

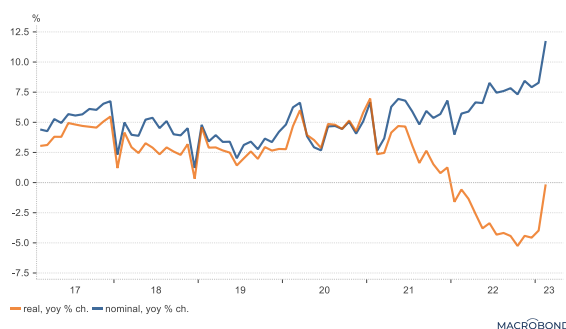
## NUMBER 814, MARCH 27, 2023

### A bit of statistics, a bit of monetary policy

- Last week was relatively lacking in statistical data for Croatia, but still interesting due to impatiently awaited decisions of US Fed that found itself between a rock and a hard place: financial risk and hard-core inflation.
- The Croatian Bureau of Statistics published labour market provisional data, according to which total employment exceeded 1,587k of employed persons in February, up by 2.7% compared to last year's same month (also provisional data). Previously published Pension Insurance Institution data hinted at similar employment percentage increase in February y-o-y, per which the total number of insured persons exceeded 1,610k, i.e., up by 2.4% compared to last year's same month. Simultaneously, Croatian Employment Service statistics stated that the total number of unemployed persons in late February was reduced by 9.6% y-o-y to 117.985 persons. According to a preliminary calculation of the Croatian Employment Service, unemployed rate was 6.9% in February, while if we use Pension Insurance Institution's data the rate was a slightly lower 6.8% - but in both cases it is a notably lower rate (for an almost entire percentage point) than in February last year.
- Per Croatian Bureau of Statistics data, average net wage for January 2023 (paid in February) was 1,094 euros, i.e., up by 11.7% y-o-y in nominal terms, while in real terms it was 0.9% smaller. Namely, strong double-digit growth of nominal wage in combination with a declining inflation rate is slowly closing real income negative gap, i.e., it is almost closed if we deflation the average January wage by inflation recorded in February.
- At last week's session Fed decided to increase target fed funds rate range by 25 bps to 4.75-5.00%. There are no clear statements regarding further interest rate trends, only a vague explanation that further tightening of the monetary policy may be necessary, but

Stable labour market

Average nominal and real net wage, yoy % ch.

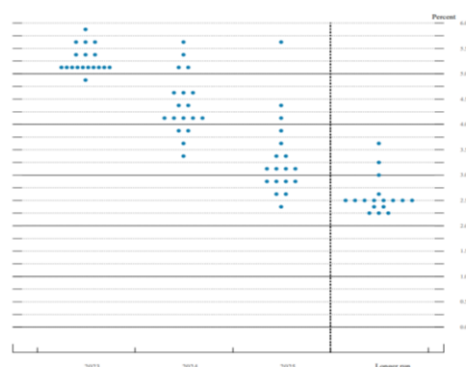


Real net wage negative gap is closed

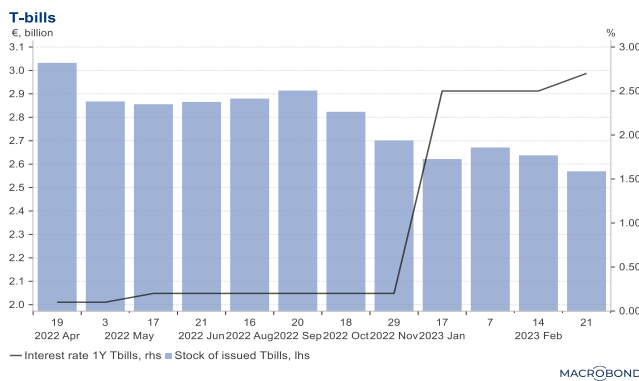
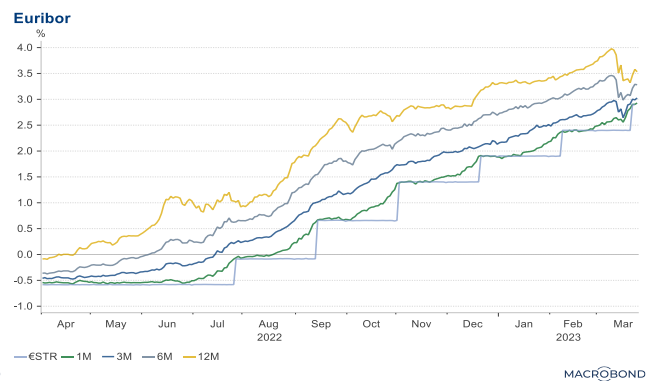
Fed raised interest rate by 25 bps

per new projections there is no change in the interest rate endpoint (median 5.1% like in December). What is clear is that there will certainly be no interest rate reductions this year. The banking system was assessed as healthy and resilient, liquid and highly capitalised but it was emphasized that recent issues will probably result in unfavourable financing conditions, although it is currently impossible to assess their impact. Fed chairman Mr. Powell stated at a press conference that Fed will continue to closely monitor banking system conditions and that it is ready to use all instruments to maintain its safety and health.

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



- The dollar weakened after Fed's session due to the announcement of new projections according to which the end of the cycle of increasing fed funds interest rate is near. On Friday the exchange rate was up by 1.1% w-o-w and amounted to 1.0745 dollar to the euro.
- We recorded a continuation of increasing interest rates in the money market by 20-30 bps w-o-w. 3M Euribor finished the week at 3.0%, and 6M at 3.3%.
- Negative climate remained at ZSE so Crobex finished the week down by 1.6% w-o-w, i.e., at 2,208.8 points, with the most important indices recording a decline (CROBEXindustry -1.1% to 1,305.9, CROBEXnutris -0.7% to 773.4, CROBEXtourist - 0.1% to 4,043.2). Crobis recorded a mild increase of 0.1% to 93.9 points.



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