

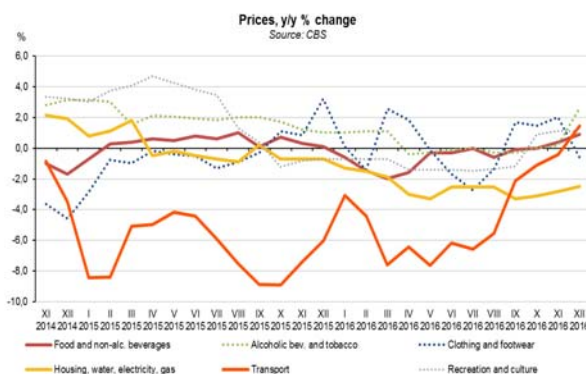
# PBZ Weekly Analysis

## Number 547, January 23, 2017

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## Weekly overview

- The consumer price index for December 2016 recorded an increase of 0.2% yoy (the first yoy growth rate since March 2015), where the largest positive contribution to the increase came from higher prices of Food (+0.9% yoy or +0.2 p.p.) and Transport (+1.5% yoy or +0.2 p.p., of which fuels by +3.9%), as a result of increased

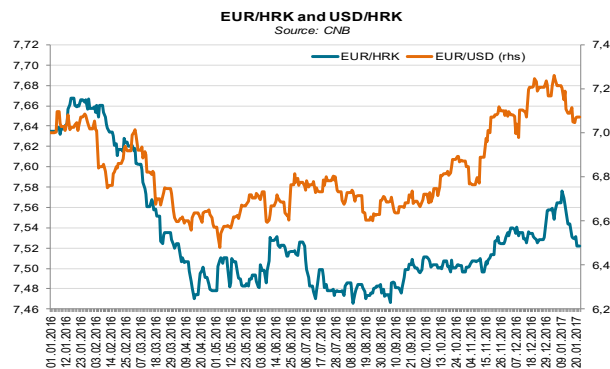
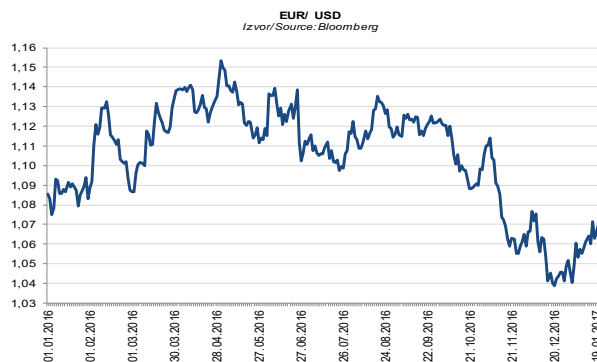


prices of food products and crude oil in the global markets. On the other hand, the largest negative contribution came from lower prices in the category Housing, water, electricity, gas and other fuels (by 2.5% yoy or -0.4 p.p., of which gas by -17.7%). The consumer prices for December decreased by 0.2% mom, due to 7.9% lower prices of Clothing and footwear (seasonal sales). In 2016, a decline in the consumer price level of 1.1% yoy was recorded, due to which deflationary movements strengthened for the third consecutive year (after -0.2% in 2014 and -0.5% in 2015). The largest contribution to a reduction in the index in 2016 came from lower prices of Transport (-0.5 p.p., 4.2% lower price level because of a 7.0% decline in fuel prices), Housing (-0.4 p.p., 2.5% lower price level because of a 16.3% decline in gas prices), and Food (-0.2 p.p., 0.7% lower price level), which is in accordance with lower prices of crude oil and food products in the global markets and the administratively cut household gas price in April 2016. This year, we expect a return of inflation, which will be mainly affected by an increase in the crude oil price (owing to the agreement of the largest world producers to limit oil production) and food products in the global markets, as well as further strengthening of domestic demand.

## Euro continues to strengthen, kuna unchanged

The last week's ECB meeting did not bring major surprises, therefore the euro slightly strengthened against the dollar and the trading on Friday closed at 1.0703 dollar to the euro, +0.6% wow.

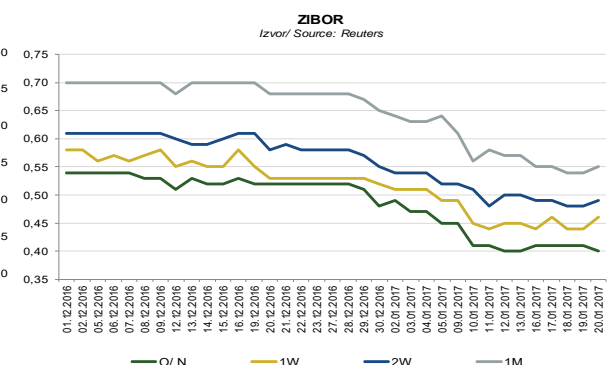
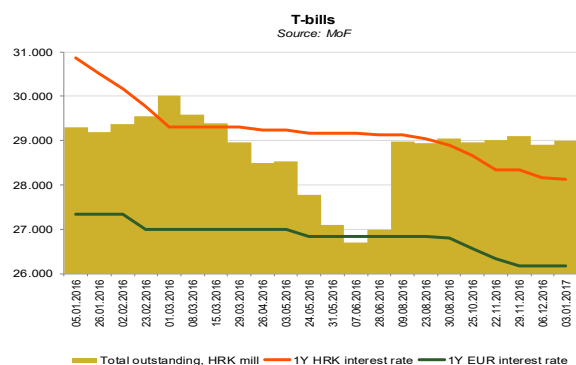
Last week saw moderate changes in the exchange rate, so the EURHRK mid-exchange rate amounted to 7.5220 kuna to the euro on Friday, down by 0.3 wow, while the kuna against the dollar strengthened by 0.2% to 7.0722 kuna to the dollar. This week, we expect trading in the range 7.50-7.55 kuna to the euro.



## Ample liquidity

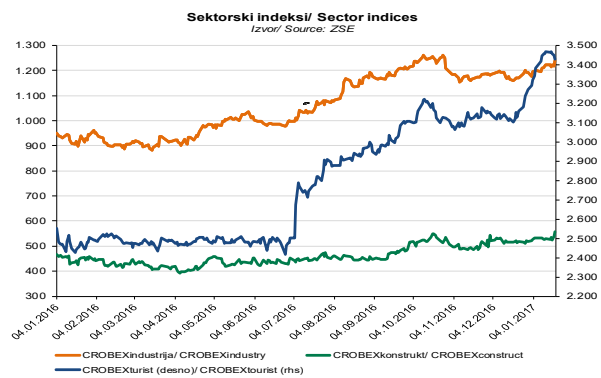
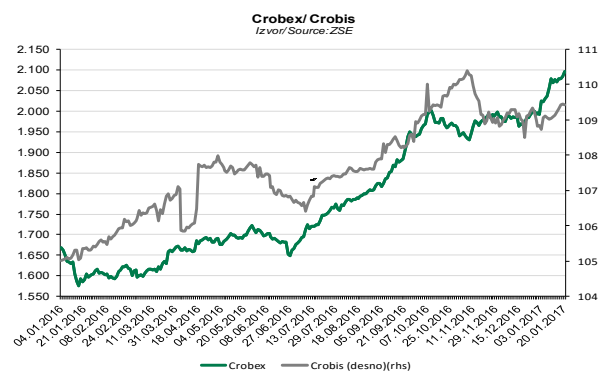
Liquidity has remained exceptionally generous, so interest rates were slightly down. The overnight Zibor remained at 0.40%, 1M fell to 0.55% (down by 2 b.p. wow), while 3M to 0.69% (-6 b.p.). At the regular reverse repo auction, CNB injected in the system, the same as the week before, 110 million kuna at the fixed repo rate of 0.3%, whereas the absence of demand on ZMM continued.

Last week, there was no maturity or auction, therefore the balance of the subscribed T-bills remained at 29 billion kuna. This week, a total of 0.7 billion kuna will mature and the auction with the planned amount of 0.7 billion kuna has been announced.



## Crobex up for the fifth consecutive week

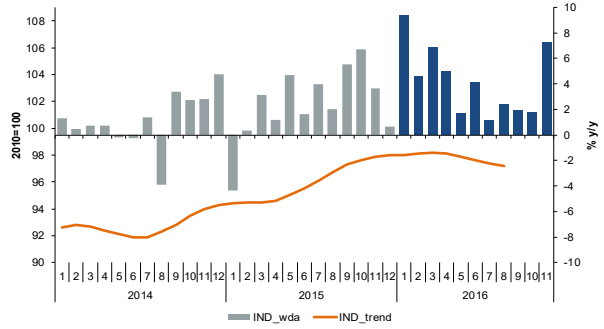
The Crobex index closed the week at 2,096.56 points, or up by 1.0% wow, while Crobis was up by 0.3% wow, closing the week at 109.43 points. As regards sector indices, CROBEXconstruct rose by 5.2% wow (to 558.21 points, at the same time recording the highest level since November 2014), CROBEXindustry rose by 1.5% (to 1,240.12 points), whereas CROBEXtourist dropped by 1.2% wow, closing the week at 3,428.41 points. The total ZSE turnover amounted to 419.8 million kuna (+13.8% wow), of which the turnover in shares amounted to 49.1 million kuna (-34.4%) and the turnover in bonds 370.7 million kuna (+26.0%).



# Statistics

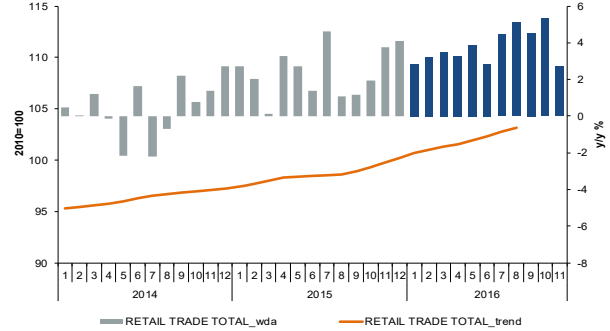
**Industrial production, wda y/y % ch.**

Source: Eurostat



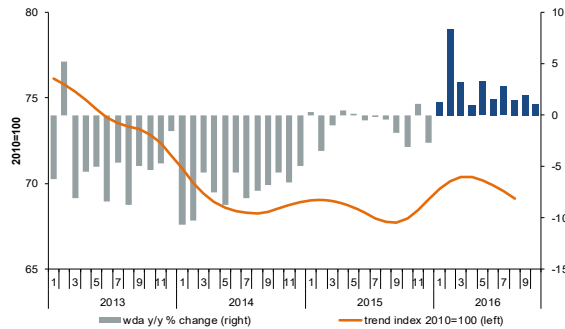
**Retail trade, real, wda y/y ch.**

Source: CBS



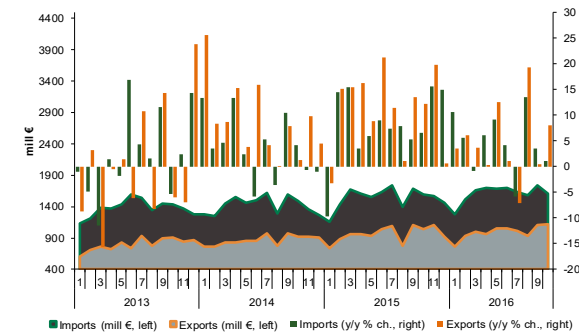
**Construction works, y/y % ch. and index 2010=100**

Source: CBS



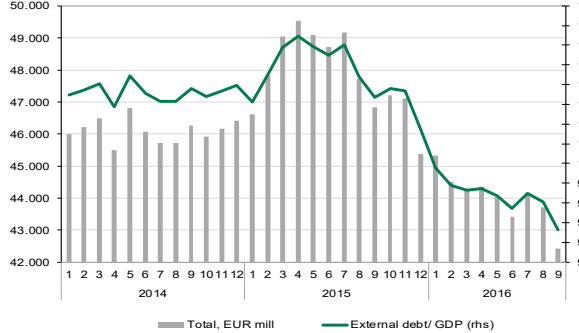
**Goods exports and imports (y/y % ch. and mill €)**

Source: CBS



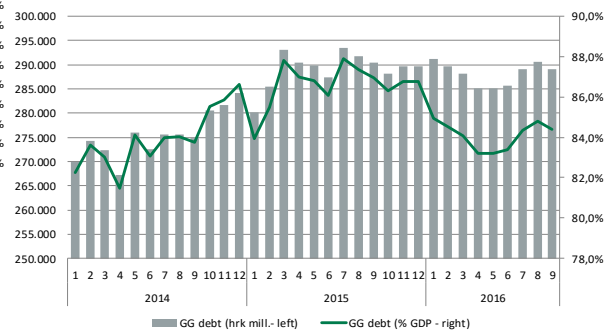
**External debt, amount and share to GDP**

Sources: CNB, CBS, PBZ



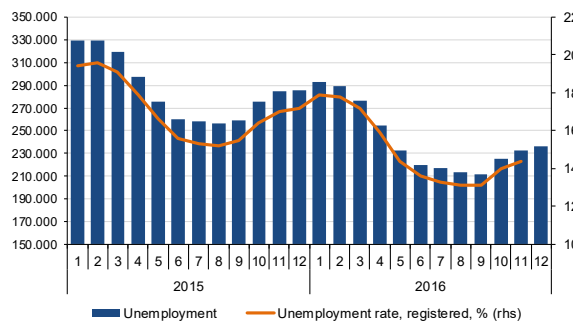
**General government debt**

Source: CNB



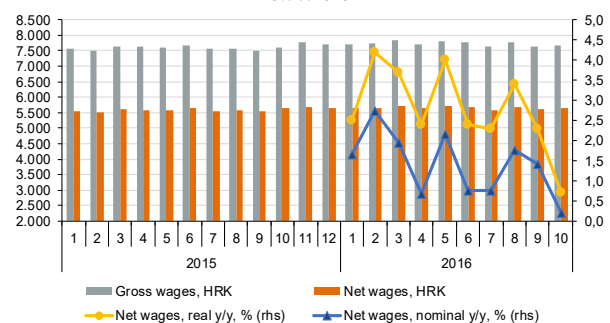
**Total unemployment and unemployment rate**

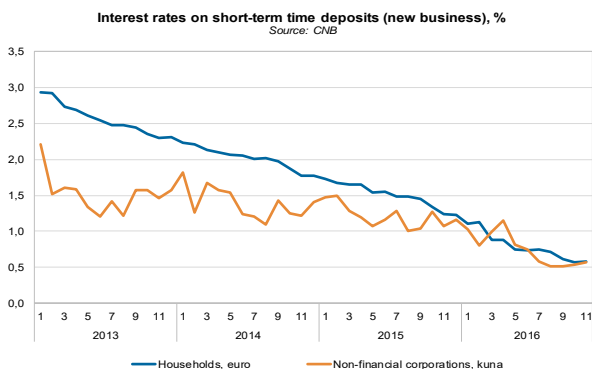
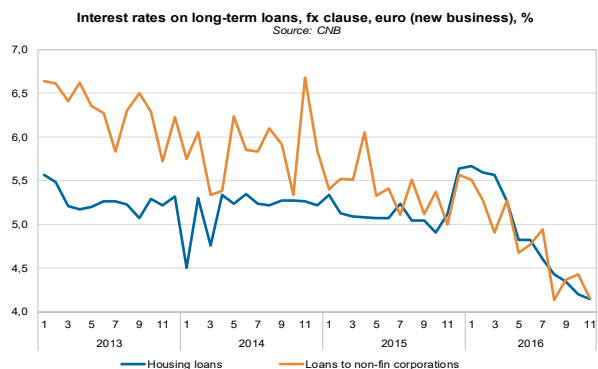
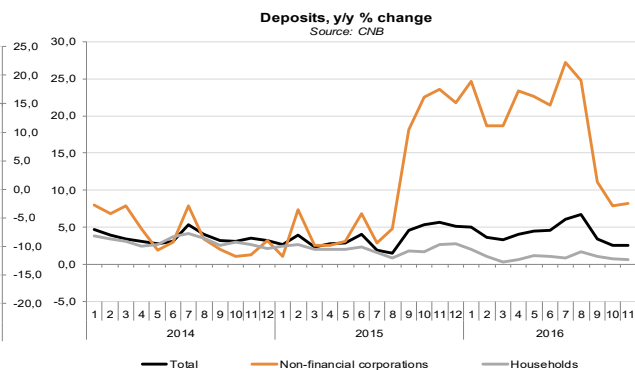
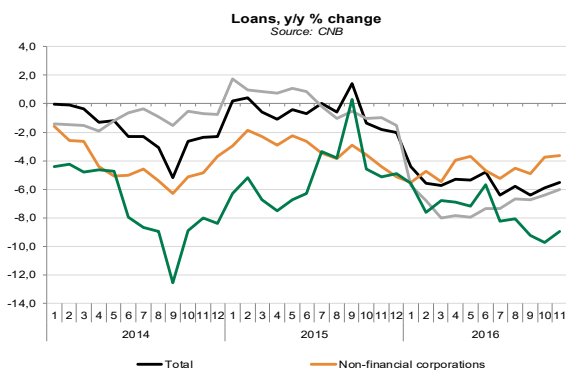
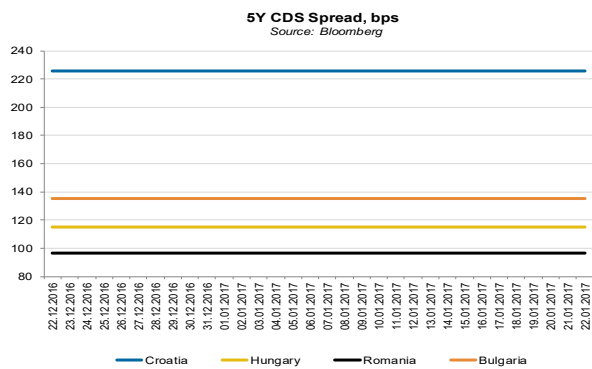
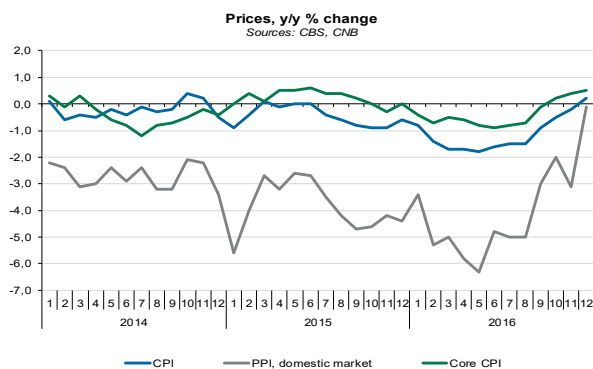
Source: CBS



**Wages, monthly average**

Source: CBS





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