

# PBZ Weekly Analysis

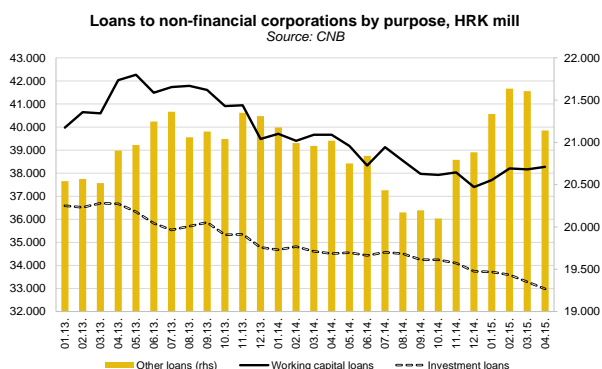
## Number 477, June 08, 2015

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## Weekly overview

- The first results show that retail trade in April recorded a working-day adjusted growth of 2.5% in real terms, compared with April of 2014, while a seasonally adjusted growth was 0.7%. Thus, the annual growth rate in April accelerated compared with March when a growth of 1.1% was recorded. Favourable trends in retail trade are still a result of eased tax burdens on net earnings and good tourism indicators (tourist arrival increase of 3.2% in April).
- By the end of February, the external debt of the Republic of Croatia reached 48.1 billion euro, which is an increase of 3.6% yoy, amounting to 111.7% of the estimated GDP for this year. The main sources of the growth of the external debt were general government (partly due to movements in the EURUSD exchange rate) and private non-financial corporations. On the other hand, the debt of public non-financial corporations and deposit-taking corporations decreased. Thus, over the monitored period, the general government debt increased by 6.1% to 13.6 billion euro (31.5% of GDP), private non-financial corporations debt by 7.0% to 11.5 billion kuna (26.8% of GDP), while the debt of public non-financial corporations decreased by 14.1% to 1.8 billion euro (4.1% of GDP) and the debt of deposit-taking corporations by 12.1% to 8.2 billion euro (18.9% of GDP).

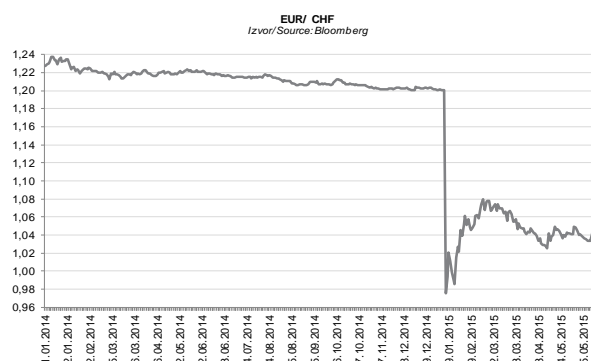
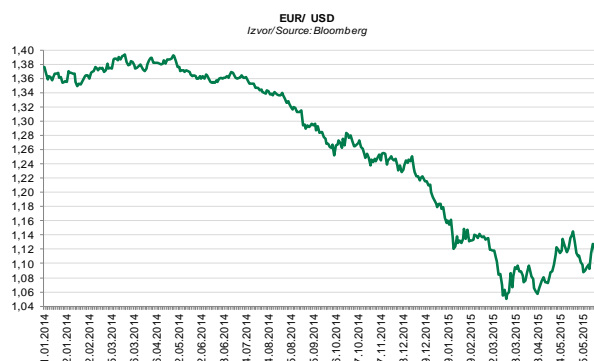
- The annual rate of change of total loans plunged deeper in April (-1.1%, previously -0.6%), as loans to non-financial corporations fell by 2.9%. At the same time, loans to households climbed by 0.8% (kuna cash general purpose loans +24.8%, housing loans pegged to the franc +6.2%), while loans to the central government dropped by 1.9%. Still, the recovery of



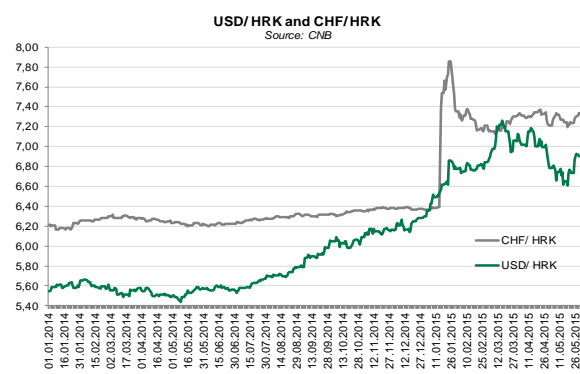
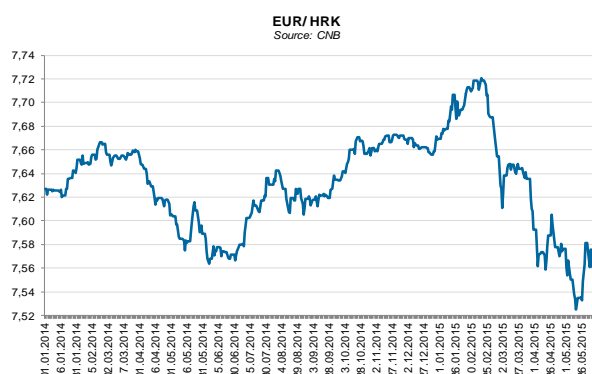
lending to the corporate sector in the part relating to the current short-term financing, recorded in the first quarter, has continued in April as well, therefore, loans for other purposes rose by 1.2%, while for working capital by 2.3%, compared with the end of last year. However, investments have not recovered and loans for this purpose have continued to decline yoy (-4.4%) and when compared with December of 2014 (-2.3%). Total deposits in April showed an acceleration in the annual growth rate (+2.8%, previously +2.4%), due to a somewhat faster growth rate of household deposits (+2.1%), and two times higher deposits of financial auxiliaries, while deposits of non-financial corporations continued to grow at the same pace as in the previous month (+2.6%). By the end of the year, we do not anticipate major changes in bank aggregate trends, in fact, they will be seen when the economic recovery gains momentum and the labour market records improved trends.

## Euro recovery, kuna stronger again

The euro strengthened last week, due to the ESB positive assessment of trends in the Eurozone, therefore the EUR/USD exchange rate on Friday closed at 1.1114 dollar to the euro, up by 1.2% compared with the previous Friday. The franc also weakened against the euro, closing the week at 1.04431, up by 1.0% wow.



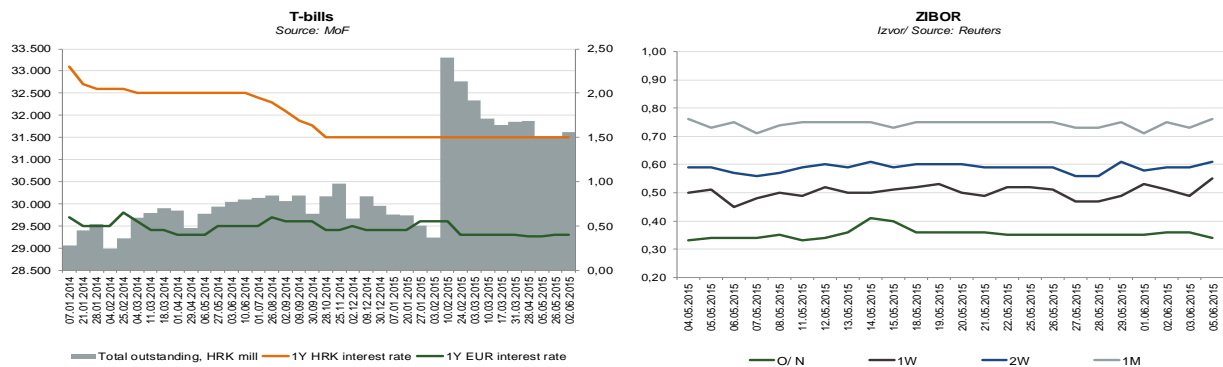
After a short period of weakening, the kuna continued its appreciation trend against the euro and the mid-exchange rate slid to 7.5606 kuna to the euro at the end of last week, down by 0.3% wow. The kuna strengthened by 1.8% against the Swiss franc and by 2.7% against the dollar to 7.2067 kuna to the franc, or 6.7134 kuna to the dollar.



## Minor changes

Interest rates: the Zibor on overnight loans closed the week at 0.34% (vs 0.35%), while 1M and 3M at 0.76% (vs 0.75% the previous week) and the unchanged 0.94%, respectively. Last week, the turnover in the money market amounted to 372 million kuna, whereas the average daily supply exceeding demand was 131 million kuna.

At the last week's auction, the Ministry of Finance issued 1.366 billion kuna in T-bills with 364-day maturity and an unchanged yield of 1.50%. The overall public debt under T-bills is 31.6 billion kuna. A total of 800 million kuna in T-bills will mature this week and an auction has been announced.

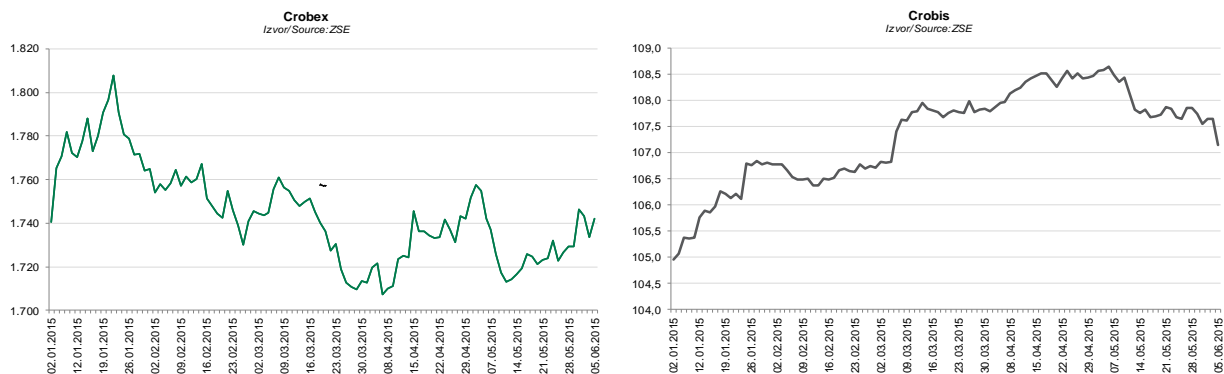


## Crobex continues its upward trend

Last week, a day shorter, the total turnover in the ZSE rose by 68% wow to 765 million kuna, due to a 36% higher turnover in shares of 61 million kuna and a 72% increase in the turnover in bonds to 703 million kuna.

The Crobex increased by 0.7% wow, closing the week at 1,742.06 points, due to a mostly positive performance of the major index components shares (Ina +0.8%, Adris Grupa +4.3%, HT +0.8%, Valamar +0.9%, Končar EI -2.5%, Atlantic Grupa 0.0%, Podravka +0.9%, Ledo -0.6%, Ericsson NT -0.7%). The highest turnover of 19 million kuna was achieved by the preferential shares of Adris grupa, with a price growth from 360.59 kuna to 375.93 kuna, followed by the ordinary share of Adris grupa with a turnover of 10 million kuna and a value growth of 0.4% wow.

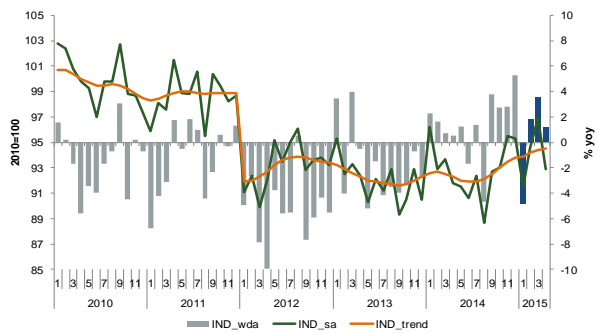
The highest, 274 million kuna turnover in the debt market was achieved by the kuna bond maturing in 2017 RHMF-O-172, whereas the Crobis closed the week at a 0.5% lower lever, at 107.15 points.



# Statistics and macroeconomic forecasts

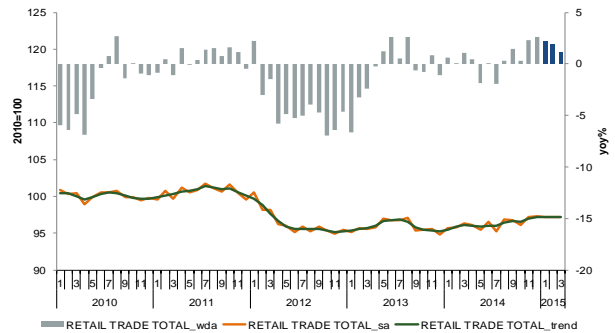
**Industrial production, wda yoy % ch.**

Source: Eurostat



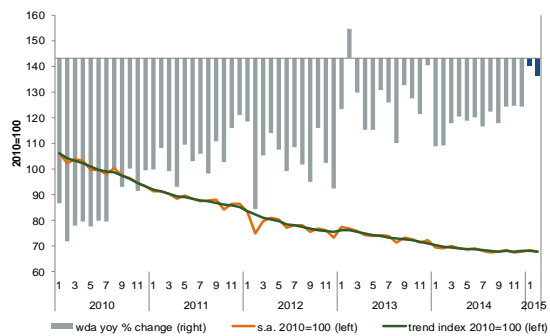
**Retail trade, real, wda yoy ch. and index 2010=100**

Source: CBS



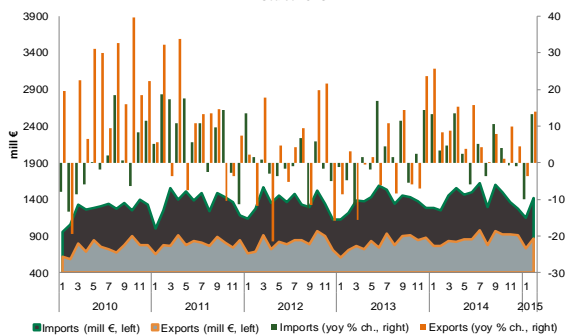
**Construction works, yoy % ch. and index 2010=100**

Source: CBS



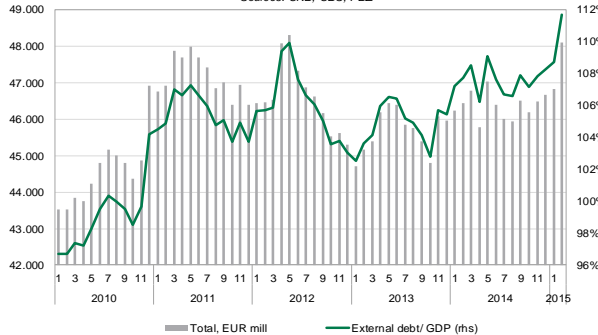
**Goods exports and imports (yoy % ch. and mill €)**

Source: CBS



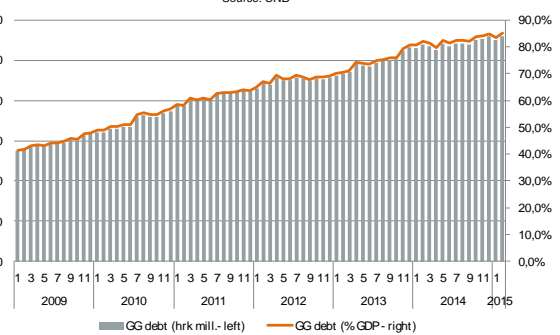
**External debt, amount and share to GDP**

Sources: CNB, CBS, PBZ



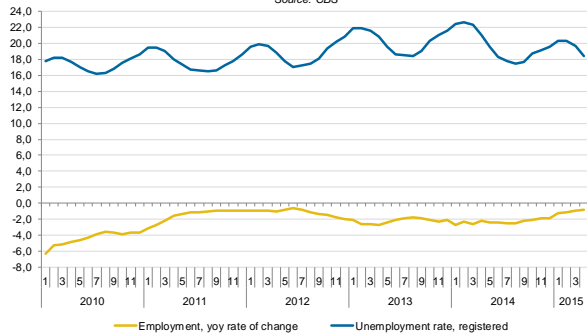
**General government debt**

Source: CNB



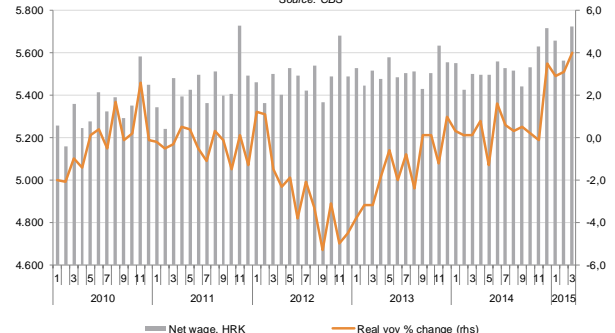
**Employment, yoy rate of change and unemployment rate, %**

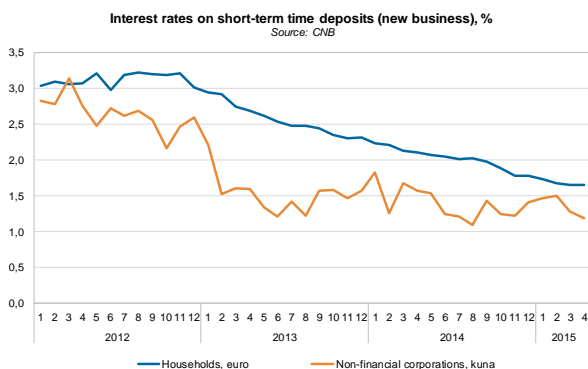
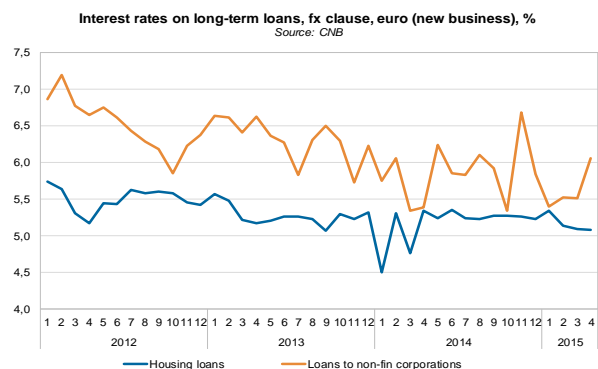
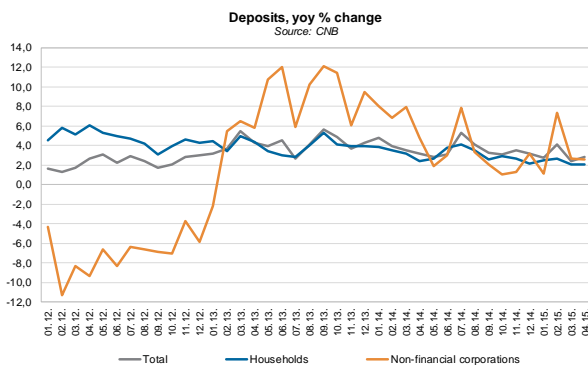
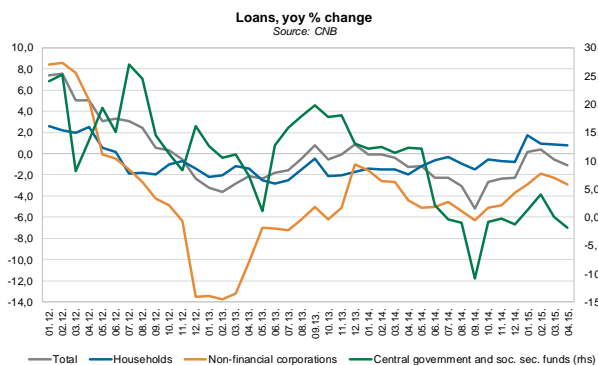
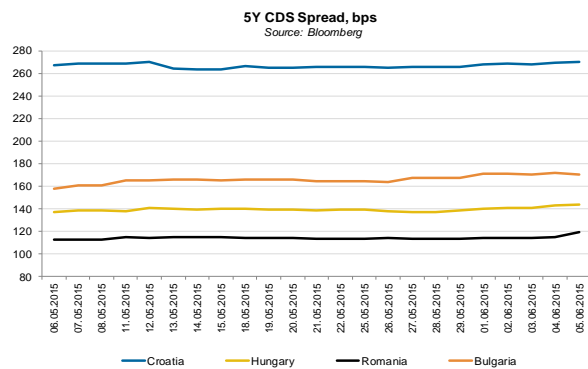
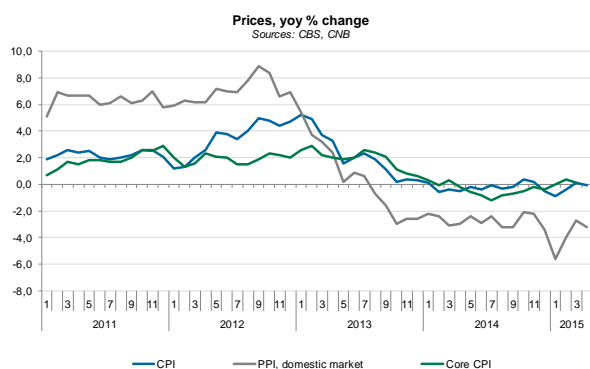
Source: CBS



**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

**OFFICE FOR ECONOMIC RESEARCH AND STRATEGIC PLANNING**

Ivana Jović, [ivana.jovic@pbz.hr](mailto:ivana.jovic@pbz.hr)

Ana Lokin, [ana.lokin@pbz.hr](mailto:ana.lokin@pbz.hr)

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