

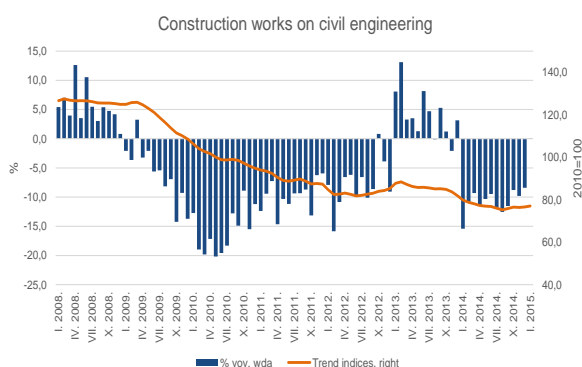
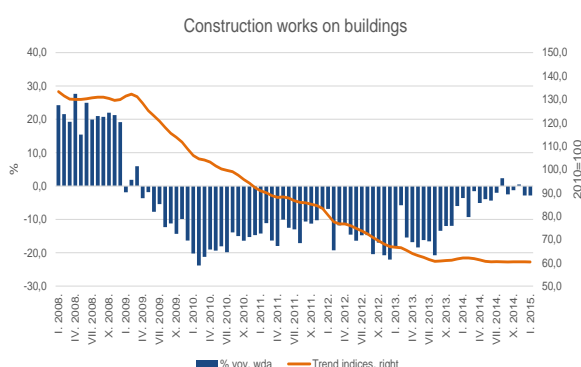
# PBZ Weekly Analysis

## **Number 468, April 07, 2015**

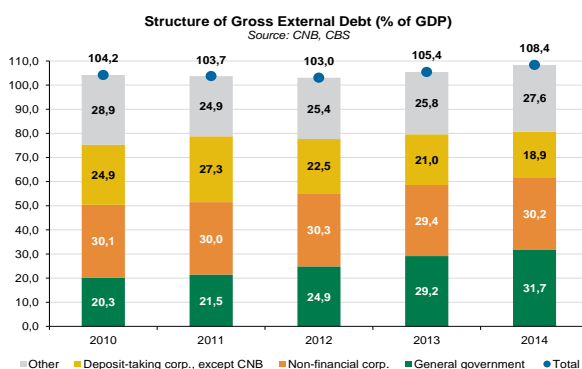
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## Weekly overview

- The index of the industrial production in February returned to its positive trajectory and recorded a working-day adjusted growth of 1.9% yoy or seasonally adjusted of 3.4% mom. The growth was recorded by all the main industrial groupings save the production of energy (-3.9%) and capital goods (-1.3%). For the rest of the year, foreign demand will have a positive effect on the industrial production, while domestic demand will be a burden. As we anticipate that positive factors will prevail, the annual growth should be around 1.5%, similar to 2014.
- Retail trade continued to record positive rates. According to the first results, the retail trade turnover in real terms generated in February recorded a working-day adjusted growth of 1.9% yoy, whereas a seasonally adjusted stagnation of the turnover was recorded mom.
- According to the first results, the construction work index in January recorded a wda decline of 0.8% yoy, which is the lowest rate of decrease recorded in the last 13 months. The decline in construction work activities was lessened by the stagnation of other civil engineering works, whereas building construction works decreased by 2.8% compared with the same month last year. Given the exceptionally low last year's base, we expect that rates of decrease will be less pronounced this year, however, we do not anticipate a recovery of construction work activities.



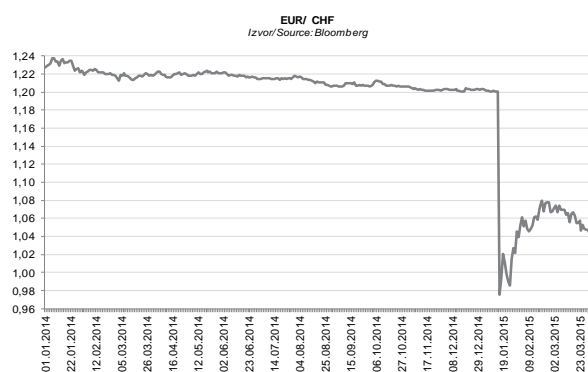
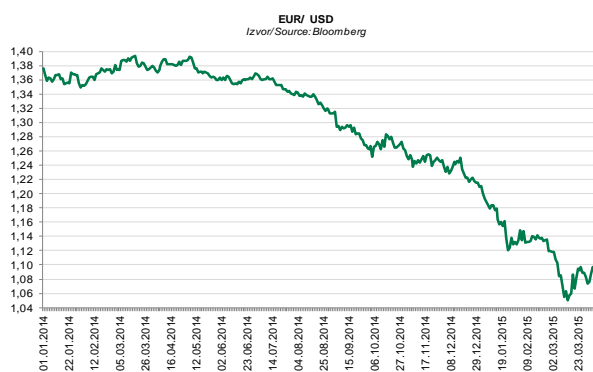
- According to the Croatian National Bank data, the public debt of the Republic of Croatia reached 265.1 billion kuna or 80.6% of GDP by the end of 2014. If the amount of the issued state guarantees (22.8 billion kuna) is added to this amount, the public debt level climbs to 87.5% of GDP.
- The external debt of the Republic of Croatia by the end of 2014 was 1.6% higher yoy, amounting to 46.7 billion euro, or 108.4% of GDP. The general government debt increased by 7.4% to 13.7 billion euro (31.7% of GDP), non-financial corporation debt increased by 1.3% to 13.0 billion euro (30.2% of GDP), whereas the debt of deposit-taking corporations except the central bank decreased by 10.9% to 8.2 billion euro (18.9% of GDP). It should be noted that, as



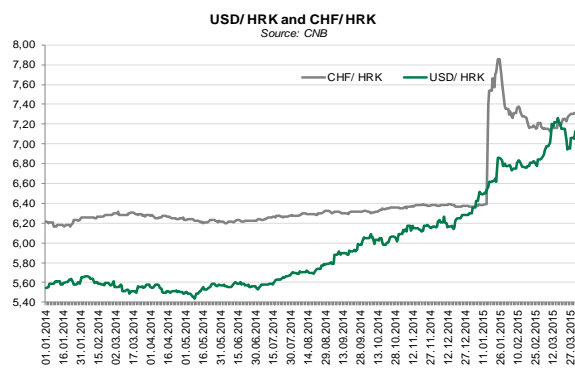
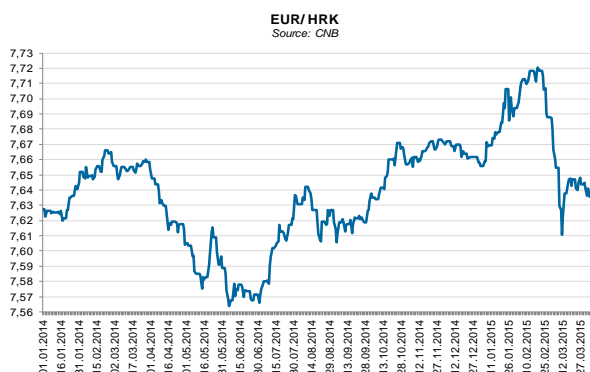
the central bank explained, the increase in the external debt is the result of the exchange rate movements, mainly the strengthening of the dollar against the euro due to the MF bonds denominated in US\$ (although currency-risk hedges were built into five out of a total of six issues, they do not reduce the amount of the country's external debt since it is reported separately, within the international investment statistics). If the exchange rate effect is excluded, the data reveal that the external debt is reduced by around 0.7% yoy, and its share in GDP amounts to around 106%.

## Dollar continues to weaken, kuna strengthens

Last week, variations in investor sentiment were recorded on a daily basis, closely following the release of the data on the U.S. economy trends. The EUR/USD exchange rate fluctuated around 1.08-1.09, however, after the release of the disappointing US Employment Report, the dollar weakened by the end of the week. The trading on Friday closed at 1.0969 dollar to the euro, up by 0.7% wow, but, the dollar already recovered some of its losses yesterday, so the exchange rate fell to 1.0922. Last week, the Swiss franc strengthened against the euro by 0.4%, ending the week at 1.04322 franc to the euro, whereas it mildly weakened to 1.04729 yesterday.



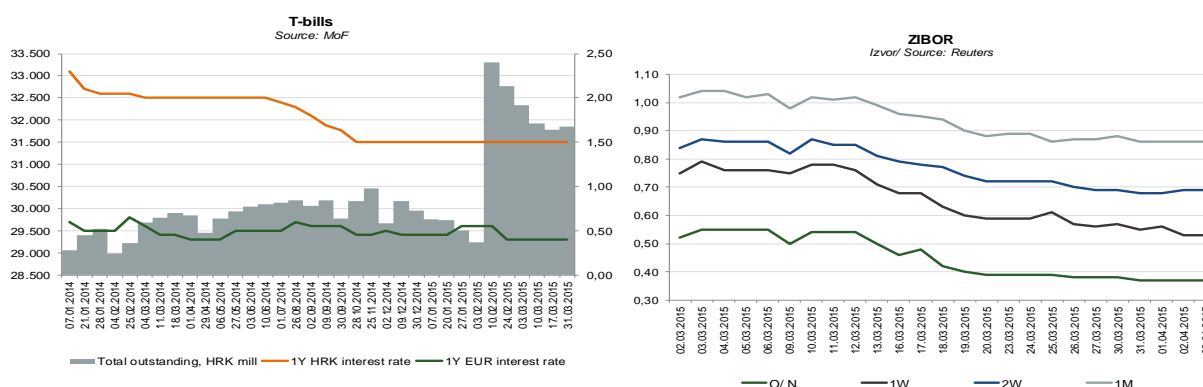
Last week, the mid-exchange rate of the kuna against the euro remained around 7.64, while the week ended with the exchange rate of 7.6354, down by 0.1% wow. The kuna strengthened against the dollar by 0.6%, therefore, the exchange rate fell to 7.0204 kuna to the dollar, whereas the kuna against the franc weakened moderately by 0.1% to 7.3136 kuna to the franc. In the upcoming period, we expect the beginning of the seasonal foreign currency inflows, while dividend payments and the usual corporate demand will be still present. This week, we expect trading at slightly lower levels, in the range 7.61-7.64 kuna to the euro.



## Money market unchanged

Last week, interest rates moderately fluctuated: the Zibor on overnight loans closed the week at the corrected 0.37% (vs 0.38%), while 1M and 3M at 0.86% (vs 0.87%) and 1.07% (vs 1.09% the previous week), respectively. As the supply remained high and demand low, the turnover in the money market was barely 89.7 million kuna.

Last week, the Ministry of Finance issued a total of 155 million kuna in T-bills with 182-day maturity and an unchanged yield of 0.50%, as well as 959 million kuna with 364-day maturity and also an unchanged yield of 1.50%. The overall public debt under T-bills is 31.8 billion kuna. There will be no maturity this week.

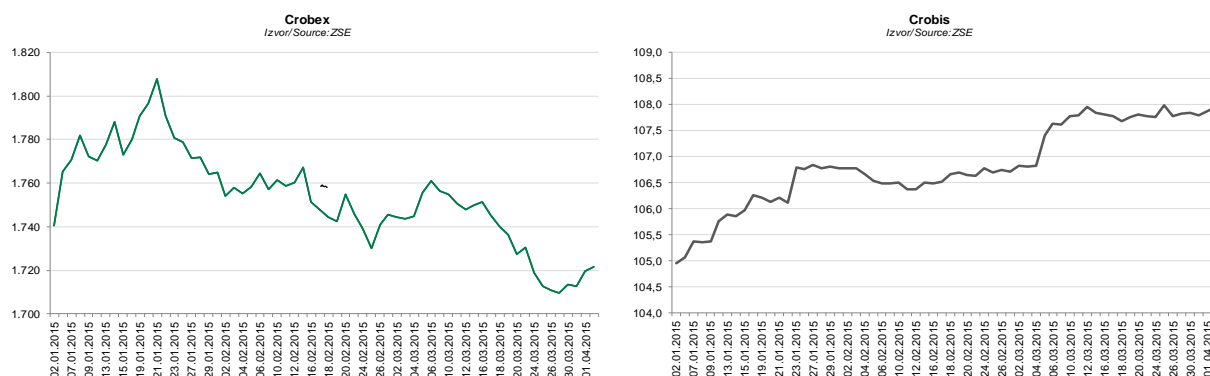


## Crobex recovers

Last week, a day shorter, the total turnover in the ZSE was reduced by 39% wow to 351 million kuna. The turnover in shares rose by 43% to 48 million kuna, whereas the turnover in bonds declined by 44% to 302 million kuna.

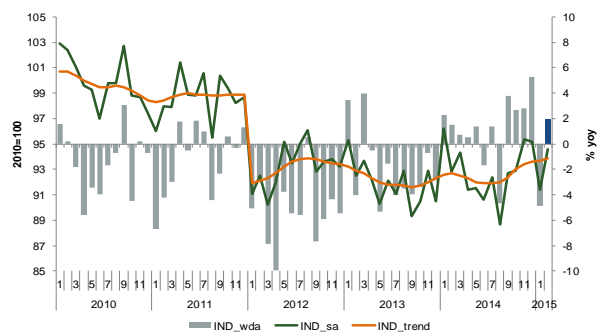
The Crobex recovered, climbing by 0.7% wow to 1,721.49 points due to a mostly positive performance of the major index components shares (Ina +3.1%, Adris Grupa -2.9%, HT +0.7%, Valamar +0.6%, Končar EI +0.3%, Atlantic Grupa +3.4%, Podravka -1.6%, Ledo +1.6%, Ericsson NT +0.4%). The highest turnover of 7 million kuna was achieved by the shares of Belje, with a price growth of 0.1% wow, while the turnover in the shares of HT reached 5 million kuna with a price growth from 162.03 kuna to 163.18 kuna wow.

The highest, 86 million kuna turnover in the debt market was achieved by the RHMF-O-17BA bond, whereas the Crobis slightly rose, closing the week at 107.95 points.

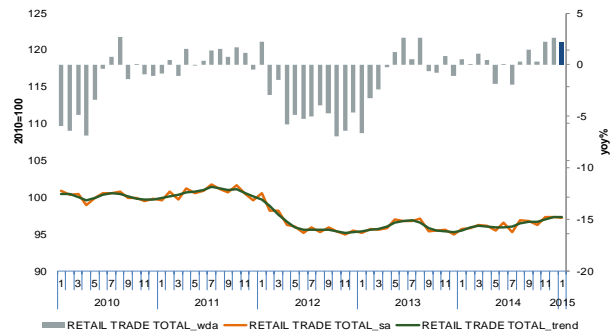


# Statistics and macroeconomic forecasts

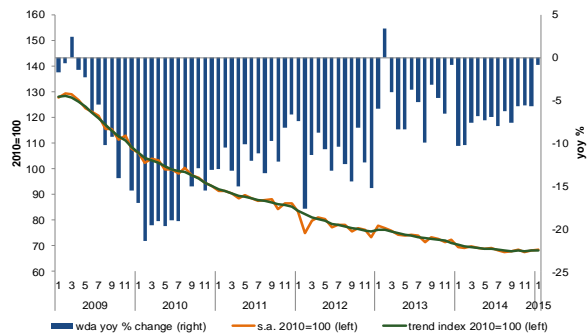
**Industrial production, wda yoy % ch.**  
Source: Eurostat



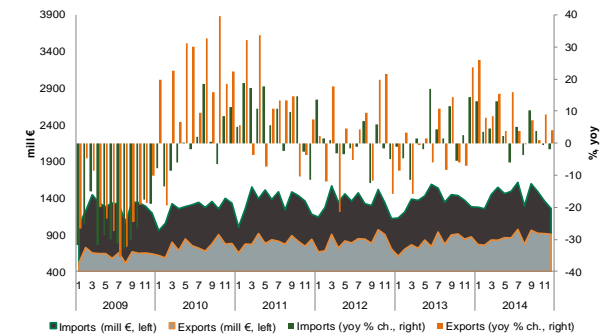
**Retail trade, real, wda yoy ch. and index 2010=100**  
Source: CBS



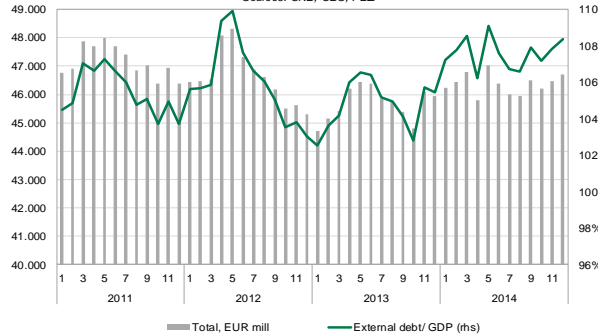
**Construction works, yoy % ch. and index 2010=100**  
Source: CBS



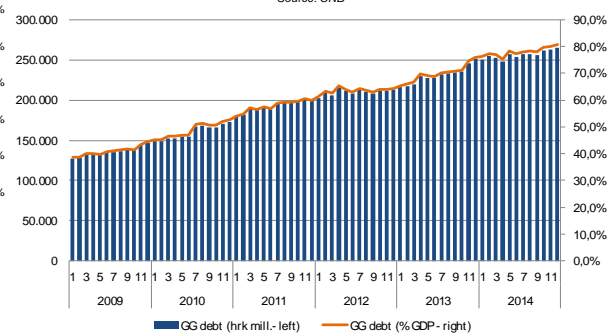
**Goods exports and imports (yoy % ch. and mill €)**  
Source: CBS



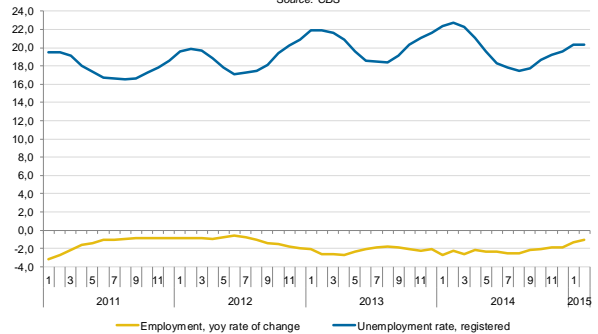
**External debt, amount and share to GDP**  
Sources: CNB, CBS, PBZ



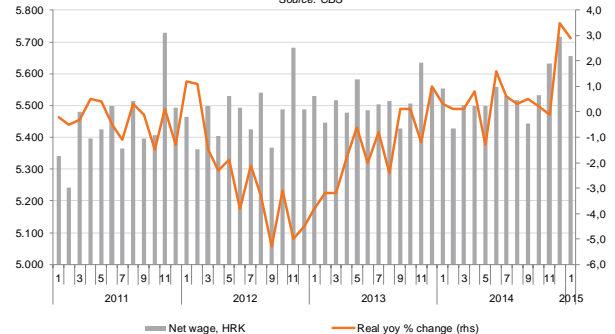
**General government debt**  
Source: CNB

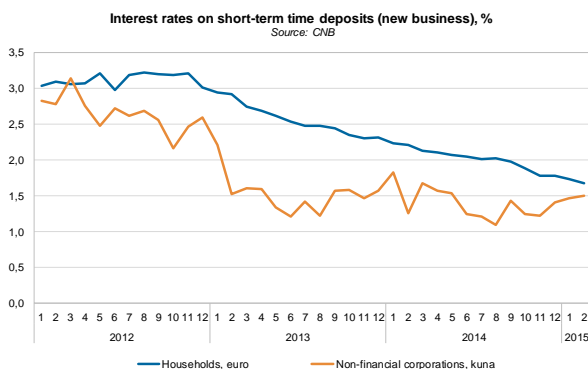
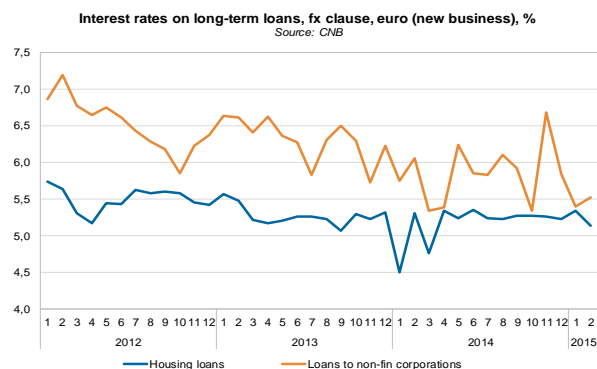
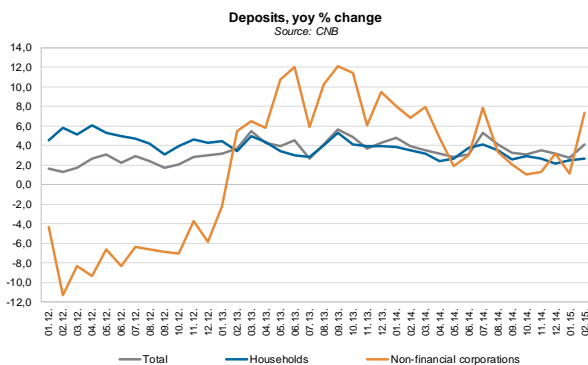
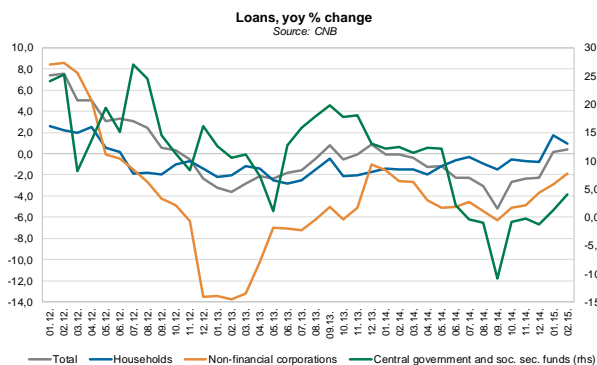
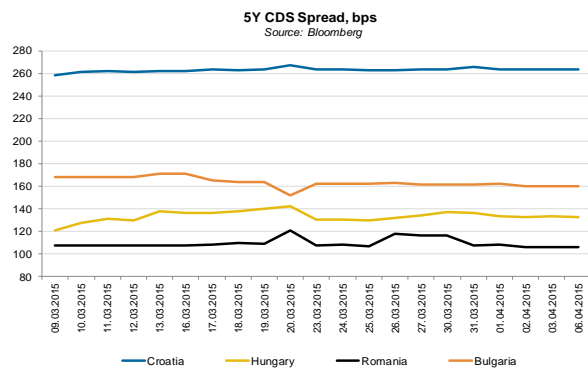
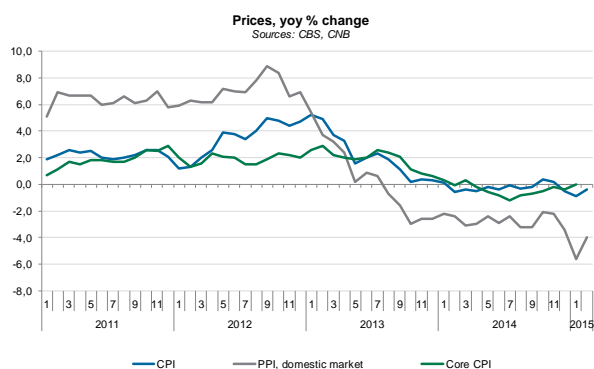


**Employment, yoy rate of change and unemployment rate, %**  
Source: CBS



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





## BASIC MACROECONOMIC INDICATORS

| based on data available till 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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