

PBZ Weekly Analysis

Number 522, June 27, 2016

- Weekly overview (p. 1)
- Dollar stronger amid „Brexit“ (p. 2)
- T-bill auction announced (p. 2)
- Indices in negative territory (p. 3)
- Statistics (p. 4-5)

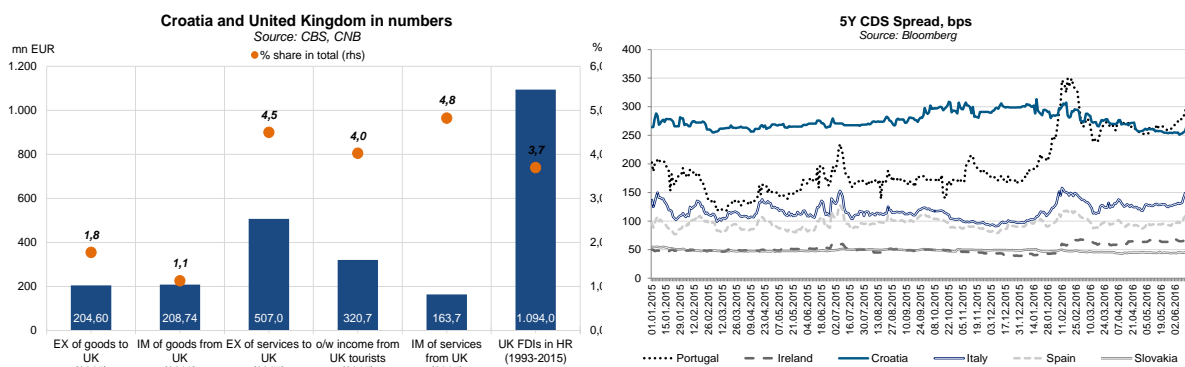
Weekly overview

- As economic relations between Croatia and the United Kingdom are relatively moderate in volume, the export of goods from Croatia to UK amounts barely to 205 million euro (1.8% of total exports), while the import of goods from UK amounts to 209 million euro (1.1% of total imports). Compared with 2014, exports of goods to UK increased by 34.8%, whereas the imports from UK decreased by 4.5%.

Trade in services is of slightly higher significance, therefore, the export of services to UK is around 507 million euro (4.5% of total export of services), where 321 million accounts for revenue generated from British tourists (4.0% of total revenue from tourism 2015). Last year, British tourists realised a total of 491 thousand of arrivals (3.4% of total arrivals, i.e. 3.9% of foreign tourist arrivals), or 2.4 million nights (3.4% of total nights, i.e. 3.7% of foreign tourist nights). Compared with 2014, the British tourist arrivals rose by 14.3%, while nights by 15.1%. Tourists from UK have by far the largest spending power and, according to the estimate of the Institute for Tourism, their average daily spending is EUR 121.8.

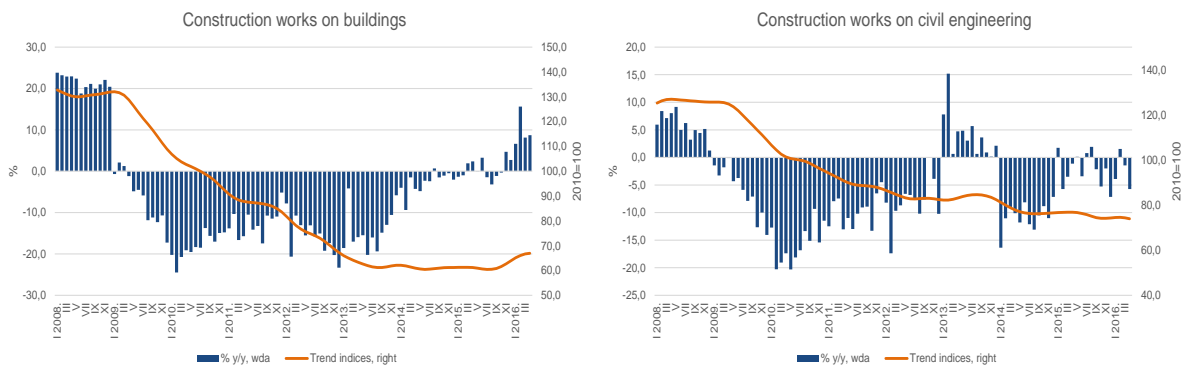
Direct UK investments in Croatia in the period 1993-2015 reached 1.1 billion euro, which makes 3.7% of total foreign investments in Croatia over this period, where 56% of the indicated investments (612 million euro) account for the year 2015, in fact, mostly for the TDR – BAT transaction.

As Brexit has not led to substantial shifts in the kuna exchange rate on Friday, the uncertainty in financial markets spelt over to CDS movements, which jumped by around 30 basis points for Croatia and the majority of other peripheral EU countries as well.



- According to the CBS data, construction works in April 2016 increased by 1.0% versus the same month 2015 (wda indices), while the mom data show a decrease of 1.3% (seasonally and wda adjusted data). The index for buildings (with a 47.4% share of hours worked on sites) rose by 8.7% in April (for the sixth consecutive month), whereas the index for civil engineering works (a 52.6% share of hours worked) declined by 5.7% yoy. In April, a total of 698 permits were issued (+26.2% yoy), while the anticipated value of works amounted to 1.5 billion kuna (up by 19.3% from April 2015). Over the first four months of 2016, the construction works volume (according to wda indices) was up by 3.4% versus the same

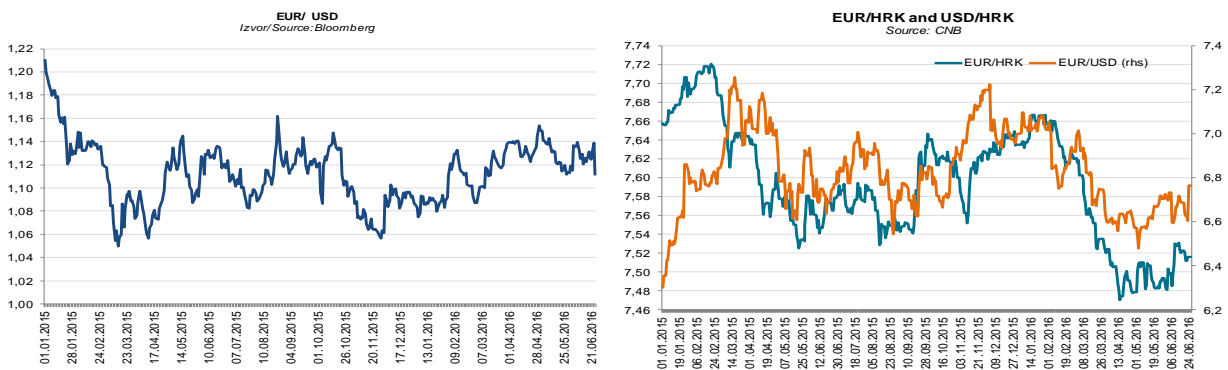
period last year (+9.7% for buildings, -2.5% for civil engineering works), and the total number of permits issued was 2.291 (+17.1% yoy), with an anticipated value of works amounting to 5.7 billion kuna, down by 21.1% from the same period last year.



Dollar stronger amid „Brexit“

Volatility in the global currency markets amid the Britain's decision to leave the EU strengthened the dollar against the euro last week, therefore trading closed the week at 1.1117 dollar to the euro, down by 1.4% wow.

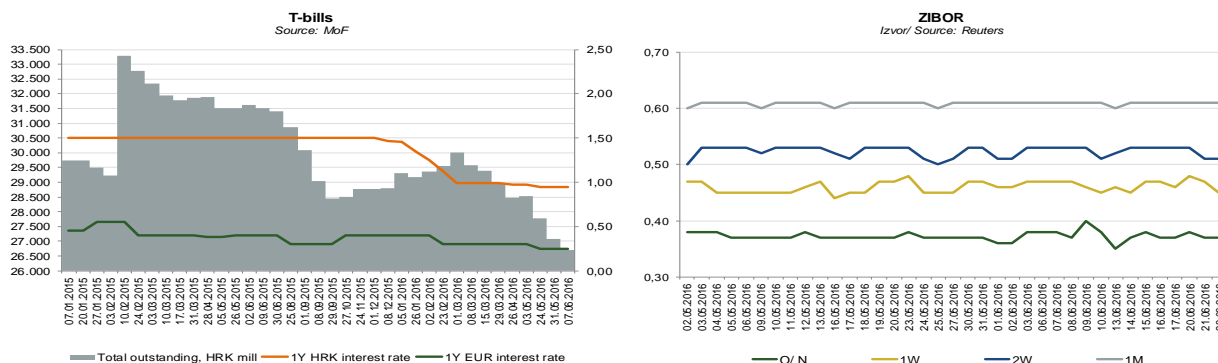
The kuna remained relatively stable against the euro and the mid-exchange rate on Friday amounted to 7.5163 kuna to the euro, down by 0.1% wow. The kuna against the dollar weakened by 1.2% to 6.7629 kuna to the dollar. This week, we expect trading in the range 7.51-7.55.



T-bill auction announced

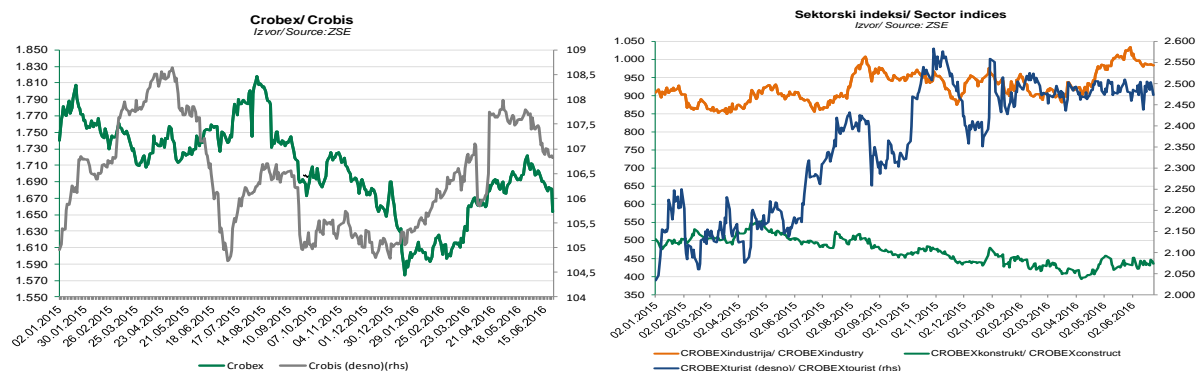
Last week, a day shorter, low demand and high liquidity were recorded. The overnight Zibor remained stable over the week, closing on Friday at 0.37%, while 1M and 3M were unchanged at 0.61 and 0.80%. At the regular reverse repo auction, 90 million kuna at the fixed repo rate of 0.50% were injected in the system, while the total ZMM turnover reached 41 million kuna, where supply exceeded demand by an average of 305 million kuna per day.

Last week, there was no maturity or auction and, therefore, the government debt under T-bills remained at 26.7 billion kuna. This week, 323 million kuna will mature and the auction amounting to 300 million kuna has been announced.



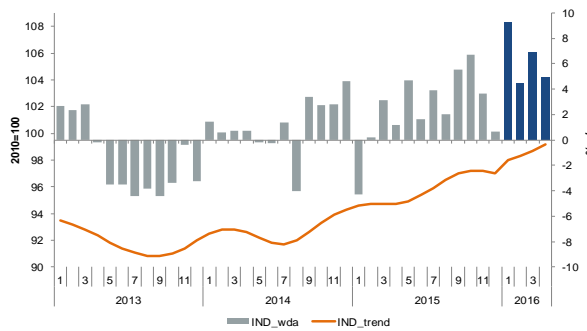
Indices in negative territory

The total ZSE turnover rose by 91.4% from the earlier week (to 569.7 million kuna), due to a 2.4 times higher turnover in bonds (to 546.5 million kuna), while the turnover in shares fell by 67.9% (to 21.5 million kuna). The Crobex index closed the week at 1,653.32 points, down by 1.5% wow, due to disturbances in global stock markets amid „Brexit“, and the current political crisis in the country, while the Crobis index closed the week at 106.82 points (-0.2% wow). Sector indices recorded a negative performance, where CROBEXtourist closed the week at 2,473.15 points (-1.3% wow), CROBEXindustry at 983.90 points (-0.2%), and CROBEXconstruct at 435.92 points (-0.2%).

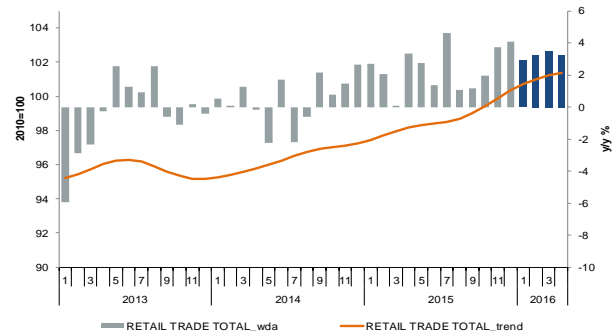


Statistics

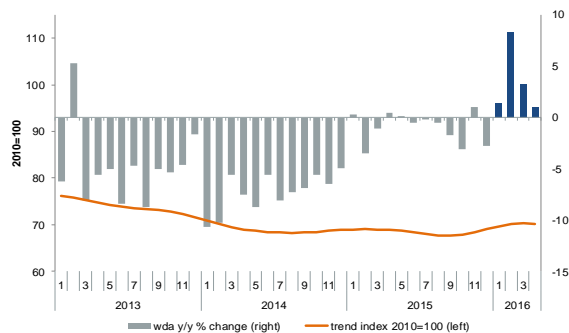
Industrial production, wda y/y % ch.
Source: Eurostat



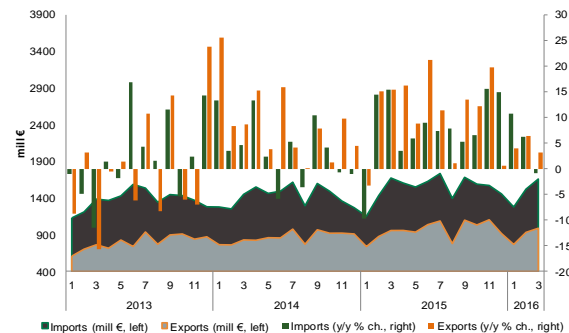
Retail trade, real, wda y/y % ch.
Source: CBS



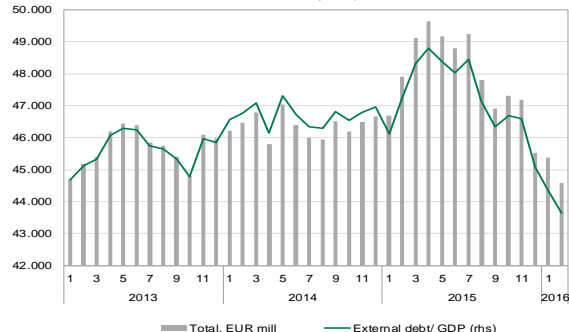
Construction works, y/y % ch. and index 2010=100
Source: CBS



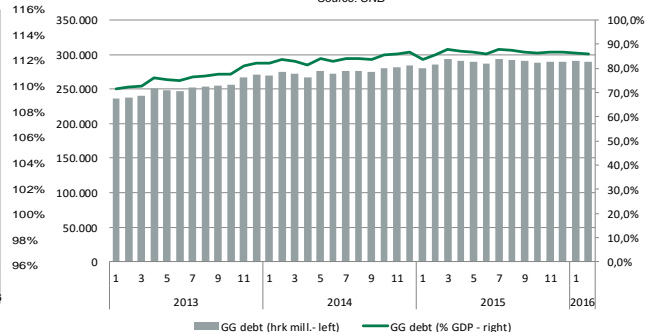
Goods exports and imports (y/y % ch. and mill €)
Source: CBS



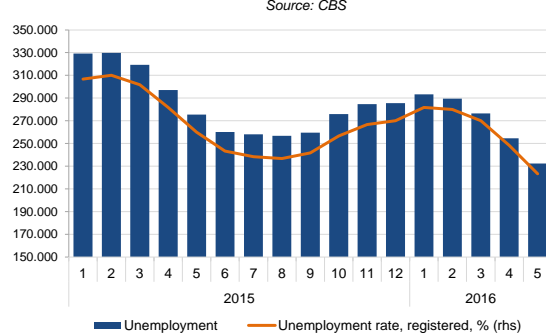
External debt, amount and share to GDP
Sources: CNB, CBS, PBZ



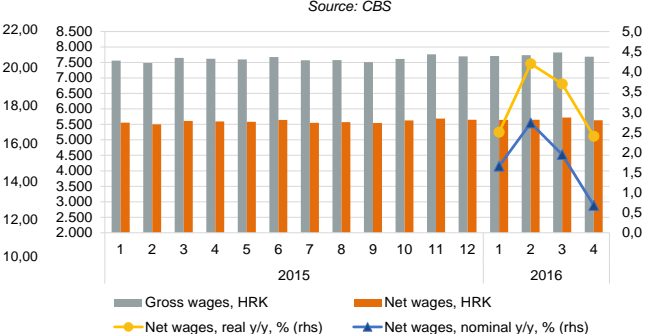
General government debt
Source: CNB

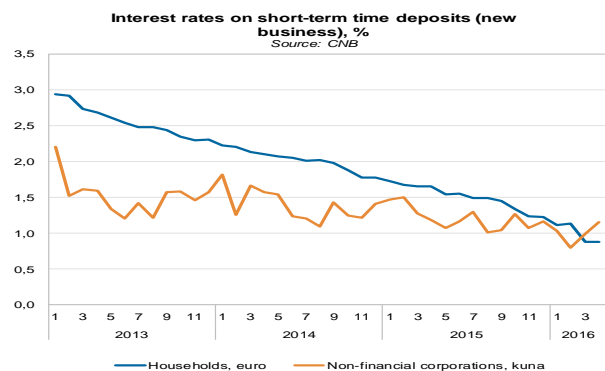
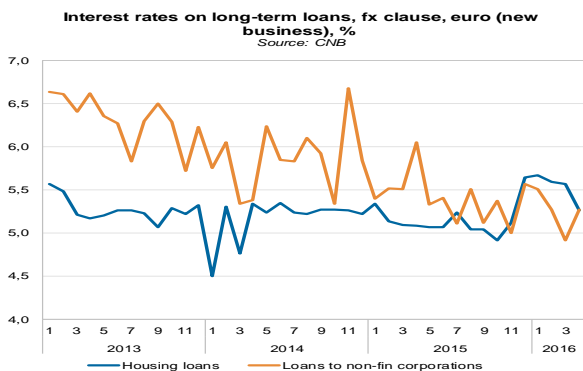
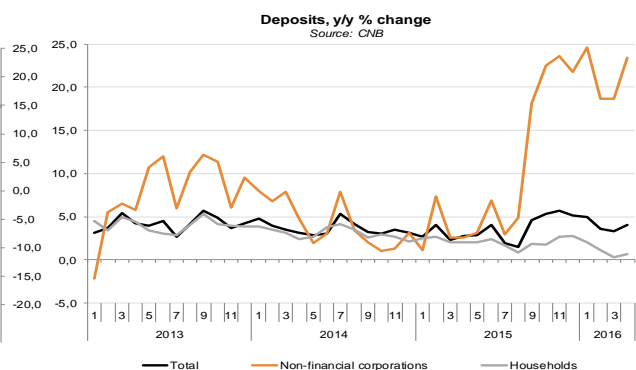
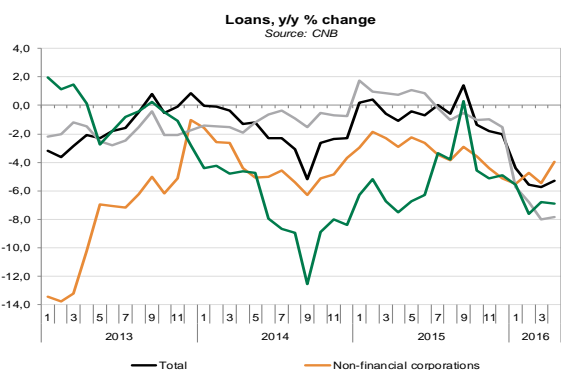
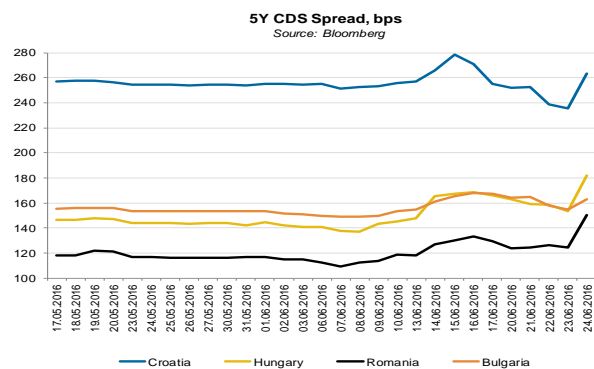
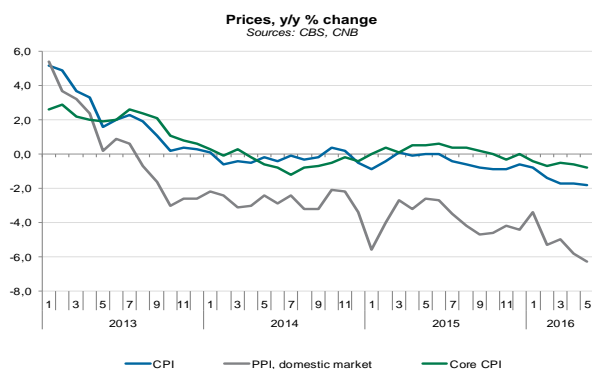


Total unemployment and unemployment rate
Source: CBS



Wages, monthly average
Source: CBS





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