

# WEEKLY ANALYSIS

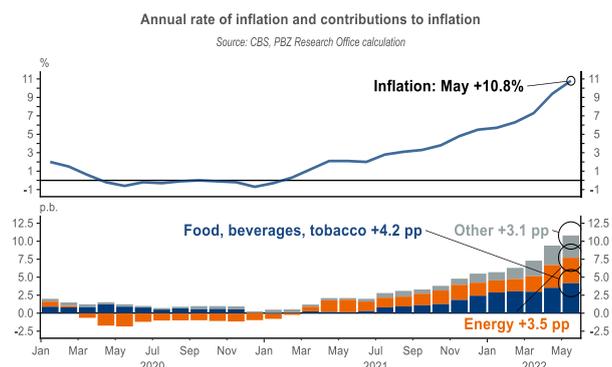
## Number 783, June 27, 2022

Double-digit inflation rate in May.....	1
Weekly overview .....	2
Statistics.....	3

## Double-digit inflation rate in May

Annual consumer price growth rate in May reached a record 10.8%, while compared to this year's April the average level of consumer prices was higher by 1.4%. Observing by share, acceleration of annual inflation rate in May was primarily due to higher price growth of Food and non-alcoholic beverages (+15.2% vs. +12.8% in April) and Transportation (+19.0% vs. +16.4%). Prices of Food are thus continuing its upward trend, perfectly in line with their recent movements on world markets (per

Hamburg Institute of International Economics in May they recorded growth of 35.6% y-o-y, reaching new record level), strongly caused by (along with unsolved issues with supply chains and increased demand) war in eastern Europe. By observing per individual food products and per share in the total consumer price index, in May the highest price increase was in oils and fats (+33.8%), followed by bread and cereals (+22.5%) and meat (+14.9%). Transport prices in May contributed to overall annual increase of consumer prices by 2.8 p.p., out of which prices of petrol and diesel fuel equally contributed by 0.8 p.p., having in mind that they are very closely connected with crude oil price trends on globally shaken energy markets (price per barrel of oil of Brent type reached on 24 June \$113.1 a barrel, almost 50% more y-o-y). Following the movements of energy prices on the market, the Government of RoC additionally reduced excise duties on petroleum products in June (in force from 8 June) and restricted the highest margins of energy entities (producers and distributor of oil products) to mitigate further increase of oil prices and to facilitate citizens' standard of living (package for mitigating the consequences of inflation growth has also entered into force on 1 April this year, worth 4.8 billion kuna). Also, a 14-day accounting period has been introduced for petroleum product prices. In the January – May period of this year, average annual inflation rate reached 8.0%, while the average annual core inflation rate (the one without agricultural product prices and administered prices) simultaneously reached 7.1%. By comparing inflation rates (measured by harmonised consumer price index) on the continent, it was higher in Croatia than the average of EU member states (10.7% vs. 8.8%) in May. Considering constant uncertainty regarding the war in Europe, and continuation of the supply chain issue, but also with still relatively strong demand (tourist season is only warming up), we expect that the annual inflation rate in this year will reach 9.3%.

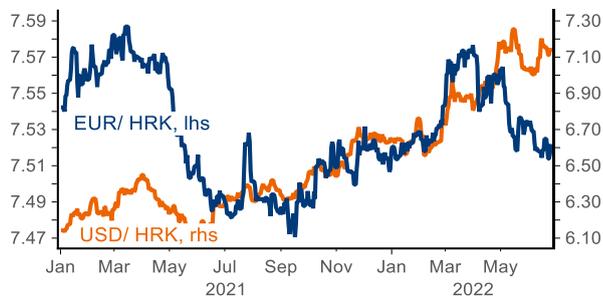


## Weekly overview

- Construction work volume increased in April to 4.6% y-o-y, where activity regarding residential buildings was up by +5.3%, while for other constructions decreased to +3.3%. In this year's first four months volume of construction work increased by 4.6% y-o-y.
- Last week EUR/HRK mid-point exchange rate was almost unchanged w-o-w and on Friday amounted to 7.5220 kuna to the euro. Kuna appreciated against the dollar by 0.4% and exchange rate was reduced to 7.1292 kuna to the dollar.
- Excess liquidity increased to 74 billion kuna, interest rates stagnated w-o-w, and there was no interest at the CNB's repo auction. Last week 600 million kuna of T-bills was due, and 667 million kuna was subscribed, thus slightly increasing government debt in T-bills to 21.6 billion kuna. 380 million kuna of 3M HRK T-bills was subscribed with interest rate of 0.10%, 7 p.p. higher than earlier issue and 287 million kuna of 1Y HRK T-bills with unchanged interest rate of 0.20%. Next auction is announced for 16 August.
- The Crobex Index closed last Friday at 2,011.78 points, up by 0.4% w-o-w, while Crobis simultaneously declined by 0.1% (to 101.04 points). As for sector indices, CROBEXtourist increased by 0.4% compared to previous week (to 3,519.46 points), while CROBEXindustry and CROBEXconstruct declined by 3.9%, i.e., 4.2% (1,135.45 and 411.26). Total ZSE turnover in last week's four trading days reached 53.3 million kuna or down by 4.4% w-o-w, owing to 6.1% lower turnover in shares (reaching 29.3 million kuna) and 2.4% lower turnover in bonds (24.0 million kuna).

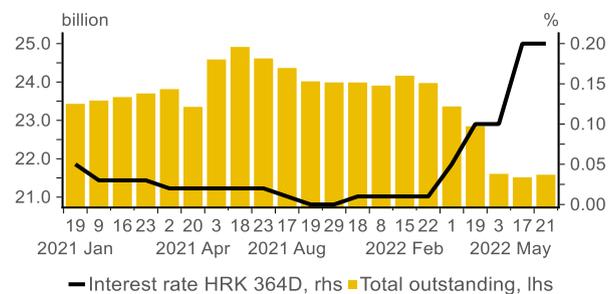
EUR/HRK and USD/HRK

Source: Macrobond



T-bills

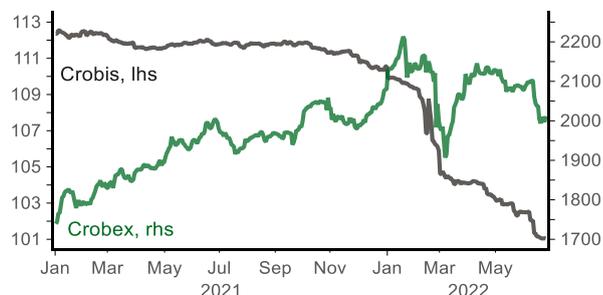
Source: MoF



— Interest rate HRK 364D, rhs ■ Total outstanding, lhs

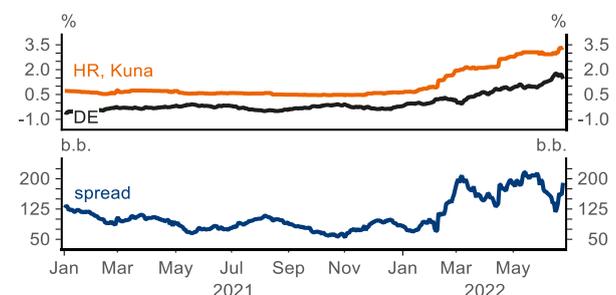
Crobex/Crobis

Source: Macrobond



10Y Government bond yield

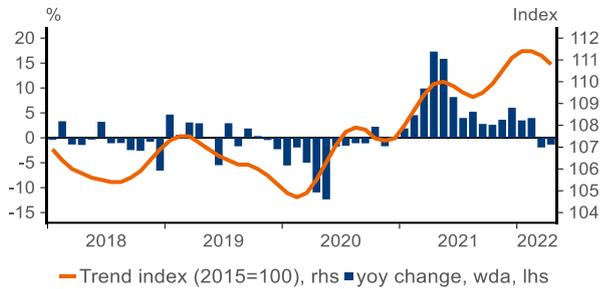
Source: Macrobond, Reuters



# Statistics

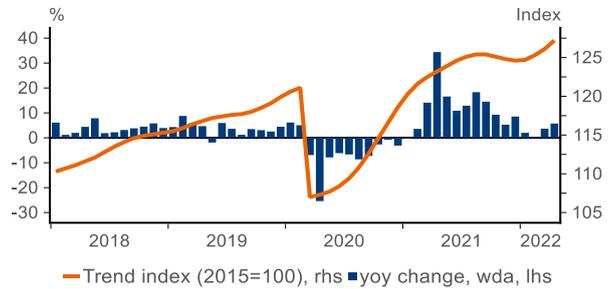
## Industrial production

Source: Macrobond



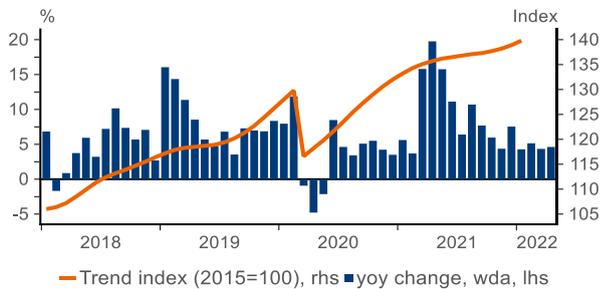
## Retail trade, real

Source: Macrobond



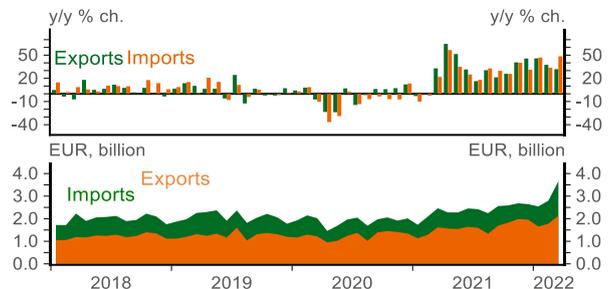
## Construction works

Source: Macrobond



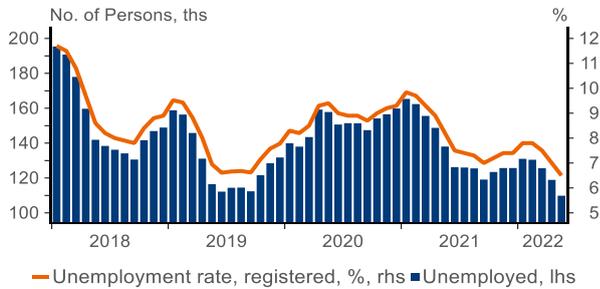
## Goods exports and imports

Source: Macrobond



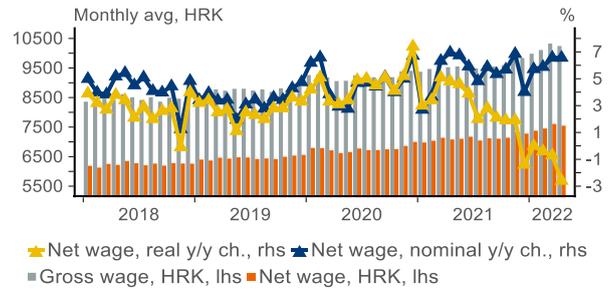
## Unemployment

Source: Macrobond



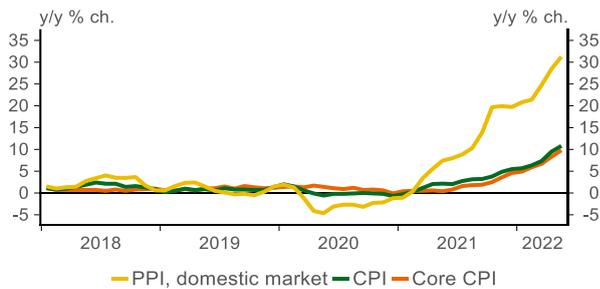
## Wages

Source: Macrobond, CBS



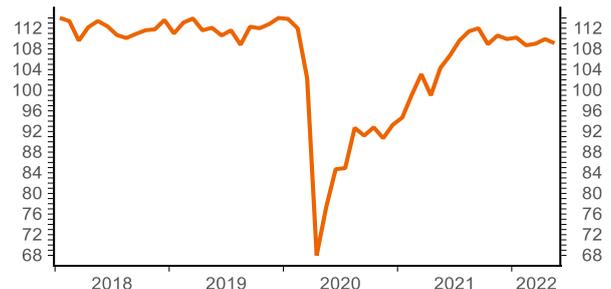
## Prices

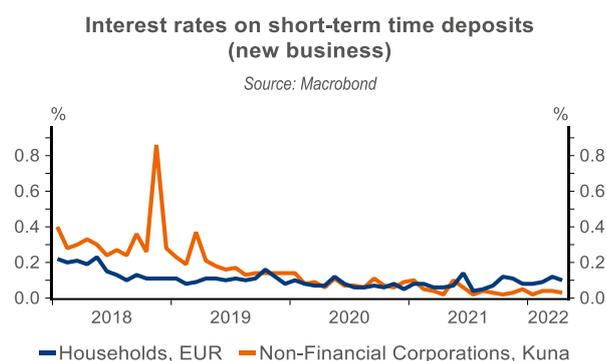
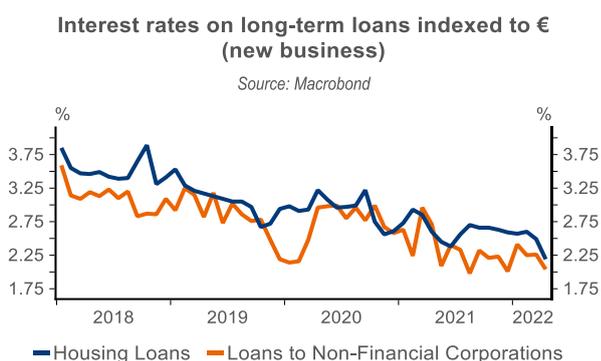
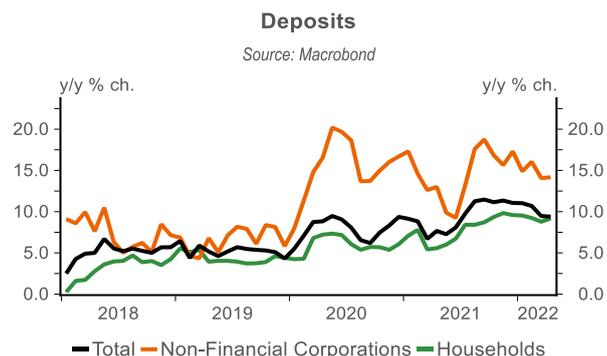
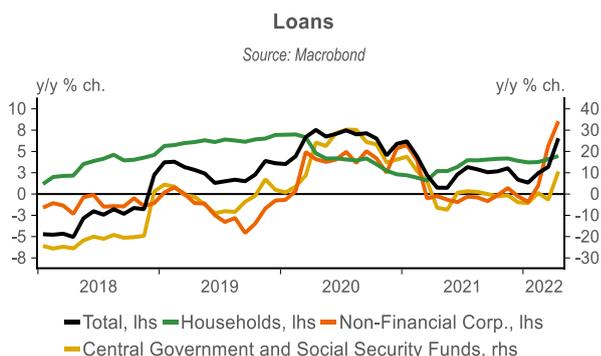
Source: Macrobond



## Economic Sentiment Indicator (ESI)

Source: Macrobond





#### RESEARCH OFFICE

Ivana Jović  
Ana Lokin  
Ivan Odrčić

#### TREASURY

Eugen Bulat

#### TRANSLATION

Ana Biloš  
Jelena Marinović

#### LEGAL DISCLAIMER

This publication is issued by PRIVREDNA BANKA ZAGREB-DIONIČKO DRUŠTVO, Zagreb, Radnička 50 (hereinafter: PBZ) and aimed at clients of the PBZ Group. This publication is intended for information purposes only and may not in any way be considered an offer or invitation to purchase any property or rights mentioned in it. The informative nature of this publication means that it may not serve as a substitute for the personal judgment and assessment of any reader or anyone who receives this publication. The information, opinions, analyses, conclusions, forecasts and projections given here are founded on publicly available data whose accuracy PBZ relies on but cannot guarantee. Accordingly, all the opinions, attitudes, conclusions, forecasts and projections given in this publication are subject to changes, which depend on changes to the data as published by the source used. PBZ allows further utilization of the data given in this publication on the condition that the publication is indicated as the source. All the property mentioned in this publication and whose movement is the subject of comment may from time to time be the subject of trade or positions taken by PBZ.