

PBZ Weekly Analysis

Number 643, March 25, 2019

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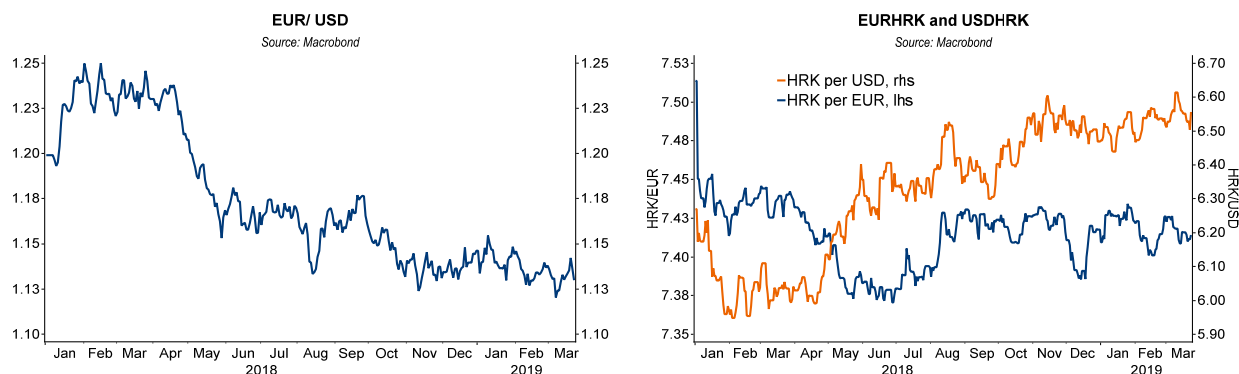
Weekly overview

- The average monthly net earnings per person in paid employment in legal entities for December amounted to 6,262 kuna, which is a nominal increase of 4.8% yoy and a real increase of 4.0%. Thereby, the largest nominal increase was recorded in Administrative and support service activities (+12.2%, of which primarily in employment activities, +14.9%), Agriculture, forestry and fishing (+7.8%, of which fishing +10.6%) and Wholesale and retail trade (+7.4%). The average gross earnings (HRK 8,469) in the same month increased by 5.2% yoy in nominal terms and 4.4% in real terms. Over the entire last year, the average net earnings amounted to 6,242 kuna, which is an increase of 257 kuna or 4.3% versus 2017, where the largest increase was recorded in Administrative and support service activities (+12.0%, of which Office administrative and office support activities by +15.8%), Agriculture, forestry and fishing (both by +6.5%) and Wholesale and retail trade (+6.1%), while the lowest increase was recorded in the category Water supply; sewerage, waste management and remediation activities (+1.3%). In real terms, the average net earnings in 2018 rose by 2.8% yoy, which is a considerably slower growth versus the growth in 2017 (+4.2%). The average gross earnings thereby reached 8,448 kuna last year, which is a yoy growth of 4.9% in nominal terms and 3.3% in real terms, respectively. This year, we anticipate a further rise in wages, partly supported by labour market developments, where an increase in employment and a decrease in unemployed persons is recorded, but also an emigration trend and absence of labour force in some economic sectors. We expect additional boost to the growth of wages from administrative changes to personal income tax, increased minimum wages and growth of government and public sector wages.
- On Friday, Standard & Poor's Credit Agency upgraded Croatia's both FX and domestic currency rating to BBB- (from BB+), with a stable outlook, which also indicates a move from speculative to investment rating. The report of S&P, also reveals that the upgrade in the rating is a result of better fiscal indicators, backed by the economic growth and fiscal consolidation measures implemented by the authorities.

Fed surprises, kuna unchanged

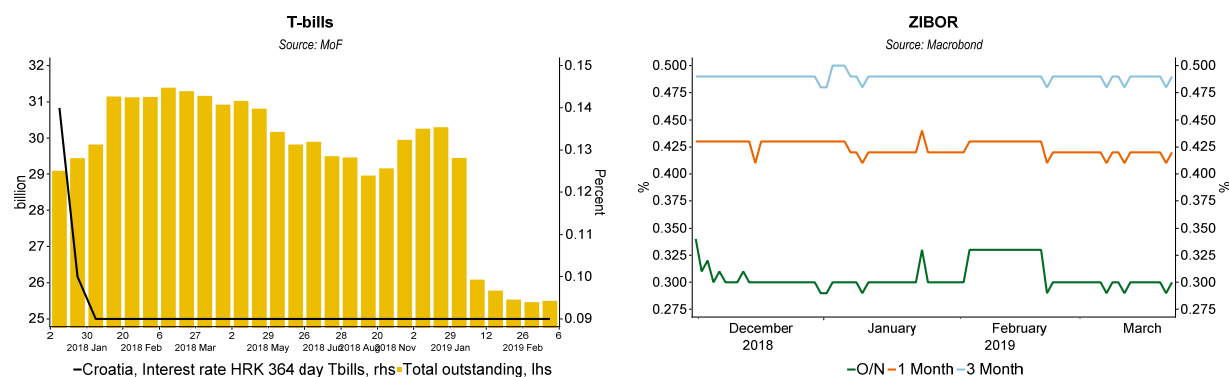
Fed surprised the markets at its last meeting by removing reference to further key interest rate hikes this year. At the same time, the Fed also indicated a possibility of only one rate hike in 2020. After the meeting, the dollar initially weakened against the euro to 1.14, however, towards the end of the week, the exchange rate was corrected and trading on Friday closed at 1.13 dollar to the euro, down by 0.2% wow.

A calm period in the domestic market has continued. The mid-exchange rate of the kuna against the euro amounted to 7.4140 on Friday, which is almost unchanged wow, while the kuna against the dollar weakened moderately by 0.1% to 6.5565 kuna to the dollar. This week, we anticipate trading in the range 7.41-7.43 kuna to the euro.



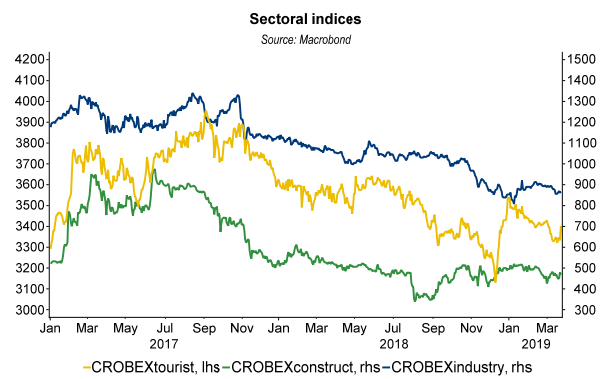
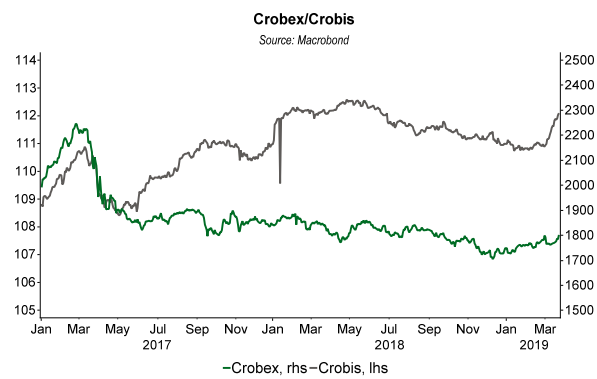
Money market calm

Excess liquidity remained at 34 billion kuna, interest rates stagnated (the overnight Zibor at 0.30%, 1M at 0.42%, 3M at 0.49%), whereas ZMM saw a turnover of 20 million kuna. There was no maturity of T-bill auction last week, while 414 million kuna matures this week and the auction with the planned 400 million kuna has been announced.



Crobex in positive territory

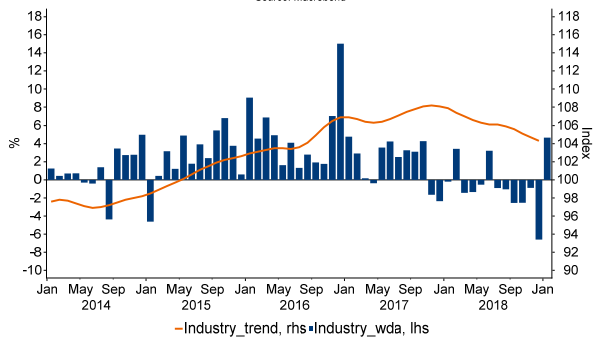
The total ZSE turnover amounted to 307.6 million kuna last week, which is up by 5.7% versus the week before, due to a 24.7% higher turnover in shares (reaching 57.5 million kuna) and a 2.2% higher turnover in bonds (250.1 million kuna). The Crobex Index closed last week at 1,801.45 points, showing an increase of 1.8% wow, whereas Crobis advanced by 0.2% (to 112.10 points). As regards sector indices, CROBEXconstruct declined by 0.1% wow (to 469.00 points), whereas CROBEXindustry (868.09 points) and CROBEXtourist (3,403.09 points) climbed by 1.4% and 1.8%, respectively.



Statistics

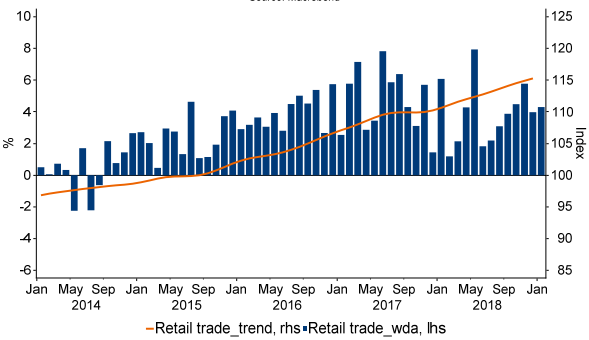
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



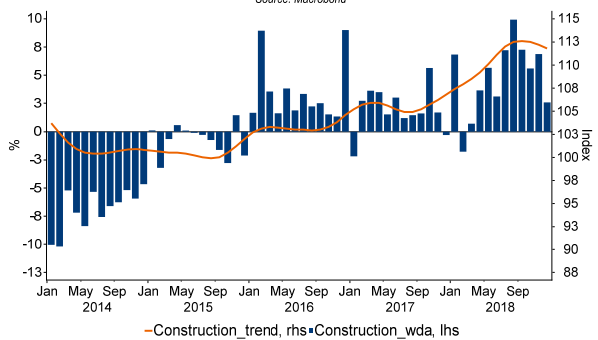
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



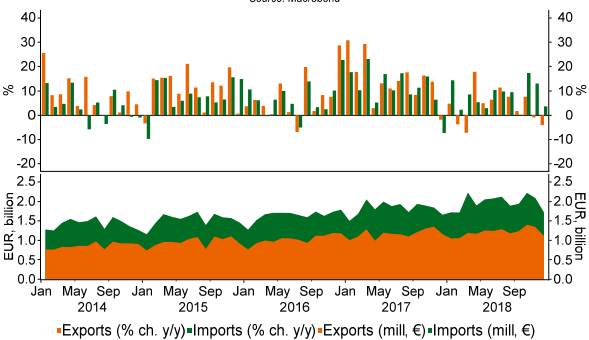
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



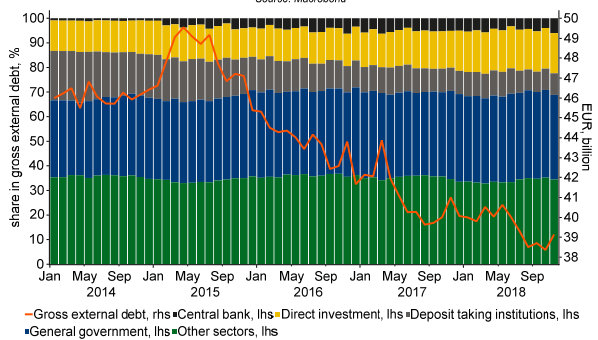
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



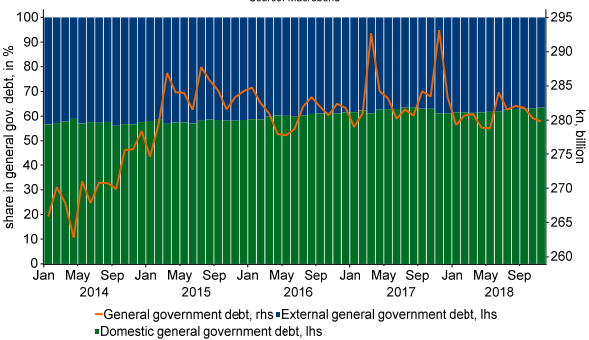
Gross external debt

Source: Macrobond



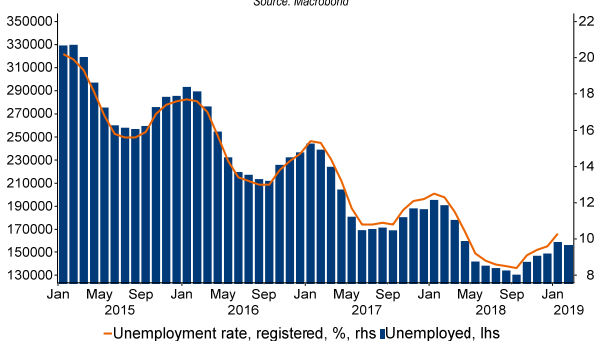
General government debt

Source: Macrobond



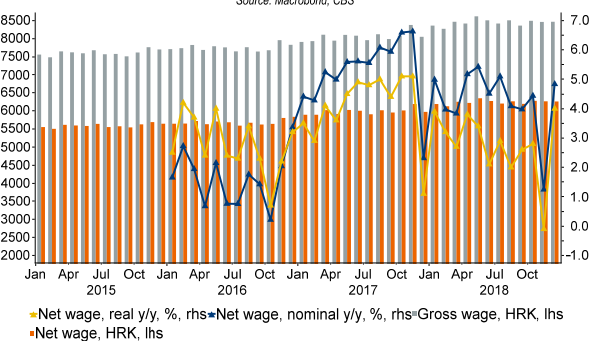
Total number of unemployed and unemployment rate

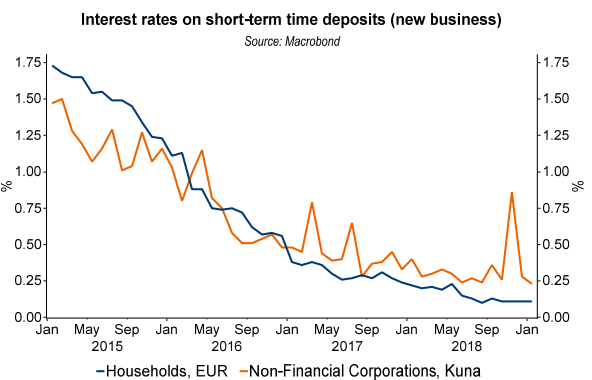
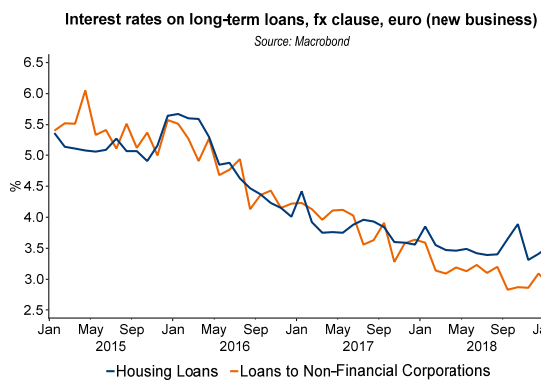
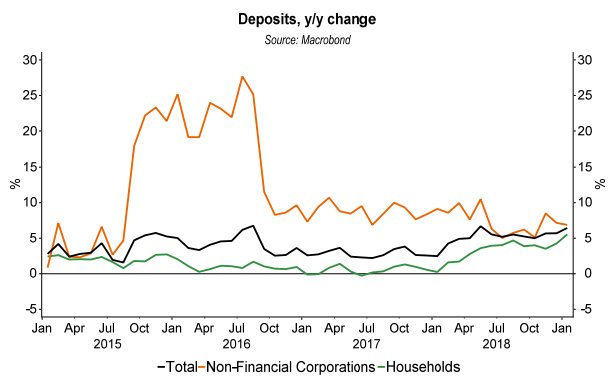
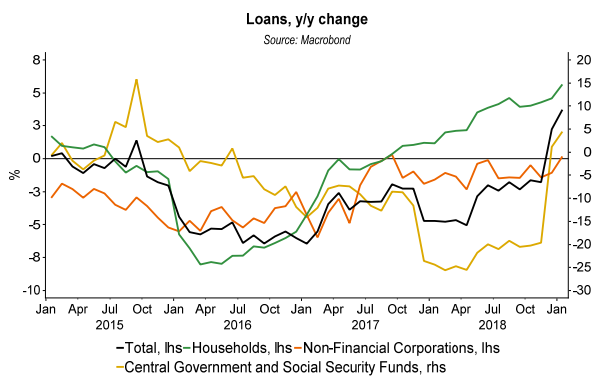
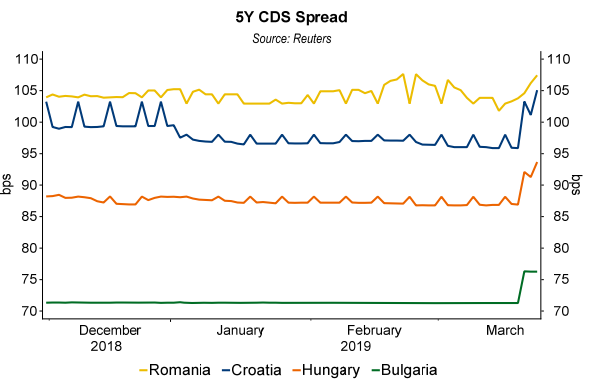
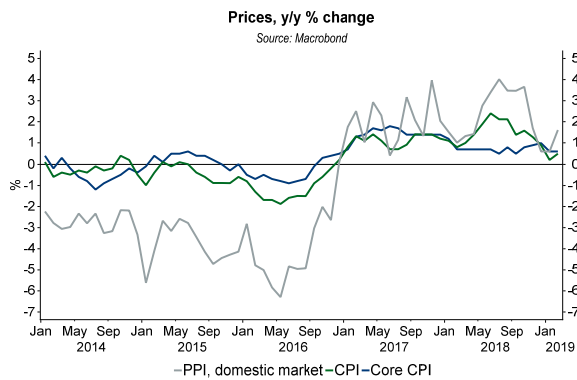
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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