

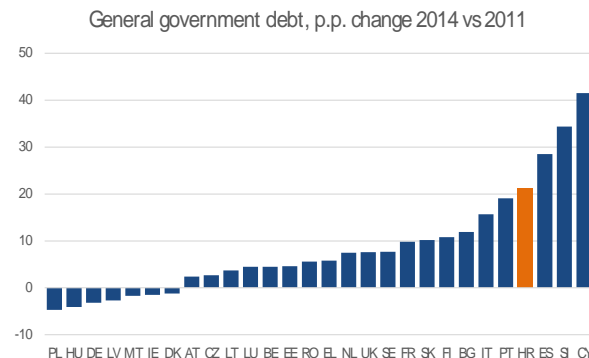
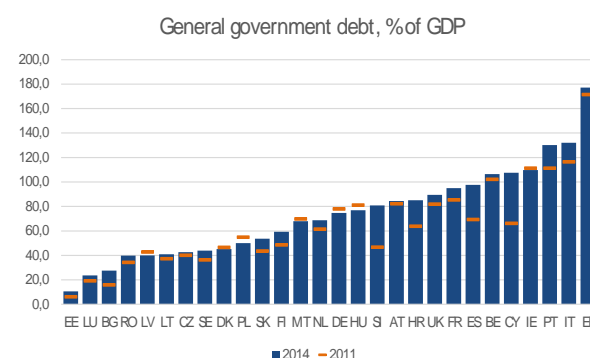
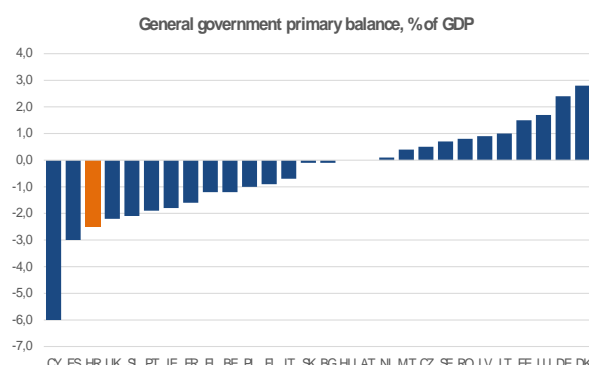
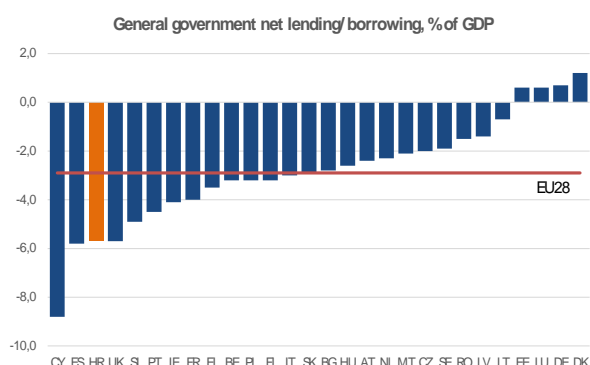
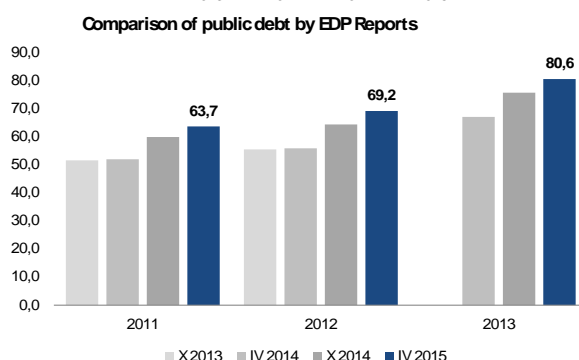
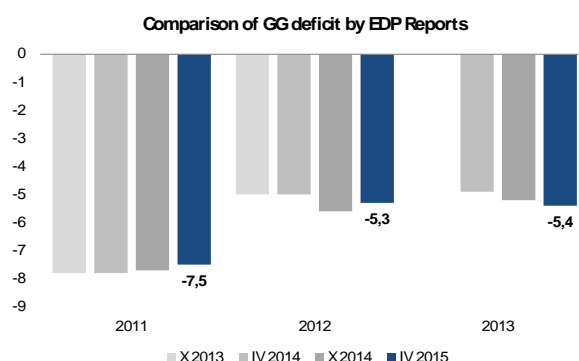
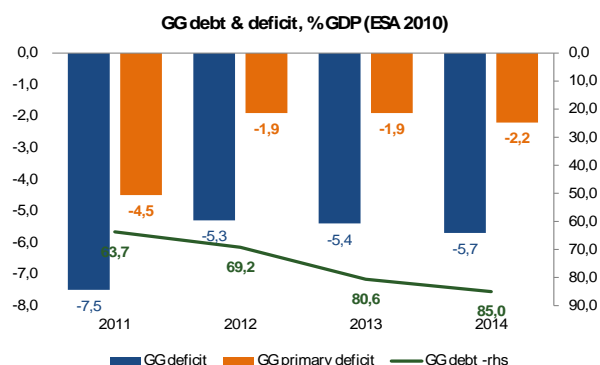
# **PBZ Weekly Analysis**

## **Number 471, April 27, 2015**

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## Weekly overview

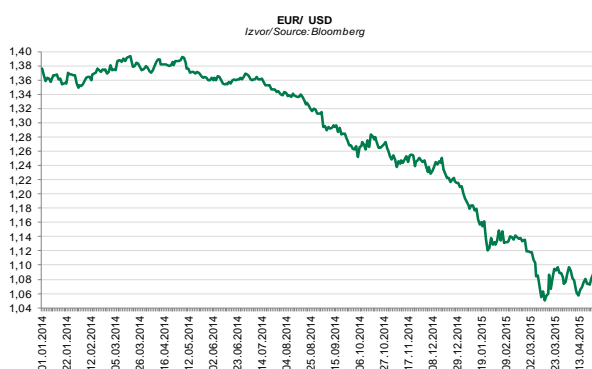
- The April release of the EDP Report according to ESA2010 methodology brought more or less expected results for 2014. The general government deficit thus amounted to 5.7% of GDP or HRK 18.8 bn, while the level of public debt climbed to 85.0% of GDP or almost HRK 280 bn. This is the fourth official release of the Report by the CBS which, as the previous releases, brings a revision of the data for previous years in accordance with the reclassification of additional units into the general government sector and some methodological corrections. The largest corrections are related to the treatment of transfer of contributions from pillar II to pillar I (3 billion kuna) which is not recognised as revenue, also, the additional 955 million kuna of the assumed debt of HŽ Cargo, which is considered a capital transfer, and the inclusion of HBOR and DAB into the scope of the general government. As the revised data for Croatia imply only the period 2011-2014, we are showing the comparison with other EU members for that period only.



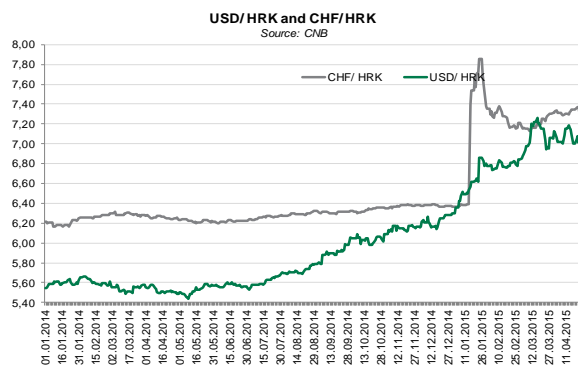
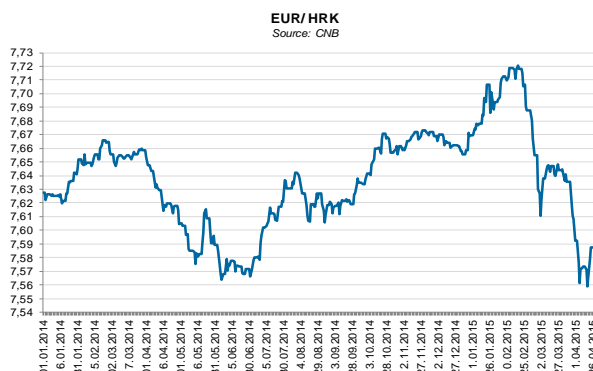
- The unemployment rate in March declined to 19.7%, slightly exceeding our expectations, thus the average of the first quarter reached 20.1%, which is down by 1.4 p.p. yoy. As usual, the number of unemployed persons continued to decrease seasonally in April, therefore, we estimate that the rate will be lower by the additional 1 p.p. by the end of the month.
- The average net earnings in February amounted to 5,565 kuna, which is an increase of 2.5% in nominal terms, or 3.0% in real terms yoy (I-II: +2.2% and +2.9%). We estimate that an increase of 2.5-3.0% yoy will be recorded, in nominal and real terms.

### Franc weaker, kuna more volatile

Last week, EUR/USD rate fluctuated without clear direction due to the absence of new significant information. The trading on Friday closed at 1.0873 US\$ to euro, up by 0.6% wow. The SNB Decision adopted on Wednesday, by which negative interest will also apply to the sight deposits held by the pension fund of the Confederation, led to an immediate weakening of franc against euro, therefore the trading on the same day closed at 1.04189, up by 1.6% from the previous day. By the end of the week the franc partly regained its losses, closing the week at 1.03778 franc to the euro, up by 0.9% wow.



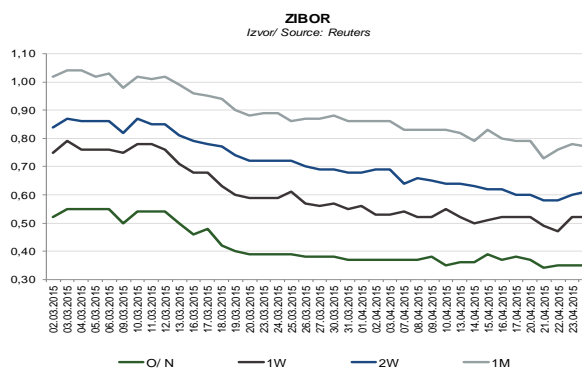
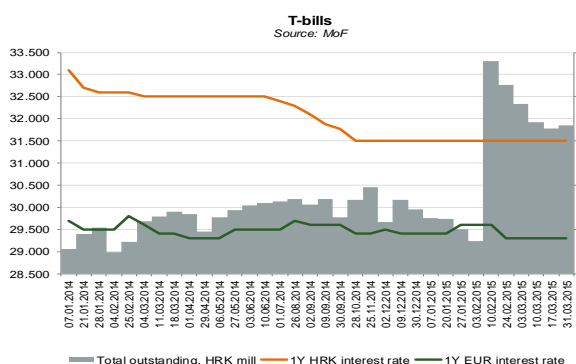
Last week, the mid-exchange rate of the kuna against the euro was in the range 7.56-7.59, whereas by the end of the week it amounted to 7.5876, up by 0.2% wow. Also, only minor changes against the dollar and franc were recorded, thus USD/HRK fell to 6.9939 kuna to dollar, while CHF/HRK to 7.3296 kuna to the franc, which is down by 0.1, or 0.2%, respectively, from the previous Friday. In the upcoming period we expect a period of higher volatility. Dividend payments and the refinancing of Agrokor are still in focus, whereas the tourist season is heating up, so we expect a slightly wider trading range, 7.57 – 7.63 kuna to the euro.



## T-bill auction announced

Interest rates moderately corrected: the Zibor on overnight loans closed the week at 0.35% (vs 0.38%), while 1M and 3M at 0.77% (vs 0.79%) and 0.98% (vs 1.02% the week before), respectively. The turnover in the money market amounted to 74.5 million kuna, whereas the average daily supply exceeding demand was 198 million kuna.

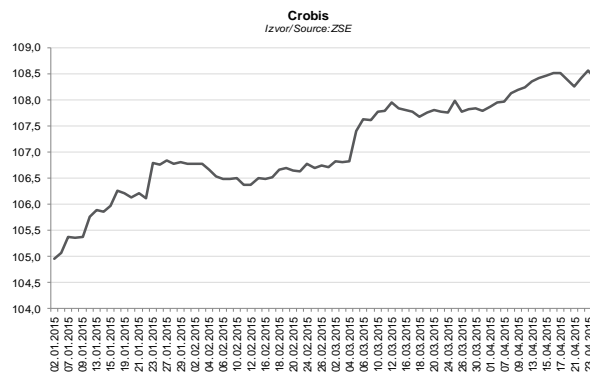
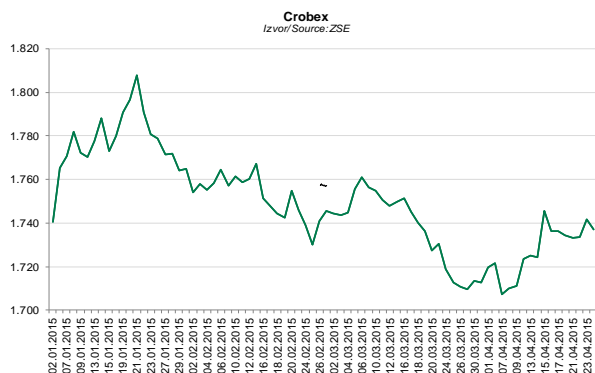
The Ministry of Finance announced a T-bill auction for this week, approaching the maturity of 1.1 billion kuna.



## Crobex unchanged

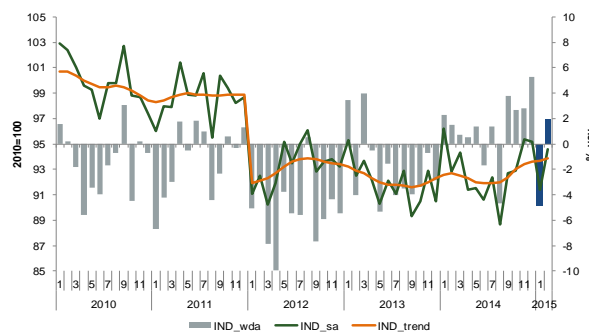
Last week, the total turnover in the ZSE increased by 55% to 429 million kuna wow. The turnover in shares was 10% lower, amounting to 44 million kuna, while the turnover in bonds rose by 70% to 384 million kuna.

The Crobex remained unchanged wow, closing the week at 1,737.11 points due to a varying performance of the major index components shares (Ina 0.0%, Adris Grupa -3.1%, HT +0.1%, Valamar +1.9%, Končar EI -3.5%, Atlantic Grupa +1.7%, Podravka +2.6%, Ledo -0.4%, Ericsson NT -2.1%). The highest, 5.2 million kuna turnover was achieved with the share of Frank, followed by the share of Atlantic grupa with a turnover of 4.7 million kuna and a price growth from 885.39 kuna to 900.00 kuna. The highest, 293 million kuna turnover in the debt market was achieved by the MF euro bond maturing in 2019, whereas the Crobis closed the week at the slightly lower 108.42 points.

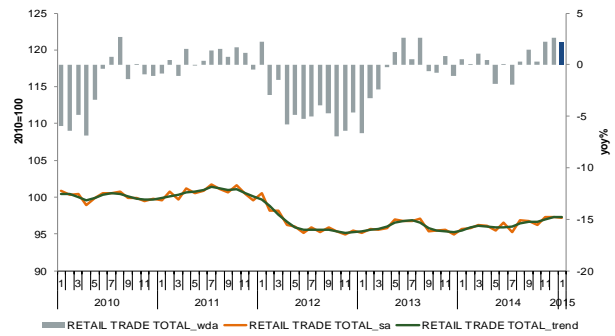


# Statistics and macroeconomic forecasts

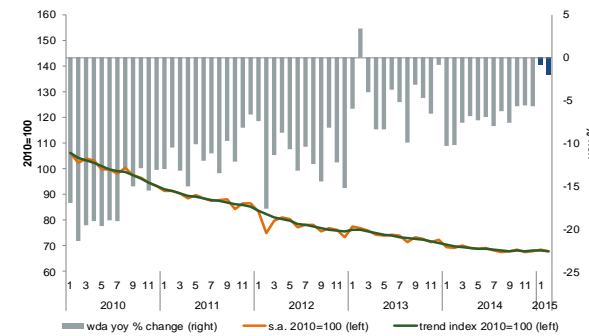
**Industrial production, wda yoy % ch.**  
Source: Eurostat



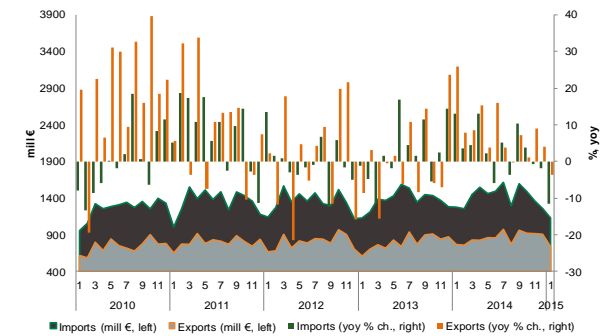
**Retail trade, real, wda yoy ch. and index 2010=100**  
Source: CBS



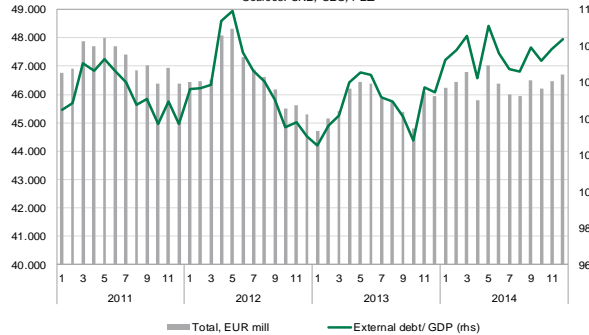
**Construction works, yoy % ch. and index 2010=100**  
Source: CBS



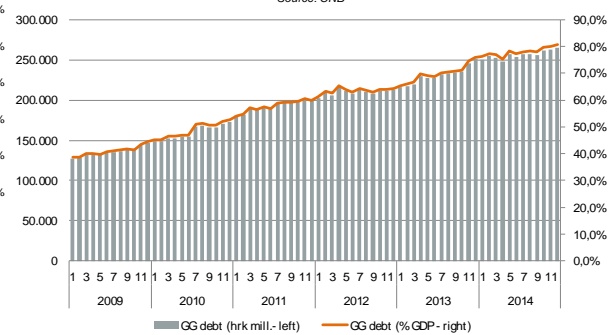
**Goods exports and imports (yoy % ch. and mill €)**  
Source: CBS



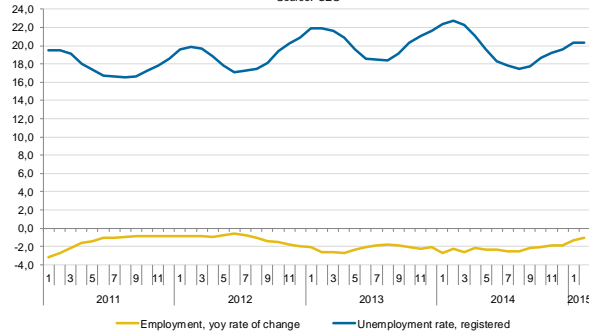
**External debt, amount and share to GDP**  
Sources: CNB, CBS, PBZ



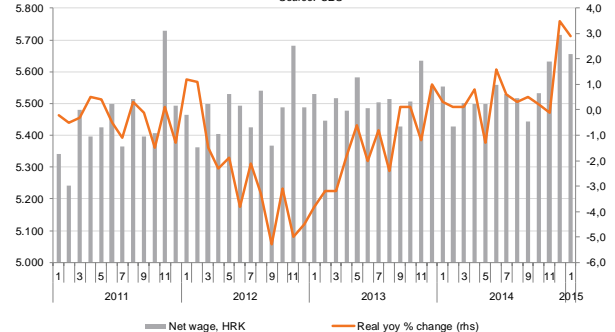
**General government debt**  
Source: CNB

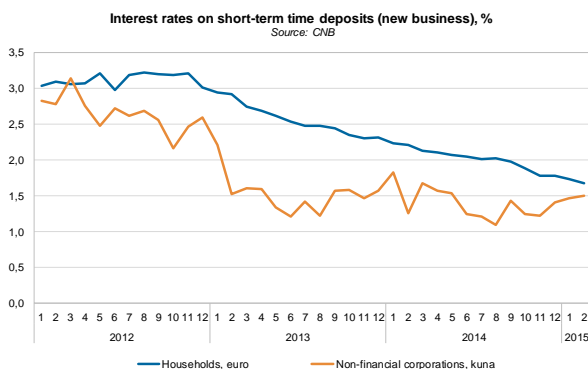
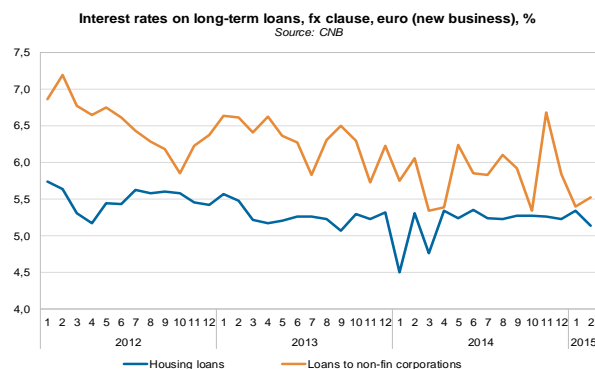
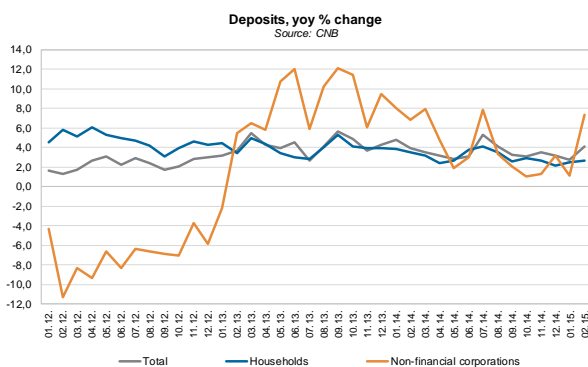
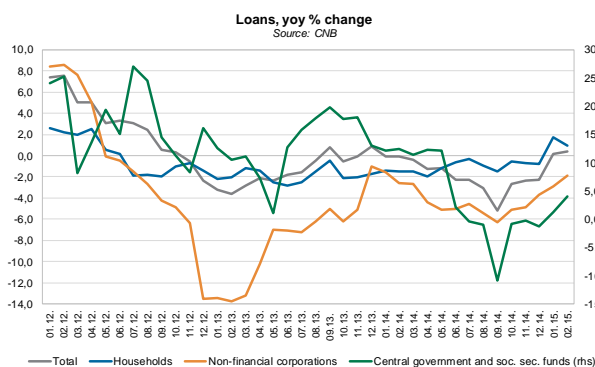
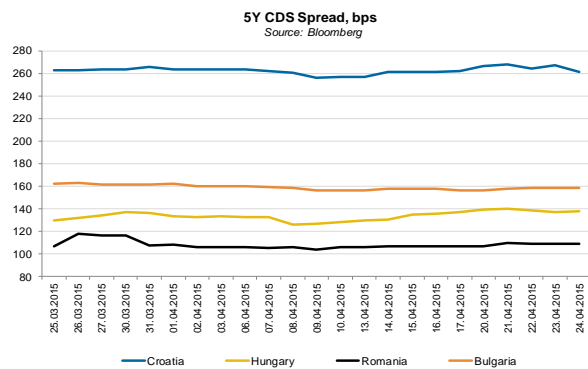
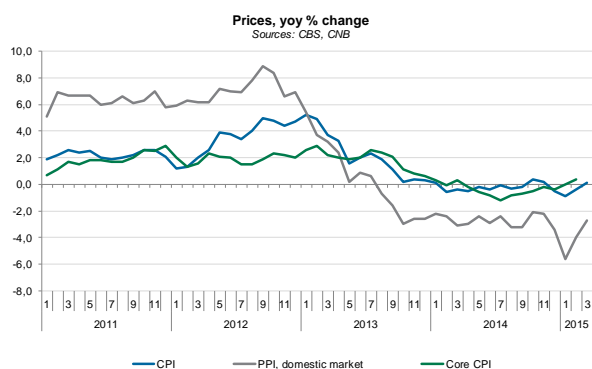


**Employment, yoy rate of change and unemployment rate, %**  
Source: CBS



**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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