

# WEEKLY ANALYSIS

## Number 735, May 31, 2021

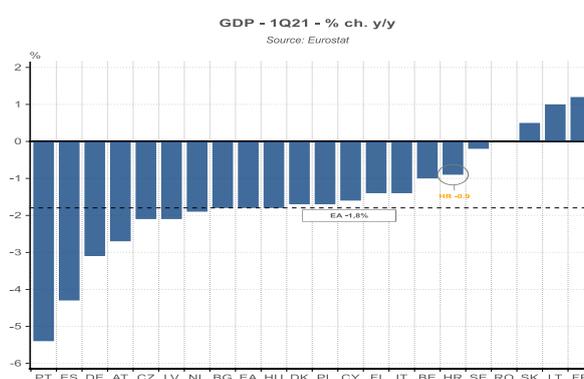
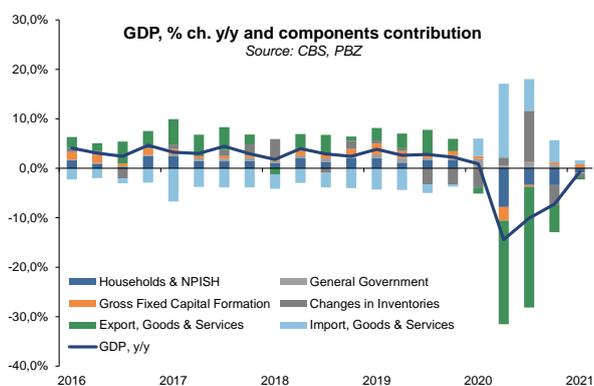
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## GDP decline decelerated to 0.7%

The data disclosed on Friday regarding the movements of gross domestic product in this year's first quarter point to a continuation of the recovery in economic activity, although the recorded qoq growth of 5.8% had not been sufficient to push the yoy rate of change towards a positive value. However, the generated decline of 0.7% (-0.9% according to the seasonally adjusted data) is the lowest yoy decline recorded since the outbreak of the SARS-CoV-2 pandemic.

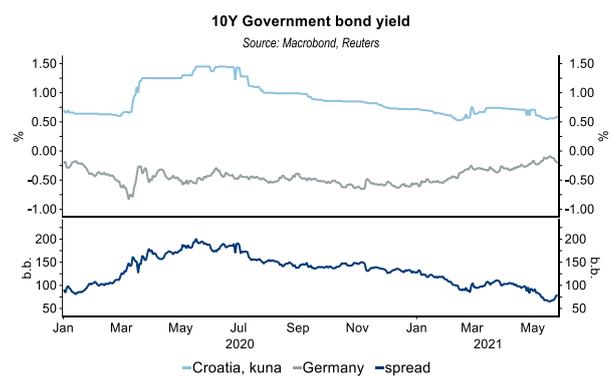
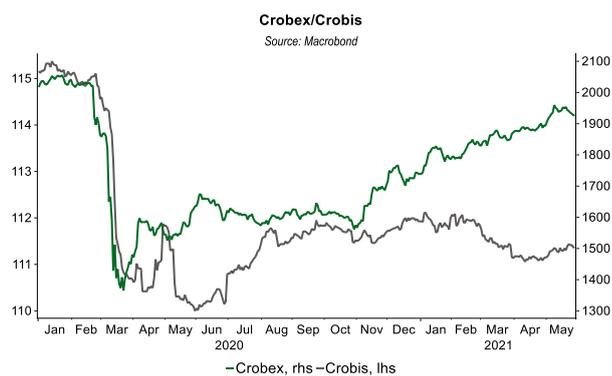
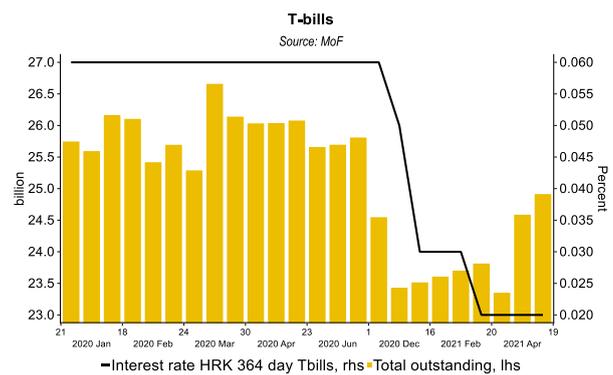
According to the components of the expenditure side, the biggest drag is still the exports of services (-18.6%) and personal consumption (-0.4%). And while in exports of services total decline had been mitigated by a minor share held by tourism in the first quarter since the data indicate the recorded foreign overnight stays to have dropped by 57%, in personal consumption the contraction recorded was sharper than what had been indicated by the turnover dynamic in retail trade (+4.9%). Evidently a part of personal consumption outside retail trade recorded a very strong decline, whereby we primarily refer to the drop in turnover of the hospitality industry (-55% according to the fiscalization data); some other service activities (e.g. hairdressing salons and similar services -3.6% drop in turnover according to the fiscalization data) or for instance transport (-25% according to the fiscalization data). On the other hand, a positive contribution to the GDP movements came from exports of goods and investment activity, posting a growth of 8.3% and 4.6% respectively compared to the same period last year. Overall, exports of goods and services thus recorded a decline of 0.9%, and considering that simultaneously total imports dropped by 2.1%, the contribution of net foreign demand was slightly positive, but the change in inventories took 0.8 p.p. off the total GDP rate of change.

Expected movements later in the year will be positively affected by several factors: (i) low last year's base (April and one part of May were completely under lockdown); (ii) accelerated pace of vaccination coverage in Croatia and other European countries will have positive effects on tourism during high season, and we also expect it during a prolonged post-season, while (iii) growth of employment initiated in the last two-three months will positively impact the rebound of personal consumption additionally supported also by income tax returns during May and June. We also expect further (iv) strengthening of investment activity amid faster absorption of EU funds (MFF 2014-2020) and expected stronger momentum in the rehabilitation of earthquake-affected areas. Having, therefore, in mind the relatively favourable performance of the first quarter (especially compared to most of other EU countries) and the said recovery factors, this year we expect the growth of GDP to exceed 5%.



## Weekly overview

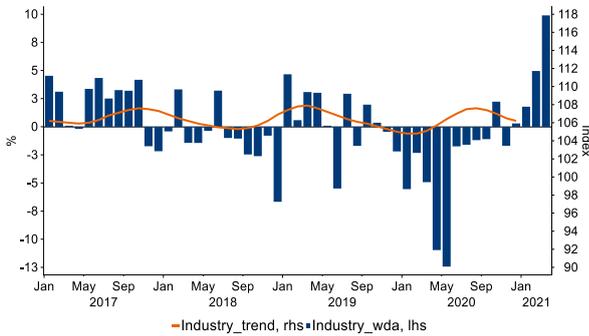
- Behind us is a somewhat livelier week in the domestic FX market with, what is common for the end of a month, higher trading volumes. The EUR/HRK exchange rate amounted to 7.5099 at the end of the week, up by 0.1% wow. The kuna slightly weakened against the dollar, by 0.4%, to 6.1637 kuna to the dollar. This week we expect trading in the range of 7.49-7.54 kuna to the euro.
- Excess liquidity advanced towards 71 billion kuna, thus at the weekly repo auction there was no interest shown, and interest rates for shorter maturities continued to stagnate. Last week 280 million kuna of T-bills were due, but there was no auction, thus the government debt in T-bills decreased to 24.6 billion kuna. This week there are no maturities nor auction.
- The Crobex Index closed last Friday at 1,928.52 points, down by 0.8% wow, while Crobis simultaneously stagnated at 111.79 points. As for sector indices, CROBEXtourist closed the week at 3,528.09 points, up by 0.4% wow, while CROBEXindustry and CROBEXconstruct recorded a decline of 4.8% and 11.8% respectively (to 1,033.59 and 499.71 points). Total ZSE turnover last week reached 156.2 million kuna, down by 12.7% compared to the week before, owing to 16.8% lower turnover in bonds (reaching 117.4 million kuna), while turnover in shares grew by 2.4% (to 38.8 million kuna).



# Statistics

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

Source: Macrobond



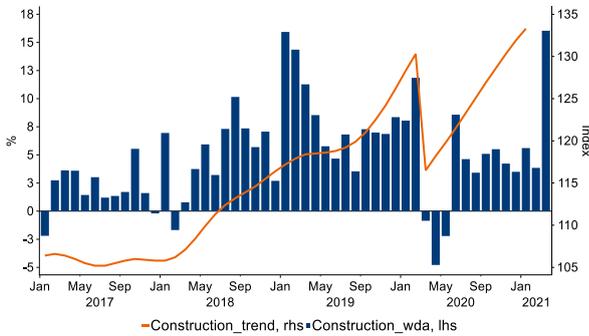
**Retail trade, real, wda % ch. y/y and index (2015=100)**

Source: Macrobond



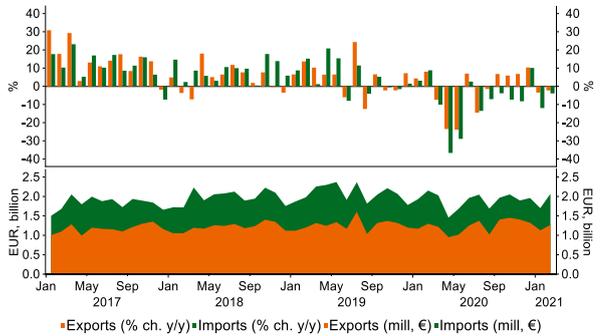
**Construction works, wda % ch. y/y and index (2015=100)**

Source: Macrobond



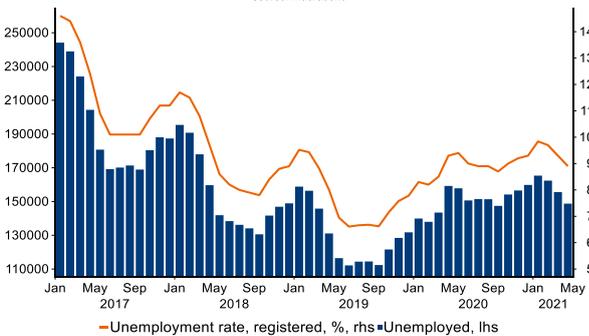
**Goods exports and imports (% ch. y/y and mill €)**

Source: Macrobond



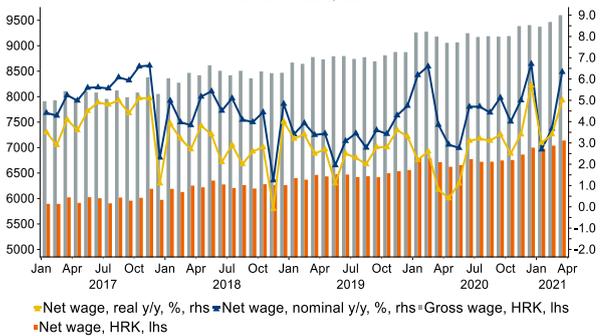
**Total number of unemployed and unemployment rate**

Source: Macrobond



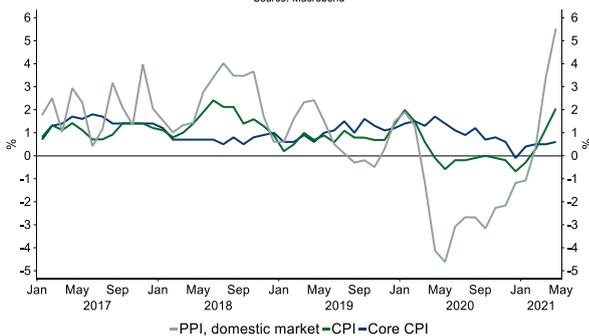
**Wages, monthly average and % ch. y/y**

Source: Macrobond, CBS



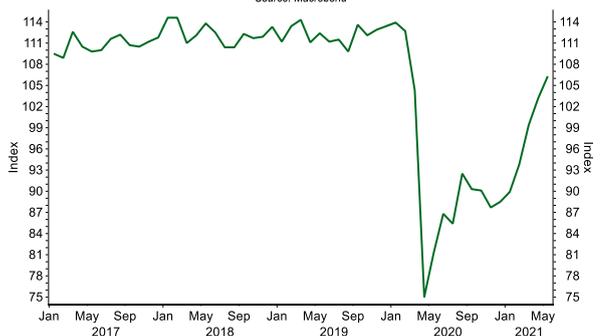
**Prices, y/y % change**

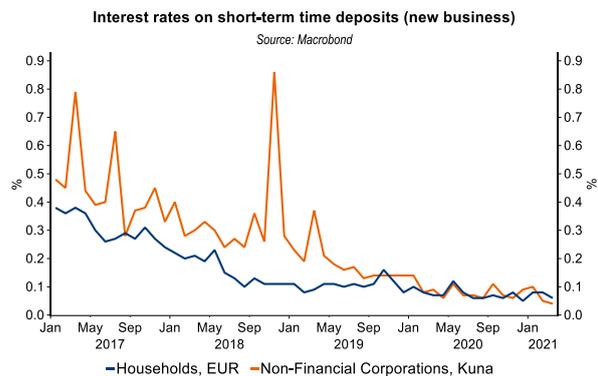
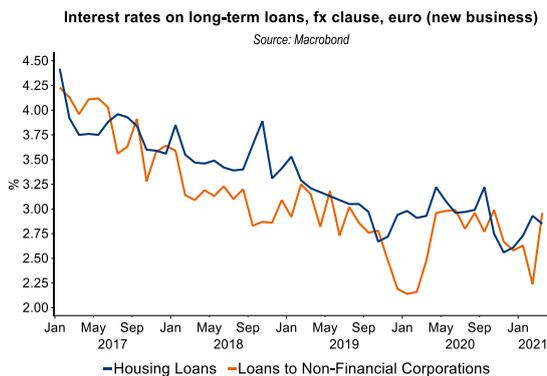
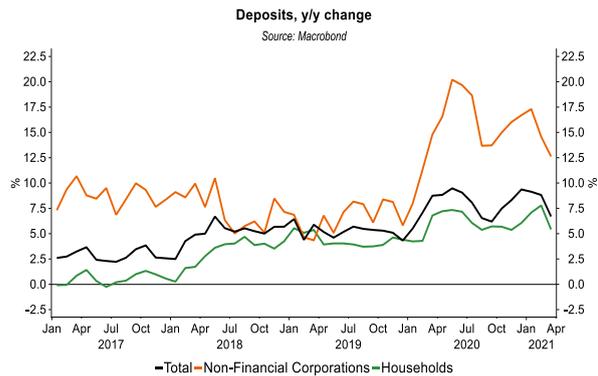
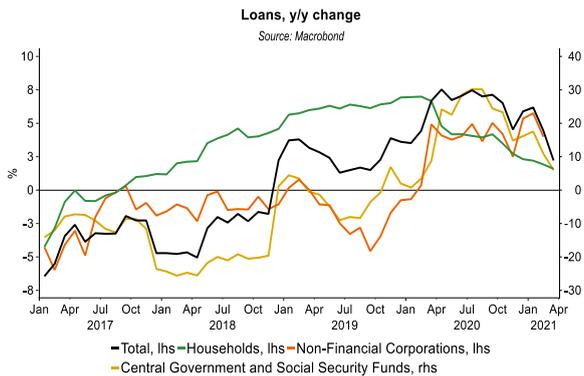
Source: Macrobond



**Economic Sentiment Indicator (ESI)**

Source: Macrobond





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