

PBZ Weekly Analysis

Number 524, July 11, 2016

- Weekly overview (p. 1)
- Dollar and kuna stronger, pound continues to fall (p. 1)
- No impact of bond issue on market (p. 2)
- Crobex above psychological threshold (p. 2)
- Statistics (p. 4-5)

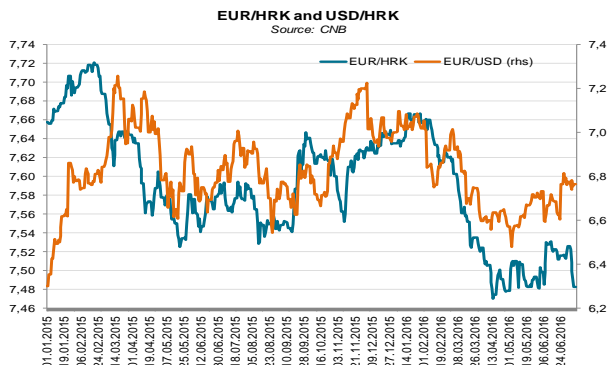
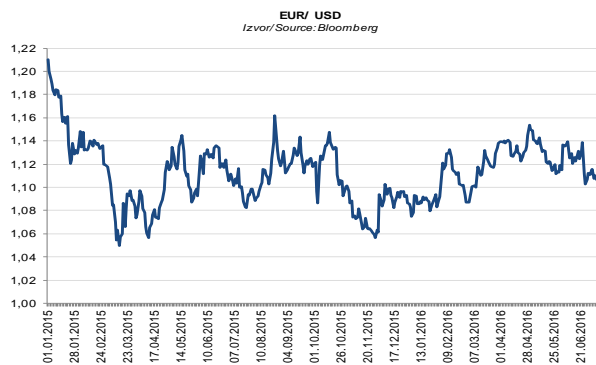
Weekly overview

- Total loans of other monetary financial institutions decreased for the eight consecutive month yoy, decreasing by 5.3% in May versus the same month last year. The main reason for the above is the conversion of franc loans into euro loans, due to which housing loans sank by 15.2%, while total loans to households by 8.0%. At the same time, loans to non-financial corporations fell by 3.7% while loans to the central government and social security funds by 2.9%. If we take into account transaction data, loans to non-financial corporations have been recording positive figures since the beginning of this year, while loans to households have been in positive territory for the last four months, therefore, when the conversion effects, sale of loans and change in the exchange rate are excluded, the data that reveal an increased private sector demand are encouraging. According to purpose, working capital loans to non-financial corporations decreased by 1.4% yoy, investment loans by 4.6% and other loans by 6.4%. Concerning household loans according to types, any-purpose cash loans increased by 2.0% yoy, owing to the growth of kuna loans (+27.7%), while other loans decreased by 4.8%, overdrafts by 3.7%, and credit card loans by 5.2%. A faster pace of growth was recorded by kuna housing loans (+62.3%), which citizens use to refinance loans with a currency clause. After five months of the consecutive fall mom, deposits recovered in May, which led to the yoy growth speedup from 4.0% in April to 4.5% in May. Household deposits rose by 0.3% versus the earlier month and the yoy growth rate advanced to 1.2%. Deposits of non-financial corporations have continued to have high growth rates due to the lower last year's base and mom recovery (+1.2% growth), therefore increasing by 22.6% in May. The analysis according to maturity and currencies reveals that the most dynamic increase has again been recorded by demand deposits (+15.4%), while kuna and foreign currency savings recorded a significantly slower pace of growth (3.5 and 1.8%, respectively), which resulted in the growth of the demand deposit share in total deposits from 18.2% in May 2015 to 20.1% in May 2016.

Dollar and kuna stronger, pound continues to fall

The dollar strengthened against the euro following the surprisingly good data from the U.S. labour market, therefore trading closed at 1.1051, ending the week down by 0.8% wow. At the same time, the pound depreciation continued and the exchange rate fell by 1.7% against the euro and 2.4% against the dollar, respectively.

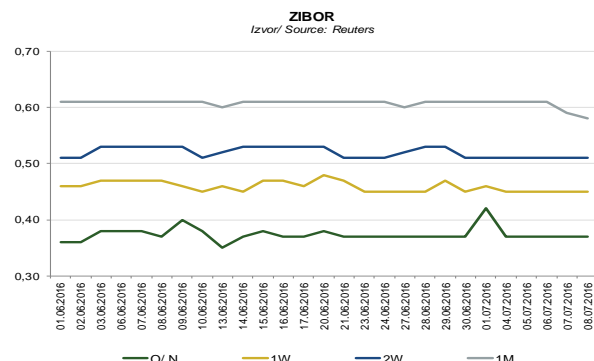
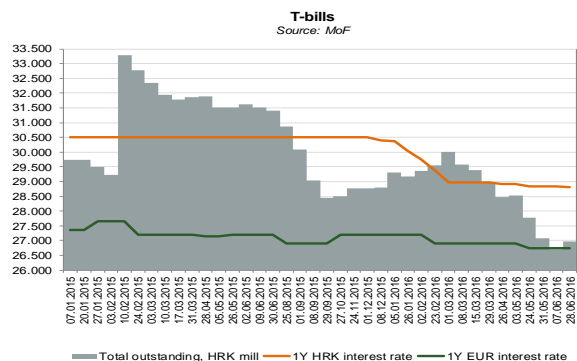
The appreciation pressures on the kuna strengthened, so the mid-exchange rate on Friday decreased to 7.4829 kuna to the euro, down by 0.6% wow. The kuna against the dollar strengthened by 0.2% to 6.7645 kuna to the dollar.



No impact of bond issue on market

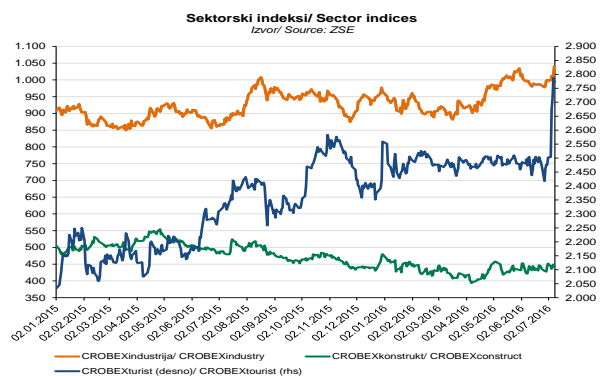
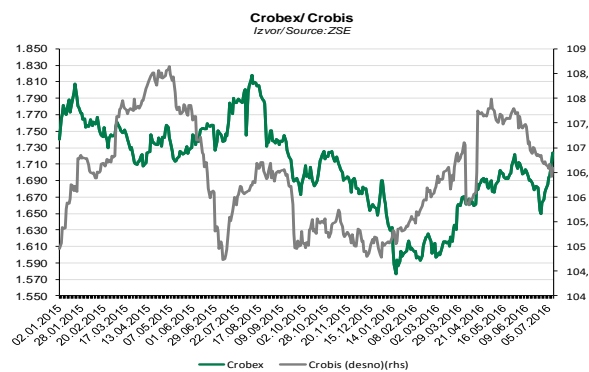
Last week's top news was the issue of a government bond amounting to 6 billion kuna with a 2.75% interest rate and a 2.85% yield. However, amid more than ample liquidity, the issue did not lead to a rise in interest rate in the market, on the contrary, interest rates recorded a mild decrease along the curve. The overnight Zibor thus declined by 5 b.p. wow, amounting to 0.37% on Friday, 1M fell by 3 b.p. to 0.58%, while 3M by 2 b.p. to 0.78%. At the regular reverse repo auction, 55 million kuna at the fixed repo rate of 0.50% was injected in the system, while the total ZMM turnover barely amounted to 46 million kuna, where supply exceeded demand by an average of around 315 million kuna per day.

As there was no maturity or auction last week, the government debt under T-bills remained at 27.0 billion kuna. There will be no maturity or auction this week as well.



Crobex above psychological threshold

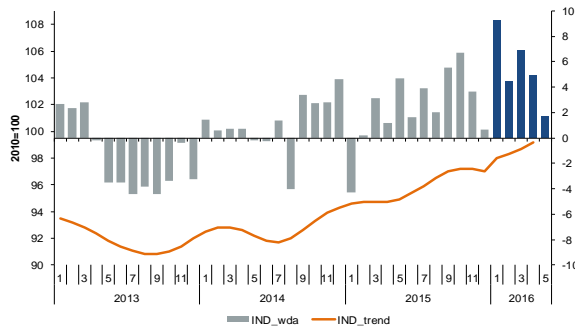
The Crobex index closed last week above the psychological threshold at 1,723.79 points (+2.6% wow), which is also its highest level recorded since the beginning of the year, while the Crobis closed the week at 106.59 points, or down by 0.1% from the week before. Concerning sector indices, CROBEXtourist closed the week at 2,772.06 points (+10.8% wow), CROBEXindustry at 1,041.06 points (+4.3%), while CROBEXconstruct closed the week at 441.81 points or down by 2.3% wow. The total ZSE turnover fell by 30.6% versus the earlier week (to 228.4 million kuna), due to an 83% drop in the share turnover (to 25.8 million kuna), while the bond turnover increased by 14.3% (to 201.1 million kuna).



Statistics

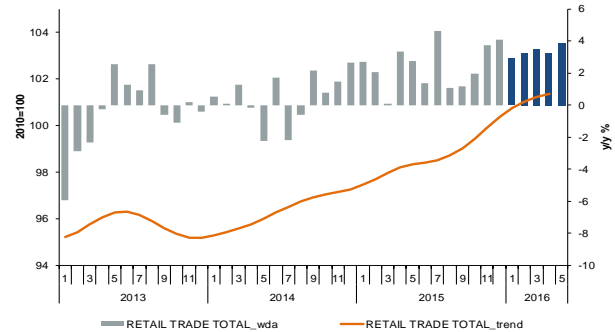
Industrial production, wda y/y % ch.

Source: Eurostat



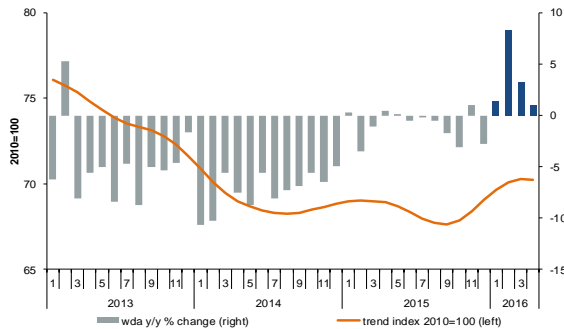
Retail trade, real, wda y/y ch.

Source: CBS



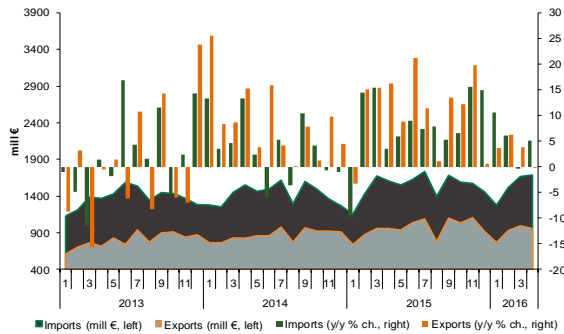
Construction works, y/y % ch. and index 2010=100

Source: CBS



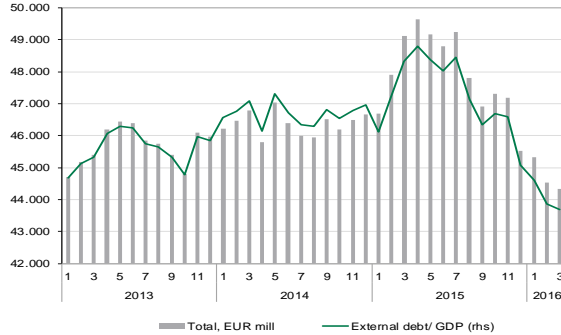
Goods exports and imports (y/y % ch. and mill €)

Source: CBS



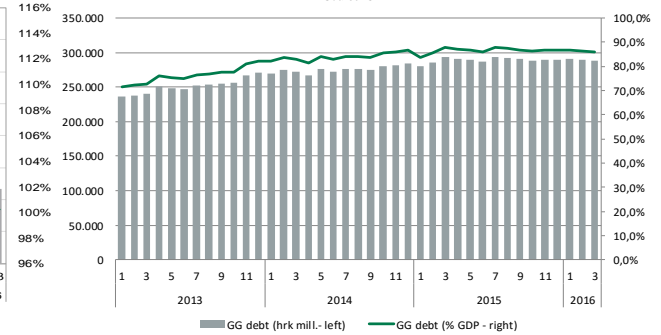
External debt, amount and share to GDP

Sources: CNB, CBS, PBZ



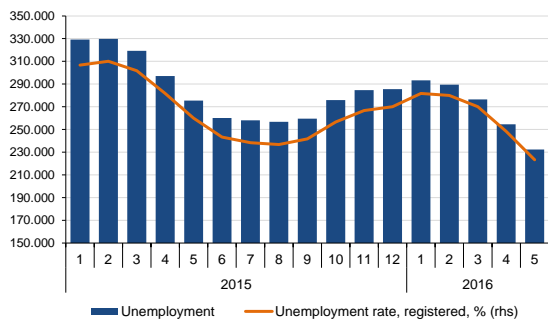
General government debt

Source: CNB



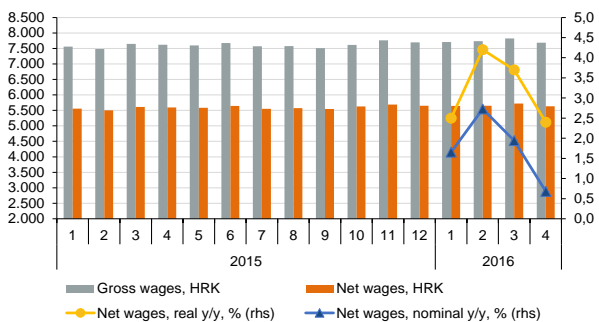
Total unemployment and unemployment rate

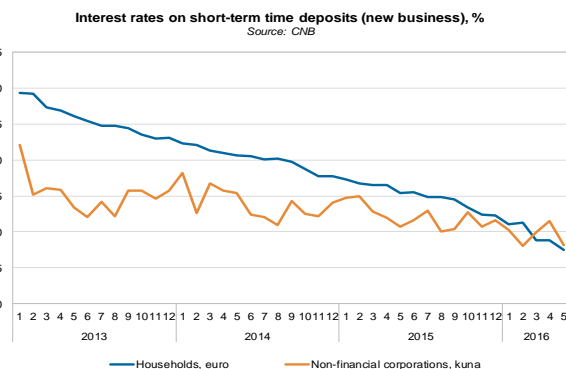
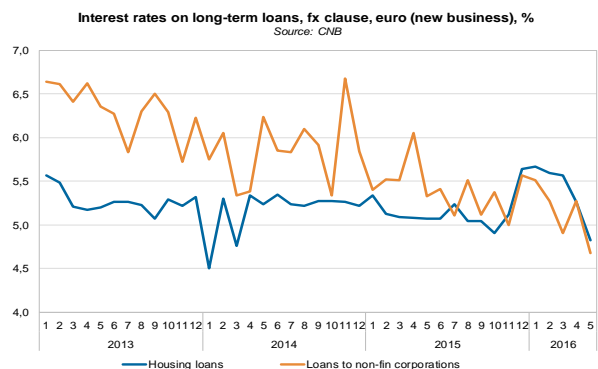
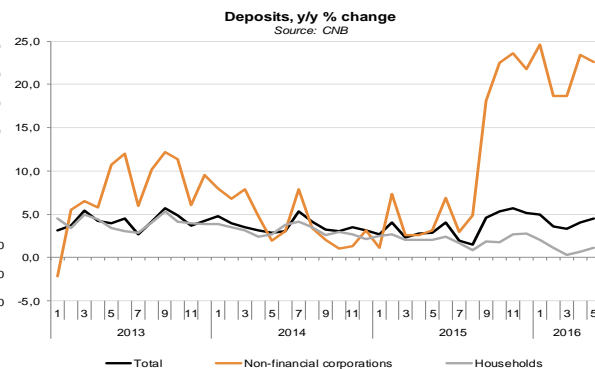
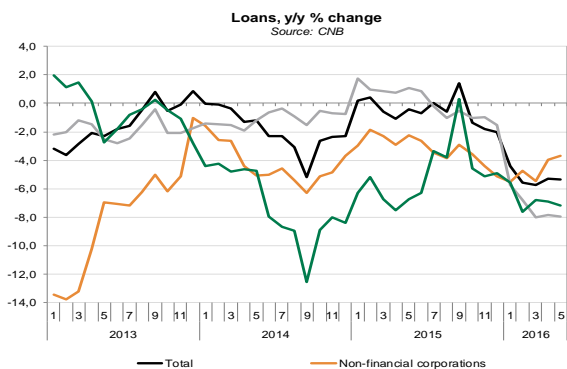
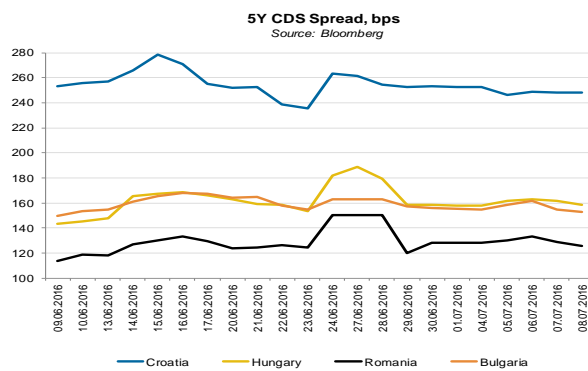
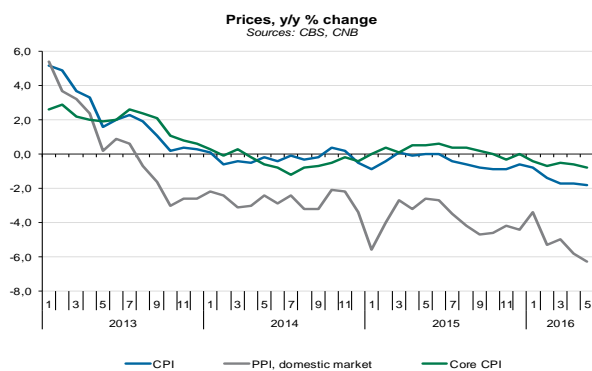
Source: CBS



Wages, monthly average

Source: CBS





RESEARCH OFFICE

Ivana Jović

Ana Lokin

Ivan Odrčić

TREASURY

Eugen Bulat

LEGAL DISCLAIMER

This publication is issued by PRIVREDNA BANKA ZAGREB-DIONIČKO DRUŠTVO, Zagreb, Radnička 50 (hereinafter: PBZ) and aimed at clients of the PBZ Group. This publication is intended for information purposes only and may not in any way be considered an offer or invitation to purchase any property or rights mentioned in it. The informative nature of this publication means that it may not serve as a substitute for the personal judgment and assessment of any reader or anyone who receives this publication. The information, opinions, analyses, conclusions, forecasts and projections given here are founded on publicly available data whose accuracy PBZ relies on, but cannot guarantee. Accordingly, all the opinions, attitudes, conclusions, forecasts and projections given in this publication are subject to changes, which depend on changes to the data as published by the source used. PBZ allows further utilization of the data given in this publication on the condition that the publication is indicated as the source. All the property mentioned in this publication and whose movement is the subject of comment may from time to time be the subject of trade or positions taken by PBZ.