

PBZ Weekly Analysis

Number 624, October 29, 2018

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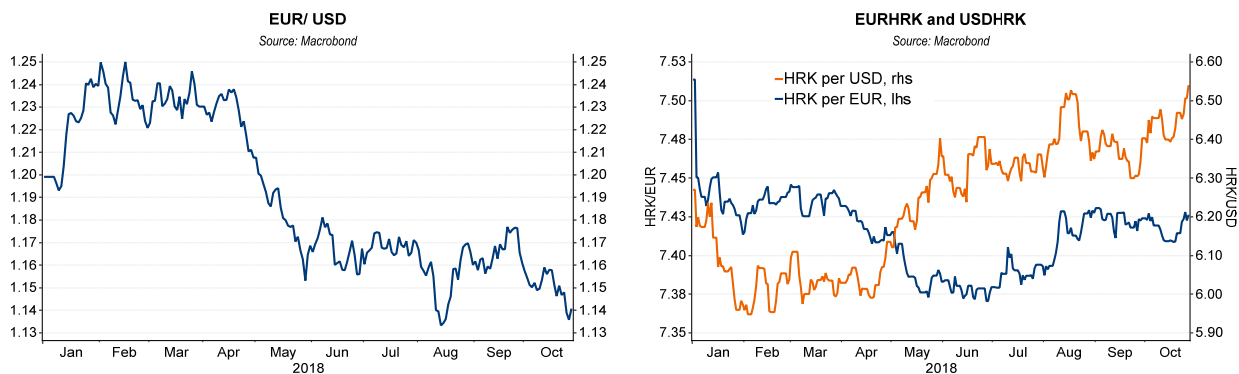
Weekly overview

- The data of the Croatian Employment Bureau for the last day of September show that the registered number of unemployed persons declined to a new, record low of 130,577 persons, which is down by 2.6% versus the previous month, partly as a result of increased employment in the activity Education (given the beginning of a new school/academic year), due to which the mom downward trend in the number of unemployed persons continued for the eighth consecutive month. Thereby, the yoy registered number of unemployed persons decreased by 22.7%. The registered unemployment rate dropped to 8.4% in the same month (from 8.5% in August), whereas, it was 10.5% in September 2017. Over the first nine months this year, the registered number of unemployed persons decreased by 20.7% on average versus the same period last year, due to which the decreasing trend in the number of unemployed persons continued for the fifth consecutive year, partly owing to a further recovery of the overall economic activity, but also to the negative demographic and migration movements. At the same time, the registered unemployment rate decreased by 2.3 p.p., to an average of 10.0%. The total number of persons in paid employment in September (according to the data of the Croatian Pension Insurance Institute) reached 1.547 million, which is a decline of 0.8% compared with August, mostly supported by a 9.7% decrease in the number of persons in employment in Accommodation and food service activities, given the near end of the main tourist season, while the yoy level of total persons in employment rose by 2.2%, which was mostly affected by a 8.4% increase in the number of persons in employment in Construction. From January to September this year, the total number of persons in employment reached 1.523 million, which is an increase of 2.3% versus the same period last year, reflecting its highest level since 2009.
- The average monthly net earnings paid in legal entities in August registered a yoy nominal increase of 4.1% and a real increase of 2.0%, amounting to 6,264 kuna. At the same time, the average monthly gross earnings increased by 4.8% in nominal terms and 2.6% in real terms, amounting to 8,508 kuna. The average net earnings thus recorded a nominal increase of 4.6% yoy over the first eight months this year (gross: +5.3%), where the increase was registered in all the activities (according to the National Classification of Activities), while mostly in Administrative and support service activities (+12.4%), Mining and quarrying (+7.7%) and Construction (+6.3%). On the other hand, a more modest advance in the average nominal net earnings was recorded in Water supply, sewerage, waste management and remediation activities (+1.5%), Financial and insurance activities (+2.5%) and Accommodation and food service activities (+2.9%). In real terms, the average net earnings rose by 3.0% yoy (gross: +3.6%) over the first eight months of 2018.

ECB unchanged, kuna mildly weaker

The last week's ECB meeting brought no change regarding the monetary policy or the risk assessment, which are still assessed as balanced. The euro continued to lose support, closing the week at 1.14 dollar to the euro, down by 0.9% wow.

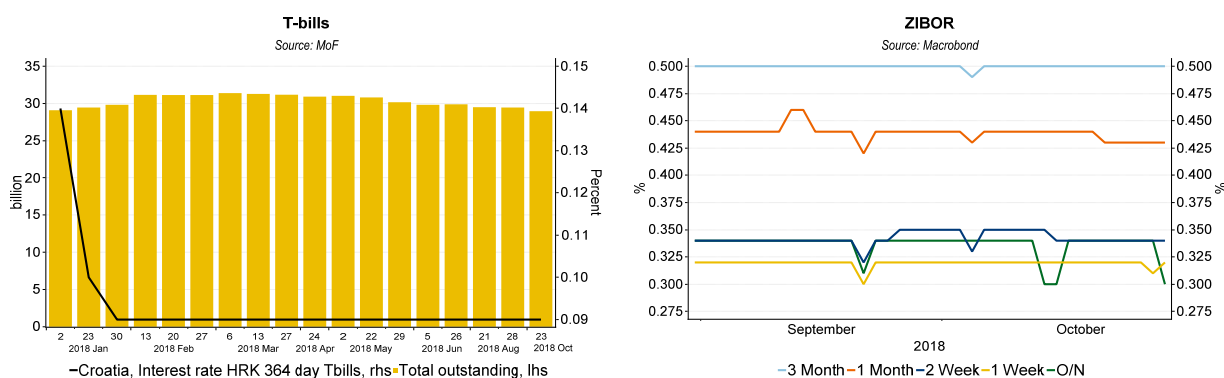
Last week, the kuna continued its moderate depreciation against the euro, therefore the mid-exchange rate reached 7.4263 kuna to the euro at the end of the week, up by 0.2% wow. Owing to the strengthening of the dollar against the euro, the kuna depreciated 1.1% against the dollar and the exchange rate rose to 6.5401 kuna to the dollar. This week, we expect calm trading and a further slight weakening of the kuna against the euro.



Auction held

Liquidity remained around 21 billion kuna, whereas interest rates recorded minor changes wow (the overnight Zibor -3 b.p. to 0.31%), or stagnated (1M at 0.43%, 3M at 0.50%). There was no demand at the regular reverse repo auction of CNB or on ZMM.

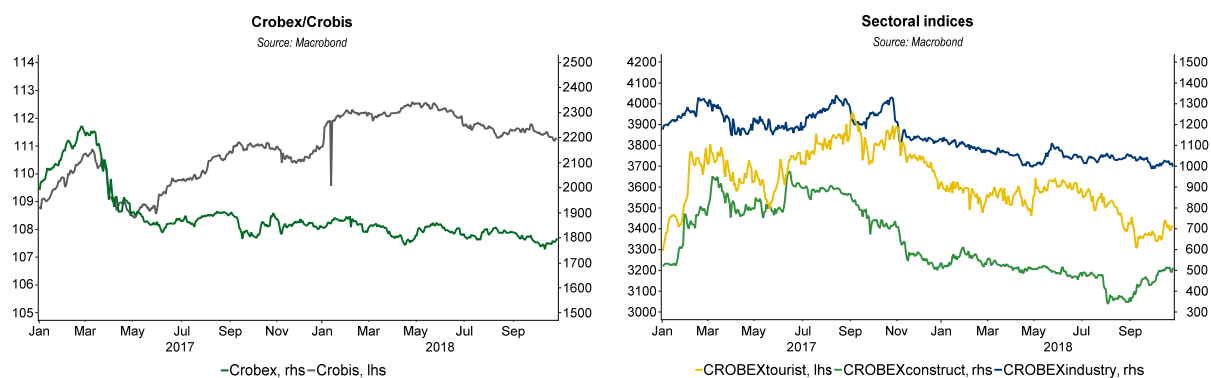
Last week, a total of 1.4 billion kuna one-year kuna T-bills and 11 million kuna in euro T-bills matured, while a total of 630 million kuna in one-year kuna T-bills and 49.3 million euro in one-year euro T-bills were subscribed at the auction at the unchanged interest rate of 0.09 and 0.00%, respectively. The government debt under T-bills thus decreased to 29.0 billion kuna. This week, there will be no maturity or auction.



Crobex up wow

The Crobex Index closed last Friday at a 1.3% higher level of 1,798.00 points wow, while Crobis fell by 0.1%, reaching 111.27 points. As regards sector indices, CROBEXindustry closed last week down by 2.2% wow (at 997.93 points), while CROBEXconstruct (513.10 points) and CROBEXtourist (3,413.55

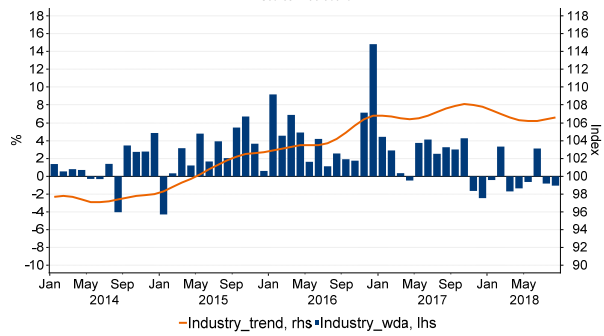
points) closed at a 0.1% and 0.2% higher wow level on Friday. Last week, the total ZSE turnover amounted to 127.2 million kuna, down by 62.7% versus the week before, due to a 79.2% lower turnover in bonds (62.7 million kuna), while the turnover in shares advanced by 58.3% (to 64.5 million kuna).



Statistics

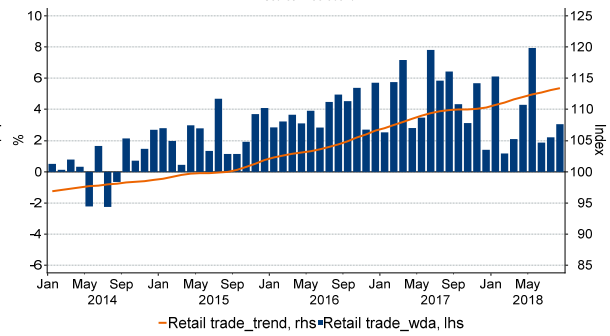
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



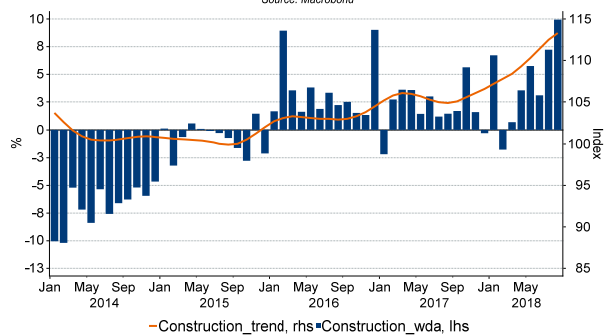
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



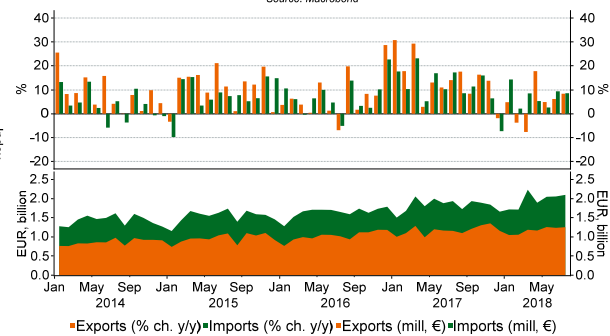
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



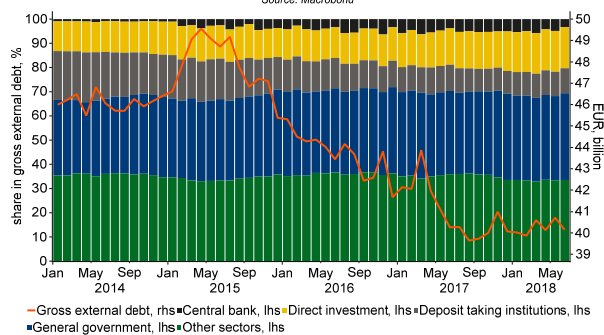
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



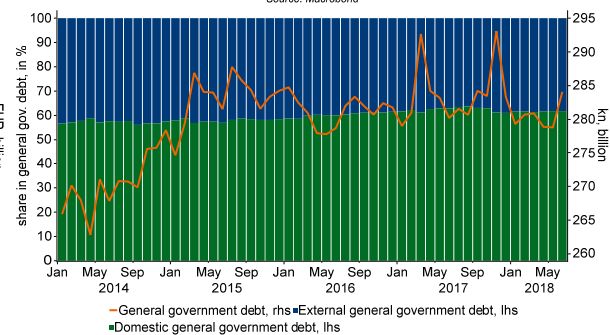
Gross external debt

Source: Macrobond



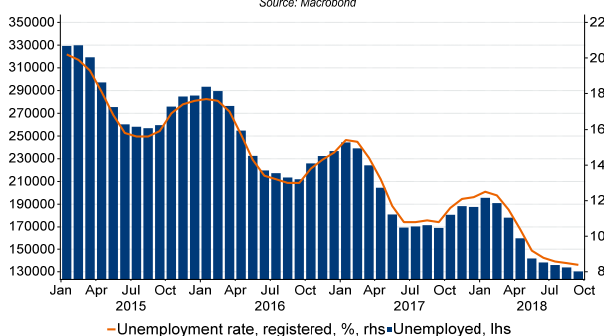
General government debt

Source: Macrobond



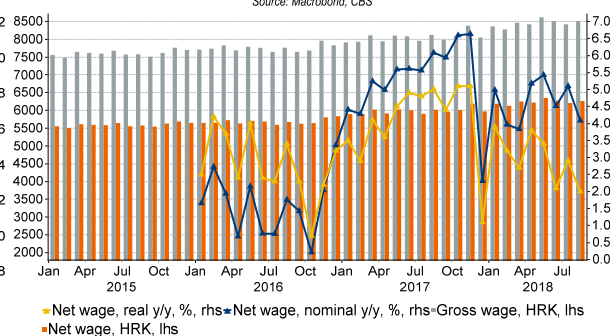
Total number of unemployed and unemployment rate

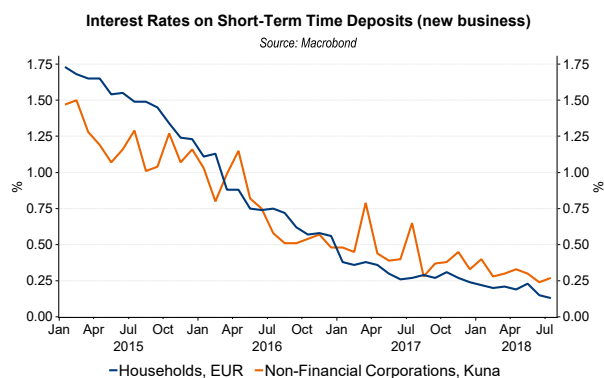
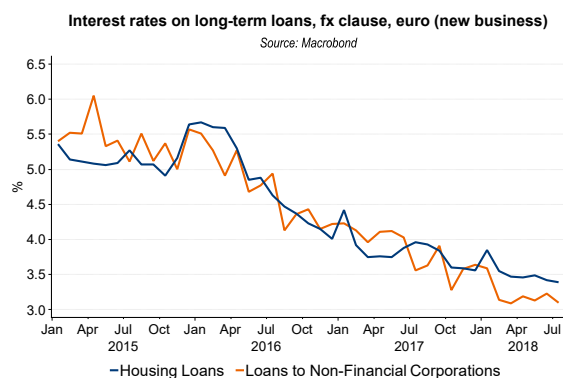
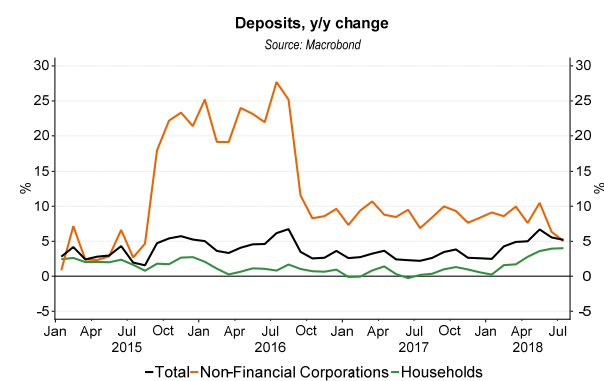
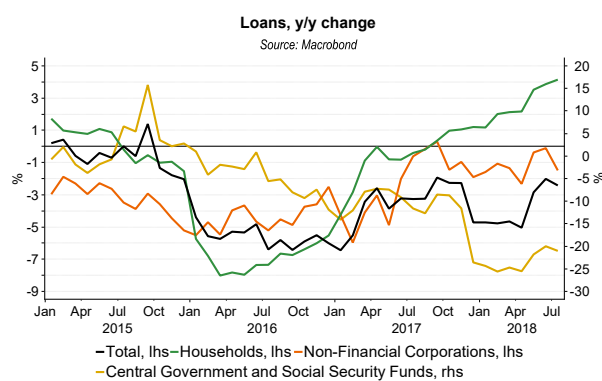
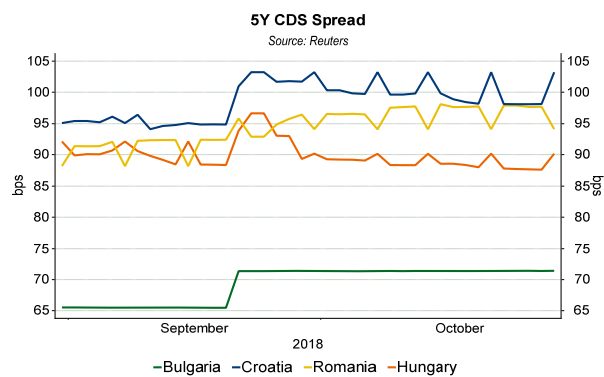
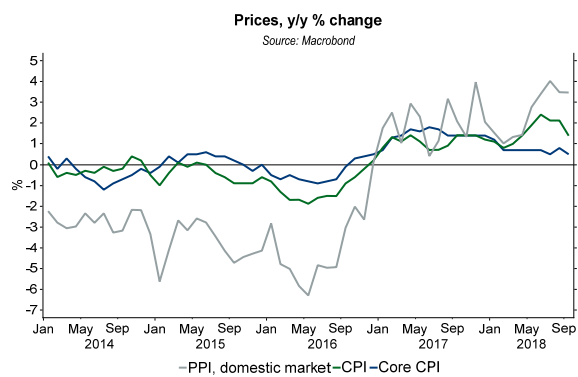
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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