PRIVREDNA BANKA ZAGREB

# PBZ Weekly Analysis

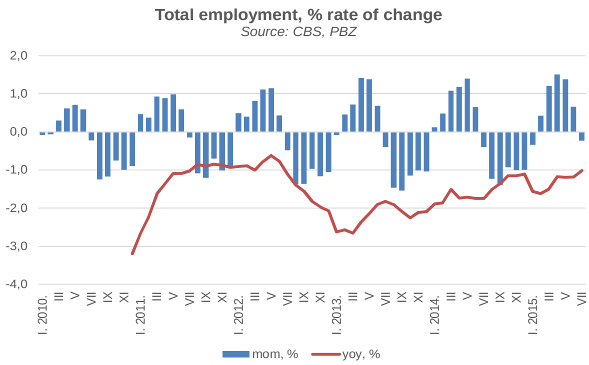
**Number 489, October 5, 2015**

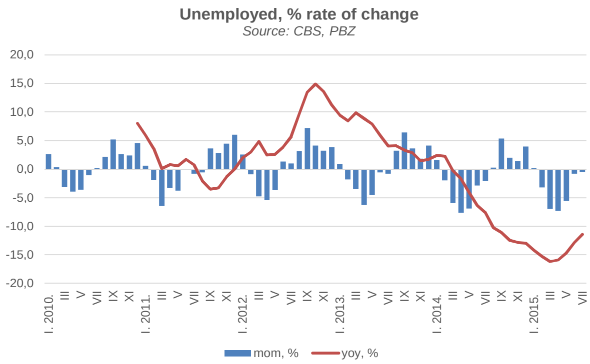
## Weekly overview

- According to the data released by the Croatian Bureau of Statistics, seasonally adjusted data indicate that the industrial production in August decreased by 4.1% compared with July, while wda data show an increase of 2.8% yoy. The annual growth is the result of a continuation positive trends in manufacturing (+4.6%) and mining and quarrying (+5.4%), while a 10.8% decrease in the supply of electricity, gas, steam and air conditioning had a negative impact on the total growth rate. In cumulative terms, in the first eight months of this year the industrial production rose by 1.9% compared with the same period of 2014.

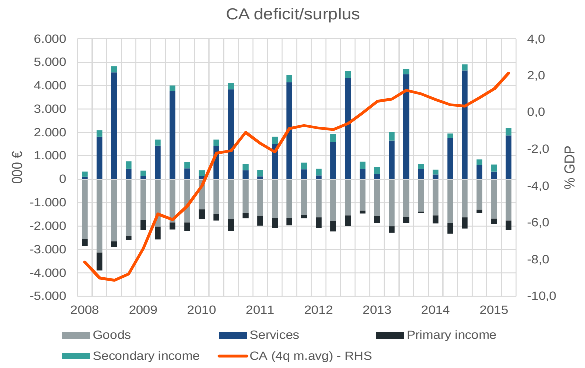
- Retail trade in August recorded a real-term wda growth of 0.9% compared with August 2014, whereas the comparison with July of this year shows a decline of 1.3% (seasonally adjusted). Thus, the retail trade growth continued for the 13th consecutive month, which may be explainable by the extended favourable tourist season, deflationary pressures and higher personal consumption resulting from an increase in net earnings at the beginning of the year, however, the growth rate recorded a significant slowdown..

- The release of the labour market data indicate that the unemployment rate stagnated at 15.9% in August, compared with July, while the comparison with August of last year shows a decline in the unemployment rate by 1.5 p.p. In annual terms, labour force declined by 2.8%, where the total number of employed persons dropped by 1%, while unemployed by 11.4%. When comparing August and July, the number of employed persons fell by 0.2%, thus ending the usual seasonal five-month series of the employment growth yoy; whereas the number of unemployed persons fell by 0.5%, where the movements indicate the expected slowdown of the decrease, which will in September most likely turn into an increase in the number of unemployed persons mom (which is still a decrease yoy) with a consequential moderate shift in the registered unemployed rate towards 16%.



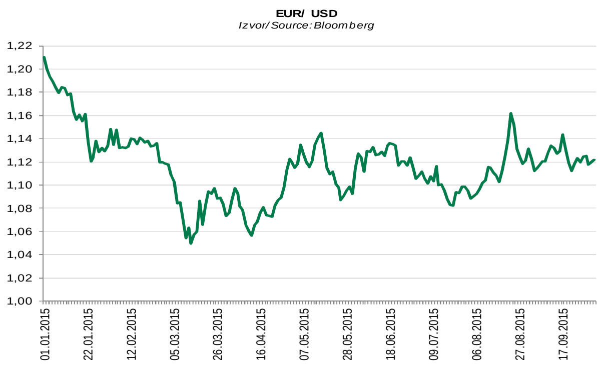



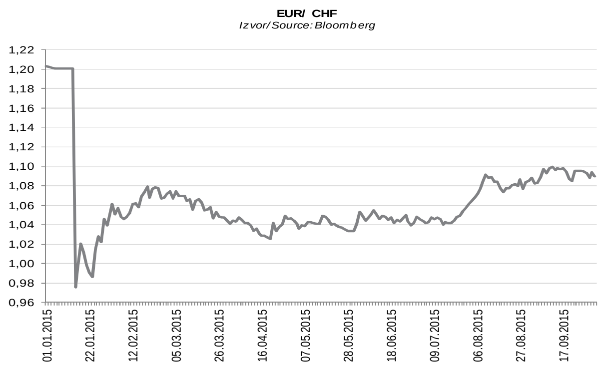
- The second quarter of this year saw a surplus in the current account balance amounting to 3 million euro, thereby increasing the surplus on the basis of four quarters to 2.1% of GDP. The surplus recorded in 2q is a result of a 6.2% rise in the services account surplus (another confirmation of a favourable tourist season), and a 6.4% decline in the goods account deficit (the export of goods growth of 15.3% exceeded the import of goods growth of 5.5%). At the same time, a deficit on the primary income account was reduced, by 6%, while a surplus in the secondary income account increased by almost 63% (to 306 million euro) due to a stronger withdrawal of EU funds.



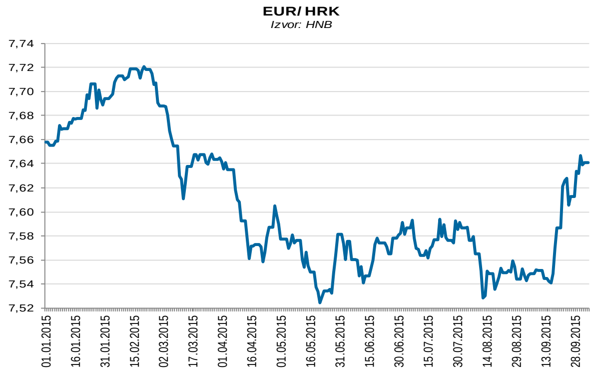

## FX intervention stabilised exchange rate

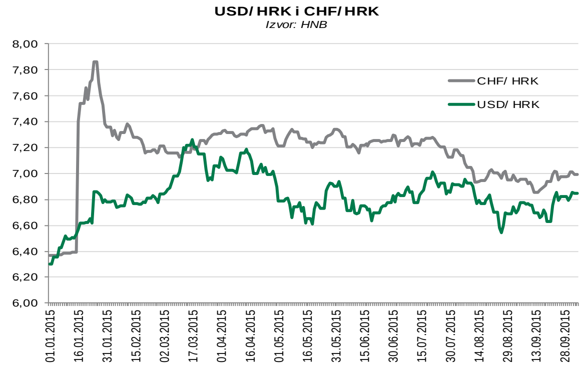
The trading on Friday closed at 1.1216 dollar to the euro, up by 0.2% wow, while the Swiss franc closed the week at 1.09 franc to the euro, down by 0.5% wow.



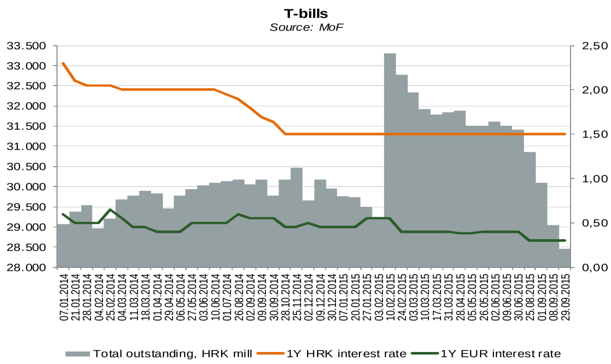

The FX intervention of the Croatian National Bank and the sale of 268.3 million euro to commercial banks lessened the deflationary pressures, however, at the end of the week the EUR/HRK exchange rate amounted to 7.6406 kuna to the euro, i.e. 0.4% more wow. The kuna weakened against both the dollar and the Swiss franc, therefore the mid-exchange rate on Friday amounted to 6.8458 kuna to the dollar and 6.9931 kuna to the franc, i.e. 0.3% more wow in both cases. We anticipate this week's movements of EUR/HRK in the range 7.64-7.67.

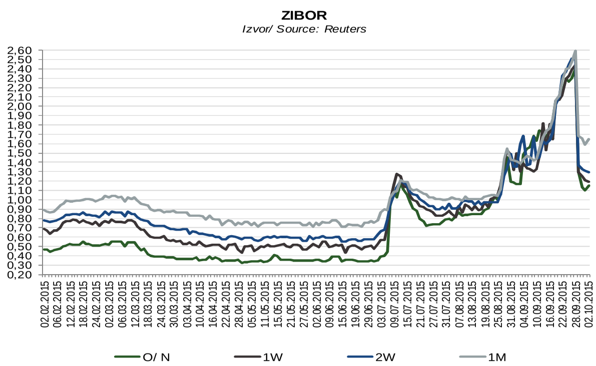


National Bank placed in the system 1.2 billion kuna at a repo rate of 0.8% and the repurchase date on 7 October. Thus the Zibor on overnight loans closed the week at 1.15% (vs 2.30%), while 1M and 3M at 1.65% (vs 2.47%) and 1.90% (vs 2.54% the previous week), respectively.

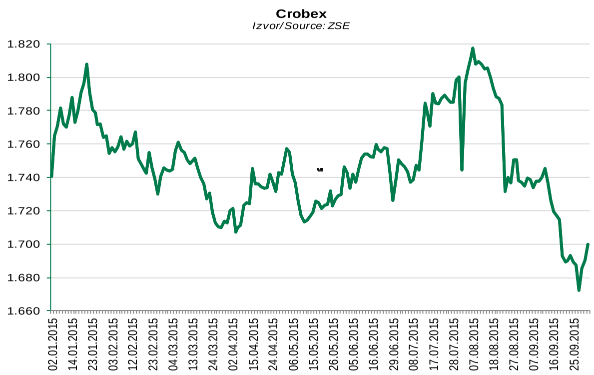
At the last week's auction, the Ministry of Finance offered 400 million kuna and 5 million euro in T-bills, however, the subscription failed due to low interest. The overall public debt under T-bills is 28.5 billion kuna. There will be no T-bill maturity for the next three weeks.

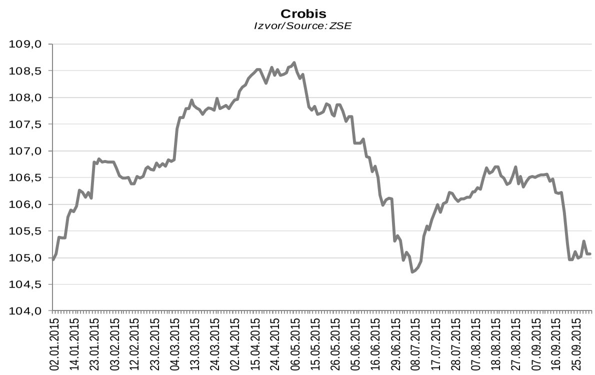



## Index stabilisation

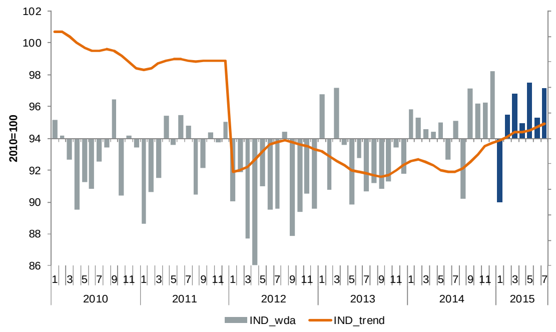
Last week, the Crobex ended at 1,699.96, or gaining 0.5% wow, whereas the Crobis closed the week at the approximately same level, or 105.06. The total turnover in the ZSE dropped by almost 18% wow, amounting to 316 million kuna.



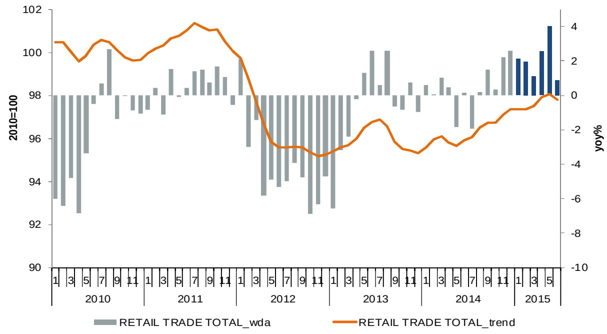



# Statistics and macroeconomic forecasts

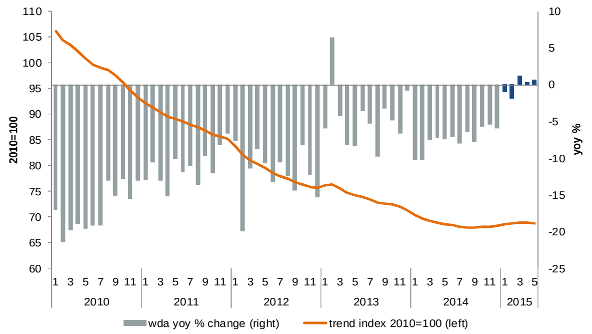
**Industrial production, wda yoy % ch.**
*Source: Eurostat*



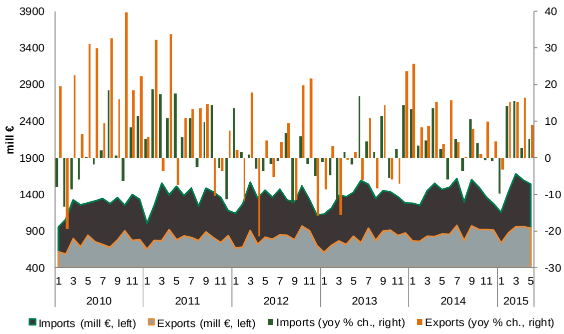

**Retail trade, real, wda yoy ch.**
*Source: CBS*



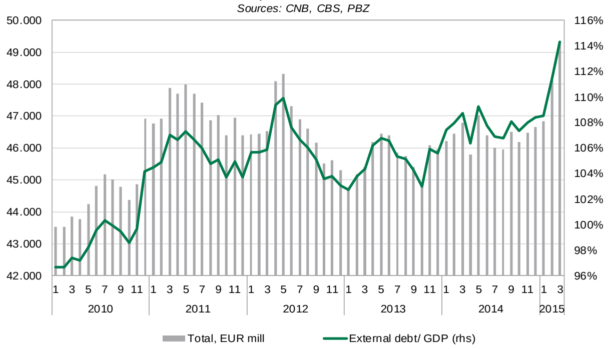

**Construction works, yoy % ch. and index 2010=100**
*Source: CBS*



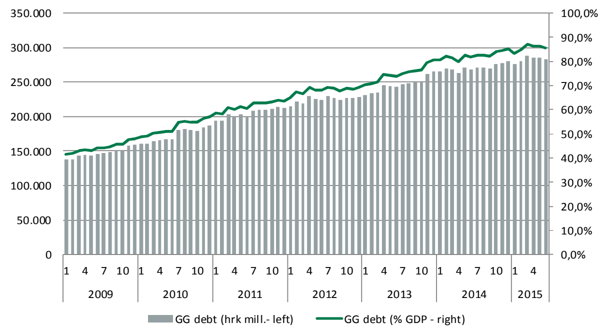

**Goods exports and imports (yoy % ch. and mill €)**
*Source: CBS*



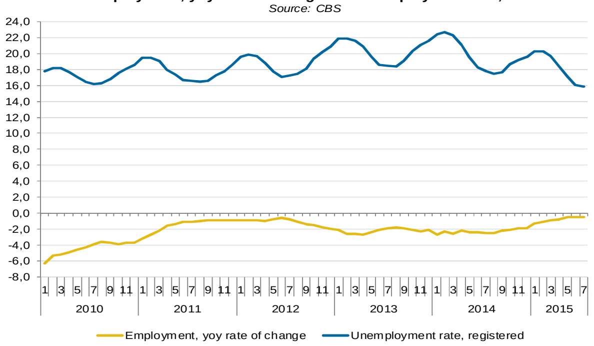

**External debt, amount and share to GDP**
*Sources: CNB, CBS, PBZ*



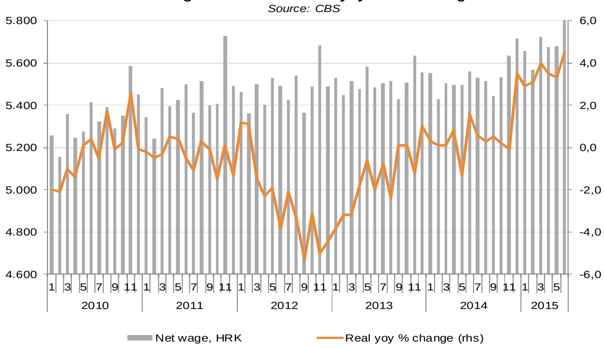

**General government debt**
*Source: CNB*

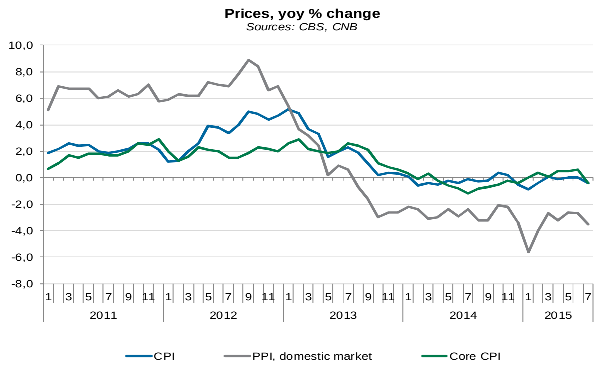


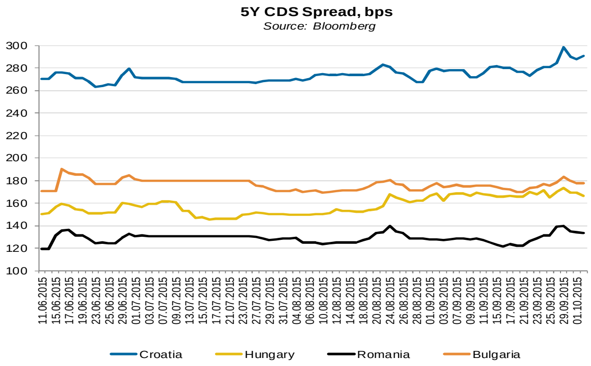

**Employment, yoy rate of change and unemployment rate, %**
*Source: CBS*

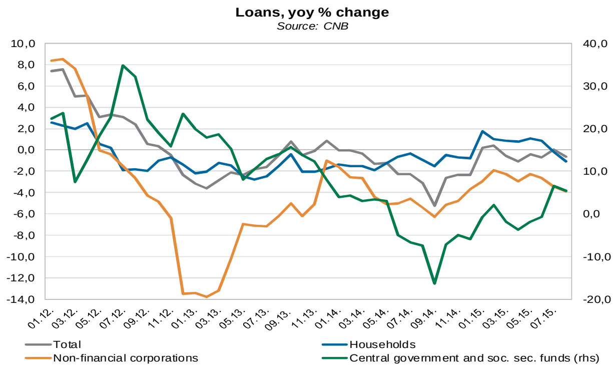


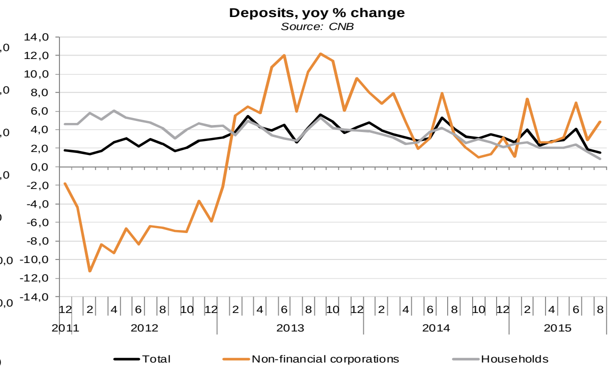

**Net wages: amount and real yoy rate of change**
*Source: CBS*




Prices, yoy % change
Sources: CBS, CNB
CPI
PPI, domestic market
Core CPI


5Y CDS Spread, bps
Source: Bloomberg
Croatia
Hungary
Romania
Bulgaria


Loans, yoy % change
Source: CNB
Total
Households
Non-financial corporations
Central government and soc. sec. funds (rhs)


Deposits, yoy % change
Source: CNB
Total
Non-financial corporations
Households

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**TRESAURY**

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