

PBZ Weekly Analysis

Number 659, August 26, 2019

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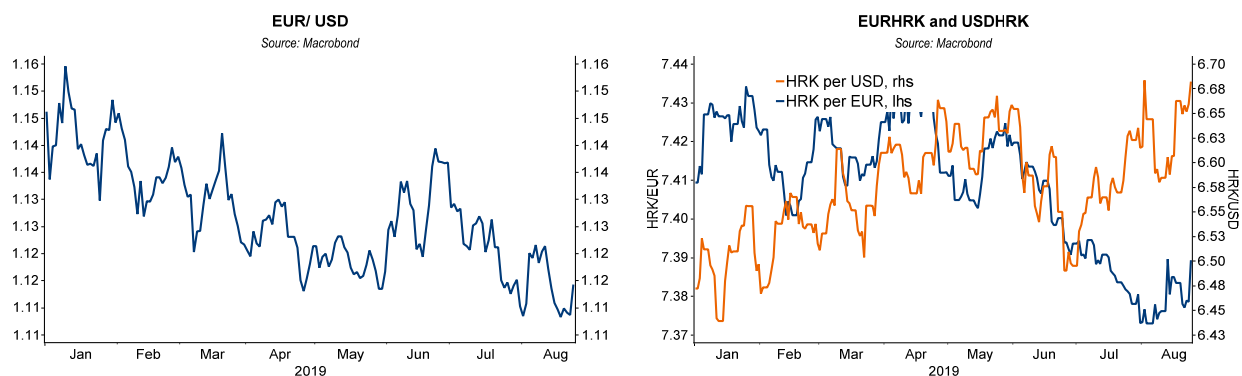
Weekly overview

- Total exports of goods in May rose by 5.3% yoy, while imports of goods simultaneously rose by 13.2%, due to which the foreign trade deficit increased by 25.5% yoy and the coverage rate decreased to 56.9% (from 61.2% in May 2018). From January to May this year, total exports of goods reached HRK 45.9 billion kuna, which is an increase of 7.6% yoy, mostly due to an increase in the exports in Manufacture of motor vehicles, trailers and semi-trailers (+33.4%), Agriculture, Forestry and Fishing (+29.0%) and Manufacture of basic metals (+29.6%). At the same time, total imports of goods hit HRK 79.2 billion kuna, i.e. rose by 10.5% yoy. The foreign trade deficit over the first five months of 2019 thus reached HRK 33.3 billion kuna (up by 14.8% yoy), whereas the coverage rate of the imports of goods by the exports of goods reached 57.9%, i.e. dropped by 1.6 p.p. versus the same period last year. The preliminary data for June indicates a decrease in the exports (-6.8%) and imports (-10.8%), while data for the first part of the year show a yoy increase in the exports of goods of 5.1% (+3.6% to the EU Member States) and an increase in the imports of 6.8% (the imports from the EU Member States: +10.0%).
- The average annual inflation rate in July amounted to +1.1% (+0.6% in June), where the largest contribution to this trend came from higher prices in the category Housing, water, electricity, gas and other fuels (+0.6 p.p., i.e. +3.9%, of which solid fuels +14.3%). In July, the mom consumer price index declined by 0.5%, mostly owing to a 11.8% decrease in the prices of Clothing and footwear, owing to seasonal sales. The twelve-month average in July dropped to +1.0% (from +1.1% in June), while the average annual core inflation rate hit the highest level (+1.5%) of July 2017 (+1.7%). Over the first seven months this year, the average annual inflation reached +0.7%, mainly as a result of an increase in the prices of solid fuel (+10.9%) and tobacco (+6.0%, higher excise duties). At the same time, partly due to the reduced VAT rate for certain items, the prices of Food fell by 0.8% yoy (of which meat by -2.6% and fruit by -12.5%).

EUR/USD stable, CNB intervenes again

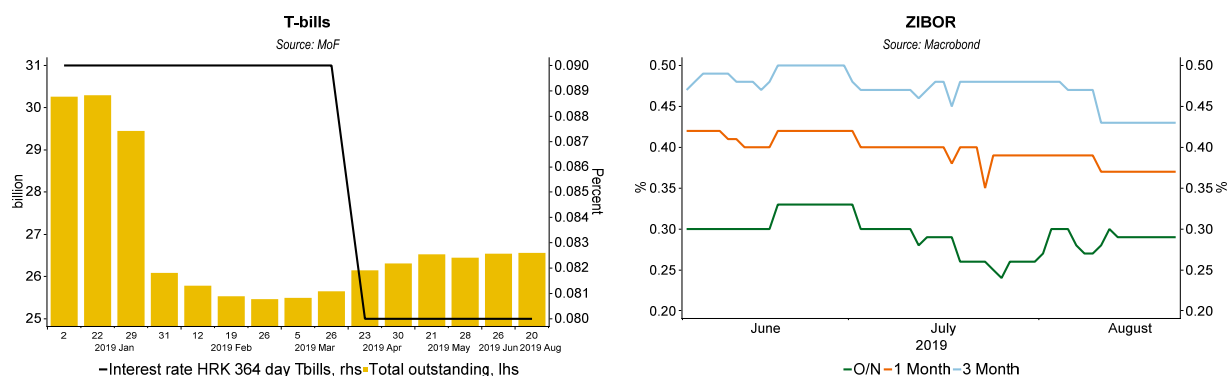
The FOMC and ECB meeting minutes, released last week, did not bring major news, therefore the EUR/USD exchange rate continued to fluctuate around 1.11, closing at a 0.4% higher wow level on Friday.

At the end of last week, the central bank intervened for the second time this month, purchasing 332 million euro from banks at the average exchange rate of 7.3967, thus the exchange rate mildly rose, amounting to 7.3893 kuna to the euro on Friday, up by 0.1% wow. At the same time, the kuna weakened by 0.3% against the dollar and the exchange rate increased to 6.6824 kuna to the dollar.



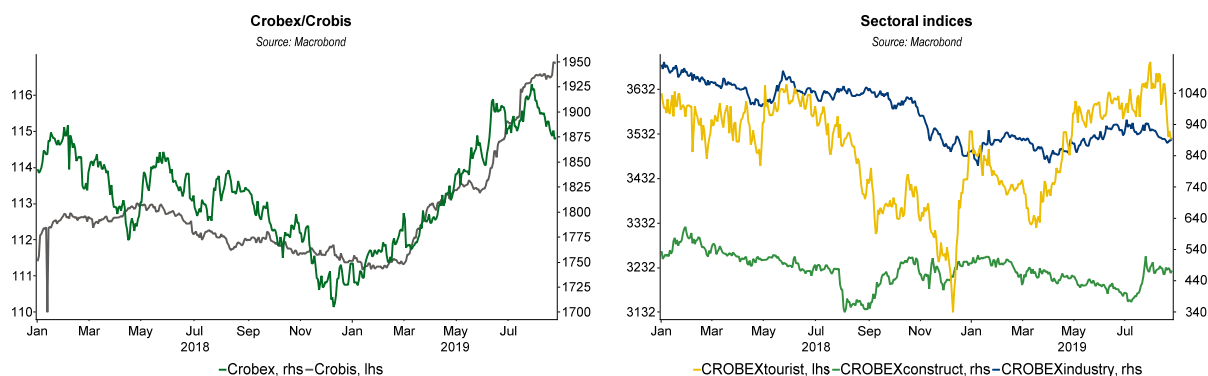
Calm week in the money market

Excess liquidity remained at 32 billion kuna, while interest rates mostly stagnated, therefore, on Friday, the overnight Zibor amounted to 0.29%, 1M 0.37% and 3M to 0.43%. There was no turnover at the repo auction of CNB and no turnover on ZMM. At the last year's T-bill auction, a total of 20 million kuna in six-month kuna T-bills at a 1 b.p. lower interest rate of 0.05% and 1.168 million kuna in one-year kuna T-bills at the unchanged rate of 0.08% were subscribed. The government debt under T-bills thus remained at 26.6 billion kuna. This week, 199 million kuna and 50 million euro in T-bills will mature and an auction with the planned issue of 200 million kuna and 40 million euro has been announced.



Crobex in negative territory, turnover up

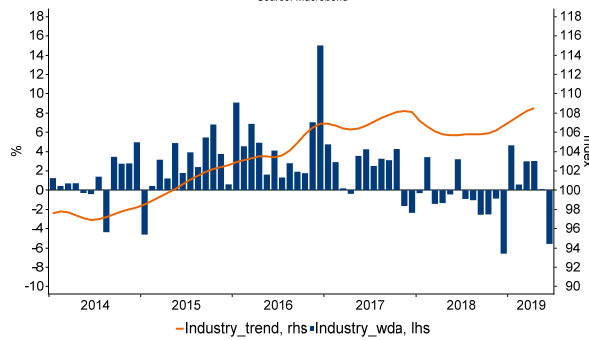
The Crobex Index closed at 1,874.25 points on Friday, which is a wow decrease of 0.5%, while Crobis simultaneously climbed by 0.4% (to 116.47 points). Last Friday, as regards sector indices, CROBEXindustry closed up by 0.9% wow (at 896.08 points), while CROBEXconstruct and CROBEXtourist declined by 2.0% and 2.4%, respectively (to 473.03 and 3,521.97 points). The total ZSE turnover last week amounted to 62.4 million kuna, which is up by 11.3% wow, due to an increase in the turnover in shares of 25.5% (to 29.9 million kuna) and the turnover in bonds of 0.9% (to 32.5 million kuna).



Statistics

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

Source: Macrobond



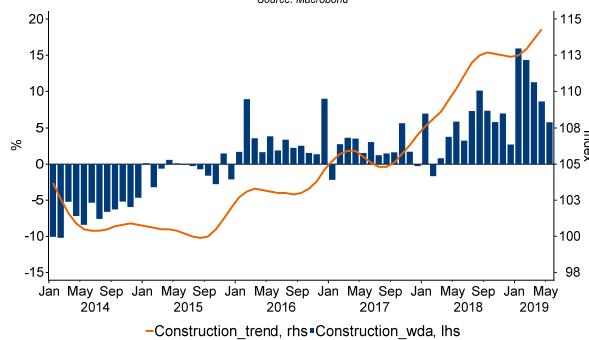
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



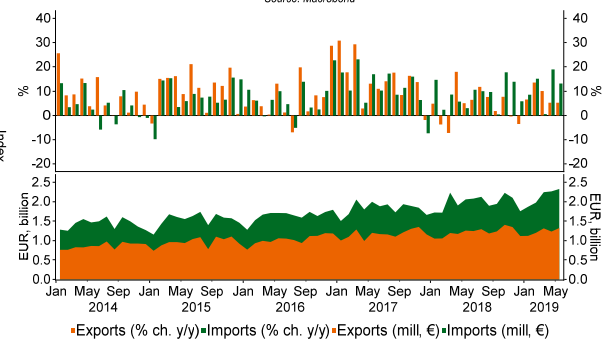
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



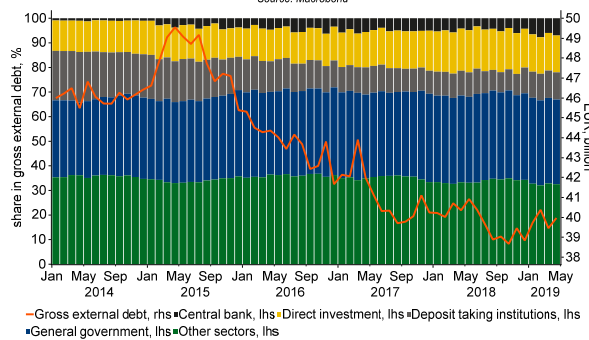
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



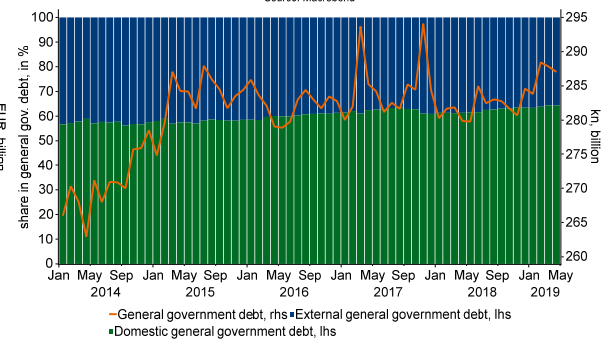
Gross external debt

Source: Macrobond



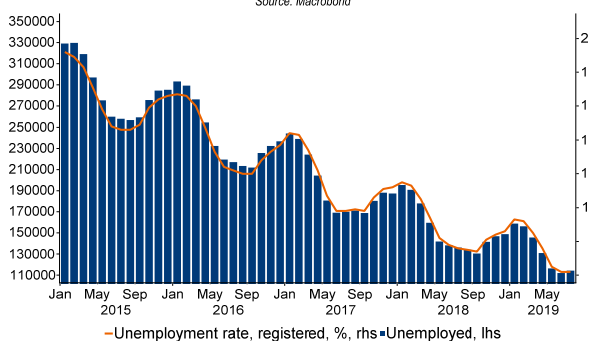
General government debt

Source: Macrobond



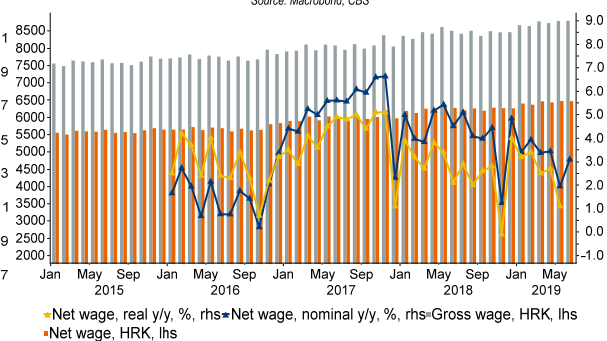
Total number of unemployed and unemployment rate

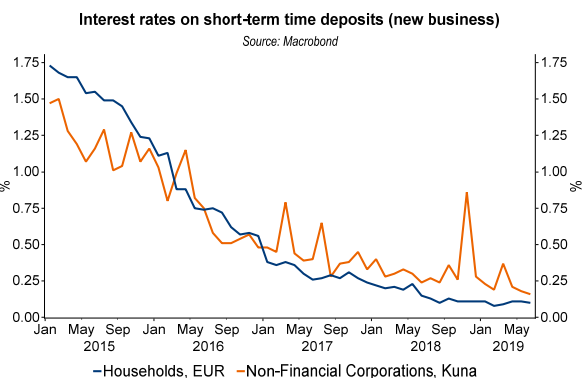
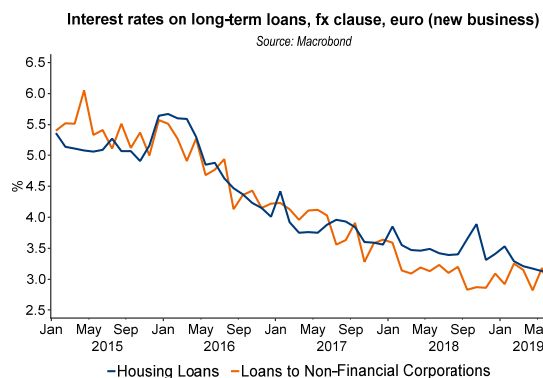
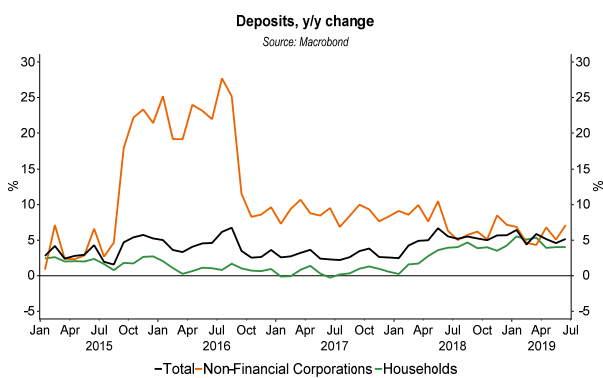
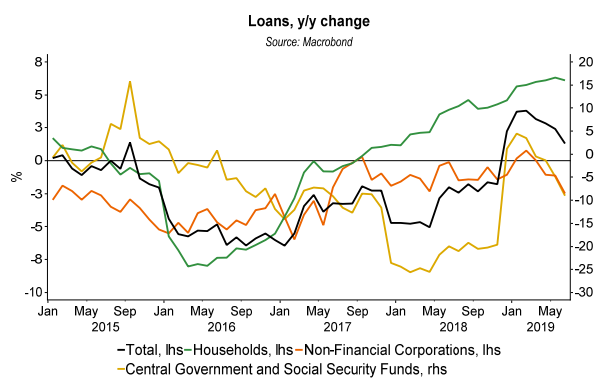
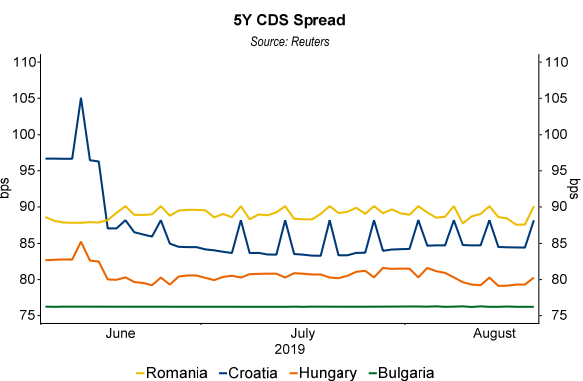
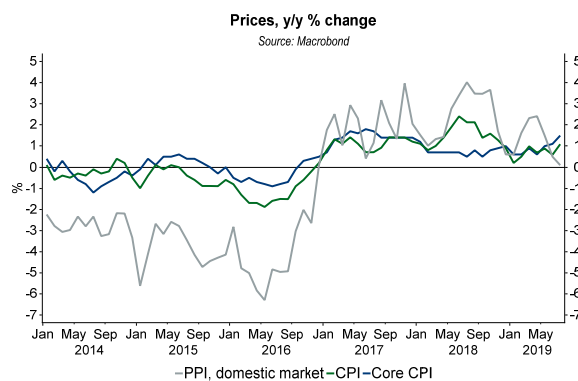
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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