

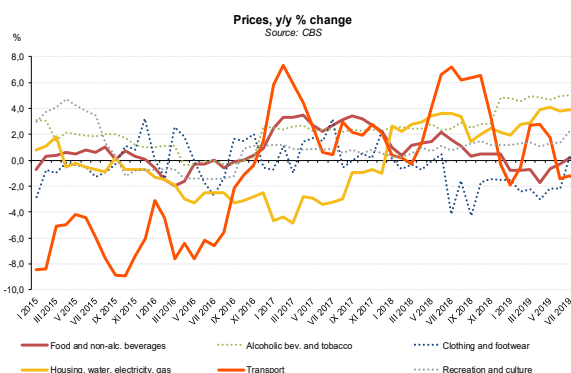
# PBZ Weekly Analysis

## Number 663, September 23, 2019

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## Weekly overview

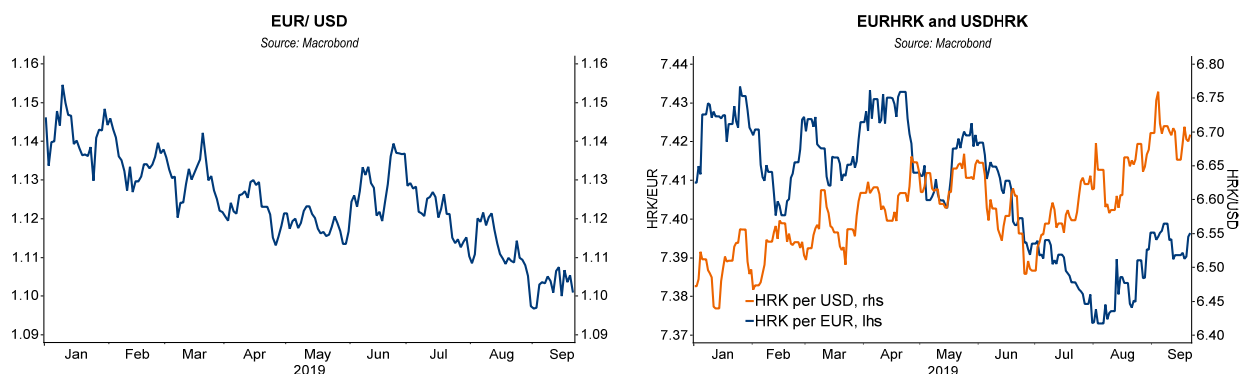
The consumer price index in August 2019 recorded a rise of 0.8% yoy (+1.1% in July 2019), where the largest contribution to such growth came from higher prices of solid fuels (+14.9%), tobacco (+6.0%, due to a rise in excise duties) and vegetables (+5.9%). At the same time, the strongest yoy drop was registered in the prices of fuels and lubricants for personal transport equipment (-2.4%, partly reflecting lower market prices of crude oil). Consumer prices in August recorded a mom decrease of 0.3%, primarily owing to reduced prices of Clothing and footwear by 3.8% (due to seasonal sales). The average annual core inflation rate in August amounted to +1.0% (+1.5% in July), while the twelve-month average amounted to +0.9% (+1.0% in July). Over the first eight months of this year, the average annual rate of the rise of consumer prices amounted to 0.7%, where the largest contribution to such a development came from rising prices in the category Housing, water, electricity, gas and other fuels (+0.6 p.p. or +3.4%, of which solid fuels by +11.4% and gas by +4.1%). The strongest negative contribution to the total price increase resulted from reduced prices of Food (-0.2 p.p. or -0.6%, of which meat by -2.4% and fruit by -11.6%), partly due to the reduced VAT rate for individual foodstuffs.



## Fed cuts interest rates

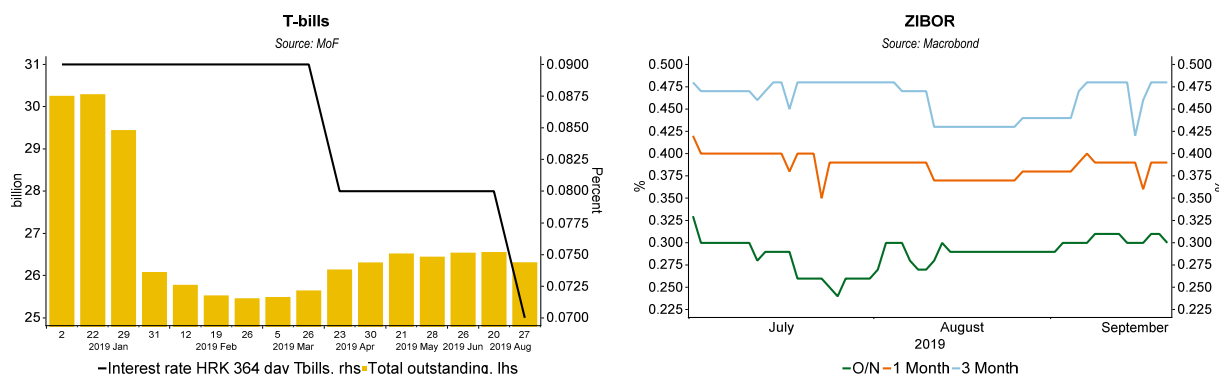
At its last week's meeting, the FOMC has cut the target range for the fed funds interest rate by 25 b.p. to 1.75-2.00%. The dollar thus strengthened against the euro, closing the week at 1.10 dollar to the euro, at a 0.6% lower wow level.

The domestic FX market is still calm and at the end of last week the EUR/HRK exchange rate amounted to 7.3964 kuna to the euro, up by 0.1% wow, while the kuna against the dollar weakened by 0.6% to 6.6960 kuna to the dollar. Over this week we expect the exchange rate to be in the range of 7.39-7.42 kuna to the euro.



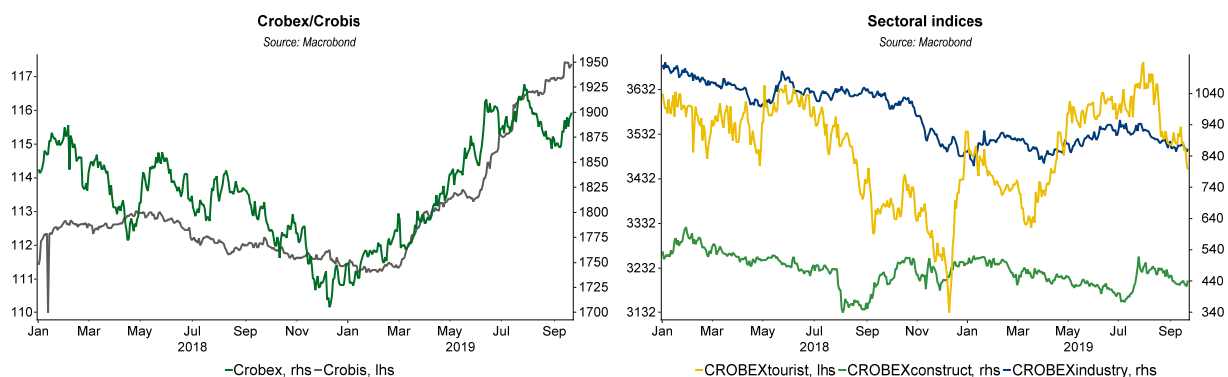
## Liquidity up

Last week excess liquidity rose to 34 billion kuna, while the interest rates stagnated, and on Friday the overnight Zibor amounted to 0.30%, 1M 0.39%, and 3M 0.48%. There was no turnover at the CNB's repo auction and no turnover on ZMM.



## Crobex up wow

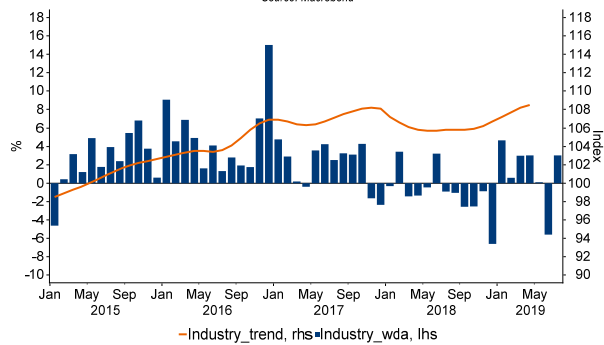
The total ZSE turnover last week reached 398.9 million kuna, which is up by 10.2% wow, owing to a 3.3 times higher turnover in shares (reaching 214.6 million kuna), while the turnover in bonds fell by 37.8% (to 184.4 million kuna). The Crobex Index last week closed at 1,899.75 points (+0.9% wow), whereas Crobis stagnated (at 116.94 points). As concerns the sector indices, CROBEXconstruct on Friday closed at a 1.3% higher wow level (at 442.09 points), while CROBEXindustry and CROBEXtourist recorded a drop of 1.4% and 1.6% respectively (to 863.25 and 3,453.41 points).



# Statistics

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

Source: Macrobond



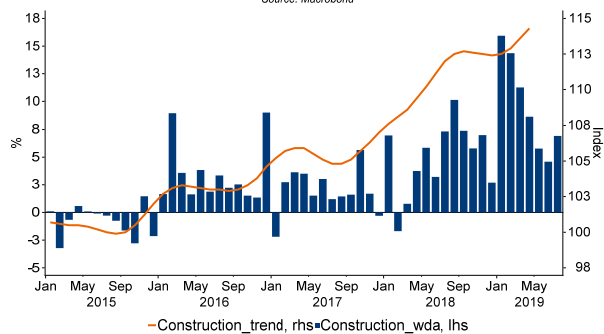
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



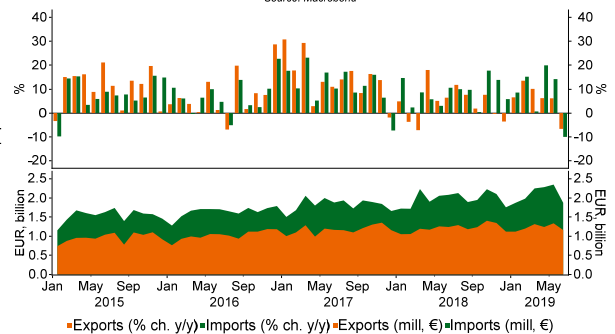
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



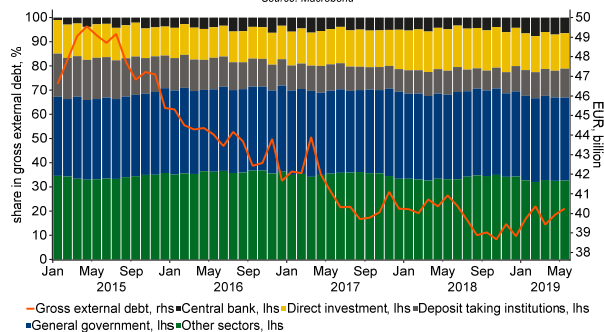
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



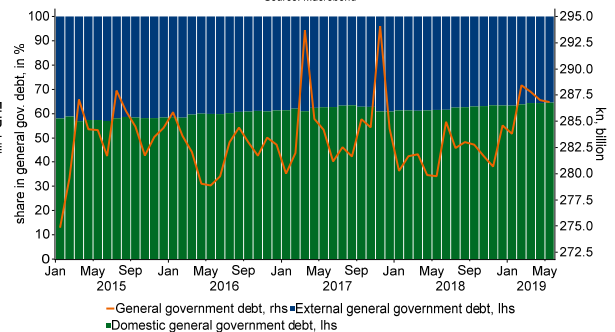
Gross external debt

Source: Macrobond



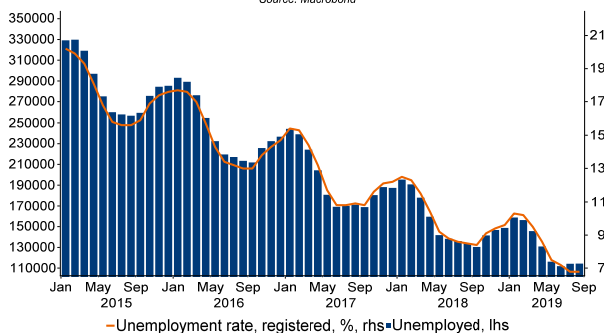
General government debt

Source: Macrobond



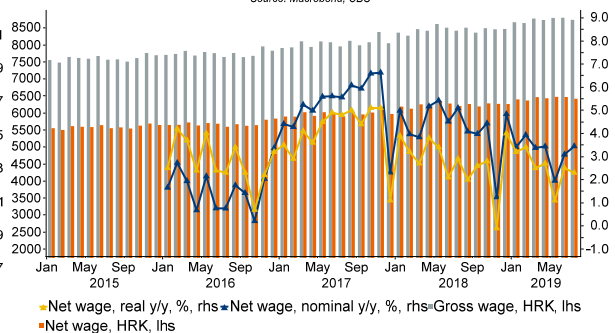
Total number of unemployed and unemployment rate

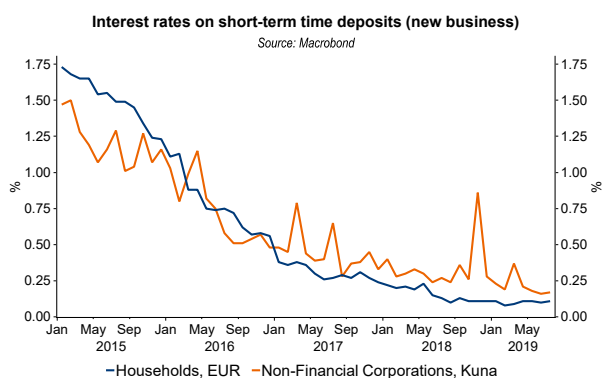
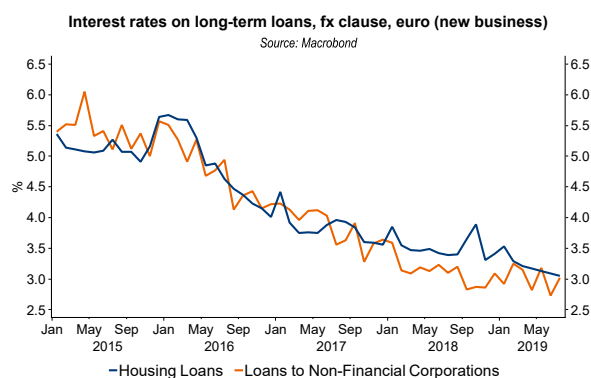
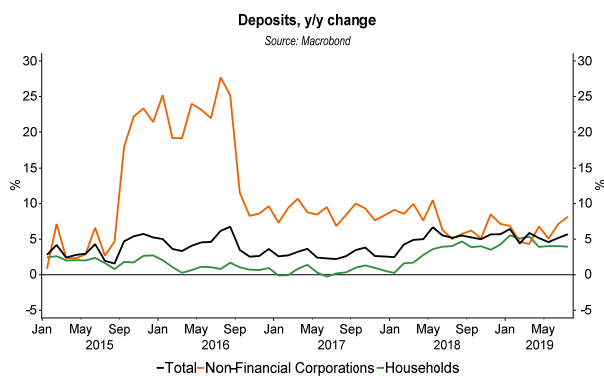
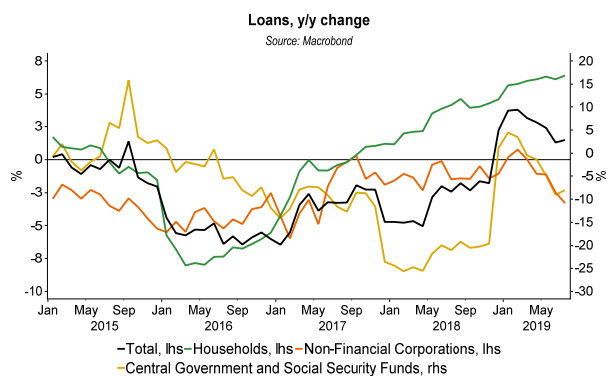
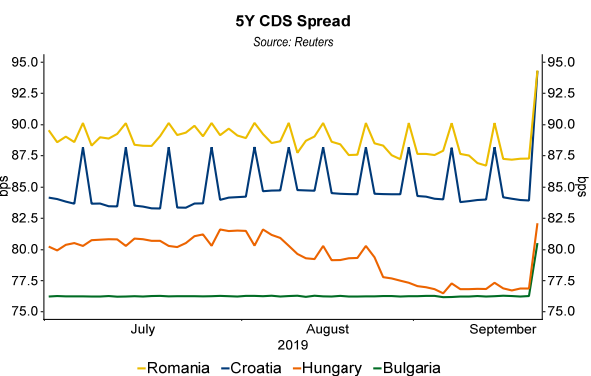
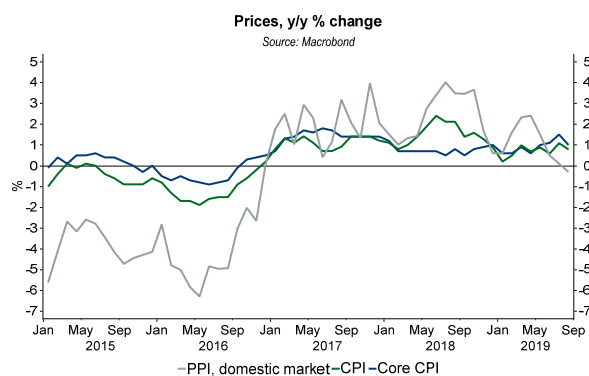
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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