

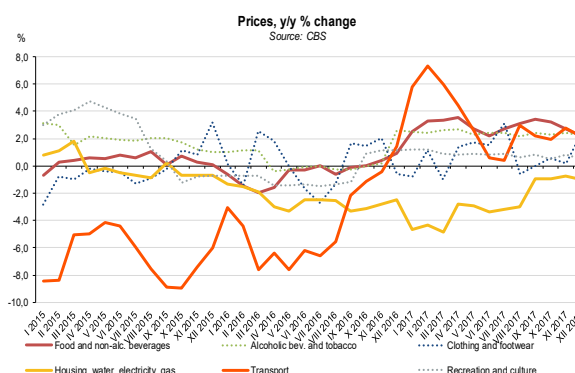
PBZ Weekly Analysis

Number 592, January 22, 2017

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Weekly overview

The consumer price index in December 2017 recorded a yoy growth rate of 1.2%, which is a slightly lower inflation rate versus November 2017 (+1.4% yoy), where the largest positive contribution came from higher prices in the categories of Food (+0.6 p.p.), Transport (+0.3 p.p.), as well as Restaurants and hotels and Clothing and footwear (both +0.2 p.p.), whereas the only negative contribution came from lower prices in the category of Housing (-0.2 p.p.).

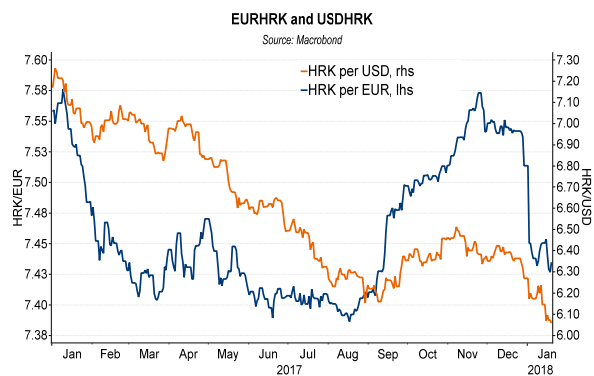


Consumer prices in December decreased by 0.3% mom, due to 5.8% lower prices of Clothing and footwear (seasonal sales). After three consecutive deflationary years, 2017 saw a rise in the average consumer price level by 1.1% yoy, while the largest contribution to these movements came from higher prices in the categories of Food (+0.8 p.p. or +3.0%, of which dairy products by +6.0%, vegetables +5.9%, meat +3.5%), Transport (+0.4 p.p. or +3.2%, of which fuels by +6.8% due to higher crude oil prices) and Restaurants and hotels (+0.2 p.p. or +5.1%, as a result of the increase in the VAT rate in catering services). The largest negative contribution to the increase in consumer prices in 2017 came from a decline in prices in the category of Housing, water, electricity, gas and other fuels (-0.4 p.p. or -2.7%, of which electricity by -7.7%, due to a lower VAT rate for electricity distribution and of gas by -0.9%, as a result of a lower gas price for households) and Communications (-0.1 p.p. or -1.6%). The average core annual inflation rate in 2017 amounted to 1.4% yoy (-0.4% in 2016). On the assumption of a further increase in the prices of food and some energy products (the total increase in the barrel of the Brent crude oil price was 21% last year) and a further rise in domestic demand, we anticipate a potential speed-up of the average annual inflation rate to approximately 1.5% this year.

Euro and kuna moderately stronger

A slight strengthening of the euro against the dollar continued last week, therefore trading on Friday closed at 1.2222 dollar to the euro, up by 0.2% wow.

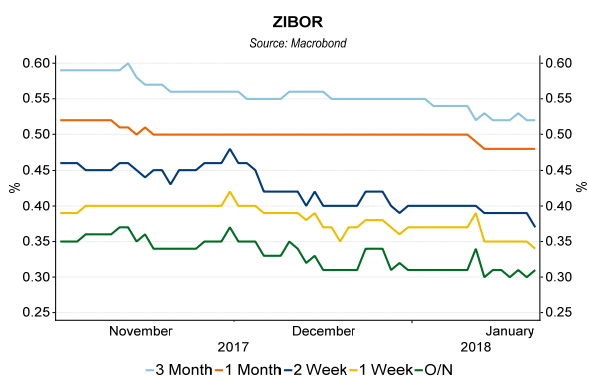
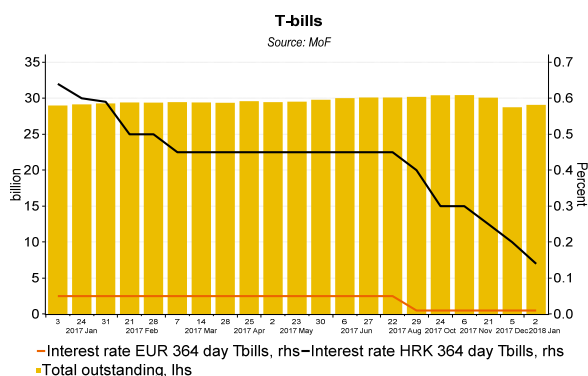
The exchange rate of the kuna against the euro recorded a moderate downward trend last week. The mid-exchange rate amounted to 7.4267 at the end of the week, down by 0.3% wow. The kuna against the dollar climbed considerably by 1.2%, to 6.0721 kuna to the dollar. This week, we expect trading in the range 7.42-7.46 kuna to the euro.



Interest rates unchanged

Excess liquidity was around a high level of 27 billion kuna last week, therefore interest rates remained unchanged. The overnight Zibor stayed at 0.31%, while 1M and 3M at 0.48% and 0.52%, respectively. There was no interest shown at the regular reverse repo auction and there was no turnover on the ZMM.

There was no maturity or T-bill auction last week either, therefore the government debt remained at 29,1 billion kuna. This week, 928 million kuna will mature and the auction with the planned 900 million kuna has been announced.

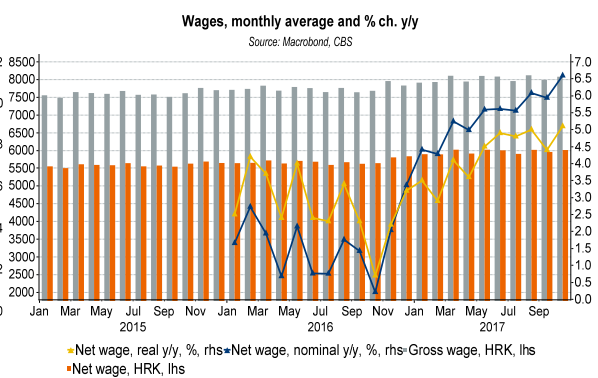
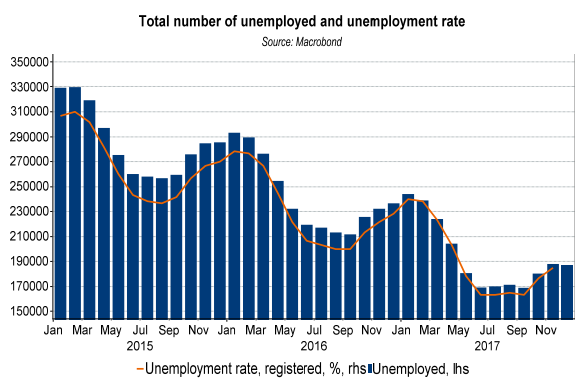
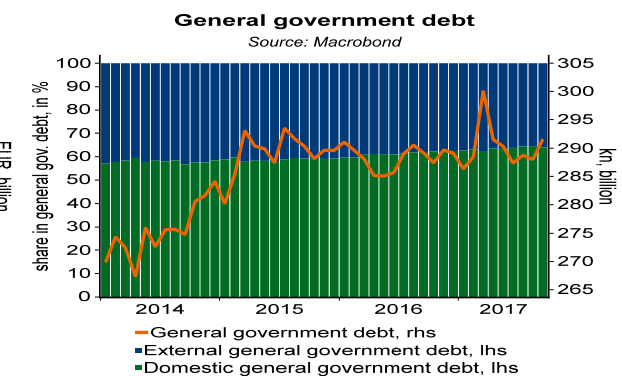
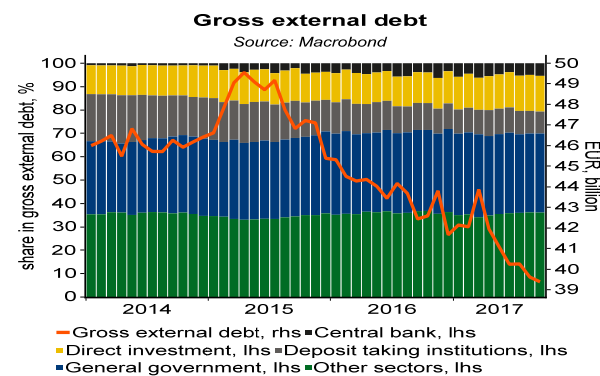
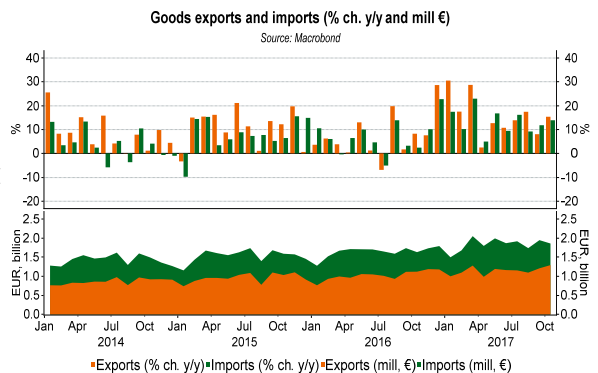
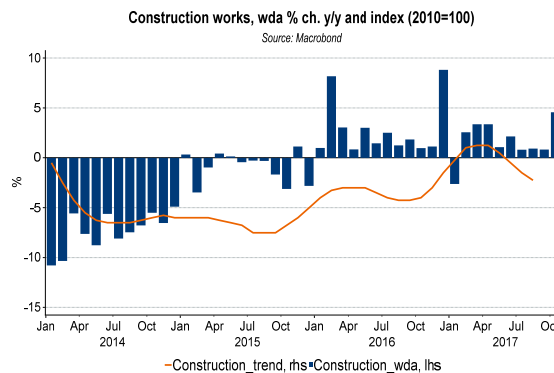
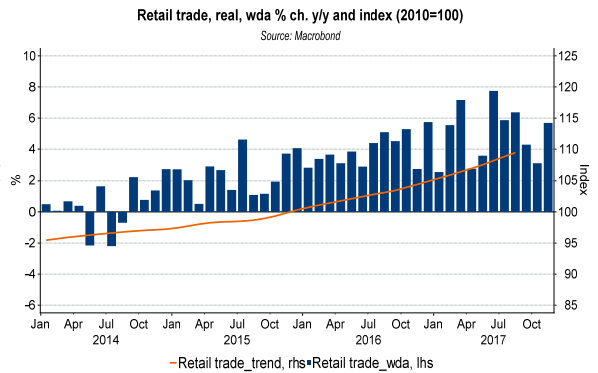
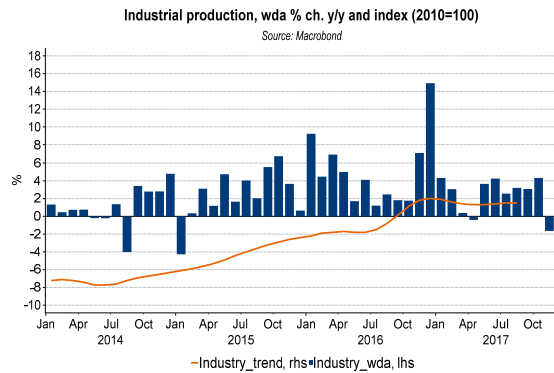


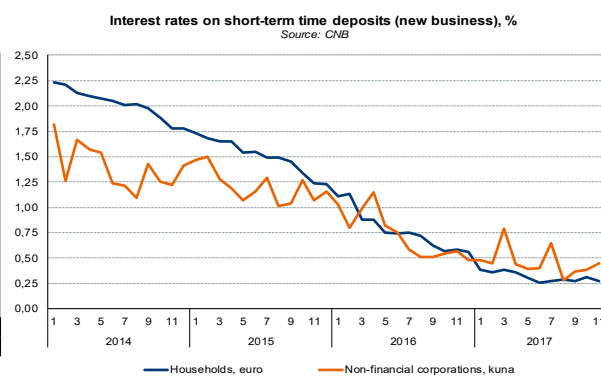
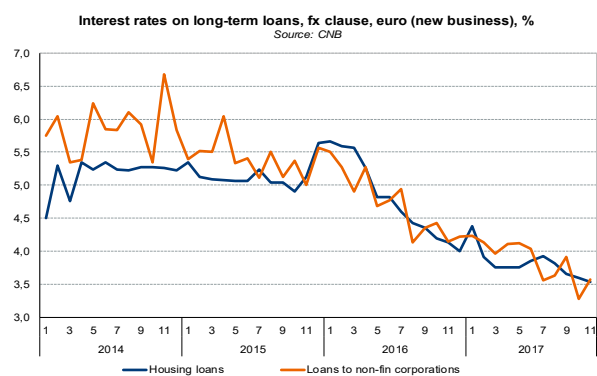
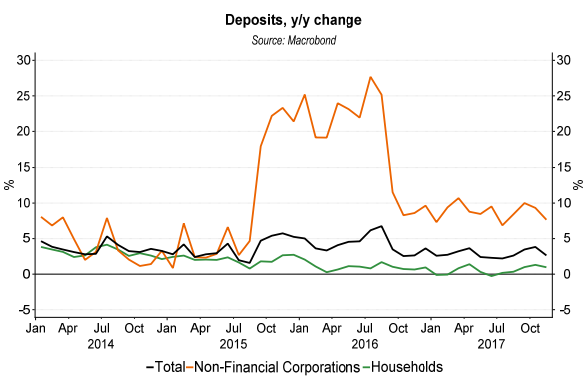
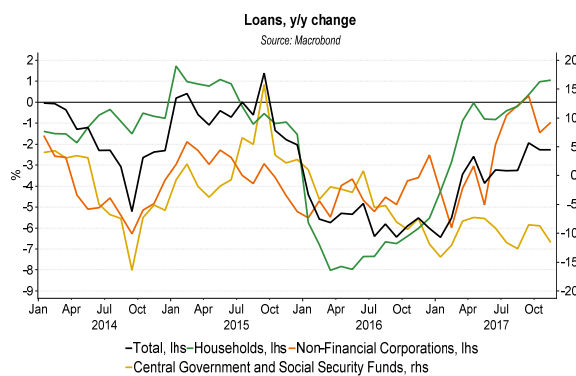
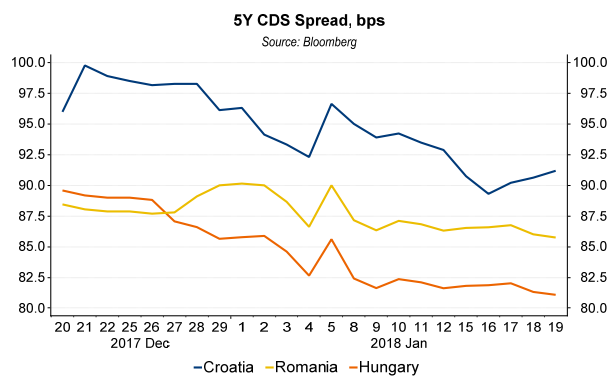
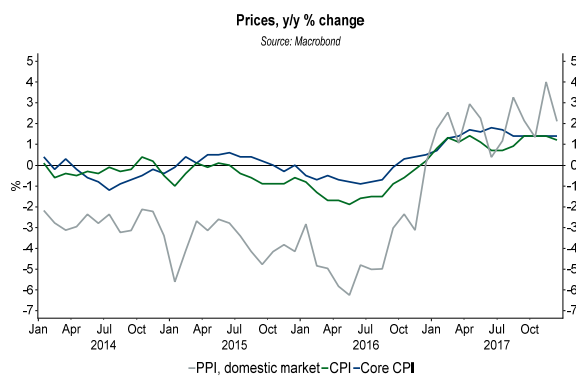
Crobex again in positive territory

The Crobex Index closed last Friday at a 0.1% higher level of 1,873.74 points wow, while Crobis rose by 0.2% (to 112.09 points). As regards sector indices, CROBEXconstruct closed last week at the level of 552.53 points (+3.3%), CROBEXindustry at 1,090.41 points (-1.8%) and CROBEXtourist at 3,621.94 points (+0.1%). Last week, the total ZSE turnover amounted to 315.7 million kuna, i.e. declined by 48.8% wow, due to a drop in the turnover in bonds of 52.0% (to 272.7 million kuna) and a reduction in the turnover in shares by 10.2% (to 43.0 million kuna).



Statistics





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