

PBZ Weekly Analysis

Number 526, July 25, 2016

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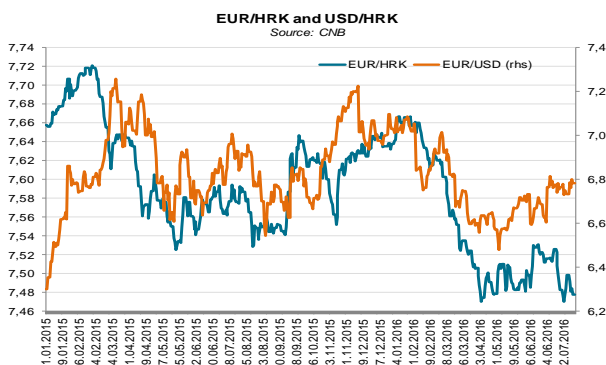
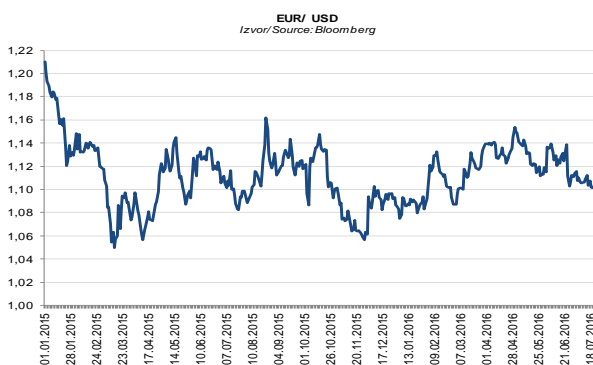
Weekly overview

- According to the first results of the Croatian Bureau of Statistics, the average net earnings in May amounted to 5,706 kuna (gross: 7,791 kuna), which is a nominal increase of 2.1% yoy (gross: 2.6%), or a real-term increase of 4.0% (gross: 4.4%). Thus, the average net earnings over the first five months reached 5,672 kuna (gross: 7,750), which is a nominal increase of 1.8%, or a real-term increase of 3.4% (gross: 2.2%, or 3.8%) yoy.
- The registered unemployment rate in June dropped to 13.6%, down by 0.8 p.p. mom, or 2.0 p.p. yoy, which corresponds to a decrease in the number of unemployed persons to 219,491, reaching the lowest level since August 2008.

Euro unbacked, kuna appreciated

The growing anxiety about the Brexit's impact on the Eurozone economy resulted in a stronger fall in the ZEW index than the market expected, while at the ECB's meeting no monetary policy decision was made and, on the other side, positive signals from USA show an enhanced possibility of raising US\$ interest rates by the end of the year. In such an environment the euro remained unbacked against the dollar and closed the week at 1.0977 dollar to the euro, down by 0.5% wow.

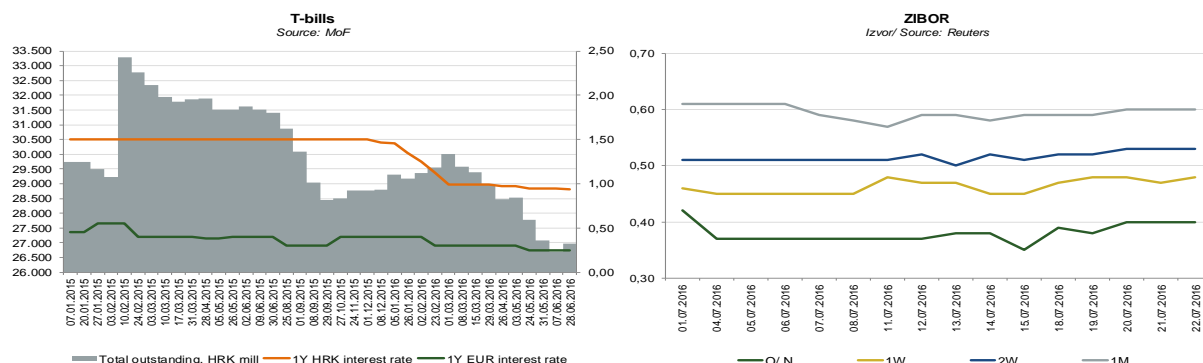
The past week was relatively peaceful on the domestic foreign exchange market and the trade ranged within narrow 7.48-7.495 kuna for the euro. The tourist inflows were stronger, but noticeable was also the demand for foreign exchange to the extent which does not allow for more significant fall in exchange rate. The kuna mid-exchange rate in the end of week was 7.4780 for the euro, down by 0.3% wow, while the kuna weakened against the dollar by 0.8% to 6.7822 kuna for the dollar. This week we expect the trading to range between 7.46 and 7.50 kuna for the euro.



Slight growth in interest

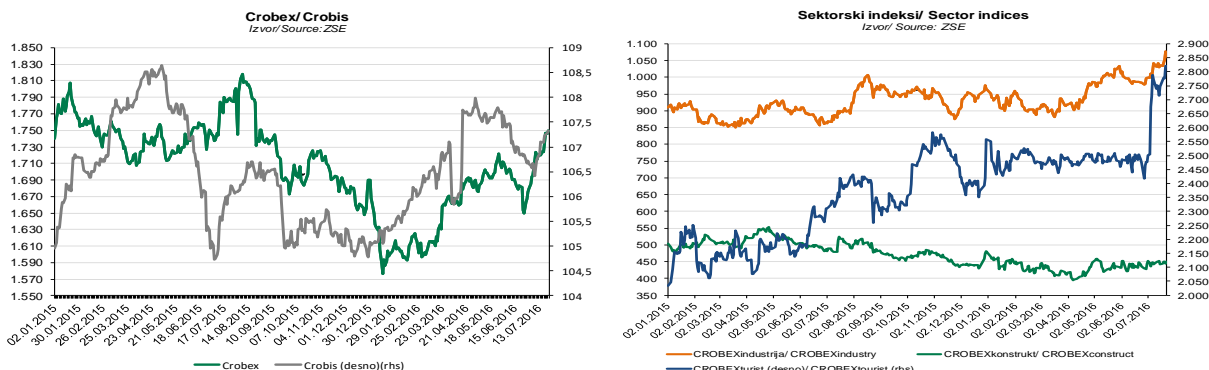
The lower liquidity upon the bond issue and seasonal demand for kuna resulted in a slight growth in interest rates on the money market. The overnight Zibor rose by 5 bps wow and closed the week at 0.40%, 1M by 1 bps to 0.60%, and 3M by 4 bps to 0.80%. At the regular reverse repo auction injected was 60 million kuna at the fixed repo rate of 0.50%, and the total ZMM turnover amounted to weak 25 million kuna.

In the past week no T-bills maturity or auction took place thus the government debt remained at 27.0 billion kuna. This week there will be no maturity or auction either.



Crobex in the green

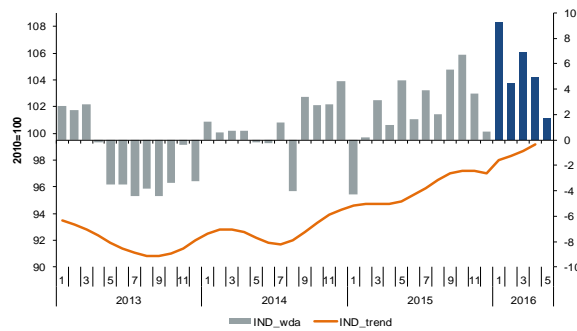
In the past week the total ZSE turnover was halved in comparison to the previous week and amounted to 334.4 million kuna. The fall in turnover resulted from the 52.2% lower bond turnover of 304.1 million kuna, while the share turnover increased up to 5.7% and amounted to 29.3 million kuna. Crobex closed the week at 1,749.83 points, the growth by 1.5% wow, Crobis at 107.33 points (+0.2%). With regard to sectorial indices, CROBEXtourist closed the week at 2,820.99 points, +2.7% wow, CROBEXindustry recorded the same growth and closed the week at 1,063.41 points, while CROBEXconstruct grew up by 1.6% and closed the week at 449.19 points.



Statistics

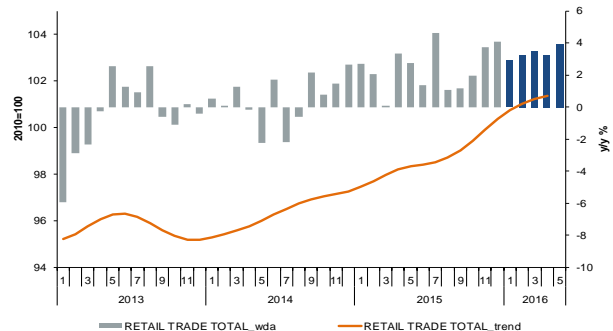
Industrial production, wda y/y % ch.

Source: Eurostat



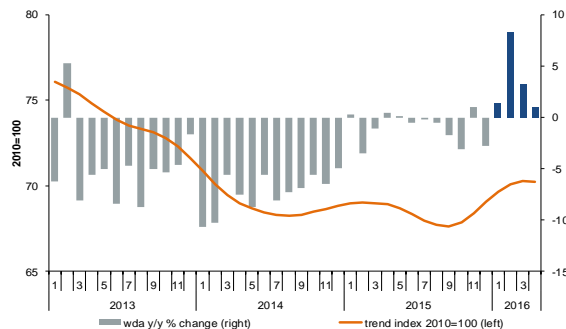
Retail trade, real, wda y/y ch.

Source: CBS



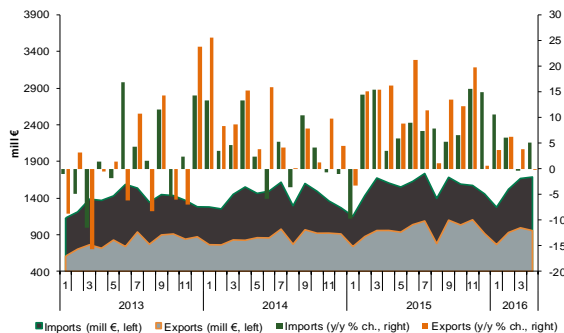
Construction works, y/y % ch. and index 2010=100

Source: CBS



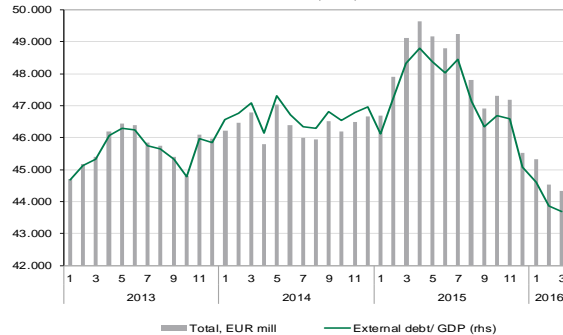
Goods exports and imports (y/y % ch. and mill €)

Source: CBS



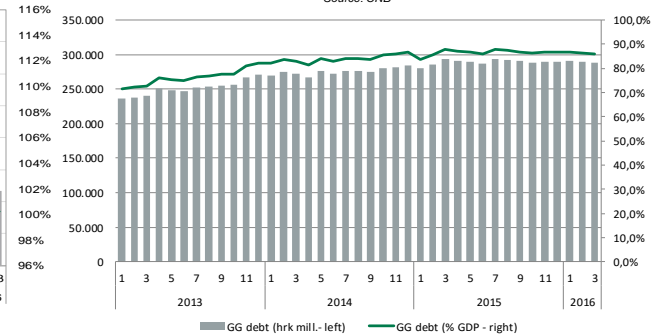
External debt, amount and share to GDP

Sources: CNB, CBS, PBZ



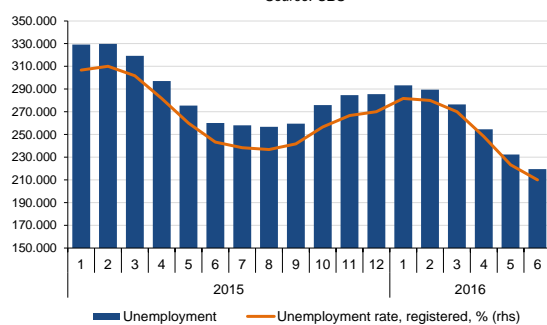
General government debt

Source: CNB



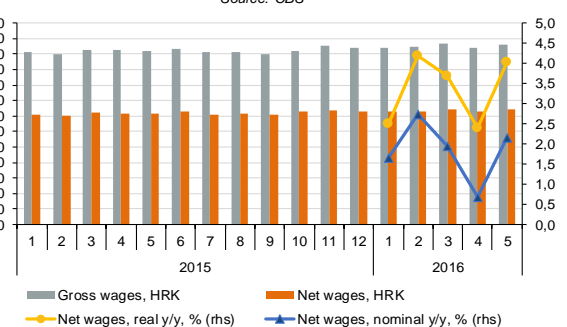
Total unemployment and unemployment rate

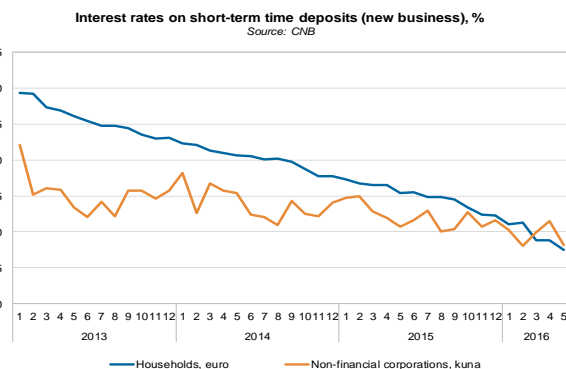
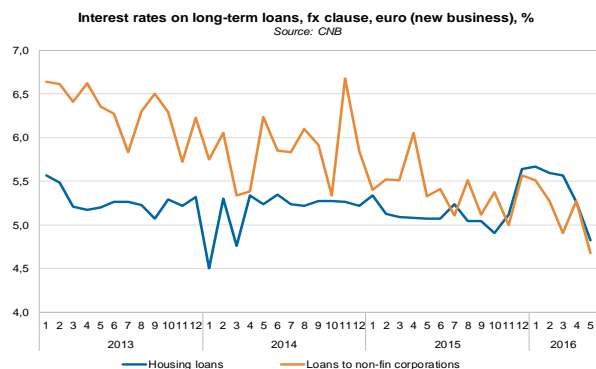
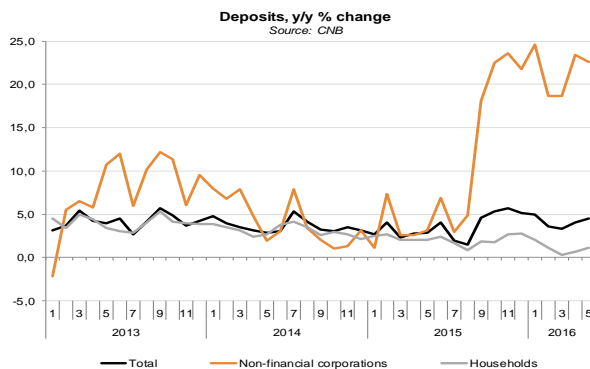
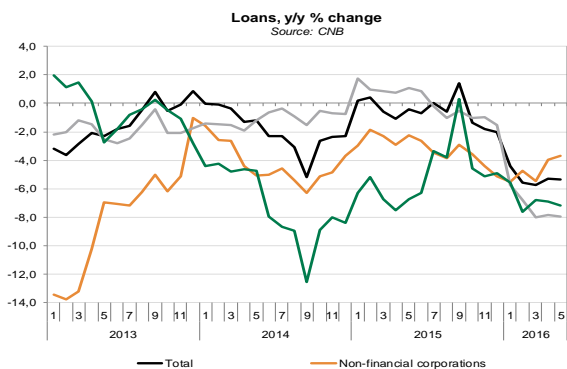
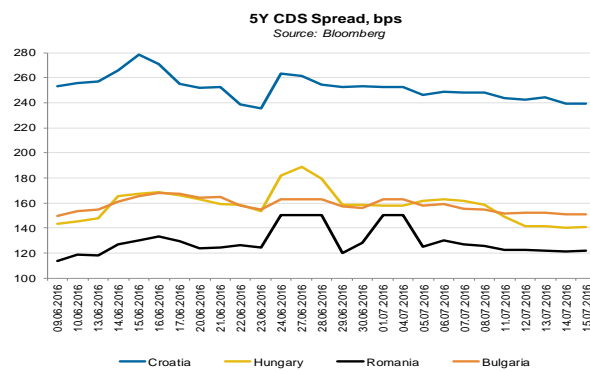
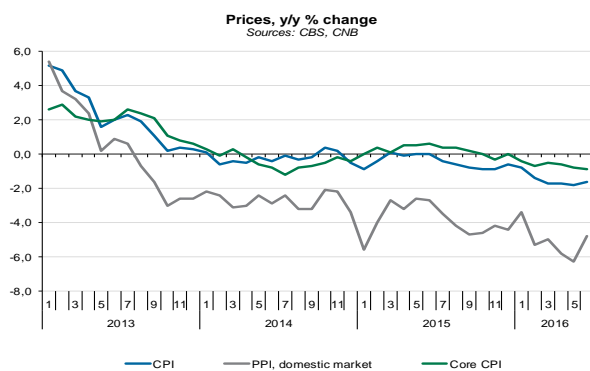
Source: CBS



Wages, monthly average

Source: CBS





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