

PBZ Weekly Analysis

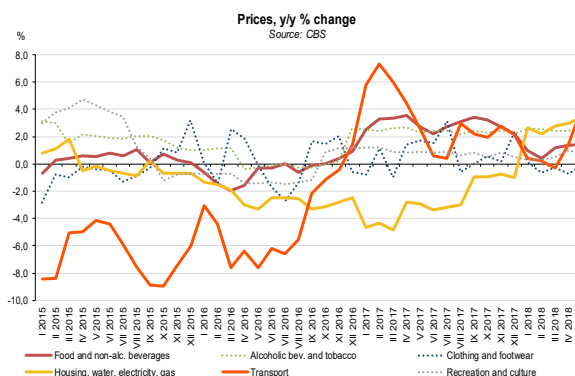
Number 611, June 18, 2018

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Weekly overview

The consumer price index in May fell by 0.4% mom, mostly owing to higher prices (+3.4%) of fuels and lubricants for personal transport equipment, which primarily resulted from growth in global prices of crude oil. At the annual level, the above mentioned index grew in May by 1.9% (+1.3% in April), i.e. the highest growth since summer 2013, where such trend was mostly affected by the growth in prices in the categories

Housing (by 0.6 p.p. or +3.4%, out of which electricity by +6.3% and gas by +3.5%), Transport (by 0.5 p.p. or +4.1%, out of which fuel by +8.5%) and Food (by 0.4 p.p. or +1.6%, out of which vegetables by +5.8% and fruit by +5.5%). The twelve-month average advanced to +1.2% in May (from +1.1% in April), while the yoy core inflation rate remained at +0.7% for the fourth month in a row. The yoy growth of consumer prices over the period January - May this year was on average +1.2%, mostly affected by higher prices of electricity (+6.3%) and food (+1.1%, partially due to poor weather conditions) and in a smaller volume due to growth in fuel prices (+2.8%, the price of Brent crude oil grew by 31% in the first five months this year yoy), catering services (+3.9%, mostly owing to stronger tourist demand) and tobacco (+3.2%).



Key FOMC and ECB decisions

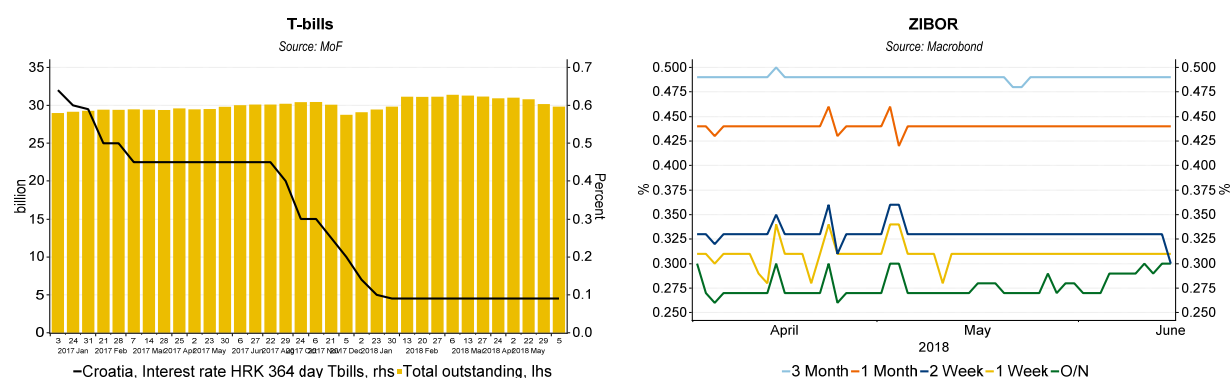
The past week FOMC, as expected, raised the targeted range of key interest rate by 25 b.p. to 1.75-2.00%, and by the end of the year expected are two more increases in interest rates. The next day ECB announced that by the end of the year the APP would wind down and President Draghi announced also that the key interest rate would stay stable by the end of Summer 2019. In such an environment the dollar strengthened against the euro and trading closed on Friday at 1.1610 dollar to the euro, 1.4% down wow.

The kuna continued oscillating around 7.38, and at the close of the week the mid-exchange rate amounted to 7,3805 kuna to the euro, unchanged wow. The kuna weakened by 1.4% against the dollar wow, to 6.3620 kuna to the dollar. On domestic market there are still slight appreciation pressures due to increased foreign exchange inflows within the frame of a usual demand, thus this week we anticipate trading in the range from 7.35 to 7.40 kuna to the euro.



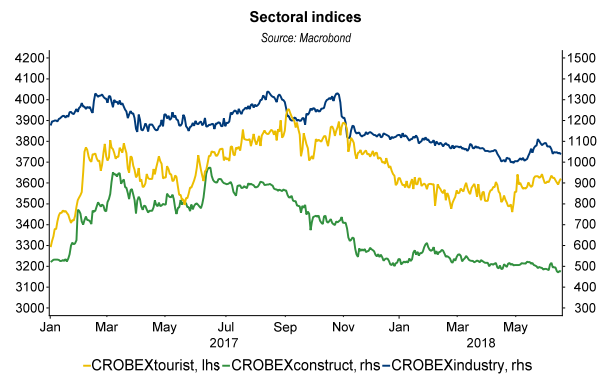
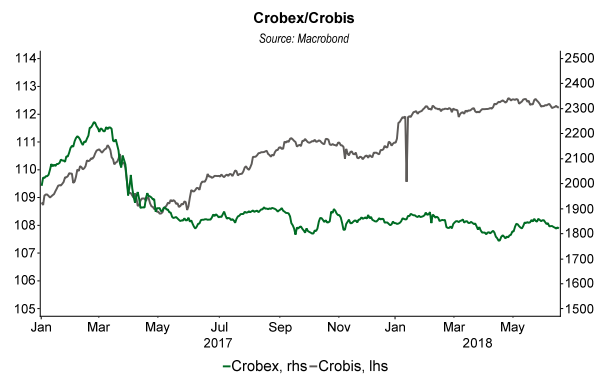
Liquidity unchanged

Excess liquidity ranged around 27 billion kuna, the same as the week before. The overnight Zibor rose by 1 b.p. to 0.30% wow, whereas 1M and 3M remained at 0.44% and 0.49%, respectively. There was no interest at the CNB regular reverse repo auction, while the turnover on ZMM reached 10 million kuna. The past week, neither this week, there was no maturity or T-bill auction.



Crobex again in red

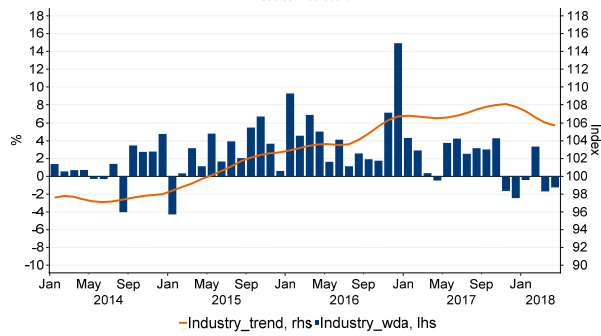
The Crobex index closed at 0.6% lower wow level of 1,821.36 points last Friday, while Crobis remained unchanged wow (at 112.24 points). Sector indices ended in negative territory, where CROBEXconstruct dropped by 4.2% wow (to 475.76 points), CROBEXindustry by 1.1% (to 1,037.02 points), and CROBEXtourist by 0.1% (to 3,621.15 points). The total ZSE turnover amounted to 190.3 million kuna last week, down by 55.9% versus the week before, owing to the 61.8% lower turnover in bonds (reaching 149.8 million kuna), while the turnover in shares grew by 2.3% (to 40.5 million kuna).



Statistics

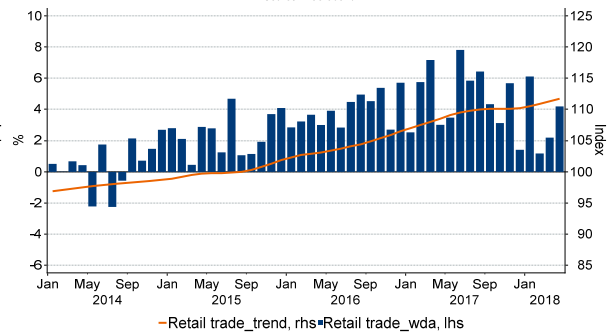
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



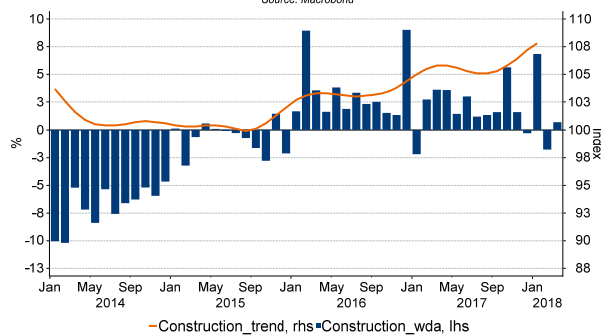
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



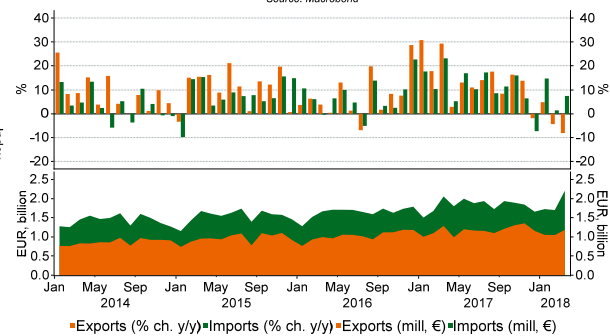
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



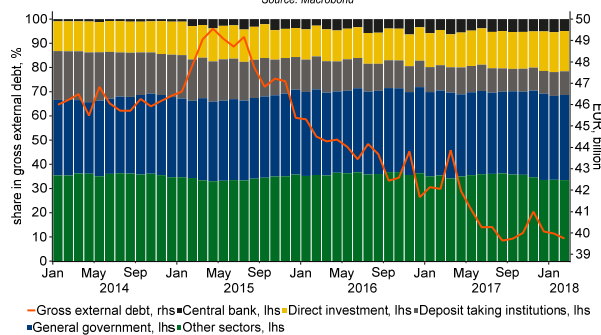
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



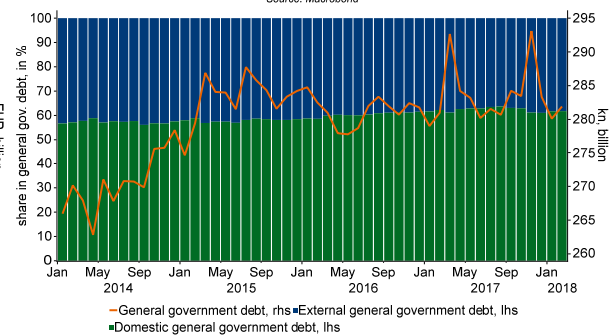
Gross external debt

Source: Macrobond



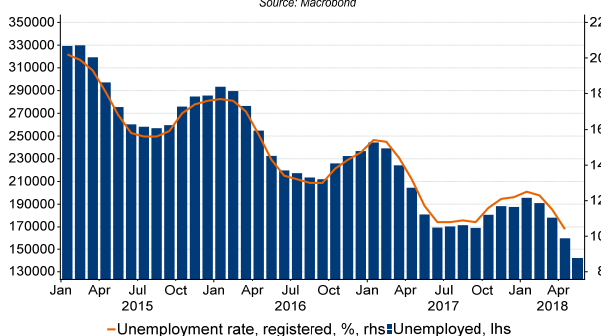
General government debt

Source: Macrobond



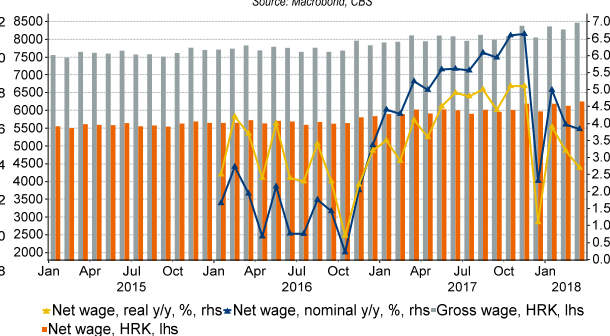
Total number of unemployed and unemployment rate

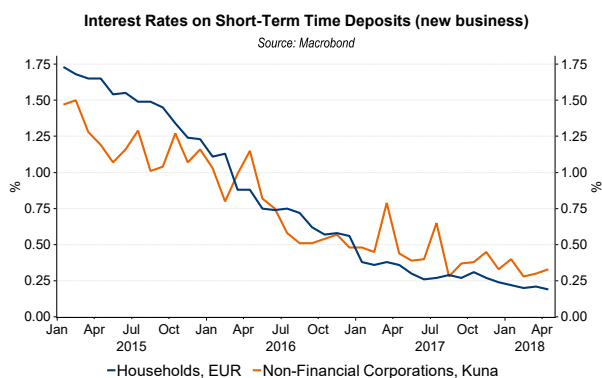
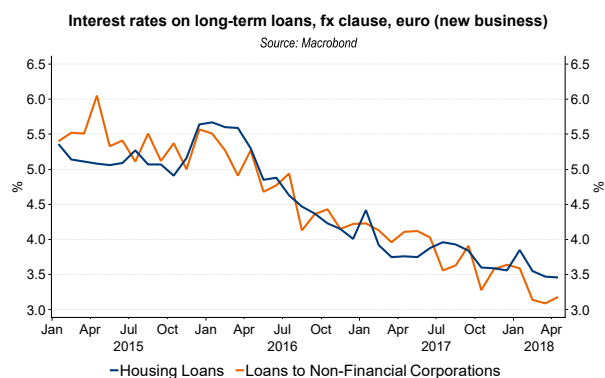
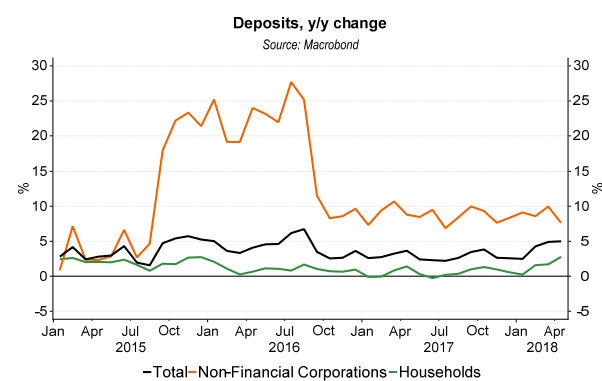
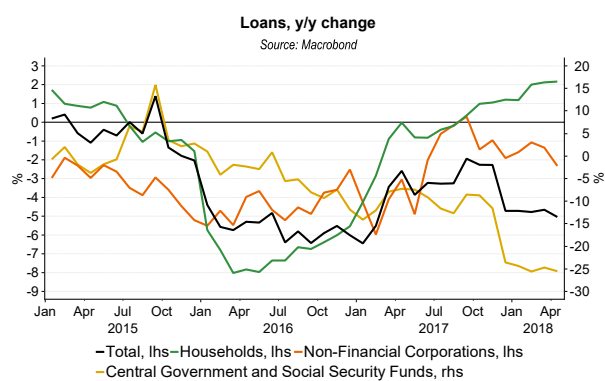
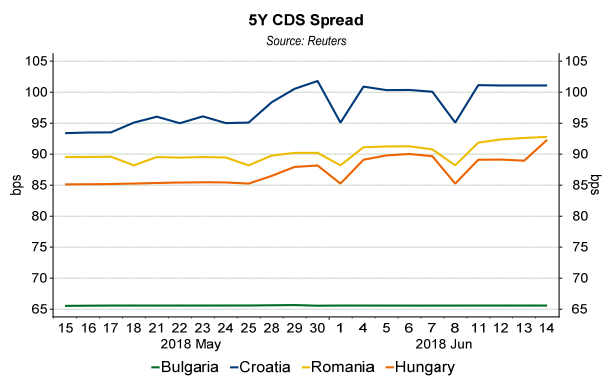
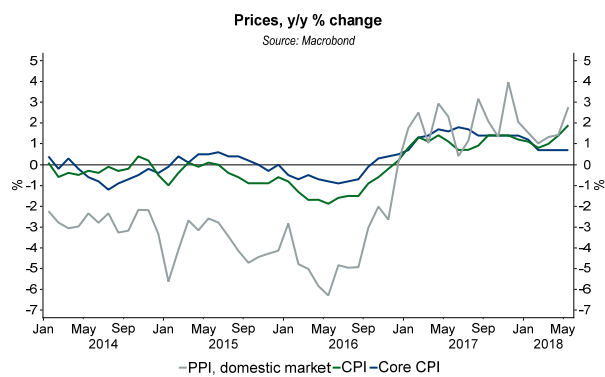
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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