

WEEKLY ANALYSIS

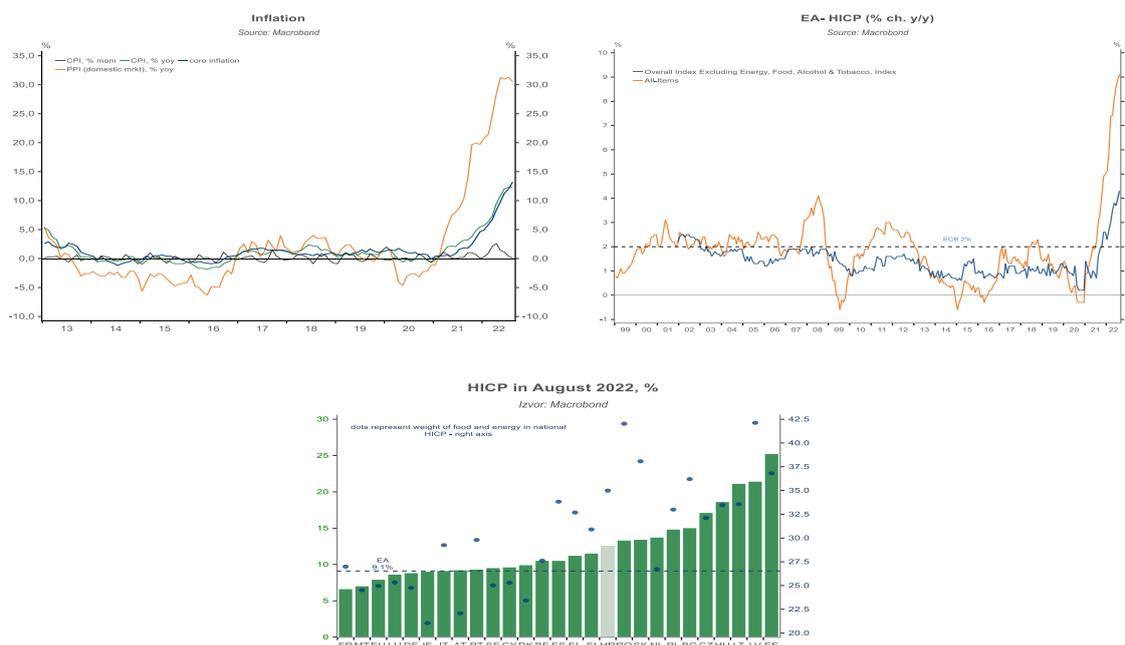
Number 791, September 19, 2022

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Monthly inflation rate slowed down to 0.1%, core inflation rate exceeded 13%

Annual inflation rate in August remained unchanged at 12.3%, while inflationary pressures continued to weaken m-o-m for the fourth consecutive month, and the price level compared to July increased by 0.1%. Easing the pressures m-o-m was contributed by price decline for clothing and footwear although slower than in July (-3% compared to July -14.4%), and price decline recorded in the category of transport (-4.1%) was primarily due to 9.0% fuel price fall (in July fuel price decline was -0.3%). In August, growth of food prices also slightly deaccelerated m-o-m (to 1.7% from 2.2% in July) and, expectedly, price increase in the category of hotels and restaurants (to 1.1% from 4.9%), but the acceleration of monthly increase was registered, among others, in the category of housing and utilities (from 0.5% in July to 0.7% in August), with prices of solid fuels increasing by 8.1% m-o-m. Strong double-digit price growth y-o-y was recorded in food products (1.,2%), restaurants and hotels (17.6%), furnishings and household equipment (15.3%), transport (14.1%) and housing and utilities (10.5%), while price decline was registered only in the category of communications by 0.4%. According to CNB data, core inflation rate (excluding the prices of agricultural products and administered prices) in August increased by 1.2% m-o-m and accelerated to 13.2% y-o-y (from 12% recorded in July). Data suggest that we are at the likely peak of inflationary pressures, although annual inflation rates will remain elevated for some time, due to the base effect. On average, during the first eight months of this year the inflation rate was 9.6%, and our assessment is that the average inflation rate in this year could be around 10.5%.

Simultaneously, Eurostat confirmed the preliminary assessment by which the inflation rate in the euro zone in August was 9.1%, also showing that the core inflation rate that (without energy, food, alcohol, and tobacco) jumped to record-high 4.3%, pointing to widespread distribution of inflationary pressures which will surely influence the future dynamic of interest rate increase by the European Central Bank. According to Eurostat data, inflation in Croatia, measured by the harmonised consumer price index, amounted to 12.6% in August, while the lowest 6.6% was recorded in France and the highest 25.2% in Estonia. It is interesting to notice that CEE countries recorded the strongest inflationary pressures that we contribute, among others, also to food basket structure, i.e., to markedly higher weight of food and energy prices in the overall consumer price index.

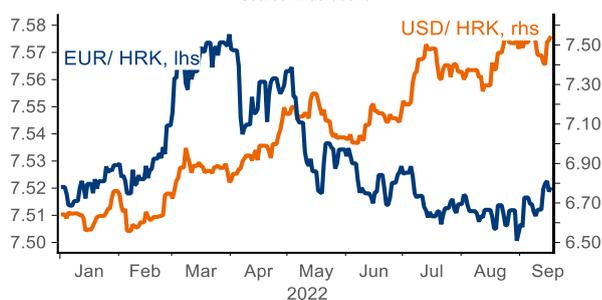


Weekly overview

- Domestic FX market continued its peaceful period, and the mid-point exchange rate was 7.5203 kuna to the euro on Friday, only 0.1% more w-o-w. Kuna depreciated against the dollar by 1.3% to 7.5452 kuna to the dollar. This week we expect continuation of EUR/HRK trade in the range of 7.51-7.53.
- Last week, liquidity was around 84 billion kuna, interest rates thus continued stagnating, and there were no placements at the CNB's regular repo auction. This week 380 million kuna of T-bills is due and auction is planned in the amount of 100 million kuna of 6M and 500 million kuna of 1Y T-bills.
- ZSE turnover in last week was reduced by 5.2% w-o-w to 103 million kuna, with bond turnover increasing to 74 million kuna (+2.0%), while turnover in shares declined to 29 million kuna (-14.6%). Crobex remained almost unchanged w-o-w, reaching 1,983.7 points on Friday, with another colourful performance. CROBEXindustry and CROBEXtourist thus continued their decline (-0.5% to 1,013.5 points, i.e., -2.1% to 3,415.4 points), while CROBEXconstruct continued to grow, jumping by 9.1% to 494.6 points. Crobis retained a negative trend (-0.3% to 98.3 points).

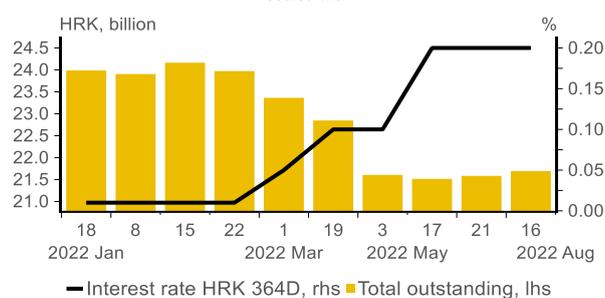
EUR/HRK and USD/HRK

Source: Macrobond



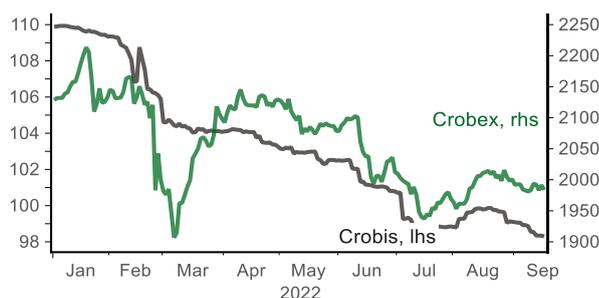
T-bills

Source: MoF



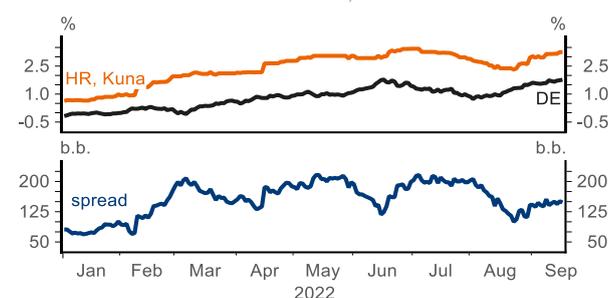
Crobex/Crobis

Source: Macrobond



10Y Government bond yield

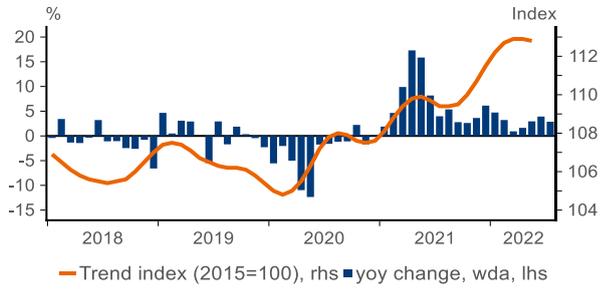
Source: Macrobond, Reuters



Statistics

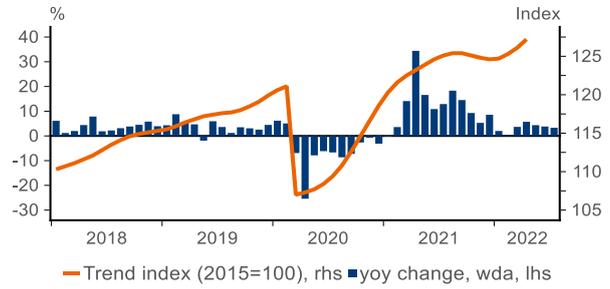
Industrial production

Source: Macrobond



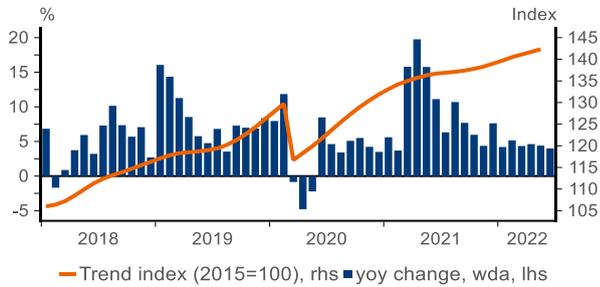
Retail trade, real

Source: Macrobond



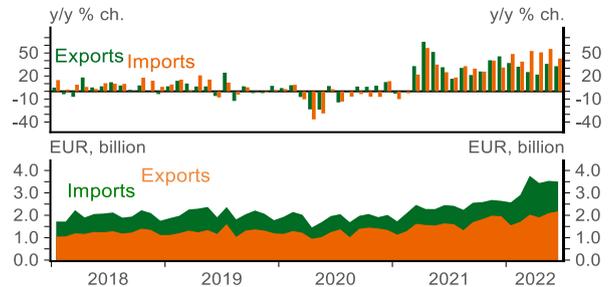
Construction works

Source: Macrobond



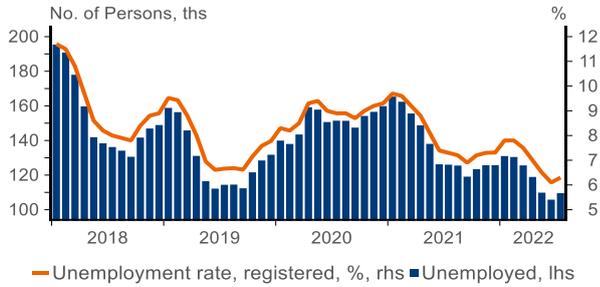
Goods exports and imports

Source: Macrobond



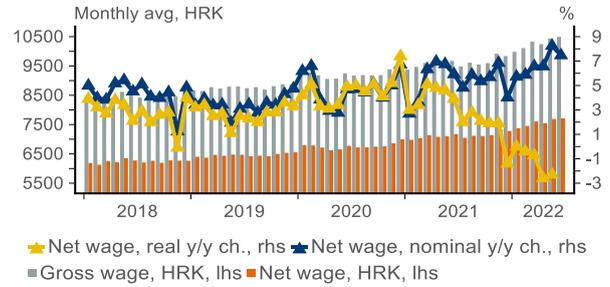
Unemployment

Source: Macrobond



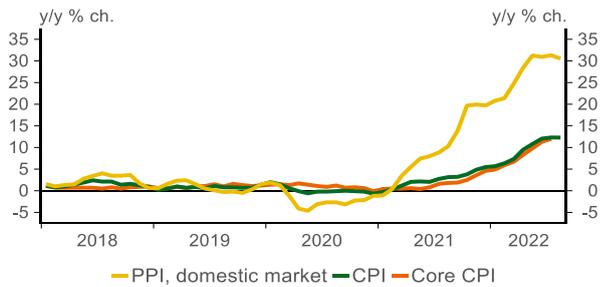
Wages

Source: Macrobond, CBS



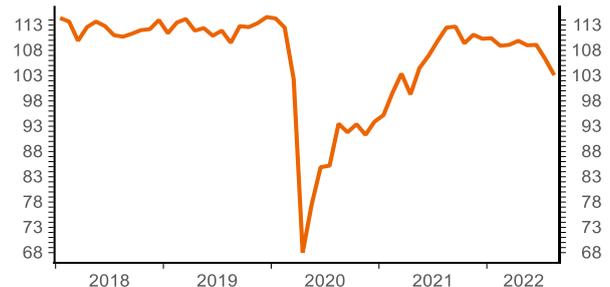
Prices

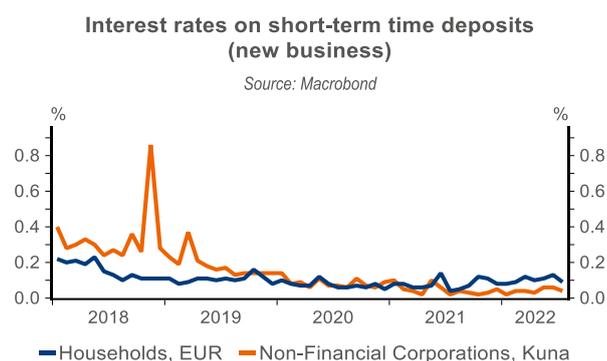
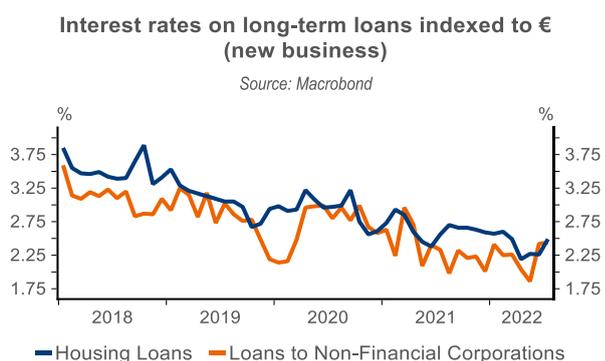
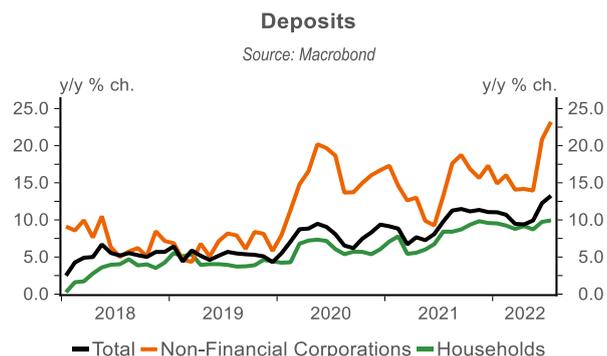
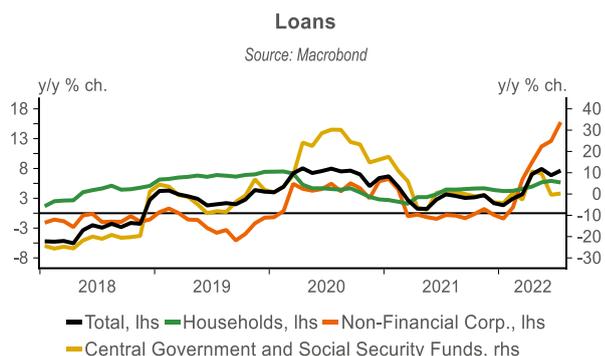
Source: Macrobond



Economic Sentiment Indicator (ESI)

Source: Macrobond





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