

PBZ Weekly Analysis

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- Weekly overview (p. 1)
- Dollar slightly stronger, kuna unchanged (p. 2)
- Stagnation of interest rates (p. 2)
- Crobex up, turnover down (p. 3)
- Statistics (pp. 4-5)

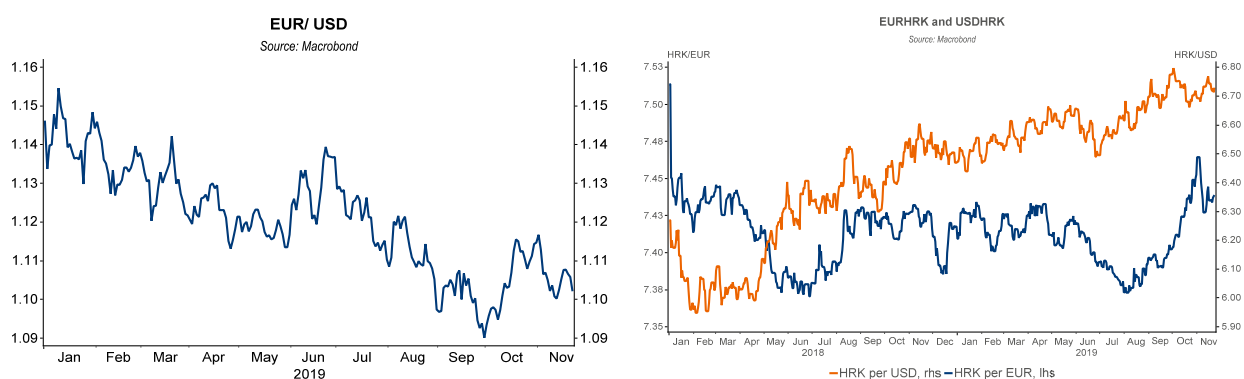
Weekly overview

- According to the data of the Croatian Employment Service, on the last day of October the total number of unemployed persons amounted to 121.597, i.e. it was 8.2% higher compared to the month before, partly owing to the end of the tourist season. And according to administrative sources, the yoy number of unemployed in October decreased by 14.2%. In the same month, the registered unemployment rate rose to 7.2% (from 6.7% in September), while compared to October 2018 it was 1.2 percentage points lower. Over this year's first ten months, driven by the country's economic recovery, also owing to negative demographic trends and migration flows, the total number of unemployed registered a drop of 17.0% yoy (to an average number of 128.360 persons), meaning that for six consecutive years we have been experiencing a continuation of the downward trend in the number of unemployed. Over the same period, the registered unemployment rate amounted to 7.8%, representing an annual reduction of 1.5 percentage points. In October, according to the data of the Croatian Pension Insurance Institute, the total number of employed amounted to 1.566 million, representing a monthly decrease of 1.2%, mainly resulting from the drop of 11.9% in the number of persons employed in Accommodation and food service activities, primarily due to the end of the main part of the tourist season. In October, the total number of employed persons was higher by 2.5% yoy, owing to a rising number of newly employed workers in the Construction sector (+7.5%), then in Professional, scientific and technical activities (+6.7%), Accommodation and food service activities (+3.9%) and Transportation and storage (+4.8%). This year from January to October the average number of employed amounted to 1.559 million, an increase of 2.3% compared to the same period last year. In the following period, in line with a somewhat milder GDP growth rate, we are looking forward to a continuation of positive developments on the labour market under rates slightly lower than the ones registered this year.
- The average net monthly wage paid within legal entities in September (HRK 6.418) registered a nominal growth of 3.6% yoy, i.e. real growth of 2.8%. At the same time, the average gross monthly wage registered a nominal increase of 4.0%, i.e. real growth of 3.2% and amounted to 8.693 kuna. Over the first nine months this year the average net earnings were nominally higher by 3.2% yoy (in gross terms: +3.5%), resulting in a slower increase versus the first nine months in 2018 (+4.6%), and providing a wage growth recorded in all activities (according to the NKD National Classification of Activities), and mostly in Wholesale and retail trade (+4.3%), Arts, entertainment and recreation (+4.3%) and Manufacturing (+4.1%). On the other hand, a more modest growth of average net earnings in a nominal amount (below 1.0%) was recorded in Agriculture, forestry and fishing, Mining and quarrying, Construction and Real estate activities. Over the first nine months this year, the real amount of average net earnings rose by 2.5% yoy (in gross terms: +2.8%).

Dollar slightly stronger, kuna unchanged

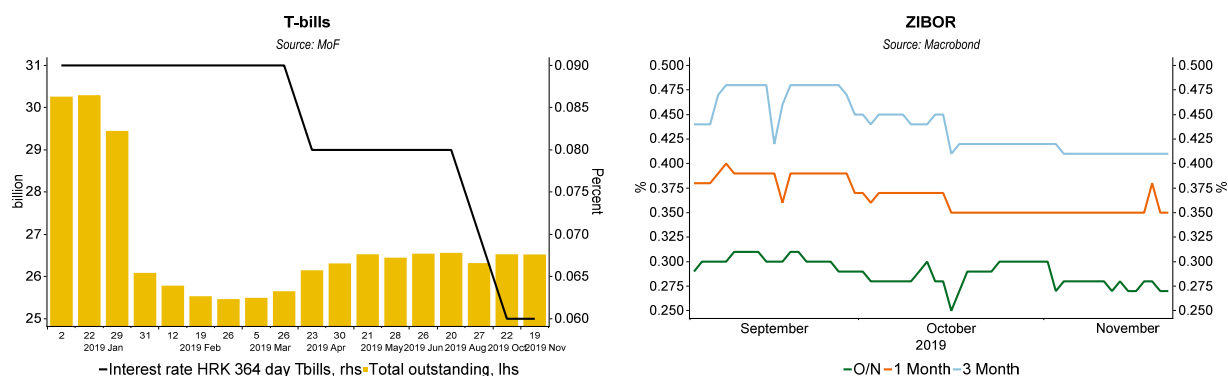
Last week the euro to dollar exchange rate oscillated following updates amid US - China trade negotiations. On Friday the trading closed at 1.10 dollar to the euro, down by 0.3% wow.

The domestic market experienced a peaceful week, and at the end of the week the mid-exchange rate amounted to 7.4388 kuna to the euro, providing no wow changes to the kuna, while the exchange rate of the kuna against the dollar fell by 0.2%, to 6.7295 kuna to the dollar. This week we expect to see a more animated trading ranging from 7.41 to 7.46 kuna to the euro, due to the issuance of kuna and currency clause bonds.



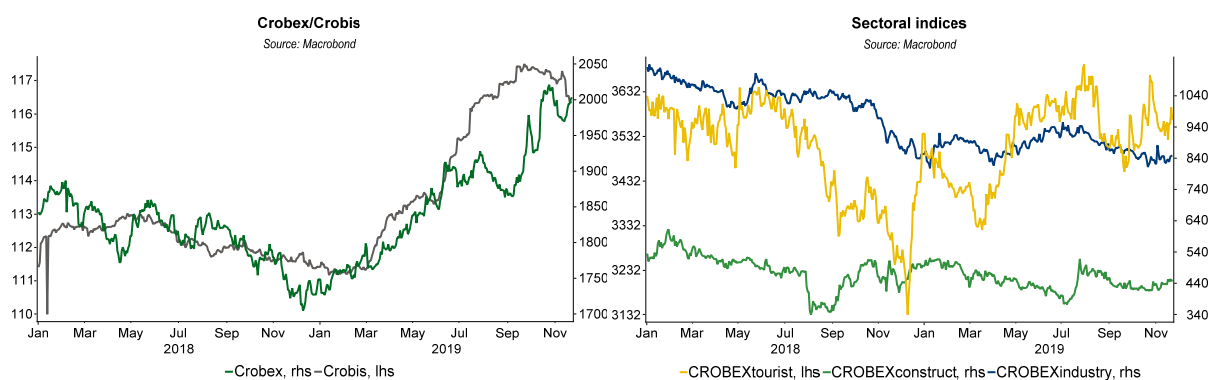
Stagnation of interest rates

Excess liquidity remained at approximately 36 billion kuna, there was no activity at the CNB's repo auction or on ZMM, whereas interest rates stagnated. Thus, on Friday the O/N Zibor amounted to 0.27%, 1M 0.35%, and 3M 0.41%. At the T-bill auction a subscription of 1.5 billion kuna in one-year T-bills was recorded, and the given amount matured, with an unchanged interest rate of 0.06%. Next maturity of T-bills amounting to 1.872 million kuna and 3.3 million euro is scheduled on 5 December.



Crobex up, turnover down

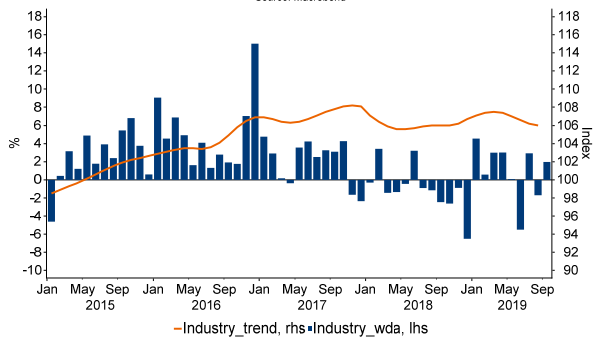
The total ZSE turnover last week reached 227.9 million kuna, registering a drop of 18.2% wow, owing to a decrease of 51.0% in the turnover in bonds (that reached 112.9 million kuna), whereas the turnover in shares grew at the same time by 2.4 times (to 115.0 million kuna). The Crobex Index closed last Friday at 2,003.27 points, i.e. it advanced by 1.3% wow, while Crobis simultaneously decreased by 0.1% (to 115.92 points). Sector indices registered a positive development, CROBEXconstruct rose by 3.6% (to 452.20 points), CROBEXindustry by 1.8% (to 848.48 points), and CROBEXtourist by 0.2% (to 3,569.98 points).



Statistics

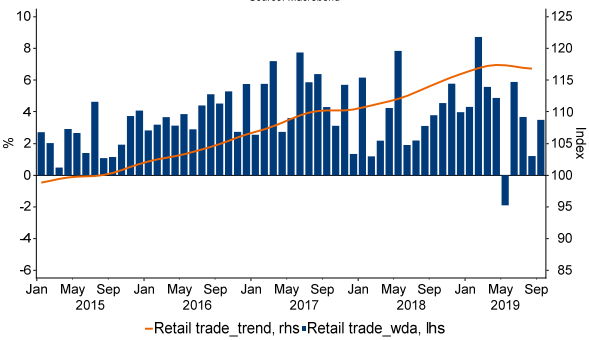
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



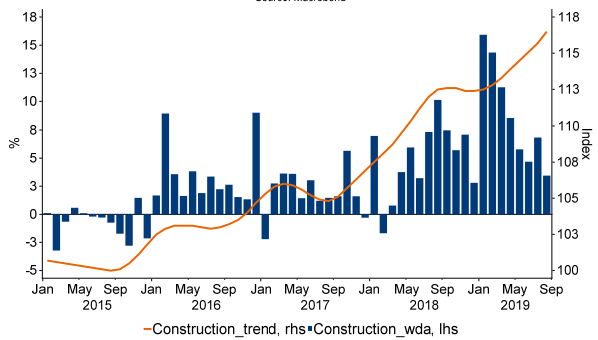
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



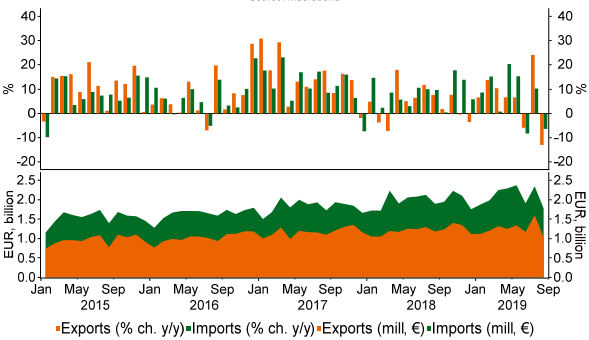
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



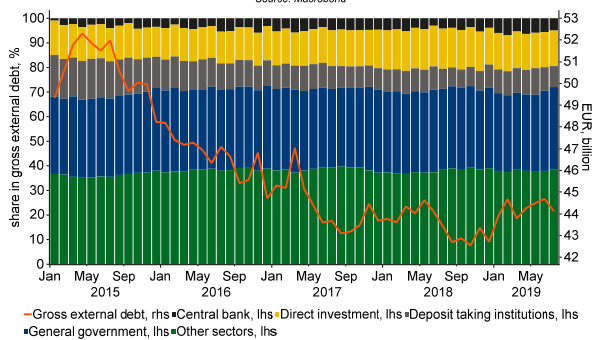
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



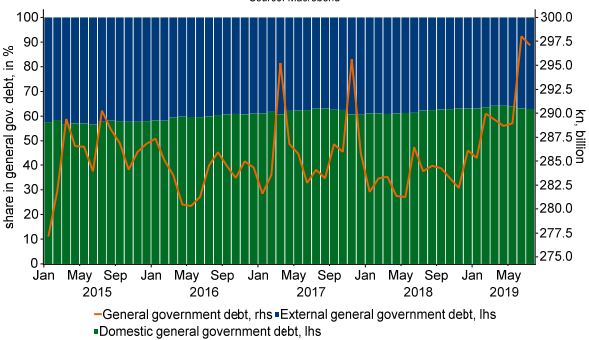
Gross external debt

Source: Macrobond



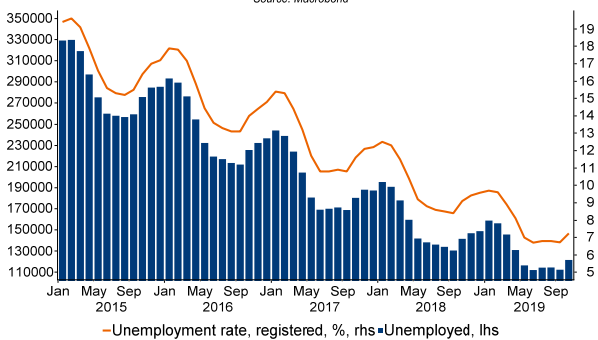
General government debt

Source: Macrobond



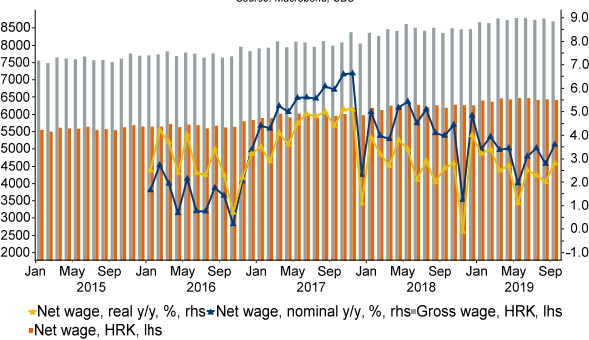
Total number of unemployed and unemployment rate

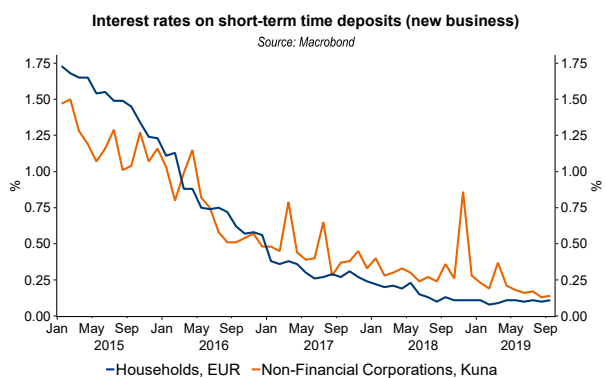
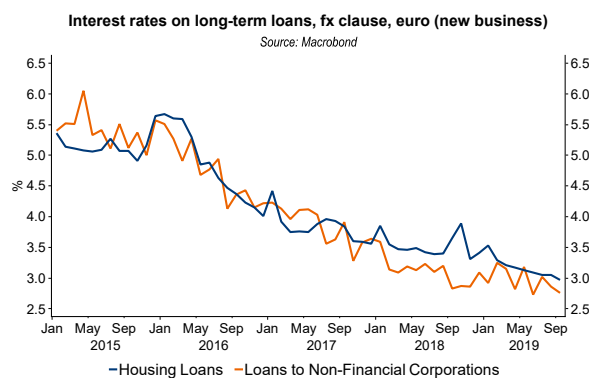
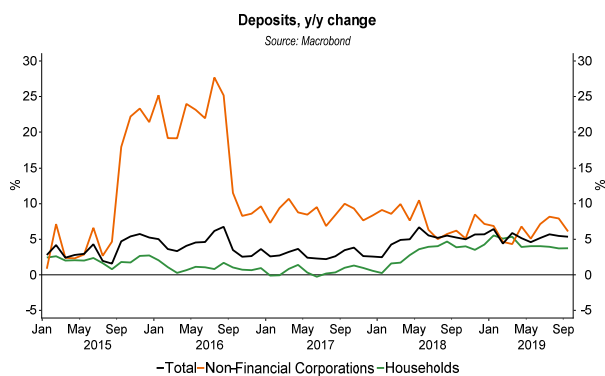
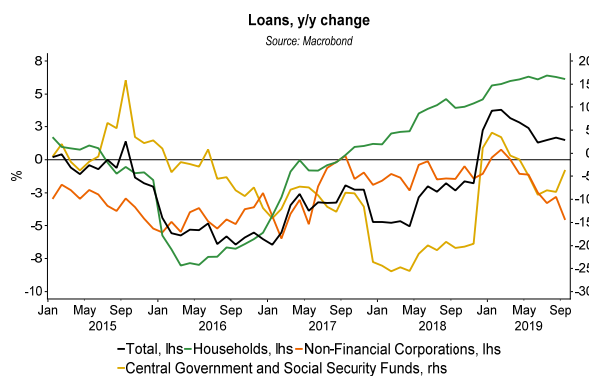
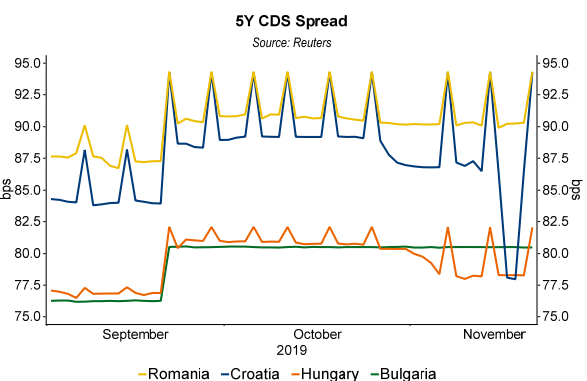
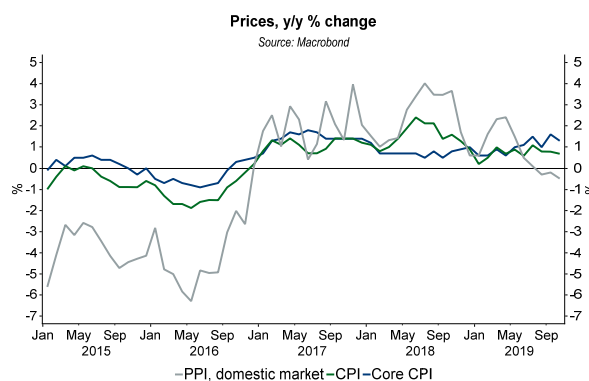
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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