

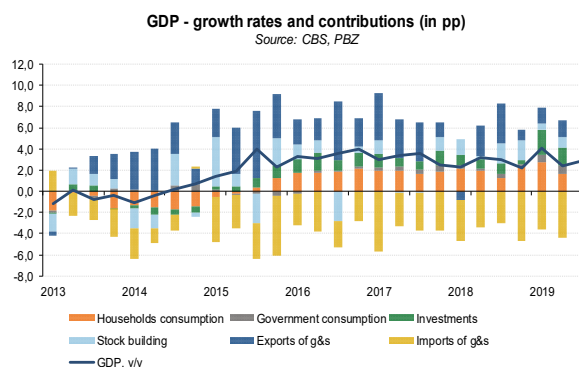
PBZ Weekly Analysis

Number 672, December 2, 2019

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Weekly overview

- In line with high-frequency indicators of economic activity, the first quarterly gross domestic product estimate for the third quarter shows that GDP rose by 2.9% versus the same quarter last year (i.e. by 0.8% compared with the previous quarter) – showing an acceleration after the 2.4% yoy (i.e. 0.5% qoq) growth recorded over the

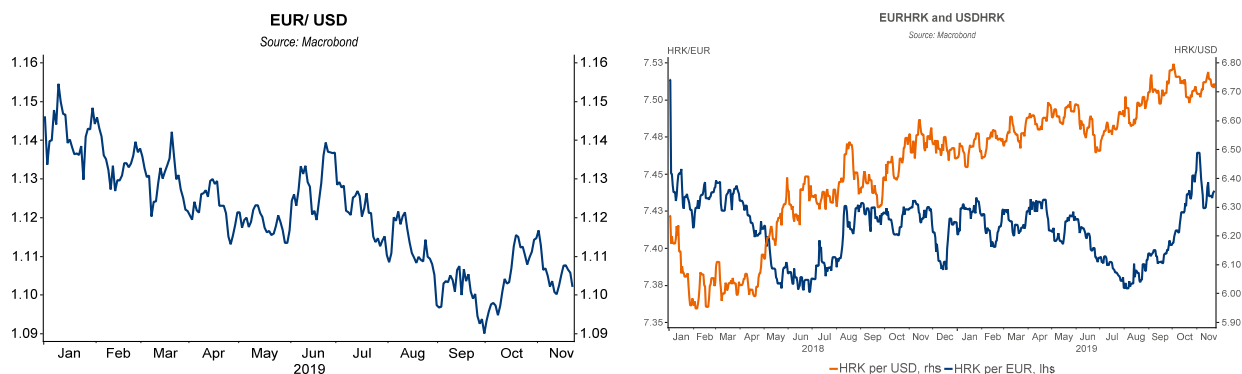


second quarter of 2019. The largest positive contribution to the growth came from personal consumption, which increased by 3.3% (contribution around 1.6pp), and investment activity which, due to its solid increase of 5.0%, contributed approximately by 1.0pp to the overall growth. At the same time, a decrease in stocks made a negative contribution to the growth. A strong positive contribution (2.8pp) over the third quarter came also from net exports, as the exports of goods and services advanced by 4.7% (exports of goods +7.1%; services +3.1%), while, simultaneously, the increase in imports slowed to mere 1.1% (imports of goods +0.9%; services +1.8%). As, parallel with the release of the first estimate for the third quarter, the data for the first quarter were revised (from 3.9% to 4.1%) and the first data for the last this year's quarter reveal stagnant industrial production (+0.3% in October; where manufacturing dropped by 1.5%) and a solid 3.1% increase in retail trade, we will maintain our estimate of approximately 2.8% growth in 2019 for now. In addition, we will keep our estimate of growth slowdown towards 2.5% next year, where we highlight negative risks. Personal consumption supported by favourable trends in the labour market and growth in wages amid low inflation and favourable borrowing conditions will remain the growth basis, whereas investment activity will reflect higher withdrawal of EU funds ahead of the end of the current financial period as well as investments involving the tourist and property sector. Uncertainty relates to the exports, given the slowdown of the economic activity in partner countries and further normalisation of tourism.

Calm week in FX markets

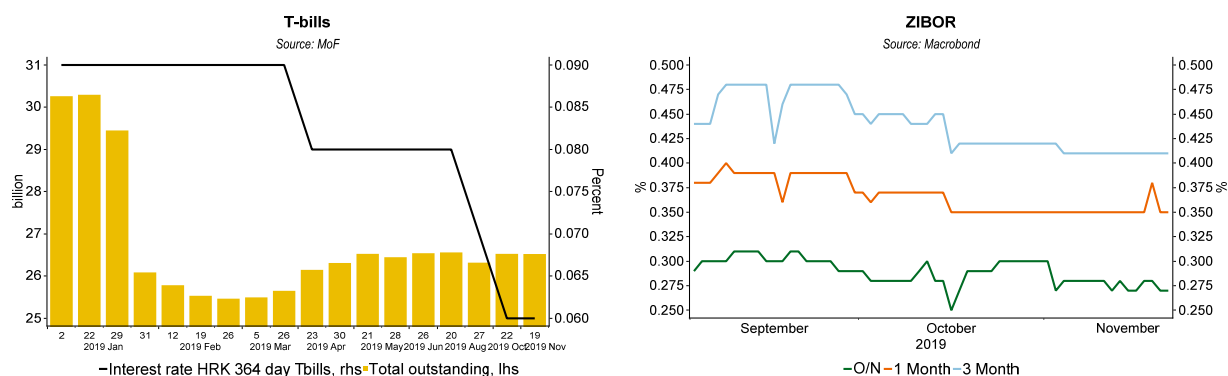
Last week, the EUR/USD mildly fluctuated and trading on Friday closed at 1.10 dollar to the euro, unchanged wow.

The domestic FX market experienced a calm week again, where the mid-exchange rate on Friday amounted to 7.4360 kuna to the euro, which is almost unchanged wow, whereas the kuna against the dollar weakened by 0.4% wow and the exchange rate rose to 6.7594 kuna to the dollar. This week, we expect calm trading to prevail again.



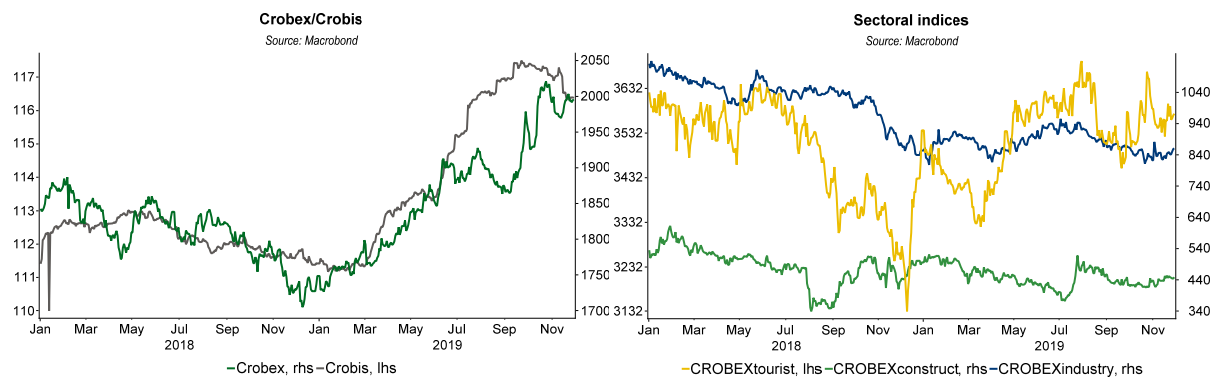
Liquidity reduced

Excess liquidity fell to 29 billion kuna, no interest was shown at the CNB's repo auction, while ZMM saw only a minor turnover of 2 million kuna. Interest rates stayed the same, therefore the overnight Zibor was 0.27%, 1M 0.35% and 3M 0.41%. This week, 1,872 million kuna and 3.3 million euro in T-bills will mature and an auction with the planned 1.3 billion kuna has been announced.



Crobex down wow

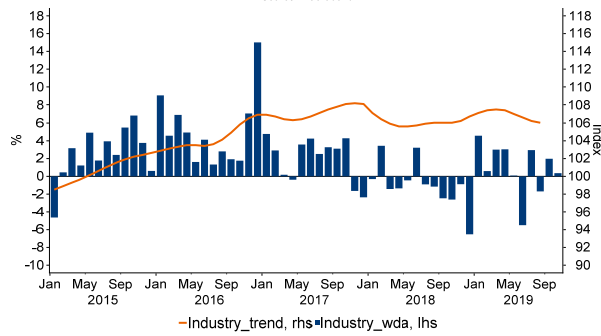
The Crobex Index closed last Friday at 1,995.61 points, i.e. fell by 0.4% wow, whereas Crobis simultaneously stagnated (at 115.95 points). As regards sector indices, CROBEXconstruct decreased by 0.8% wow (to 448.56 points), while CROBEXindustry and CROBEXtourist rose by 1.4% and 0.2% (to 860.39 and 3,575.73 points, respectively). The total ZSE turnover last week reached 116.5 million kuna, which is down by 48.9% wow, due to a 59.8% lower turnover in shares (reaching 46.3 million kuna) and 37.8% lower turnover in bonds (70.3 million kuna).



Statistics

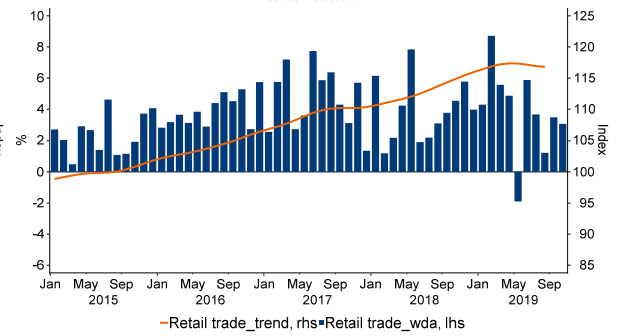
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



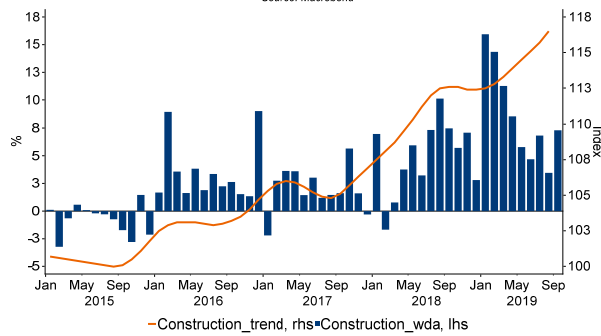
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



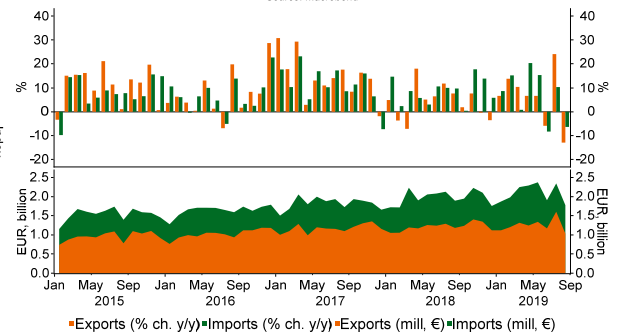
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



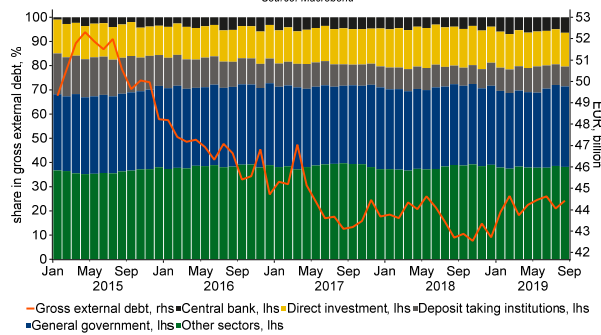
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



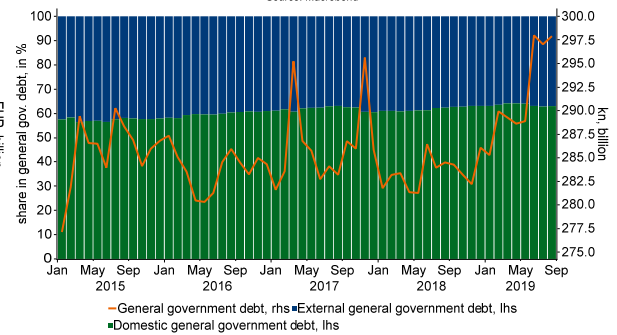
Gross external debt

Source: Macrobond



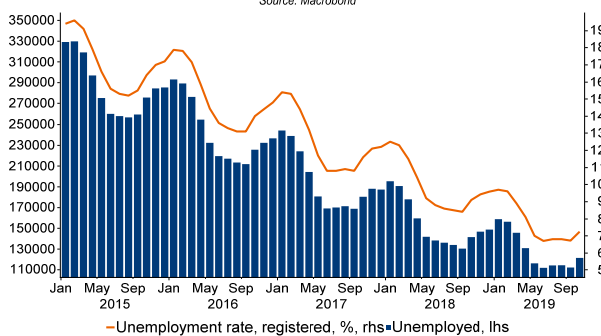
General government debt

Source: Macrobond



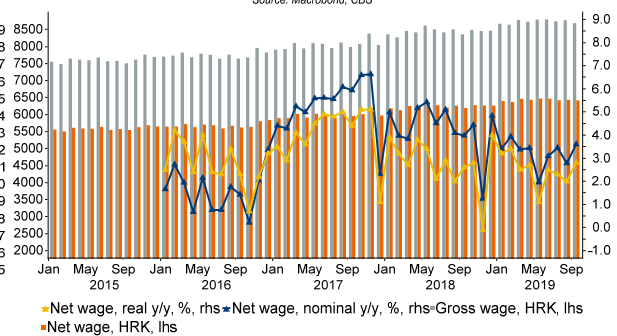
Total number of unemployed and unemployment rate

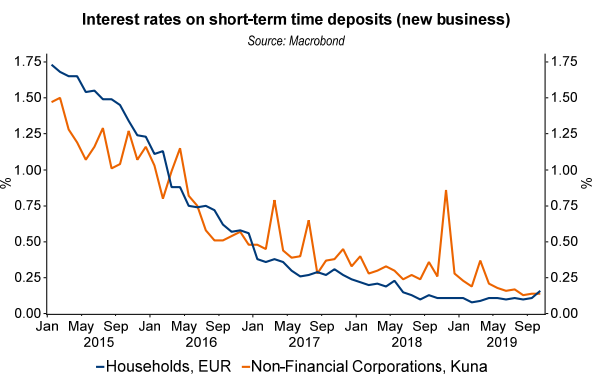
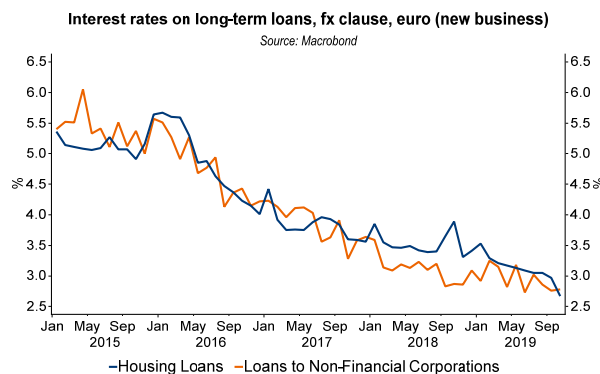
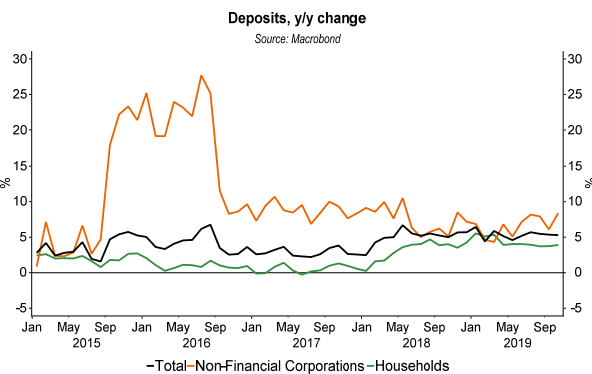
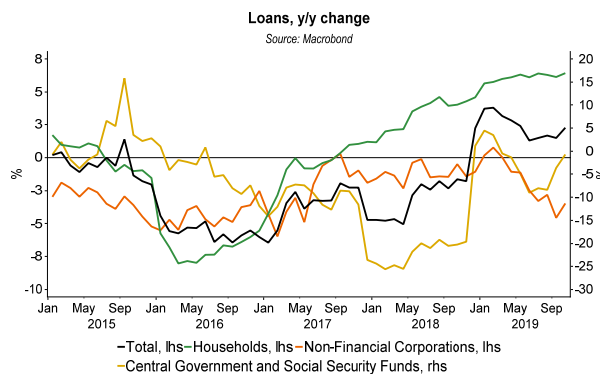
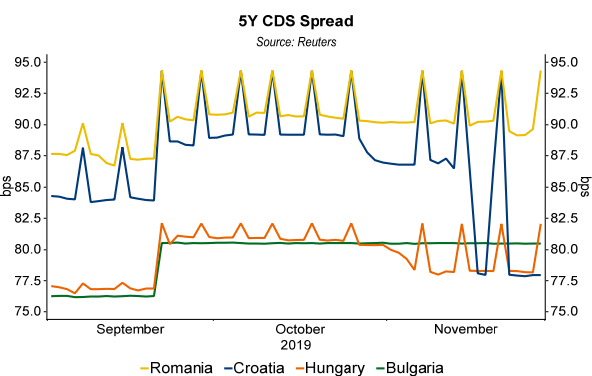
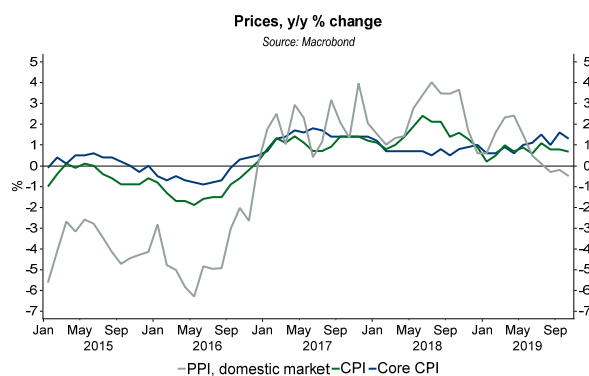
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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