

PBZ Weekly Analysis

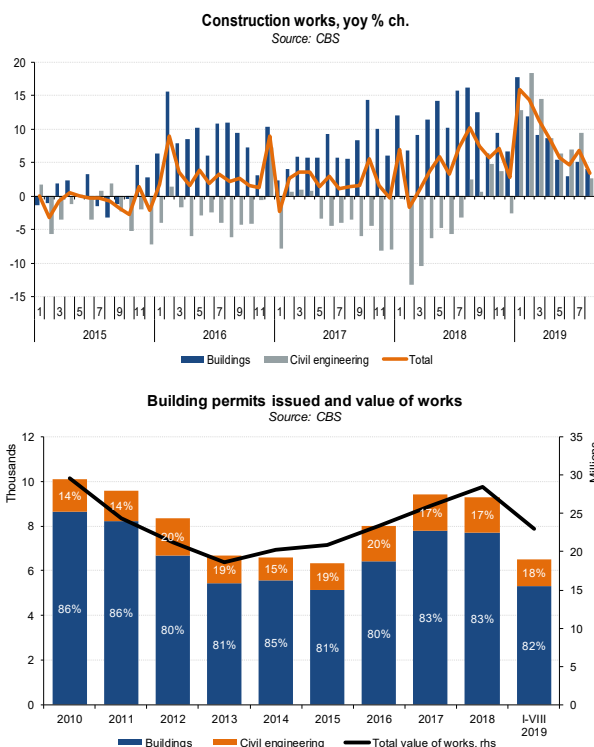
Number 667, October 28, 2019

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Weekly overview

In August the total volume of construction works registered a slowdown of year-to-year growth to 3.5% (from +6.8% in July, wda), due to a decrease in the activities on buildings (+4.0%, versus +5.2% in July) and the civil engineering works (+2.6%, versus +9.3% in July). The total volume of works (sa and wda) dropped by 4.4% mom, where the volume of the activities on buildings decreased by 3.2%, and of civil engineering works by 5.6%. Over the first eight months this year, the volume of construction works advanced by 8.6% yoy, recording an almost two times faster growth compared with the first eight months last year. In this year, the relatively high rise of the total volume of construction works was primarily affected by the reversal of a negative tendency in the civil

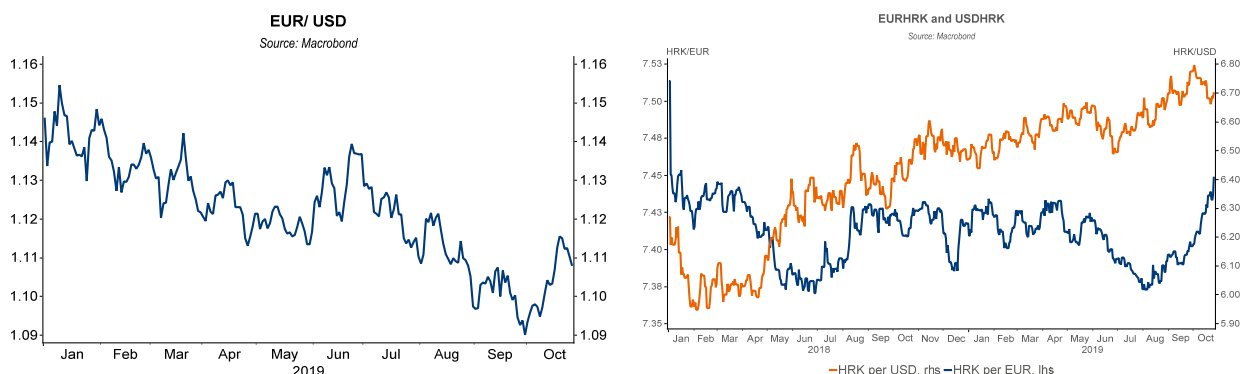
engineering works (this year's growth of 9.7%, versus the last year's decline of 5.3%), resulting from expanded investments in the infrastructure (largely supported by EU funds). On the other hand, the activities on buildings climbed by 8.0% yoy, especially the activities for tourist accommodation establishments and residential buildings, recording however a weaker growth compared with the first eight months last year, when the yoy growth amounted to 11.9%. A similar trend within the industry should continue in the upcoming period, as shown by the increase (+10.7%) in the number of building permits issued over the first eight months this year compared with the same period last year, and the growth in the total value of works covered by these permits (+34.3%).



Euro weakens, EUR/HRK grows further

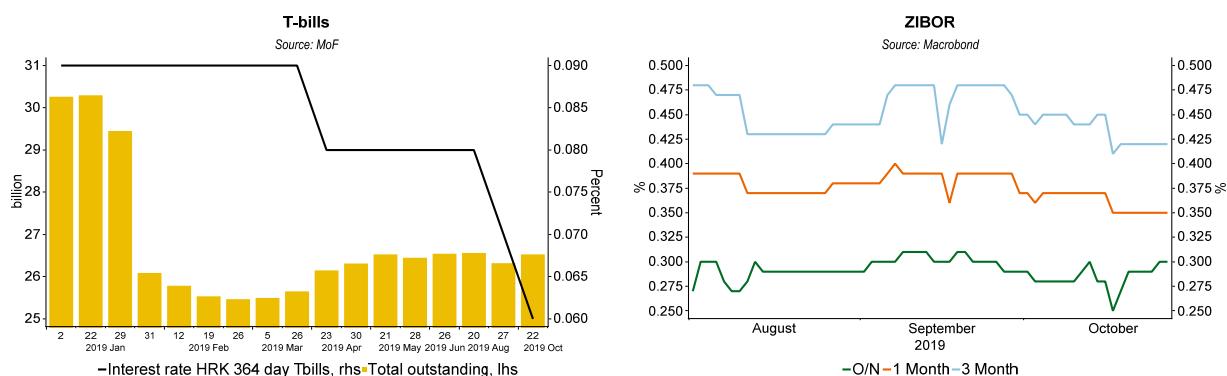
Last week the euro weakened to the dollar, following the development of the pound languishing under pressure amid growing uncertainty over the outcome of Brexit. On Friday the trading closed below 1.11 dollar to the euro, down by 0.7% wow.

The kuna to euro exchange rate continued to grow, due to an increased demand of the state for foreign currencies, and on Friday it reached 7.4491 kuna to the euro, up by 0.2% wow, while to the dollar the kuna depreciated by 0.3%, to 6.7031 kuna to the dollar. This week we expect to see a similar trading range for the currency pair EUR/HRK, from 7.44 to 7.47.



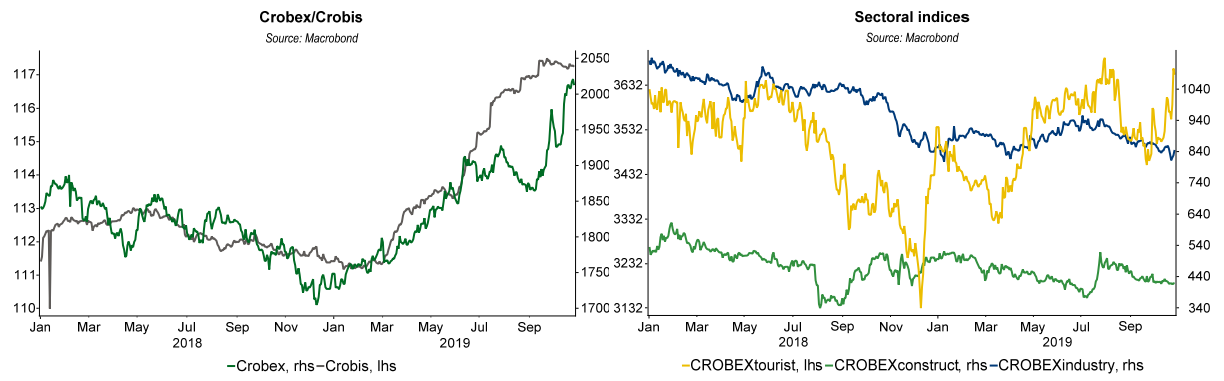
Lower interest rates for T-bills in HRK

Money market was calm. There was no activity at the repo auction of CNB or on ZMM, and excess liquidity mildly advanced to 35 billion kuna. O/N Zibor increased by 1 p.p. wow to 0.30%, and 1M so as 3M remained at respectively 0.35 and 0.42%. At last week's auction 711 million kuna of one-year T-bills were issued, with interest rate of 0.07%, down by 1 p.p. compared to the previous issue, as well as 58 million euro of one-year T-bills with unchanged interest rate of -0.05%. With this development the government debt under T-bills slightly grew to 26.5 billion kuna. The following date of maturity for T-bills amounting to 1.5 billion kuna is 21 November.



Crobex stagnates, turnover up

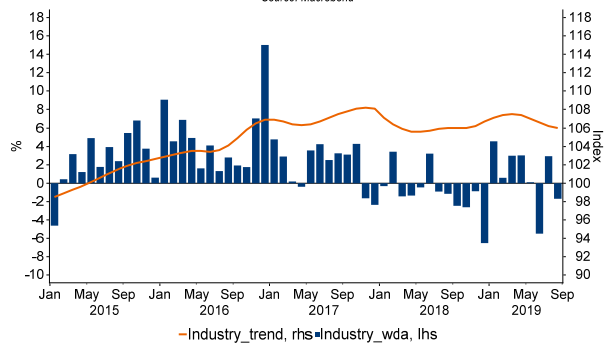
Last week the total ZSE turnover reached 266.9 million kuna, amounting to 2.9 times more compared with the previous week, due to 9.7 times higher turnover in bonds (of 227.5 million kuna), while turnover in shares simultaneously fell by 41.9% (to 39.4 million kuna). The Crobex Index last Friday closed at 2,012.55 points, recording a wow stagnation, same as Crobis (116.81 points). As regards sector indices, CROBEXindustry registered a drop of 0.4% wow (to 845.05 points), CROBEXconstruct stagnated (at 417.23 points), while CROBEXtourist increased by 2.4% (to 3,656.21 points).



Statistics

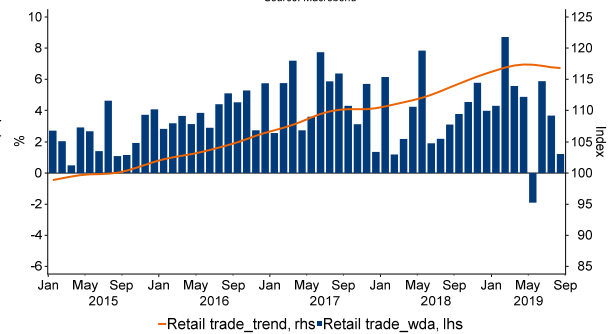
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



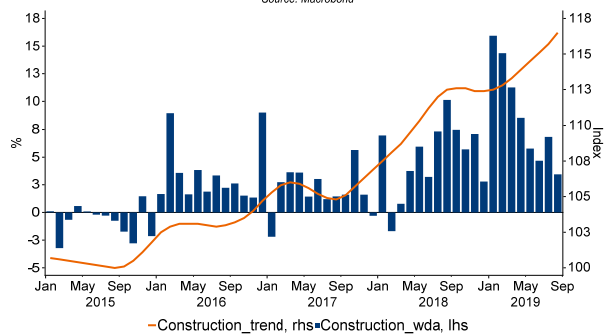
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



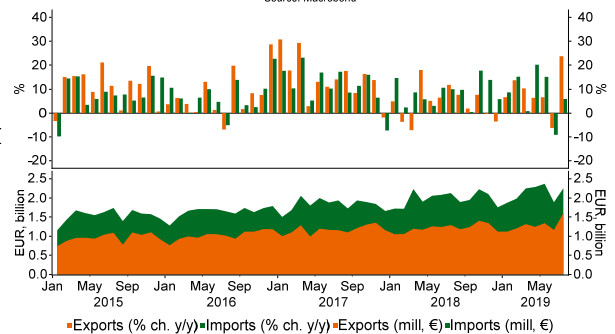
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



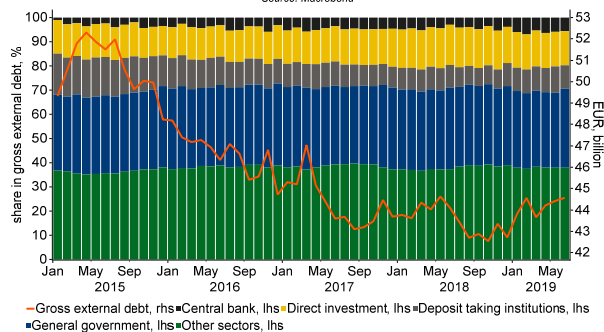
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



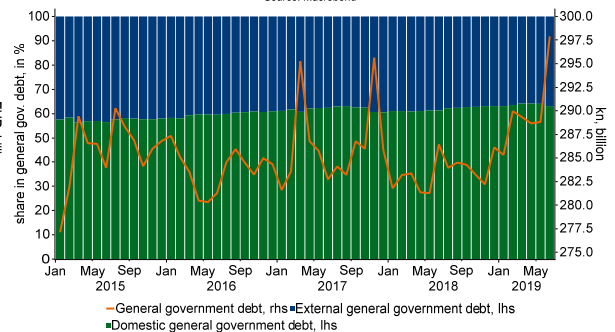
Gross external debt

Source: Macrobond



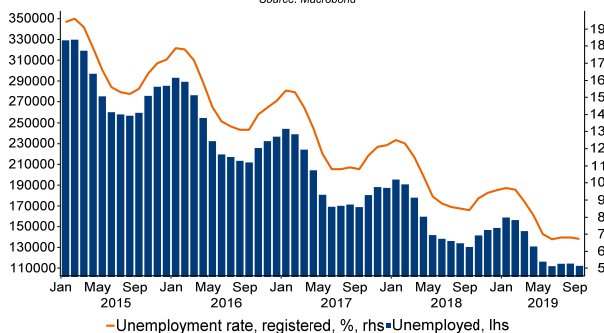
General government debt

Source: Macrobond



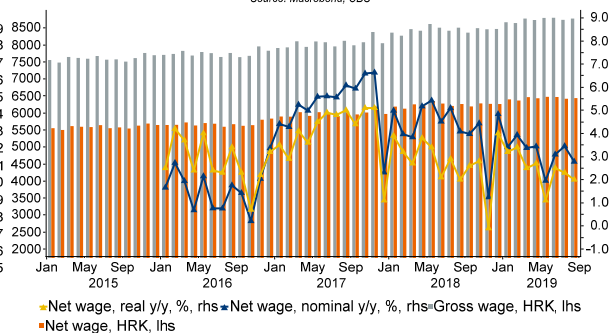
Total number of unemployed and unemployment rate

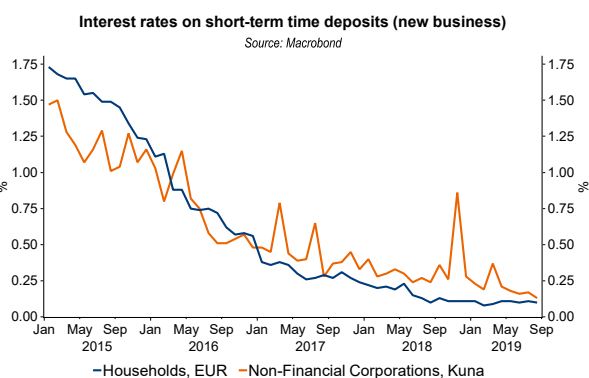
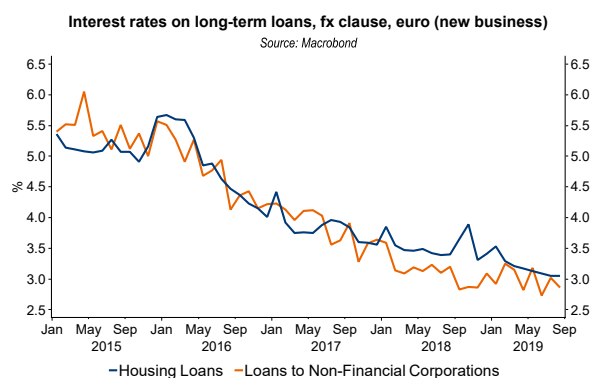
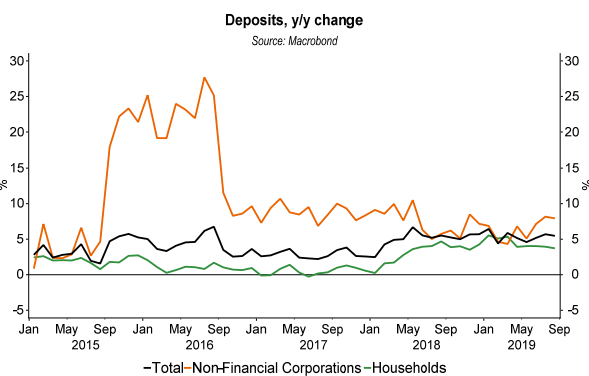
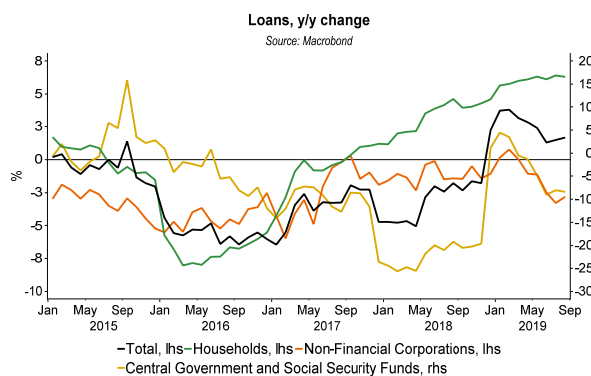
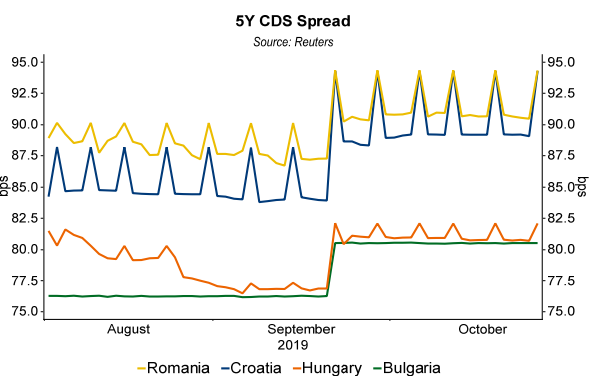
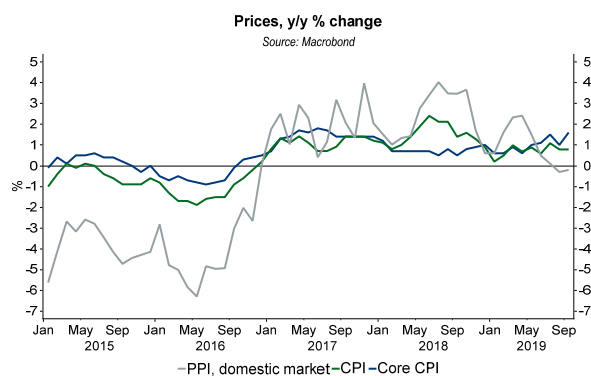
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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