

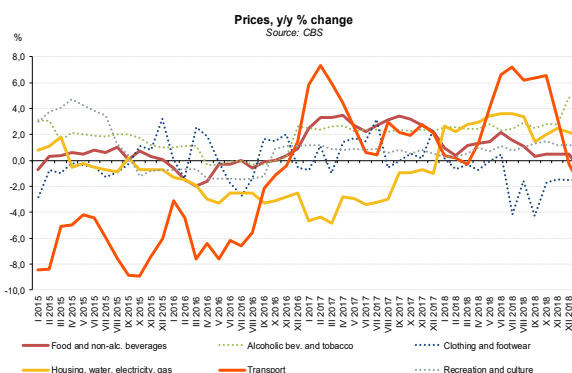
PBZ Weekly Analysis

Number 639, February 25, 2019

- Weekly overview (p. 1)
- Dollar and kuna mildly weaker (p. 1)
- Money market calm (p. 1)
- Crobex again in positive territory (p. 2)
- Statistics (pp. 3-4)

Weekly overview

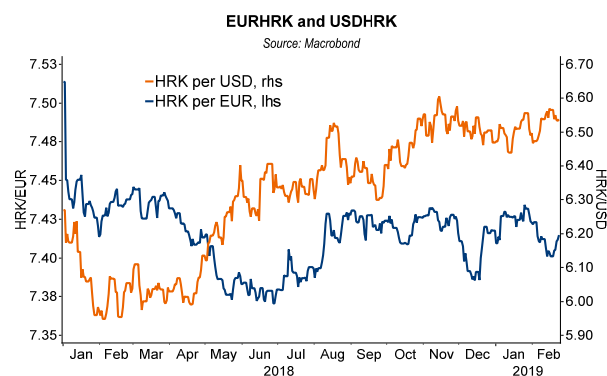
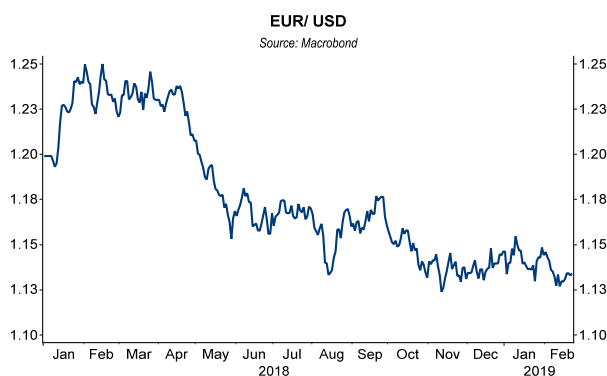
The increase in consumer prices yoy slowed down in January 2019 to 0.2% (from +0.8% in December 2018), reaching the lowest level since the last month of 2016 (+0.2%), mostly due to a decrease in the prices in the categories Food (-0.9%, of which meat -3.5% and fruit -9.9%) and Transport (-1.9%, of which fuels and lubricants for personal transport equipment by -4.1%), which is mostly a result of lower VAT rates for some food items and lower prices of crude oil (the average Brent crude oil price per barrel dropped in January by 13.2% yoy). The monthly level shows a decline in the consumer price index of 0.9% in January, mainly as a result of a decrease in the prices of Clothing and footwear (-13.0%, due to seasonal sales). The twelve-month average in January decreased to +1.4% (from +1.5% in December), whereas the average core inflation rate decreased to +0.6% yoy (from +1.0% in December).



Dollar and kuna mildly weaker

Last week saw a correction of the EUR/ USD exchange rate, therefore trading on Friday closed above 1.13 dollar to the euro, i.e. up by 0.4% wow.

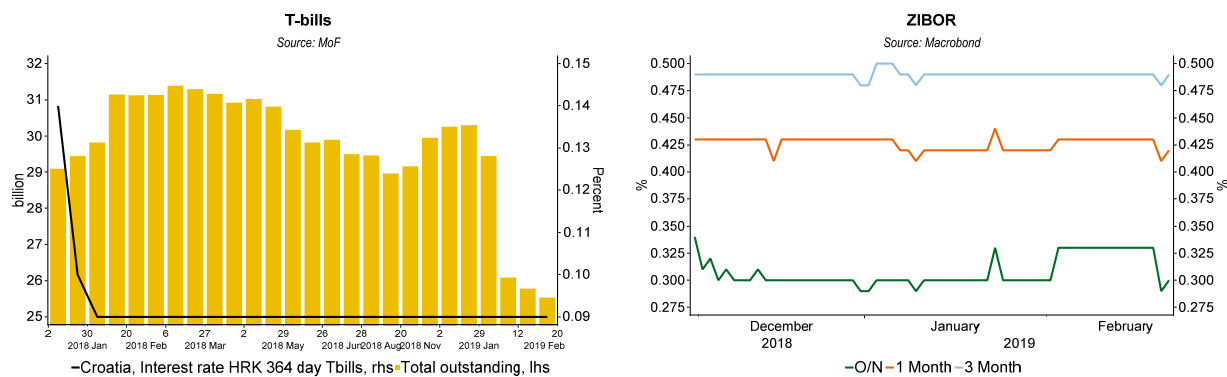
As the corporate sector performance results and the forthcoming dividend payment have been announced, the HRK/EUR exchange rate moderately increased. The mid-exchange rate on Friday rose by 0.2% wow, reaching 7.4147 kuna to the euro. The kuna simultaneously strengthened by 0.4% against the dollar and the mid-exchange rate declined to 6.5374 kuna to the dollar. This week, we expect a continuation of the same trend and trading in the range 7.41-7.44 kuna to the euro.



Money market calm

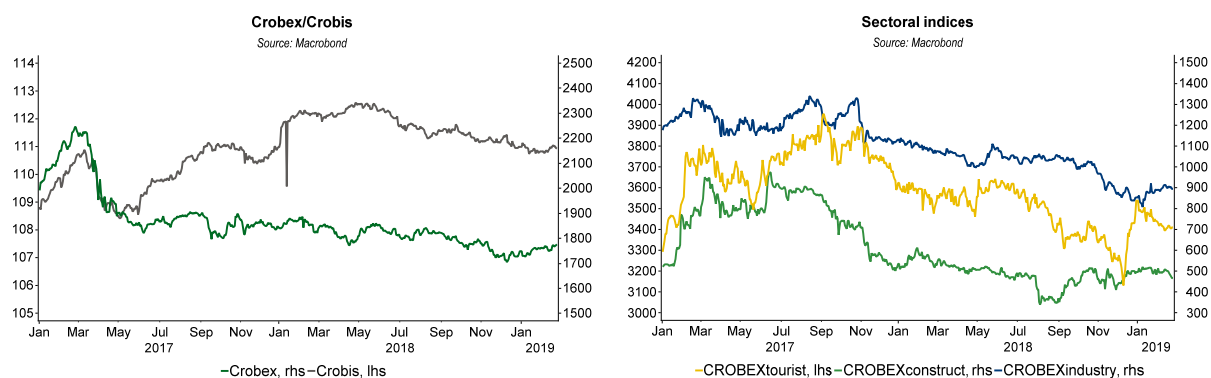
Last week, excess liquidity remained at 34 billion kuna. Accordingly, there was no activity at the repo auction, while ZMM saw a low turnover of 19 million kuna. The overnight Zibor decreased by 3 b.p. wow (to 0.30%), 1M by 1 b.p. (to 0.42%), whereas 3M stayed at 0.49%. At the T-bill auction, 1.5 billion

kuna matured and a total of 0.2 billion kuna in six-month kuna (at a 0.06% interest rate) and 1.1 billion kuna in one-year kuna T-bills (at a 0.09% interest rate) were issued. Thus the government debt under T-bills decreased to 25.5 billion kuna. This week, 1.5 billion kuna matures again and the auction with the planned 1.0 billion kuna has been announced.



Crobex again in positive territory

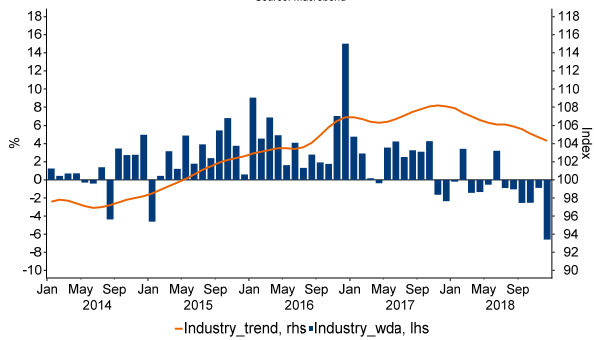
The total ZSE turnover amounted to 200.4 million kuna last week, which is down by 20.8% versus the week before, due to a decline in the turnover in bonds of 23.7% (to 173.4 million kuna), while the turnover in shares rose by 4.5% (to 27.0 million kuna). The Crobex Index closed last week at 1,776.30 points, i.e. up by 0.4% wow, while Crobis simultaneously decreased by 0.1% (to 110.93 points). Sector indices ended in negative territory, of which CROBEXconstruct dropped by 6.6% wow (to 466.93 points), CROBEXindustry by 1.1% (to 894.82 points) and CROBEXtourist by 0.2% (to 3,410.36 points).



Statistics

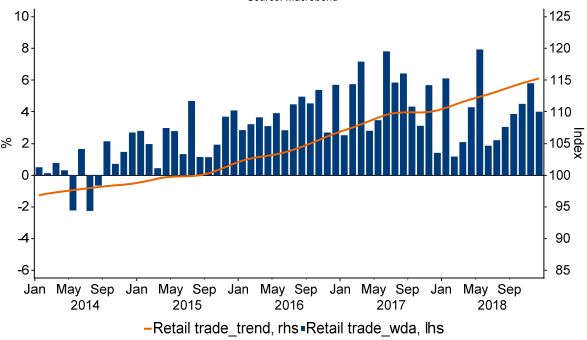
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



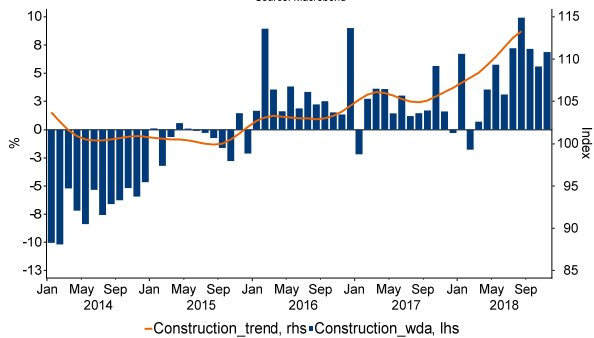
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



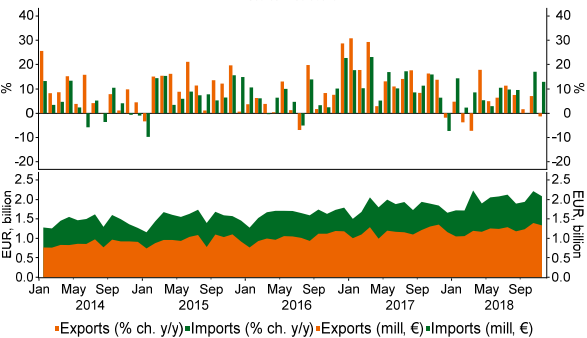
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



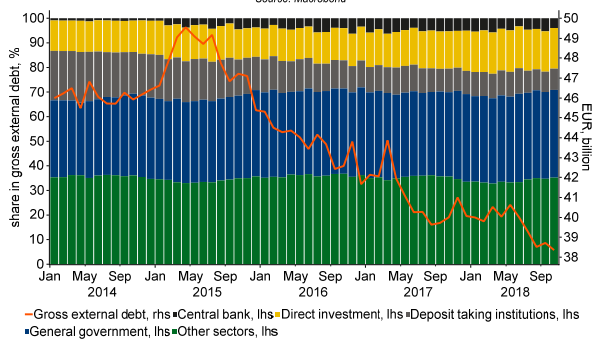
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



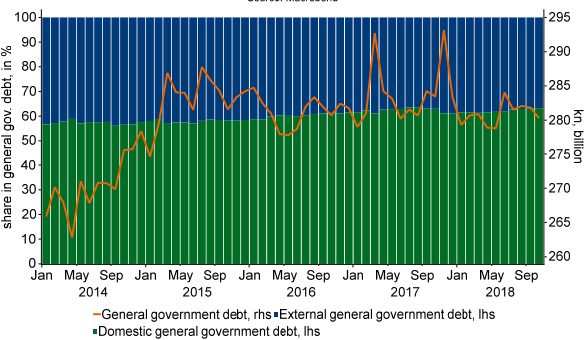
Gross external debt

Source: Macrobond



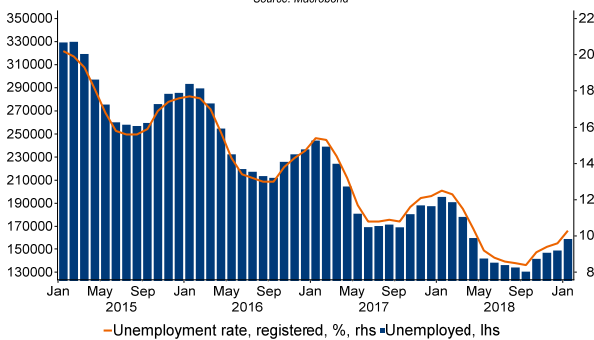
General government debt

Source: Macrobond



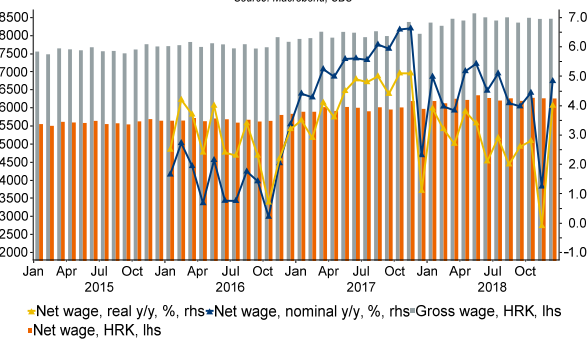
Total number of unemployed and unemployment rate

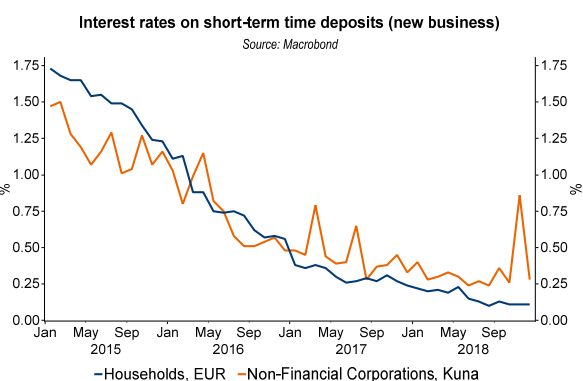
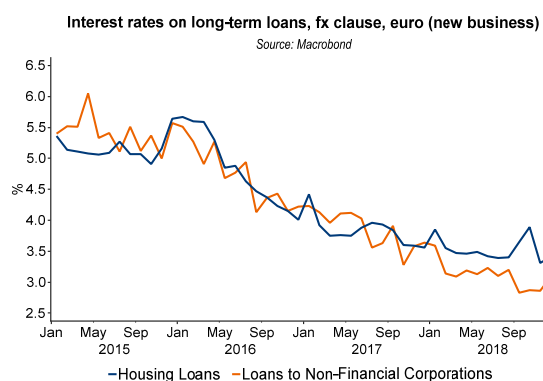
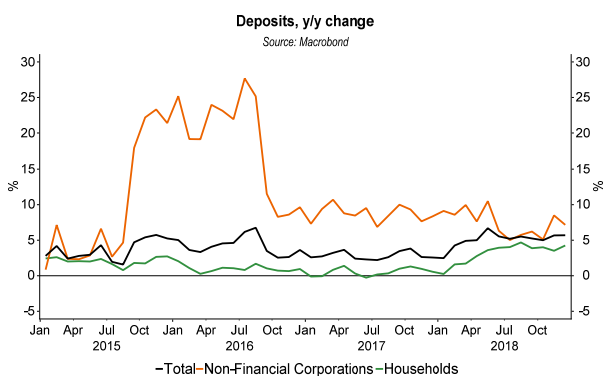
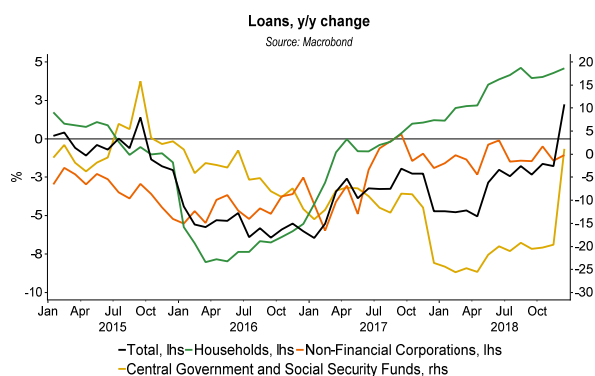
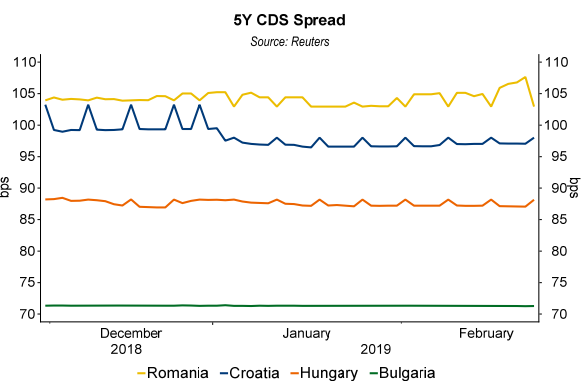
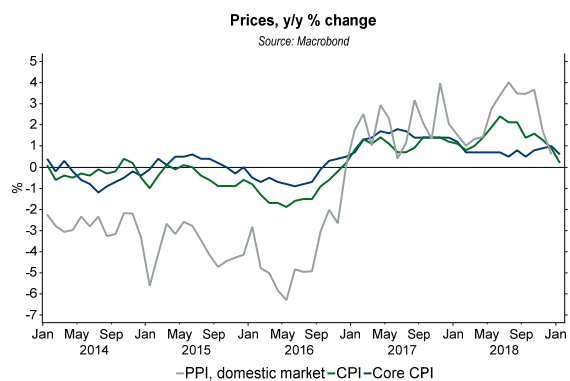
Source: Macrobond



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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