

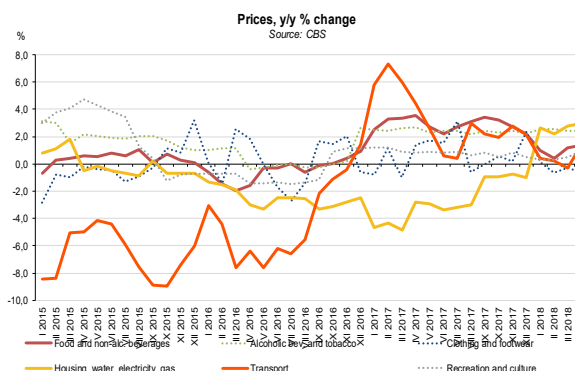
PBZ Weekly Analysis

Number 607, May 21, 2018

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Weekly overview

- After an increase of 1.0% yoy recorded in the first quarter of this year, consumer prices speeded up their yoy growth to +1.3% in April, which was mainly a result of an increase in the prices in the category Housing (+0.5 p.p. or +2.9%, of which electricity by +6.3%), Food (+0.3 p.p. or +1.3%, of which fruit by 5.4% and oils and fats by +3.5%) and Transport (+0.2 p.p. or +1.4%, of which fuel by +3.4%, due to higher crude oil prices in the global markets). The consumer price index in April rose by 0.7% mom, where the largest contribution came from 4.4% higher prices of Clothing and footwear (due to the arrival of new collections). In April, the twelve-month average stayed at the same level (+1.1%) as in the previous two months, the same as the average core inflation rate (+0.7%). Therefore, over the first four months of this year, consumer prices rose by 1.1% versus the same period last year, mainly due to higher prices of electricity, food and hotel and restaurant services, while positive contribution also came from higher fuel prices, however to a lesser extent, given that the prices of crude oil in the global markets have continued their slow rise (the Brent crude oil price topped 80 dollar per barrel in mid-May, for the first time since November 2014).



Dollar stronger, kuna below 7.38

Last week saw a release of a series of economic indicators showing a strong growth of the US economy, but a slowdown of the Eurozone economy, thus ensuring a support to the dollar. The EUR/USD trading closed at 1.1772 at the end of the week, down by 1.4% wow.

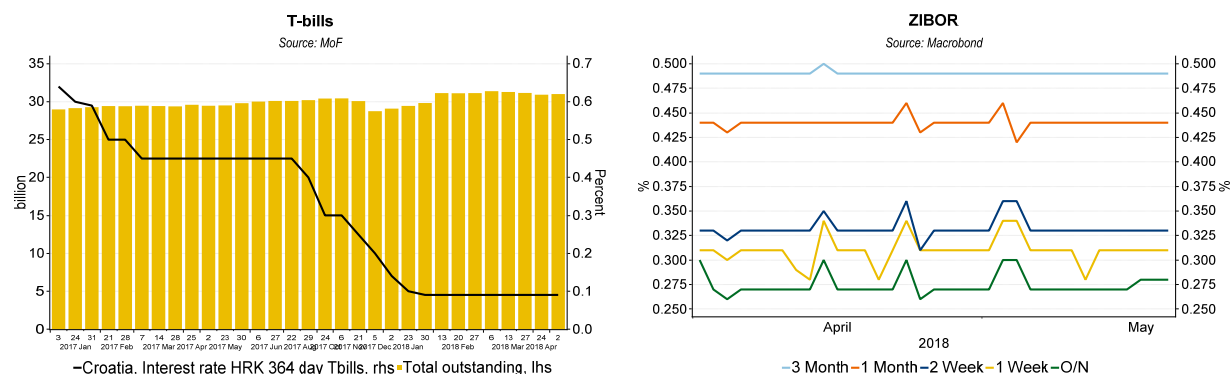
The pressures on the EUR/HRK exchange rate slightly eased in the week following the FX intervention, however, the kuna slid below 7.38. The week closed with a mid-exchange rate of 7.3762 kuna to the euro, down by 0.1% wow. The kuna simultaneously dramatically weakened by 1.2% against the dollar and the exchange rate rose to 6.2632 kuna to the dollar. There will be no change in the factors that impact the exchange rate this week, so we anticipate trading to continue in the range 7.36-7.41 kuna to the euro.



Liquidity soars to 29 bn kuna

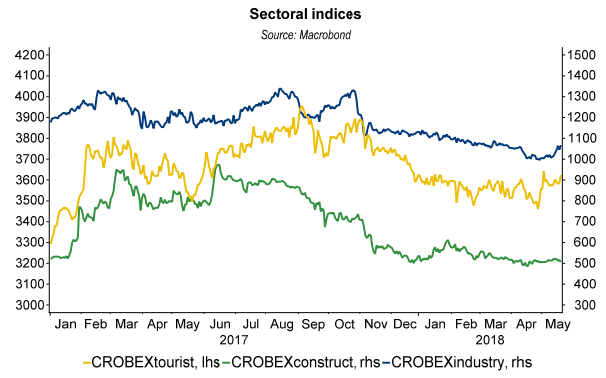
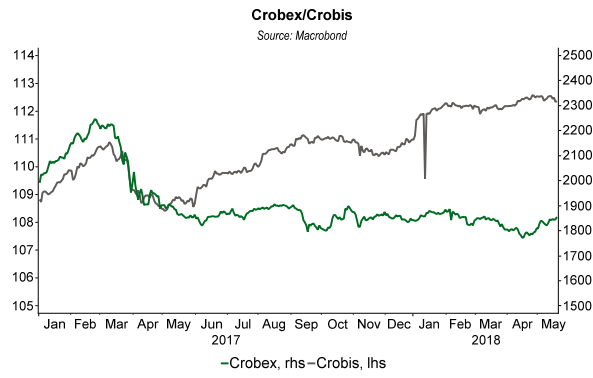
Excess liquidity rose to 29 billion kuna after the intervention of the central bank. The overnight Zibor moderately advanced by 1 b.p. wow to 0.28%, while 1M and 2M stayed unchanged at 0.44 and 0.49%, respectively. There was no turnover at the regular reverse repo auction and no turnover on ZMM.

There was no T-bill maturity or auction last week, therefore the government debt under T-bills remained at 31.0 billion kuna. This week, T-bills amounting to 400 million kuna and 20 million euro will mature, therefore an auction with the planned equal amounts has been announced.



Crobex continues positive trend

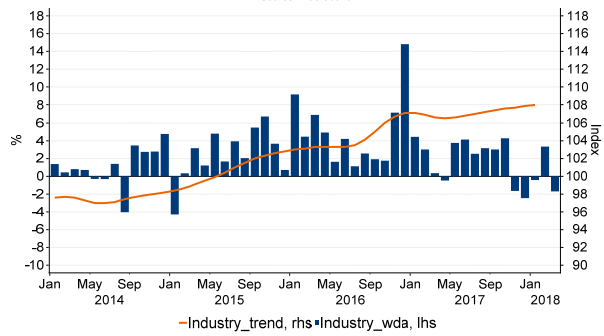
The total ZSE turnover amounted to 931.8 million kuna last week, which is an increase of 3.3 times versus the week before, due to a 3.9 times higher turnover in bonds (reaching 882.8 million kuna), whereas the turnover in shares dropped by 7.6% (to 49.0 million kuna). The Crobex Index rose (+0.5%) wow for the fifth consecutive week, reaching 1,855.19 points on Friday, while Crobis simultaneously declined by 0.2%. As regards sector indices, CROBEXconstruct closed at 507.07 points on Friday (-3.1% wow), CROBEXindustry at 1,067.40 points (+5.1%) and CROBEXtourist at 3,624.07 points (+1.2%).



Statistics

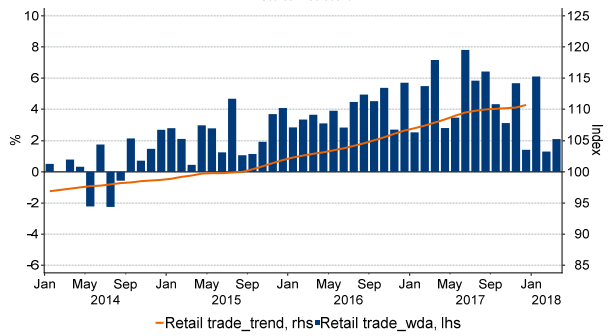
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



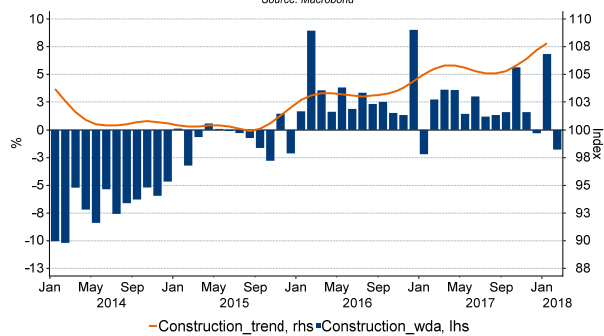
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



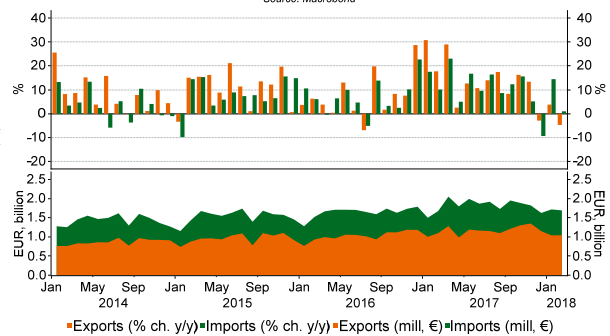
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



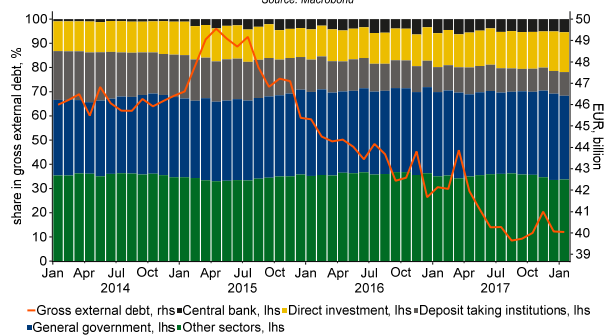
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



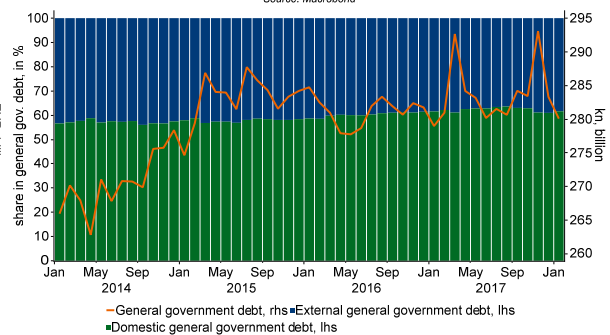
Gross external debt

Source: Macrobond



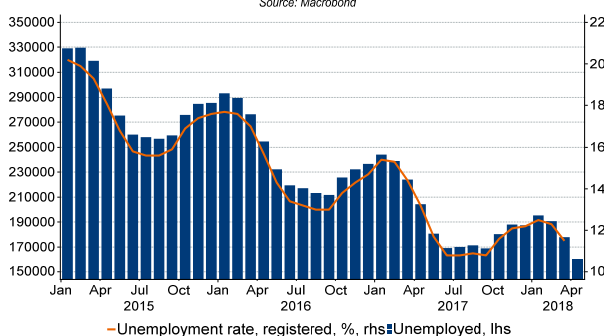
General government debt

Source: Macrobond



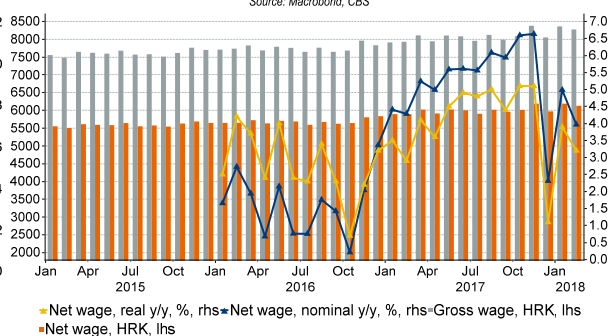
Total number of unemployed and unemployment rate

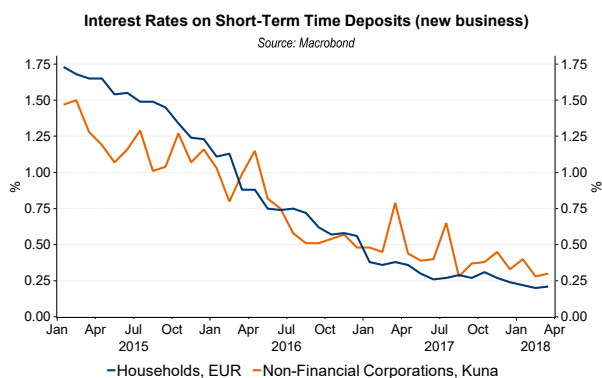
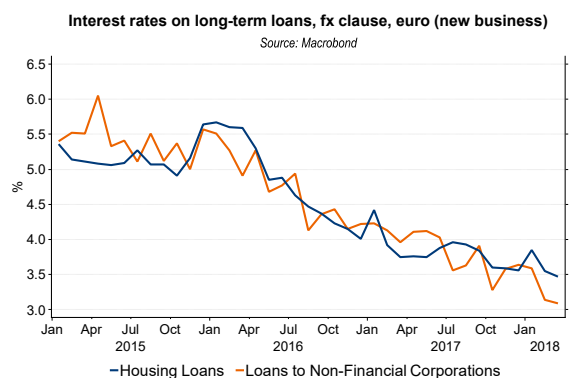
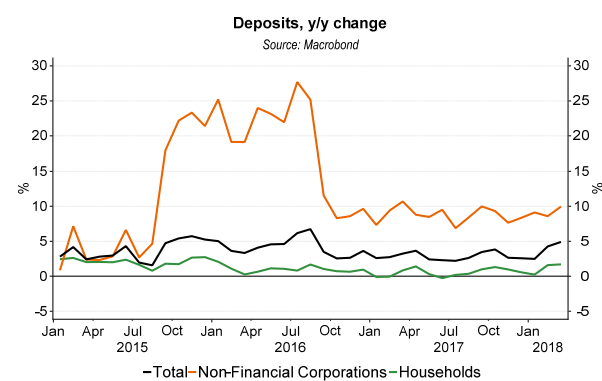
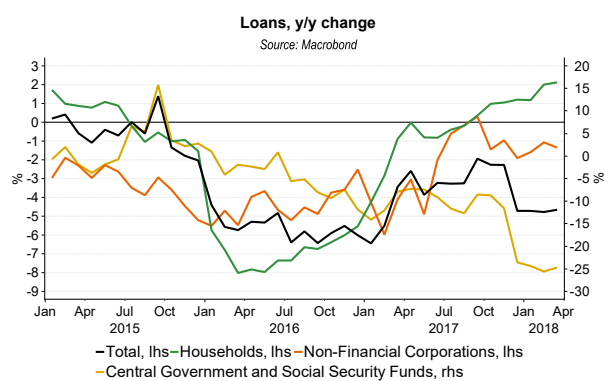
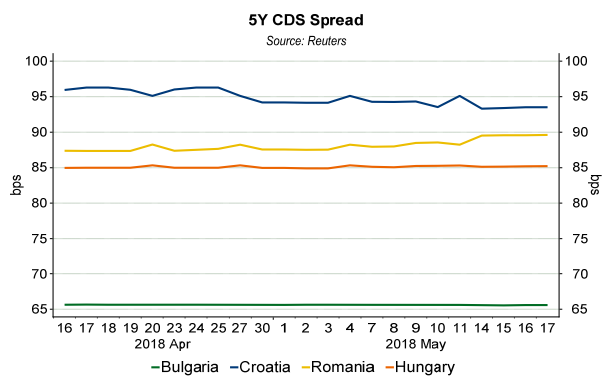
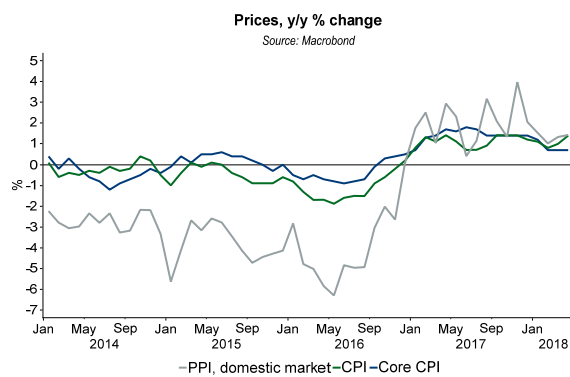
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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