

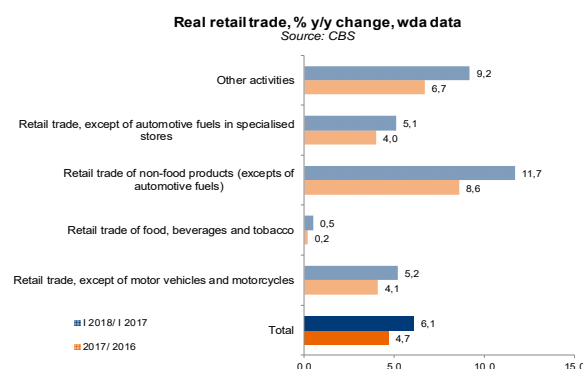
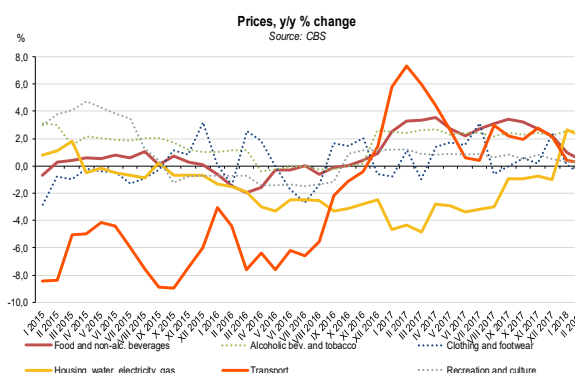
PBZ Weekly Analysis

Number 600, March 19, 2018

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Weekly overview

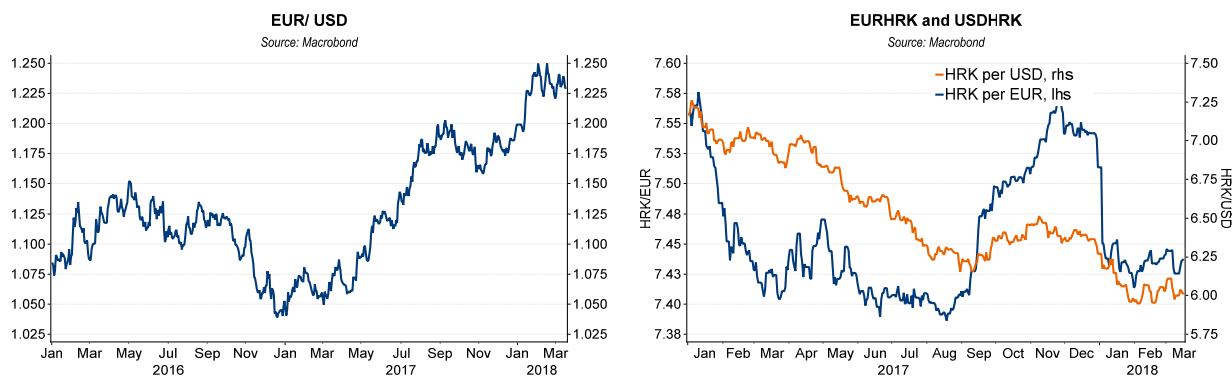
- The consumer price index in February rose by 0.8% yoy (+1.1% in January), while the mom level shows a decline of 0.1% (-0.2% in January), where the largest contribution to the decline came from 0.5% lower prices of Transport. The twelve-month average dropped to +1.1% in February (from +1.2% in January), while the core inflation rate slowed down from +1.2% to +0.7% yoy. The largest positive contribution to the yoy increase in consumer prices in February came from higher prices in the category Housing, water, electricity, gas and other fuels (by 0.4 p.p. or +2.2%), mostly due to higher prices of electricity (+6.3%). Prices in the category Restaurants and hotels increased by 3.8% yoy, thus contributing by 0.2 p.p., while the prices of Food in February rose by 0.3% yoy (of which oils and fats +9.3% and fruit +5.5%), thus recording a modest contribution of 0.1 p.p. (equally as in Alcoholic beverages and tobacco and Miscellaneous goods and services). No contribution to the increase in the consumer price index yoy was recorded for the remaining categories (Non-alcoholic beverages, Clothing and footwear, Furnishings, Health, Transport, Communication, Recreation and culture, Education).
- The real retail turnover in January (wda) rose by 6.1% yoy (+1.5% in December 2017), which is the highest advance since August 2017 (when the retail trade turnover increased by 6.4% in real terms), while the comparison with the last month of 2017 shows an increase of 1.0% (-0.4% in December). This high increase in the retail trade turnover over the first month this year is a result of a positive impact of a higher retail trade turnover of non-food products (+11.7%), partly as a result of an increased sale of new cars (the number of passenger cars, according to the data from the European Automobile Manufacturers' Association, rose in January by 32.7% yoy), due to the reliefs available for purchasing cars. The increase in the retail trade turnover of predominantly food products modestly increased by +0.5% yoy over the same month.



FX markets at a standstill

The EUR/USD exchange rate did not record major changes last week, therefore trading on Friday closed at 1.2290 dollar to the euro, down by 0.1% wow.

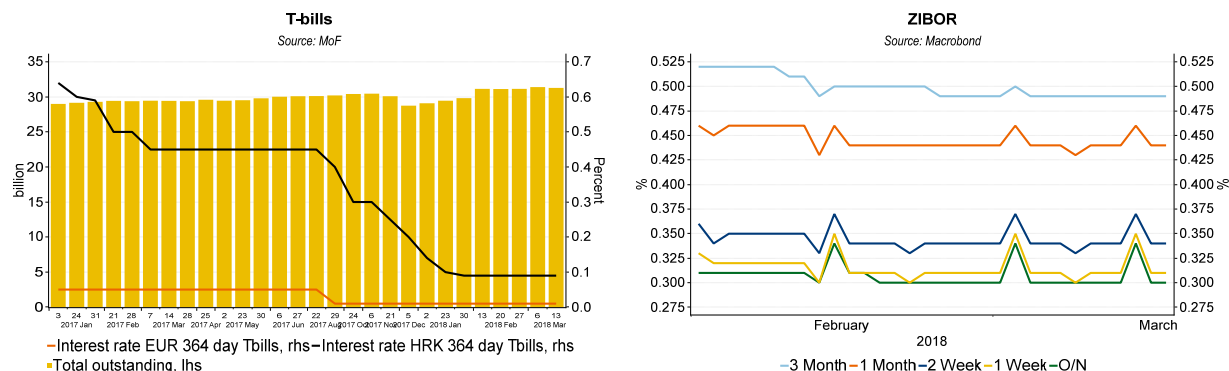
The kuna fluctuated around 7.43-7.44, thus the mid-exchange rate was moderately higher at the end of the week by 0.1% wow, amounting to 7.4394 kuna to the euro. The kuna against the dollar strengthened by 0.1%, accordingly the exchange rate decreased to 6.0365 kuna to the dollar. This week, we do not anticipate major exchange rate changes and we expect trading in the range 7.41-7.45 kuna to the euro.



Interest rates unchanged

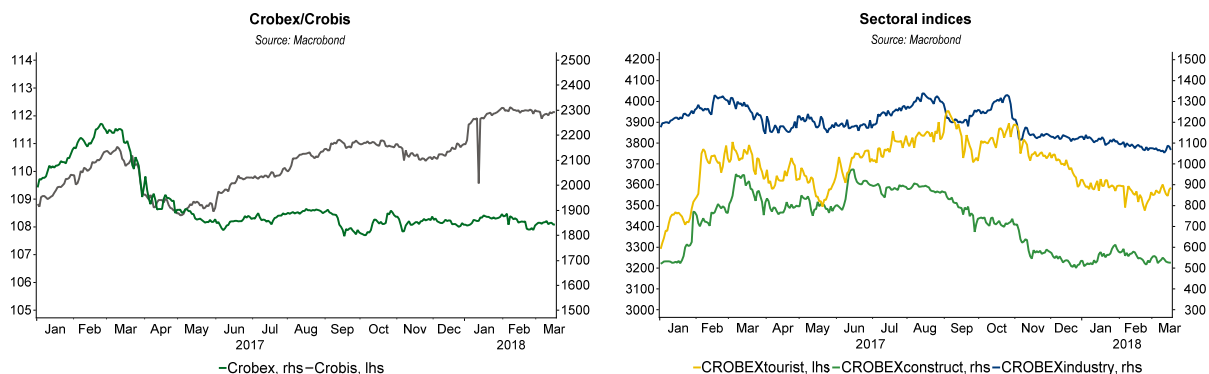
Last week, excess liquidity remained above 28 billion kuna, so interest rates remained unchanged. The overnight Zibor stayed at 0.30% wow, 1M at 0.44% and 3M at 0.49%. There was no activity at the regular reverse repo auction and no turnover on the ZMM.

Last week, 0.3 billion kuna in T-bills matured and 0.2 billion kuna in one-year kuna T-bills were subscribed at the unchanged interest rate of 0.09%, due to which the government debt fell to 31.3 billion kuna. There will be no maturity this week and no auction.



Crobex down wow

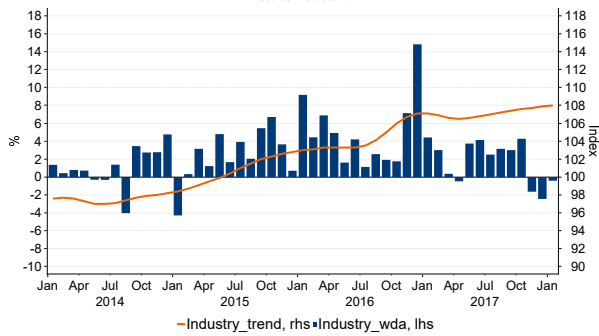
The Crobex Index declined by 0.8% wow, closing at 1,843.11 points on Friday, while Crobis rose by 0.1% (closing at 112.13 points). As regards sector indices, CROBEXindustry closed last week at a 0.4% higher wow level (of 1,068.11 points), whereas CROBEXconstruct (526.94 points) and CROBEXtourist (3,586.13 points) closed the week down by 4.3% and 0.4%, respectively. The total ZSE turnover amounted to 470.2 million kuna last week, which is an increase of 2.5 times versus the week before, owing to a 2.7 times higher turnover in bonds (reaching 437.8 million kuna) and a 14.4% higher turnover in shares (reaching 32.4 million kuna).



Statistics

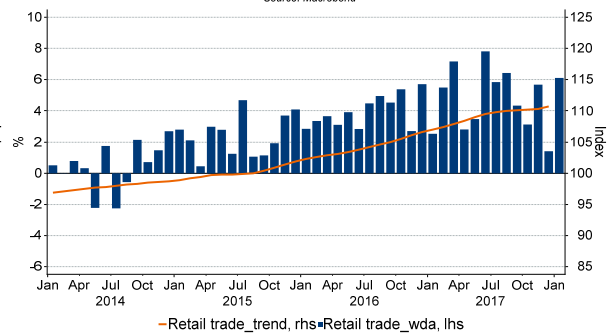
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



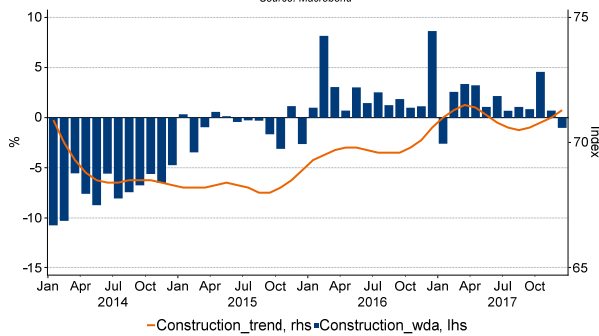
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



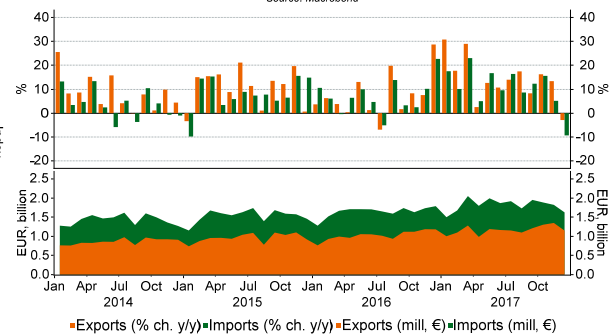
Construction works, wda % ch. y/y and index (2010=100)

Source: Macrobond



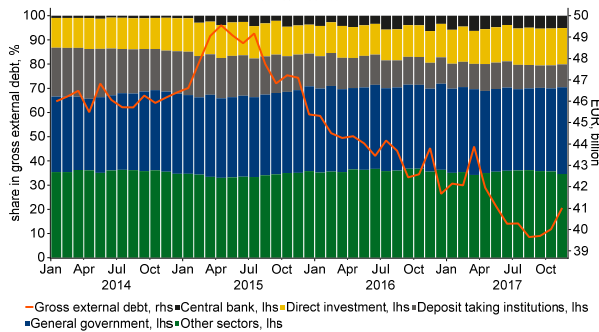
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



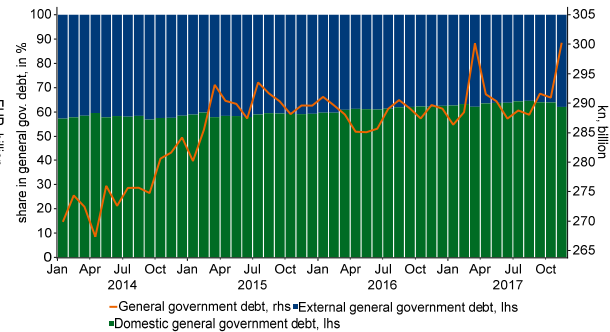
Gross external debt

Source: Macrobond



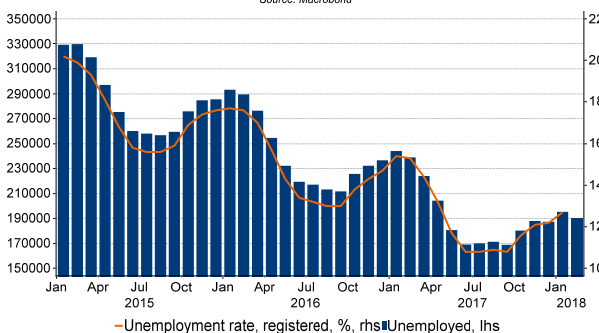
General government debt

Source: Macrobond



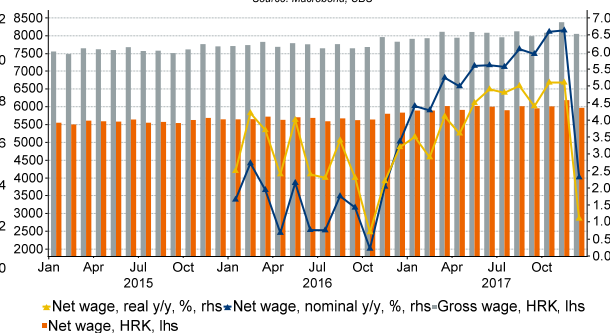
Total number of unemployed and unemployment rate

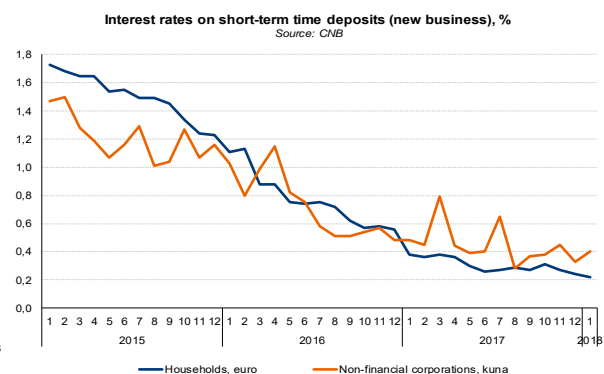
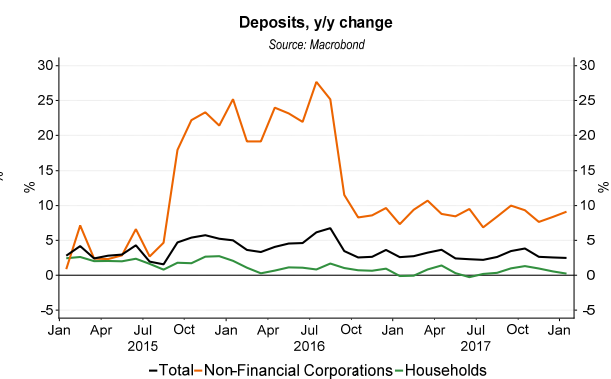
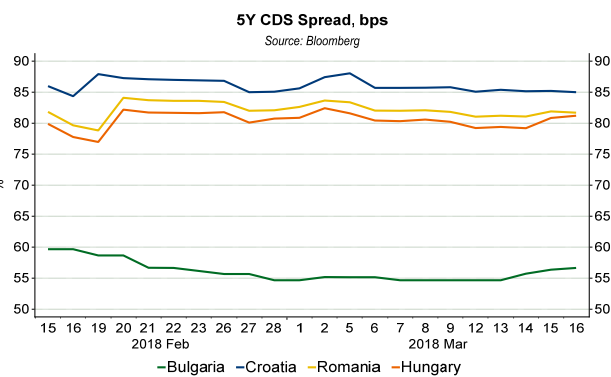
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





RESEARCH OFFICE

Ivana Jović

Ana Lokin

Ivan Odrčić

TREASURY

Eugen Bulat

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