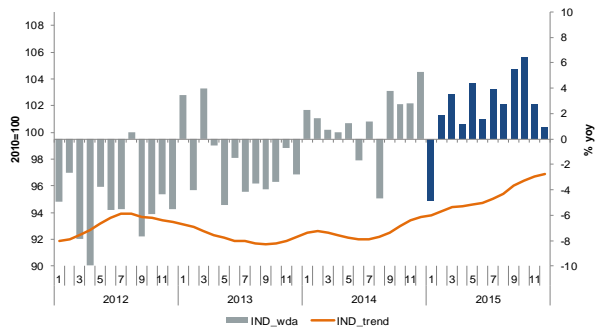
The Crobex closed the week at 1,612.19 points, recording an increase of 0.5% wow, whereas the Crobis index stagnated wow, ending the week at 105.41 points. Last week, the total ZSE turnover rose by 71.9% wow, amounting to 871 million kuna.



# Statistics and macroeconomic forecasts

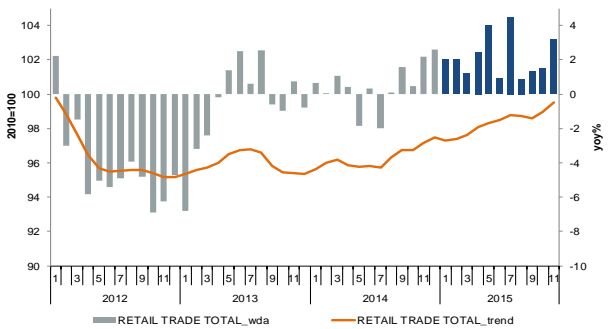
**Industrial production, wda yoy % ch.**

Source: Eurostat



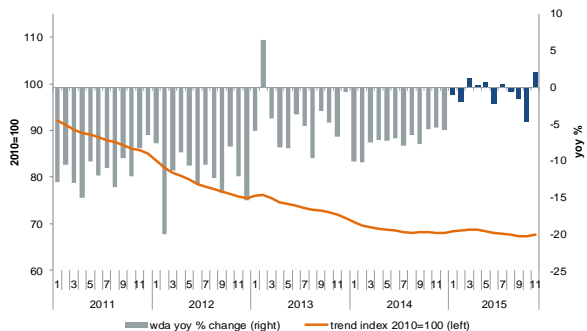
**Retail trade, real, wda yoy ch.**

Source: CBS



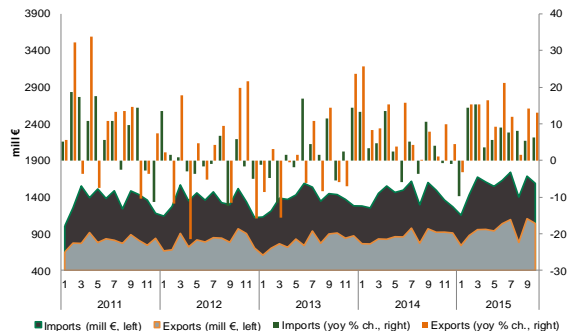
**Construction works, yoy % ch. and index 2010=100**

Source: CBS



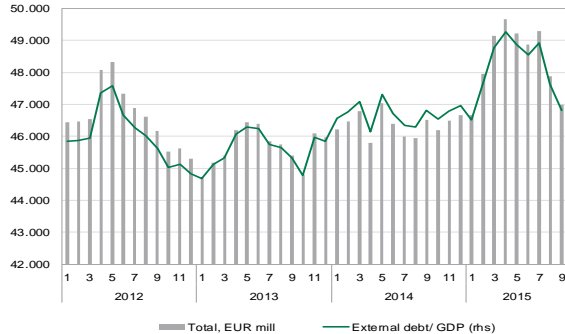
**Goods exports and imports (yoy % ch. and mill €)**

Source: CBS



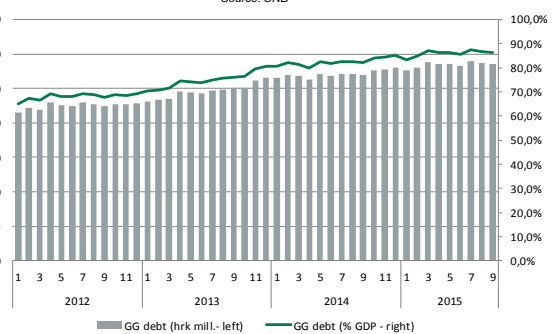
**External debt, amount and share to GDP**

Sources: CNB, CBS, PBZ



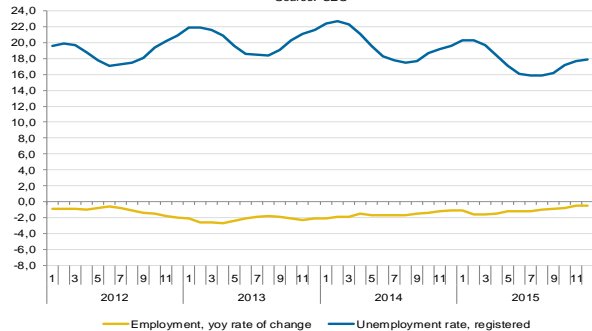
**General government debt**

Source: CNB



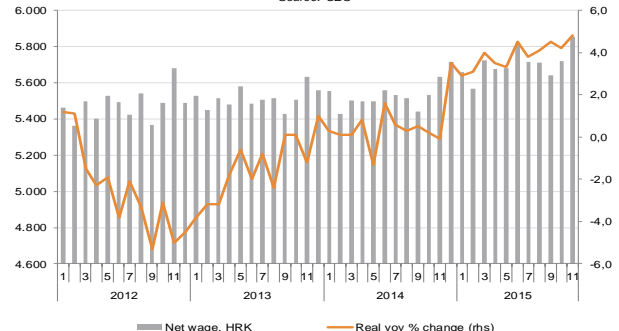
**Employment, yoy rate of change and unemployment rate, %**

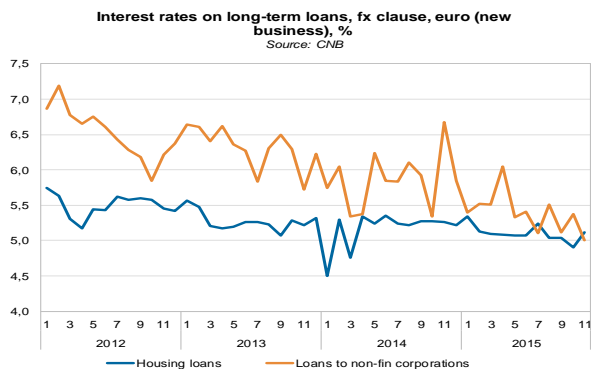
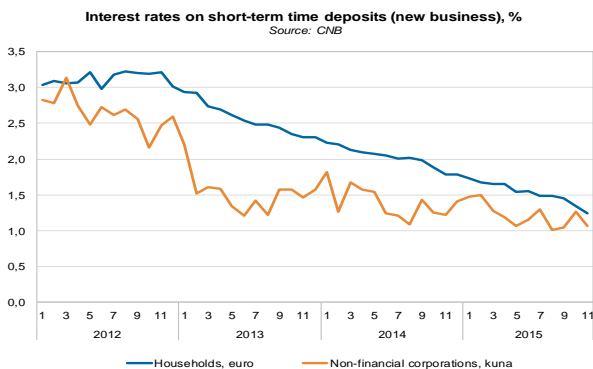
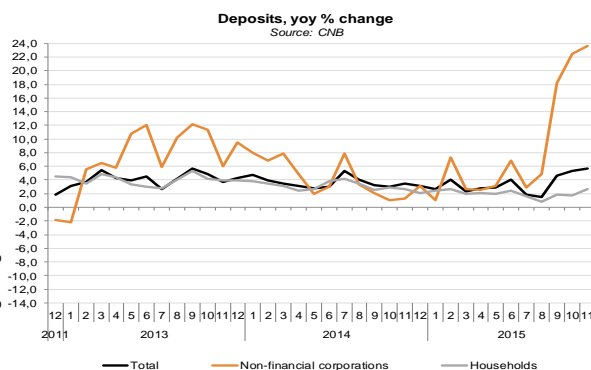
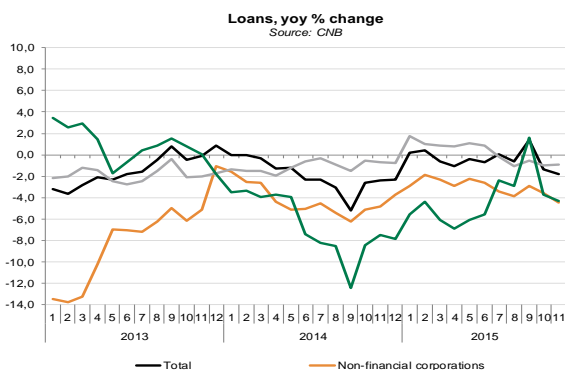
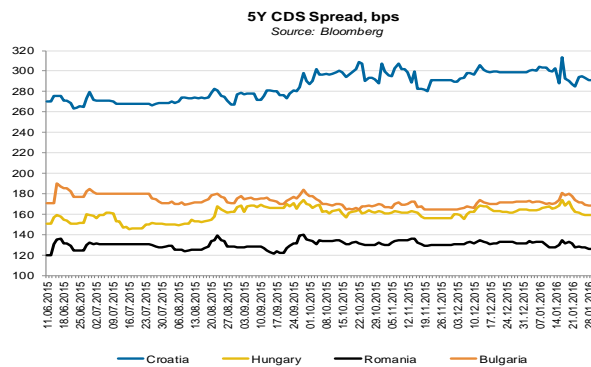
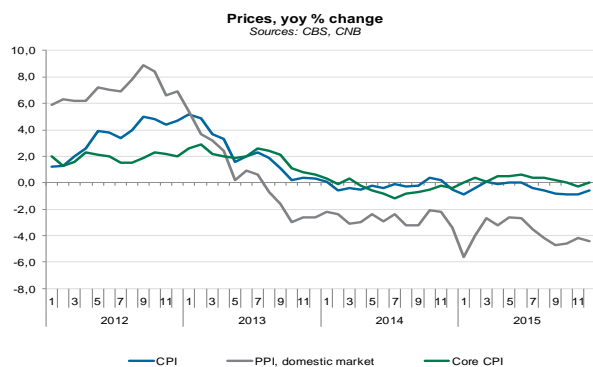
Source: CBS



**Net wages: amount and real yoy rate of change**

Source: CBS





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