

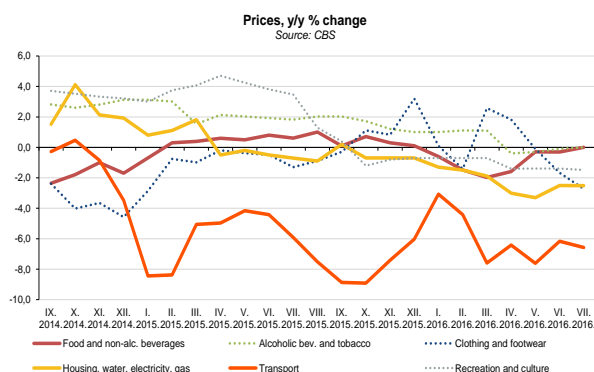
PBZ Weekly Analysis

Number 528, August 22, 2016

- Weekly overview (p. 1)
- Dollar continues to weaken, kuna stable (p. 1)
- Rise in interest rates (p. 2)
- Crobex at highest level this year (p. 2)
- Statistics (p. 3-4)

Weekly overview

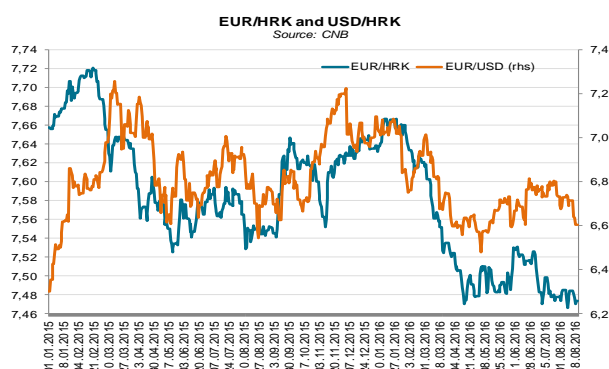
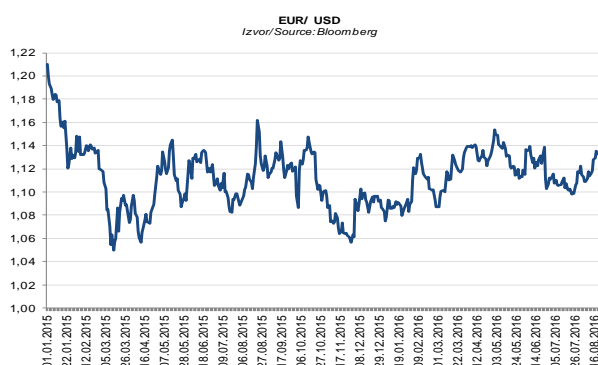
- The consumer price index for July decreased by 1.5% yoy (-1.7% in 2q2016), and 0.7% mom. The twelve-month average fell to -1.2%. The largest yoy decline was recorded in the prices of Transport (-6.6%, due to 11.3% lower prices of fuel), prices of Communication (-3.3%), Clothing and footwear (-2.7%), Housing, water, electricity, gas and other fuels (-2.5%, of which gas -19.1%), Recreation and culture (-1.4%) and Alcoholic beverages and tobacco (-0.1%). The annual decline in the index was lessened by an increase in the prices of Health (+2.7%), Restaurants and hotels (+2.4%, of which Accommodation services +6.5%), Furnishings (+0.8%), Education (+0.7%) and Miscellaneous goods and services (+0.6%). The prices of Food and non-alcoholic beverages (with almost 30% of share in total index) remained unchanged yoy versus the previous month. Due to the base effect, we expect deflationary pressures to ease gradually toward the end of the year, however, we see the average CPI remaining around -1%.



Dollar continues to weaken, kuna stable

Last week, the dollar continued its weakening trend against the euro, as the latest FOMC Meeting Minutes gave no clear signs about the Fed's interest rate hike. The trading closed at 1.1325 dollar to the euro, up by 1.5% wow.

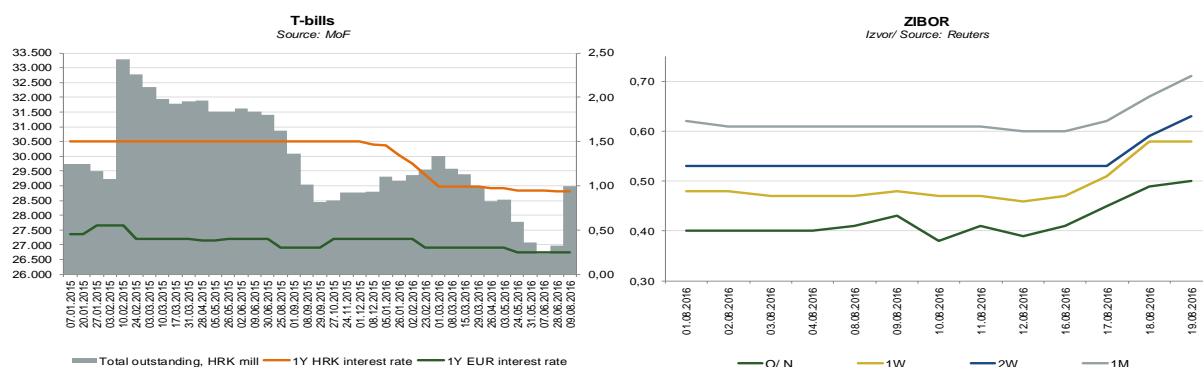
Fx inflows from tourism are still strong, so the kuna exchange rate has remained at 7.47-7.48 kuna to the euro. The mid-exchange rate on Friday amounted to 7.4732 kuna to the euro, down by 0.1% wow, whereas the kuna against the dollar strengthened by 1.6% and the exchange rate fell to 6.6046 kuna to the dollar.



Rise in interest rates

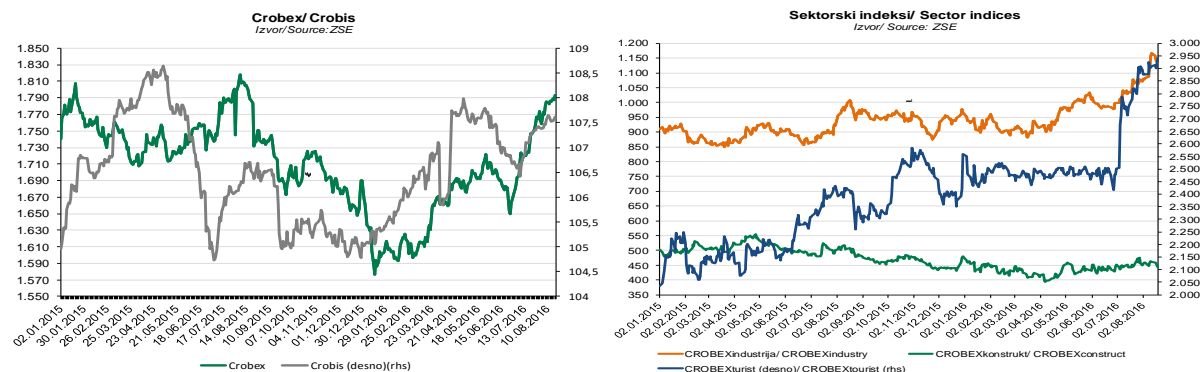
Although liquidity was ample last week, a larger demand for kuna resulted in a slightly more pronounced interest rate rise on the short end of the curve. The overnight Zibor thus increased wow by 11 b.p. to 0.50%, 1M at 0.71% (+11 b.p.), and 3M at 0.83% (+3 b.p.). At the regular reverse repo auction, 50 million kuna at the usual fixed repo rate of 0.50% was injected in the system. The total weekly ZMM turnover amounted to 45 million kuna, while the average gap amount between supply and demand was 328 million kuna per day.

As there was no T-bill maturity or auction last week, the government debt under T-bills remained at 29.0 billion kuna. This week, a total of 1.2 billion kuna will mature and the auction with the planned issue of 1.0 billion kuna has been announced.



Crobex at highest level this year

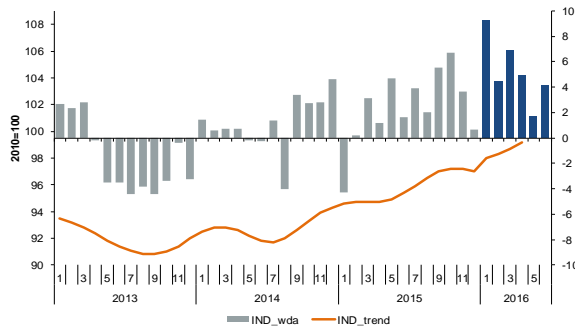
The Crobex index reached the highest level this year, closing on Friday at 1,792.81 points (+0.4% wow), while the Crobis stagnated wow, closing the week at 107.62 points. With regard to sector indices, CROBEXconstruct closed the week at 443.55 points (-3.9% wow), CROBEXindustry at 1,135.16 points (-2.8%), while CROBEXtourist climbed to 2,941.45 points (+1.1%). The total ZSE turnover was 5.5% higher than the week before, amounting to 111.8 million kuna, where the total turnover in shares amounted to 34.7 million kuna (+22.3%) and in bonds to 76.3 million kuna (-0.5% wow).



Statistics

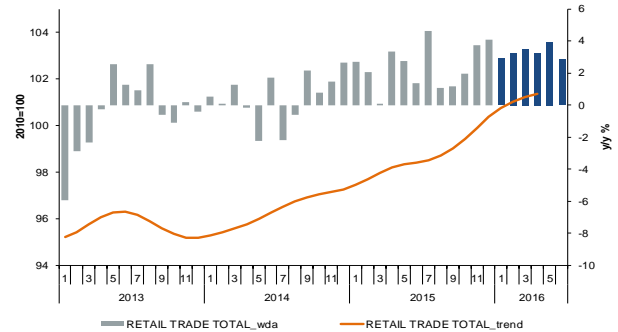
Industrial production, wda y/y % ch.

Source: Eurostat



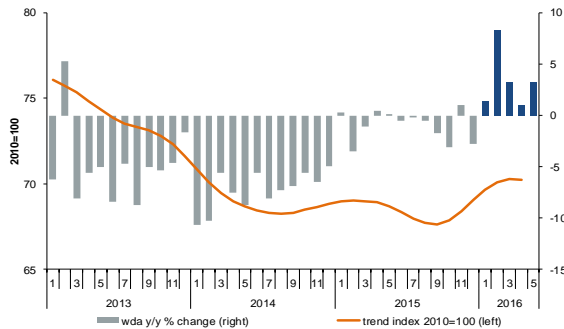
Retail trade, real, wda y/y ch.

Source: CBS



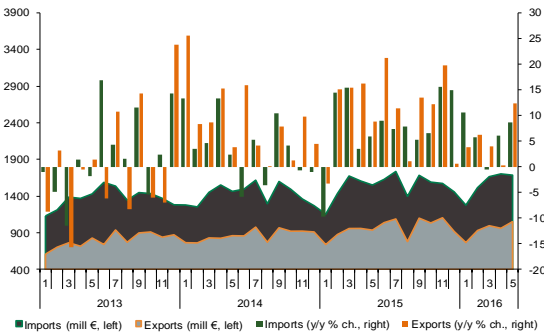
Construction works, y/y % ch. and index 2010=100

Source: CBS



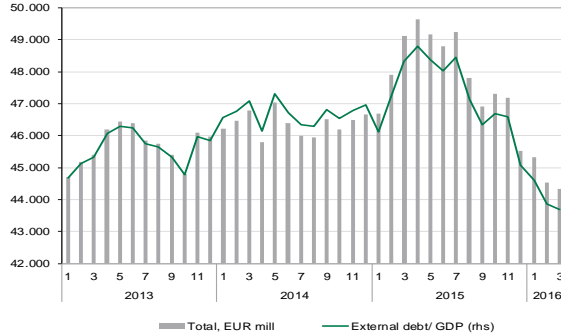
Goods exports and imports (y/y % ch. and mill €)

Source: CBS



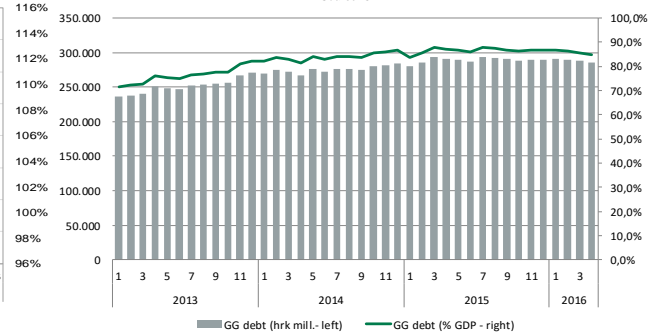
External debt, amount and share to GDP

Sources: CNB, CBS, PBZ



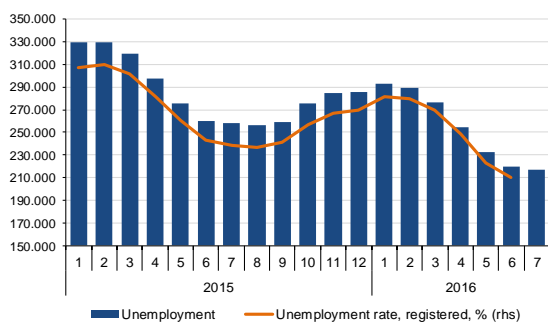
General government debt

Source: CNB



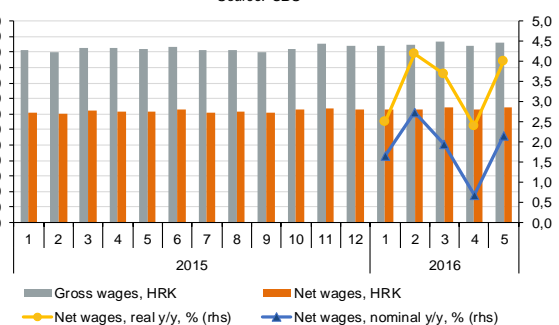
Total unemployment and unemployment rate

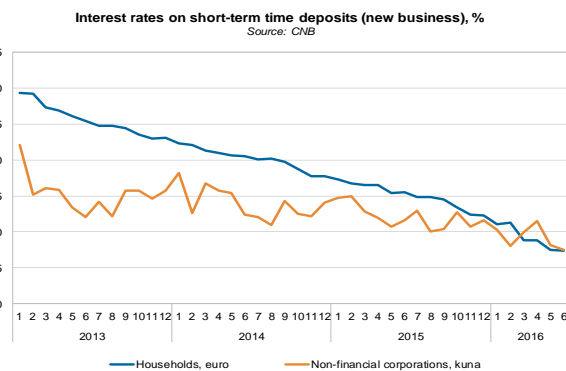
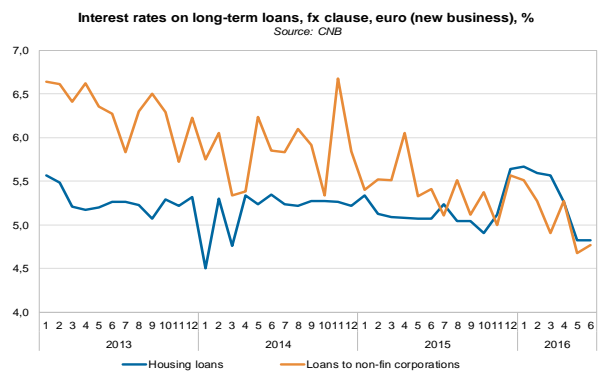
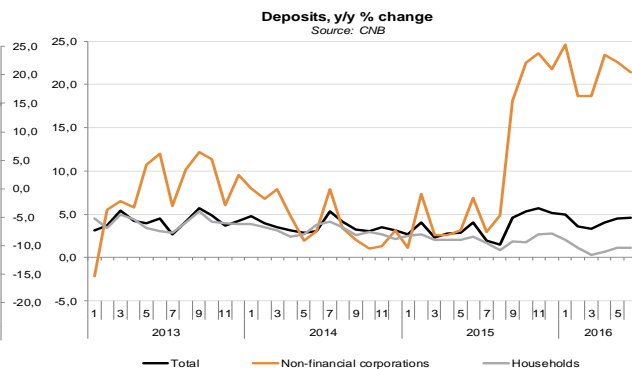
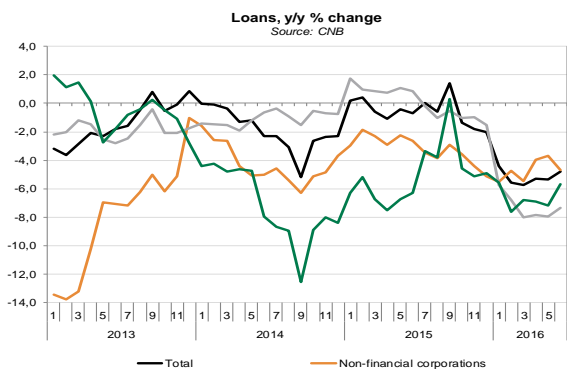
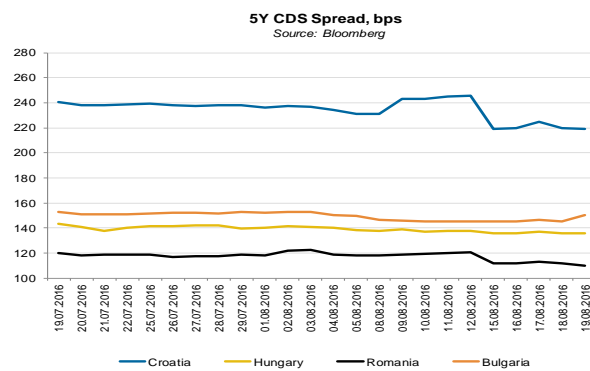
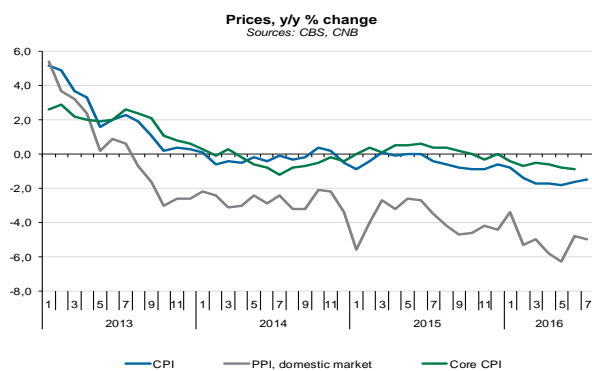
Source: CBS



Wages, monthly average

Source: CBS





RESEARCH OFFICE

Ivana Jović

Ana Lokin

Ivan Odrčić

TREASURY

Eugen Bulat

LEGAL DISCLAIMER

This publication is issued by PRIVREDNA BANKA ZAGREB-DIONIČKO DRUŠTVO, Zagreb, Radnička 50 (hereinafter: PBZ) and aimed at clients of the PBZ Group. This publication is intended for information purposes only and may not in any way be considered an offer or invitation to purchase any property or rights mentioned in it. The informative nature of this publication means that it may not serve as a substitute for the personal judgment and assessment of any reader or anyone who receives this publication. The information, opinions, analyses, conclusions, forecasts and projections given here are founded on publicly available data whose accuracy PBZ relies on, but cannot guarantee. Accordingly, all the opinions, attitudes, conclusions, forecasts and projections given in this publication are subject to changes, which depend on changes to the data as published by the source used. PBZ allows further utilization of the data given in this publication on the condition that the publication is indicated as the source. All the property mentioned in this publication and whose movement is the subject of comment may from time to time be the subject of trade or positions taken by PBZ.