

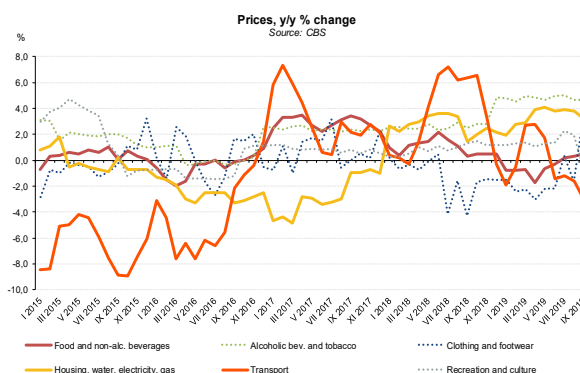
PBZ Weekly Analysis

Number 666, October 21, 2019

- Weekly overview (p. 1)
- Dollar corrected, kuna weakens to 7.44 (p. 1)
- T-bill auction announced (p. 2)
- Crobex up wow (p. 2)
- Statistics (pp. 3-4)

Weekly overview

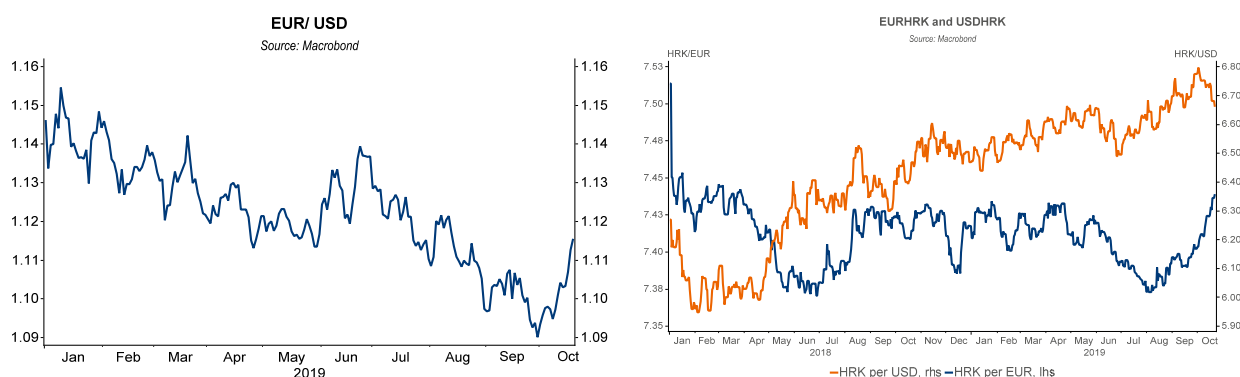
The consumer price index in September rose by 0.8% yoy (the same as the previous month), where the strongest contribution to the overall increase in the general price level came from the growth in prices in the category Housing, water, electricity, gas and other fuels (+0.5 p.p., or +3.2%, of which solid fuels +11.8% and gas +2.6%). On the other hand, the strongest negative contribution to the overall increase in prices yoy came from the 3.1% lower prices in the category of Transport (of which fuels and lubricants for personal transport equipment -4.5%, due to lower crude oil prices). Compared with August 2019, the consumer price index climbed by 0.8% in September, which was mainly a result of the increase in the prices of Clothing and footwear (+1.3 p.p., or +20.8%), due to the arrival of new collections. The twelve-month average in September remained at the level of August (+0.9%), while the average core inflation rate speeded to +1.6% yoy (from +1.0% in August). Over the first nine months of this year, the average growth rate of consumer prices amounted to +0.7% yoy, mainly owing to higher prices in the categories of Housing, water, electricity, gas and other fuels (+0.6 p.p., or +3.4%) and Alcoholic beverages and tobacco (+0.2 p.p., or +4.8%, where tobacco +6.0%, due to higher excise duties). A more moderate contribution to the increase in consumer prices over the mentioned period came from the growth in prices in the categories Restaurants and hotels (+0.1 p.p.) and Recreation and culture (+0.1 p.p.), whereas no contribution was recorded in the remaining categories or the contribution was negative (Food and Clothing and footwear, -0.1 p.p. both).



Dollar corrected, kuna weakens to 7.44

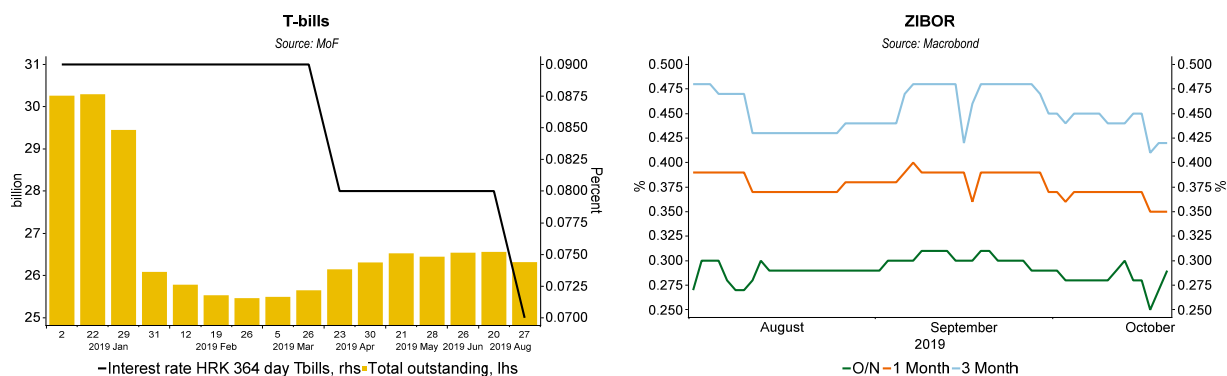
Last week, the correction of the dollar against the euro continued, largely owing to the release of the disappointing data on developments in the U.S. economy. Trading on Friday closed at 1.12 dollar to the euro, up by 1.0% wow.

A somewhat higher corporate demand and interbank trading affected the domestic FX market, thus the mid-exchange rate on Friday reached this year's highest level of 7.4365 kuna to the euro. The kuna against the dollar strengthened by 0.8% wow, to 6.6815 kuna to the dollar.



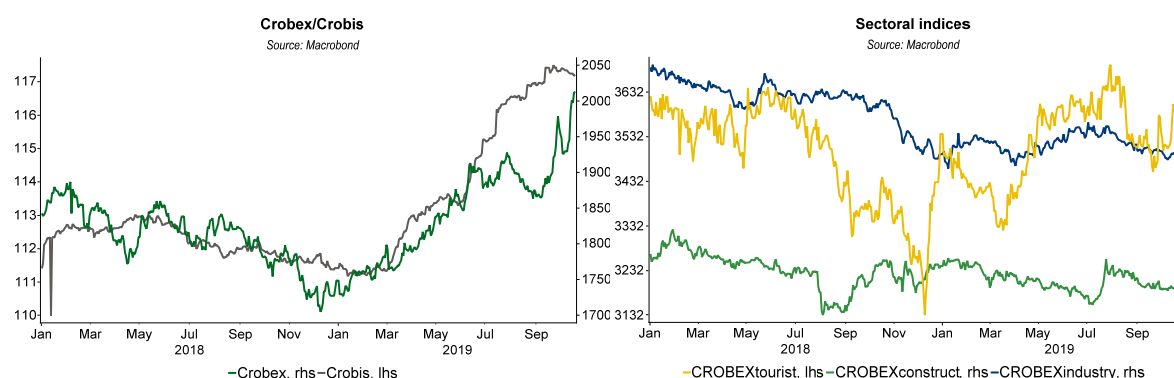
T-bill auction announced

Last week, excess liquidity advanced to 34 billion kuna, there was no activity at the repo auction of CNB or on ZMM and interest rates in the interbank market recorded only the usual minor fluctuations, therefore, O/N Zibor was 0.29% (-1 b.p. wow), 1M 0.35% (-2 b.p.) and 3M 0.42% (-2 b.p.) on Friday. This week, a total of 630 million kuna and 49 million euro in T-bills will mature and an auction with the planned issue of 500 million kuna and 30 million euro has been announced.



Crobex up wow

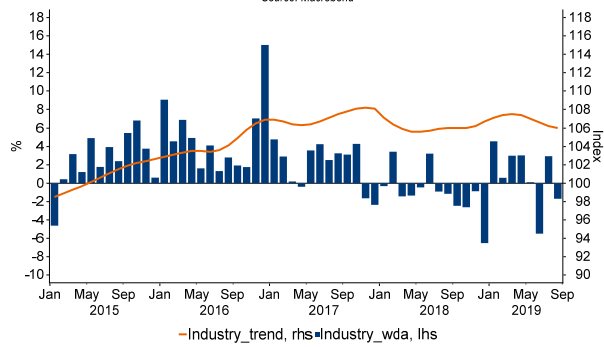
The Crobex Index closed at 2,013.05 points last Friday, which is up by 3.5% wow, while Crobis simultaneously stagnated (at 116.77 points). As regards sector indices, CROBEXconstruct fell by 1.6% versus the week before (to 417.40 points), CROBEXindustry rose by 0.6% (to 848.44 points) and CROBEXtourist increased by 1.6% (to 3,571.82 points). The total ZSE turnover reached 91.3 million kuna last week, down by 68.5% wow, due to a 86.4% decline in the turnover in bonds (to 23.4 million kuna) and a 42.3% decline in the turnover in shares (to 67.9 million kuna).



Statistics

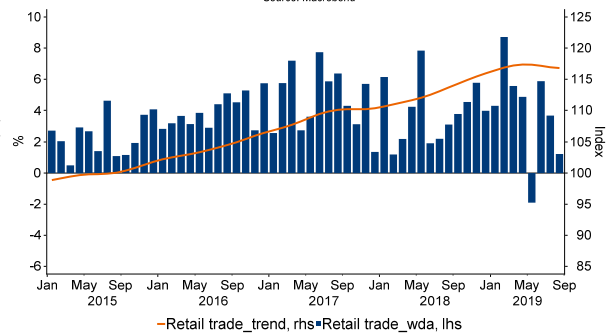
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



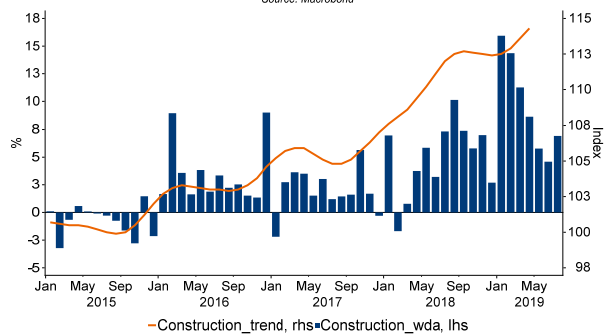
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



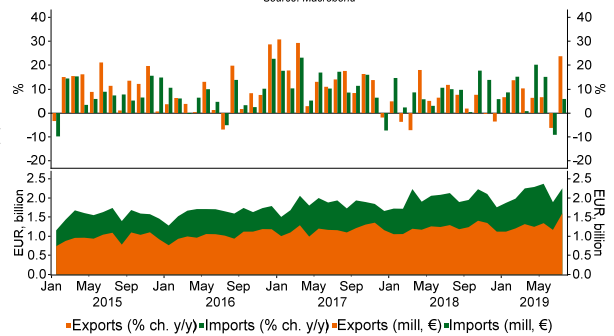
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



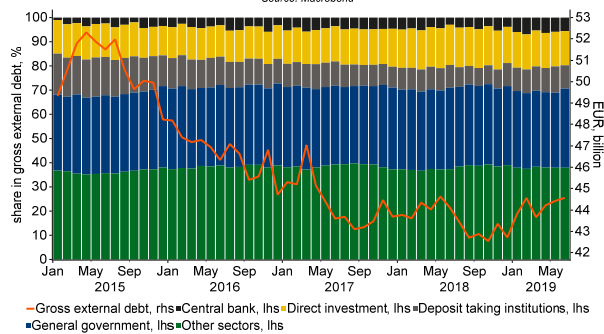
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



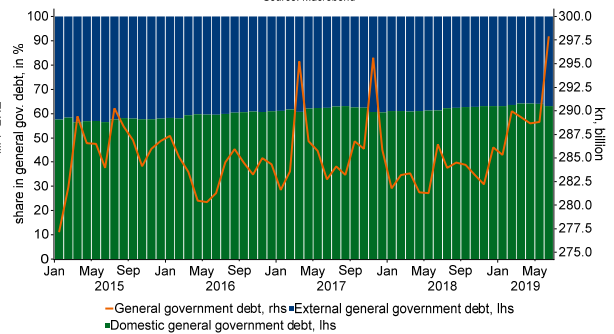
Gross external debt

Source: Macrobond



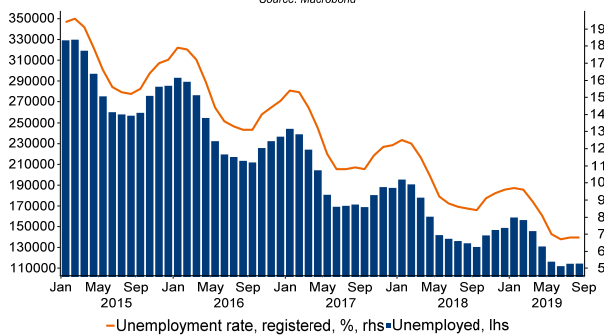
General government debt

Source: Macrobond



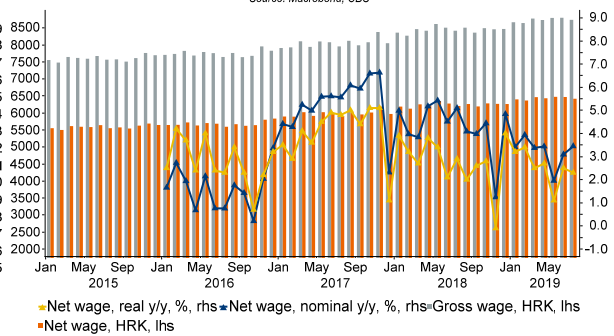
Total number of unemployed and unemployment rate

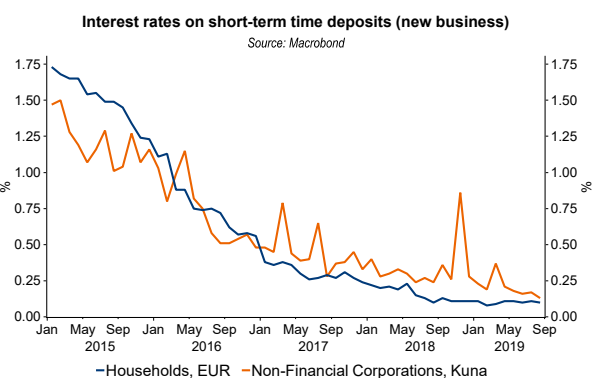
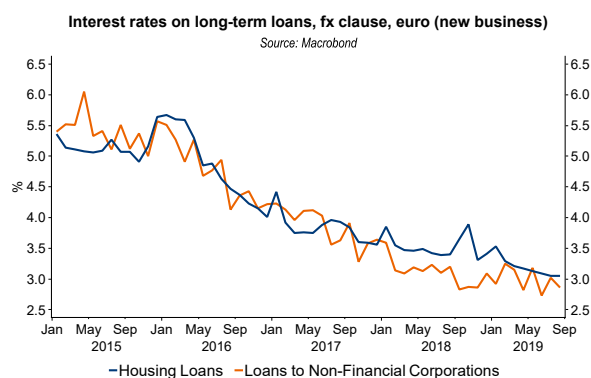
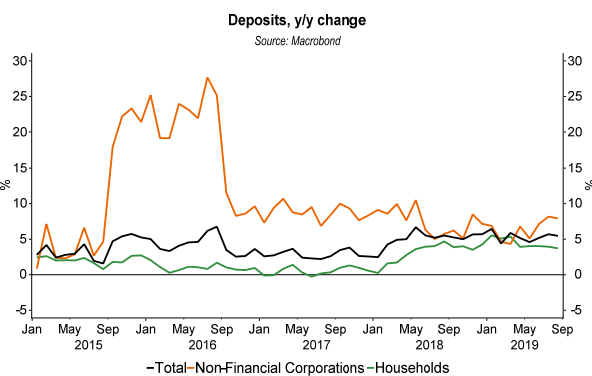
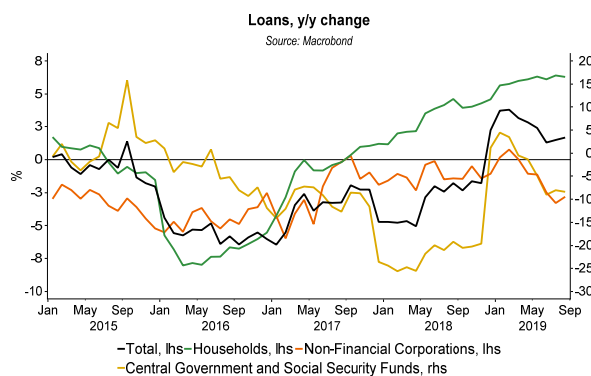
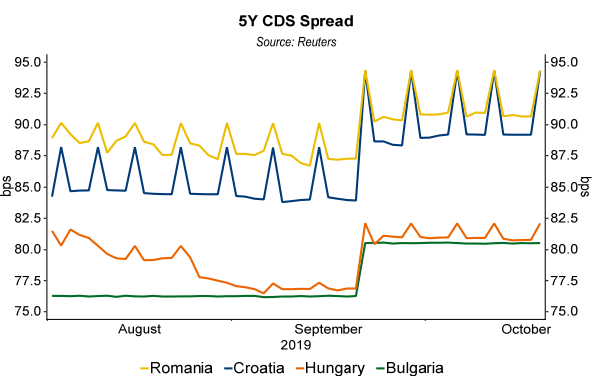
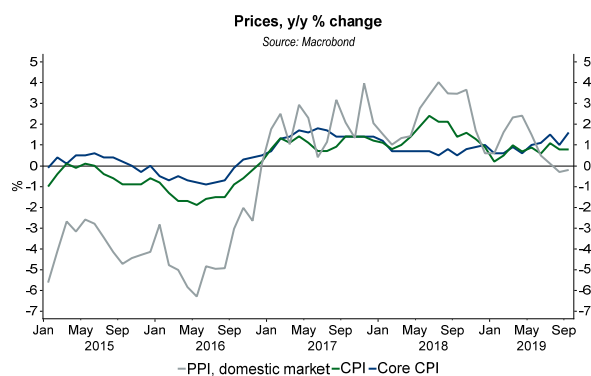
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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