

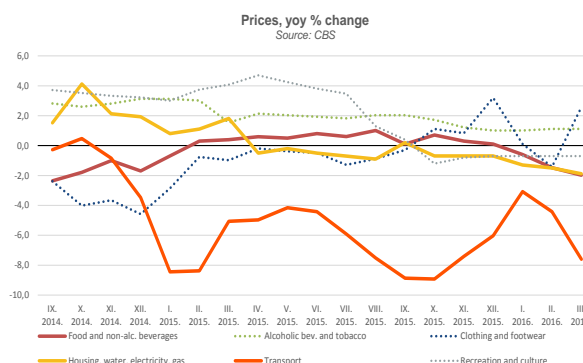
PBZ Weekly Analysis

Number 512, April 18, 2016

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Weekly overview

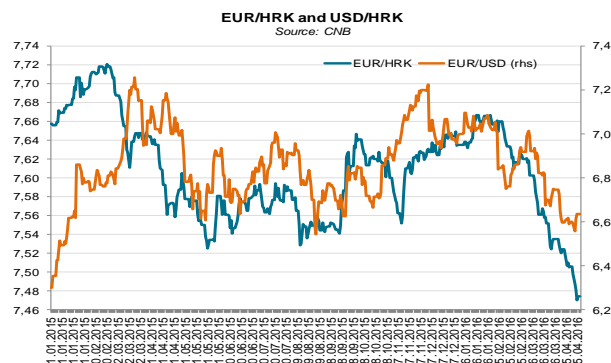
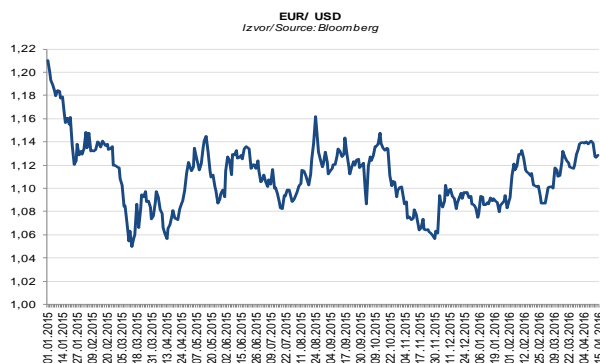
- Consumer price index in March 2016 recorded the largest fall of 1.7% yoy, while mom data show an increase in the index of 0.7%. At the annual level, a drop was recorded in the prices of Transport (-7.5%, of which fuel -13.1%), Food and non-alcoholic beverages (-2.0%, of which prices of food by -2.4%), Housing (-1.8%, of electricity, gas and other fuels -4.2%), Education (-0.9%), Communication (-0.8%), Recreation and culture (-0.7%) and Furnishings (-0.2%). On the other hand, an increase in the prices yoy was recorded in the categories Clothing and footwear (+2.5%), Health (+1.7%), Alcoholic beverages and tobacco (+1.1%), Restaurants and hotels (+0.5%) and Miscellaneous goods and services (+0.4%). An increase in the prices mom was recorded in Clothing and footwear (+14.9%, due to the arrival of new collections), Transport (+0.7%, of which fuel +1.4%) and Restaurants and hotels, Miscellaneous goods and services, Housing and Health, each by +0.1%. Prices mom declined in the categories Food and non-alcoholic beverages (-0.8%), Furnishings (-0.7%), Communication (-0.4%) as well as Alcoholic beverages and tobacco and Recreation and culture, each by -0.1%, while the price level of Education remained unchanged. Industrial producer prices (domestic market) in March dropped by 5.0% yoy, while the mom level shows a rise of 1.1%. According to GIG, the largest impact on the trends in the producer prices was recorded by the prices of Energy, which recorded an increase in March of 3.4% mom, and a decrease of 12.6% yoy. Changes in the domestic market prices will remain to depend on the movements of the crude oil prices in the global markets, while deflationary pressures might increase in the upcoming months, due to administrative reduction in the prices of gas.
- The Croatian Bureau of Statistics confirmed its flash estimate, according to which the real retail trade index in February (wda indices) rose by 3.2% from the same month last year (for the eighteenth consecutive month), while the index rose by 0.4% from January (according to working-day and seasonally adjusted indices). The retail trade growth in nominal terms (according to gross, non-adjusted indices) amounted to 5.8% yoy (unchanged mom), as a result of a 4.2% increase in the category Non-specialised stores with food, beverages and tobacco predominating (with a 39.5% share in the index). At the same time, Automotive fuels (with a 15.2% share) recorded a fall in the turnover of 4.8%.



Kuna continues to strengthen

Last week, the dollar continued to lose its value against the euro and, with minor corrections by the end of the week, trading on Friday closed at 1.1284 dollar to the euro, down by 1% wow.

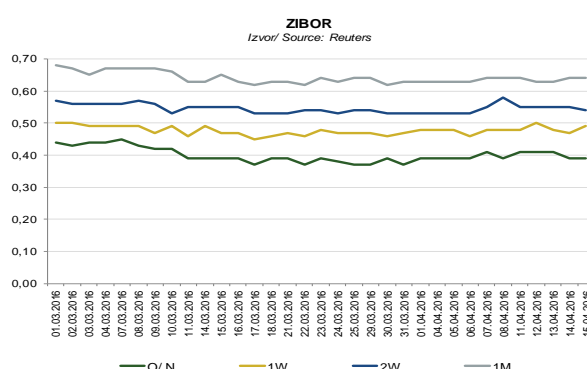
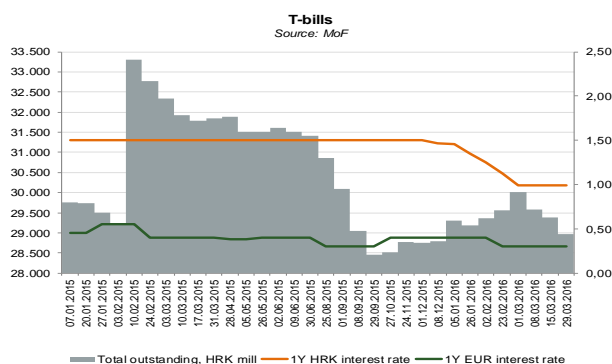
A gradual appreciation of the kuna continues, therefore the exchange rate, along with an increased trading, reached a new "low", recording 7.4630. At the end of the week, the mid-exchange rate amounted to 7.4742 kuna to the euro, -0.4% wow, while the USD/HRK exchange rate on Friday amounted to 6.6366 kuna to the dollar, +0.6% wow. This week, we expect trading in the range 7.46-7.50 kuna to the euro.



Minor changes in interest rates

The same as the week before, at the regular reverse repo auction, a total of 80 million kuna at the fixed repo rate of 0.5% was injected into banks, while the total ZMM turnover barely amounted to 40 million kuna, where supply exceeded demand by an average of around 300 million kuna per day. Interest rates on shorter maturities recorded only minor changes, therefore the overnight Zibor closed the week at the still unchanged 0.39%, while 1M and 3M at 0.64 and 0.83%, respectively (-1 b.p. wow).

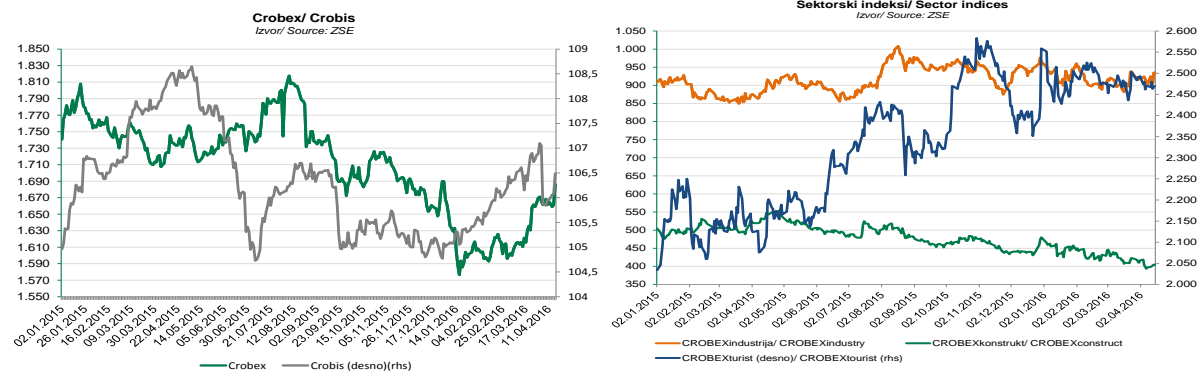
There was no MF T-bill auction and, as there was no maturity either, the government debt under T-bills remained at 29.0 billion kuna. There will be no maturity or auction this week as well.



Crobex reaches highest level this year

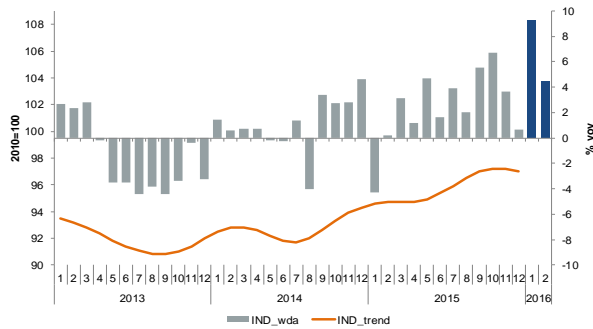
The Crobex index rose by 1.5% wow, closing the week at 1,686.10 points, while the Crobis index closed the week at 106.49 points, or up by 0.5% from the week before. Concerning sector indices, CROBEXindustry closed the week at 934.83 points (+3.7% wow), CROBEXconstruct at 404.27 points (+1.7% wow), while CROBEXtourist closed the week at 2,469.35 points, or unchanged wow. The total ZSE turnover declined by 47.9% wow, amounting to 166.3 million kuna, where the share turnover

amounted to 35.7 million kuna (+13.1% wow), and the bond turnover to 129.1 million kuna (-54.9% wow).

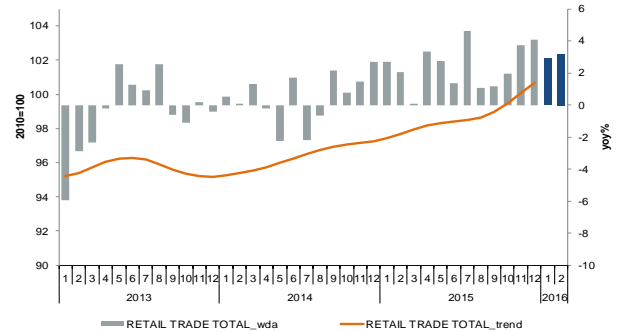


Statistics

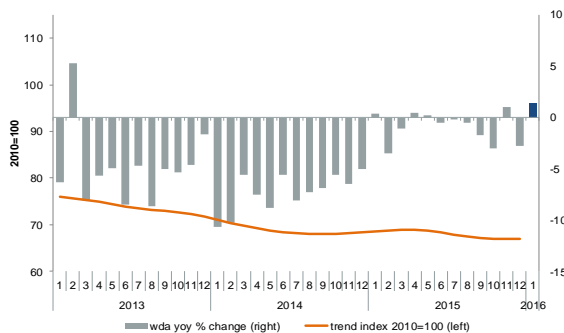
Industrial production, wda yoy % ch.
Source: Eurostat



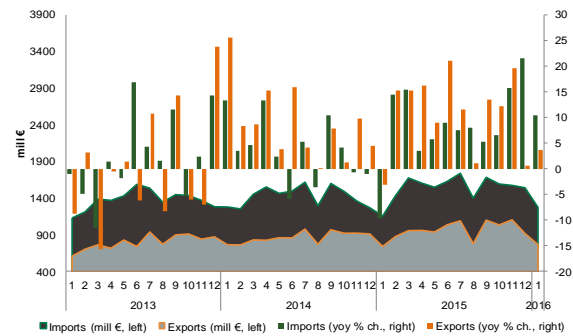
Retail trade, real, wda yoy ch.
Source: CBS



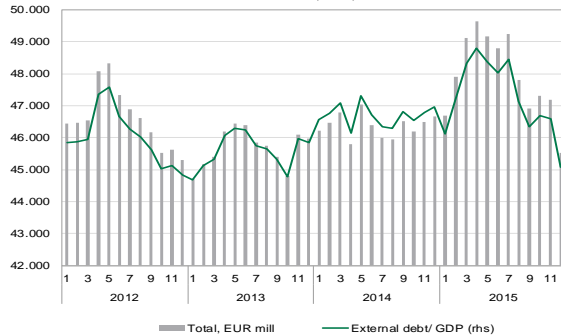
Construction works, yoy % ch. and index 2010=100
Source: CBS



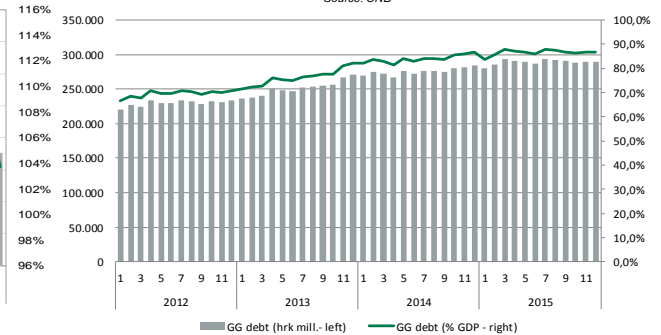
Goods exports and imports (yoy % ch. and mill €)
Source: CBS



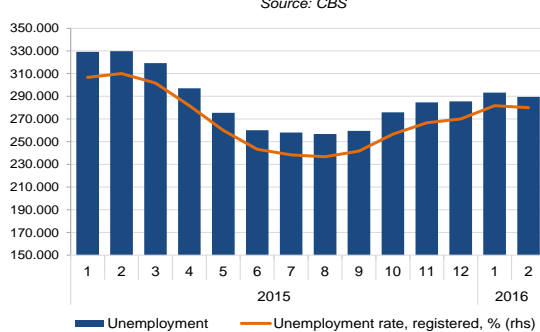
External debt, amount and share to GDP
Sources: CNB, CBS, PBZ



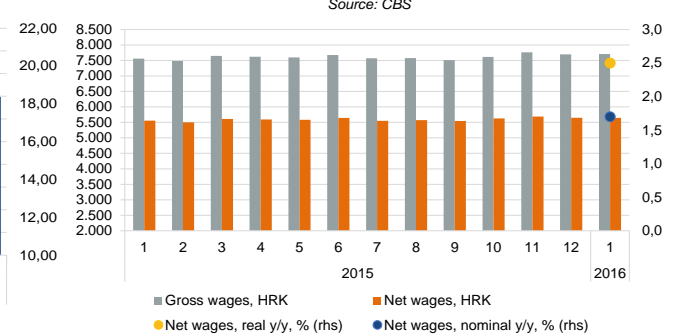
General government debt
Source: CNB

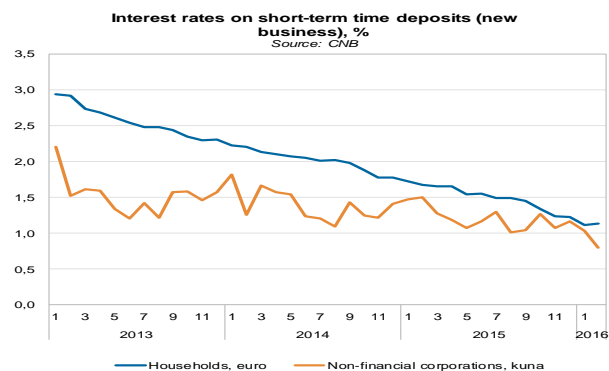
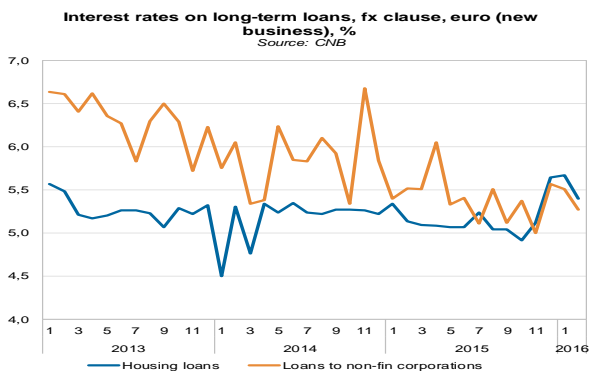
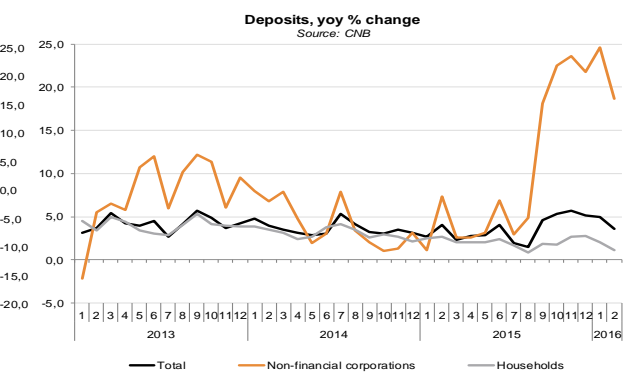
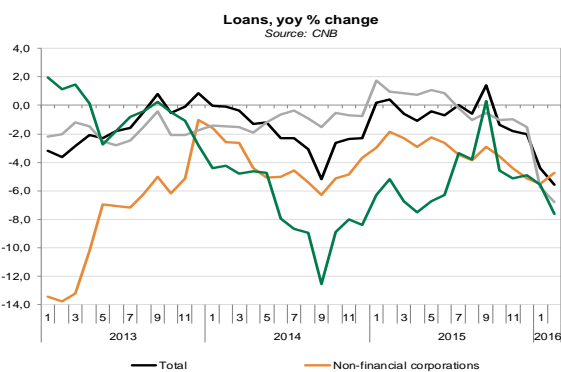
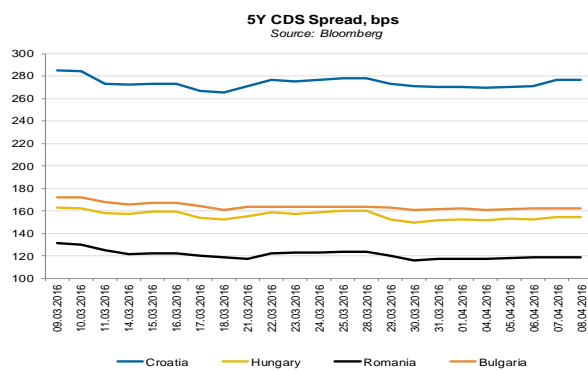
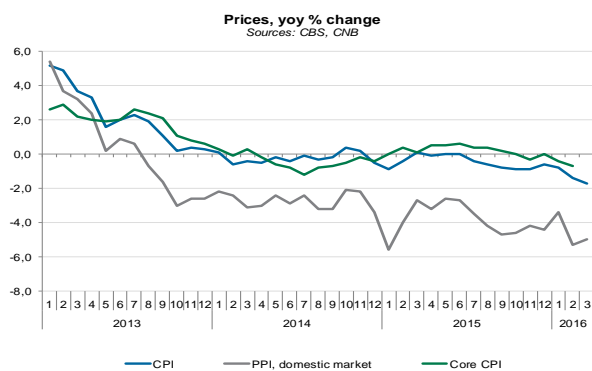


Total unemployment and unemployment rate
Source: CBS



Wages, monthly average
Source: CBS





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