

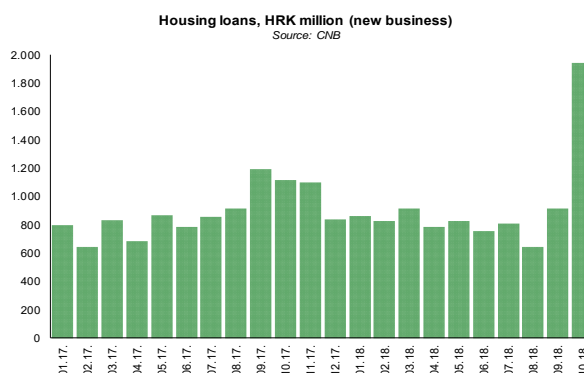
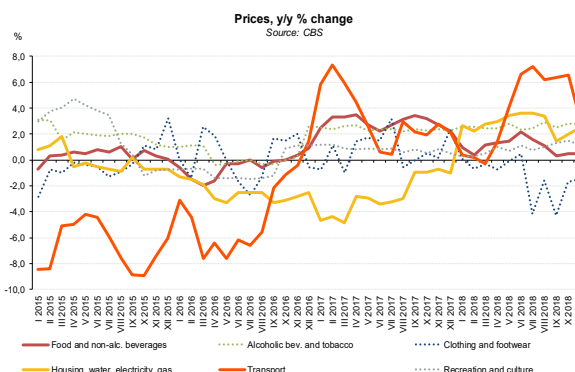
PBZ Weekly Analysis

Number 631, December 17, 2018

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Weekly overview

- The yoy growth of the consumer price index slowed down in November to +1.3% (from +1.6% in October), mainly due to a weaker growth of prices in the category Transport (+3.4%), specifically, fuels and lubricants for personal transport equipment (+6.7% versus +12.5% in October), which may mostly be contributed to 18% lower prices of crude oil on average versus the month before. A relatively strong contribution to the yoy increase in the indicated index (apart from the category Transport) came also from a 2.5% higher prices in the category Housing, water, electricity, gas and other fuels, i.e. 10.4% higher prices of solid fuels as well as 6.1% and 2.8% higher prices of refuse collection and water supply, respectively. Contribution to the overall yoy increase in consumer prices in the categories Food, Alcoholic beverages and tobacco, Furnishings, Health, Recreation and culture and Restaurants and hotels was modest in November, whereas no contribution was recorded in some categories (Non-alcoholic beverages, Communication, Education, Miscellaneous goods and services) or the contribution was mildly negative (Clothing and footwear, yoy decrease for the fifth consecutive month). The month-over-month level shows a decrease in the consumer price index of 0.3%. The twelve-month average remained at the level of +1.5% in November (as in the past three months), while the average core inflation rate advanced to +0.9% yoy (from +0.8% in October). Over the first eleven months of 2018, mainly owing to higher prices of fuels and lubricants for personal transport equipment (+7.9%), electricity (+4.5%) and food (+1.1%), the average inflation rate amounted to 1.5% (+1.1% in the same period last year).
- Total loans in October decreased by 1.6% yoy (central government -20.2%, non-financial corporations -0.5%, households +4.0%), whereas according to transactions the yoy cumulative growth of facilities to all the sectors except the central government reached 4.9% (non-financial corporations +3.7%, households +5.9%). Breaking down loans to the private sector by purpose shows a continuation of trends from the previous period, i.e. the growth of investment and other corporate loans (+2.8%, +3.2%, respectively) and an increase in housing and cash loans (+1.9%, +10.6%, respectively), i.e. a decrease in loans for working capital (-5.5%) and other loans to citizens (-6.1%). Data on new business show a leap of newly granted housing loans in October, owing to subsidies (1.9 billion kuna, versus the average of 0.8 billion kuna over the first nine months). In October, deposits continued to increase strongly, reaching +5.0% yoy

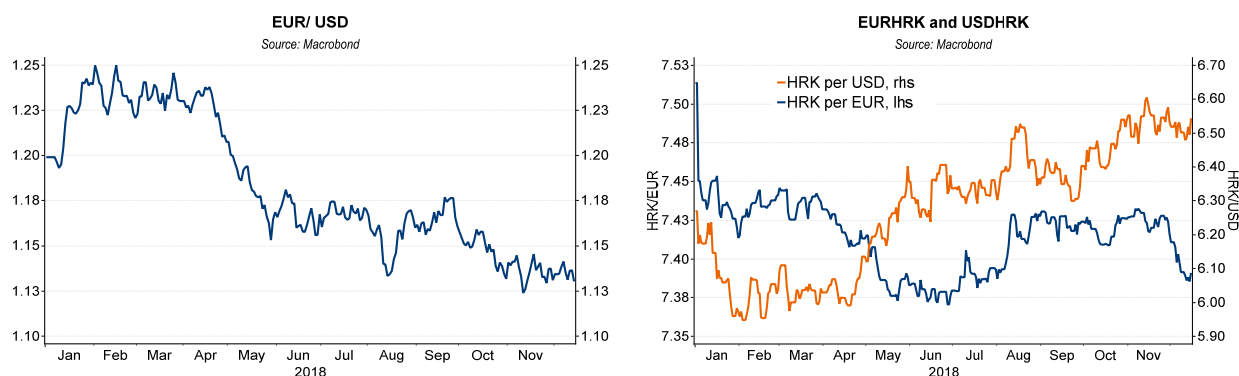


(sight deposits +22.0%, kuna savings deposits +2.6%, FX savings deposits -1.5%), where deposits of non-financial corporations rose by 5.1% and deposits of households by 4.0%.

ECB unchanged, kuna below 7.4

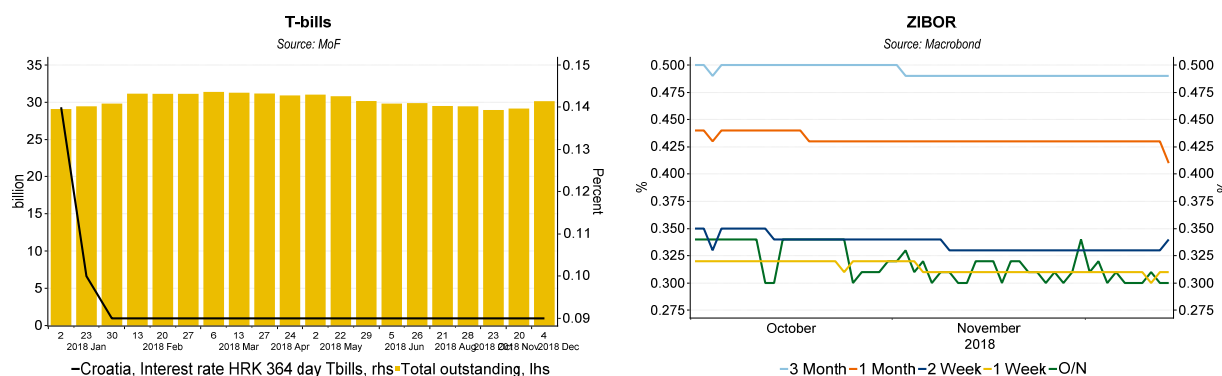
In line with the expectations, ECB has not changed the monetary policy at its last week's meeting, however, the President Draghi backed expectations of the interest rate hike in the Eurozone later than expected, not until late 2019 or early 2020. At the same time, it is likely that the Fed will raise interest rates at this week's meeting again, by 25 b.p. Amid these events, the dollar appreciated against the euro, while trading on Friday closed at 1.13 dollar to the euro, down by 1.0% versus the previous Friday.

Regardless of the CNB's record intervention the week before, the exchange rate remained below 7.40 last week, amounting to 7.3909 kuna to the euro on Friday, unchanged wow. The kuna weakened by 0.6% against the dollar and the exchange rate increased to 6.5435 kuna to the dollar.



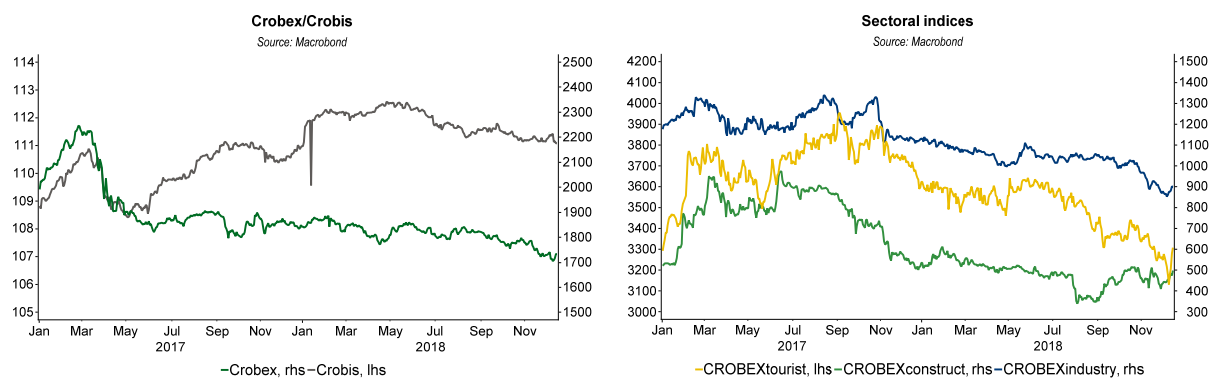
Structural operation held

Excess liquidity further increased, reaching 27 billion kuna, so the overnight Zibor stayed at 0.30%, 1M decreased by 2 b.p. to 0.41%, while 3M remained at 0.49%. There was no activity at the regular reverse repo auction of CNB, whereas at the structural operation, the central bank injected 1.4 billion kuna to banks at the fixed interest rate of 1.2% and a 5-year maturity. There was no turnover on ZMM.



Crobex up wow

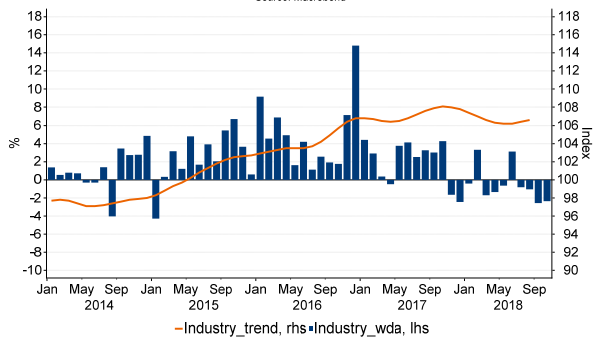
Last week, the total ZSE turnover amounted to 306.2 million kuna, which is down by 43.2% versus the week before, due to a 49.6% lower turnover in bonds (reaching 246.2 million kuna), while the turnover in shares rose by 20.5% (to 60.0 million kuna). The Crobex Index closed on Friday at 1,734.00 points, or up by 1.1% wow, while Crobis simultaneously declined by 0.3% (to 111.08 points). Sector indices ended in positive territory, where CROBEXconstruct rose by 9.1% wow (to 498.44 points), CROBEXindustry by 4.5% (to 899.82 points) and CROBEXtourist by 4.1% (to 3,308.12 points).



Statistics

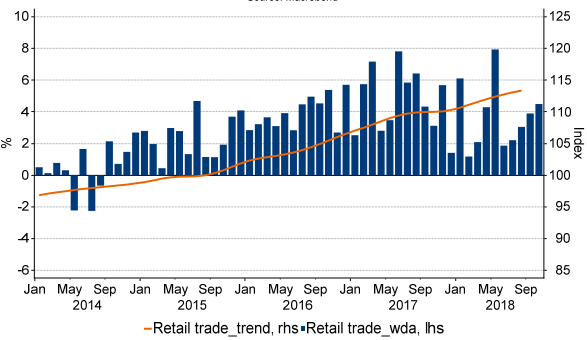
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



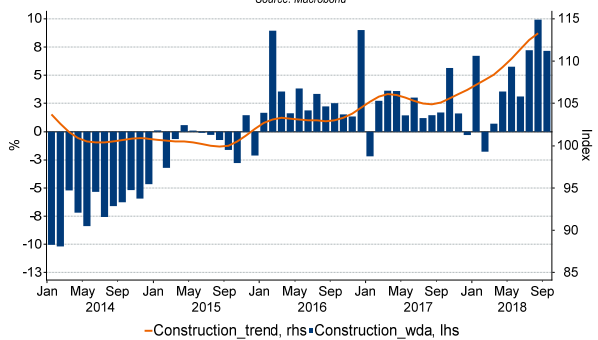
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



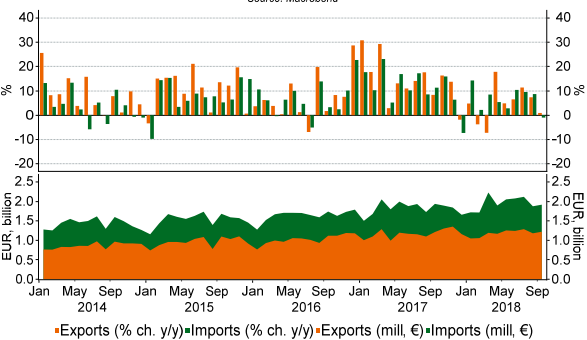
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



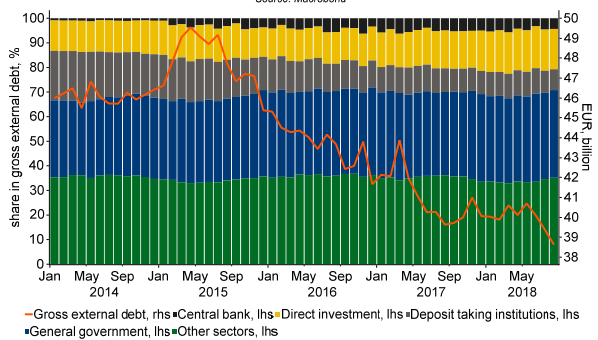
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



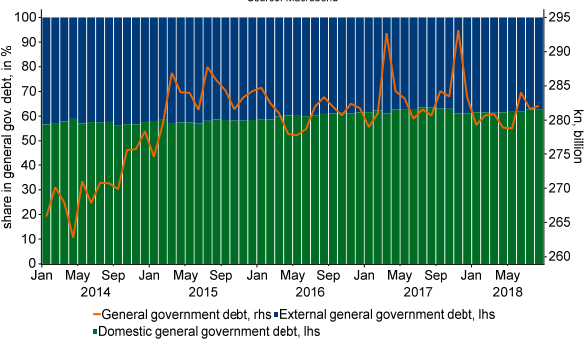
Gross external debt

Source: Macrobond



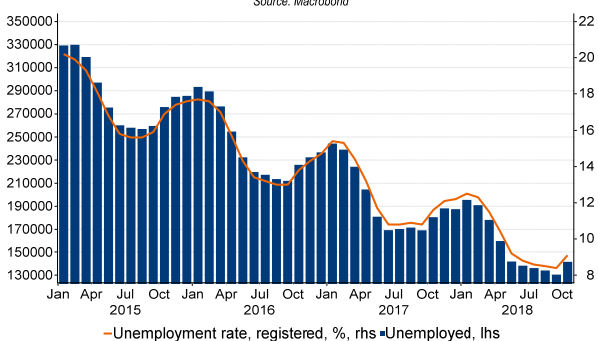
General government debt

Source: Macrobond



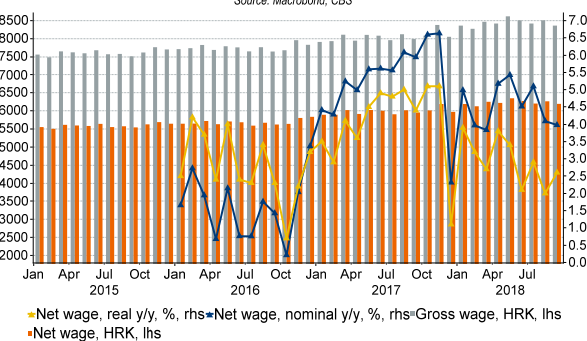
Total number of unemployed and unemployment rate

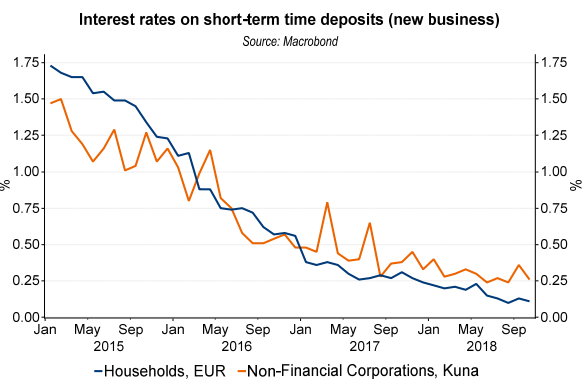
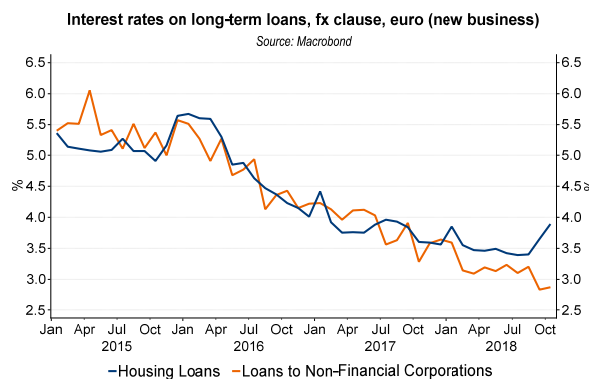
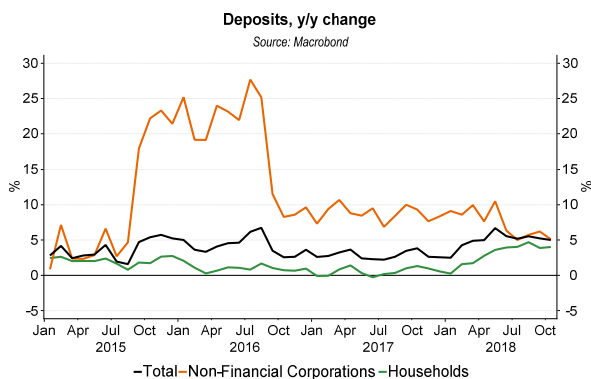
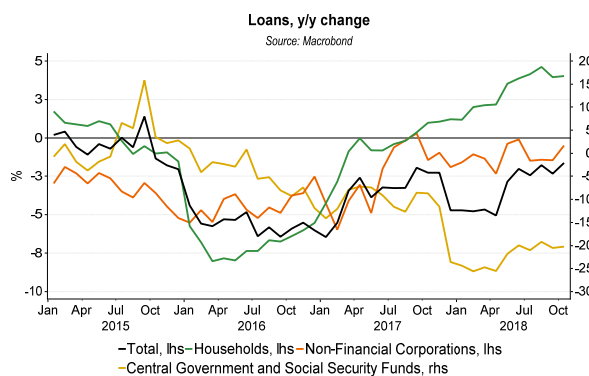
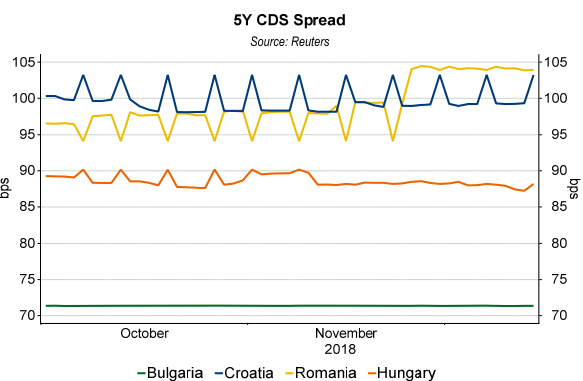
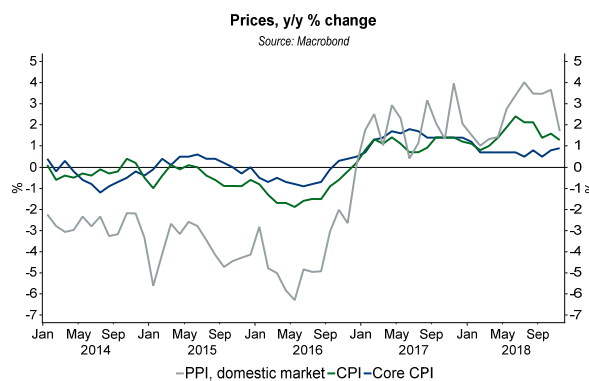
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





RESEARCH OFFICE

Ivana Jović

Ana Lokin

Ivan Odrčić

TREASURY

Eugen Bulat

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