

PBZ Weekly Analysis

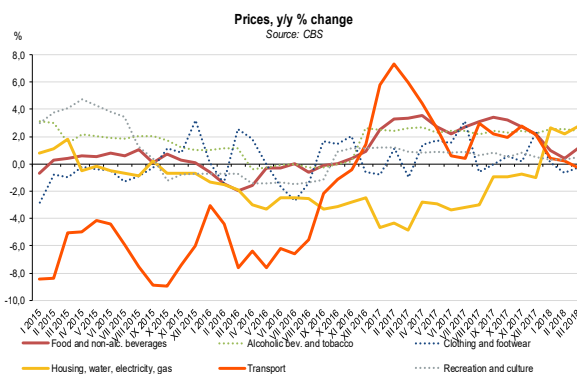
Number 604, April 23, 2018

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Weekly overview

The average annual growth rate of consumer prices in March amounted to 1.1%, which is a slight increase versus February (+0.8%), mainly due to higher growth rates in the categories Food (+1.2% compared with +0.3% in February) and Housing (+2.8% compared with +2.2% in February). Along with the two mentioned categories, a positive contribution to the yoy growth in the consumer price index came also

from 3.6% higher prices in the category Restaurants and hotels and 2.5% higher prices in Alcoholic beverages and tobacco, while there was no contribution in the remaining categories. The mom consumer price index in March increased by 0.6%, where the largest positive contribution (of 0.8 percentage points) came from 12.9% higher Clothing and footwear prices, due to the arrival of new collections. Over the first quarter of 2018, compared with the same quarter last year, consumer prices recorded an average increase of 1.0% (+1.3% in 4q2017), where the largest contribution to the increase came from higher prices in the categories Housing (by 0.4 p.p., or +2.6%, of which electricity +6.3%), Food (by 0.2 p.p., or +0.8%, of which oils and fats +9.0% and fruit +5.3%) and Restaurants and hotels (by 0.2 p.p., or +4.1%). The average core inflation rate in the mentioned period was +0.9% yoy (+1.4% in 4q2017).



EURUSD stable, kuna nears 7.40

In the anticipation of this week's ECB meeting, the EURUSD exchange rate did not record major fluctuations, so trading on Friday closed at 1.2288 dollar to the euro, down by 0.3% wow.

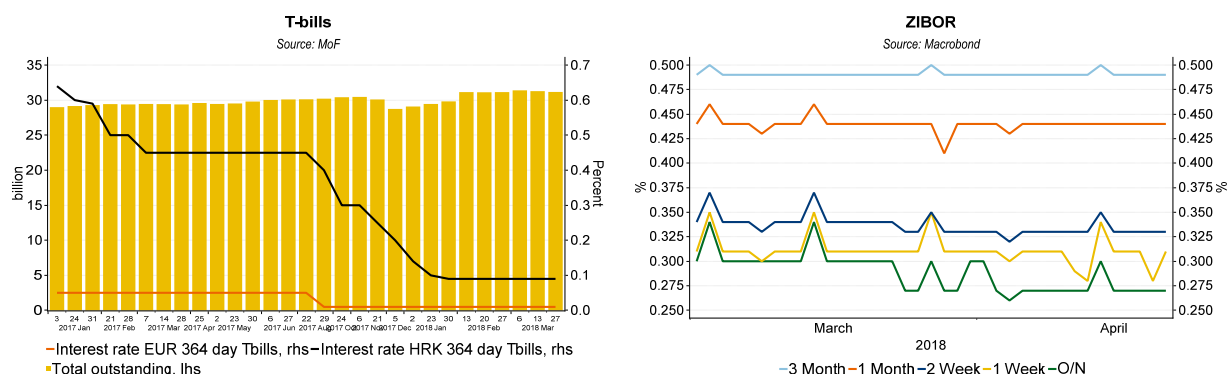
Last week, kuna mildly strengthened, therefore the mid-exchange rate fell to 7.4085 kuna to the euro at the end of the week, down by 0.1% wow. The kuna against the dollar weakened by 0.2% wow, to 6.0236 kuna to the dollar. This week, we anticipate trading in the range 7.40-7.43 kuna to the euro.



Moderate demand in the money market

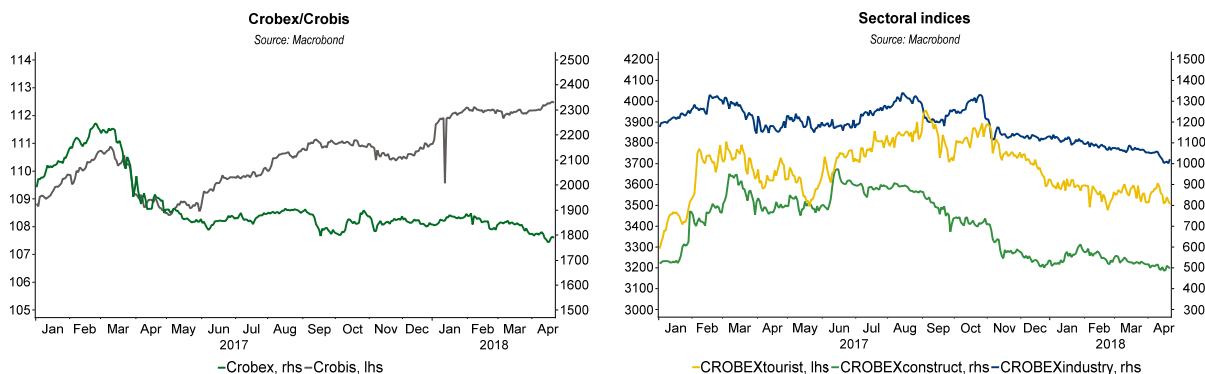
Excess liquidity was near 28 billion kuna last week and demand was low. The overnight Zibor fell to 0.27% again, -3 b.p. wow, 1M stayed at 0.44% and 3M decreased by 1 b.p. to 0.49%. There was no activity at the regular reverse repo auction and no turnover on the ZMM.

There was no maturity or auction last week. This week, a total of 876 million kuna in one-year kuna T-bills will mature and the auction with the planned 900 million kuna has been announced.



Crobex up wow

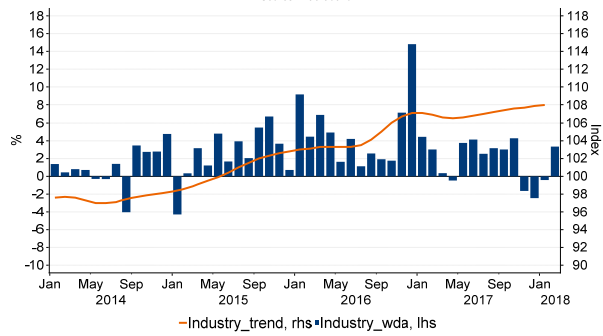
The Crobex index closed at a 0.4% higher level wow last Friday, reaching 1,788.72 points, while Crobis rose by 0.1% versus the week before (to 112.46 points). As regards sector indices, CROBEXindustry closed last Friday up by 0.2% wow (to 1,022.15 points), while CROBEXtourist (3,506.31 points) and CROBEXconstruct (497.63 points) closed on Friday down by 1.3% and 1.5%, respectively. The total ZSE turnover amounted to 145.7 million kuna last week, which is even 80.8% down versus the week before, due to an 81.2% lower turnover in bonds (which decreased to 117.1 million kuna) and a 78.8% lower turnover in shares (a decrease to 28.6 million kuna).



Statistics

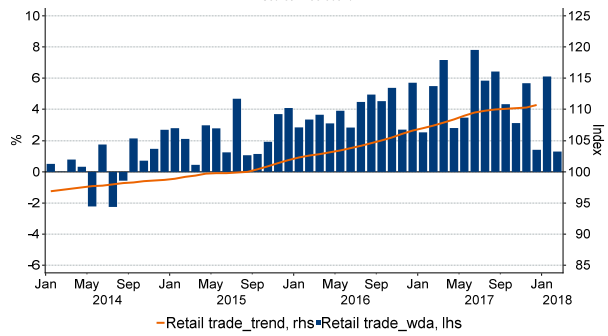
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



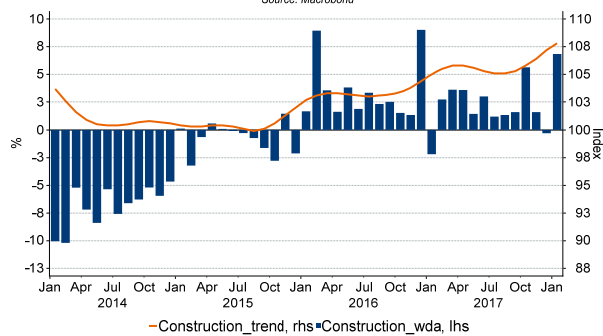
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



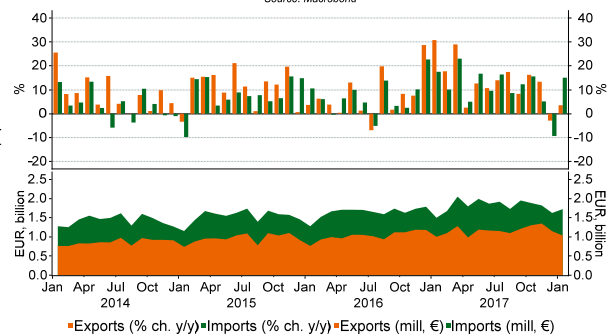
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



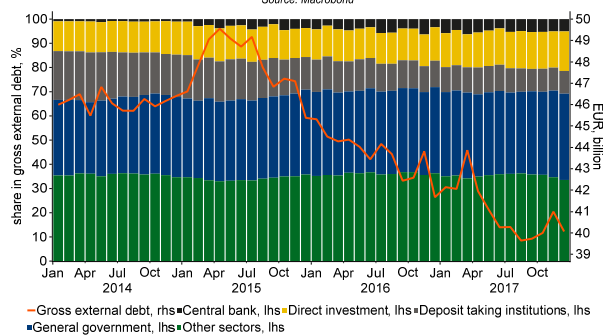
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



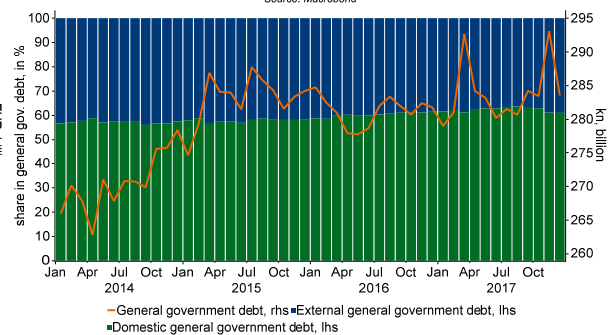
Gross external debt

Source: Macrobond



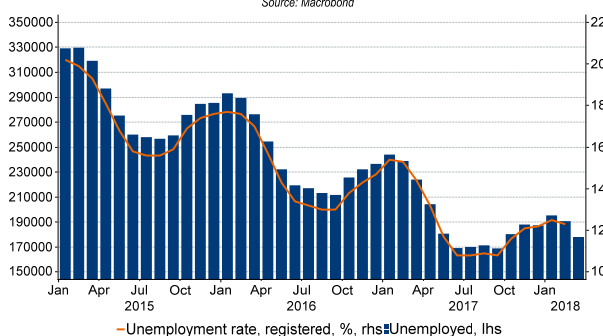
General government debt

Source: Macrobond



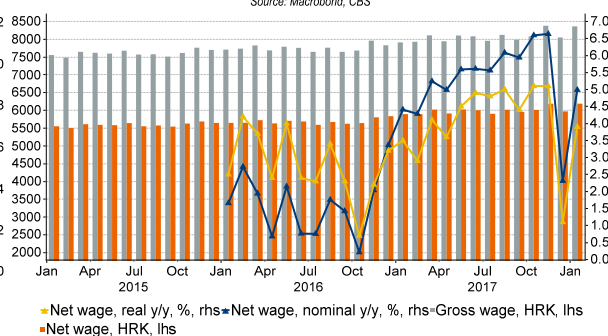
Total number of unemployed and unemployment rate

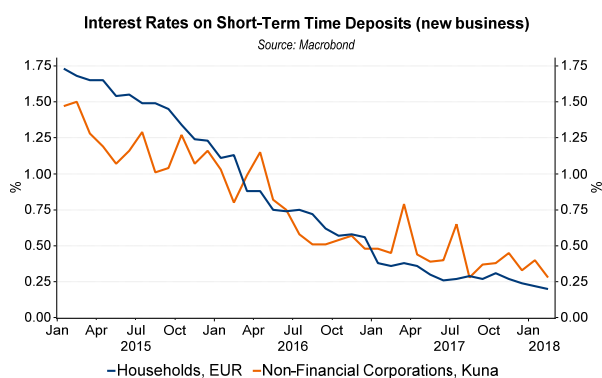
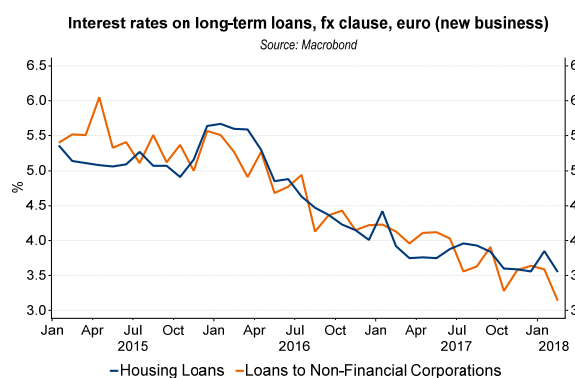
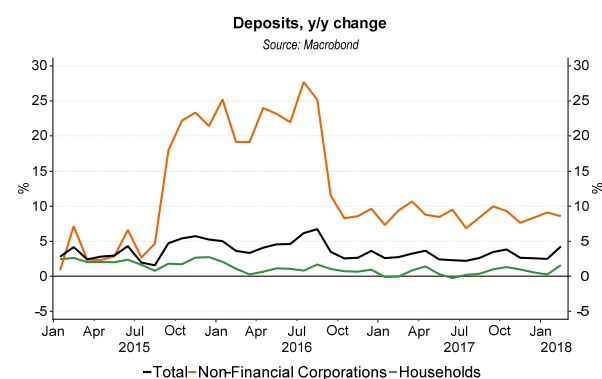
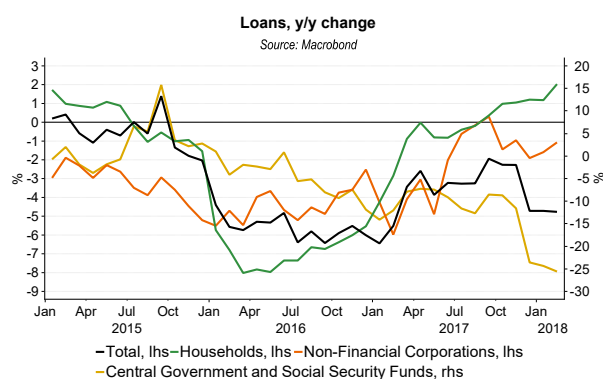
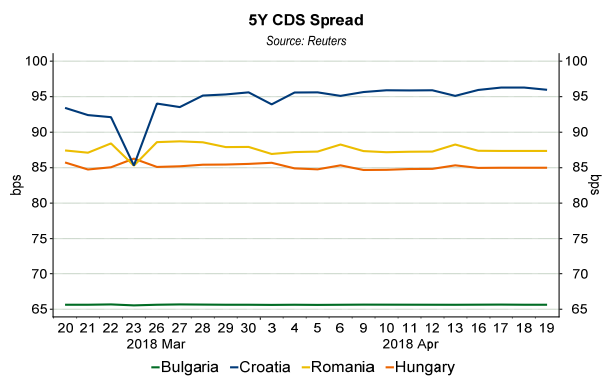
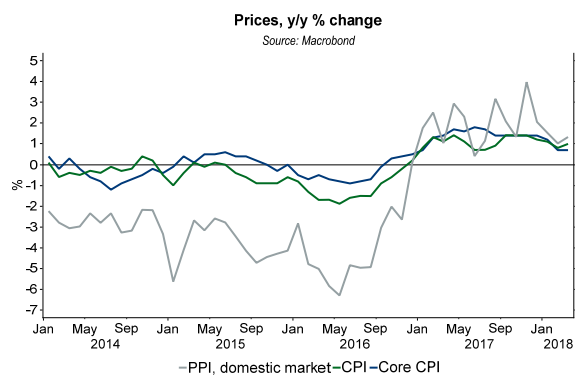
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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