

# PBZ Weekly Analysis

## Number 647, April 29, 2019

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## Weekly overview

The total volume of construction works in February rose by 14.3% yoy (wda), which was positively affected by an increase in both the activities on buildings (+14.3%) and in the civil engineering works (+18.4%), where the yoy growth in the civil engineering works volume reached the highest level since October 2003 (+19.2%), thereby suggesting a substantial increase in investments in infrastructural project. At the month-over-month level (seasonally and working-day adjusted), the total volume of works declined by 2.1%, of which the activities on buildings by 4.2% and the civil engineering works by 0.7%. Over the first two months this year, the civil engineering works volume climbed by 15.1% yoy, which is a significantly faster increase in the activities versus the first two months of 2018 (when the yoy growth amounted to +2.4%). An equally positive impact on the relatively high growth of total activities in construction during the first two months of 2019, was recorded by an increase in the activities on buildings (+14.8%) and the civil engineering works (+15.6%), while, partly, it is a result of higher demand of citizens for residential property, construction of tourist accommodation establishments, higher-value public investments and the use of EU funds. The data of the Croatian Pension Insurance Institute indicate a further recovery of the sector, according to which the number of the insured persons in the category Construction during the first quarter this year rose by 7.3% yoy, i.e. to an average of 109.5 thousand. On the other hand, the number of issued building permits over the first two months of 2019 recorded a more moderate increase of 2.9% yoy, while the value of the works from these permits rose by 22.3% (to a total of 4.3 billion kuna).

## Dollar and kuna strengthen against the euro

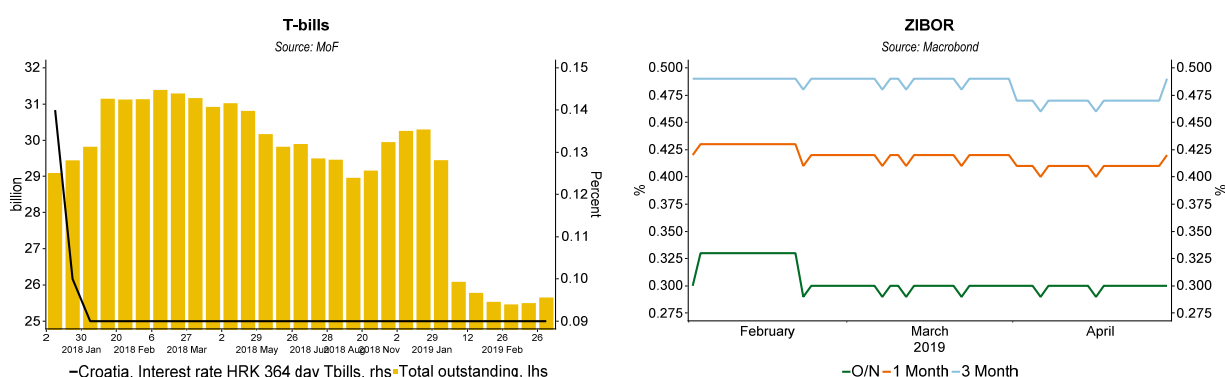
Favourable economic data in the USA, but slightly weaker in the Eurozone resulted in the strengthening of the dollar against the euro and a decrease in the exchange rate below 1.12, due to which the dollar appreciated against the euro by 0.7% wow.

Owing to last week's higher FX inflows, the kuna strengthened and the exchange rate fell to 7.4120 kuna to the euro at the end of the week, which is down by 0.3% wow. At the same time, the kuna weakened by 0.7% against the dollar and the exchange rate rose to 6.6553 kuna to the dollar. This week, we expect trading in the range 7.40-7.45 kuna to the euro.



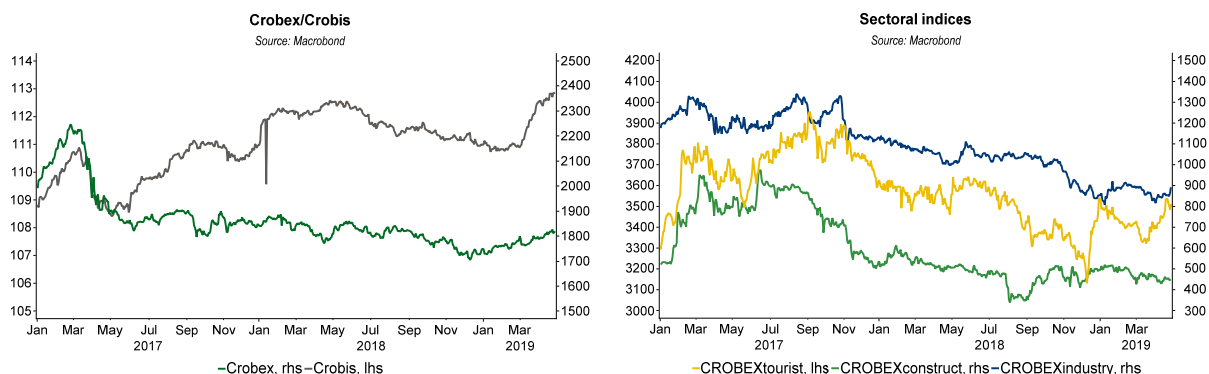
## Interest rates on T-bills reduced

Last week, interbank market interest rates remained the same, i.e. only minor changes were recorded, therefore the overnight Zibor stagnated at 0.30%, 1M increased by 1 b.p. to 0.42% and 3M by 2 b.p. to 0.49%. Excess liquidity was around 35 billion kuna, there was no activity at the repo auction of CNB and the ZMM turnover reached 40 million kuna. A total of 1.2 billion kuna in one-year kuna T-bills were subscribed and, as 0.7 billion kuna matured, the government debt under T-bills advanced to 26.1 billion kuna. After more than one year of standstill, the interest rate on T-bills decreased by 1 b.p. to 0.08%.



## Turnover down, Crobex mildly up

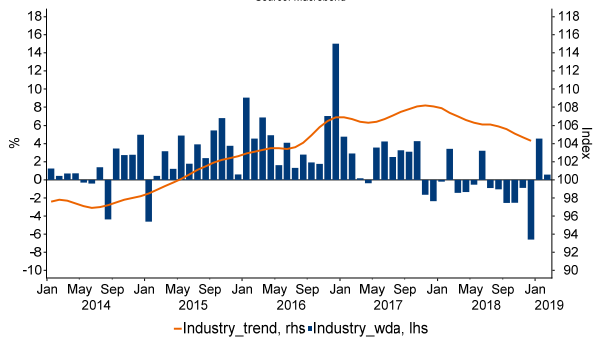
The total ZSE turnover over the last week's four trading days amounted to 93.8 million kuna, which is down by 30.5% wow, due to a 30.7% lower turnover in shares (reaching 35.2 million kuna) and a 30.3% lower turnover in bonds (58.6 million kuna). The Crobex Index closed last Friday at 1,819.86 points, which is an increase of 0.1% wow, whereas Crobis stagnated (112.87 points). Simultaneously, as regards sector indices, CROBEXindustry climbed by 4.5% wow (to 892.35 points), while CROBEXconstruct (448.30 points) and CROBEXtourist (3,512.13 points) declined by 1.1% and 0.7%, respectively.



# Statistics

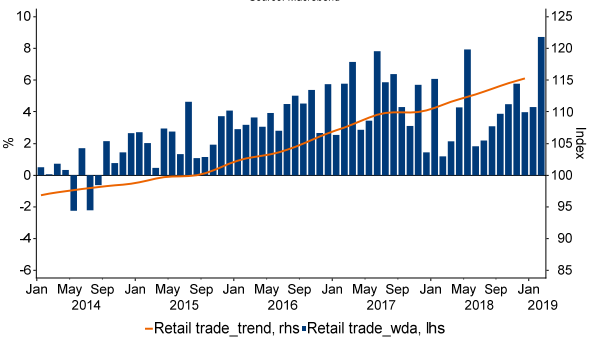
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



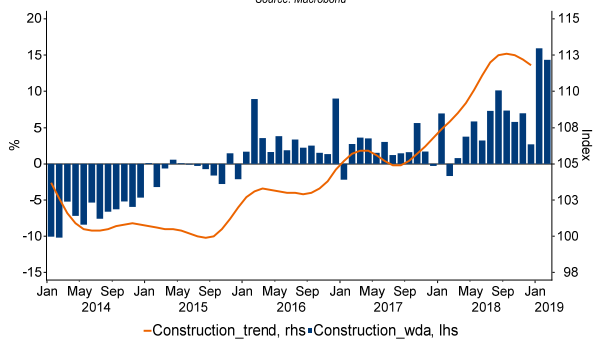
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



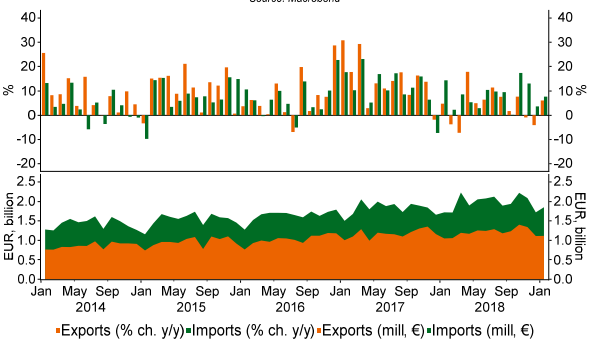
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



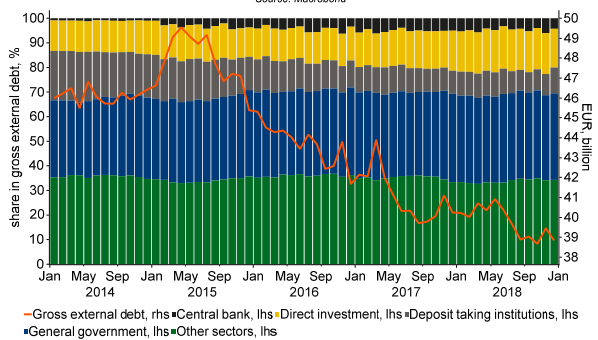
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



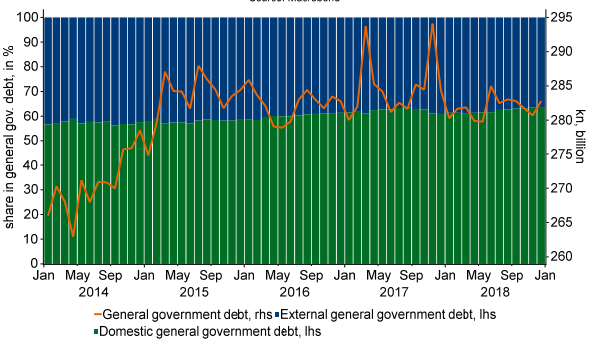
Gross external debt

Source: Macrobond



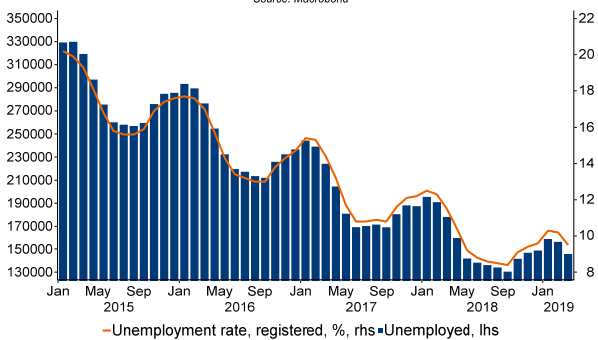
General government debt

Source: Macrobond



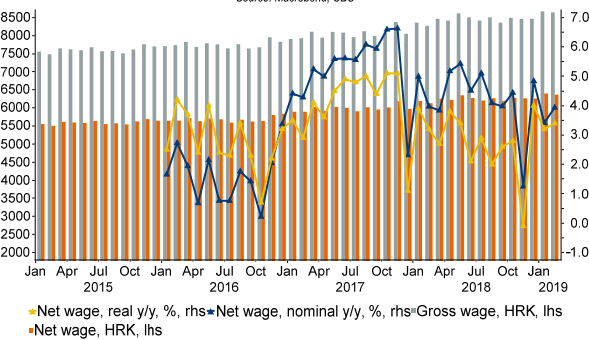
Total number of unemployed and unemployment rate

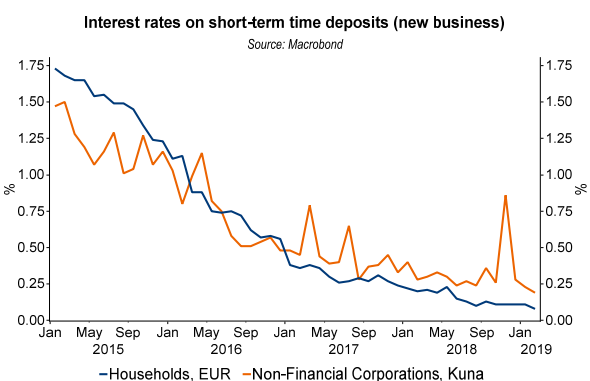
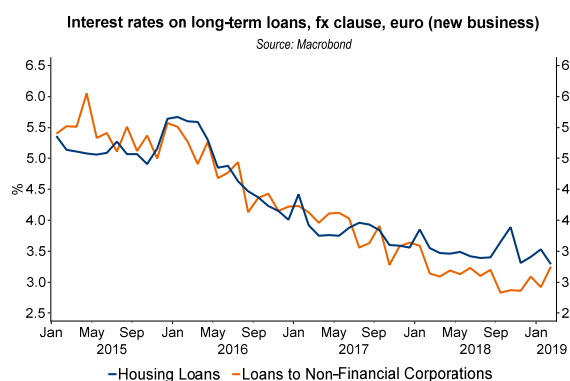
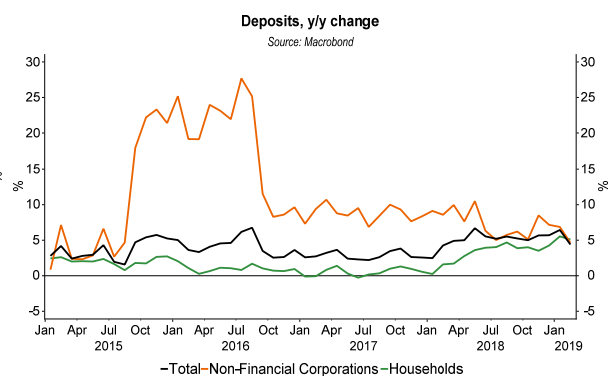
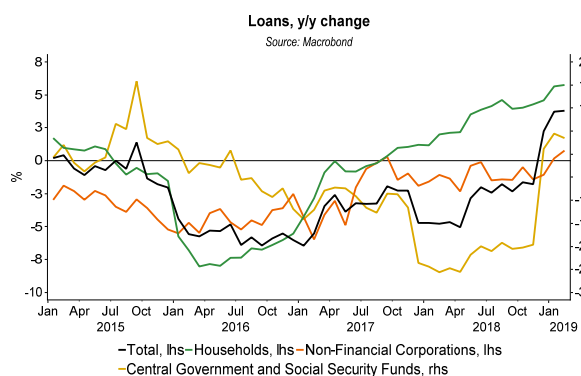
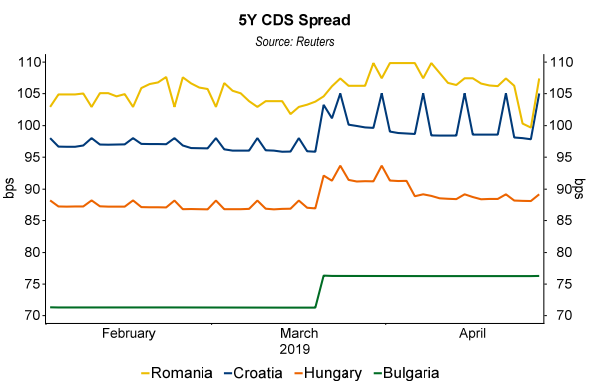
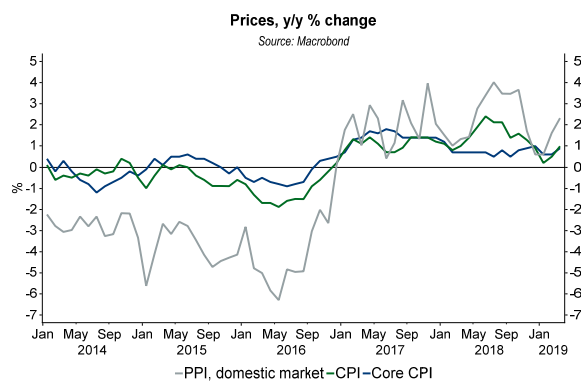
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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#### **TREASURY**

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