

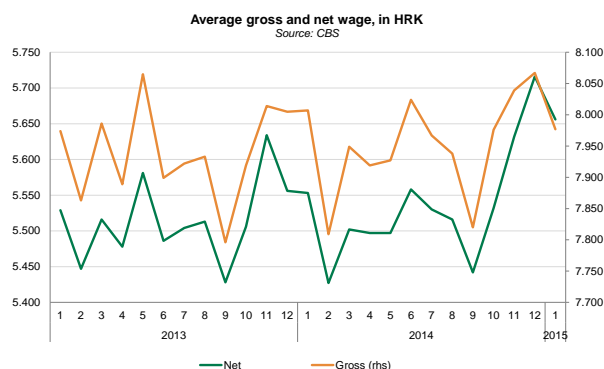
PBZ Weekly Analysis

Number 467, March 30, 2015

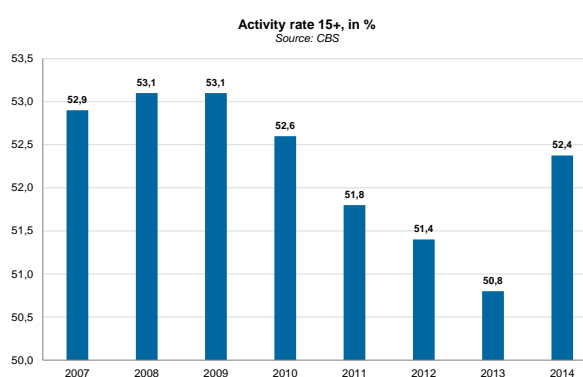
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Weekly overview

- The average net earnings for January amounted to 5,656 kuna, which is a nominal increase of 1.9 and a real-term increase of 2.8% yoy. As the average gross earnings fell by 0.4% in nominal terms (+0.5% in real terms), the nominal increase in net earnings was mainly a result of tax changes. This year, we expect net earnings to increase in nominal terms by an average of 2.5-3.0% yoy.

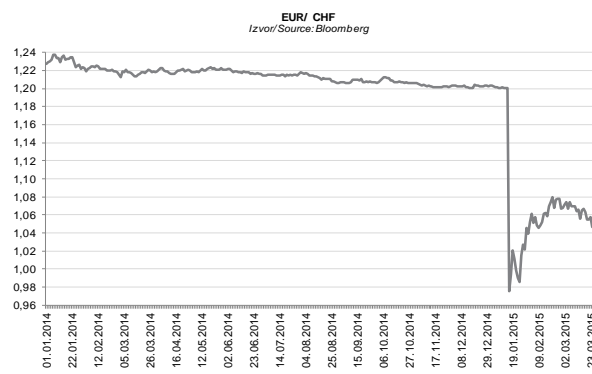
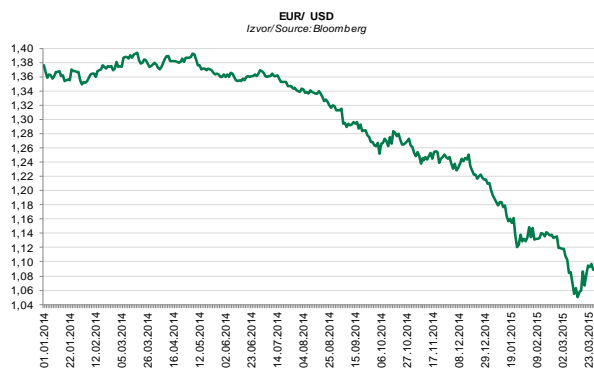


- The unemployment rate for February remained at 20.3% (-2.4 p.p. yoy) recorded in January and, as the current month has already seen the effects of seasonal employment, we expect the rate to fall to 19.9% by the end of March. The first results of the Labour Force Survey show that the survey unemployment rate 15+ reached 18.3% (15-64: 18.5%) in the fourth quarter of last year and thus the average for 2014 amounted to 17.3% (15-64: 17.5%), the same as in 2013. The good news is that the negative trend of the activity rate ended last year, recording a reverse and rising to 52.4%, which is up by 1.6 p.p. yoy. Specifically, the rate for men increased by 1.2 p.p. to 58.9%, whereas for women by 1.9 p.p. to 46.5%.

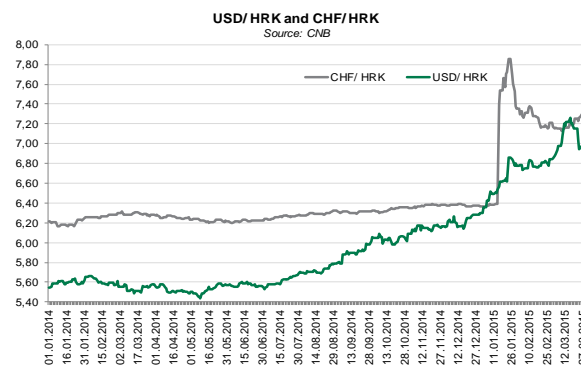
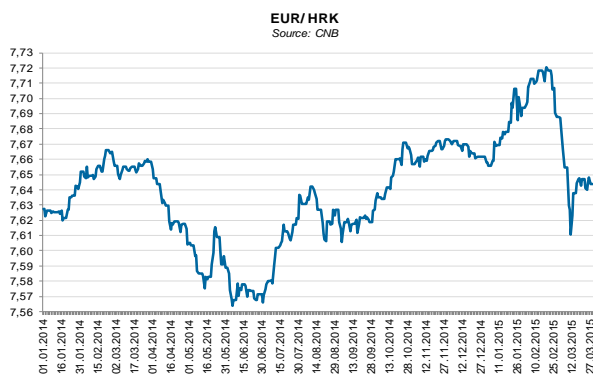


Dollar slightly weaker, kuna unchanged

Due to the absence of news which would change expectations of the beginning of US\$ interest rate rise, the weakening of the dollar against the euro continued almost through the end of last week. At the same time, better than expected EA activity indicators supported the strengthening of the euro. The dollar managed to partly recover its losses by the end of the week, therefore the trading closed at 1.0889 dollar to the euro, up by 0.6% wow. The Swiss franc simultaneously strengthened against the euro by 0.8%, closing the week at 1.04706 franc to the euro.



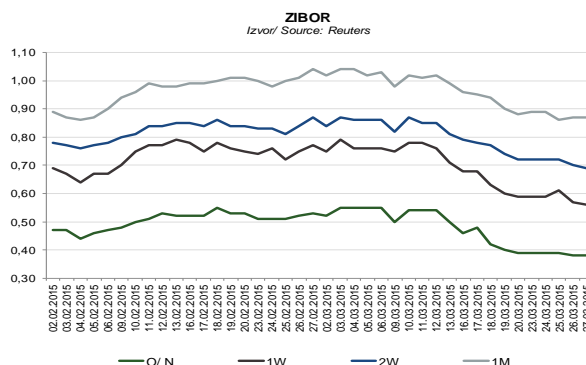
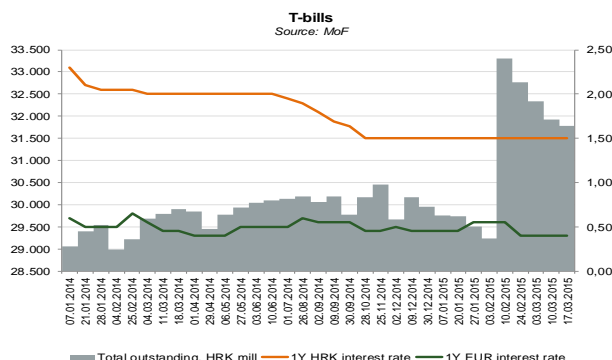
The domestic FX market saw a calm last week where the mid-exchange rate of the kuna against the euro was in a tight range of 7.64-7.65. The week ended with the exchange rate of 7.6439, the same rate wow. The exchange rate of the kuna against the dollar fell to 7.0594, down by 1.3% wow, whereas the kuna against the franc weakened by 0.7% to 7.3056 kuna to the franc. This week, we expect an unchanged trading range from 7.62 to 7.66 kuna to the euro.



Liquidity still high

Last week, interest rates moderately fluctuated: the Zibor on overnight loans closed the week at the corrected 0.38% (vs 0.39%), while 1M and 3M at 0.87% (vs 0.88%) and 1.09% (vs 1.10% the previous week), respectively. As the supply remained high and demand low, the turnover in the money market amounted to only 58.3 million kuna.

This week, a total of 1.05 billion kuna in T-bills will mature and the auction has been announced with an issue of 850 million kuna.

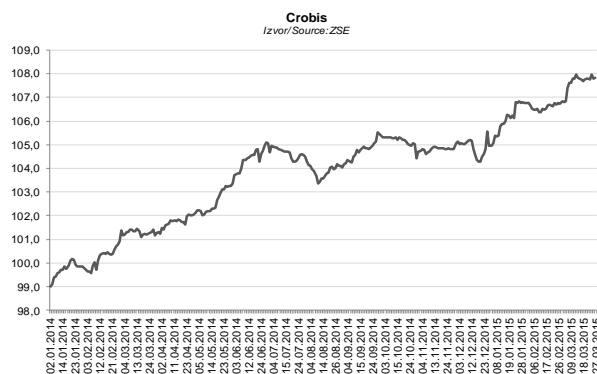
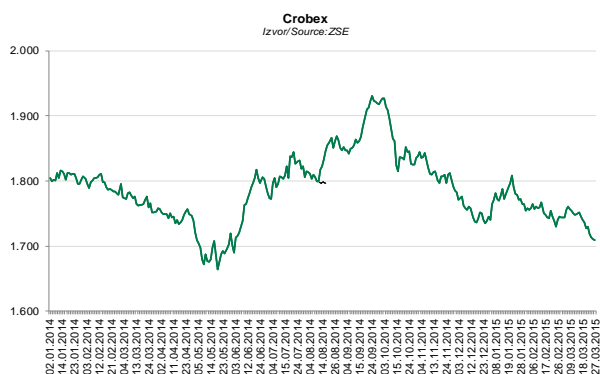


Crobex in negative territory

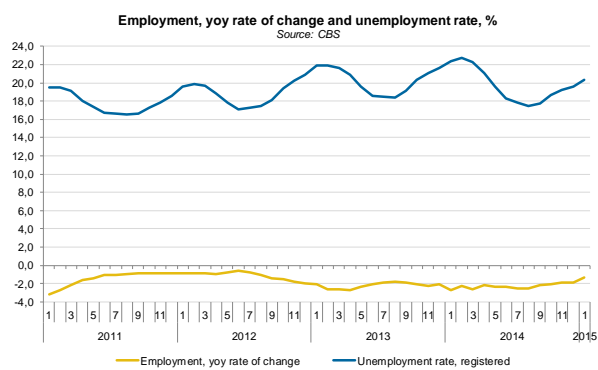
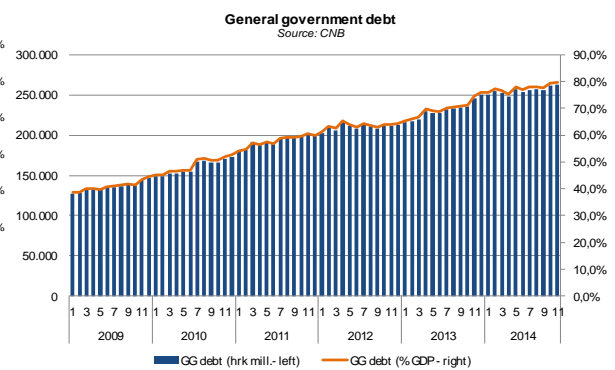
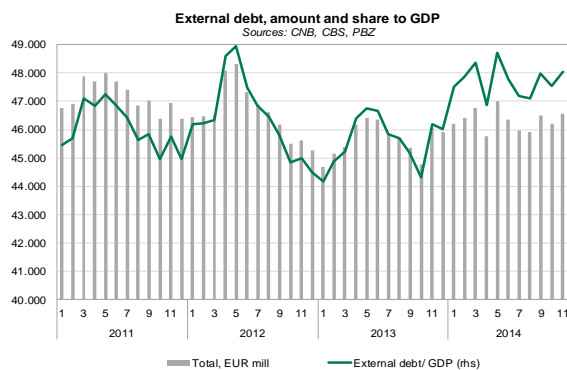
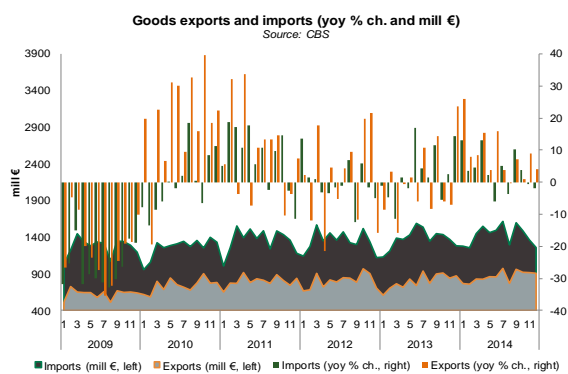
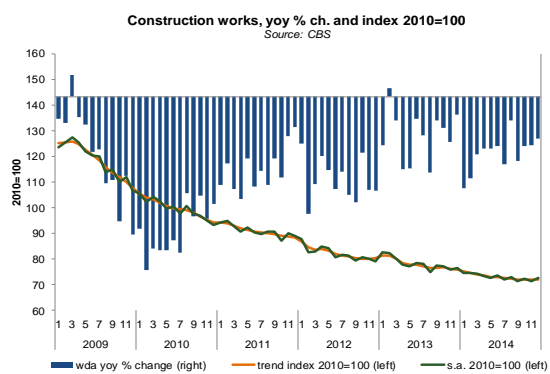
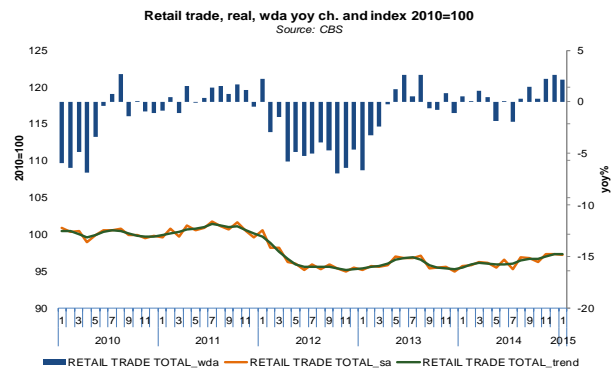
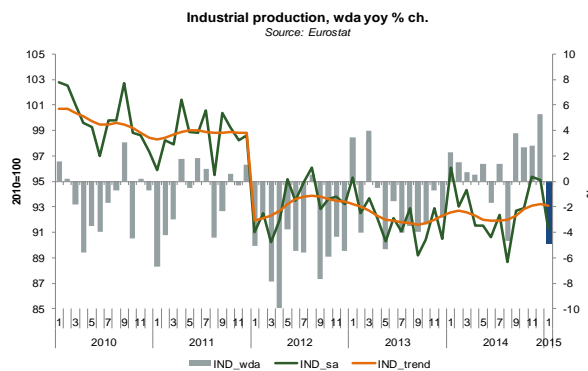
The total turnover in the ZSE climbed by 32% to 579 million kuna wow. The turnover in shares sank by 56% to the low 33 million kuna, whereas the turnover in bonds grew by 51% to 544 million kuna.

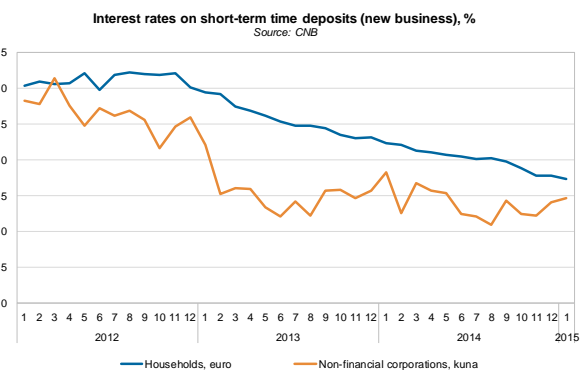
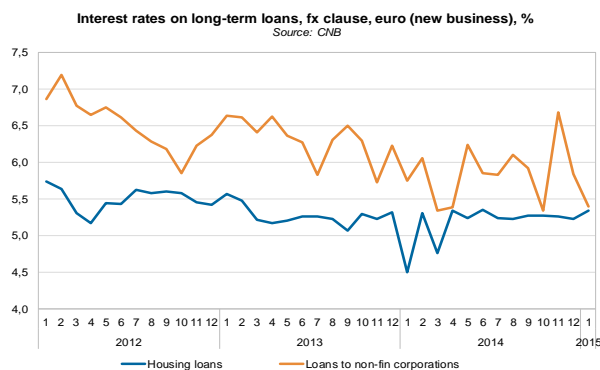
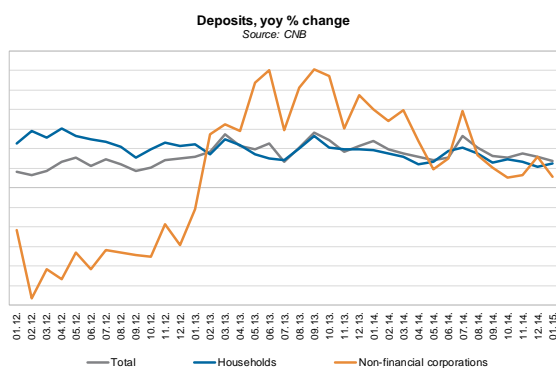
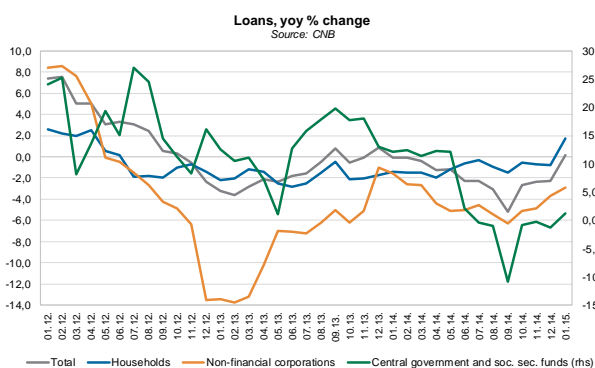
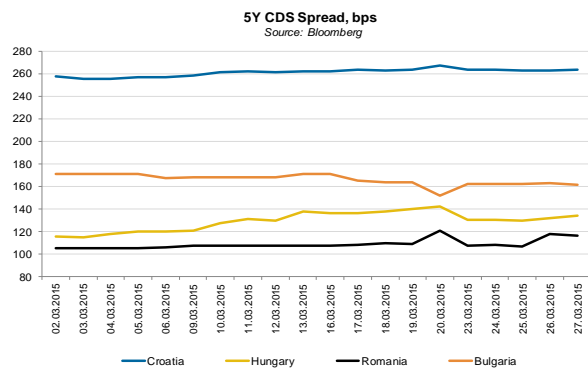
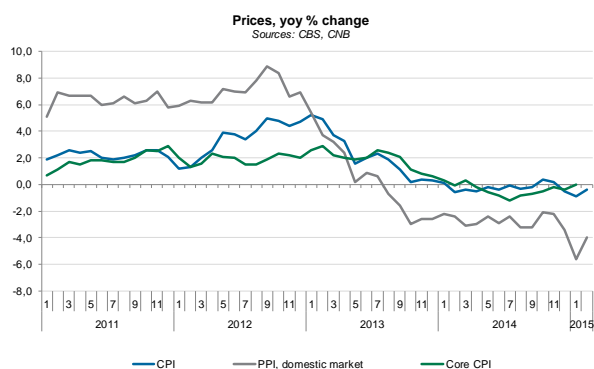
The Crobex fell by 1.0% wow to 1,709.75 points due to a varying performance of the major index components shares (Ina -1.4%, Adris Grupa +1.5%, HT +0.7%, Valamar -1.1%, Končar EI +1.7%, Atlantic Grupa +1.7%, Podravka -1.0%, Ledo -1.6%, Ericsson NT +0.2%). The highest, 4 million kuna turnover was achieved with the HT shares, with a weekly price growth from 160.93 to 162.03 kuna.

The highest, 204 million kuna turnover in the debt market was achieved by the MF euro bond maturing in 2019, whereas the Crobis remained unchanged at 107.8 points.



Statistics and macroeconomic forecasts





BASIC MACROECONOMIC INDICATORS

based on data available till 03/25/2015		2014	2015f
GDP, current prices	HRK mill	328.927	329.914
GDP, current prices	EUR mill	43.110	43.070
GDP, real	annual growth, in %	-0,4	0,3
GDP, nominal	annual growth, in %	-0,4	0,3
CPI	annual average, in %	-0,2	0,0
HRK / EUR	annual average	7,63	7,66
HRK / USD*	annual average	5,75	6,96
HRK / CHF*	annual average	6,28	7,06

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

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