

# PBZ Weekly Analysis

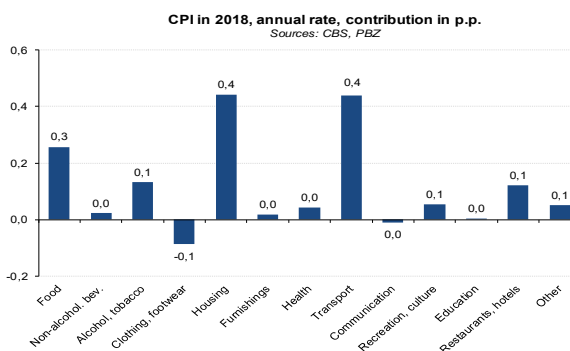
## Number 634, January 21, 2019

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## Weekly overview

The average annual inflation rate in December 2018 slowed down to +0.8% (from +1.3% the month before), mainly under the impact of lower prices of fuels and lubricants for personal transport equipment (-0.8%, due to a drop in the crude oil prices). At the same time, the strongest contribution to the overall growth came from higher prices in the category Housing, water, electricity, gas and other fuels (+2.2%),

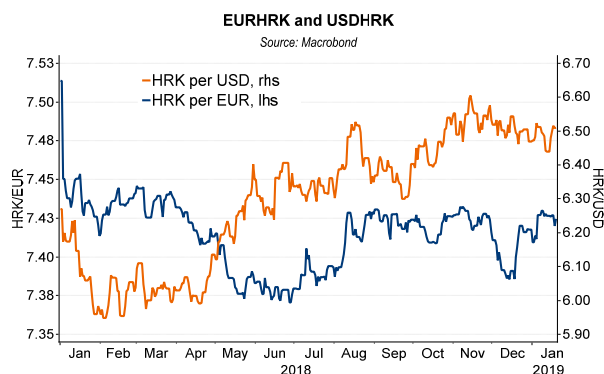
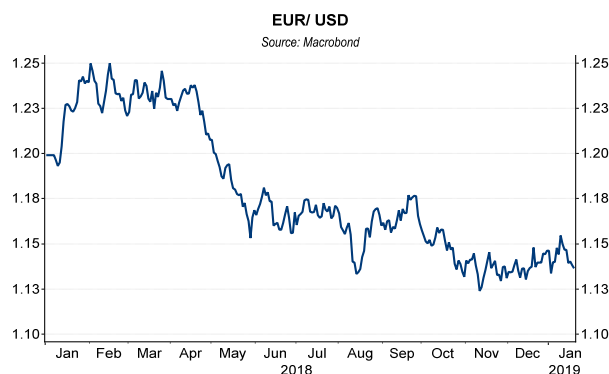
specifically, higher prices of solid fuels (+9.9%), refuse collection (+6.1%) and water supply (+2.8%). At the month-over-month level, consumer prices decreased by 0.8% in December, mainly owing to 3.1% lower prices in the category Transport and 5.9% lower prices of clothing and footwear (due to seasonal sales). For the whole last year, consumer prices rose by an average of 1.5% yoy (+1.1% in 2017), where the largest positive contribution (+0.4 p.p.) came from 2.7% higher prices in the category Housing (of which electricity +4.1%, refuse collection +9.3% and water supply +2.8%), also, 3.5% higher prices of Transport (+0.4 p.p.) and Food (+0.3 p.p. i.e. +1.0%, of which mostly oils and fats by +3.7%). A slightly more moderate contribution to the overall increase (of +0.1 p.p.) of consumer prices last year also came from the categories Alcoholic beverages and tobacco (+2.8%), Recreation and culture (+0.9%), Restaurants and hotels (+3.0%, of which restaurants, cafes and similar establishments +3.3% and accommodation services +2.7%) as well as Miscellaneous goods and services (+0.7%). On the other hand, no contribution of the remaining categories (Non-alcoholic beverages, Furnishings, Health, Communication, Education) was recorded or the contribution was moderately negative (-0.1 p.p., Clothing and footwear). The core inflation rate in 2018 thus amounted to an average of slightly lower +0.8% yoy.



## Dollar stronger against euro, domestic market calm

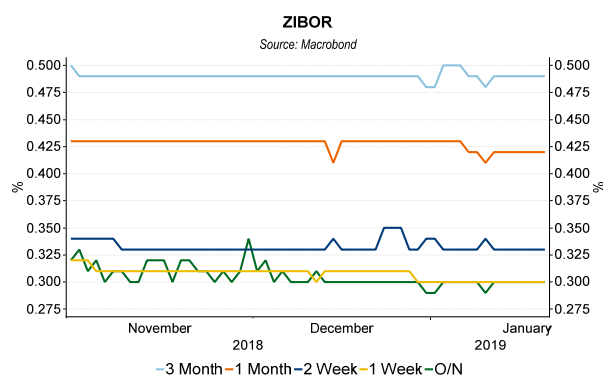
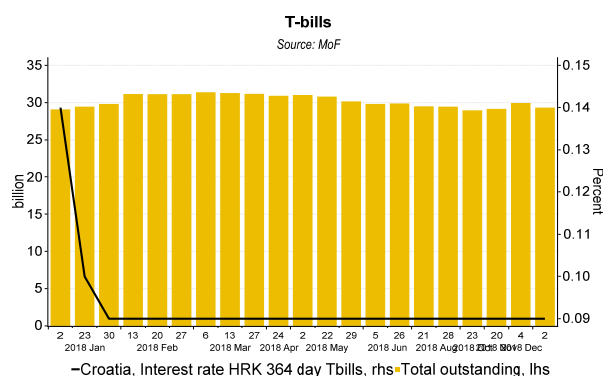
Increased concerns of investors over the slowdown in the Eurozone resulted in the strengthening of the dollar against the euro by 0.9% wow last week, therefore trading on Friday closed at 1.14 dollar to the euro.

A calm period in the domestic FX market has continued, so the mid-exchange rate on Friday amounted to 7.4246 kuna to the euro, which is unchanged wow. The kuna simultaneously weakened against the dollar by 1.1% and the exchange rate rose to 6.5099 kuna to the dollar. This week, we expect trading in the range 7.41-7.45.



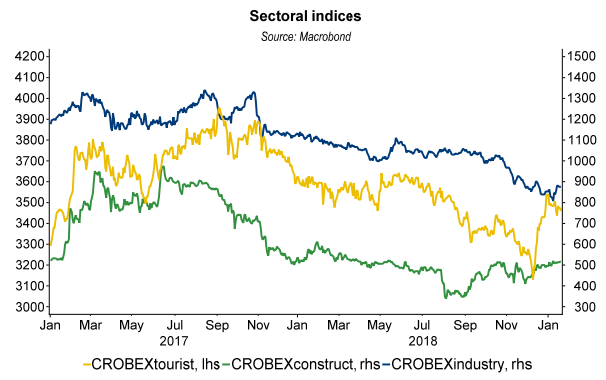
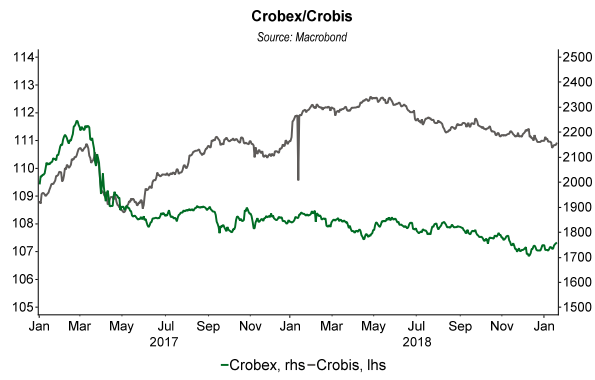
## Excess liquidity unchanged

Excess liquidity remained at the previous week's level, around 34-35 billion kuna and interest rates stayed the same (overnight Zibor 0.30%, 1M 0.42%, 3M 0.49%). There was no activity at the regular reverse repo auction of CNB or on ZMM. This week, 1.4 billion kuna in one-year kuna T-bills matures and the auction with the planned 1.1 billion kuna has been announced.



## Crobex back in positive territory

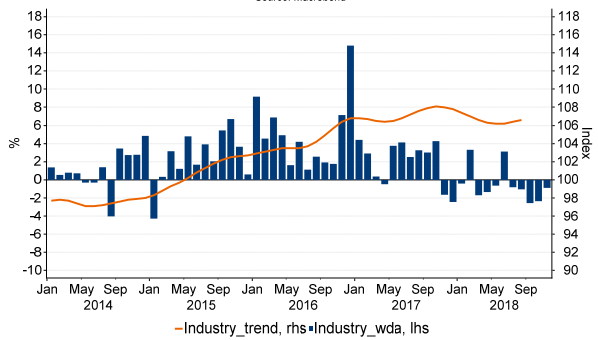
The Crobex Index closed last week at 1,759.33 points, which is an increase of 1.4% wow, while Crobis simultaneously rose to 0.2% (to 111.93 points). As regards sector indices, CROBEXindustry rose by 2.6% on Friday versus the Friday before (to 877.86 points), CROBEXconstruct advanced by 0.5% (to 516.78 points), whereas CROBEXtourist stagnated wow (3,461.49 points). Last week, the total ZSE turnover amounted to 727.2 million kuna, up by 4.7% versus the week before, due to an increase in the turnover in bonds of 4.7% (to 705.7 million kuna) and the turnover in shares of 4.7% (to 21.5 million kuna).



# Statistics

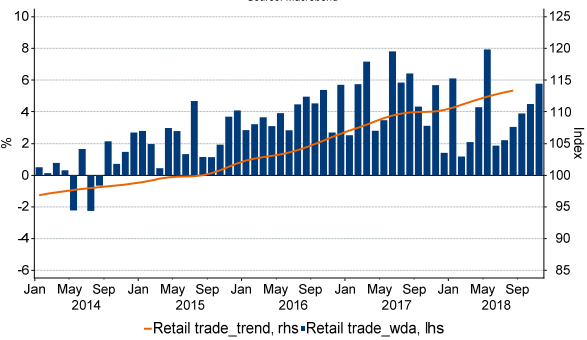
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



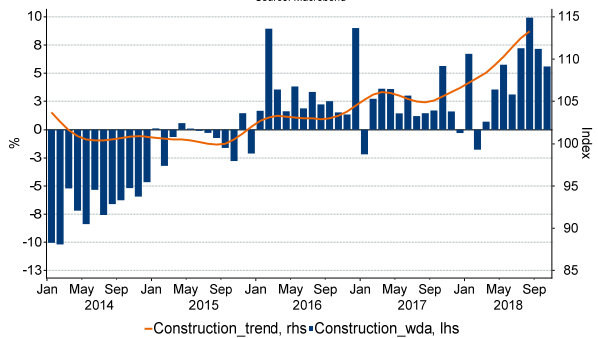
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



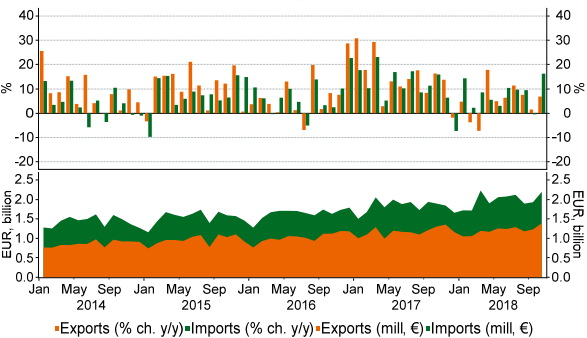
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



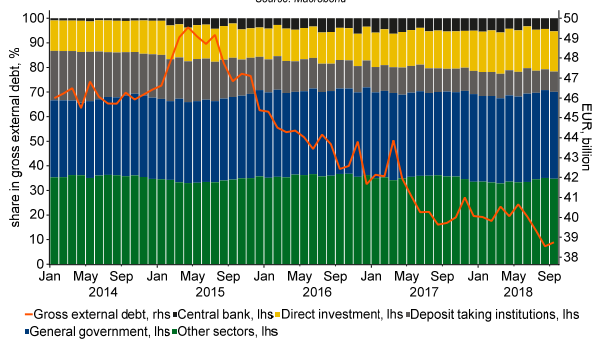
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



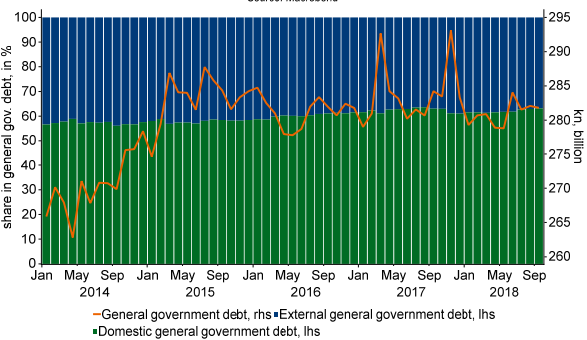
Gross external debt

Source: Macrobond



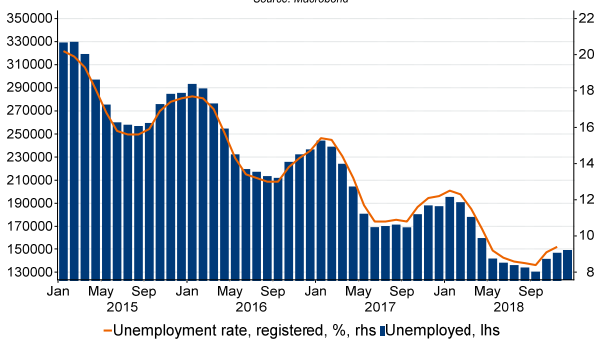
General government debt

Source: Macrobond



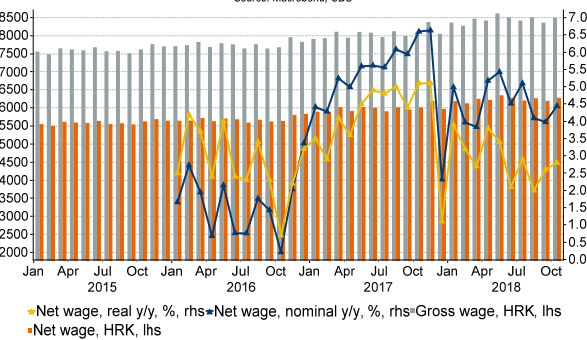
Total number of unemployed and unemployment rate

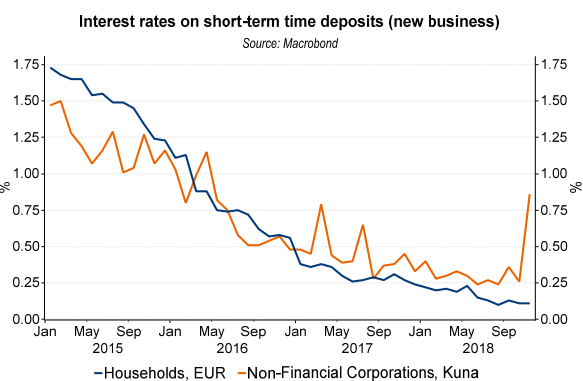
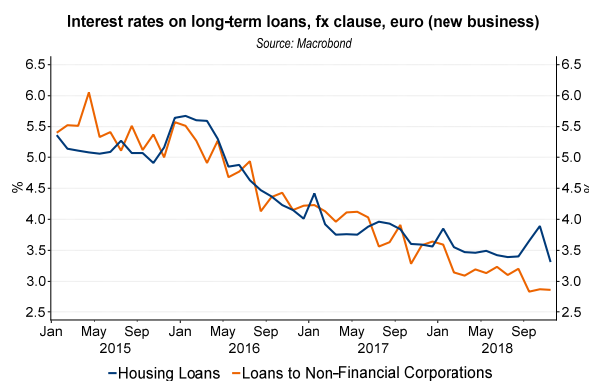
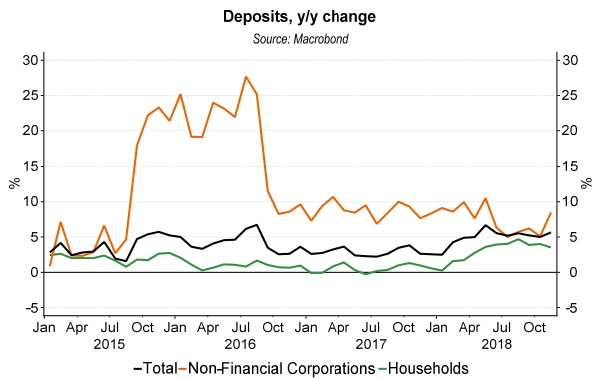
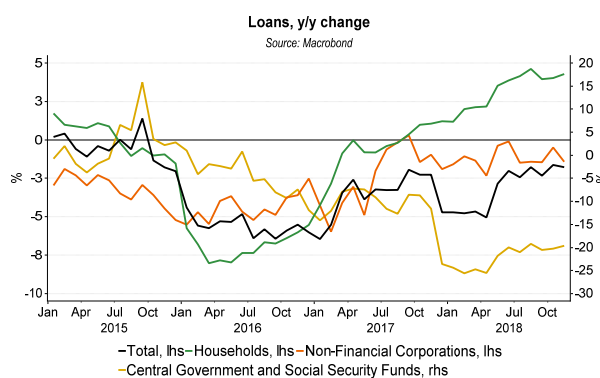
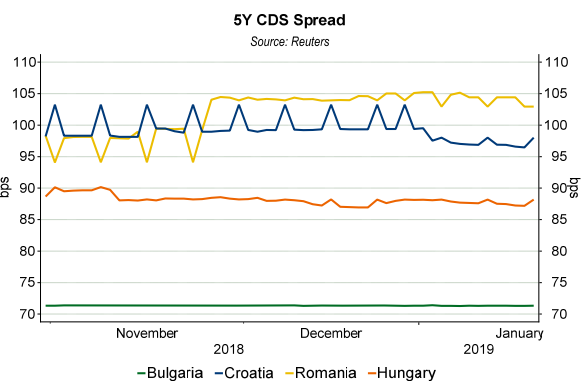
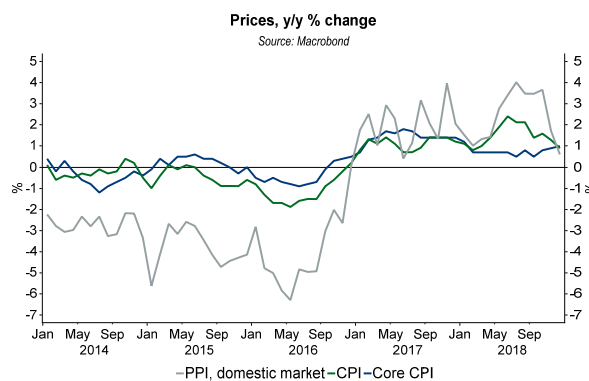
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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#### **TREASURY**

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