

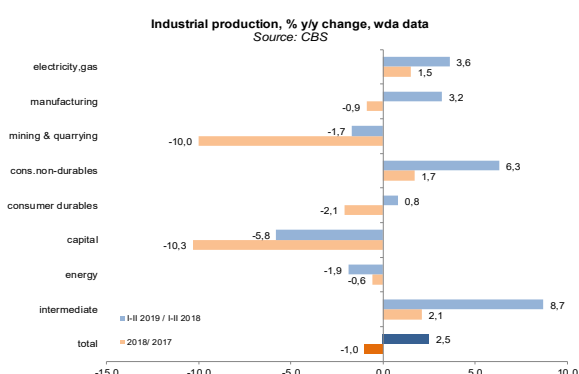
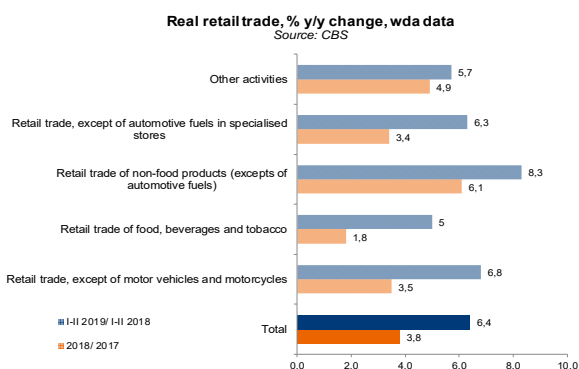
PBZ Weekly Analysis

Number 645, April 8, 2019

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Weekly overview

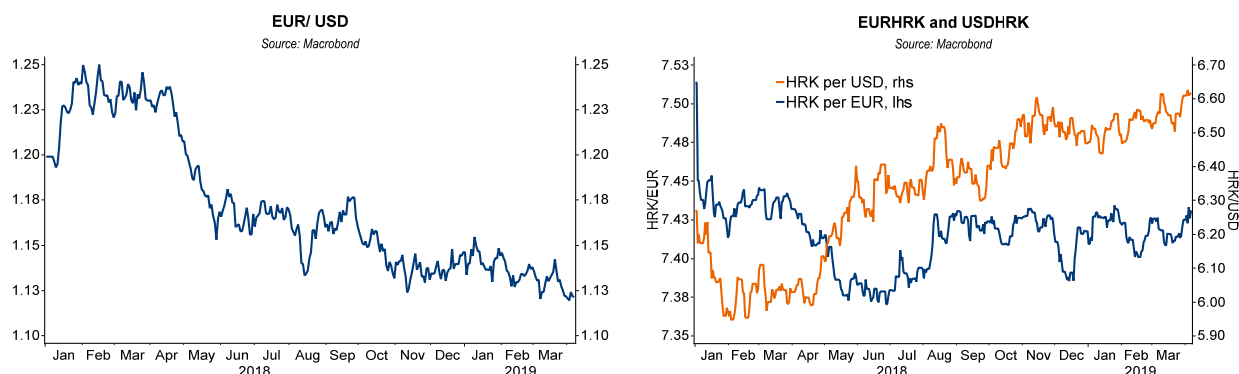
- The total retail trade turnover in February yoy (wda) increased by 8.7% in real terms, the highest level recorded since August 2007, when the annual growth amounted to +10.5%. The breakdown by the main activity of business entities reveals that in February, the highest yoy real growth was registered by the Retail trade in non-food products (+12.6%), while the Retail trade in food, beverages and tobacco grew by 5.3%. Over the first two months this year, the real retail trade turnover climbed by 6.4% versus the same period last year, partly supported by positive developments in the labour market (the number of unemployed persons decreased by 18.4% over the first two months, while the number of employed persons increased by 2.2% yoy) and an increase in wages (the average net earnings in January rose in real terms by 3.2% yoy), where a slightly higher growth was recorded in retail trade in non-food products (+8.3%) versus the retail trade in food, beverages and tobacco (+5.0%).
- The industrial production volume in February increased by 0.6% yoy (wda), which is a substantially lower increase versus the beginning of the year when the total yoy IP growth amounted to +4.6%. The breakdown by structure reveals that the largest impact on the yoy growth of the industrial production volume in February was recorded by Manufacturing (80.8% share in total IP), the activity of which rose by 2.6%, mostly owing to the manufacture of other non-metallic mineral products (+16.9%) and coke and refined petroleum products (+35.2%). Although significantly weaker, a positive contribution to the total IP growth also came from a 0.6% higher production in Mining and quarrying (4.9% share), whereas the production in Electricity, gas, steam and air conditioning supply (14.3% share) decreased by 5.7% yoy. In cumulative terms, the total industrial production in 2019 advanced by 2.5% yoy, which is a slightly faster growth compared with the first two months of 2018 (+1.6%), where such trends may be attributed to the increase in the activities in Manufacturing of 3.2% (particularly the manufacture of basic pharmaceutical products and pharmaceutical preparations, followed by the manufacture of other non-metallic mineral products, food and computer, electronic and optical products) and a 3.6% increase in the activities in Electricity, gas, steam and air conditioning supply.



Dollar stable, kuna continues a slight downward trend

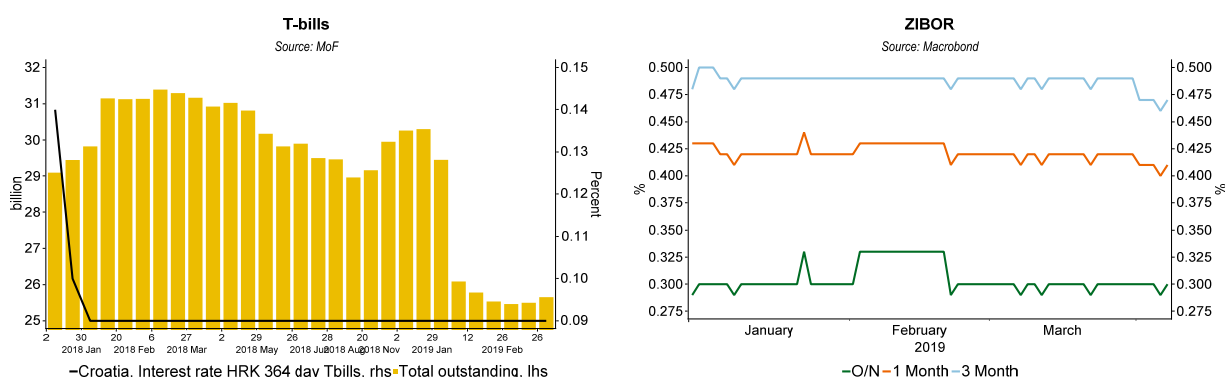
Last week, moderate fluctuations of the dollar against the euro were recorded and trading closed at 1.12 dollar to the euro on Friday, unchanged wow.

A slight increase in the EUR/HRK exchange rate has continued, thus the exchange rate on Friday recorded 7.4310, which is up by 0.1% wow. The kuna weakened against the dollar with the same intensity, therefore the exchange rate rose to 6.6183 kuna to the dollar. We do not expect major exchange rate fluctuations this week, with the trading range of 7.41-7.44 kuna to the euro.



Money market unchanged

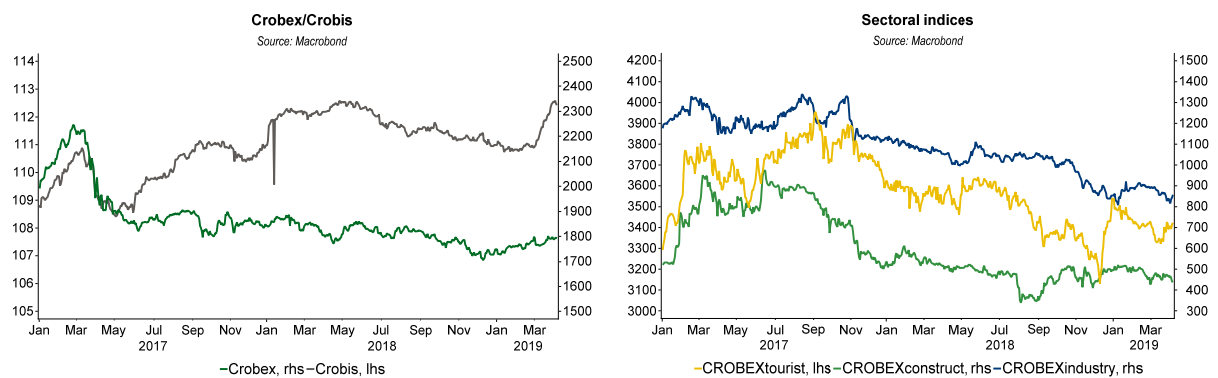
Excess liquidity mildly fell to 33 billion kuna, which resulted in minor changes in the interbank market interest rates. At the end of the week, the overnight Zibor was 0.30%, 1M 0.41% and 3M 0.47%. The ZMM turnover jumped to 1.5 billion kuna, whereas there was no T-bill maturity last week and, therefore, no auction. The next maturity is scheduled for 25 April.



Crobex again in negative territory

The total ZSE turnover amounted to 168.8 million kuna last week, down by 71.0% versus the week before, due to a drop in the turnover in bonds of 77.9% (to 118.6 million kuna), while the turnover in shares rose by 12.4% (to 50.2 million kuna). The Crobex Index closed last Friday down by 0.3% wow, decreasing to 1,792.29 points, while Crobis simultaneously declined by 0.1% (to 112.43 points). As

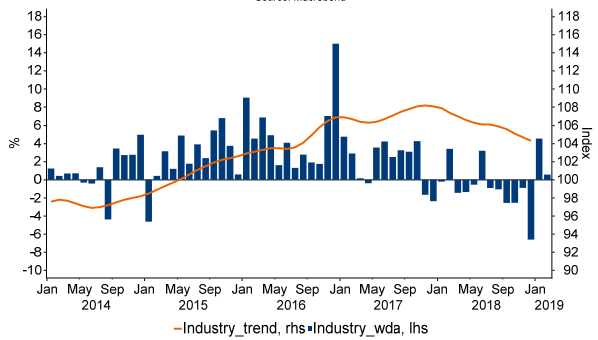
regards sector indices, CROBEXconstruct declined by 6.8% wow (to 438.54 points), whereas CROBEXindustry (857.46 points) and CROBEXtourist (3,423.32 points) climbed by 2.0% and 0.9%, respectively.



Statistics

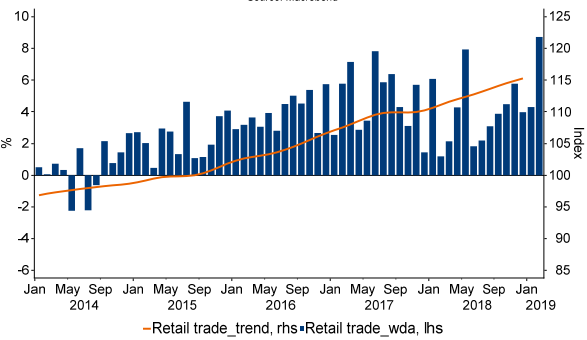
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



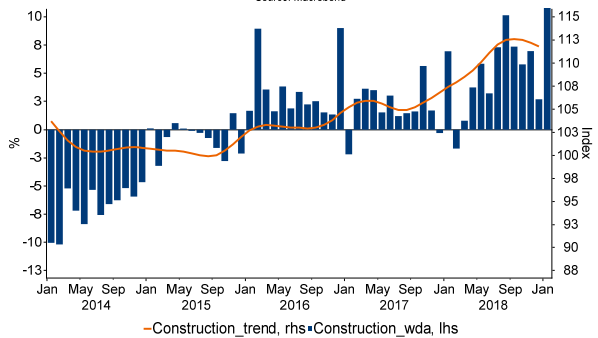
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



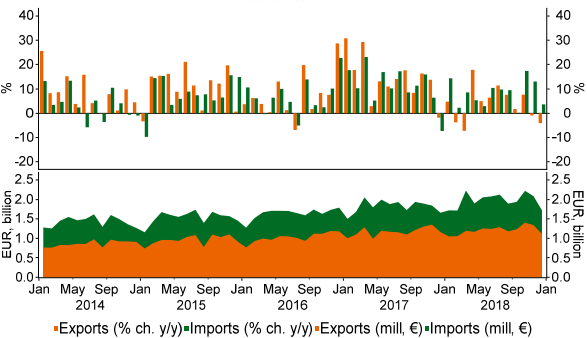
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



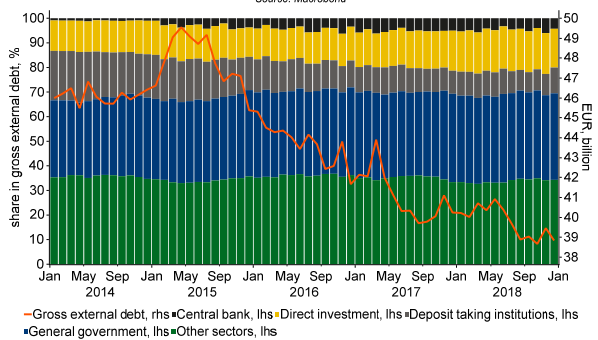
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



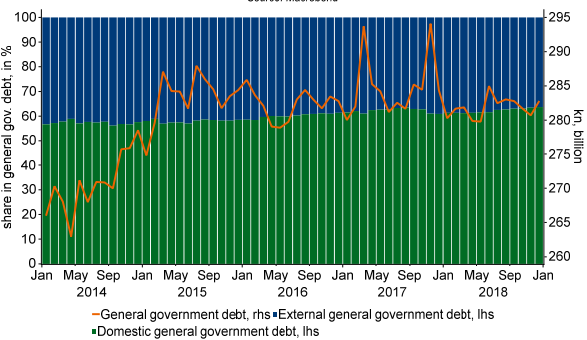
Gross external debt

Source: Macrobond



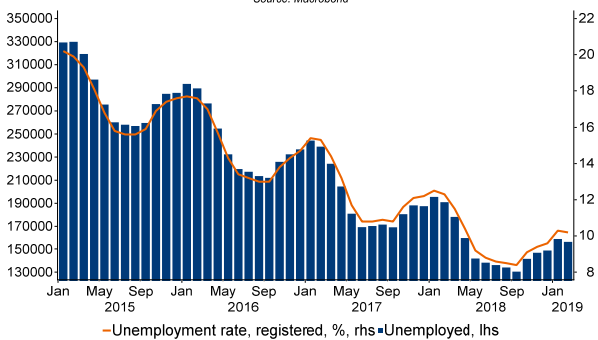
General government debt

Source: Macrobond



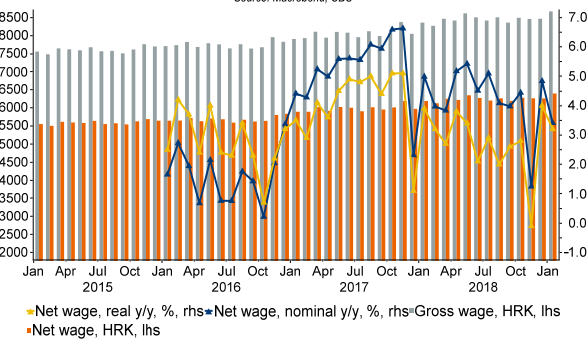
Total number of unemployed and unemployment rate

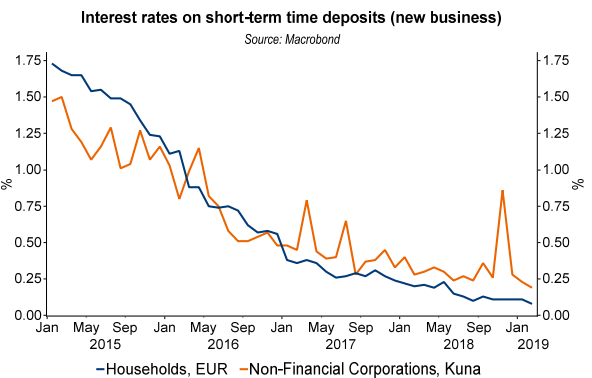
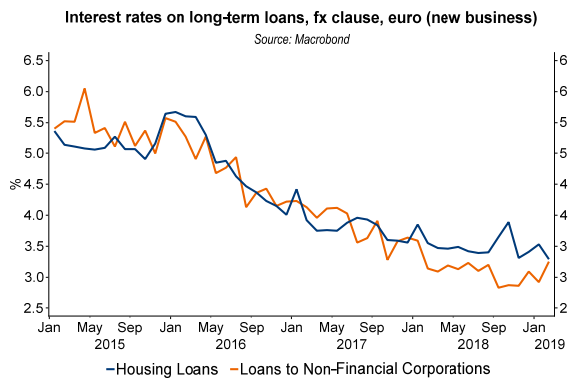
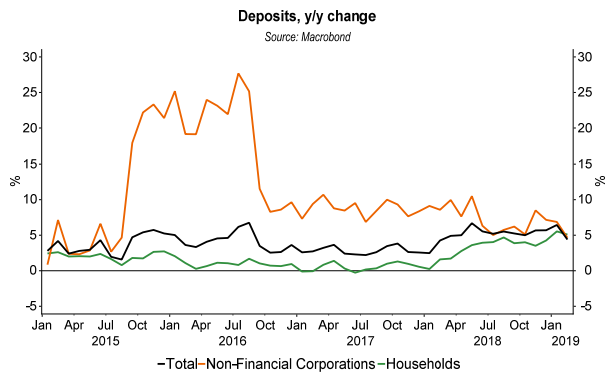
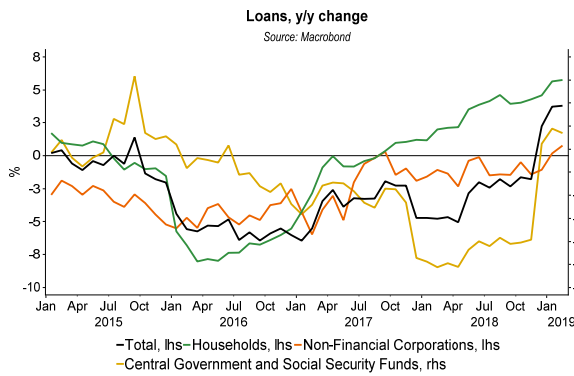
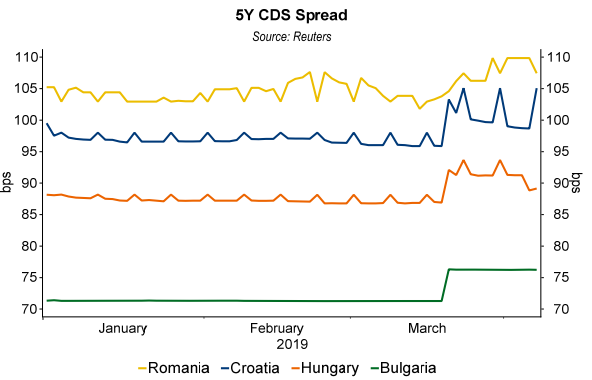
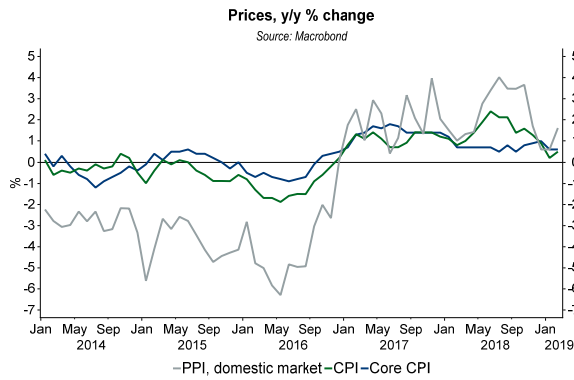
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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