

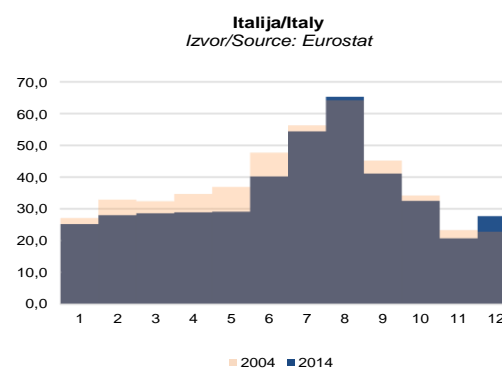
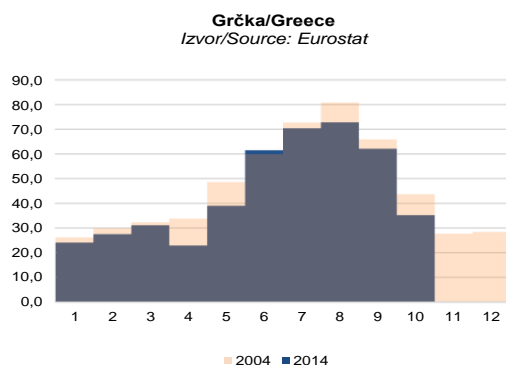
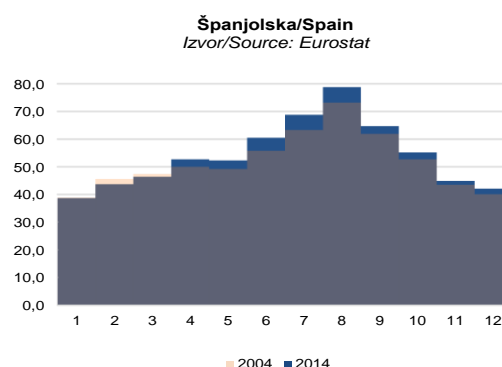
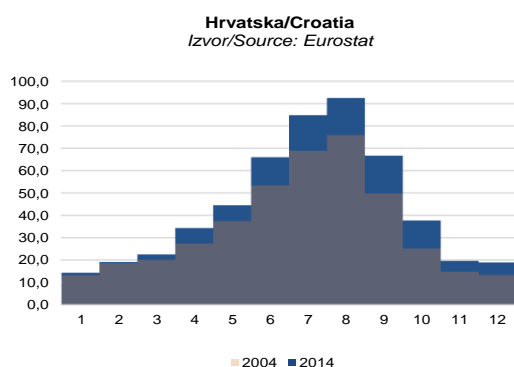
PBZ Weekly Analysis

Number 469, April 13, 2015

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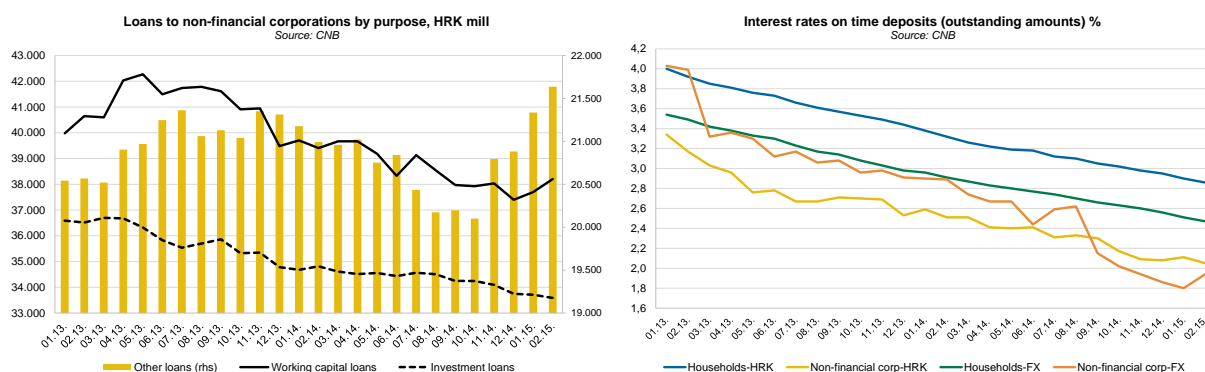
Weekly overview

- In the first two months the number of tourist arrivals grew by 15% whereby the number of domestic arrivals grew by 5% and foreign by 24.5%. At the same time, there were also 15.8% more tourist nights out of which 7.7% more domestic and 23.6% foreign. Expecting a good tourist season we are comparing the data on net bed occupancy rate in a hotel and similar accommodation in Croatia and in Croatia's major tourist competitors in 2014 and 2004. In July and August last year Croatia recorded the highest occupancy rate of hotel accommodation (84.8% and 92.5%, respectively). However, Croatia recorded also the most significant seasonality – from November until March the occupancy fell below 20%.



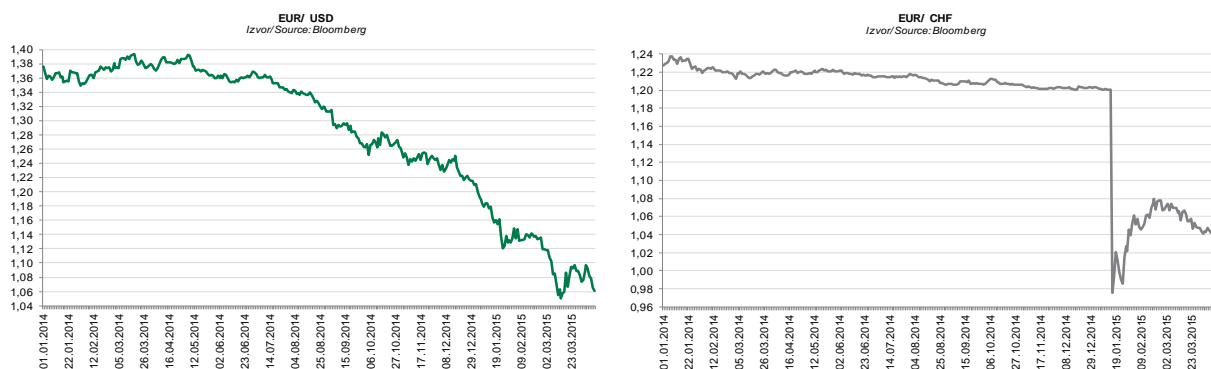
- According to the figures of the CBS, in January commodity exports fell by 3.2% and imports by 11.2% yoy. Stronger fall in imports was favourably reflected on trends in commodity exchange deficit which fell almost to one fourth with respect to January 2014, while the average quarterly coverage of imports by exports grew up to 68.4%. The preliminary figures for February brought good news: exports grew by 11.5% and imports by 5.8% which cumulatively in the first two months resulted in the growth in exports of 4.1% and fall in imports of 2.8% yoy.
- February brought a slight (+0.4%) annual growth in loans which resulted from the 4.0% growth in loans to central government and 1.0% growth in loans to households resulting from almost 27% higher volume of kuna cash loans and exchange rate effects. The rate of fall in loans to non-financial corporations slowed down to 1.9% owing to the growth in loans for other purposes (+3.1%) while loans for working capital and investments still recorded negative balances yoy (-3.0 or -3.5%, respectively). Encouraging good news is that loans for other purposes in February grew 1.4% and loans for current assets 1.3% (mostly kuna loans) mom. The growing trend in deposits

was retained so total deposits in February grew 4.1% year on year. The households growth trend retained the January level, and deposits of non-financial corporations recovered in February after the fall in January and grew even for high 7.4% yoy or 3.4% mom but, however, they are still lower by 2.0% in relation to the end of 2014. This year we expect the continued deleveraging and we stick to the estimate that a slight growth in demand in loans is possible, first of all for current assets and other purposes. The growth in net wages, expected successful tourist season and growth in exports of commodities will boost the growth in deposits of private sector, but the growth rates will be limited by the tax on savings income and by lower interest on savings which fell by 50-100 bps over the most recent one year period.

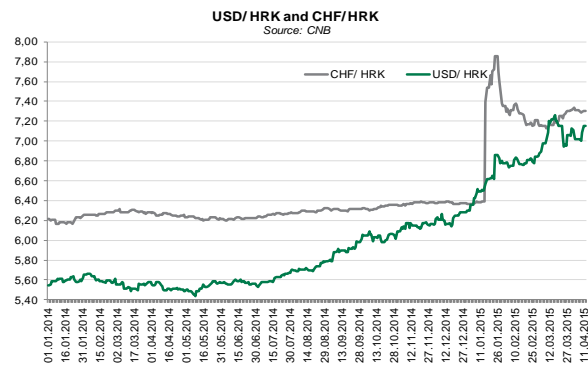
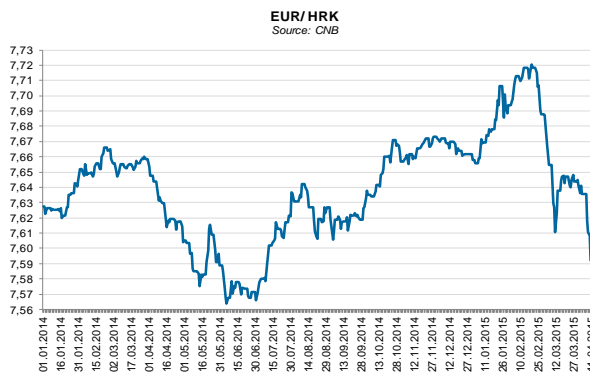


Dollar recovers, kuna below 7.6

The dollar strongly recovered past week, recovering thus also the losses caused by the shortfalls in the March Employment Report figures. The trading was closed on Friday at 1.0604 dollar to the euro, down by 3.3% wow. The Swiss franc strengthened against the euro by 0.4% and the week was closed on 1.0391 franc to the euro.

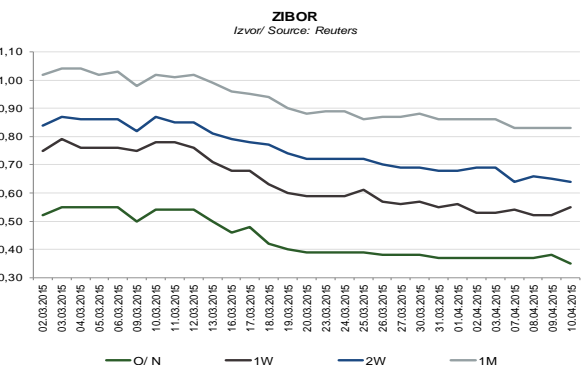
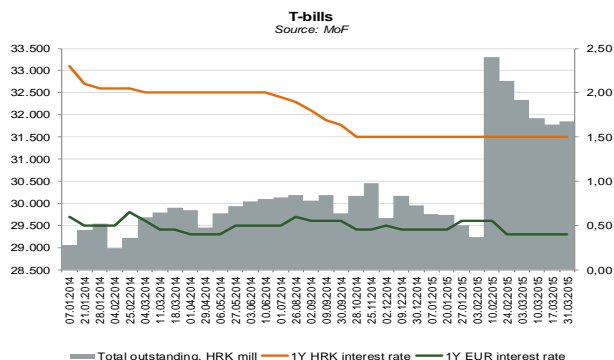


The kuna significantly strengthened against the euro last week owing to increased tourist foreign exchange inflows and lack of corporate demand, thus the trading remained below 7.58 kuna for the euro. The week ended with a mid-exchange rate of 7.5923 kuna to the euro, which is 0.6% lower wow. The kuna slightly strengthened also against the franc so the exchange rate fell also against the franc to 7.3038 kuna for the franc, while it weakened against the dollar for the high 1.9% to 7.1551 kuna for the dollar. This week we expect the slowdown in appreciation and trade ranging within 7.56 and 7.60 kuna for the euro.



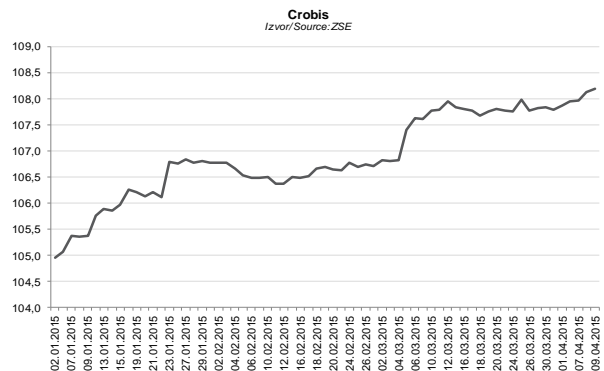
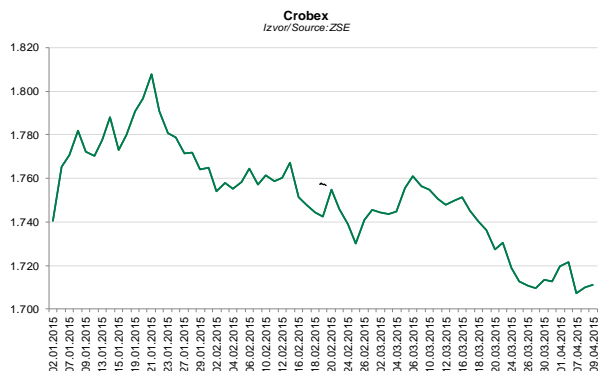
Correction of interest rates

The interest rates were slightly corrected: the overnight Zibor closed the week at 0.35% (vs 0.37%), and 1M and 3M at 0.83% (vs 0.86%) or 1.03% (vs 1.07% the previous week). The weekly turnover on the ZMM was 258 million kuna, with the average supply exceeding demand of 205 million kuna per day. There was no T-bill auction last week and as there will be no maturity this week either, the auction has not been announced for this week, accordingly.



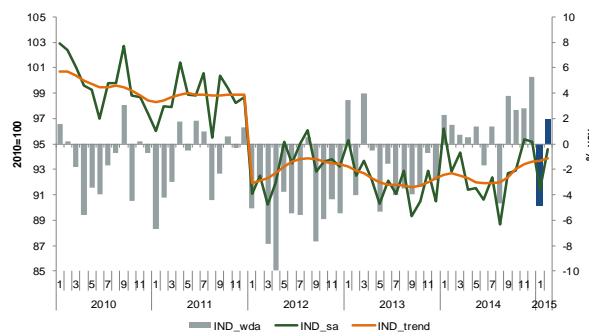
Crobex stands still

The total turnover in the ZSE fell by 54% wow, amounting to 162 million kuna. The turnover in shares was 26% lower, amounting to 35 million kuna, while the turnover in bonds fell by 58% down to 127 million kuna. The Crobex stood still wow, closing the week at 1,723,55 points. The highest 46 million kuna turnover in the debt market was achieved by the MF euro bond maturing in 2024, and the Crobis continued growing and closed the week at 108.24 points.

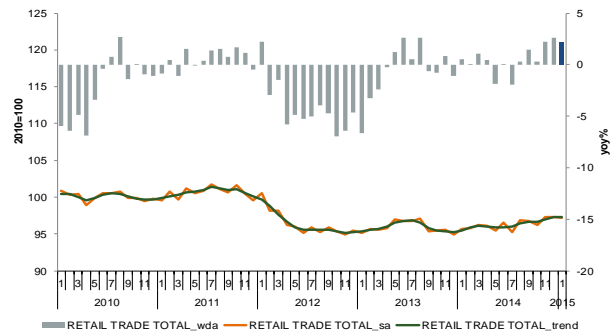


Statistics and macroeconomic forecasts

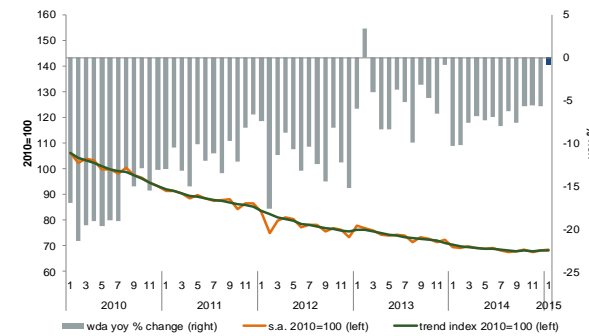
Industrial production, wda yoy % ch.
Source: Eurostat



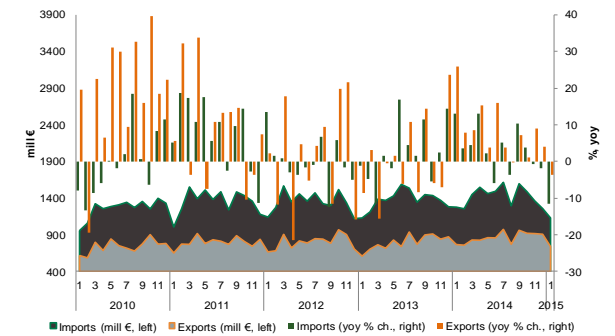
Retail trade, real, wda yoy ch. and index 2010=100
Source: CBS



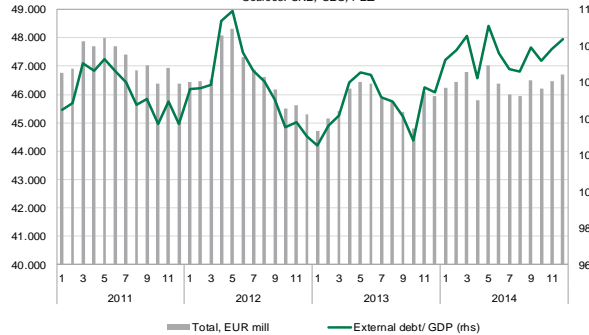
Construction works, yoy % ch. and index 2010=100
Source: CBS



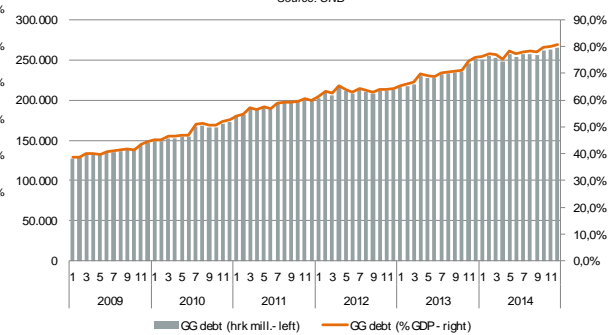
Goods exports and imports (yoy % ch. and mill €)
Source: CBS



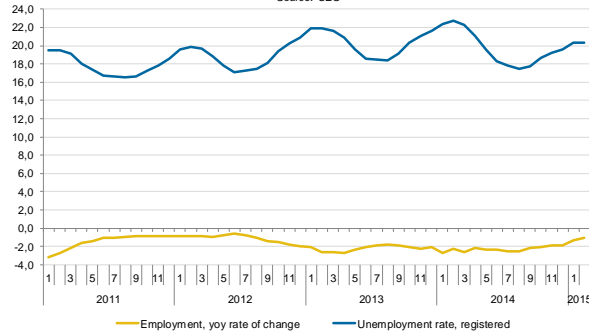
External debt, amount and share to GDP
Sources: CNB, CBS, PBZ



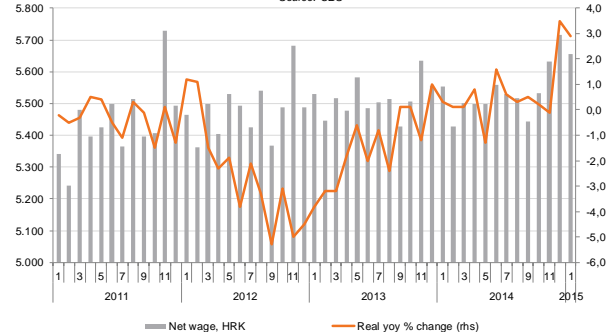
General government debt
Source: CNB

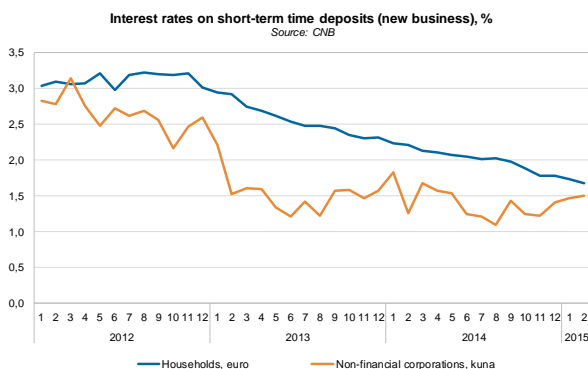
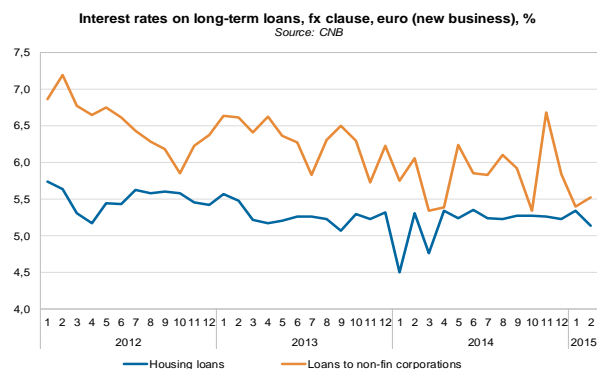
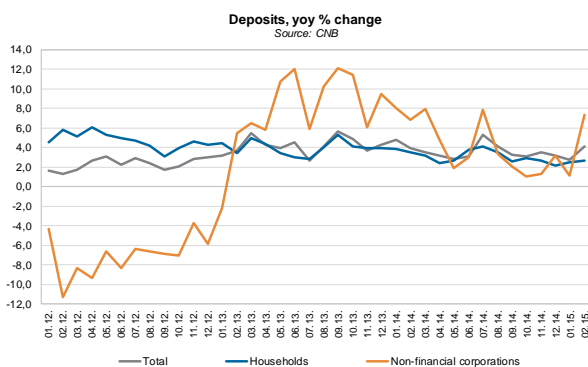
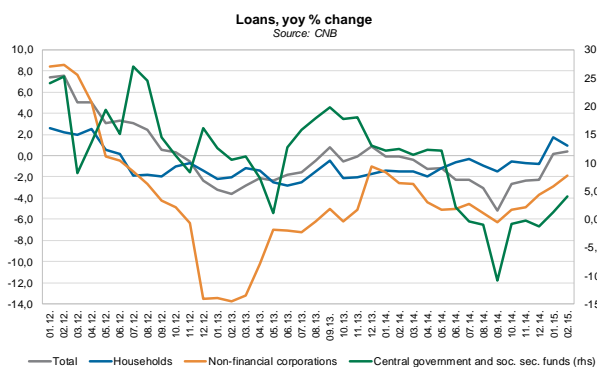
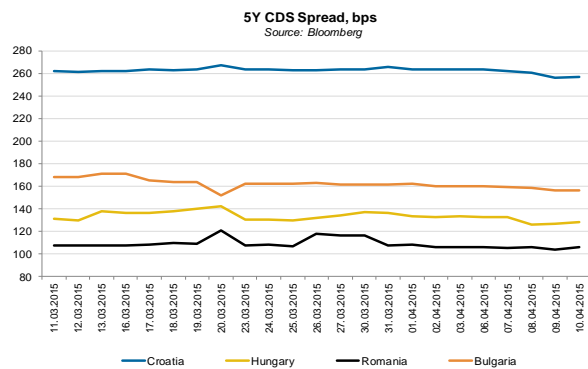
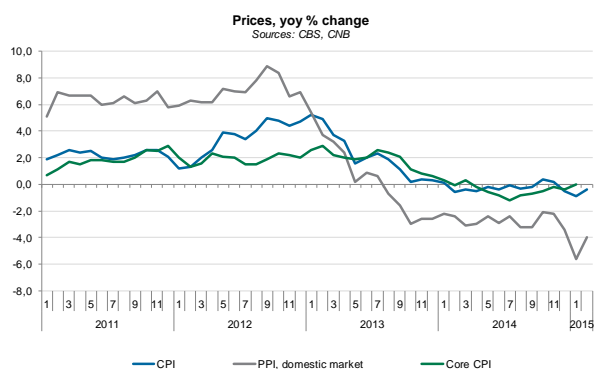


Employment, yoy rate of change and unemployment rate, %
Source: CBS



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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