

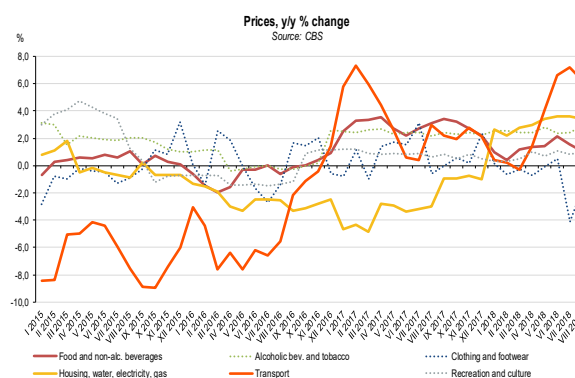
# PBZ Weekly Analysis

## Number 620, September 24, 2018

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## Weekly overview

- The consumer price index rose by 2.1% yoy in August, the same as in the previous month, where this increase was supported by higher prices of fuel (+12.9%), electricity (+6.3%), gas (+2.4%) and food (+1.1%). Simultaneously, the largest yoy decrease in prices was recorded in the category Clothing and footwear (-1.6%).



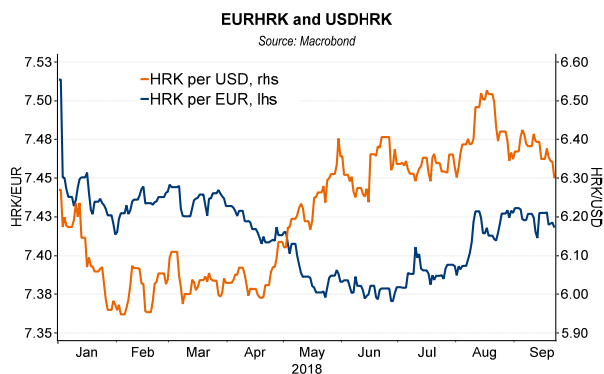
The average core inflation rate in August was +0.8% yoy (+0.5% in July), while the twelve-month average was +1.5% (+1.4% in July). Consumer prices on a month-over-month basis were unchanged. Over the first eight months of 2018, the average inflation rate amounted to +1.6% (+1.1% over the same period last year), where the largest positive contribution to these trends came from higher prices in the categories Housing, water, electricity, gas and other fuels (by 0.5 p.p., or +3.1%, of which electricity +6.3% and gas +2.2%), Transport (by 0.4 p.p., or +3.2%, of which fuels and lubricants for personal transport equipment +6.9%) and Food (by 0.3 p.p., or +1.3%, of which oils and fats +6.2% and fruit +4.1%). In 2018, we expect an average annual inflation rate of 1.8%.

- On Friday, Standard & Poor's affirmed the Republic of Croatia's long-term foreign and local currency credit rating at BB+, however, revising the outlook from stable to positive due to, among other, a continuation of economic recovery, strengthening of fiscal performance and a reduction in the public debt.

## Euro strengthening continues, domestic market calm

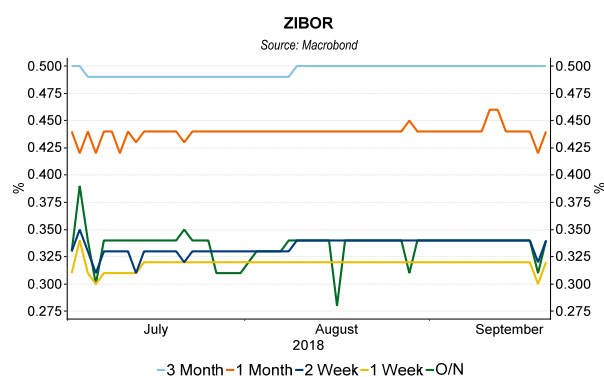
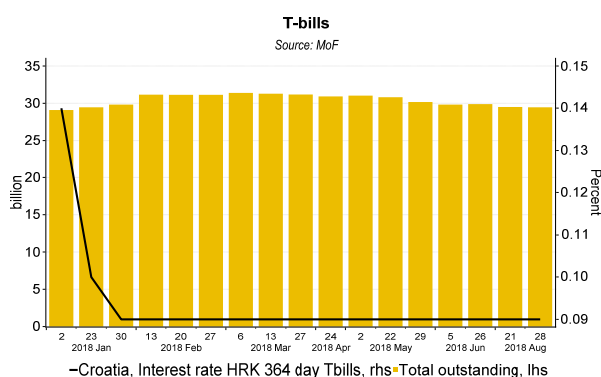
In anticipation of this week's FOMC meeting, the dollar continued to strengthen against the euro. At the end of the week, trading in EUR/USD pair closed at 1.17 dollar to the euro, up by 1.0% wow.

The kuna exchange rate remains stable, recording only minor changes on expectations of news in the market. At the end of the week, EURHRK amounted to 7.4180 kuna to the euro, down by 0.1% wow. The kuna against the dollar strengthened by 0.8% wow, while the exchange rate fell to 6.2998 kuna to the dollar. This week, we expect calm trading to continue.



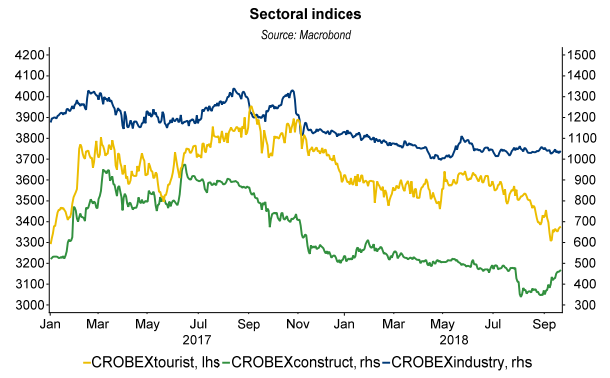
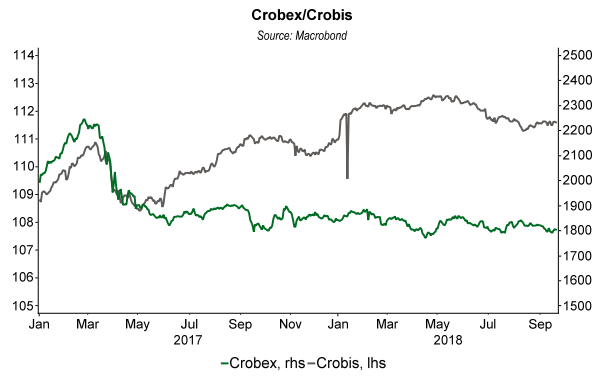
## Money market unchanged

In the second week of the current maintenance period, excess liquidity continued to rise moderately, exceeding 22 billion kuna, while interest rates stayed the same (overnight Zibor 0.34%, 1M 0.44%, 3M 0.50%). Again, no interest was shown at the regular reverse repo auction of CNB or on ZMM.



## Crobex up wow

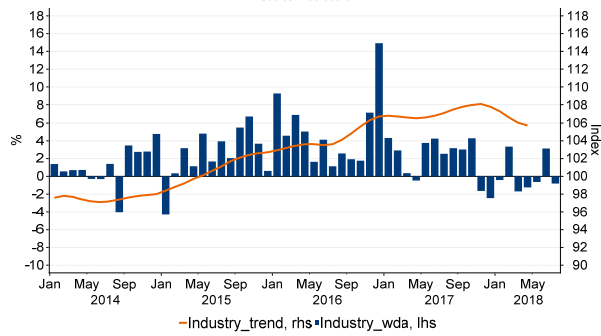
The Crobex Index closed last Friday at 1,803.76 points, which is up by 0.5% wow, while Crobis closed at 111.59 points (+0.1% wow). As regards sector indices, CROBEXindustry declined on Friday by 1.3% wow (to 1,034.43 points), whereas CROBEXtourist and CROBEXconstruct rose by 0.3% and 9.0% (to 3,376.89 and 469.19 points), respectively. Last week, the total ZSE turnover amounted to 210.4 million kuna, which is a decrease of 10.9% versus the week before, due to a 46.6% decrease in the turnover in shares (to 28.2 million kuna) and a 0.6% decrease in the share of bonds (to 182.2 million kuna).



# Statistics

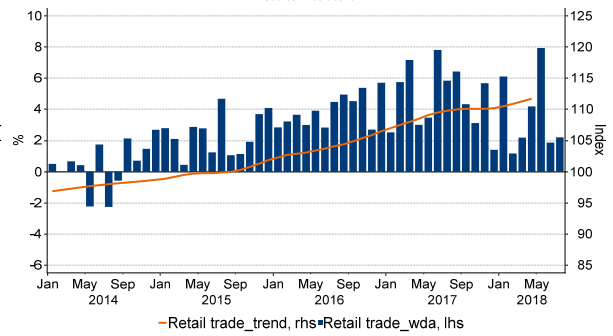
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



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

Source: Macrobond



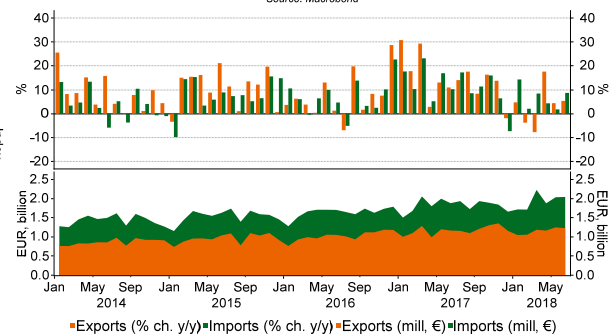
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



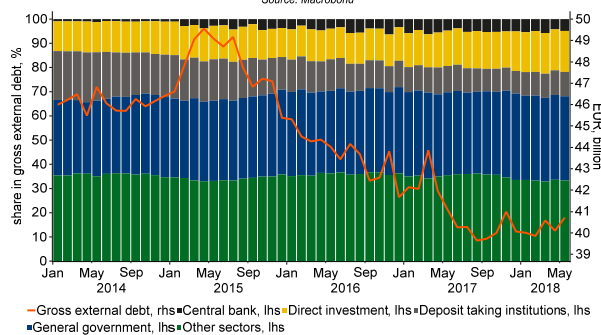
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



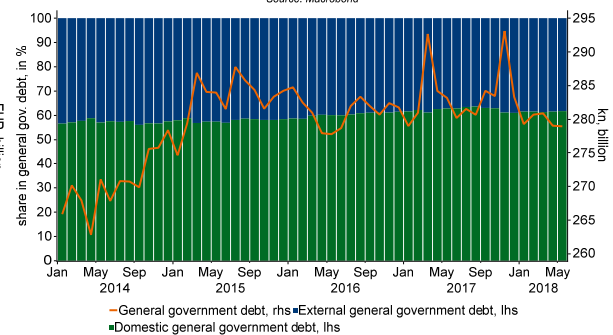
Gross external debt

Source: Macrobond



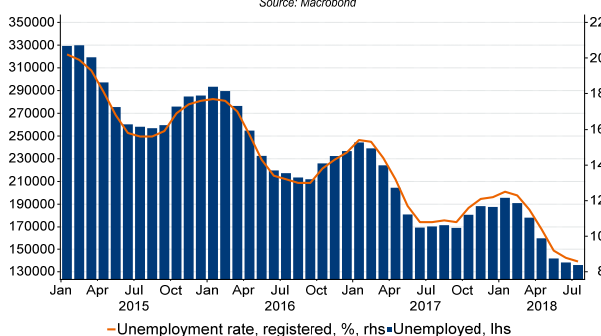
General government debt

Source: Macrobond



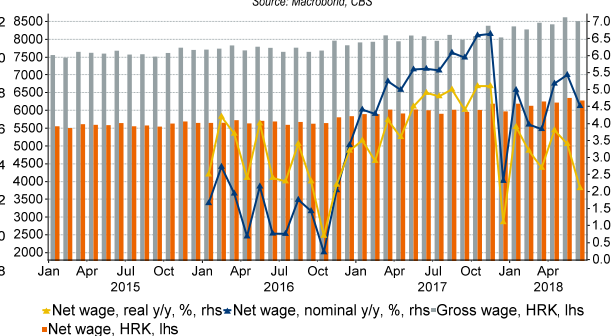
Total number of unemployed and unemployment rate

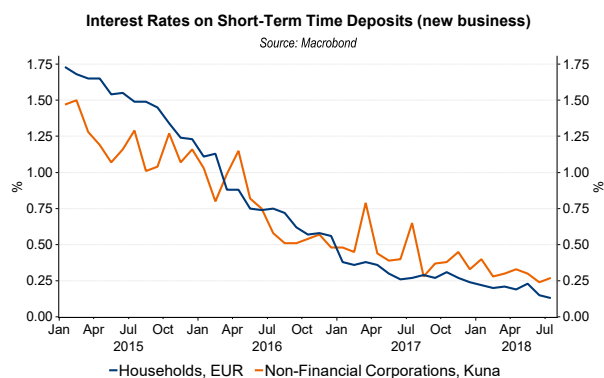
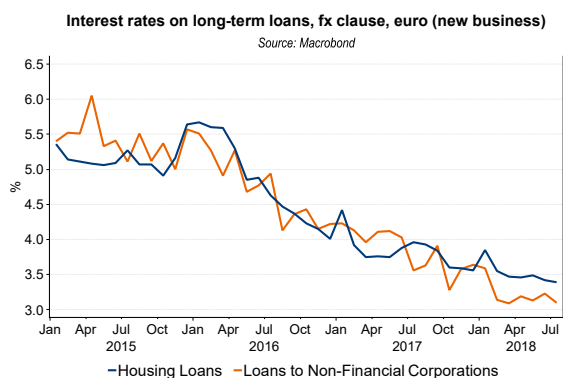
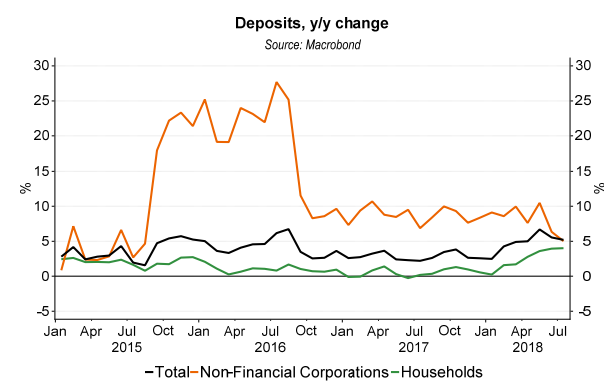
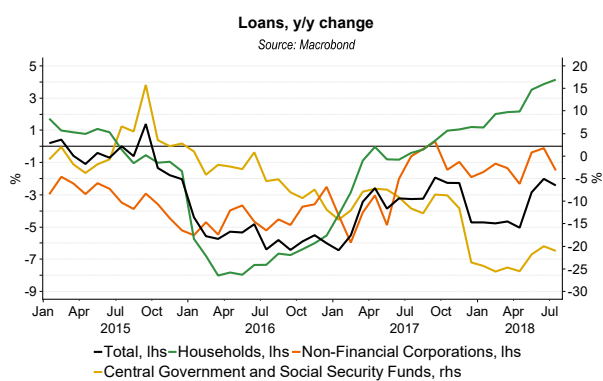
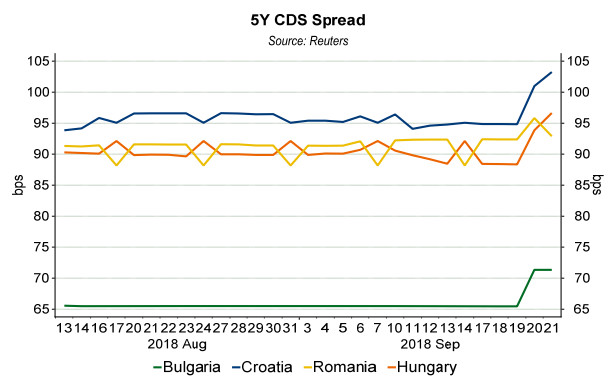
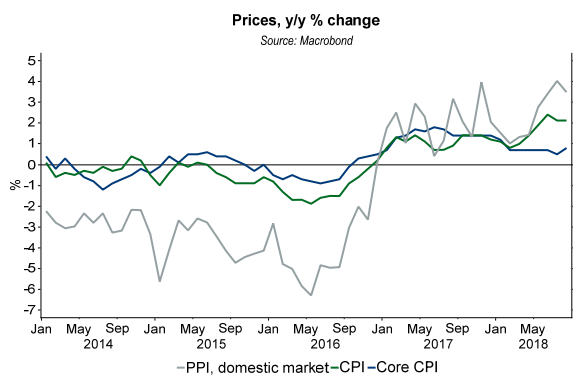
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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