

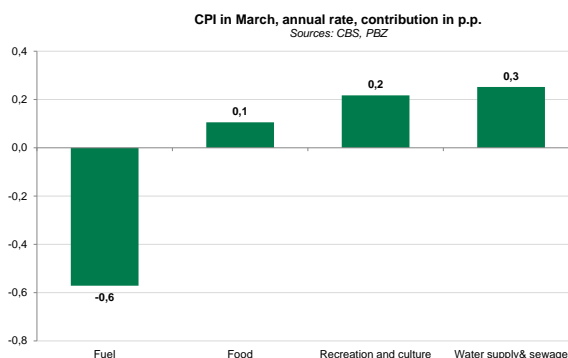
PBZ Weekly Analysis

Number 470, April 20, 2015

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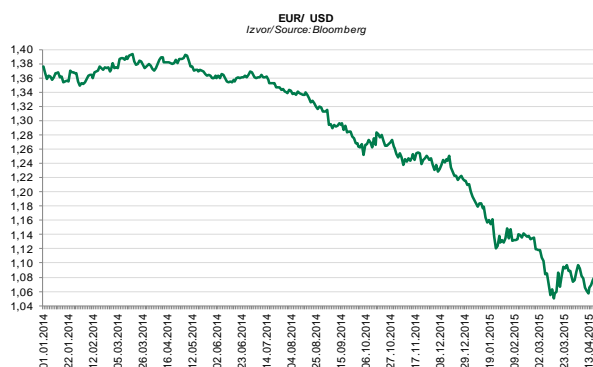
Weekly overview

- March brought a minor price growth of 0.1% yoy, which is mainly a result of a gradual recovery of fuel prices which increased by 8.5% compared with February, but, as they are still significantly lower yoy (-8.2%), their contribution with -0.6 p.p. remains negative. The prices of food continued to rise, increasing by 0.4% yoy; a positive contribution came also from more expensive water supply and sewage collection (8.0%, or 7.4%, respectively) and higher prices of recreation and culture (+4.1%). In the upcoming period, on the one hand, price movement trends will be affected by lower prices of gas for households starting from 1 April (contribution up to -0.2 p.p.) and, on the other hand, a continued growth in fuel prices, additionally encouraged by increased excise duties and higher excise duties for cigarettes. Therefore, although the average inflation in the first quarter recorded the negative 0.4%, a negative contribution of fuel prices will be more subdued in the rest of the year, while the majority of other index components may have a positive contribution, therefore we do not expect major changes yoy compared with 2014 and we anticipate inflation around zero.



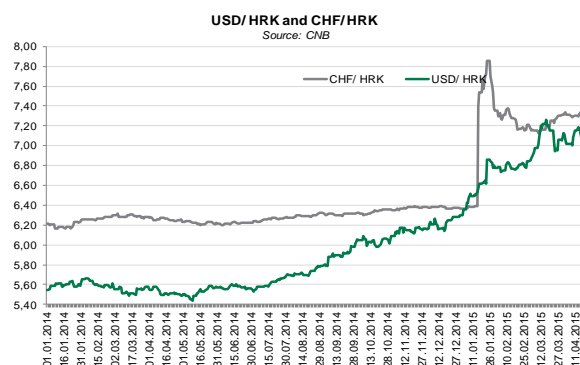
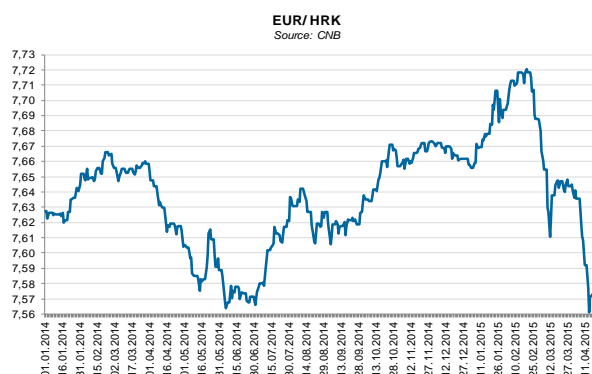
Dollar recovery stops, kuna continues to strengthen

The recovery of the dollar stopped last week, following the release of the disappointing data on the U.S. retail sales and industrial production. The trading on Friday closed at 1.0806 dollar to the euro, up by 1.9% wow. The Swiss franc continued to strengthen against the euro, ending the week at 1.029 franc to the euro, down by 1.0% from the previous Friday.



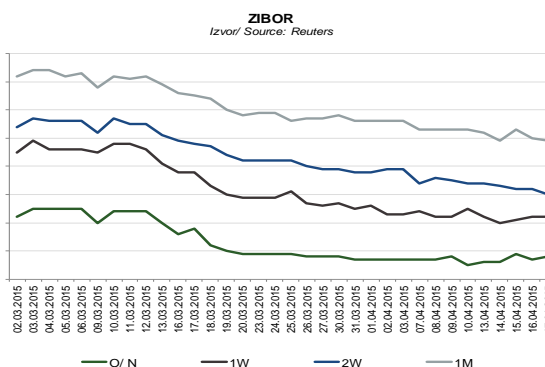
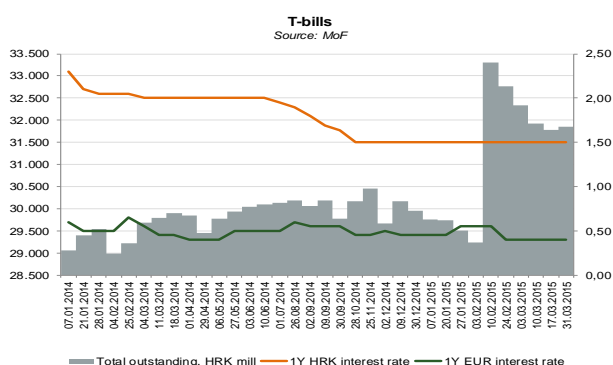
Last week was calm and, as we expected, the kuna to euro exchange rate continued to slide towards lower levels, however, at a slower pace. By the end of the week, the mid-exchange rate amounted to 7.5732, down by 0.3% wow. The kuna firmly strengthened against the dollar, so the exchange rate fell to 6.9999 kuna to the dollar, down by 2.2% from the previous Friday, whereas the kuna against the

franc weakened by 0.5% to 7.3434 kuna to the franc. This week, we expect the trading in the range 7.55-7.59 kuna to the euro.



Money market calm

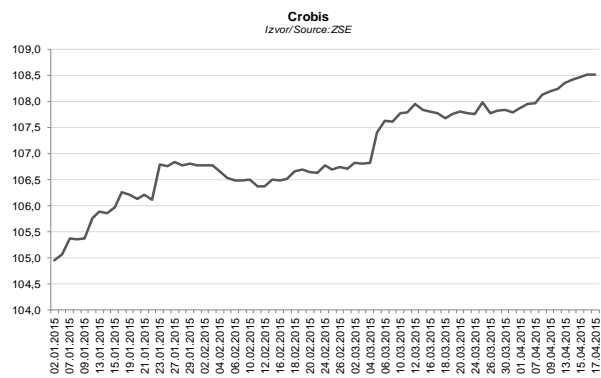
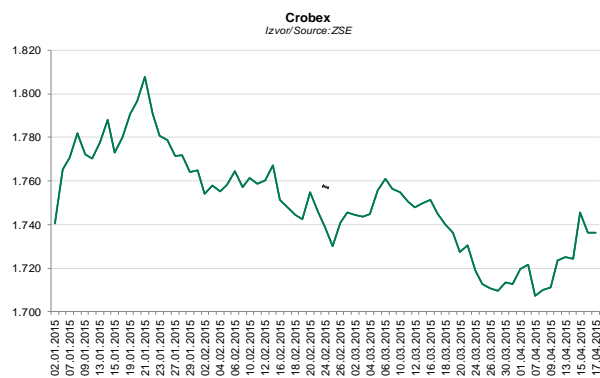
Interest rates still with no major changes: the Zibor on overnight loans closed the week at 0.38% (vs 0.35%), while 1M and 3M at 0.79% (vs 0.83%) or 1.02% (vs 1.03% the previous week). The turnover in the money market amounted to 99.5 million kuna, with daily supply exceeding demand by an average of 202 million kuna. There was no T-bill auction and, as there will be no maturity this week, the auction has not been announced.



Crobex in positive territory

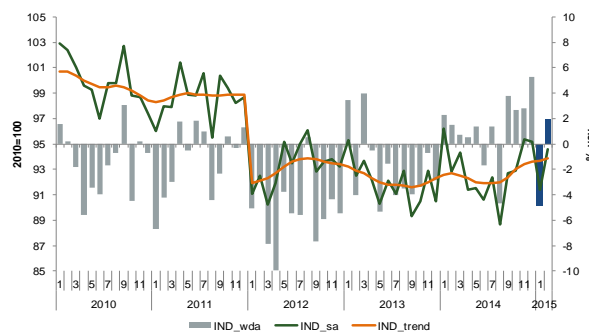
Last week, the total turnover in the ZSE increased by 70% wow to 278 million kuna. The turnover in shares increased by 39% to 49 million kuna, while the turnover in bonds increased by 78% to 225 million kuna.

The Crobex grew by 0.7% wow, closing the week at 1,736.46 points, due to the mostly positive performance of the major index components shares (Ina -2.9%, Adris Grupa +1.8%, HT +0.1%, Valamar +5.7%, Končar El +4.1%, Atlantic Grupa -2.8%, Podravka +5.1%, Ledo +0.8%, Ericsson NT +0.8%). The highest turnover of 9 million kuna was achieved by the HT shares, with a weekly price growth from 165.31 to 165.46 kuna, followed by the shares of Valamar with an 8 million kuna turnover and the price growth from 19.31 kuna to 20.41 kuna. The highest, 120 million kuna turnover in the debt market was achieved by the MF kuna bond maturing in 2016, whereas the Crobis moderately rose, closing the week at 108.52 points.

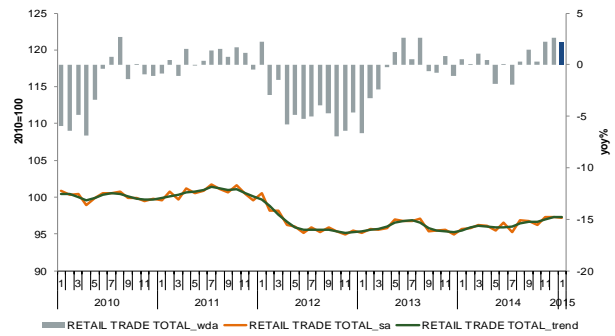


Statistics and macroeconomic forecasts

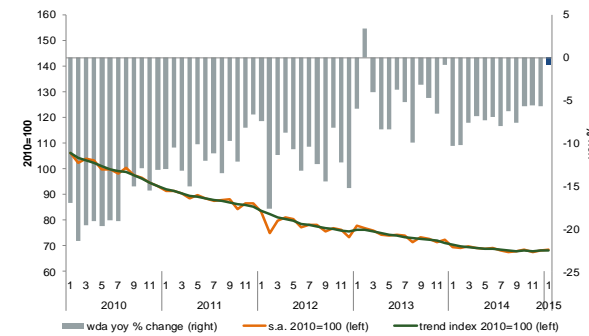
Industrial production, wda yoy % ch.
Source: Eurostat



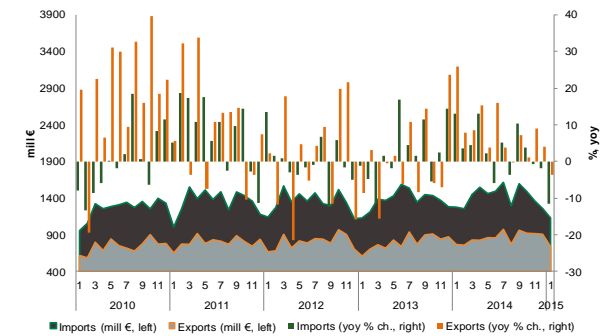
Retail trade, real, wda yoy ch. and index 2010=100
Source: CBS



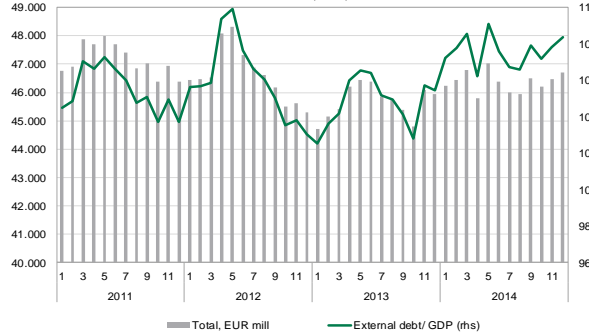
Construction works, yoy % ch. and index 2010=100
Source: CBS



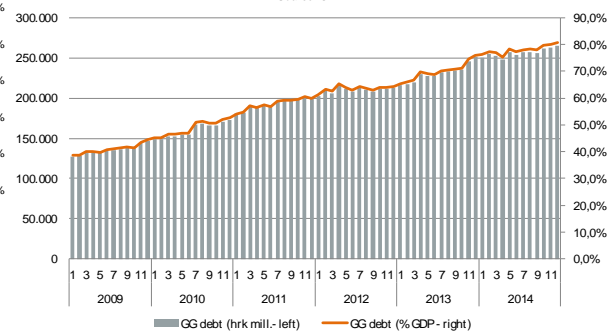
Goods exports and imports (yoy % ch. and mill €)
Source: CBS



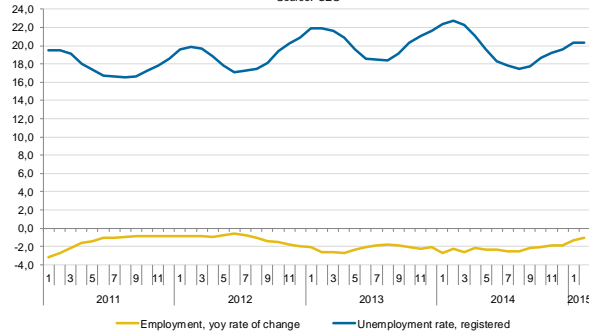
External debt, amount and share to GDP
Sources: CNB, CBS, PBZ



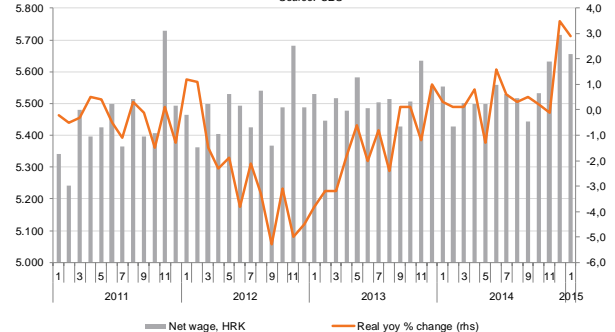
General government debt
Source: CNB

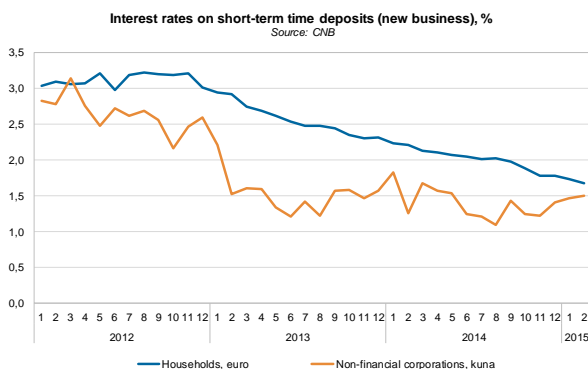
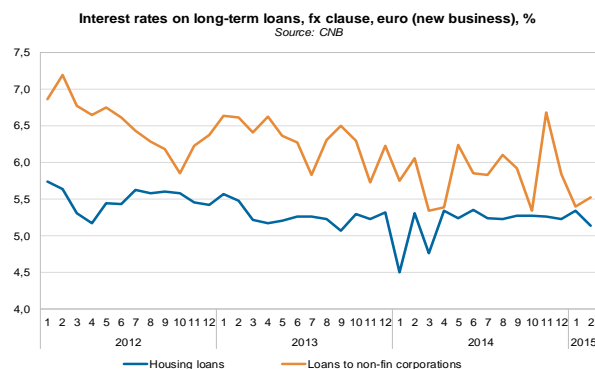
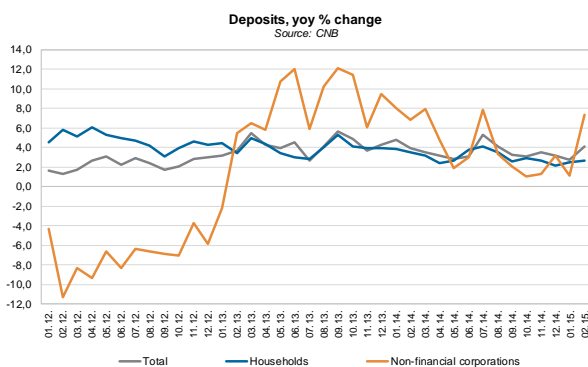
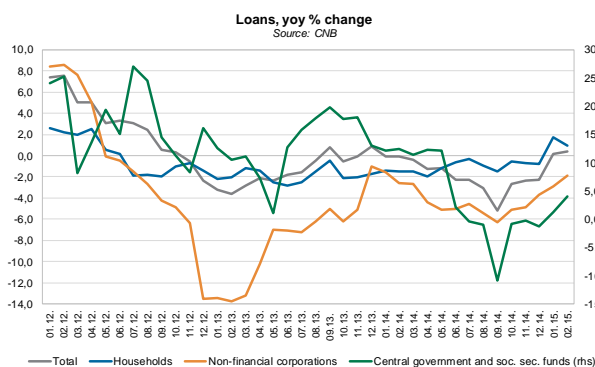
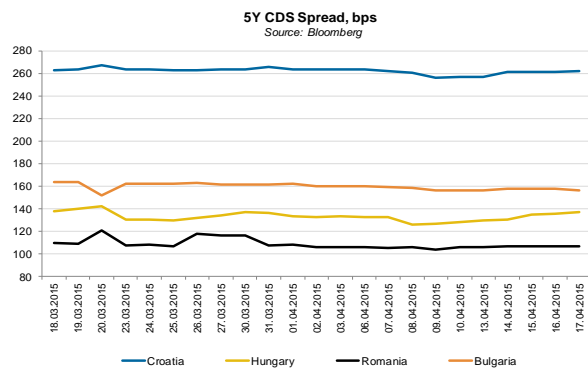
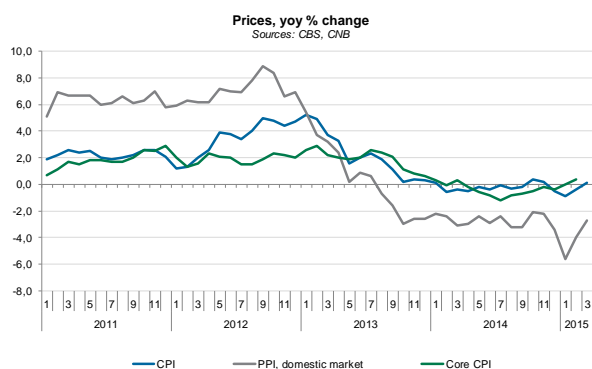


Employment, yoy rate of change and unemployment rate, %
Source: CBS



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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