

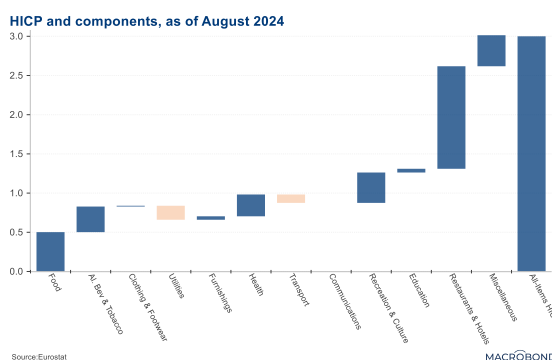
NUMBER 874, SEPTEMBER 23, 2024

Overview of the week

- Early last week, we learned that 924 building permits were issued in July, up by 19.4% than in the same month last year. Of the mentioned 924 permits, 805 of them referred to buildings, with 628 permits referring to new construction and the remaining part to renovations. The number of issued permits for new construction thus recorded a 21.2% increase compared to the same month last year, while a total of 4,828 permits were issued in the first seven months, or approximately 300 more than in the same period last year, and at the same time the number of permits for building renovations remained at approximately the same level. During the observed period, 4,457 permits were issued in total for the construction and upgrading of residential buildings, 7.5% permits more y-o-y. Issued permits referred to 11,967 apartments, which is 20% or about 2,000 apartments more y-o-y. In July, 119 permits were issued for other buildings, while 926 permits were issued in total in the first seven months, i.e., only 9 permits more than in the same period last year.

Increase of the number of issued building permits

- The Croatian Bureau of Statistics confirmed the inflation flash estimate in August, which was 3% per the harmonised index, and 1.8% per the national one. The negative contribution of housing prices to the overall harmonised index mainly reflects the drop in liquid fuel prices, while the drop in the transport category prices is the



Confirmed flash estimate of inflation rate in August

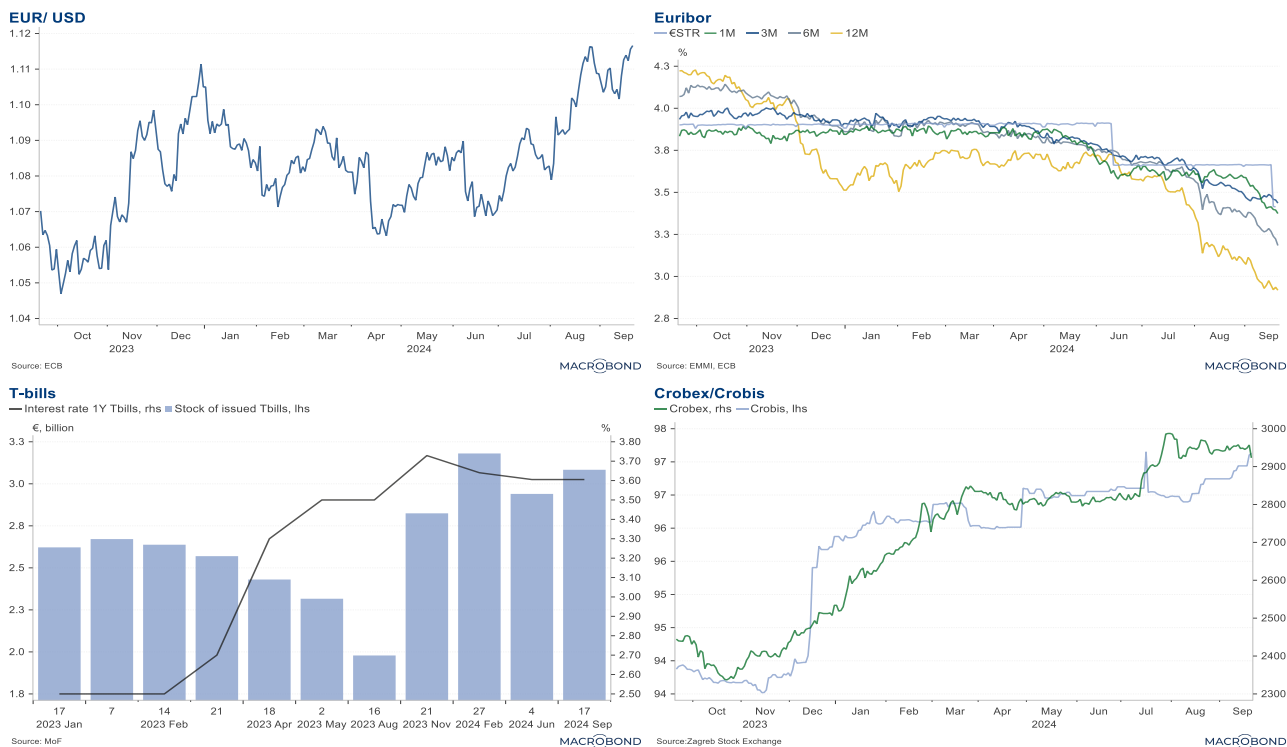
result of lower prices in several subcategories from the purchase of means of transport, the price of fuel to the price of transport services, especially air transport. The largest positive contribution was recorded in the category of restaurants and hotels, which recorded a 10.7% price increase in August, followed by the food category (+2.3%), recreation and culture (+5.2%), and alcoholic beverages and tobacco (+4.7%). Observing since the beginning of the year, the average harmonised inflation rate was 4.1%, with the strongest increase in prices recorded in services (+7.6%) and food (+4.1%), while the prices of non-energy industrial goods in the same period increased by 1.6%, and energy by 0.7%. Our estimation is that this year's average inflation rate could amount to 3.9%.

- At the end of the week, data was also published about a 15.2% nominal, i.e., 12.7% real increase of average net wage for July, with stagnation m-o-m. In the first seven months, per the data of the Croatian Bureau of Statistics, the average net wage increased by an average of 15.4% in nominal terms and 11.6% in real terms compared to the same period last year. Simultaneously, the CBS also published labour market data, according to which in August there was a slight (0.2%) rise in the number of unemployed m-o-m, while the number of unemployed decreased by 18.1% y-o-y. The CBS provisional data indicates that at the same time the number of employed persons stagnated m-o-m, with an increase of 2.2% y-o-y, keeping the unemployment rate in August at 4.8% also recorded in the previous month. A reminder that the Croatian Pension Insurance Institute data indicate that the number of employed persons in late August decreased slightly (-0.3%) m-o-m with an increase of 3.7% y-o-y.
- Following S&P, the Fitch agency also raised credit rating of RoC on Friday to a historically highest level of A-, with stable outlook. The decision is based on robust economic growth, underpinned by fast absorption of EU funds, rising real wages and further integration with the core eurozone countries since the accession in 2023.
- Last week, the Fed lowered the target range of the fed funds rate by 50 bps, to 4.75-5.00%, supported by data pointing to a slowdown in the labour market and a more favourable price pressures' trend. The Fed estimates that the inflation continued decreasing to the target level, while the new September projections indicate an expected lower inflation rate in the upcoming period with a somewhat higher unemployment and continued strong economic growth. We estimate that the Fed will relax the pace of interest rate reduction to 25 bps at the meetings in November and December, and for 2025 we expect the cumulative decline to reach 100 bps.
- First reduction of Fed last week resulted in depreciation of the dollar in line with the trends of U.S. yields. At the end of the week the exchange rate was 1.1166 dollars to the euro, up by 0.8% w-o-w.
- Euribor continued slightly decreasing in the past week so on Friday 3M and 6M were 3.4, i.e., 3.2%, unchanged, i.e., down by 0.1 p. p. w-o-w. Last week, EUR 427 mil. of 3M T-bills was issued with a yield of 3.55% for natural persons, i.e., 3.30% for institutional investors. Thus, the total amount of subscribed T-bills reached EUR 3.1 billion.
- Crobex was unable to maintain a positive trend and was reduced by 0.8% w-o-w, to 2,923 points. Sectoral indices also recorded a negative trend (CROBEXindustry -0.3% to 2,228, CROBEXnutris -0.6% to 899, CROBEXtourist -0.6% to 4,269). Crobis rose by 0.2% to 97.1 points.

Double-digit growth of average net wage for July

Fitch raised credit rating to A-

Fed lowered the target range of fed funds rate by 50 bps



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.

ECONOMIC RESEARCH

Ivana Jović
Ana Lokin

TRANSLATION

Ana Biloš
Jelena Marinović

www.pbz.hr