

PBZ Weekly Analysis

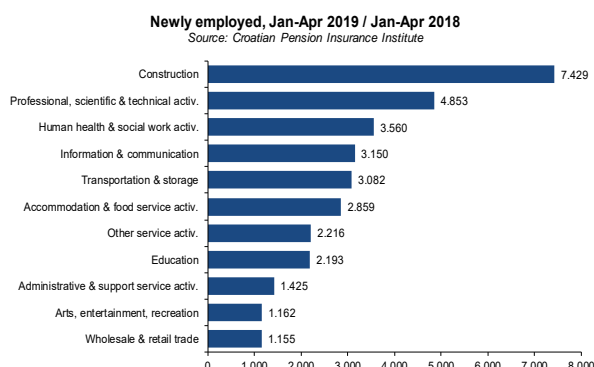
Number 651, May 27, 2019

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Weekly overview

According to the data of the Croatian Pension Insurance Institute, the total number of active insured persons was 1,546 million at the end of April 2019, which is an increase of 2.1% yoy and 1.6% mom (31.4 and 24.3 thousand newly employed, respectively). The total number of insured persons grew month-over-month due to a 15.0% increase in Accommodation and food service activities (contribution of 1 p.p.), which

reflects the beginning of the tourist (pre)season, as shown by an increase in insured persons in the categories partly connected to the tourist sector such as Wholesale and retail trade; repair of motor vehicles and motorcycles (+1.2%), Administrative and support service activities (+3.3%, of which travel agency, tour operator reservation services and related activities by +13.6%) as well as Arts, entertainment and recreation (+2.8%). The yoy level shows that the total growth of insured persons is mostly a result of an increase in employment in Construction (+6.9%, of which in the construction of buildings by +7.7%, which is greatly a consequence of higher demand for residential property), Professional, scientific and technical activities (+6.0%) and Accommodation and food service activities (+3.8%). From January to April 2019, the average number of insured persons advanced by 32 thousand, i.e. 2.1% versus the same period of 2018, where the highest contribution to these developments came from the increase in employment in Construction (+7.2%), Professional, scientific and technical activities (+5.7%) and Human health and social work activities (+3.4%). Simultaneously, the number of insured persons decreased only in two categories (according to the National Classification of Activities, out of a total of 22), specifically, Financial and insurance activities (-2.4%) and Public administration and defence; compulsory social security (-1.5%). Over the upcoming months, we expect a slightly slower growth of insured persons (persons in paid employment) yoy, as the number of unemployed persons has reached historically low levels (currently below 120 thousand) and the negative emigration and demographic trends apparently continue, while the import of labour force is limited by the number of granted permits and available outbound markets.



Euro stronger, kuna stable

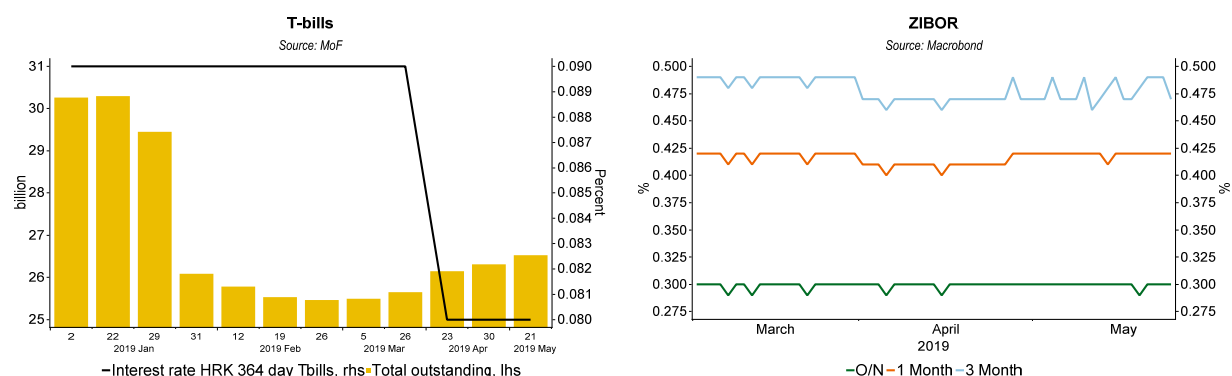
Last week, notes from the last FOMC and ESCB meetings were released. Although the FOMC notes brought no major news, the central Eurozone bank notes revealed the concern of the Council over the weaker growth than expected. The dollar to euro exchange rate was affected mainly by the beginning of elections for the European Parliament, therefore the week closed above the 1.12 level, up by 0.4% wow.

As we expected, the EUR/HRK mid-exchange rate recorded only minor fluctuations last week, amounting to 7.4216 kuna to the euro on Friday, which is almost unchanged wow, whereas the kuna moderately strengthened against the dollar by 0.2% to 6.6323 kuna to the dollar.



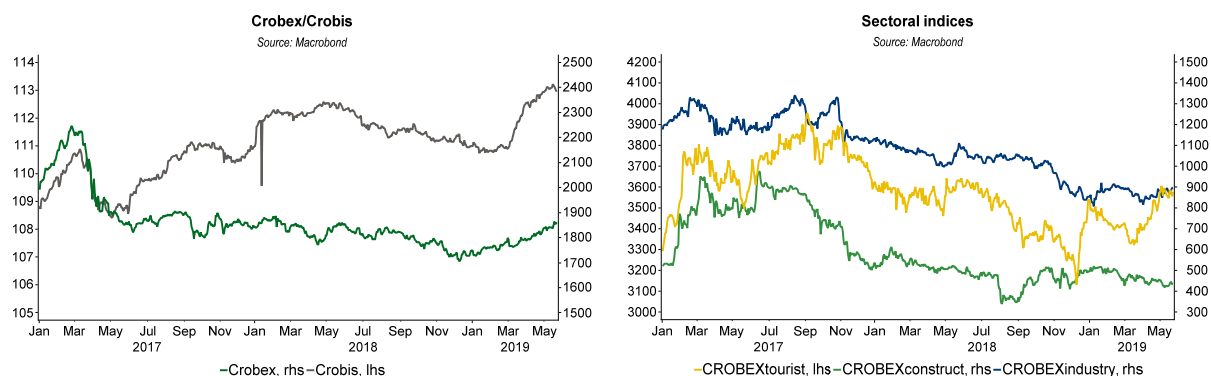
Lower interest rate on 3-month T-bills

The money market stayed calm over the past week again, where excess liquidity rose to 32 billion kuna, interest rates remained unchanged and there were no facilities at the CNB's repo auction and also no ZMM turnover recorded. The T-bill auction saw an issue of 200 million kuna in three-month T-bills at the interest rate of 0.03% (17 b.p. lower from the previous issue), 283 million kuna and 16 million euro in one-year T-bills at the interest rate of 0.08 and 0.00%, respectively. The government debt under T-bills mildly climbed to 26.5 billion kuna. This week, 335 million kuna in T-bills will mature and the auction with the planned issue of 300 million kuna has been announced.



Crobex again in positive territory

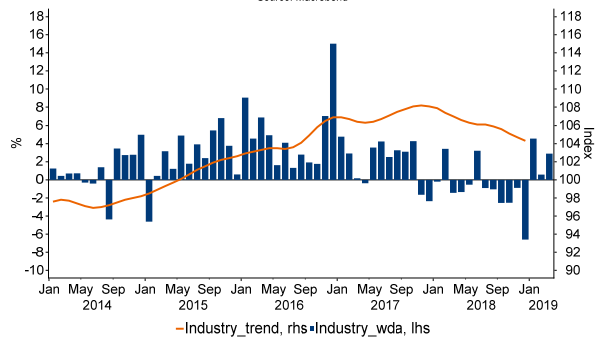
Last week, the total ZSE turnover amounted to 419.7 million kuna, up by 2.2 times versus the week before, due to a 2.9 times higher turnover in bonds (reaching 361.4 million kuna), while the turnover in shares decreased by 12.8% (to 58.2 million kuna). The Crobex Index closed last Friday at 1,876.53 points, showing an increase of 0.6% wow, whereas Crobis simultaneously decreased by 0.2% (to 112.96 points). As regards sector indices, CROBEXconstruct declined on Friday by 2.9% wow (to 431.40 points), whereas CROBEXindustry and CROBEXtourist rose by 4.1% and 0.4%, respectively (to 907.17 and 3,599.59 points).



Statistics

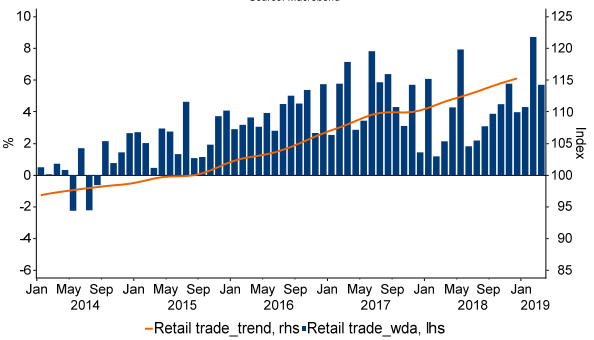
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



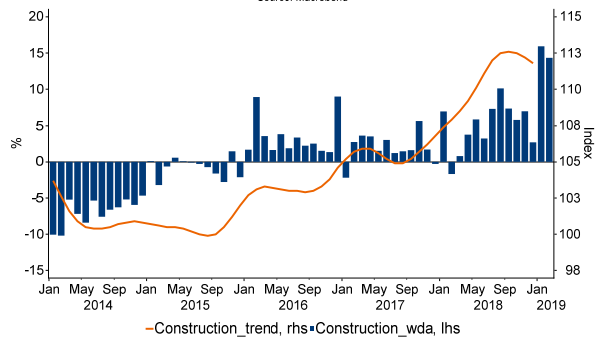
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



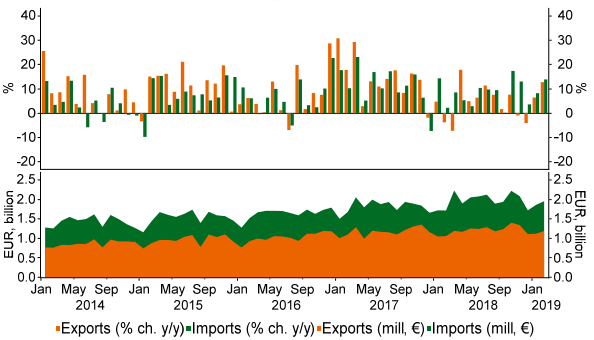
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



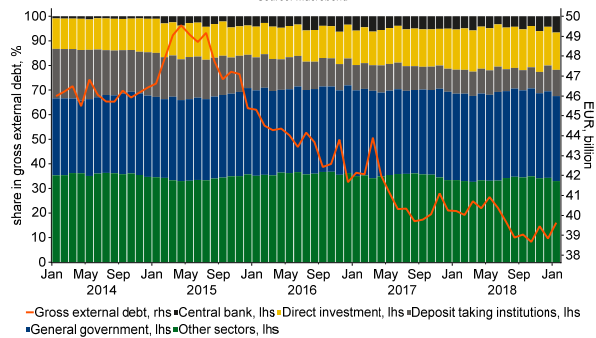
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



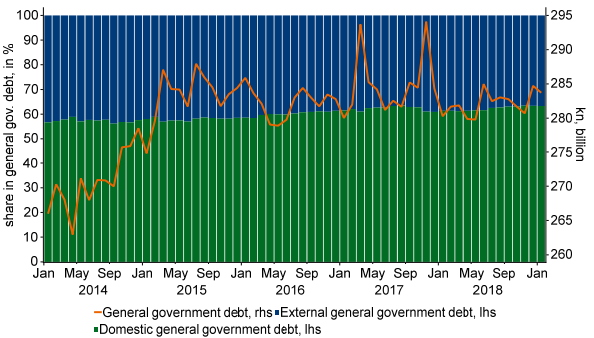
Gross external debt

Source: Macrobond



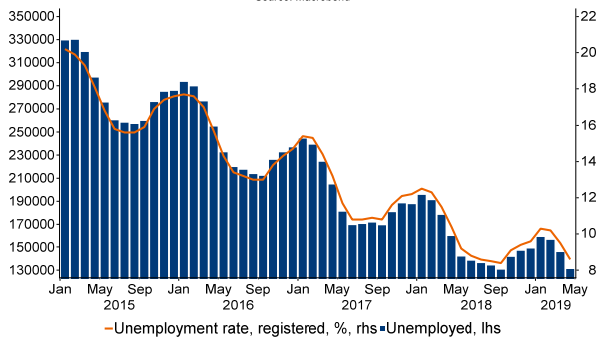
General government debt

Source: Macrobond



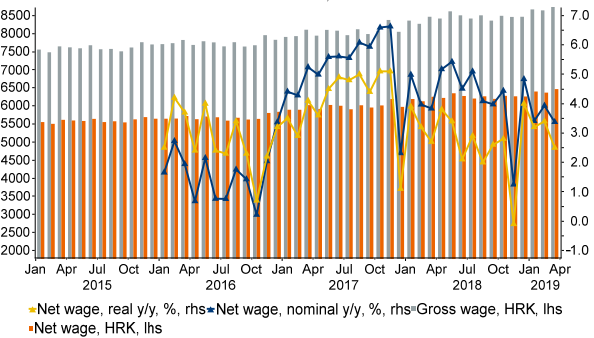
Total number of unemployed and unemployment rate

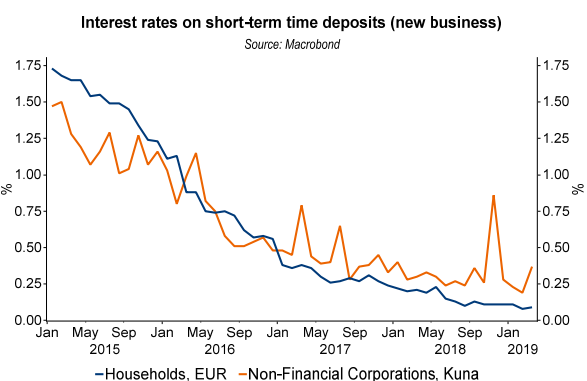
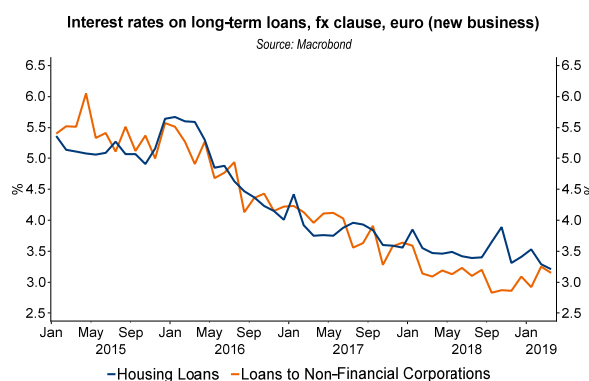
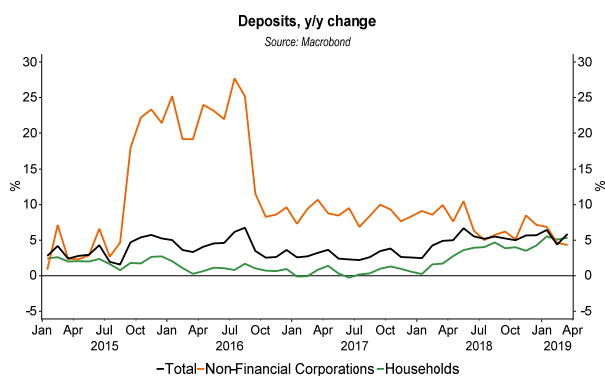
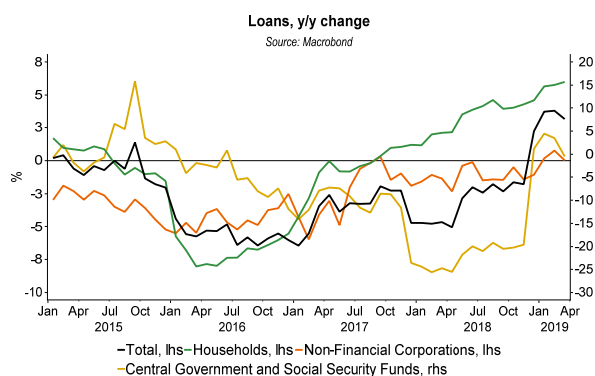
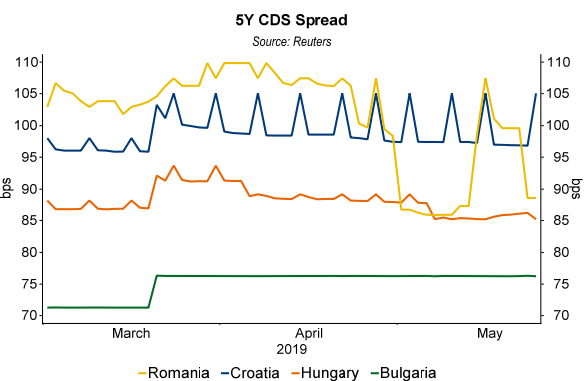
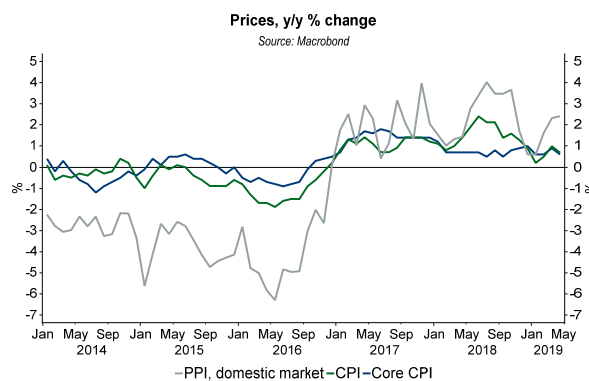
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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