

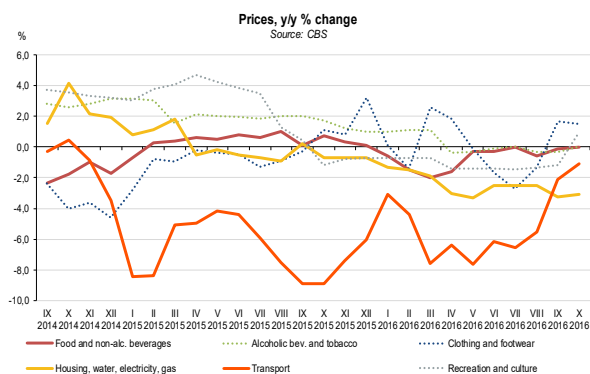
PBZ Weekly Analysis

Number 540, November 21, 2016

- Weekly overview (p. 1)
- EUR/USD hits lowest level since last November (p. 1)
- Ample liquidity (p. 2)
- Crobex in positive territory (p. 3)
- Statistics (p. 4-5)

Weekly overview

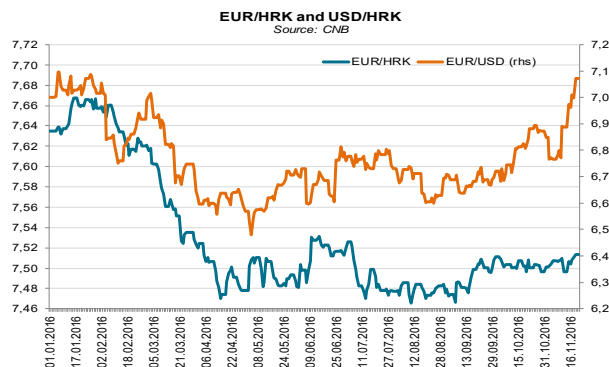
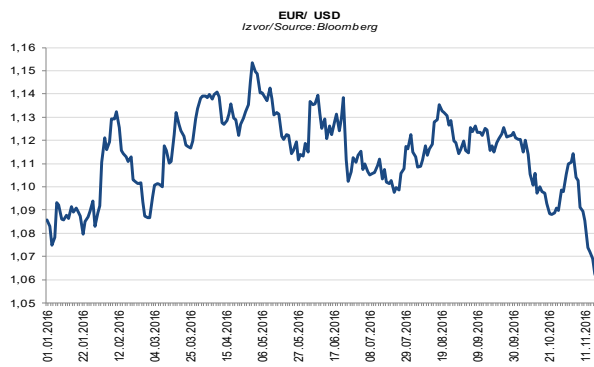
- Consumer price index for October 2016 decreased by 0.5% yoy, recording a slower decrease versus the previous month when this index dropped by 0.9% yoy. Compared with the previous month, the consumer prices for October increased by 0.4%, while the twelve-month average ended at -1.2%. The largest yoy decline in the prices was recorded in the category Housing (by 3.1%, of which gas by 18.5%), Communication (by 2.9%), Transport (by 1.1%, of which gas by 1.2%), and Furnishings (by 0.3%), while the largest increase in the prices was recorded in the category Health (+1.8%), Clothing and footwear (+1.5%), Restaurants and hotels (+1.4%), Education (+1.1%), Recreation and culture (+0.9%), and Miscellaneous goods and services (+0.3%). The prices of Alcoholic beverages and tobacco and Food and non-alcoholic beverages stagnated in October yoy. The largest increase mom was recorded in the prices of Clothing and footwear (+6.4%, new arrivals), while the prices in the categories Transport and Education increased both by 0.4%. On the other hand, the largest decrease mom was recorded in the category Miscellaneous goods and services (-0.4%), Restaurants and hotels (-0.3%), Furnishings (-0.2%) and Recreation and culture (-0.1%), whereas the prices in the remaining categories stagnated versus the previous month. Over the first ten months of 2016, mostly due to a low crude oil price in the global markets and the administratively reduced price of gas for households, the consumer price index fell by 1.3% yoy (-0.4% over the same period last year). As a result of higher food product prices in the global markets and a further strengthening of domestic demand, we expect the trend to reverse next year, after a three-year period of declining prices.



EUR/USD hits lowest level since last November

The dollar continued to soar against the euro, thus, at the end of last week, the EUR/USD exchange rate reached the lowest level since last November. The trading on Friday closed at 1.0588 dollar to the euro, down by 2.5% wow.

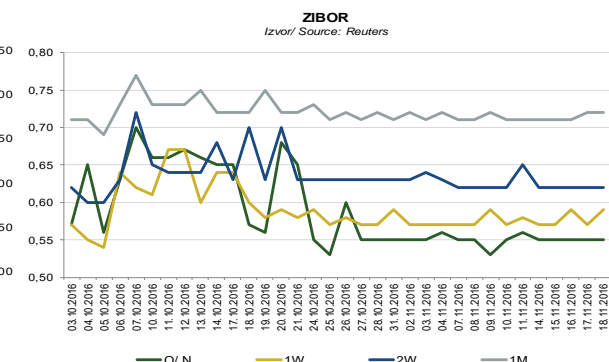
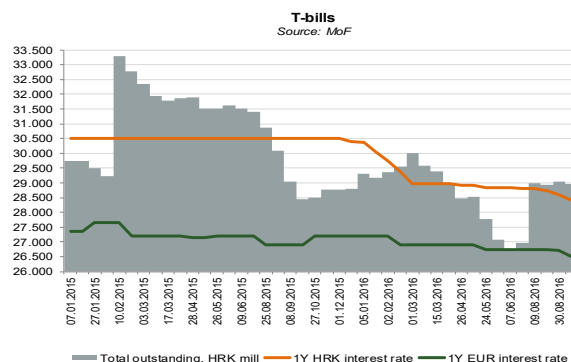
After a longer period of calm, the exchange rate rose above 7.53 this week, with a slightly higher turnover recorded at the end of the week. The mid-exchange rate on Friday reached 7.5135 kuna to the euro, up by 0.2% wow, while, due to a stronger dollar against the euro, the kuna weakened by 2.7% against the dollar to 7.0729 kuna to the dollar. This week, we expect trading in the range 7.52-7.55 kuna to the euro.



Ample liquidity

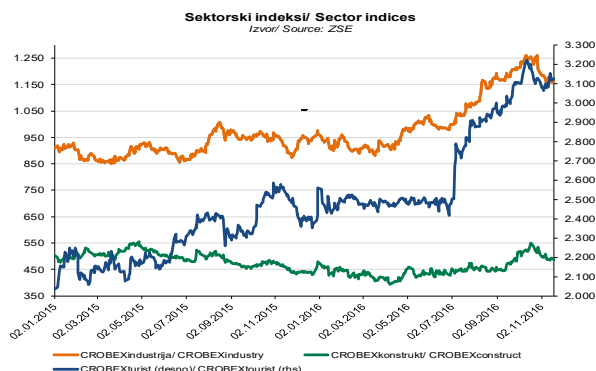
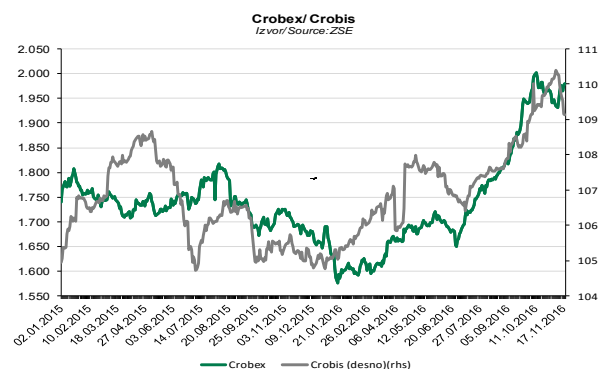
The liquidity is still ample, therefore the interest rates recorded only minor changes last week. The overnight Zibor dropped by 1 b.p. to 0.55%, 1M climbed by 1 b.p. to 0.72%, while 3M remained at 0.88%. At the reverse regular repo auction, CNB injected in the system 10 million kuna more than the week before, i.e. 280 million kuna at the fixed repo rate of 0.3%, while this year's fourth structural repo auction with the fixed repo rate of 1.4%, maturing on 24 November 2020 has been announced for tomorrow. The ZMM turnover rose to 281 million kuna, while the average daily excess of supply over demand declined to 292 million kuna.

The balance of the subscribed T-bills amounts to 29.0 billion kuna, whereas a total of 1.7 billion kuna in T-bills will mature this week and the auction with the planned issue of 1.5 billion kuna and 5 million euro has been announced.



Crobex in positive territory

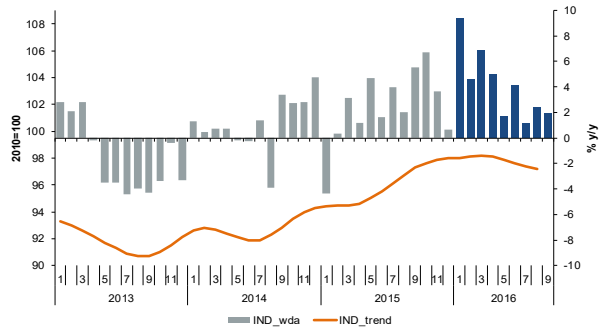
The total ZSE turnover rose 2.5 times versus the week before (to 2.2 billion kuna), where the turnover in bonds increased more than 3 times (to 2.06 billion kuna), while the turnover in shares decreased by 41.5% (to 137.3 million kuna). The Crobex index closed the week at 1,978.63 points, up by 0.8% wow, while the Crobis closed the week at 109.13 points (-0.8%). As regards sector indices, CROBExtourist closed the week at 3,124.07 points (+1.4% wow), while CROBExindustry (1,167.71 points) and CROBExconstruct (486.81 points) closed the week at a 0.7% lower level wow.



Statistics

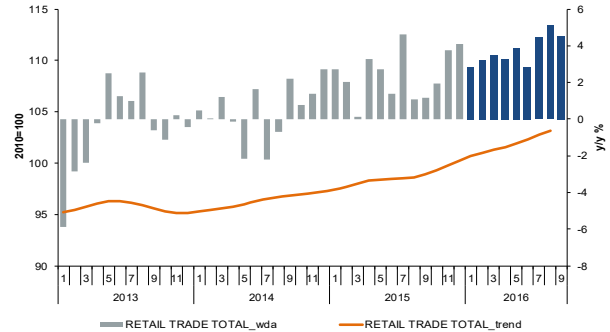
Industrial production, wda y/y % ch.

Source: Eurostat



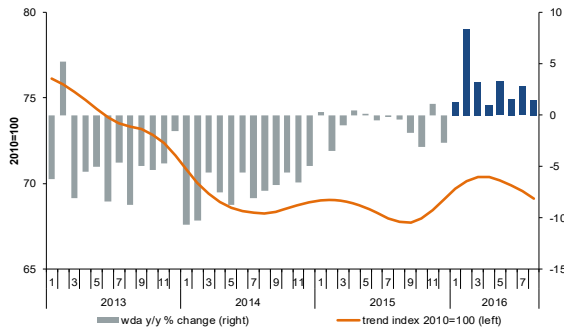
Retail trade, real, wda y/y ch.

Source: CBS



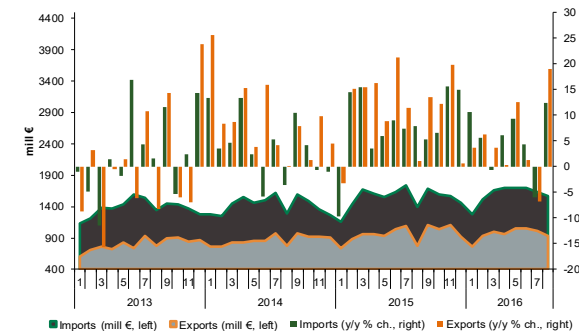
Construction works, y/y % ch. and index 2010=100

Source: CBS



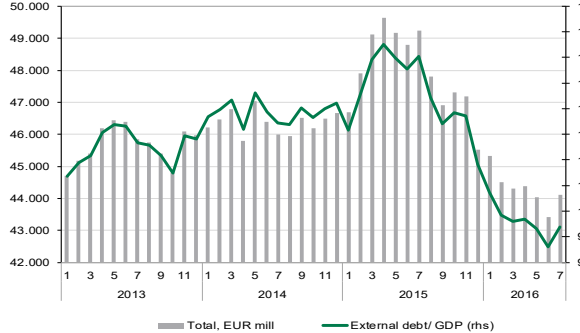
Goods exports and imports (y/y % ch. and mill €)

Source: CBS



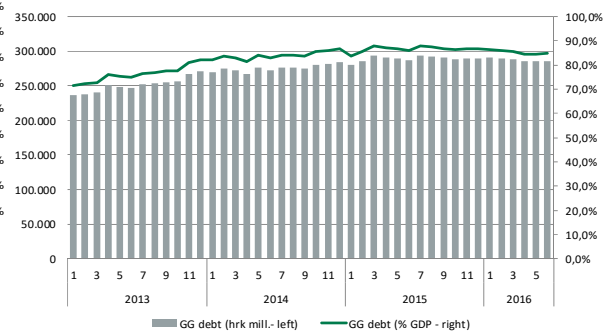
External debt, amount and share to GDP

Sources: CNB, CBS, PBZ



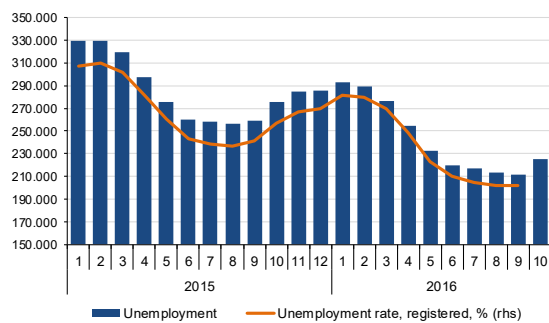
General government debt

Source: CNB



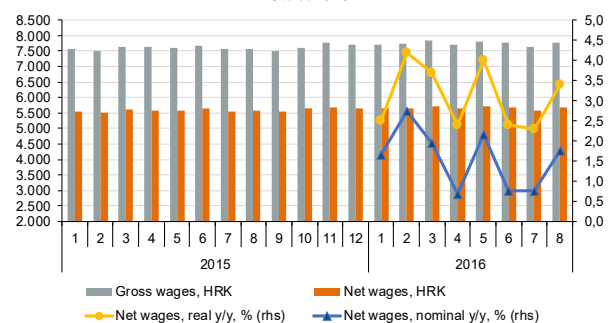
Total unemployment and unemployment rate

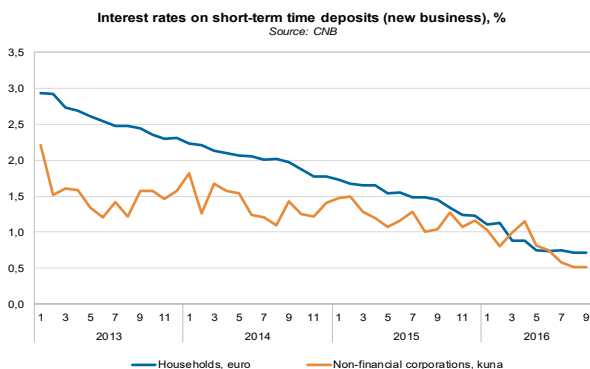
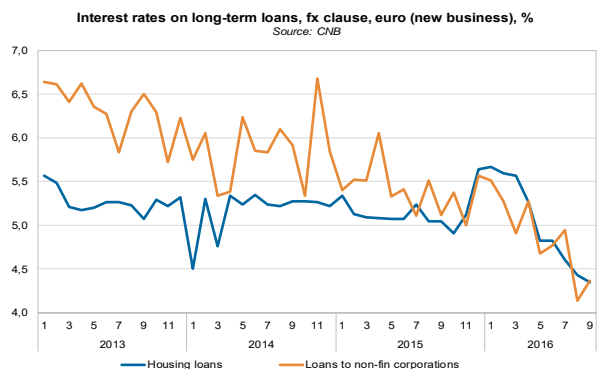
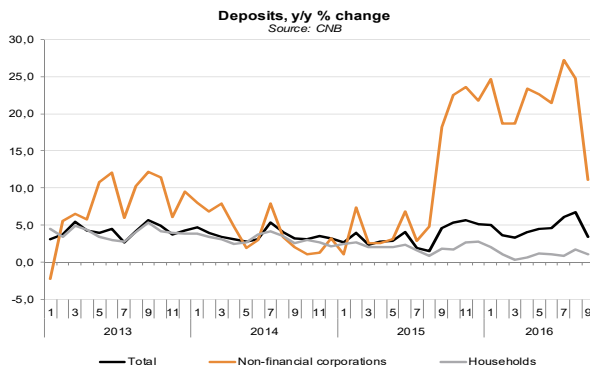
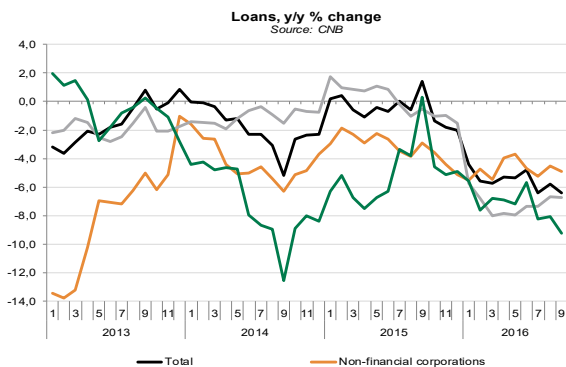
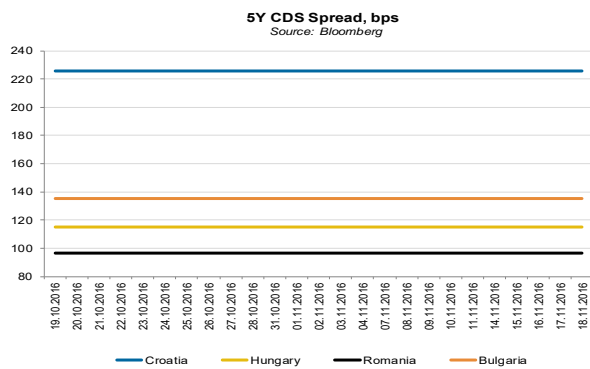
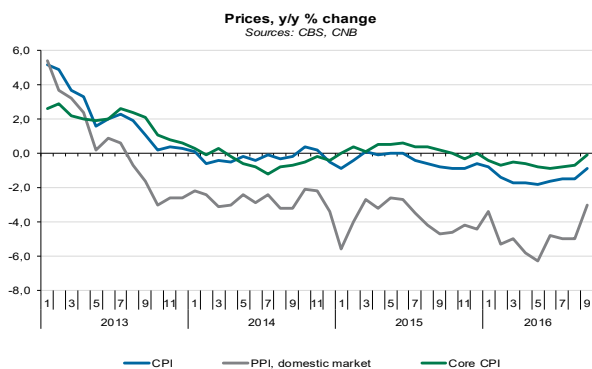
Source: CBS



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.