

PBZ Weekly Analysis

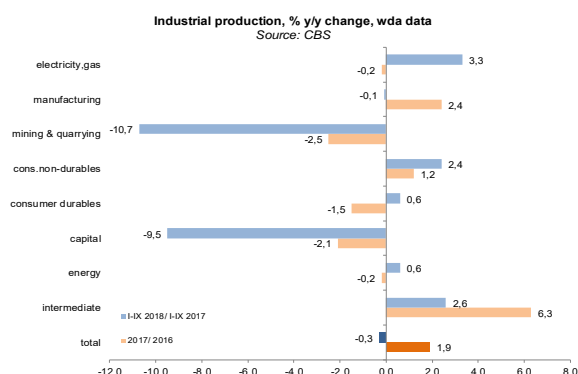
Number 625, November 5, 2018

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Weekly overview

- After a 1.0% decrease in August, industrial production decreased even more strongly in September by 2.6% yoy (wda), due to which the negative yoy downward trend continued for the third consecutive month. On a month-over-month basis (seasonally and working-day adjusted), industrial production in September decreased by 1.5% (+0.3% in August).

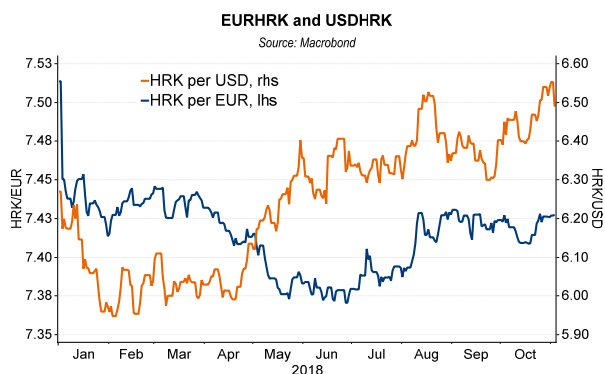
According to MIGs, all the components, apart from the production of Intermediate goods (+2.1%), contributed to the IP yoy fall in September, where the production of Consumer durables recorded the largest decline (-10.4%). The production of Capital goods thereby declined by 9.5% yoy, Consumer non-durables by 1.9% and Energy by 0.7%. Over the first nine months of this year, the industrial production volume decreased by 0.3% yoy (-1.5% in the third quarter of 2018), mainly due to a reduced production of Capital goods by 9.5% (a rise in the activity was registered in other industrial branches), which was partly affected by a fall in the production of fabricated metal products (except machinery and equipment) of 9.0%, the production of machinery and equipment of 10.6% and the production of other transport equipment (mainly ships) of 37.8%.



Euro continues to weaken, kuna stable

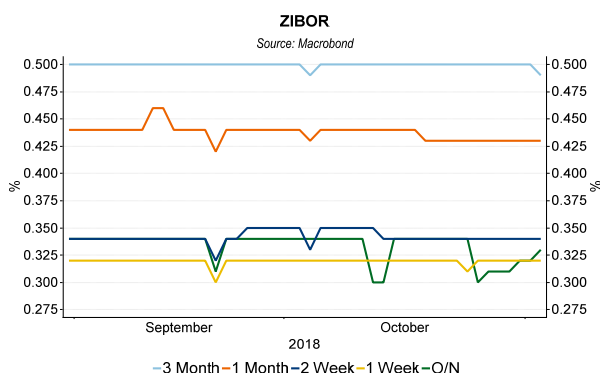
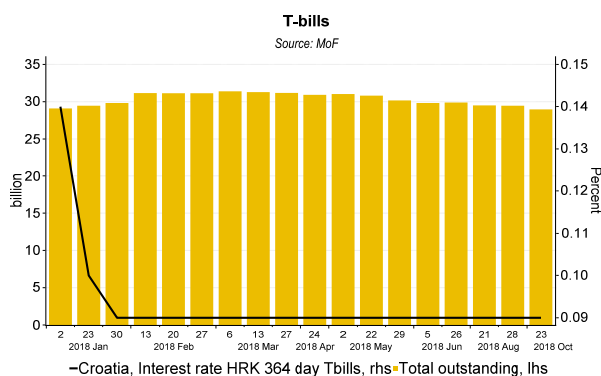
Markets were disappointed by the data on the Eurozone GDP growth of 0.2% qoq in the third quarter, therefore the euro continued to weaken against the dollar, closing the week below the 1.14 level, down by 0.1% wow.

Last week saw no major fluctuations of the kuna against the euro, so the kuna to the euro mid-exchange rate was 7.4275 on Friday, almost unchanged wow. At the same time, the kuna strengthened by 0.8% against the dollar and the exchange rate fell to 6.4891 kuna to the dollar.



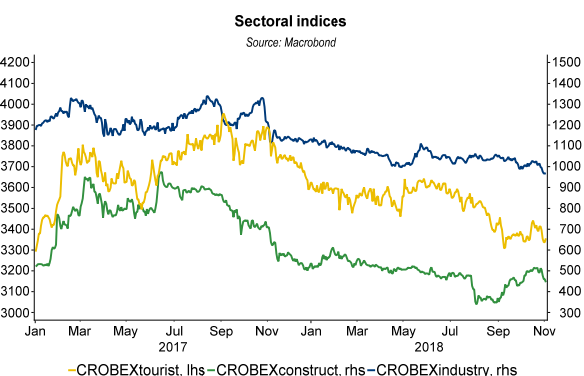
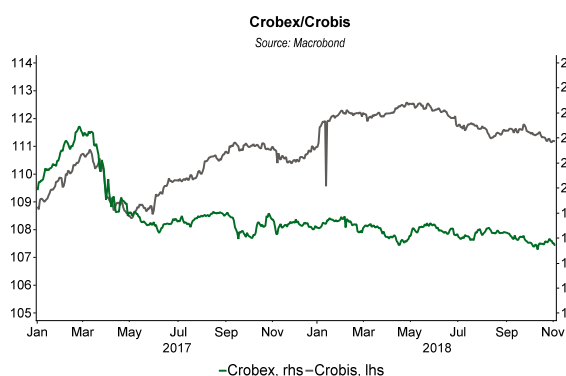
Liquidity declines

As usual, liquidity declined at the end of the month, to 18 billion kuna, whereas interest rates recorded only minor changes wow. The overnight Zibor rose by 2 b.p. to 0.33%, 1M remained unchanged at 0.43%, while 3M decreased by 1 b.p. to 0.50%. There was no turnover at the regular reverse repo auction of CNB or on ZMM. Last week, there was no T-bill maturity or auction and the next maturity is expected on 22 November.



Crobex down wow

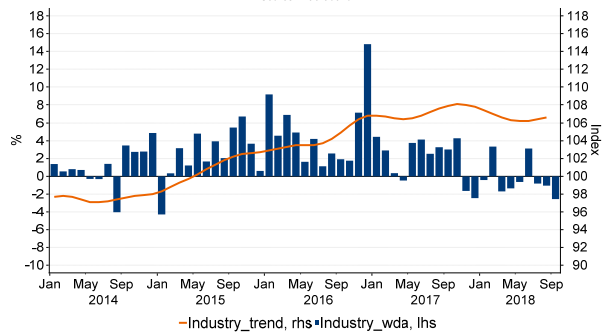
Over the last week's four trading days, the total ZSE turnover amounted to 60.0 million kuna, which is down by 52.8% versus the week before, due to a 53.1% lower turnover in shares (30.2 million kuna) and a 52.4% lower turnover in bonds (29.8 million kuna). The Crobex Index closed on Friday at a 1.6% lower wow level of 1,769.80 points, while Crobis decreased by 0.1% to 111.18 points. Sector indices closed in negative territory, where CROBEXconstruct recorded the largest fall wow (-12.9%), to 446.72 points, while CROBEXindustry (968.19 points) and CROBEXtourist (3,356.93 points) closed on Friday down by 3.0% and 1.7% wow, respectively.



Statistics

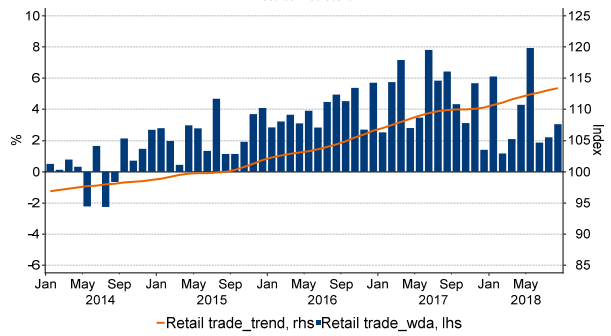
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



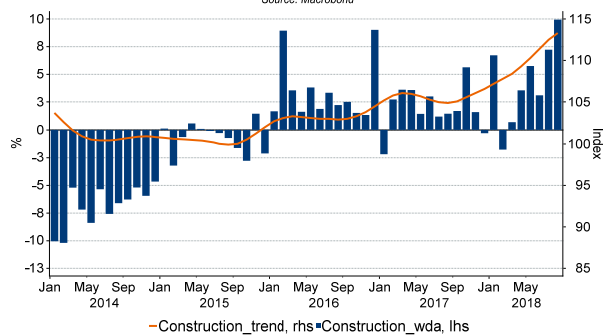
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



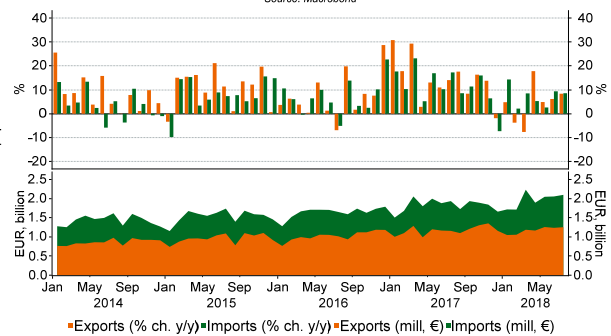
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



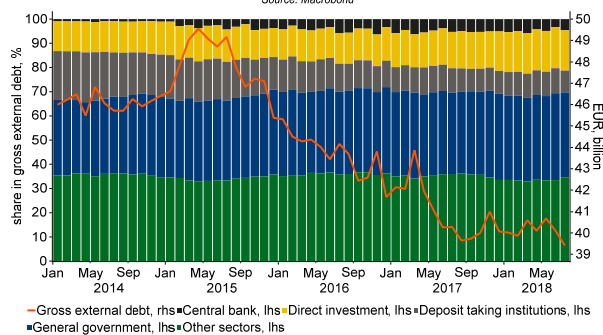
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



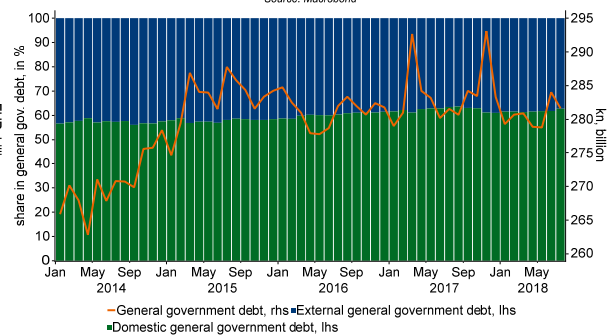
Gross external debt

Source: Macrobond



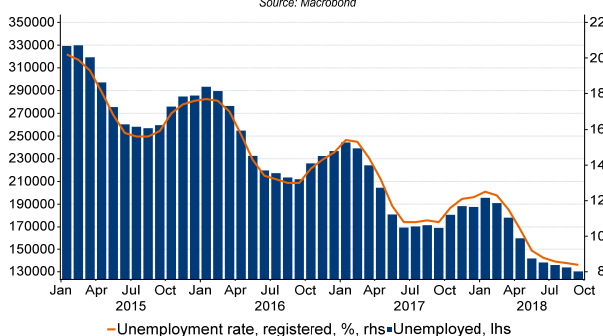
General government debt

Source: Macrobond



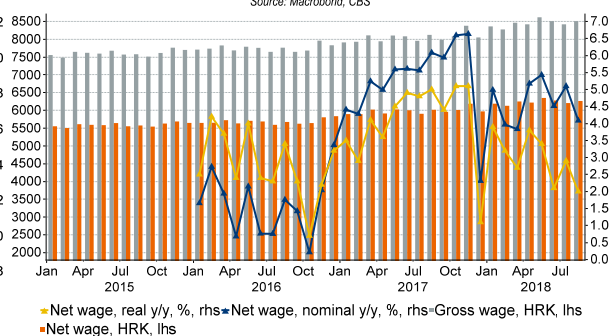
Total number of unemployed and unemployment rate

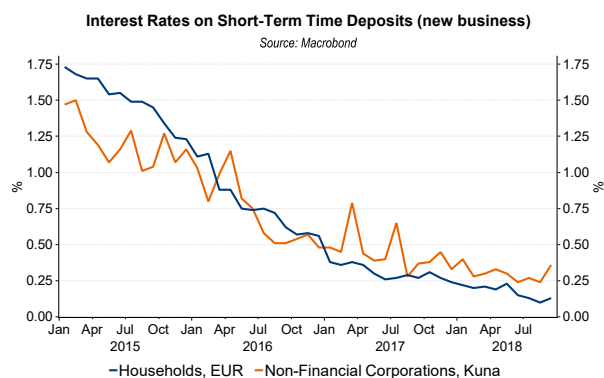
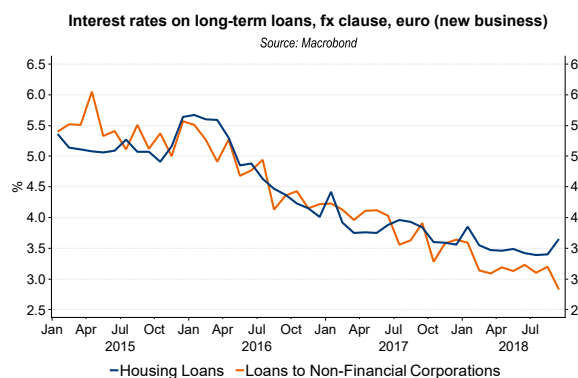
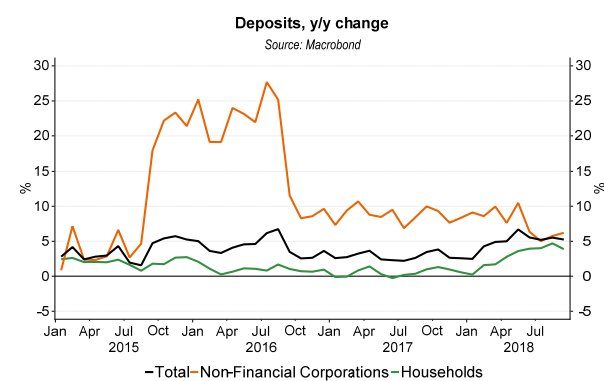
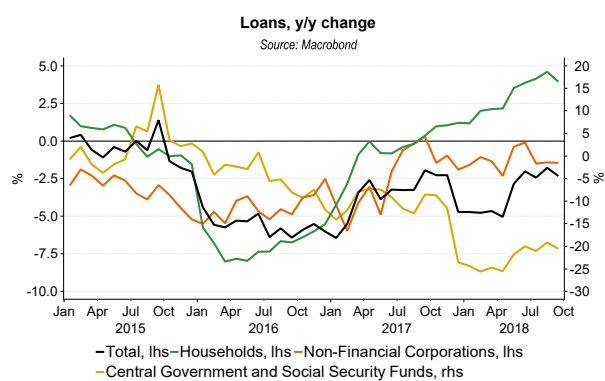
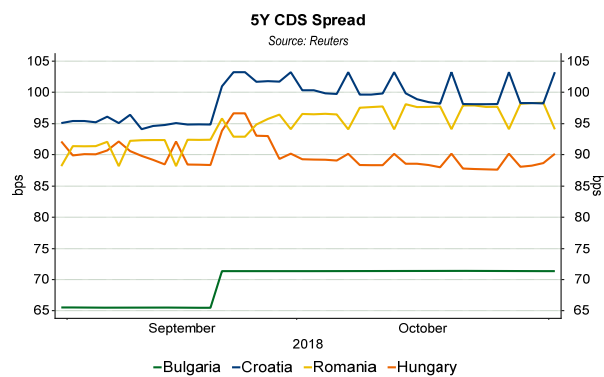
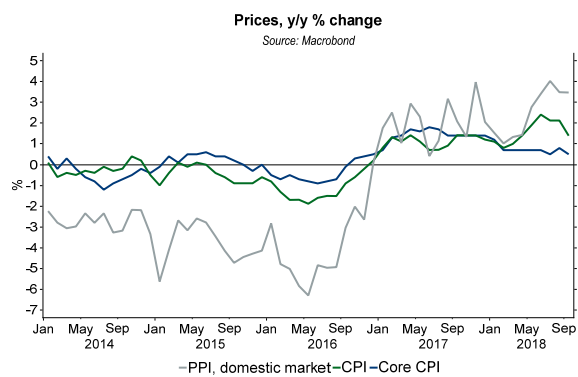
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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