

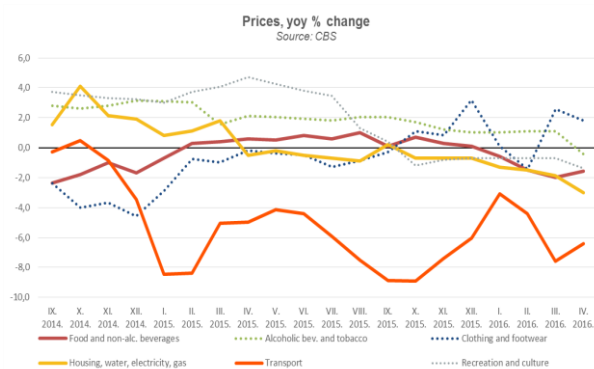
PBZ Weekly Analysis

Number 517, May 23, 2016

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Weekly overview

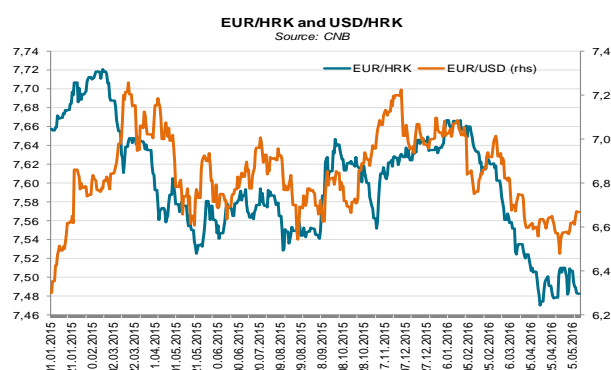
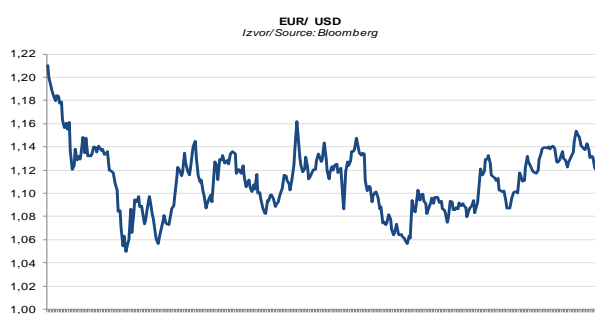
- Consumer price index in April 2016 recorded a fall of 1.7% yoy (the same as the previous month), while mom data shows an increase of 0.1%. The twelve-month average dropped to -0.8%. The yoy fall in the index was affected by a reduction in the prices of Transport (-6.4%, of which fuel -10.9%), Housing (-3.0%, of which electricity, gas and other fuels -6.1%), Food and non-alcoholic beverages (-1.5%, of which food prices by -2.0%), Recreation and culture (-1.3%), Communication (-0.9%), Education (-0.9%) and Alcoholic beverages and tobacco (-0.4%). On the other hand, an increase in the prices was recorded in the categories Clothing and footwear (+1.8%), Health (+1.3%), Restaurants and hotels (+1.2%), Furnishings (+0.3%) and Miscellaneous goods and services (+0.3%). An increase in the prices mom was recorded in the categories Clothing and footwear (+2.4%), Transport (+1.3%, of which fuels +2.7%), Restaurants and hotels (+1.0%), Furnishings (+0.7%), Food (+0.3%), while both Health and Miscellaneous goods and services by +0.1%. A decline in April prices compared with the previous month was recorded only in the categories Housing (-2.3%) and Recreation and culture (-0.1%), while the mom index remained unchanged for Alcoholic beverages and tobacco, Communication and Education. We anticipate a slight decrease in yoy prices over the upcoming months, due to a rise in the crude oil prices in the global markets and a relatively low last year's base, although a decrease in the gas prices will support deflationary pressures.



Dollar strengthening continues

The dollar has strengthened again, as a result of the release of the FOMC meeting minutes, according to which interest rate hike might occur in the summer, most likely after the Britain's referendum. The trading on Friday closed at 1.1224 dollar to the euro, down by 0.8% wow.

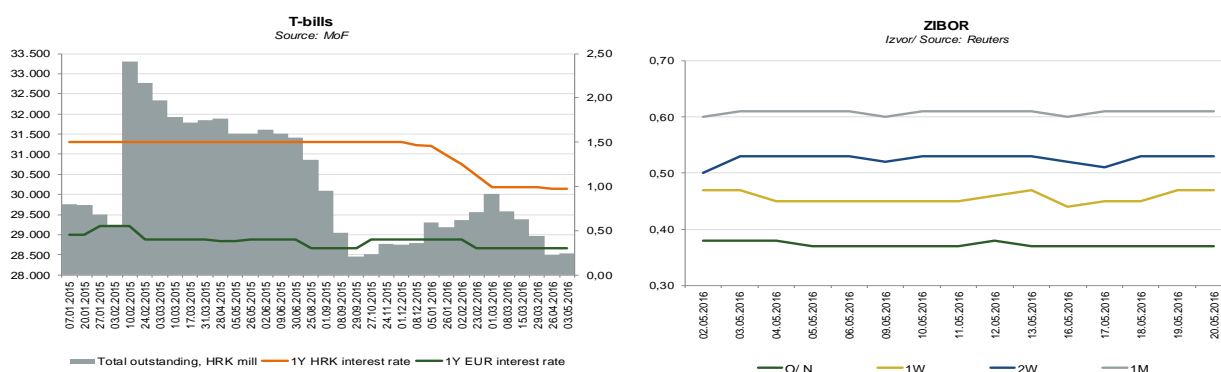
Last week was rather calm with a narrow trading range from 7.48 to 7.50 kuna to the euro. Increased corporate demand absorbed higher inflows, whereas the mid-exchange rate of the kuna against the euro amounted to 7.4828 on Friday, down by 0.3% wow. Following the movements of the euro against the dollar, the kuna weakened by 0.7% to 6.6680 kuna to the dollar. We expect similar trends this week as well, with the trading range from 7.47 to 7.51 kuna to the euro.



Second structural repo operation announced

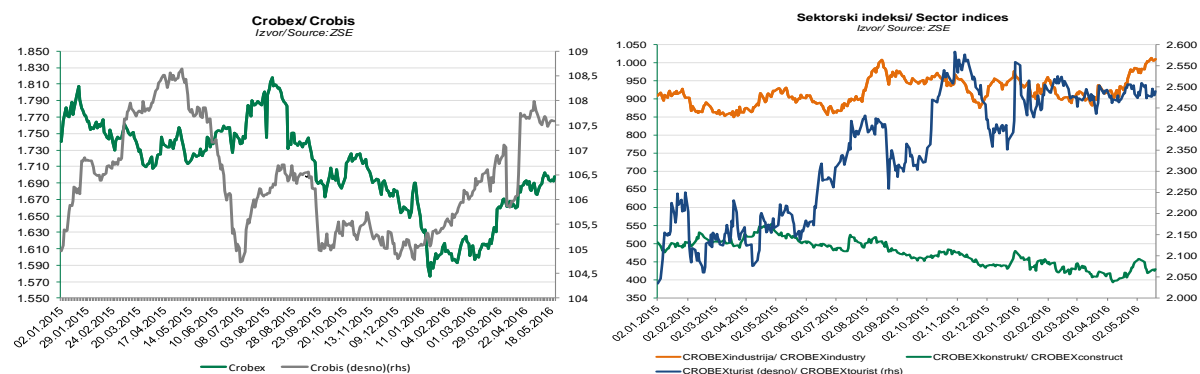
Due to ample liquidity, interest rates remained steady last week. At its regular reverse repo auction, CNB injected 100 million kuna at the fixed repo rate of 0.50%, announcing at the same time the second, out of the four planned structural repo operations, to be held on 24 May. The total ZMM turnover amounted to 28 million kuna, where supply exceeded demand by an average of 294 million kuna per day. The overnight Zibor closed the week at 0.37%, while 1M and 3M at 0.61 and 0.80%, respectively.

There was no auction last week and, as there was also no maturity, the government debt under T-bills remained at 28.5 billion kuna. A total of 1.2 billion kuna will mature this week and the auction with the planned issue of 700 million kuna has been announced.



Crobex stagnation wow

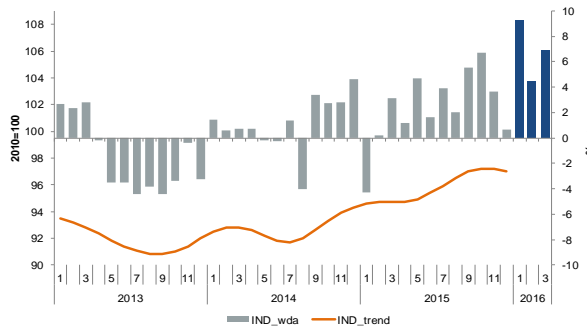
The total ZSE turnover increased by 33.4% wow to 354.1 million kuna, as a result of a 56.3% rise in the share turnover (to 37.7 million kuna) and 31.2% rise in the bond turnover (to 314.9 million kuna). The Crobex index closed the week at 1,698.16 points (unchanged wow), while the Crobis slightly increased by 0.1% wow, closing the week at 107.59 points. Sector indices rose wow, where CROBEXconstruct closed the week at 429.76 points (+2.2% wow), CROBEXindustry at 1,009.84 points (+0.7%), while CROBEXtourist ended at 2,489.91 points (+0.4%).



Statistics

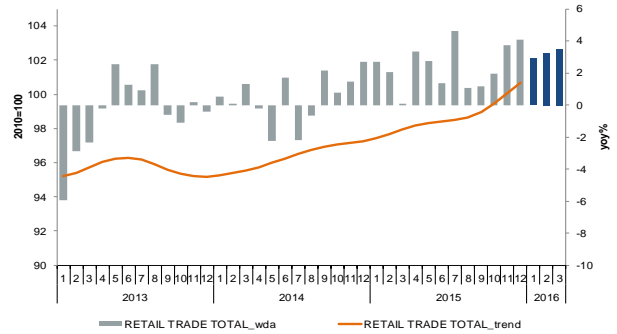
Industrial production, wda yoy % ch.

Source: Eurostat



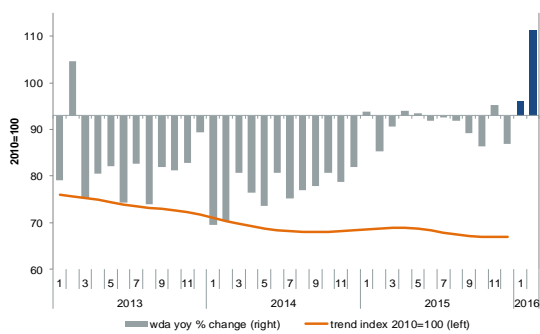
Retail trade, real, wda yoy ch.

Source: CBS



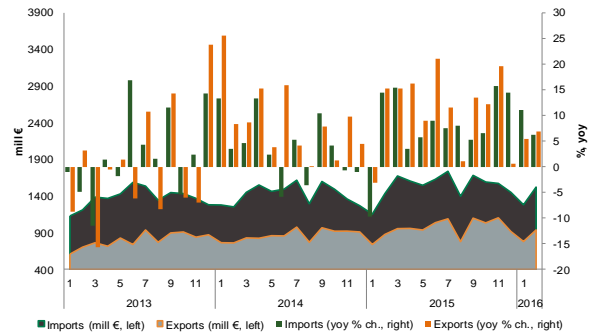
Construction works, yoy % ch. and index 2010=100

Source: CBS



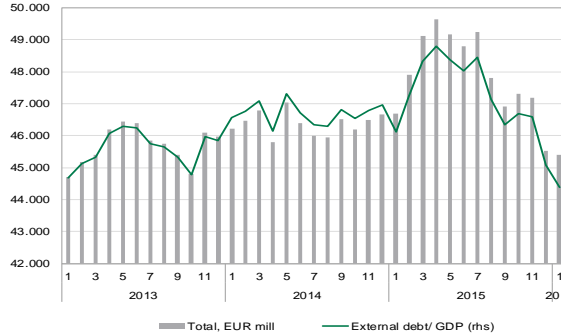
Goods exports and imports (yoy % ch. and mill €)

Source: CBS



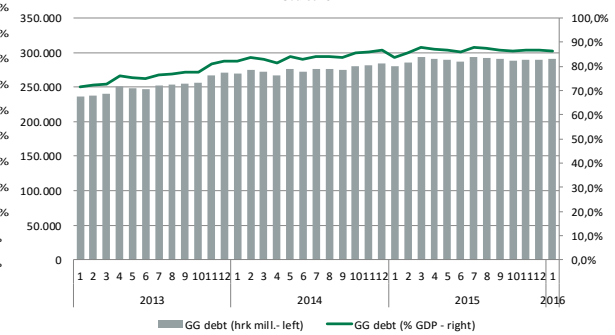
External debt, amount and share to GDP

Sources: CNB, CBS, PBZ



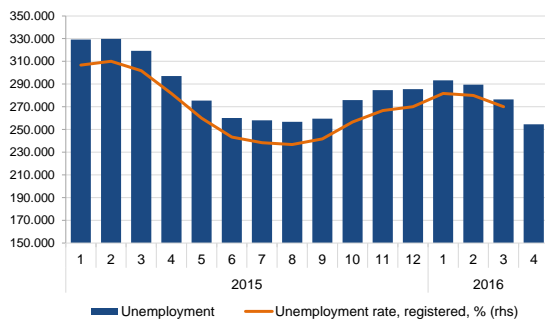
General government debt

Source: CNB



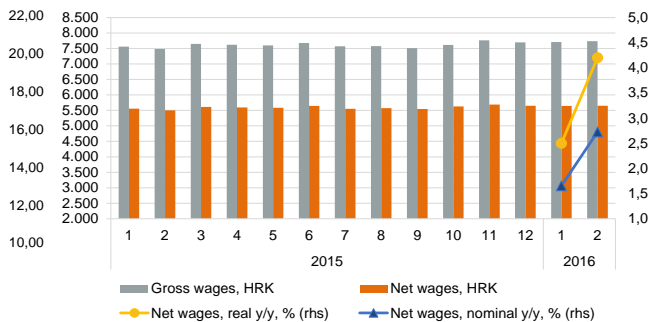
Total unemployment and unemployment rate

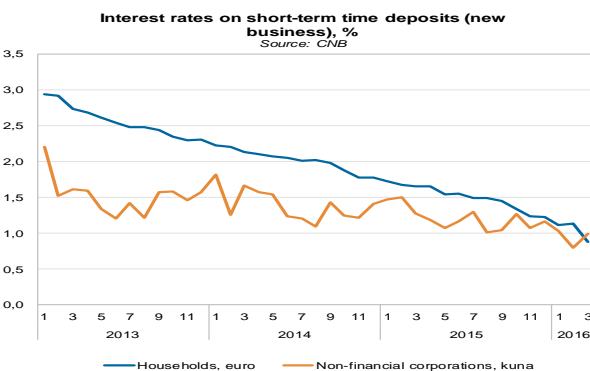
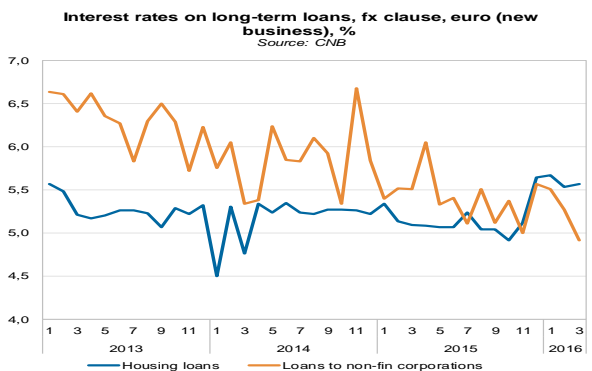
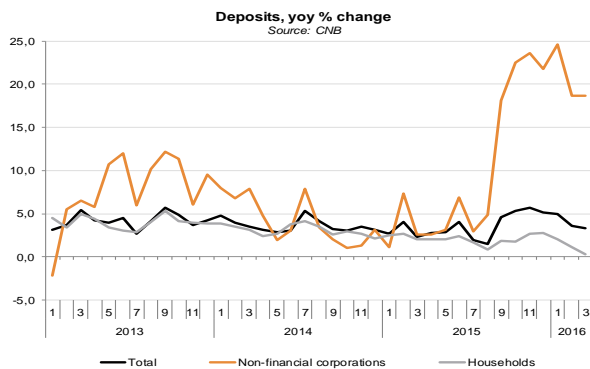
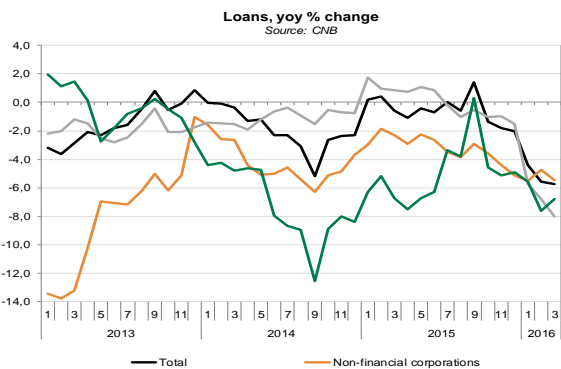
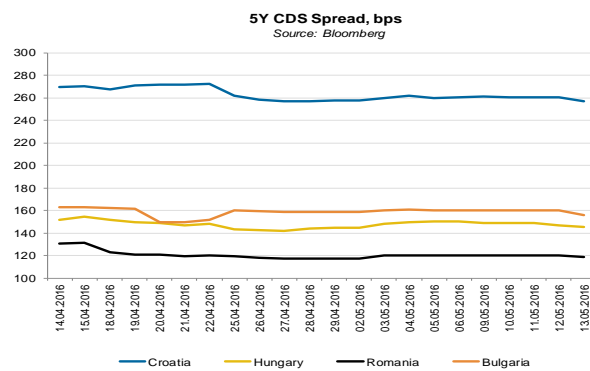
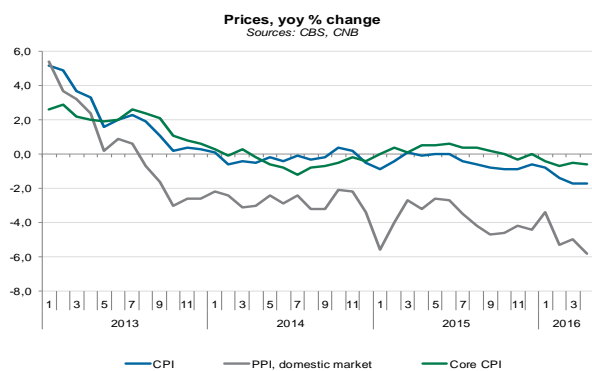
Source: CBS



Wages, monthly average

Source: CBS





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