

# PBZ Weekly Analysis

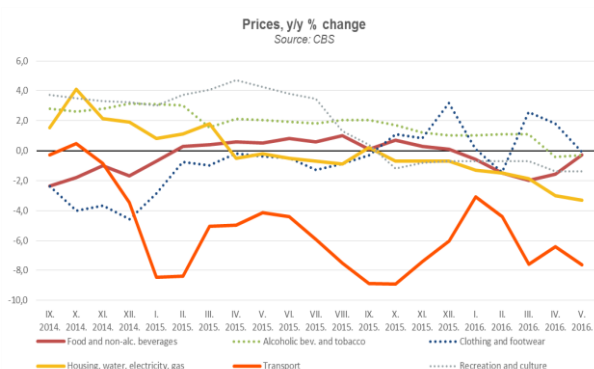
**Number 521, June 20, 2016**

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## Weekly overview

- In May, consumer prices fell to a record low of -1.8% yoy, the sharpest drop since the Croatian Bureau of Statistics' first publication of the consumer price index movements. The indicated index increased by 0.2% mom, while the twelve-month average decreased to -1.0%. The largest contribution to the decrease in the consumer price index in

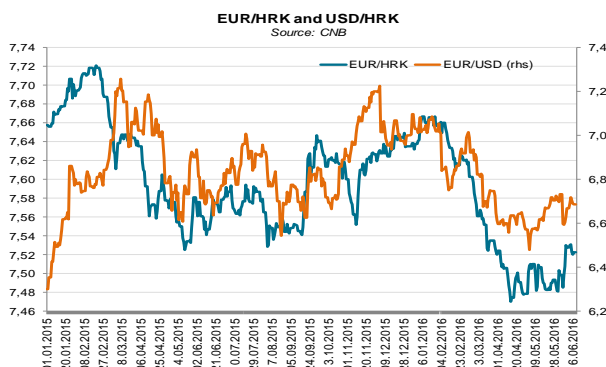
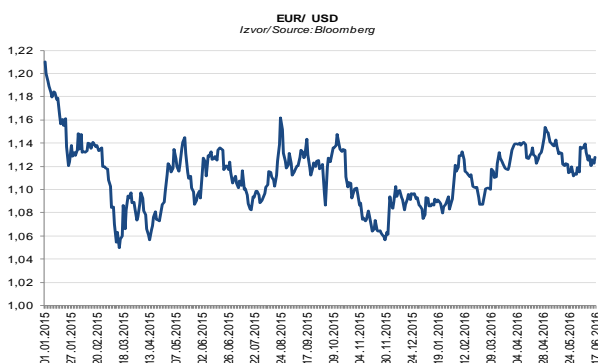
May 2016 versus May 2015 was recorded by the prices of Transport (by -0.9 p.p., of which fuel by -0.8 p.p.), Housing, water, electricity, gas and other fuels (by -0.6 p.p., of which gas by -0.5 p.p.), Communication (by -0.2 p.p.), as well as Food and non-alcoholic beverages and Recreation and Culture (both by -0.1 p.p.). On the other hand, a positive contribution came from an increase in prices in the category Miscellaneous goods and services by +0.1 p.p.



## Higher volatility in global markets

At the FOMC meeting, the Fed left interest rates at the current levels as expected, not changing the projections of two more rate hikes by the end of this year. The above mentioned initiated the leap of the euro against the dollar up to the level of 1.13, followed by the later weakening of the euro which even sank to 1.1131. The euro weakening trend has not continued, however, the market volatility on the eve of Britain's referendum this week remained higher. In such a climate, trading closed at 1.1277 dollar to the euro at the end of the week, up by 0.2% wow.

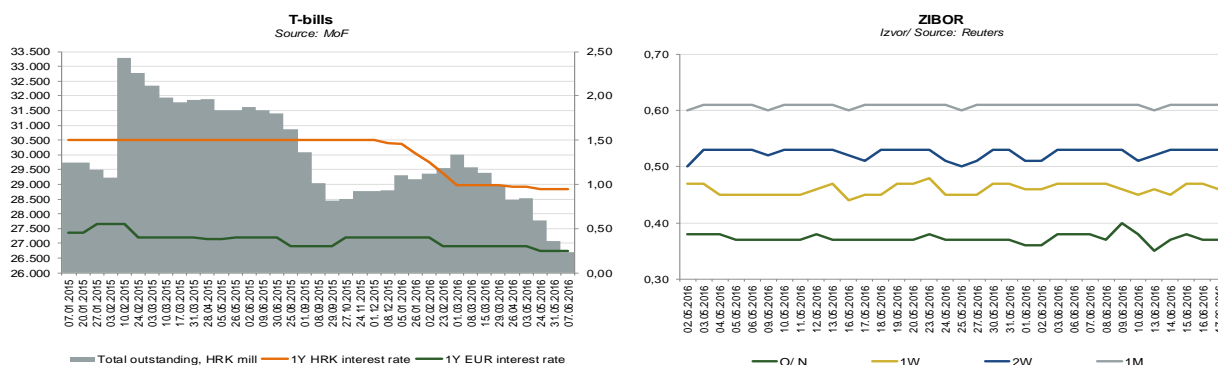
The kuna stayed the same against the euro and the mid-exchange rate on Friday amounted to 7.5227 kuna to the euro, down by 0.1% wow. The kuna against the dollar weakened by 0.2% to 6.6863 kuna to the dollar. This week, we expect trading in the range 7.50-7.54.



## Low money market activity

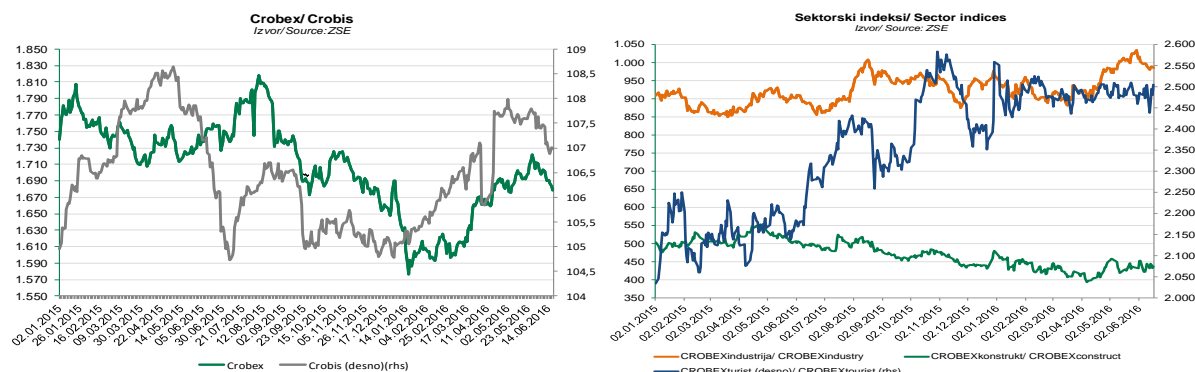
Last week saw no major activity in the money market, with low demand and increased liquidity. On Monday, the overnight Zibor reached this year's lowest level of 0.35%, closing on Friday at slightly higher 0.37%, while 1M and 3M remained unchanged at 0.61 and 0.80%. At the regular reverse repo auction, 100 million kuna at the fixed repo rate of 0.50% were injected in the system, whereas there was no major ZMM activity and the total turnover reached 20 million kuna, where supply exceeded demand by an average of 324 million kuna per day.

There was no maturity or auction last week, therefore, the government debt under T-bills remained at 26.7 billion kuna. There will be no maturity and auction this week as well.



## Crobex down for third consecutive week

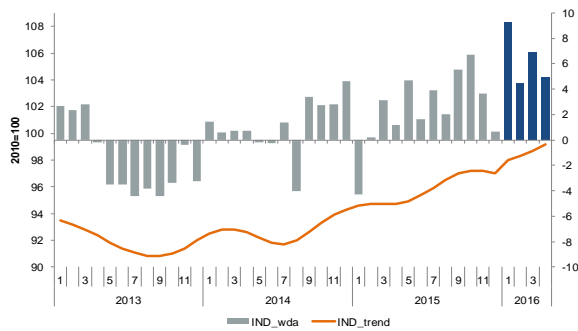
The Crobex index closed the week at 1,678.85 points (-1.0% wow), while the Crobis index closed the week at 106.99 points, or a 0.1% lower level versus the previous week. Concerning sector indices, CROBEXconstruct recorded a decrease of 1.7% wow (to 437.00 points), CROBEXindustry of 0.5% (to 985.74 points), while CROBEXtourist stagnated wow, closing the week at 2,504.95 points. The total turnover declined by 35.9% wow (to 297.6 million kuna), where the turnover in bonds dropped by 47.9% (to 228.5 million kuna), while the turnover in shares rose 2.8 times (to 66.9 million kuna).



# Statistics

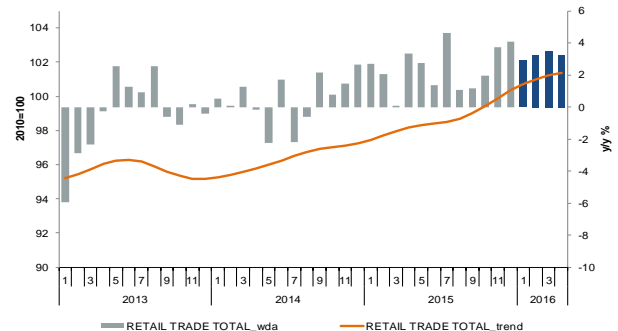
**Industrial production, wda y/y % ch.**

Source: Eurostat



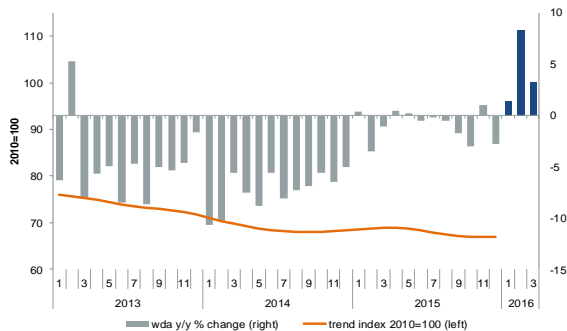
**Retail trade, real, wda y/y ch.**

Source: CBS



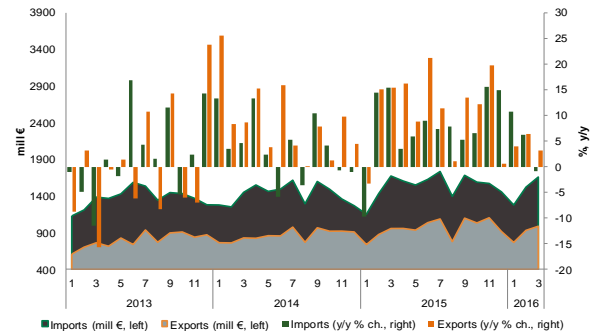
**Construction works, y/y % ch. and index 2010=100**

Source: CBS



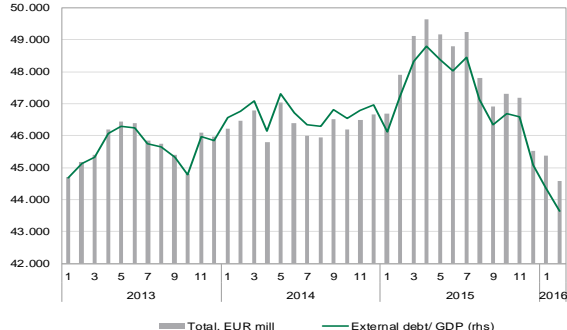
**Goods exports and imports (y/y % ch. and mill €)**

Source: CBS



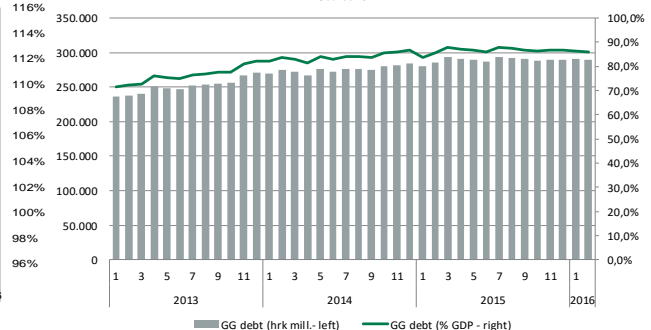
**External debt, amount and share to GDP**

Sources: CNB, CBS, PBZ



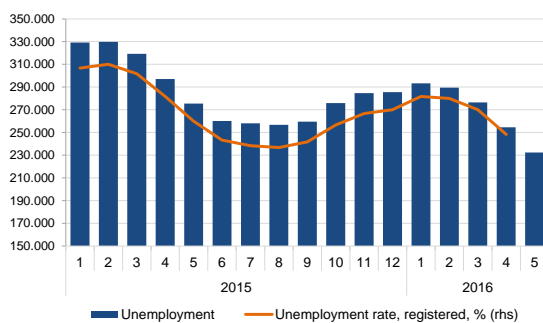
**General government debt**

Source: CNB



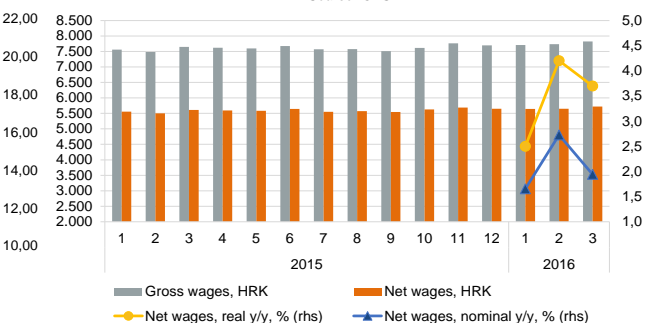
**Total unemployment and unemployment rate**

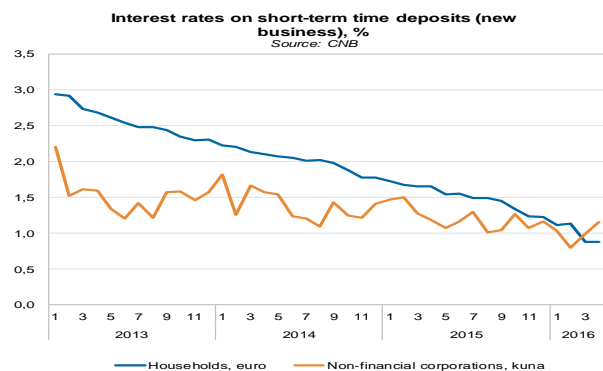
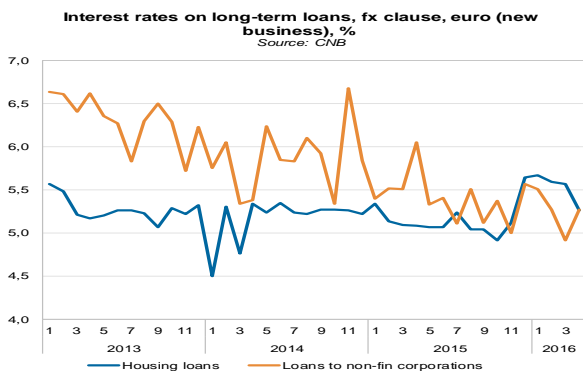
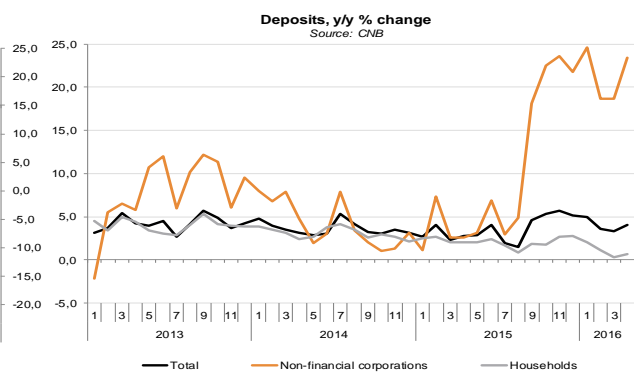
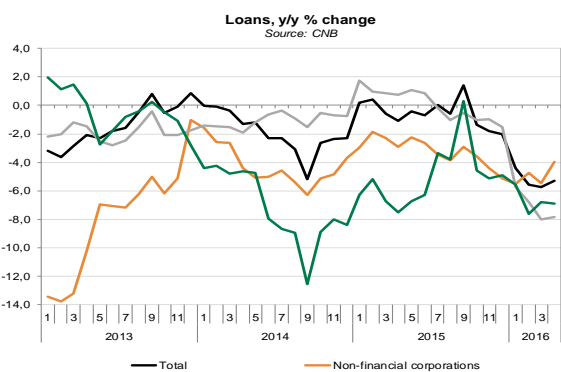
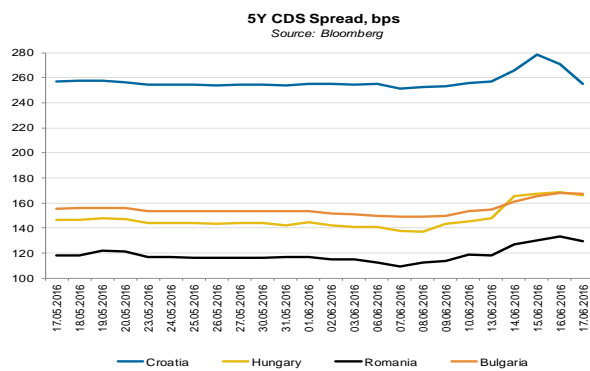
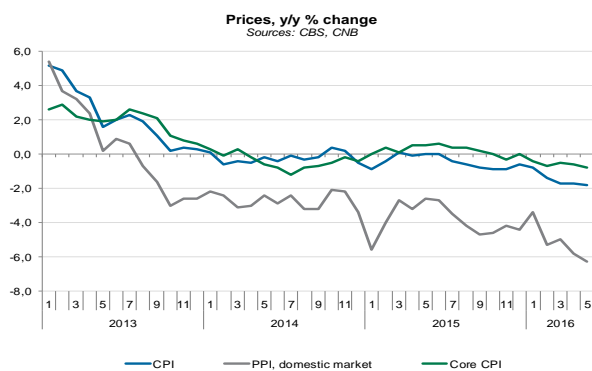
Source: CBS



**Wages, monthly average**

Source: CBS





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