

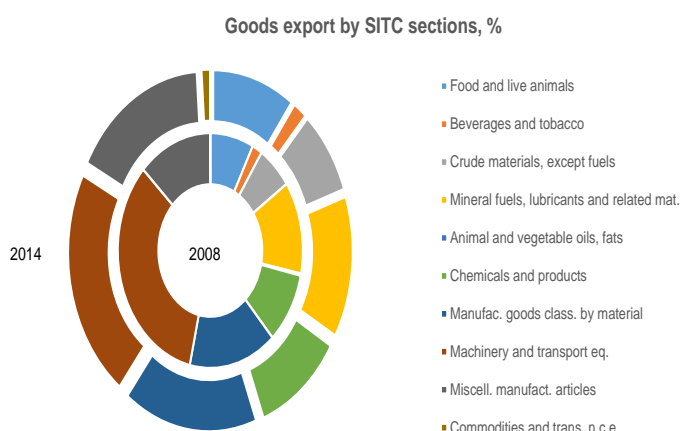
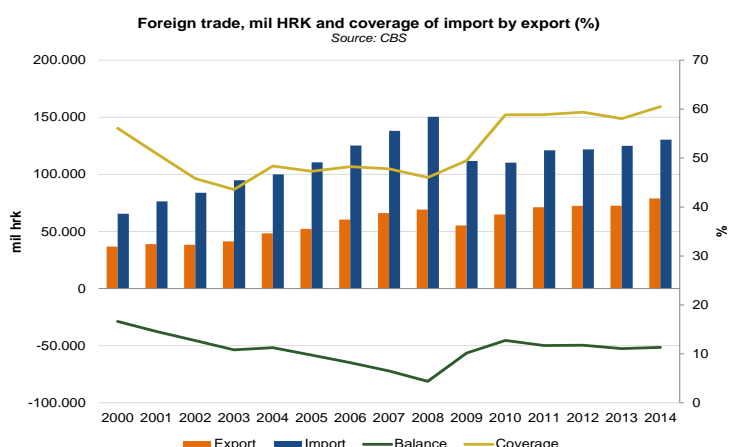
PBZ Weekly Analysis

Number 465, March 16, 2015

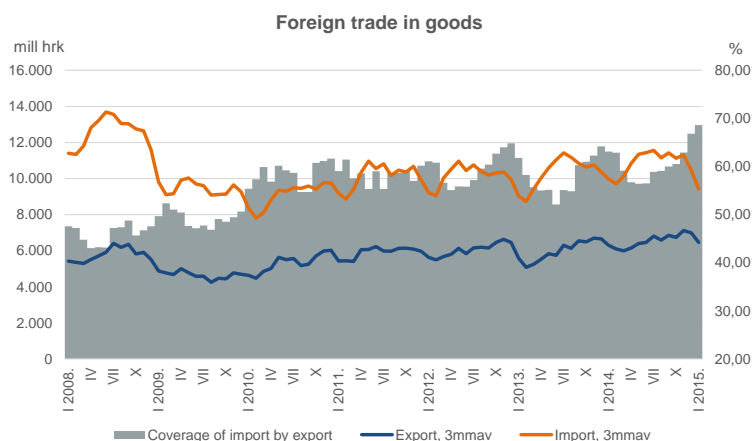
- Weekly overview (p. 1)
- Euro slips further, kuna stronger (p. 1)
- Correction of interest rates (p. 2)
- Losses on shares (p. 3)
- Statistics and macroeconomic forecasts (p. 4-5)

Weekly overview

- According to the provisional data of the Croatian Bureau of Statistics, the total export of goods in December 2014 amounted to 7 billion kuna or 4.5% more compared with the same month of 2013, while the import amounted to 9.6 billion kuna or 1.4% less than in the previous year. In 2014, the total export of goods was 78.9 billion kuna (+8.7%), while the import was 130.4 billion kuna (+4.3% compared with 2013) and, accordingly, the foreign trade deficit decreased to 51.5 billion kuna (from 52.5 billion in 2013). The coverage of import by export was 60.5% (58% in 2013). In 2014, the export of goods to EU countries rose by 12.3% and into CEFTA countries by 11.8%. The most significant export markets are Italy, Bosna and Herzegovina, Slovenia and Germany, which account together for 48.2% of the total export of goods.



- The preliminary data for January 2015 reveal a 7.3% drop in the export of goods and a 15.8% drop in the import, due to which the deficit declined by 29%, whereas the coverage of import by export increased by 550 b.p. yoy.

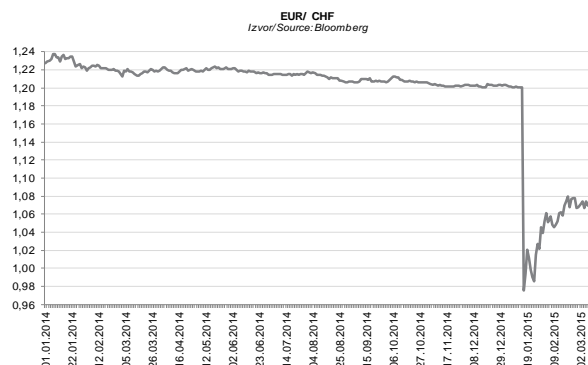
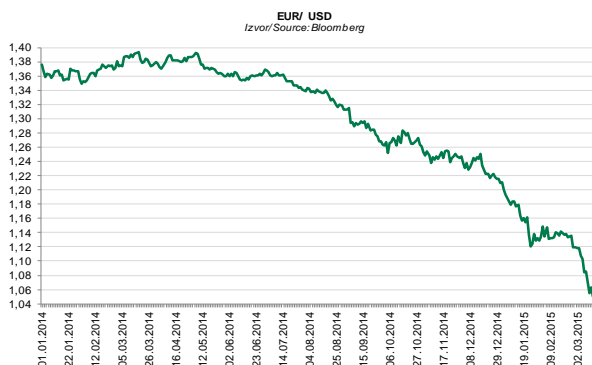


- In contrast to the industrial production and import, retail trade has continued to increase – January saw a real-term turnover of 2.1% (stagnation in nominal terms) compared with the same month of 2014.

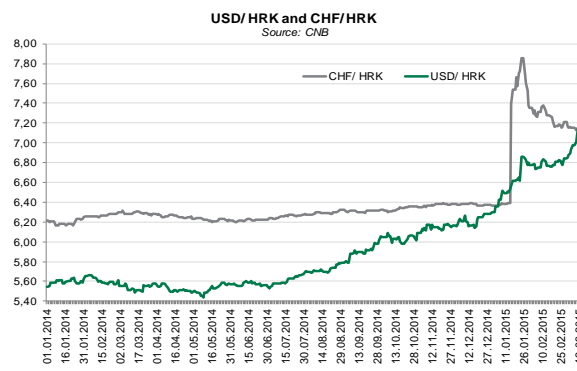
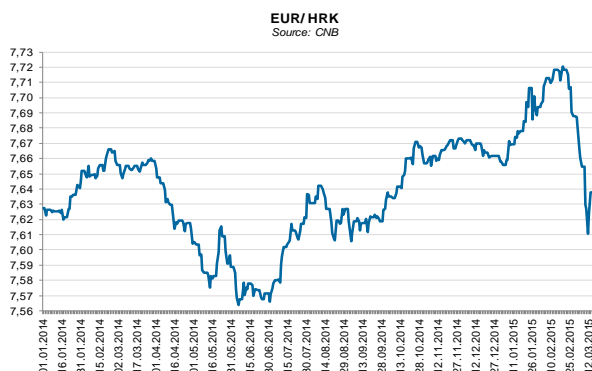
Euro slips further, kuna stronger

Last week's successful beginning of the ECB purchase of securities and the uncertainty in the wake of this week's FOMC meeting dragged the euro to its new lowest levels. The trading by the end of the

week closed at 1.0496 dollar to the euro, down by 3.2% wow. The Swiss franc also significantly strengthened against the euro, ending the week down by 1.3% from 1.05545 franc to the euro.



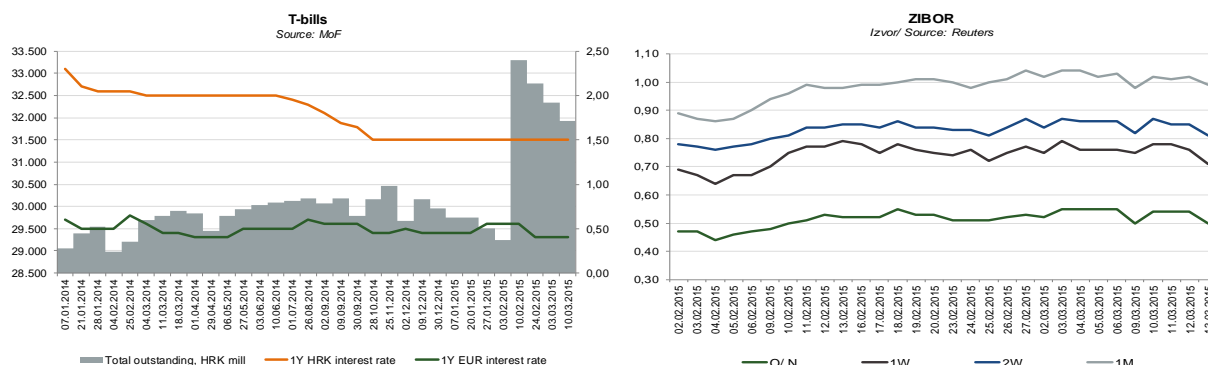
The recent fall of the kuna against the euro exchange rate was a good opportunity to take long positions mainly based on the expected dividend disbursements to foreign shareholders of domestic companies and ongoing negotiations over loans pegged to the franc. The exchange rate decreased to 7.61 on Wednesday, the lowest level since August last year and the week ended with the mid-exchange rate of 7.6380, which is down by 0.2% wow. USD/HRK increased to 7.2159 kuna to the dollar, which is a jump of 3.4% wow, whereas CHF/HRK stood still, amounting to 7.1624 kuna to the franc on Friday. This week, we expect the trading in the range from 7.63 to 7.67 kuna to the euro.



Correction of interest rates

The Zibor on overnight loans closed the week at the corrected 0.50% (vs 0.55%), while 1M and 3M at 0.99% (vs 1.03%) and 1.13% (vs 1.14% the previous week), respectively. The weekly turnover in the ZMM fell to 150 million kuna, with supply exceeding demand by an average of 110 million kuna per day.

A total of 1.37 billion kuna in T-bills, of which 280 million with 182-day maturity and the unchanged yield of 0.50%, as well as 1.09 billion with 364-day maturity and the unchanged yield of 1.50% were issued at the auction last week. The overall government debt under T-bills amounts to 31.9 billion kuna. This week, a total of 670 million kuna in T-bills will mature and the auction has been announced.

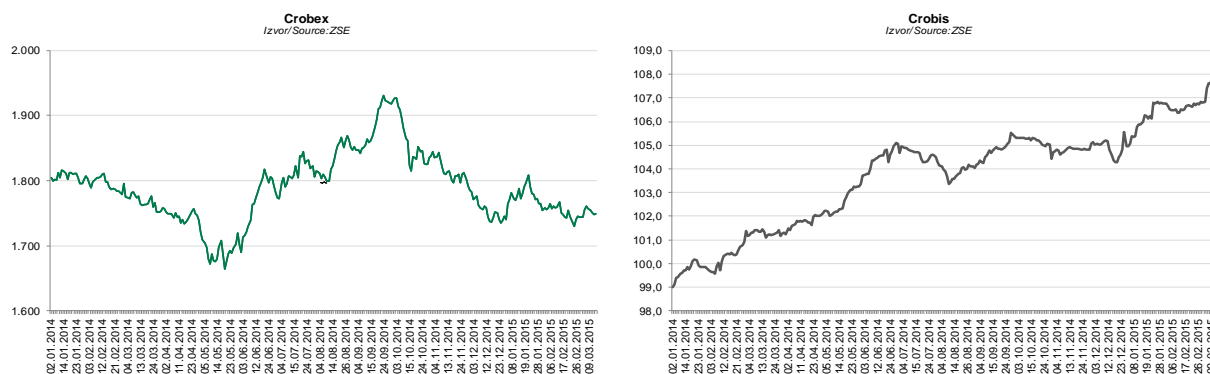


Losses on shares

The total turnover in the ZSE increased by 139% wow, reaching 762 million kuna. The turnover in shares rose by 75% to 112 million kuna, while the turnover in bonds rose by 158% to 649 million kuna.

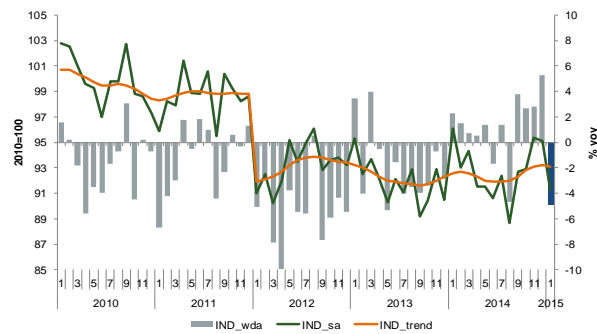
The Crobex declined by 0.6% wow to 1,749.74 points due to a mostly negative performance of the major index components shares (Podravka +0.3%, HT -1.8%, Ledo -1.6%, Končar EI +0.4%, Ina 0.0%, Adris Grupa -2.1%, Ericsson NT -0.3%, Atlantic Grupa -0.6%). The highest turnover of 74 million kuna was achieved by the shares of Atlantic grupa, with a weekly price drop from 907.00 to 901.60 kuna, followed by the preferential shares of Adris with a 6 million kuna turnover and a price drop from 359.74 to 352.13 kuna.

The highest, 247 million kuna turnover in the debt market was achieved by the MF kuna bond maturing in 2016, whereas the Crobis moderately climbed to 107.84 points.

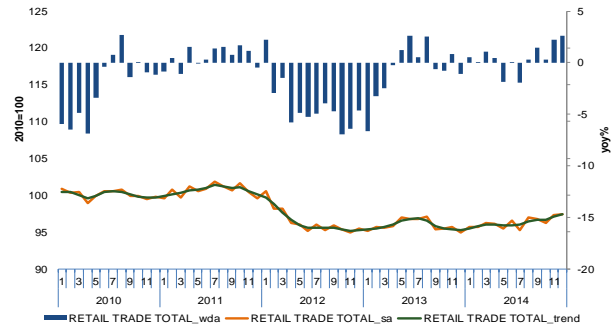


Statistics and macroeconomic forecasts

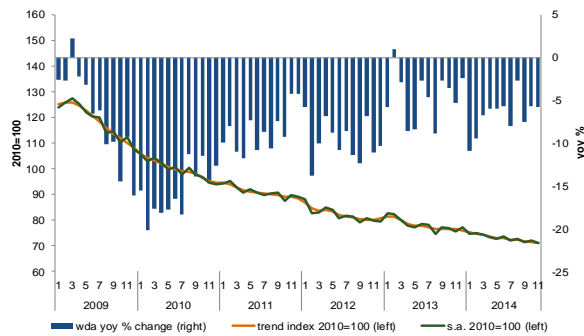
Industrial production, wda yoy % ch.
Source: Eurostat



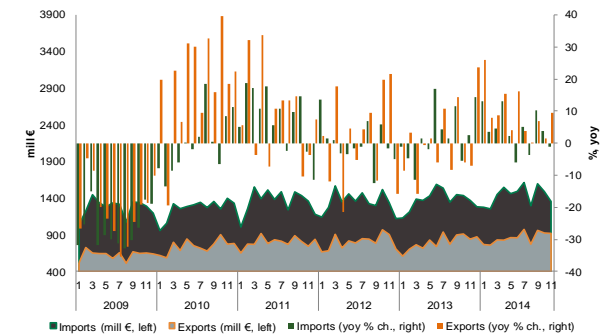
Retail trade, real, wda yoy ch. and index 2010=100
Source: CBS



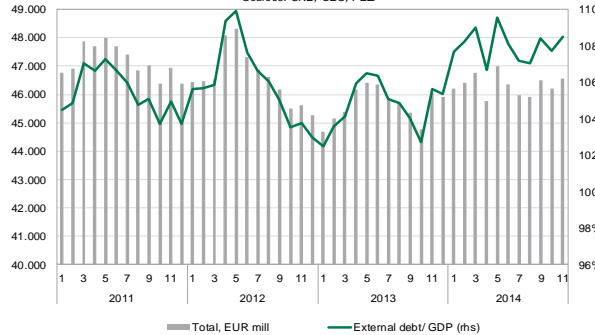
Construction works, yoy % ch. and index 2010=100
Source: CBS



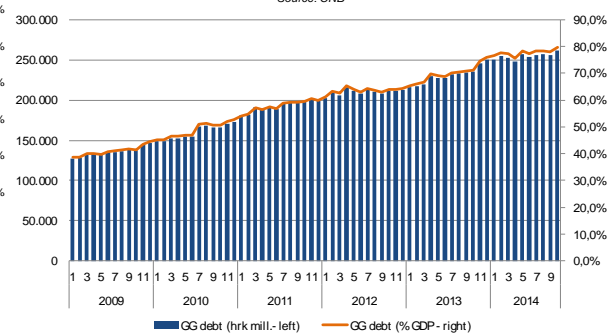
Goods exports and imports (yoy % ch. and mill €)
Source: CBS



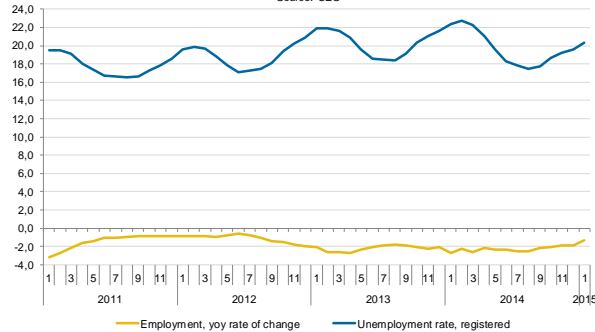
External debt, amount and share to GDP
Sources: CNB, CBS, PBZ



General government debt
Source: CNB

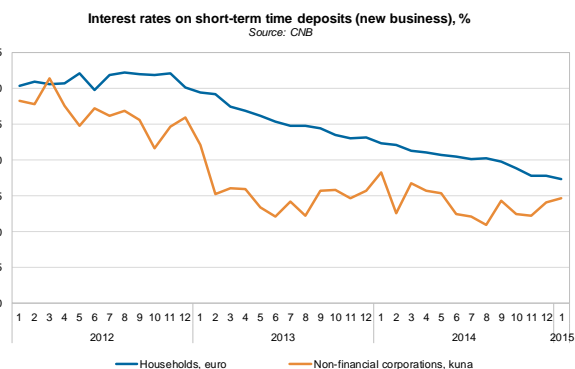
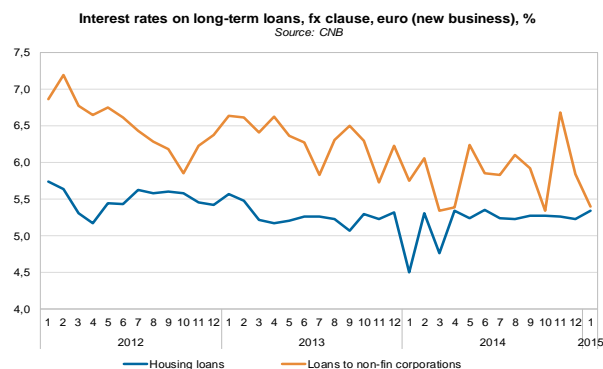
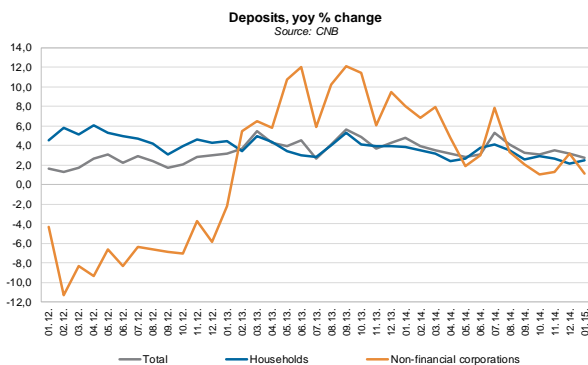
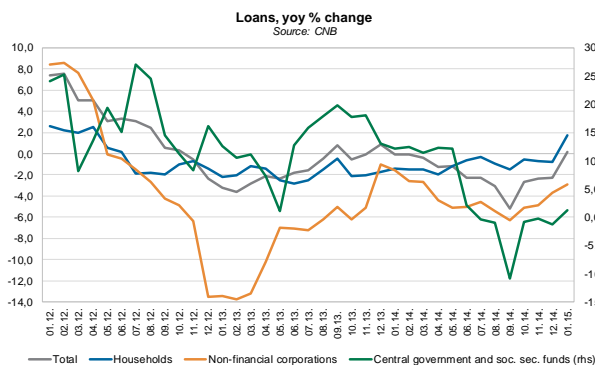
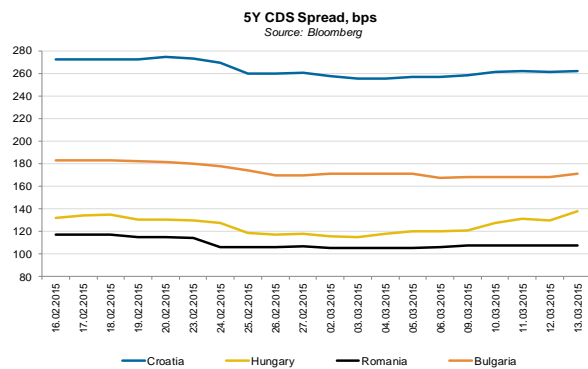
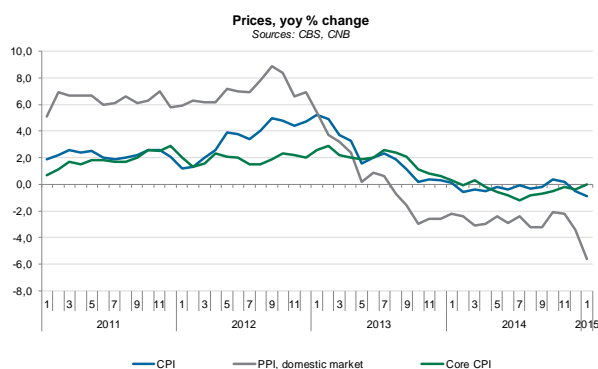


Employment, yoy rate of change and unemployment rate, %
Source: CBS



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





BASIC MACROECONOMIC INDICATORS

based on data available till 12/15/2014		2014e	2015f
GDP, current prices	HRK mill	327.278	329.896
GDP, current prices	EUR mill	42.894	43.067
GDP, real	annual growth, in %	-0,7	0,0
GDP, nominal	annual growth, in %	-0,9	0,8
CPI	annual average, in %	-0,2	0,8
HRK / EUR	annual average	7,63	7,66
HRK / USD*	annual average	5,73	6,32
HRK / CHF*	annual average	6,28	6,23

* computed on the basis of ISP forecasts for EUR/USD and EUR/CHF

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