

PBZ Weekly Analysis

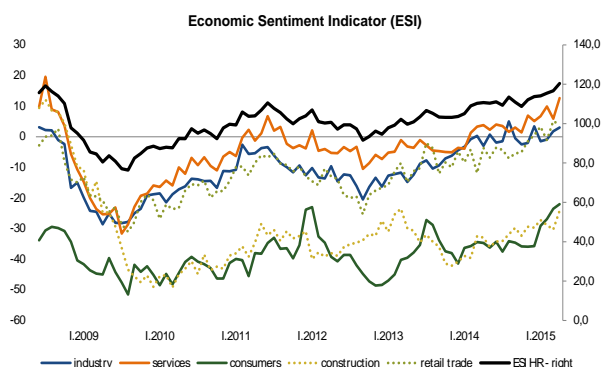
Number 472, May 4, 2015

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Weekly overview

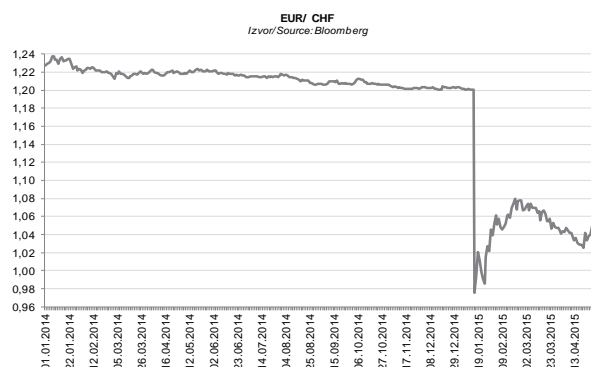
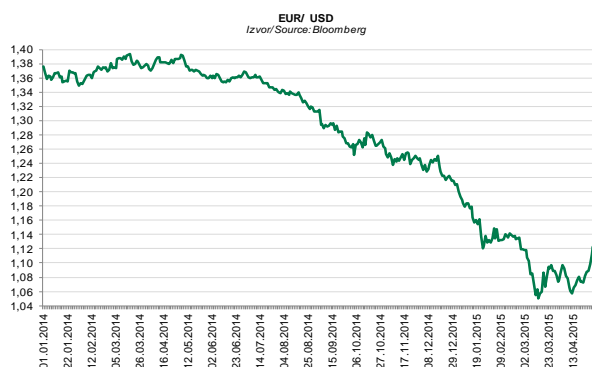
- The industrial production in March recorded a working-day adjusted increase of 3.5% which is, together with the January decrease of 5.0% and the February increase of 1.9%, resulted in an overall growth of 0.3% during the first three months of this year. March brought growth of all of the industrial groupings, where the production of energy rose by 11.1%,

intermediate goods by 2.6%, non-durable consumer goods by 2.5%, durable consumer goods by 2.3% and capital goods by 0.1%. According to NKD, mining and quarry increased by 4.1%, manufacturing by 2.9%, while electricity and gas by 7.7%. Despite the growth recorded in February and March, manufacturing did not recover from the January fall and thus ended the first quarter with a decline of 0.1% compared with the same period of 2014. However, the March recovery of the industrial production brought back positive expectations for the overall economic trends in the first quarter of this year, whereas, for the rest of the year, we anticipate the positive trends to stabilise according to the improved indicators of business optimism over the first four months of this year.



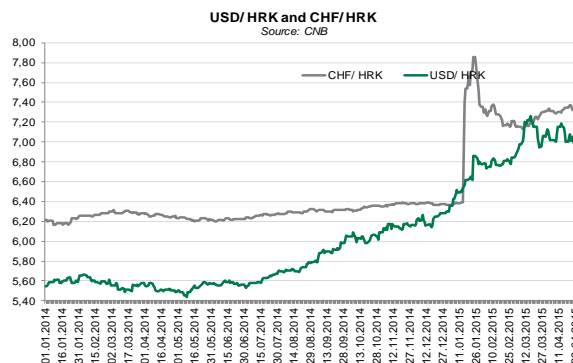
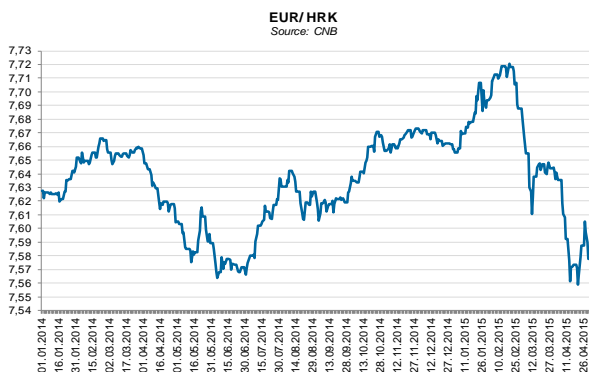
Dollar weakens sharply, kuna the same

The data on the U.S. GDP for the first quarter of 2015 were a disappointment for investors and, therefore, after the release of the data, the dollar weakened sharply against the euro. The trading on Friday closed at 1.1199 dollar to the euro, up by 3.0% wow. The franc continued to weaken gradually against the euro, ending the week at 1.04457 franc to euro, up by 0.7% from the previous Friday.



Over a quiet last week the kuna remained the same against the euro, while the mid-exchange rate amounted to 7.5778 by the end of the week, down by 0.1% wow. Following the trends of the exchange rate for the euro against US\$ and the franc in the global foreign currency markets, the kuna

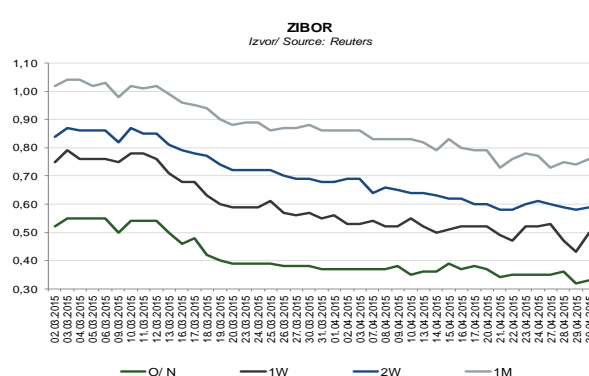
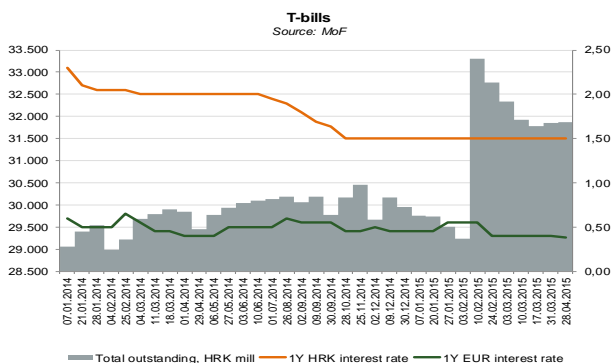
strengthened by 3.0% against the dollar and by 1.6% against the franc, therefore USD/HRK fell to 6.7840 kuna to the dollar and CHF/HRK to 7.2114 kuna to the franc.



Yields unchanged

Interest rates: the Zibor on overnight loans closed the week at 0.33% (vs 0.35%), while 1M and 3M at 0.76% (vs 0.77%) or 0.98% (unchanged, compared with the previous week), respectively. Over the shorter week, the turnover in the money market amounted to 72 million kuna, with daily supply exceeding demand by an average of 183 million kuna.

At the last week's auction, the Ministry of Finance issued 100 million kuna in T-bills with 182-day maturity and an unchanged yield of 0.50%, 970 million kuna with 364-day maturity and also an unchanged yield of 1.50% as well as 15 million euro with 364-day maturity and a yield of 0.38%. The overall public debt under T-bills is 31.8 billion kuna. A total of 877 million kuna will mature this week and the auction has been announced.

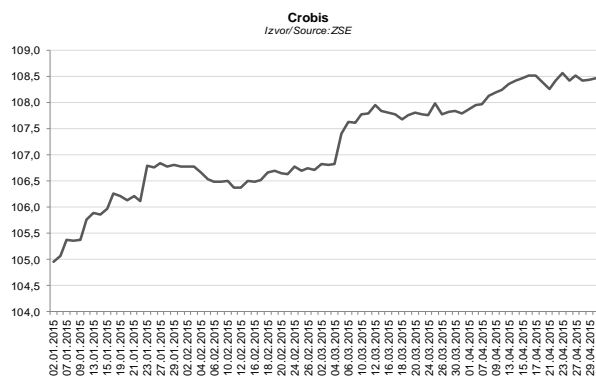
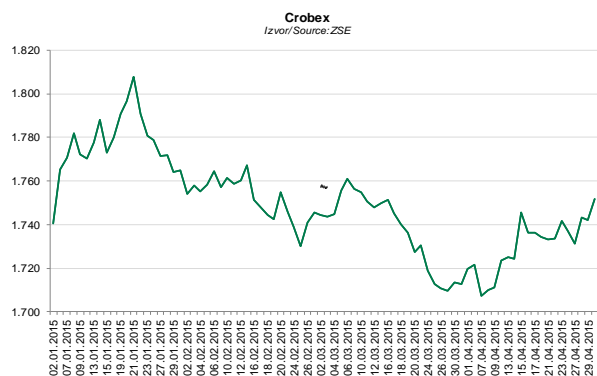


Crobex grows

Last week, a day shorter, the total turnover in the ZSE was reduced by 57% wow to 185 million kuna. The turnover in shares was 14% lower, amounting to 38 million kuna, whereas the turnover in bonds declined by 62% to 146 million kuna.

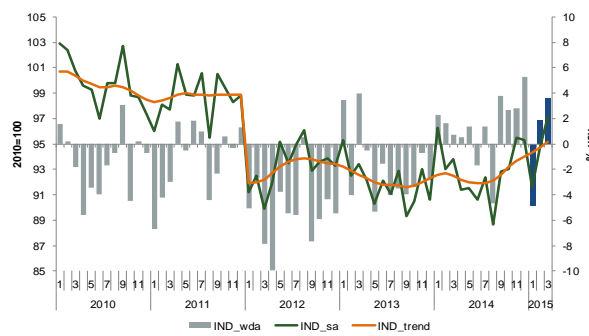
The Crobex increased by 0.8% wow, closing the week at 1,751.67 points due to a mostly positive performance of the major index components shares (Ina +5.5%, Adris Grupa +1.7%, HT +0.1%, Valamar -0.8%, Končar EI +3.7%, Atlantic Grupa +1.6%, Podravka +1.5%, Ledo -0.1%, Ericsson NT +0.8%). The highest turnover of 6 million kuna was achieved by the HT shares, the price of which grew from 165.55 kuna to 165.64 kuna.

The highest, 73 million kuna turnover in the debt market was achieved by the MF kuna bond maturing in 2018, whereas the Crobis remained unchanged, closing the week at 108.46 points.

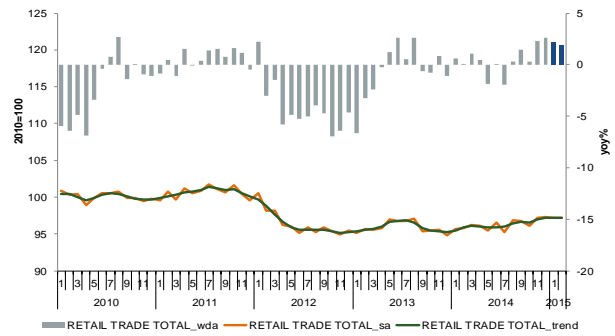


Statistics and macroeconomic forecasts

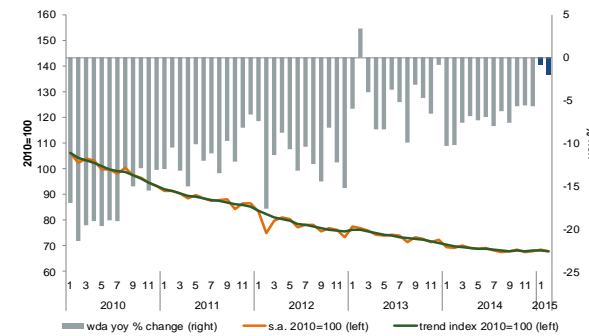
Industrial production, wda yoy % ch.
Source: Eurostat



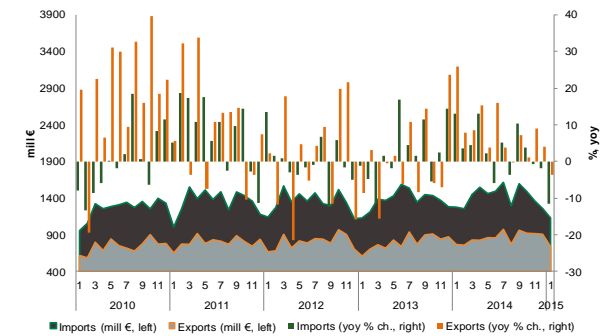
Retail trade, real, wda yoy ch. and index 2010=100
Source: CBS



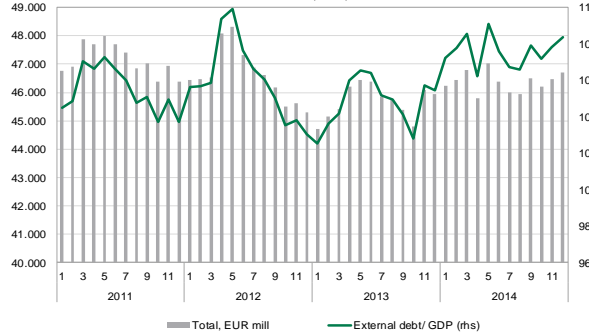
Construction works, yoy % ch. and index 2010=100
Source: CBS



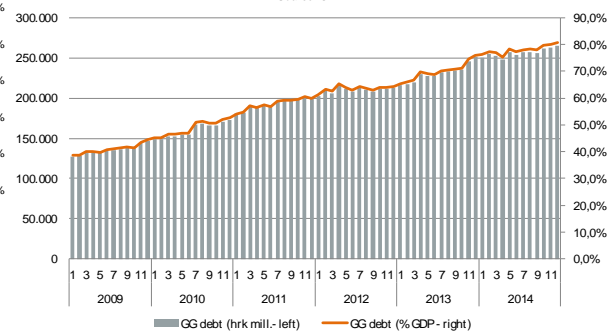
Goods exports and imports (yoy % ch. and mill €)
Source: CBS



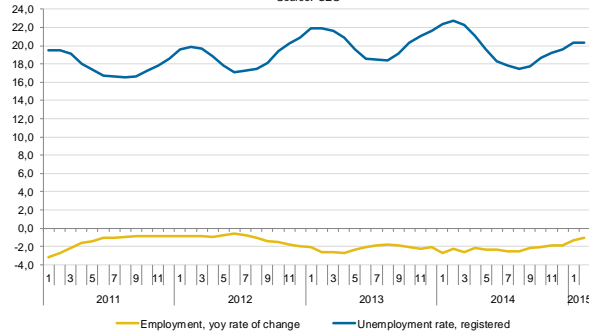
External debt, amount and share to GDP
Sources: CNB, CBS, PBZ



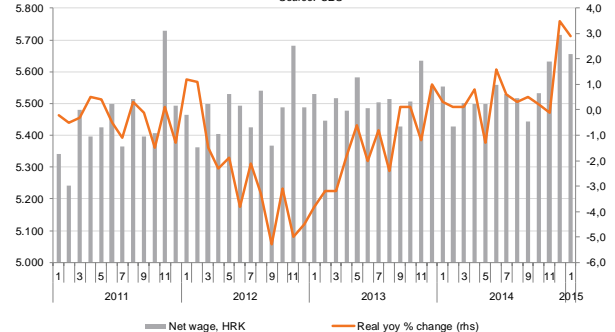
General government debt
Source: CNB

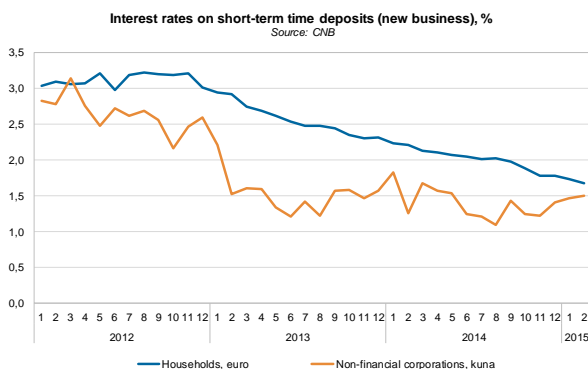
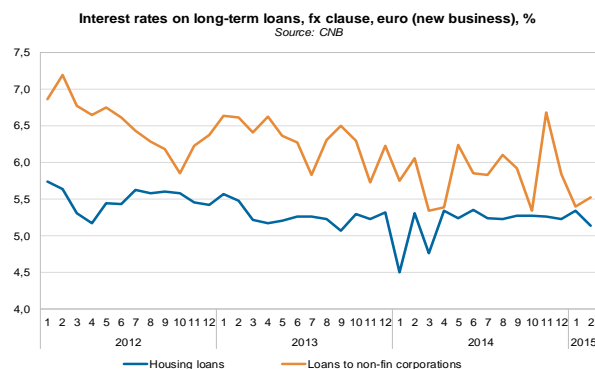
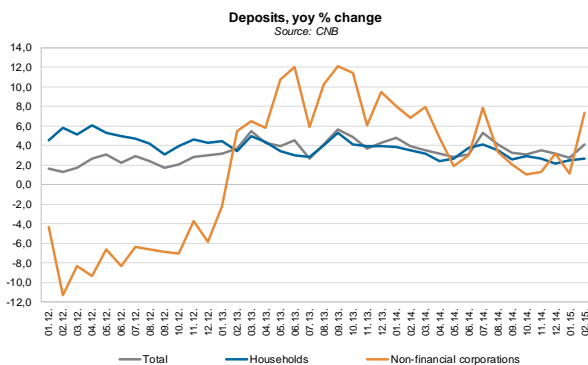
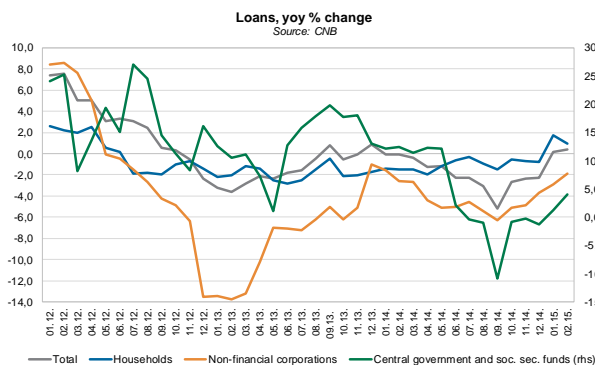
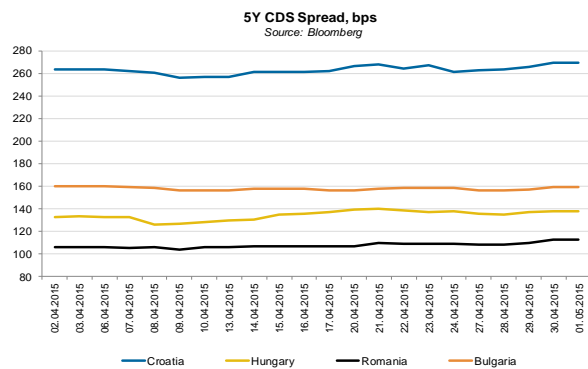
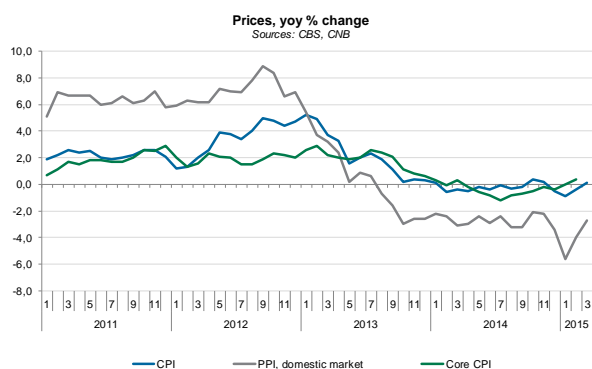


Employment, yoy rate of change and unemployment rate, %
Source: CBS



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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