

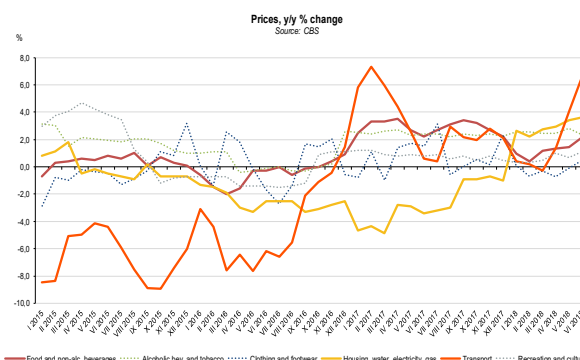
PBZ Weekly Analysis

Number 615, July 23, 2018

- Weekly overview (p. 1)
- Dollar mildly weaker, kuna stable (p. 1)
- Money market calm (p. 2)
- Crobex down wow (p. 2)
- Statistics (pp. 3-4)

Weekly overview

Consumer prices rose in June by 2.4% yoy, which is the largest increase since April 2013, mainly due to a 14.0% leap in the prices of fuels and lubricants for personal transport equipment, owing to a strong rise (Brent +60%) in the crude oil prices in the global markets. The consumer price index stagnated in June mom, where the largest growth (+2.0%) was recorded by the prices in the category Transport, as a result of the mentioned increase in the prices of fuel, whereas the largest decline (-4.1%) was recorded in the category Clothing and footwear, owing to seasonal sales. The average annual core inflation rate in June remained at the same level recorded over the previous five months (+0.7%), while the twelve-month average rose to +1.3%. Thus, in the first half of the year the average annual inflation rate was 1.4%, while the largest contribution to the increase came from higher prices in the categories Housing (+0.5 p.p., or +2.9%), Transport (+0.3 p.p., or +2.1%) and Food (+0.3 p.p., or +1.3%). We expect an average inflation rate of 1.8% throughout 2018.



Dollar mildly weaker, kuna stable

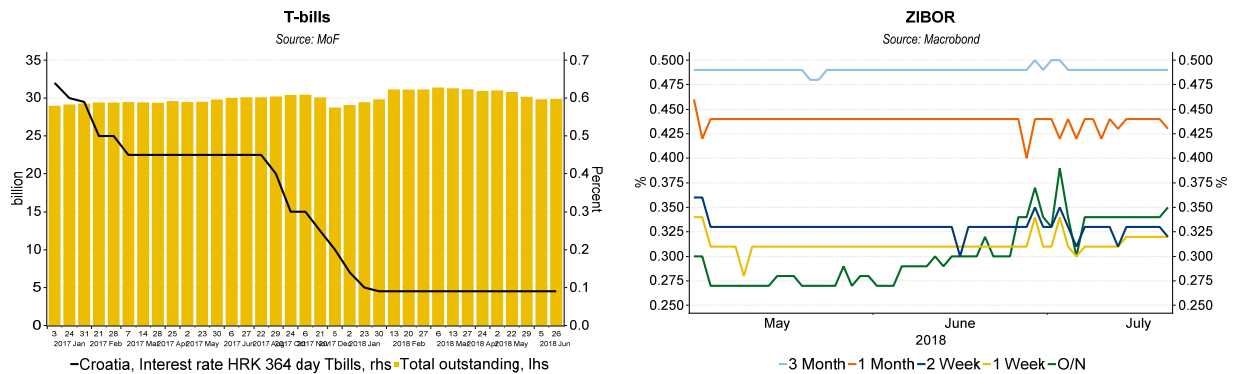
The investor expectations about the movements of dollar interest rates remain unchanged, and the markets are currently focused on tariffs. On Friday, the EUR/USD trading closed at 1.1724 dollar to the euro, up by 0.3% wow.

Last week, the kuna moderately appreciated against the euro and the dollar, so the exchange rate decreased to 7.3869 kuna to the euro and 6.3385 kuna to the dollar. The FX inflows are still strong, however, the exchange rate stays stable, therefore we expect trading this week in the range 7.37-7.42 kuna to the euro.



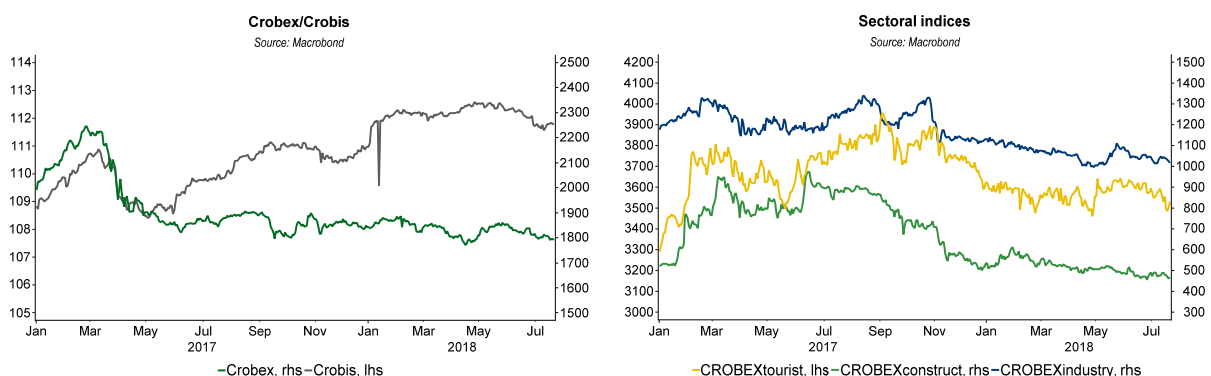
Money market calm

Excess liquidity increased moderately to 23 billion kuna, while interest rates recorded minor changes, therefore the overnight Zibor rose by 1 b.p. wow, to 0.35%, 1M fell by 1 b.p. to 0.43% and 3M stagnated at 0.49%. There was no turnover at the regular reverse repo auction of CNB, or on ZMM.



Crobex down wow

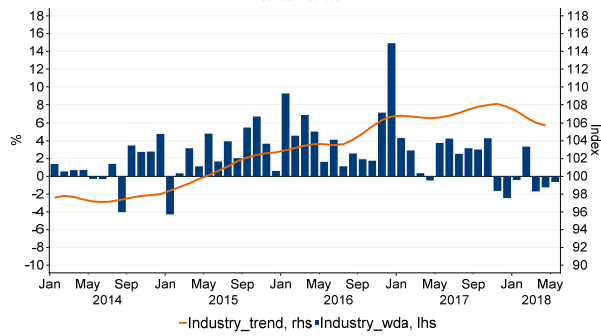
The Crobex Index closed last Friday at 1,791.50 points or down by 0.9% wow, whereas Crobis closed at 111.80 points, i.e. stagnated wow. As regards sector indices, CROBEXconstruct and CROBEXindustry closed the week down by 4.4 and 2.6% (to 468.62 and 1,017.65 points), respectively, while CROBEXtourist stagnated wow (3,531.22 points). Last week, the total ZSE turnover amounted to 158.2 million kuna, which is a decrease of 73.4% wow, due to a decline in the turnover in shares of 30.6% (to 19.1 million kuna) and a decline in the turnover in bonds of 75.5% (to 139.1 million kuna).



Statistics

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

Source: Macrobond



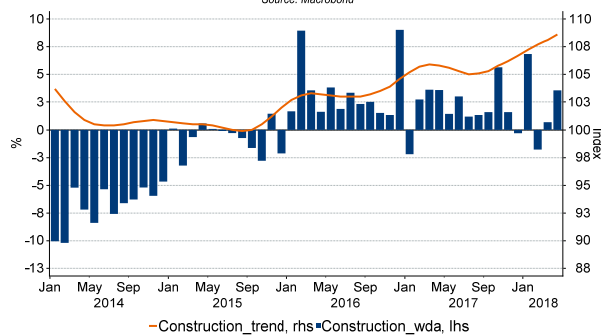
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



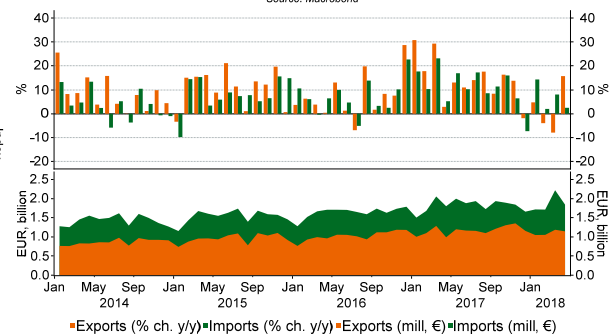
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



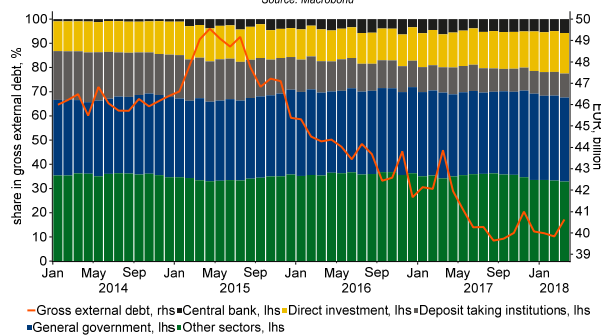
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



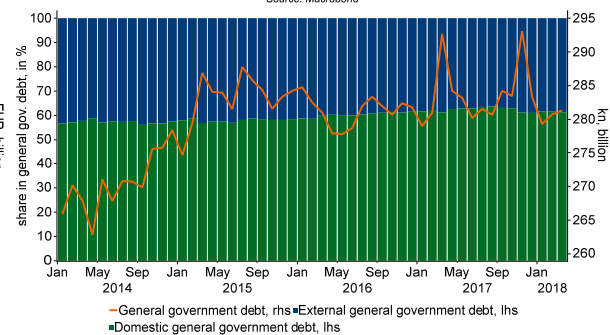
Gross external debt

Source: Macrobond



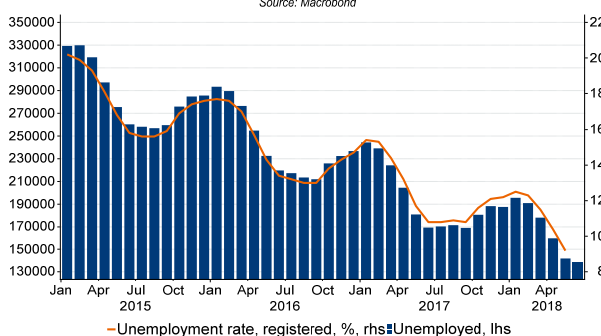
General government debt

Source: Macrobond



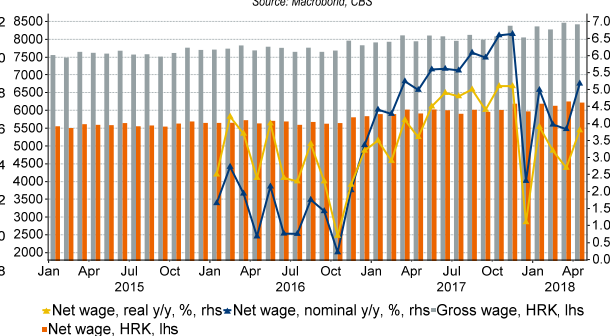
Total number of unemployed and unemployment rate

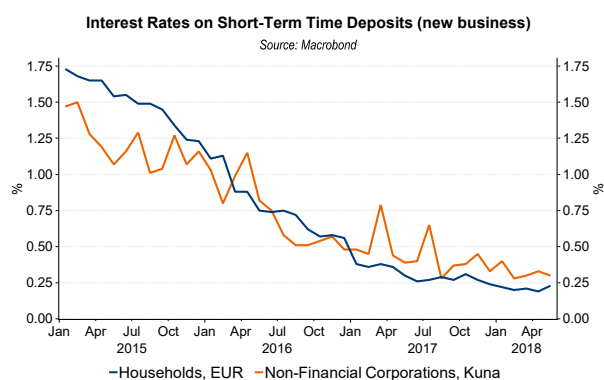
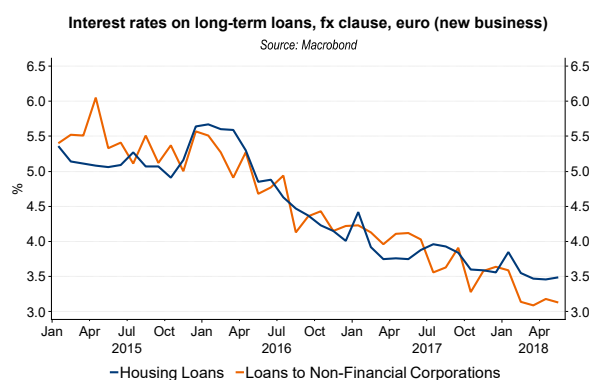
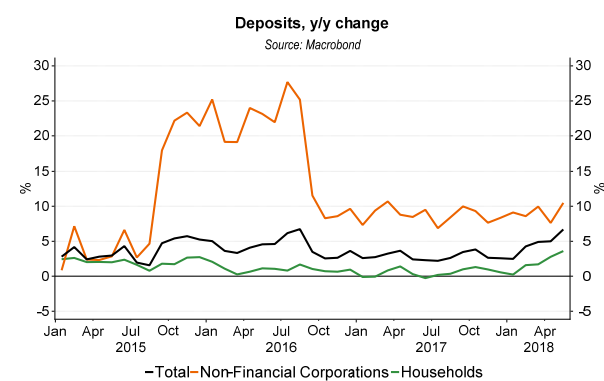
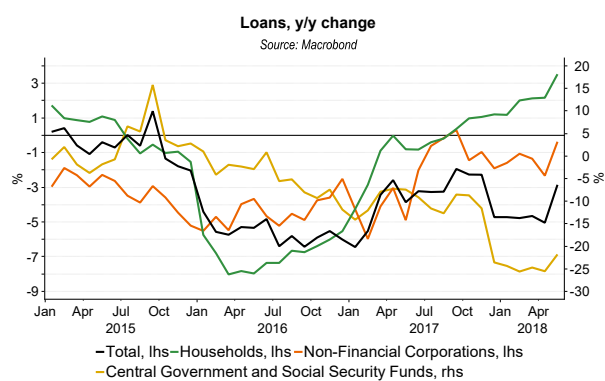
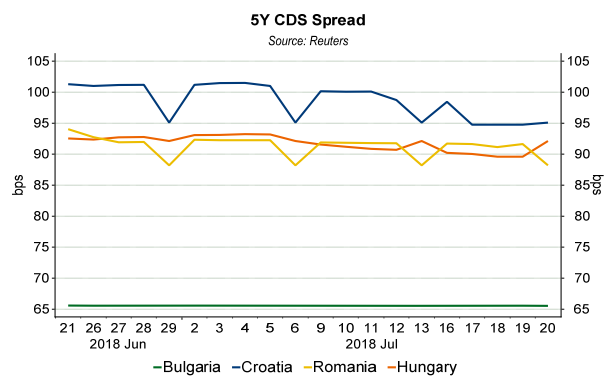
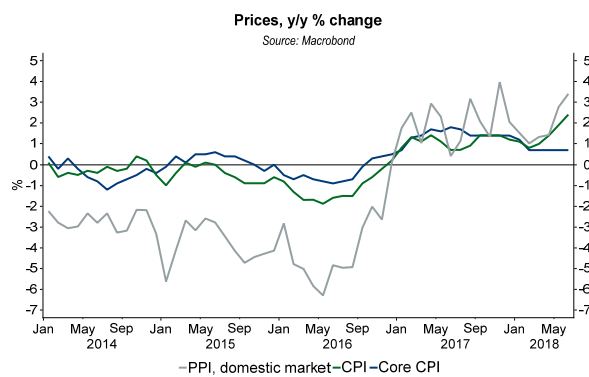
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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