

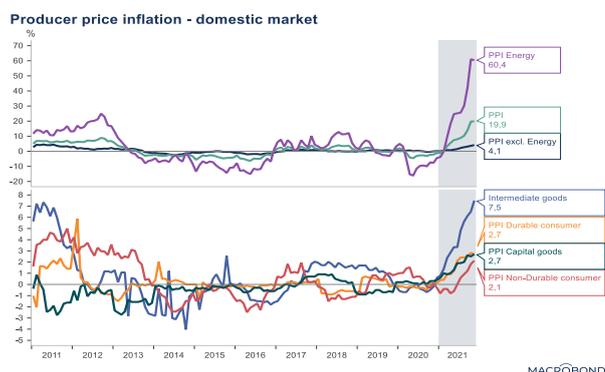
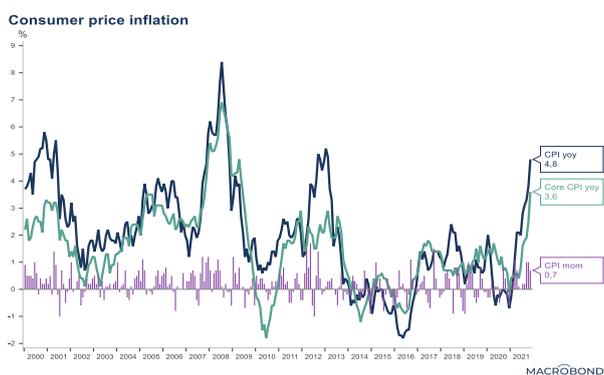
WEEKLY ANALYSIS

Number 759, December 27, 2021

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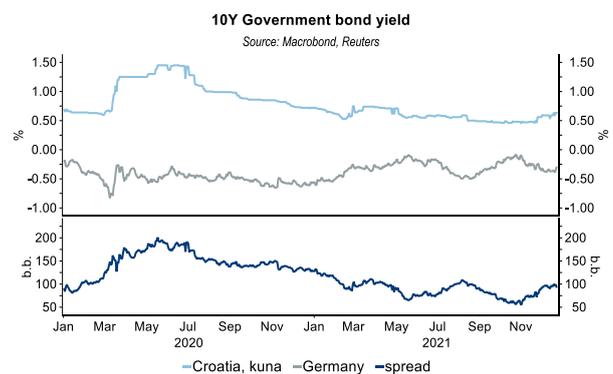
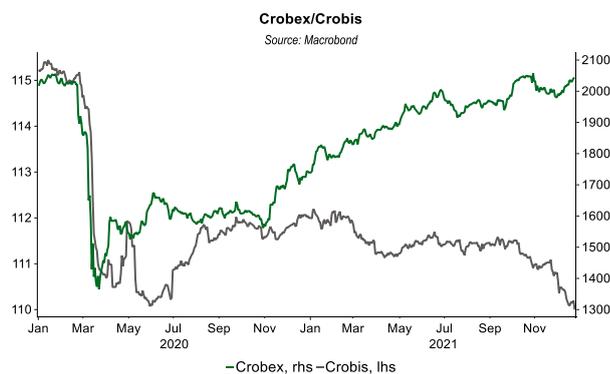
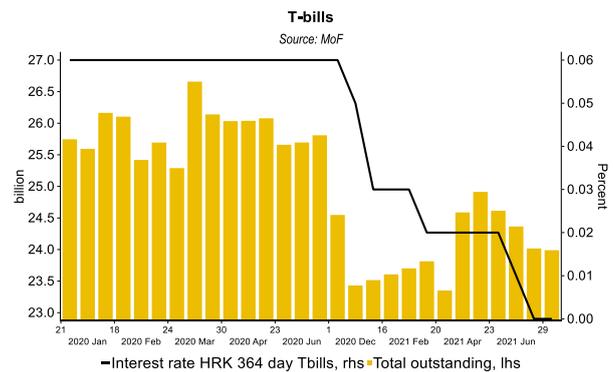
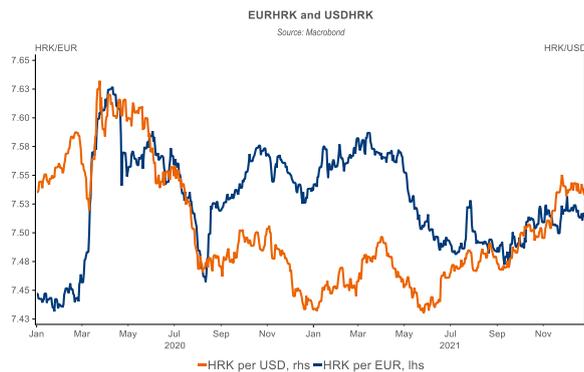
Inflation in November at the highest level since February 2013

Consumer Price Index in November 2021 recorded an annual increase of 4.8%, representing the highest growth rate since February 2013 (4.9%). Mentioned increase of consumer prices is primarily the consequence of price growth within the category of Transport by 12.9% (contribution to total price increase of 1.7 p.p.), which can mostly be contributed to a higher price of crude oil on the market (price per Brent-type barrel in this year's November was 83.6% higher compared to November 2020), considering that the highest weight to the increase within the mentioned category was provided by the price growth of Fuels and lubricants for personal transport equipment (+1.6 p.b. or +26.6%). Slightly smaller contribution (+1.5 p.p.) to the total price increase came also from 6.0% higher prices of Food (especially dairy products and bread and cereals, which rose by 9.2%, i.e., 7.6%), which is consistent with recent trends on the world market (according to Hamburg Institute of International Economics, prices of Food in November reached the highest level since October 2012 and are higher by 31.6% y-o-y). Regarding core inflation, that is, the one without included prices of agriculture products and administratively regulated prices (such as electricity and oil products), in November it recorded annual growth of 3.6% - the highest since May 2009 (4.1%). Observing the period from January to November 2021, average annual inflation rate reached 2.3%, and mostly due to 7.9% higher prices of Transport. More modest contribution to the total growth of consumer prices came from price growth within the categories of Alcoholic beverages and tobacco (+5.9%, due to increase of excise duties for tobacco and tobacco products), Housing, water, electricity, gas and other fuels (+1.4%, out of which gas by +8.5%) and Food (+1.0%). After the Government of RoC in October introduced a cap on petrol and diesel fuel prices, they recalled the same decision in December considering the decrease of petroleum products m-o-m, i.e., decline from levels of around 80\$ per barrel. Regarding other energy products, household gas prices should remain the same during this heating season, considering they have been determined until April next year, while for the foreseeable future no significant change in household electricity prices is expected. It is interesting to notice that in November, compared to October, the price level increased by 0.7% and unlike previous months, mostly as the consequence of 1.7% higher price of Food (share 24.65%). Regarding 2021 estimations, we expect an average annual inflation rate of 2.4% and its acceleration to 3.2% in 2023.



Weekly overview

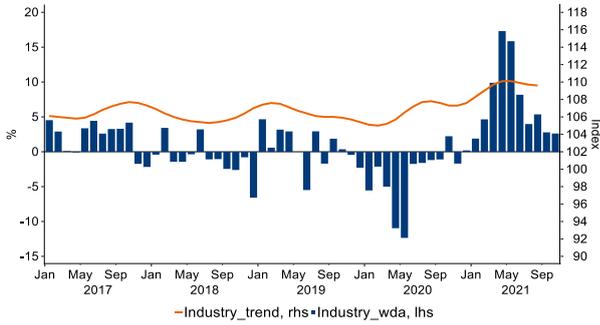
- Total volume of construction work in October was up by 6.1% y-o-y (+10.3% from January to October), where growth in residential buildings was 6.7%, and 5.0% for other constructions.
- Domestic FX market continued to stagnate with small trading volumes. Kuna stagnated against the euro w-o-w and the exchange rate amounted to 7.5143 kuna to the euro at the end of last week. At the same time, it appreciated against the dollar by a mild 0.1% and the exchange rate fell to 6.6269 kuna to the dollar. This week we expect that EUR/HRK trading will maintain current levels.
- Excess liquidity was maintained around 73 billion kuna, interest rates stagnated, and there was no interest at the CNB's repo auction.
- The Crobex Index closed last Thursday at 2,042.76 points, up by 0.4% compared to Friday the week before, while Crobis simultaneously decreased by 0.1% (to 110.36 points). As for sector indices, CROBEXconstruct rose by 2.8 % on Thursday compared to Friday the week before, that is, 455.53 points, while CROBEXindustry and CROBEXtourist declined by 3.6% and 0.8% (to 1,120.23 and 3,565.88 points). Total ZSE turnover in last week's four trading days reached 163.8 million kuna or down by 41.0% w-o-w, owing to 43.1% lower turnover in shares (reaching 27.9 million kuna) and 40.6% lower turnover in bonds (135.9 million kuna).



Statistics

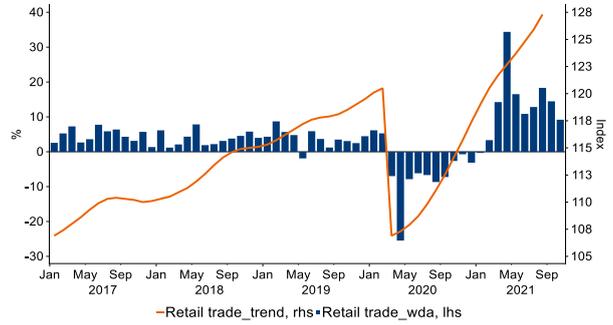
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



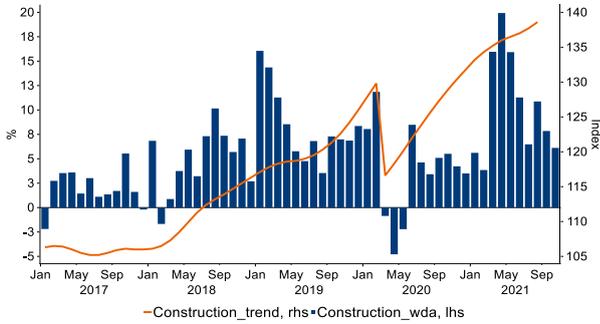
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



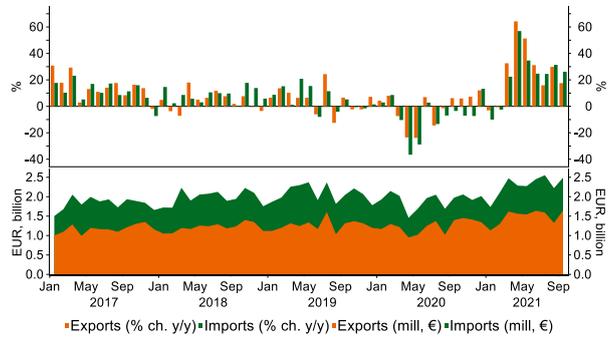
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



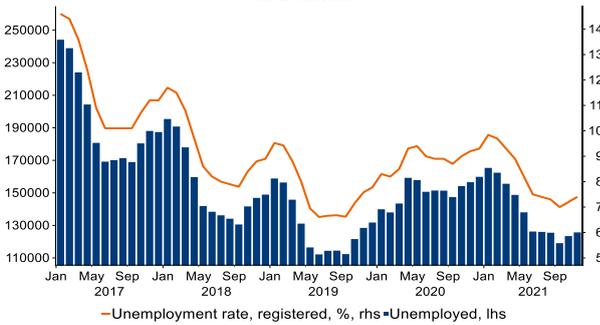
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



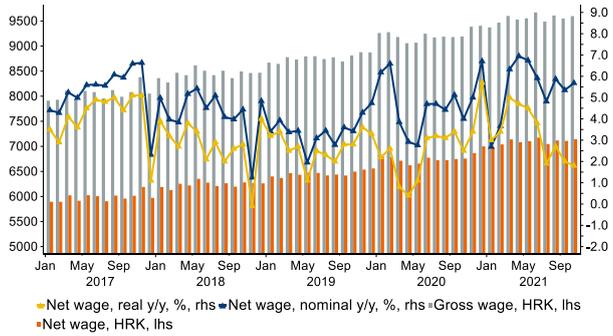
Total number of unemployed and unemployment rate

Source: Macrobond



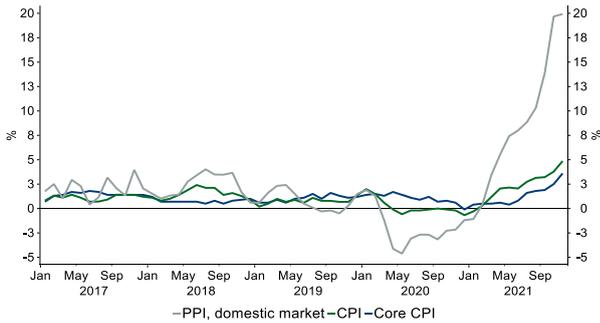
Wages, monthly average and % ch. y/y

Source: Macrobond, CBS



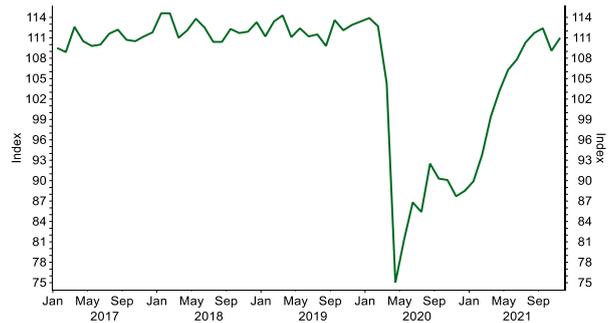
Prices, y/y % change

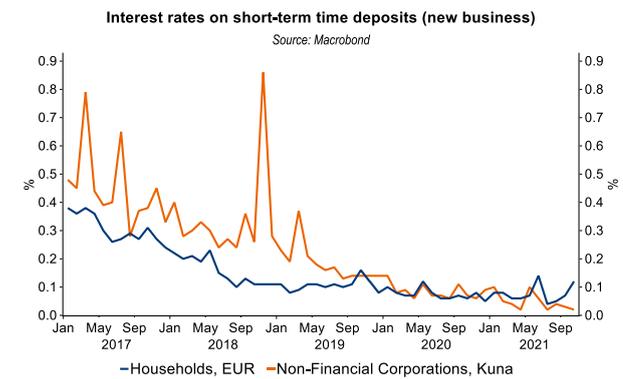
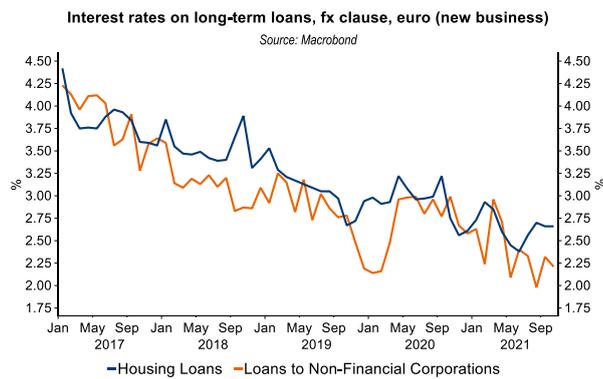
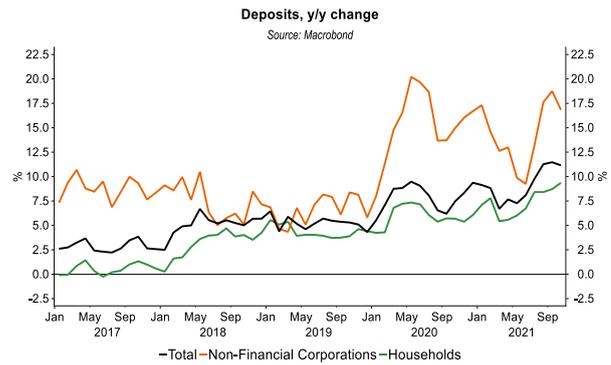
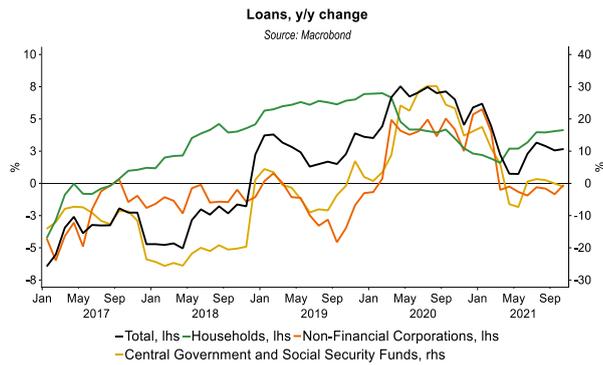
Source: Macrobond



Economic Sentiment Indicator (ESI)

Source: Macrobond





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