

## NUMBER 810, FEBRUARY 27, 2023

### CBS confirms its inflation flash estimate for January

- The Croatian Bureau of Statistics by its last week's release confirmed the previously published flash estimate according to which inflation stagnated m-o-m in January, i.e., recorded a y-o-y growth of 12.7%.
- On a monthly basis, prices have on average increased the most in the categories Restaurants and hotels (2.5%), Health (2.2%), Furnishings, household equipment and routine household maintenance (1.7%), Food and soft drinks (1.5%), Miscellaneous goods and services (1.0%) and Recreation and culture (0.9%), with these rising prices annulled by the declining prices in the categories Clothing and footwear (-11.5%, seasonal sales of clothing and footwear) and Transport (-1.0%, lower fuel prices for personal transport equipment).
- On an annual basis, the largest increase in consumer prices on average was achieved in the categories Restaurants and Hotels (19.5%). Food and soft drinks (17.3%), Furnishings, household equipment and routine household maintenance (16.6%), Housing, water, electricity, gas and other fuels (15.9%), Clothing and footwear (13.8%), Miscellaneous goods and services (11.7%), Recreation and culture (10.4%), Transport (6.6%), Health (6.4%) and Alcoholic beverages and tobacco (5.7%).
- Prices of goods and services for personal consumption, measured by the Harmonised Index of Consumer Prices (HICP), in January 2023 on average increased by 12.5% y-o-y, while in m-o-m terms they were on average higher by 0.3%. For comparative purposes, the average inflation rate in the euro zone in January was 8.6% year-on-year, while month-on-month there was a 0.2% drop in prices. While the revision of the annual inflation rate from the initially released 8.5% was expected given the later release of data for Germany, the revision of the core inflation rate from the initially announced 5.2% to a new high of 5.3% came somewhat unexpectedly and will surely, ahead of the March session, further strengthen the hawks within the ECB. Data show that the annual increase in the prices of industrial products excluding energy and food products accelerated in the euro zone in January, while the prices of services maintained the same growth rate as in December, and energy prices recorded a noticeable slowdown in the growth rate. At the same time in Croatia, we recorded an acceleration in the annual rate of growth in the prices of services (the introduction of the euro), slowdown in food and energy, and an almost unchanged rate of growth in the prices of industrial products excluding energy.

**Month-on-month stagnation, up by 12.7% year-on-year**

**Seasonal sales and falling fuel prices annulled the increase in prices of other categories**

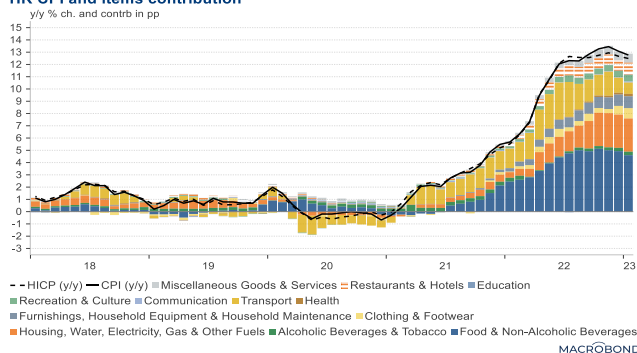
**Food, most significant in terms of share, recorded an annual price increase of 17.3%**

**Average inflation in the euro zone 8.6%, in the EU 10.0%-Hungary record holder with 26.2%**

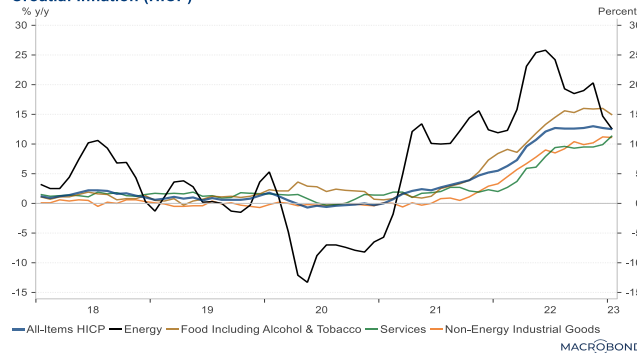
**New highest level of core inflation in the euro zone**

- We expect that the weakening of inflationary pressures primarily through energy prices, accompanied by the normalisation of supply chains and the base effect, but also weakening demand, will ultimately lower the average inflation rate to 6-7%.

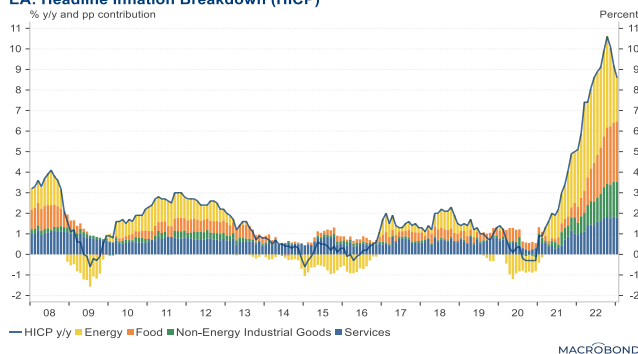
HR CPI and items contribution



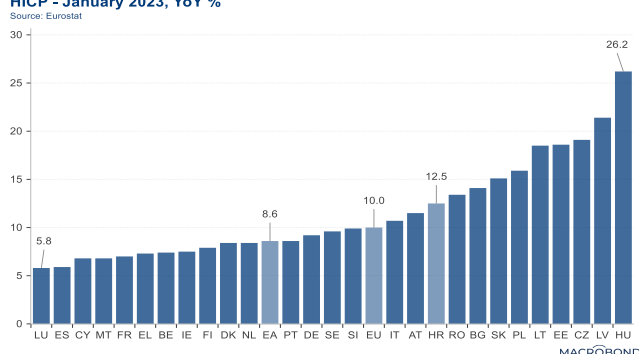
Croatia: Inflation (HICP)



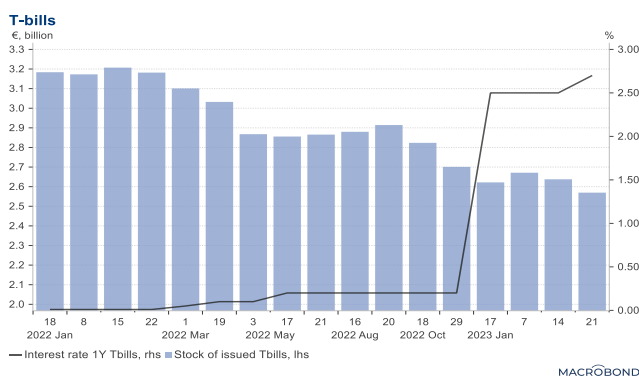
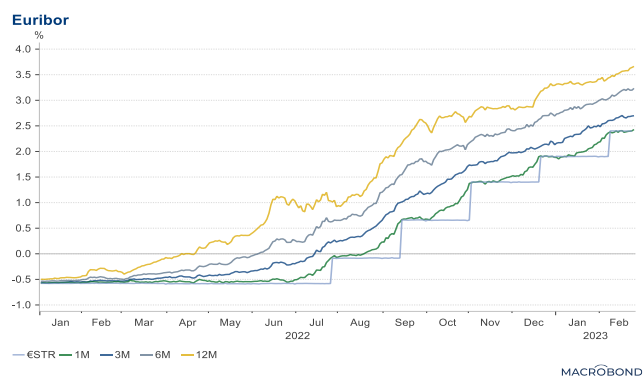
EA: Headline Inflation Breakdown (HICP)



HICP - January 2023, YoY %



- The dollar continued to strengthen against the euro, supported by stronger-than-expected U.S. economic activity, as well as the release of minutes from the FOMC meeting that cemented market confidence that the Fed would continue its decisive battle with inflation. On Friday, the exchange rate was \$1.0570 for the euro, down by 0.5% week-on-week.
- Euribor recorded an increase of up to 10 b. p. w-o-w, with 3M and 6M only slightly rising to 2.7 and 3.2% at the end of the week, respectively. The amount of 39 million of one-year T-bills was subscribed, reducing the government debt slightly to €2.6 billion and raising the interest rate by 20 b. p. to 2.7%. This week the amount of €56 million is due, but the auction will not be held.
- Crobex maintained its upward trend last week owing to the publication of quarterly reports of companies that reveal mostly good business results and concluded Friday at a 2.3% higher w-o-w level, or at 2,200.7 points. The most significant indices record a positive performance; CROBEXindustry achieved a growth of 2.6% to 1,232.1 points, CROBEXnutris increased by a slight 0.4% to 807.8 points, and CROBEXtourist by 2.2% to 3,989.4 points. Crobis recorded a decline of 0.3% to 94.2 points.



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