

# WEEKLY ANALYSIS

## Number 771, March 21, 2022

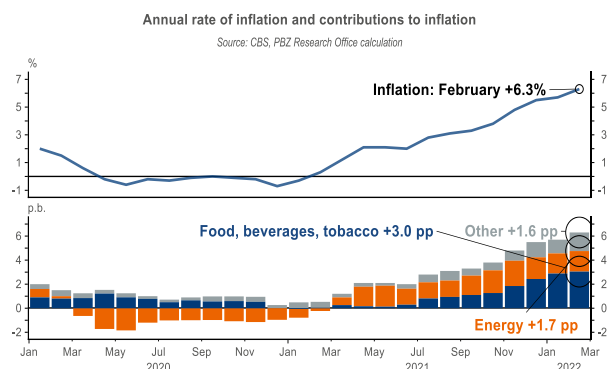
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## Inflation accelerated to 6.3% in February

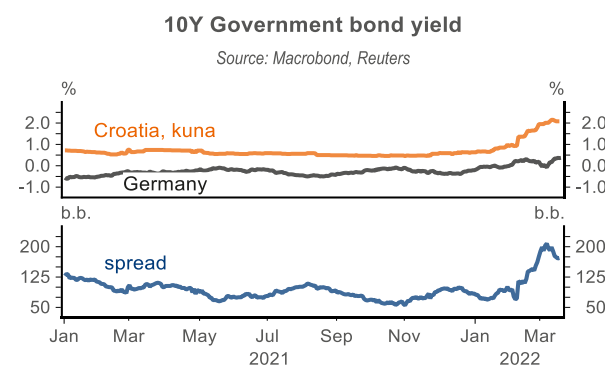
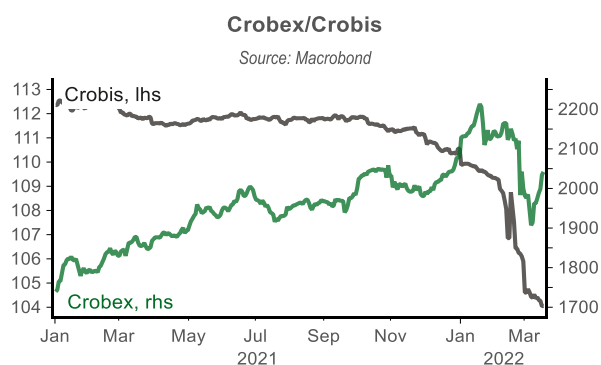
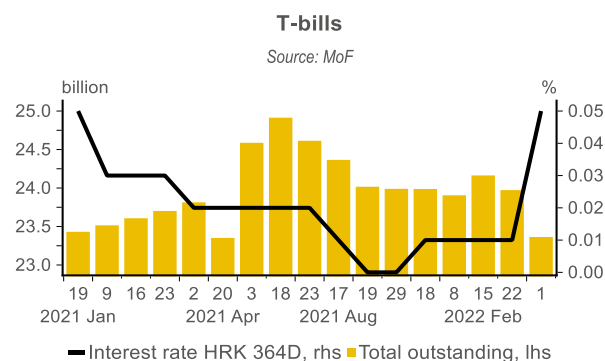
The annual growth rate of consumer prices reached 6.3% in February, i.e., the highest level since September 2008 (6.4%), while compared to this year's January, the average level of consumer prices was up by 0.9%. Given the share, the acceleration of the annual inflation rate in February was primarily due to a higher increase in the prices of Food and non-alcoholic beverages (+10.0%, versus +9.4% in January) and Clothing and footwear (+3.5%, vs. +0.8%). In the prices of Food, double-digit

increase is noted in oil and fat prices (+23.2%), followed by bread and cereals (+13.8%), dairy products (+11.7%), vegetables (+13.1%) and fruits (+10.0%). Individually, in addition to the strong contribution from food products, the second largest contribution to the overall increase in consumer prices came from the category of Transport, where there was an average price increase of 10.7% (with petrol fuels recording an increase of 18.4%, diesel of 22.2% and other fuels of 30.9%). As for the underlying inflation rate, the one excluding the prices of agricultural products and administratively regulated prices, it was 5.9% per year in February. Food prices on global stock markets have been growing continuously for some time (in February, according to the Hamburg Institute of International Economics, they increased by 33.8% year-on-year, reaching a record high), and a similar trend should continue also for the foreseeable future, further driven by war events and individual decisions that can significantly affect the prices of the same on the European continent (such as the decision to ban the export of fertilizer from the Russian Federation and Ukraine). Energy prices have been quite volatile since the beginning of the invasion of Ukraine, albeit at very high levels, so the price of Brent crude oil on the day before the start of the conflict (February 23<sup>rd</sup>) was \$96.8 per barrel, then peaked on March 8<sup>th</sup> (\$128.0), and thus closed at \$107.9 on March 18<sup>th</sup>. A similar pattern was also observed in natural gas prices (ICE Dutch TTF), which on February 23<sup>rd</sup> had a price of €88.9 for MWh, to then jump to a record €226.3/MWh on March 7<sup>th</sup>, and then dropped to €96.8/MWh on Friday, 18 March 2022. Although the Government of the Republic of Croatia has presented a package of measures to combat inflationary pressures (which enters into force in early April) worth HRK 4.8 billion, the emerging circumstances in eastern Europe and thus the increased uncertainty and already existing problems with supply chains, then the general rise in food and energy prices, suggest a more significant revision of our current (December 2021) scenario regarding this year's inflation rate, according to which the same should be slightly above 7% instead of 3.2%.



## Weekly overview

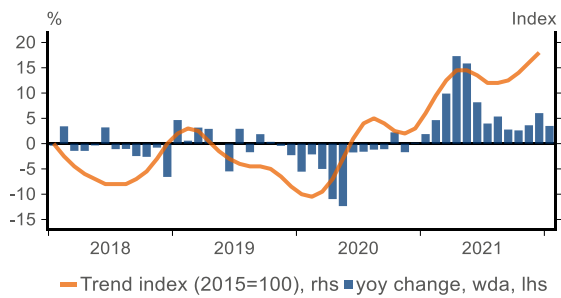
- Last week, trading remained in the range of HRK 7.56-7.58 per euro, and the mid-point exchange rate on Friday was up by 0.1% w-o-w amounting to HRK 7.5736 per euro. Against the dollar, the kuna appreciated 0.4% w-o-w, so the exchange rate dropped to HRK 6.8620 per dollar.
- Excess liquidity reached a new record level of HRK 81 billion, interest rates mostly stagnated in w-o-w terms, and at the CNB repo auction HRK 255 million was placed, the same as the week before, with an interest rate of 0.05%.
- The Crobex Index closed last Friday at 2,050.10 points, up by 3.8% w-o-w, while Crobis was simultaneously down by 0.1% (104.27). As for sector indices, CROBEXconstruct fell by 4.1% (to 407.63 points), while CROBEXtourist and CROBEXindustry increased by 1.6% and 5.7% respectively (3,480.66 and 1,157.25). Total ZSE turnover in the last week amounted to HRK 356.8 million, up by 38.0% w-o-w owing to a 63.1% higher turnover in bonds (reaching HRK 312.6 million), while turnover in shares fell by 34.0% (HRK 44.2 million).



## Statistics

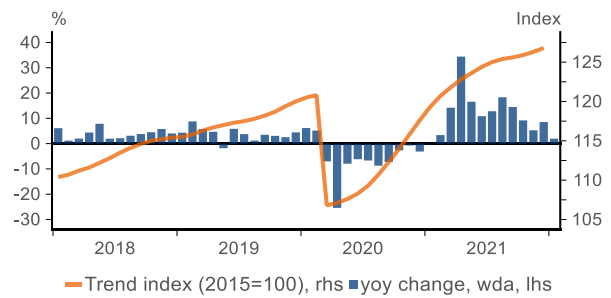
### Industrial production

Source: Macrobond



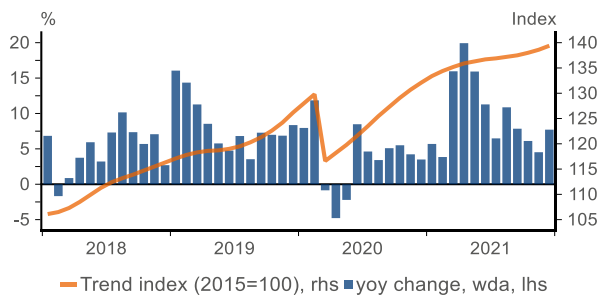
### Retail trade, real

Source: Macrobond



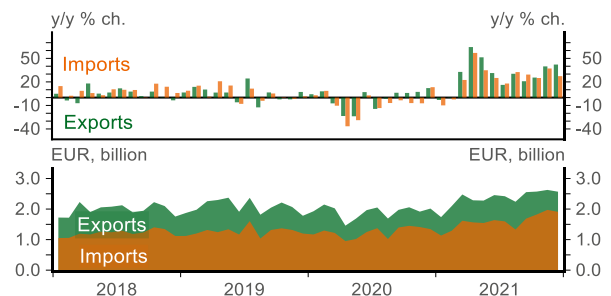
### Construction works

Source: Macrobond



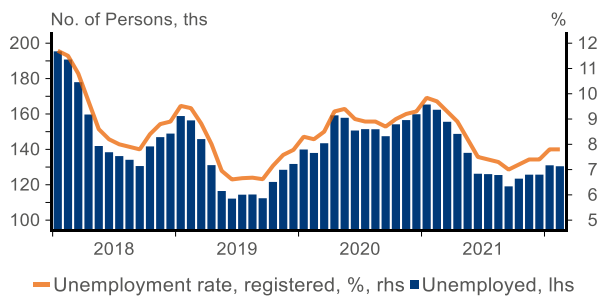
### Goods exports and imports

Source: Macrobond



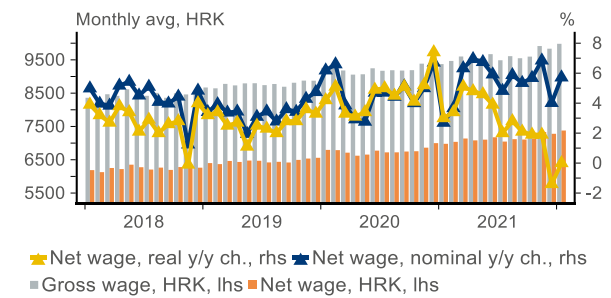
### Unemployment

Source: Macrobond



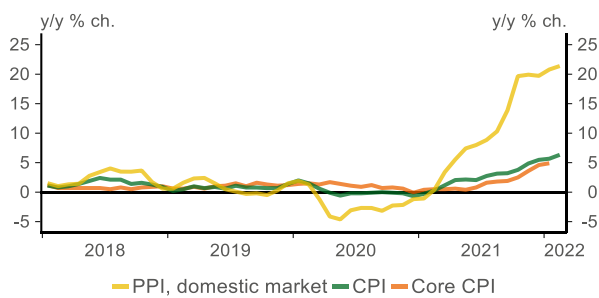
### Wages

Source: Macrobond, CBS



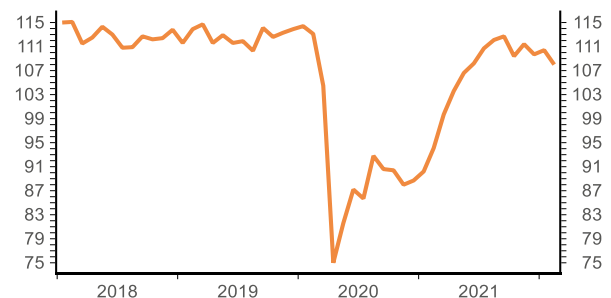
### Prices

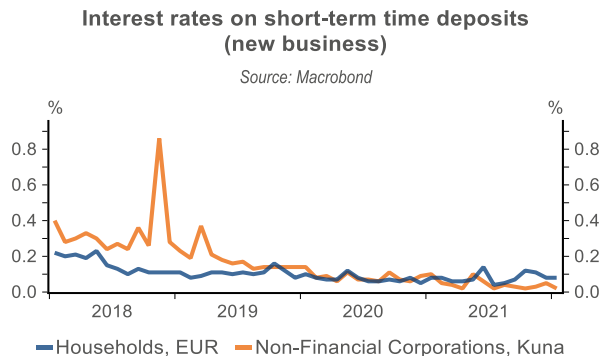
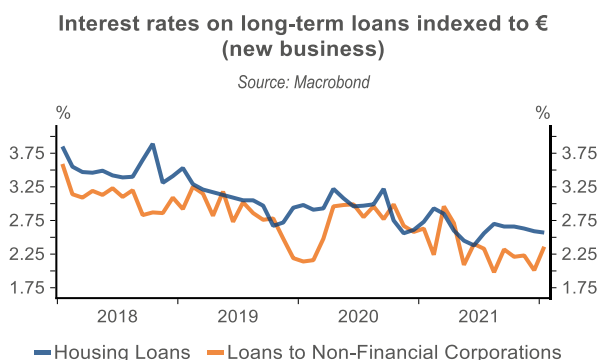
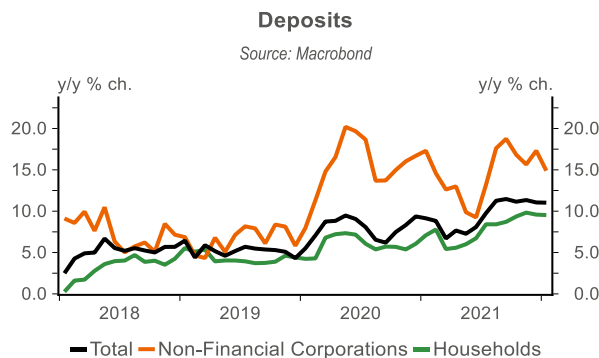
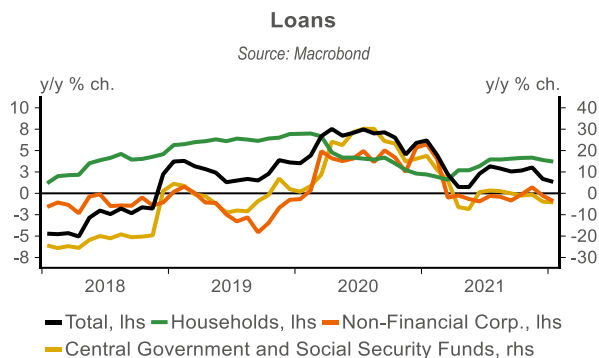
Source: Macrobond



### Economic Sentiment Indicator (ESI)

Source: Macrobond





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