

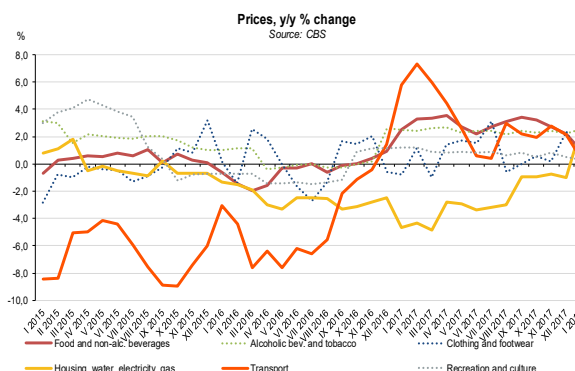
PBZ Weekly Analysis

Number 597, February 26, 2017

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Weekly overview

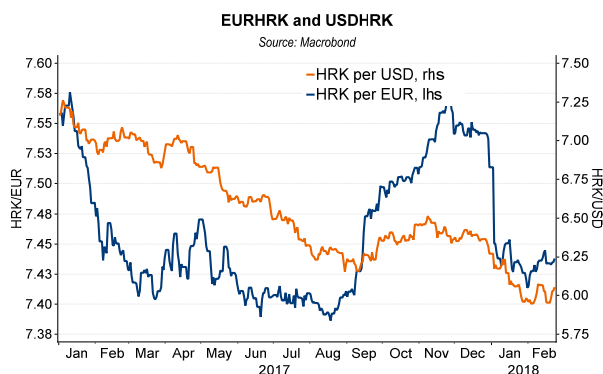
The consumer price index in January 2018 decreased by 0.2% mom (-0.3% in December), where the largest contribution to the decrease came from lower prices of Clothing and footwear (-0.9 p.p. or -13.1%, due to seasonal discounts), while the largest positive contribution came from higher prices of Food and non-alcoholic beverages (+0.5 p.p. or +1.7%, of which vegetables +3.2%). The above mentioned index rose in January by 1.1% yoy (+1.2% in December), where the largest positive contribution came from higher prices in the category of Housing, water, electricity, gas and other fuels (+0.4 p.p. or +2.6%, of which electricity by +6.3%), Food (+0.2 p.p. or 0.9%, of which milk, cheese and eggs +5.1%) and Restaurants and hotels (+0.2 p.p. or +7.8%), while the contribution recorded in the remaining categories was modest (+0.1 p.p.) or entirely absent. The twelve-months average in January increased to +1.2% (+1.1% in December), while the average core inflation rate yoy declined to +1.2% (+1.4% in December). According to our current estimate, the average inflation rate will be around 1.5% this year.



Dollar stronger, kuna stable

The dollar strengthened last week, in the wake of the release of the January FOMC meeting minutes, therefore trading on Friday closed at 1.2295 dollar to the euro, down by 0.9% wow.

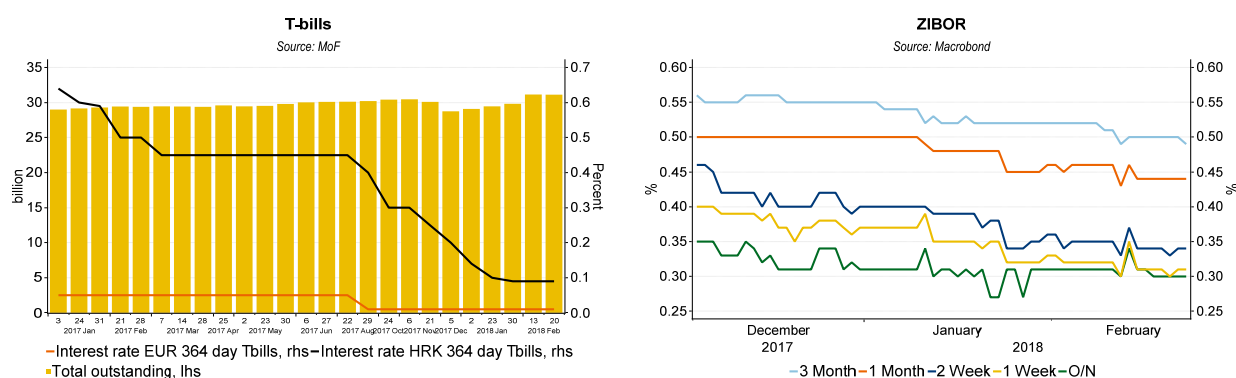
Last week, the kuna recorded only minor fluctuations, so the mid-exchange rate on Friday amounted to 7.4419 kuna to the euro, up by 0.1% wow. Following the movements of EUR/USD currency pair, the kuna weakened by 1.6% against the dollar, therefore the exchange rate rose to 6.0503 kuna to the dollar. This week, we expect a continuation of the calm period and trading in the range 7.42-7.46 kuna to the euro.



Slight changes in interest rates

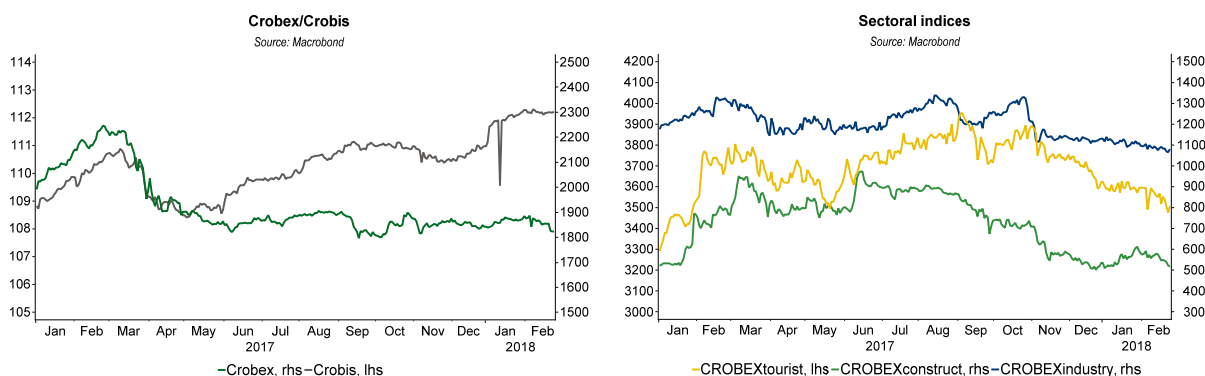
Last week, excess liquidity was around 28 billion kuna, thus interest rates recorded only minor changes. The overnight Zibor dipped by 1 b.p. wow to 0.30%, 1M remained at 0.44% and 3M decreased by 1 b.p. to 0.49%. There was no activity at the reverse repo auction and no turnover on the ZMM.

Last week, 1.5 billion kuna in T-bills matured, with a subscription of the equal amount of one-year kuna T-bills at the unchanged interest rate of 0.09%, so the government debt remained at 31.1 billion kuna. This week, 1.5 billion kuna will mature once again and the auction with the planned issue amount of 1.3 billion kuna has been announced.



Crobex down for the third consecutive month

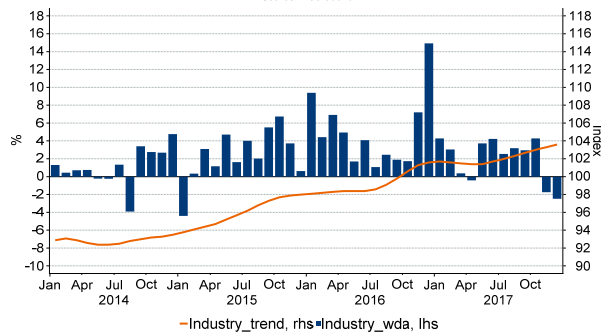
The Crobex Index closed at a 1.7% lower wow level of 1,823.61 points last Friday, while Crobis remained unchanged (at 112.22 points). Sector indices ended in negative territory, where CROBEXconstruct dropped by 5.3% wow (to 517.65 points), CROBEXindustry by 1.0% (to 1,080.78 points) and CROBEXtourist by 0.4% (to 3,505.49 points). The total ZSE turnover amounted to 325.9 million kuna last week, down by 39.6% versus the week before, owing to a decrease in the turnover in bonds of 40.7% (to 298.0 million kuna) and a decrease in the turnover in shares of 24.7% (to 27.9 million kuna).



Statistics

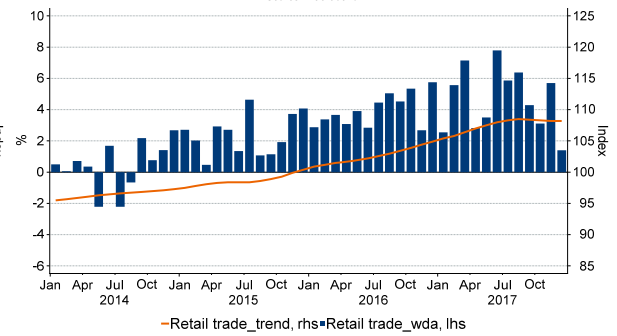
Industrial production, wda % ch. y/y and index (2010=100)

Source: Macrobond



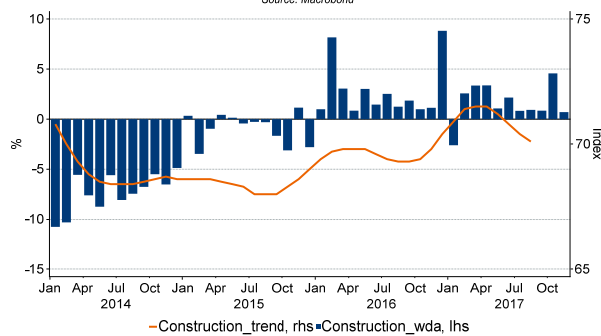
Retail trade, real, wda % ch. y/y and index (2010=100)

Source: Macrobond



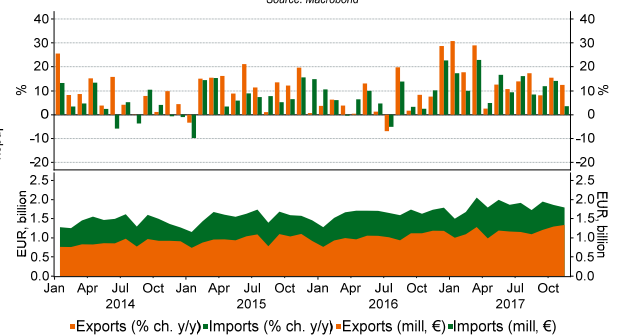
Construction works, wda % ch. y/y and index (2010=100)

Source: Macrobond



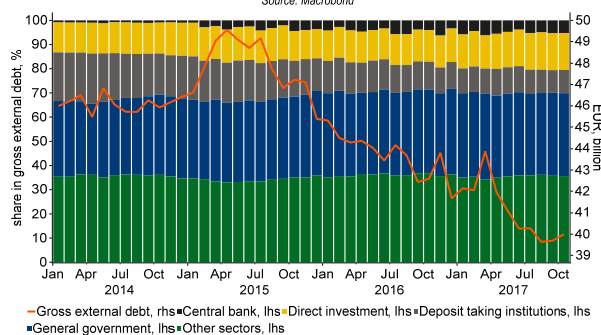
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



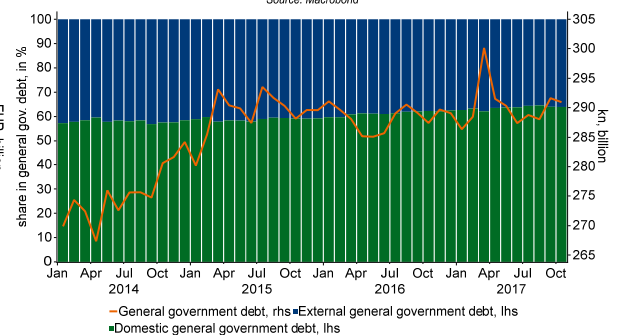
Gross external debt

Source: Macrobond



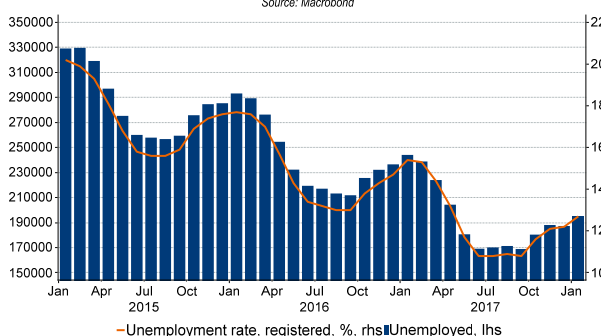
General government debt

Source: Macrobond



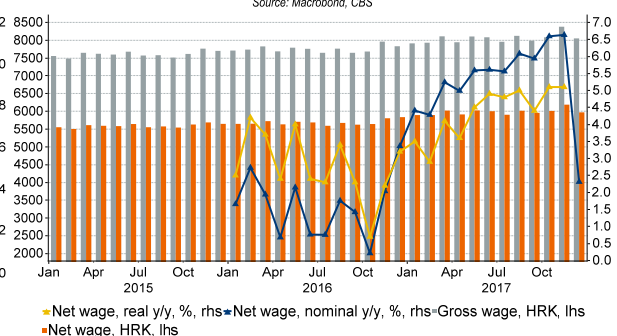
Total number of unemployed and unemployment rate

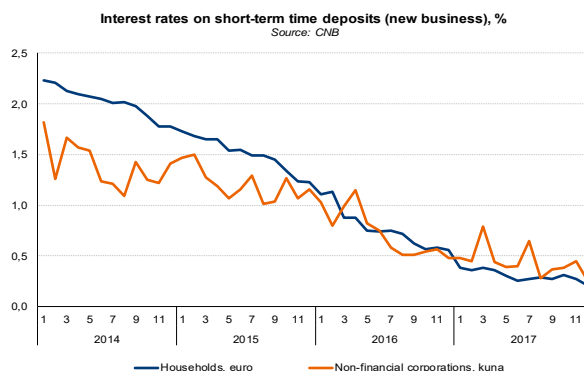
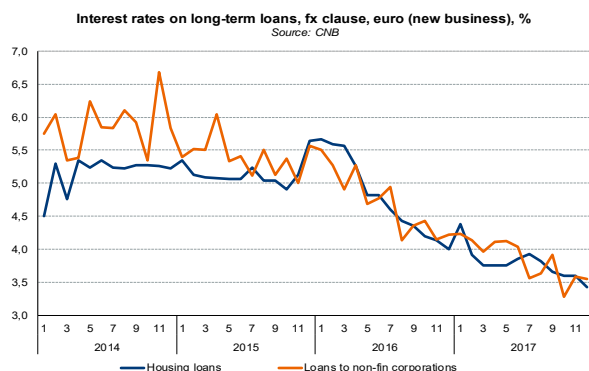
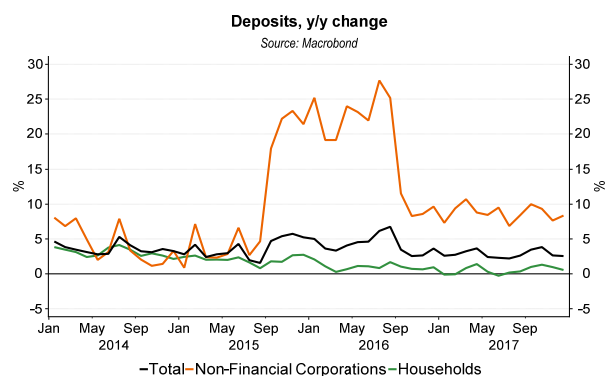
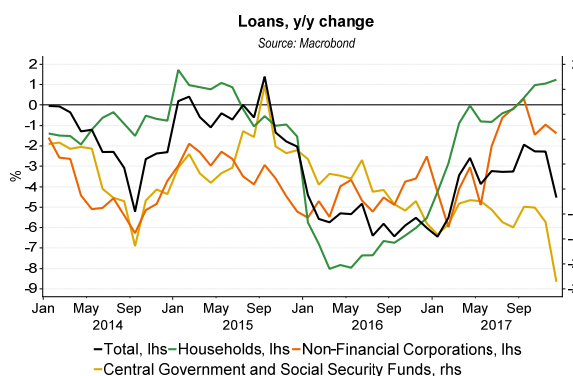
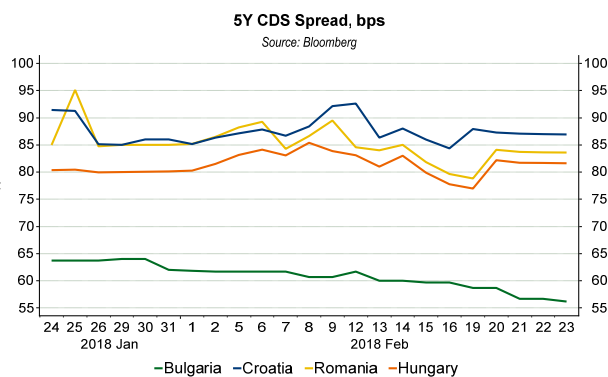
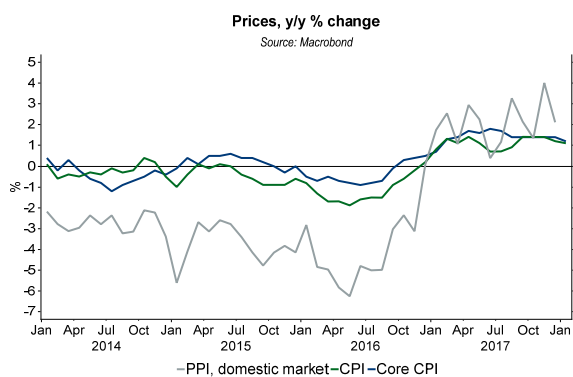
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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