

# WEEKLY ANALYSIS

## Number 754, November 22, 2021

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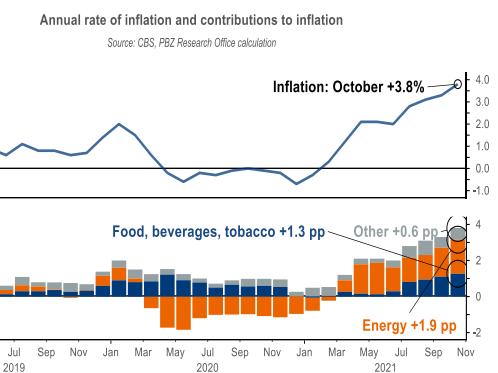


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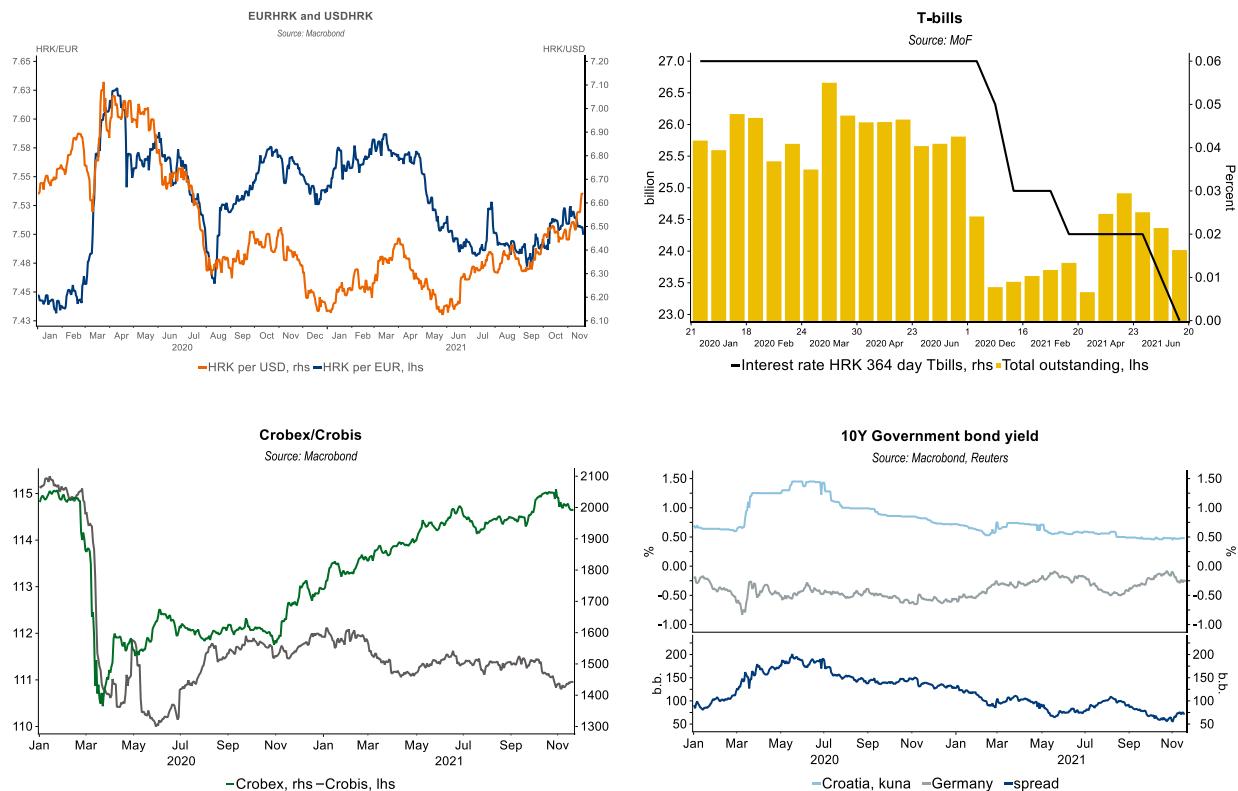
## Consumer prices annual growth in October amounted to 3.8%

The average annual growth of consumer prices in October reached 3.8%, which is the highest y-o-y growth of prices recorded since February 2013 (4.9%), primarily driven by the growth of prices of food products and energy. A strong contribution to the growth of prices of food products came from the growth of prices of bread and cereals (+5.3%) as well as oils and fats (+20.4%), while on the energy side a strong positive contribution to the total increase of consumer prices came from 24.9% higher prices of fuels and lubricants for personal transport equipment and 11.8% higher prices of gas for households. Core inflation, i.e. the one not including prices of agricultural products and administered prices such as, for example, prices of electricity and petroleum products, in October advanced by 2.5% y-o-y, which is its highest level since July 2013 (2.6%). By observing the period covering this year's first ten months, the average annual growth of consumer prices reached 2.0%, which was mostly affected by a higher price of crude oil in the market, barrel of Brent crude oil in the given period was up by 63.3% y-o-y, thus resulting in 7.5% higher prices within the category of Transport (contribution of 1 percentage point to the total price increase). Somewhat weaker contribution to the total increase of prices thereby came from the categories Alcoholic beverages and tobacco (+0.3 p.p. or +6.0%, considering higher rates of excise duties on tobacco products) and Housing, water, electricity, gas and other fuels (+0.2 p.p. or +1.2%), while the most modest contribution (of 1 p.p.) came from the growth of prices of Food (+0.5%), Communication (+1.1%), Recreation and culture (+1.5%) and Restaurants and hotels (+2.6%). Despite a significant acceleration of the growth of prices of Food (accounting for a quarter of the share in the consumer prices index) in recent times (also indicated by the data of the Hamburg Institute of International Economics, according to which in the world market it posted an increase of 38.7% compared to the first ten months last year), in Croatia during this year it recorded a more modest increase, considering the negative movements in the first part of 2021, however the trend reversed in the beginning of the second half-year and a further increase in the prices of food is expected due to disruptions in supply chains, worsened weather conditions and increased demand. As for the prices of energy products, they will primarily depend on the developments in the market of petroleum products, whereby the Government of the Republic of Croatia first on October 16 and, following the expiry of 30 days, again on November 16, put a cap on the highest price of gasoline and diesel fuel. The said freeze of retail prices of motor fuels may thereby be activated for a total of three times for 30 days. Prices of gas for households thereby should not be corrected during this heating season, since they have been determined until April 2022, while the largest distributor of electricity recently announced that there will be no upcoming increase in the prices of the said energy product. Accordingly, throughout the entire year of 2021 we expect the average annual growth of consumer prices to be around 2.5%, and we expect a similar level of inflation also in 2022.

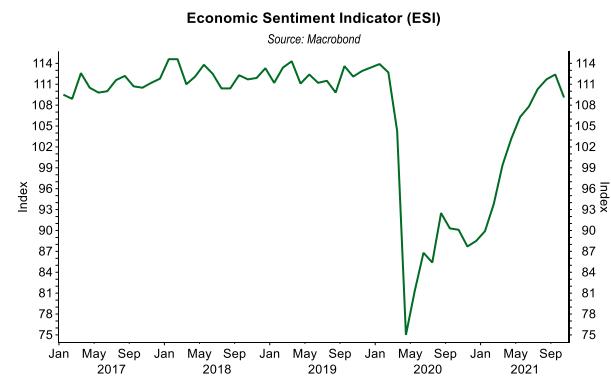
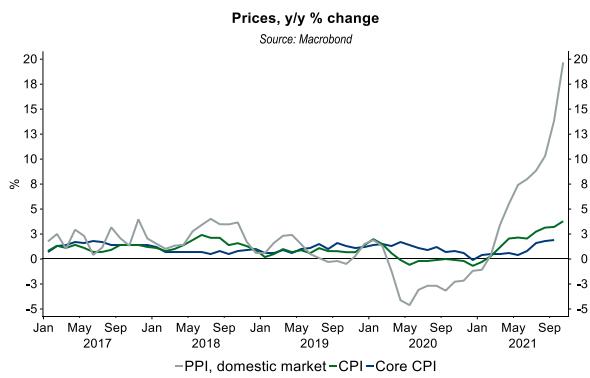
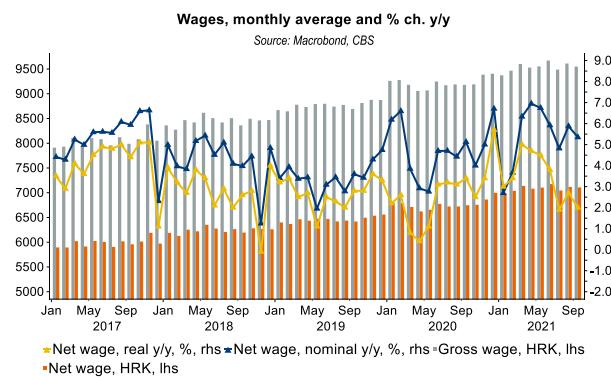
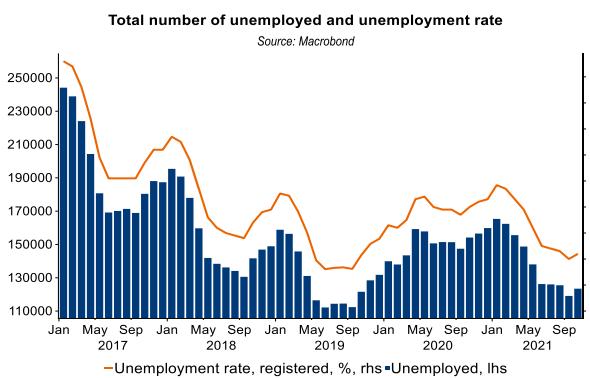
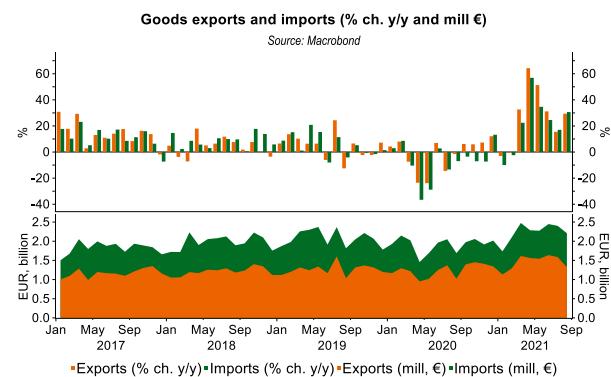
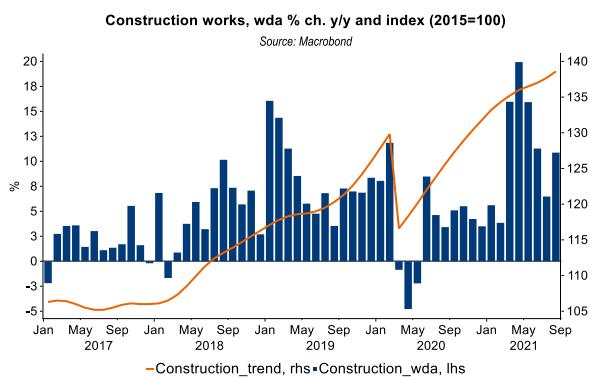
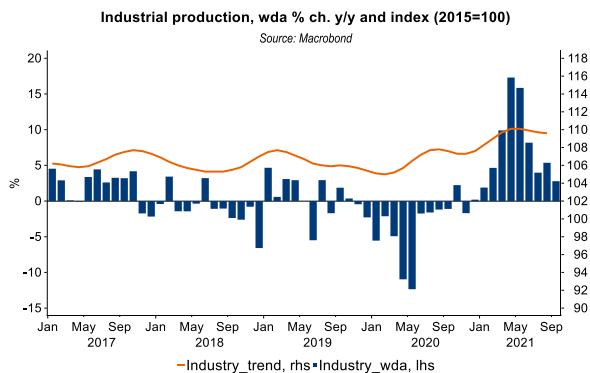


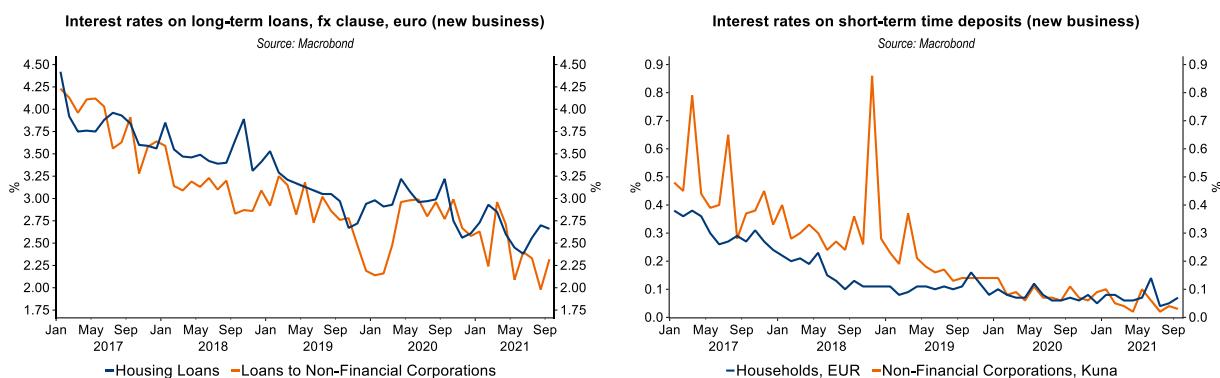
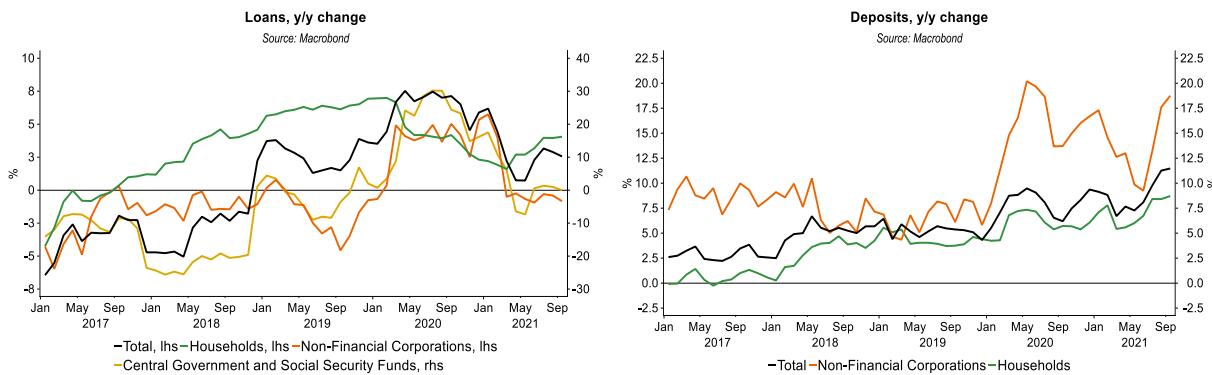
## Weekly overview

- The HRK/EUR mid-point exchange rate at the end of last week amounted to 7.4996 kuna to the euro, down by a mild 0.1% w-o-w. The kuna continued to depreciate against the dollar thus the exchange rate grew by 1.2% w-o-w to 6.6380 kuna to the dollar.
- Excess liquidity last week climbed to 68 billion kuna, interest rates stagnated, and at the central bank's repo auction there was no interest shown.
- The Crobex Index closed last Friday at 1,994.26 points, down by 0.9% w-o-w, while Crobis simultaneously stagnated at 111.39 points. As for sector indices, CROBEXtourist fell by 0.3% compared to Friday the week before (to 3,560.47 points), while CROBEXindustry and CROBEXconstruct grew by 1.8% and 2.8% respectively, to 1,137.25 and 438.77 points. Total ZSE turnover over last week's four trading days reached 86.2 million kuna, down by 47.0% w-o-w, owing to 58.2% lower turnover in bonds (reaching 55.2 million kuna), while turnover in shares grew by 0.6% (to 31.1 million kuna).



## Statistics





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