

PBZ Weekly Analysis

Number 529, August 29, 2016

- Weekly overview (p. 1)
- Dollar stronger, kuna unchanged (p. 1)
- Moderate rise in interest rates (p. 1)
- Crobex above psychological threshold (p. 2)
- Statistics (p. 3-4)

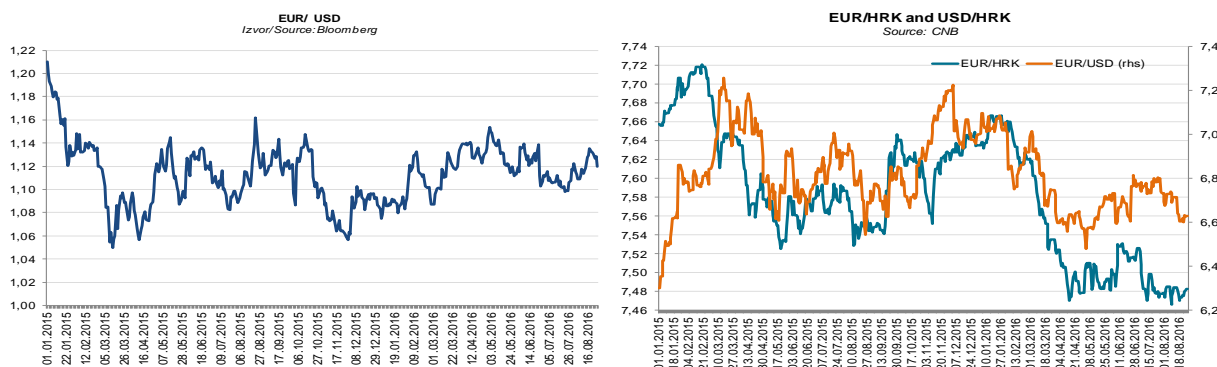
Weekly overview

- The total number of unemployed persons in July amounted to 217,089 persons, which represents 40,905 persons fewer or a decrease of 15.9% compared to September of 2015. A reduction in the number of unemployed persons resulted also in a fall in the registered unemployment rate which was 13.3% in July, down by 0.3 p.p. mom and 2.0 p.p. yoy.
- According to the first results of the Croatian Bureau of Statistics, the average net earnings in June amounted to 5,686 kuna (gross: 7,759 kuna), which is a nominal increase of 0.8% yoy and a real-term increase of 2.4% (gross: +1.1% and +2.7%). In the first half-year of 2016, the average net earnings amounted to 5,674 kuna (gross: 7,751 kuna), which is a nominal increase of 1.7% and a real-term increase of 3.2% (gross: +2.1% and +3.6%) versus the same period in 2015.

Dollar stronger, kuna unchanged

Last week, the dollar has gradually strengthened against the euro amid the expectations of the Fed's Chairwoman Yellen speech scheduled for Friday. The end of weakening of the dollar was also supported by favourable data on U.S. economic activity, while the hopes of investors that the Fed will raise its interest rate by the end of the year have risen following Yellen's statement that the case for an increase in the interest rate has strengthened in recent months. In light of these developments, the trading on Friday closed at 1.1198 dollar to the euro, down by 1.1% wow.

Last week, the mid-exchange rate of the kuna against the euro fluctuated around 7.48, amounting to 7.4823 kuna to the euro on Friday, up by 0.1% wow. The kuna weakened against the dollar by 0.4% and the exchange rate increased to 6.6285 kuna to the dollar.

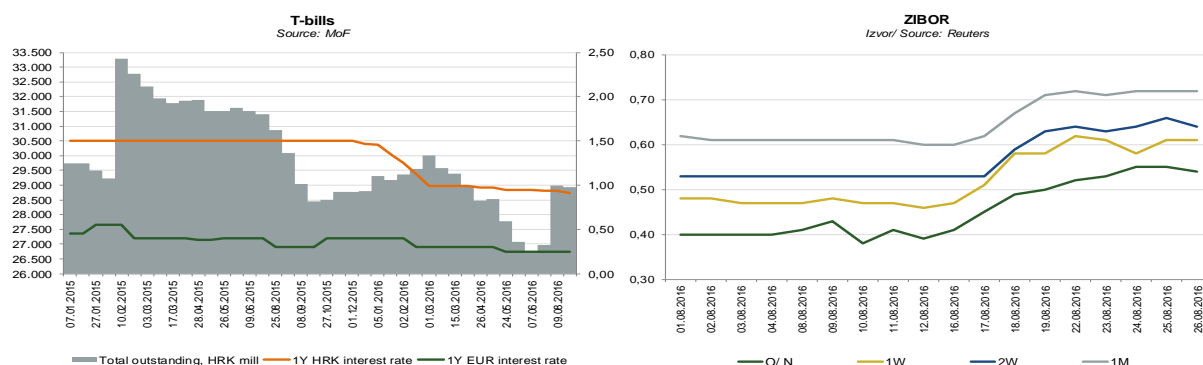


Moderate rise in interest rates

Liquidity is still solid and only a moderate rise in interest rates in the interbank market has been recorded. The overnight Zibor increased wow by 4 b.p. to 0.54%, 1M by 1 b.p. to 0.72%, while 3M by 2 b.p. to 0.85%. At the regular reverse repo auction, 30 million kuna at the usual fixed repo rate of

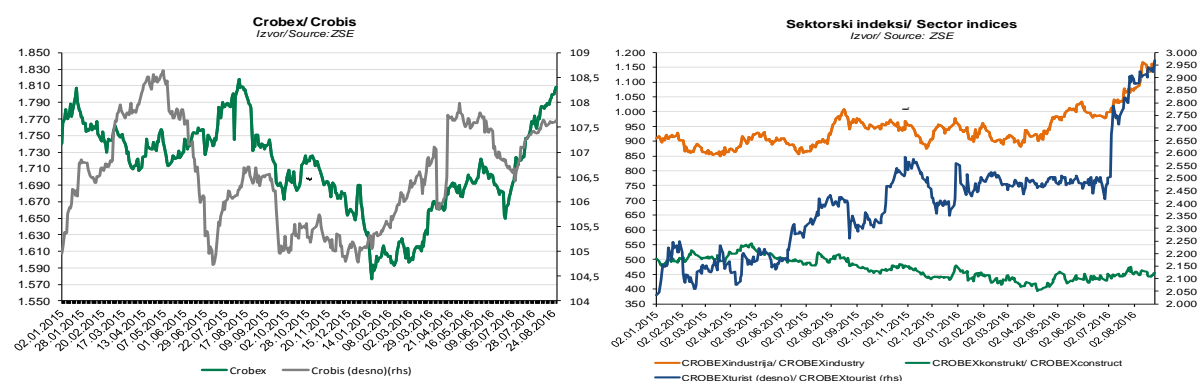
0.50% was injected in the system. The total weekly ZMM turnover amounted to 114 million kuna, while the average gap amount between supply and demand fell to 246 million kuna.

Last week, a total of 1.2 billion kuna in T-bills matured, while the same amount of one-year kuna T-bills at the rate of 0.91% (-3 b.p. compared to the previous issue) was issued and, therefore, the government debt remained at 29.0 billion kuna. This week, a total of 0.5 billion kuna will mature and the auction with the planned issue of 400 million kuna has been announced.



Crobex above psychological threshold

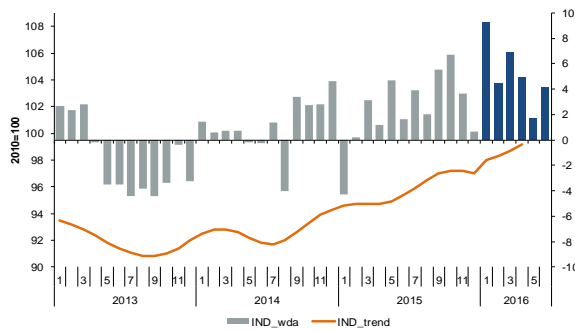
The Crobex closed the week above the psychological threshold at 1,808.54 points (+0.9% wow), while the Crobis stagnated wow, closing the week at 107.63 points. Sector indices grew wow, where CROBEXindustry increased by 3.1% (to 1,170.57 points), CROBEXconstruct by 2.2% (453.34 points), and CROBEXtourist by 0.9% (2,968.55 points). The total ZSE turnover was 6.8 times higher than the week before, amounting to 755.9 million kuna, where the turnover in bonds rose 7.9 times wow (to 598.9 million kuna), while the turnover in shares rose 4.5 times (to 155.5 million kuna).



Statistics

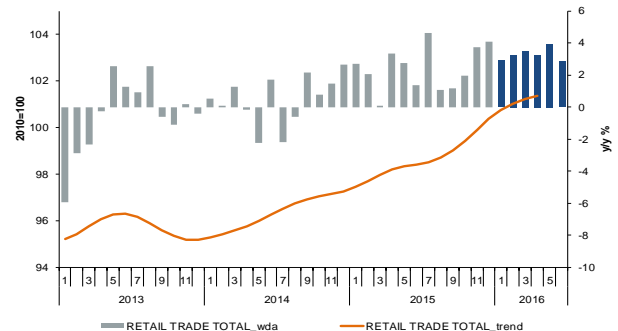
Industrial production, wda y/y % ch.

Source: Eurostat



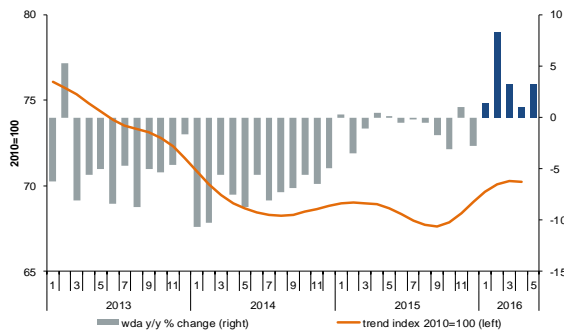
Retail trade, real, wda y/y ch.

Source: CBS



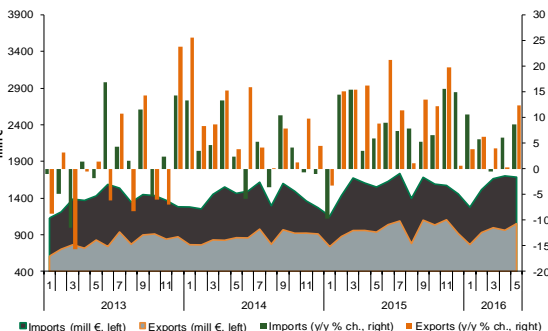
Construction works, y/y % ch. and index 2010=100

Source: CBS



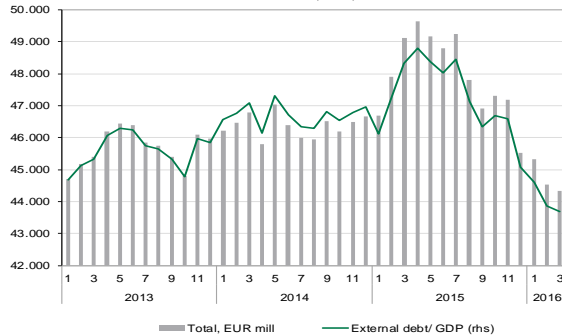
Goods exports and imports (y/y % ch. and mill €)

Source: CBS



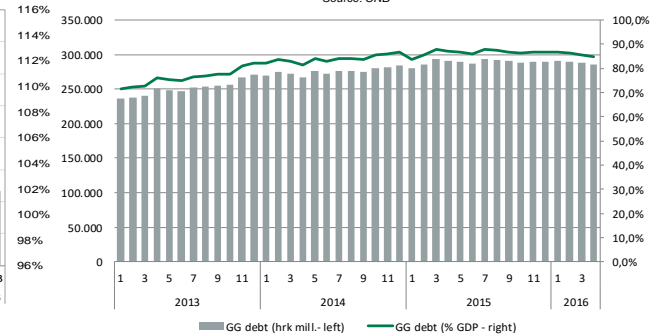
External debt, amount and share to GDP

Sources: CNB, CBS, PBZ



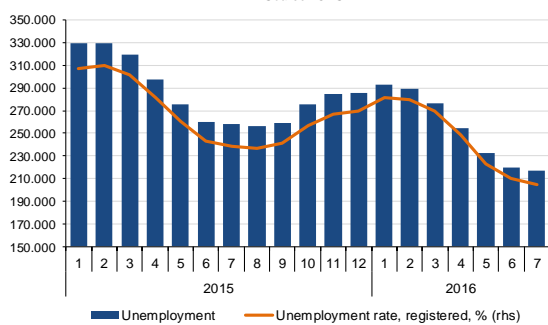
General government debt

Source: CNB



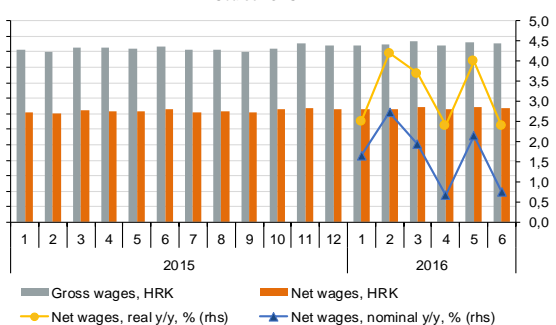
Total unemployment and unemployment rate

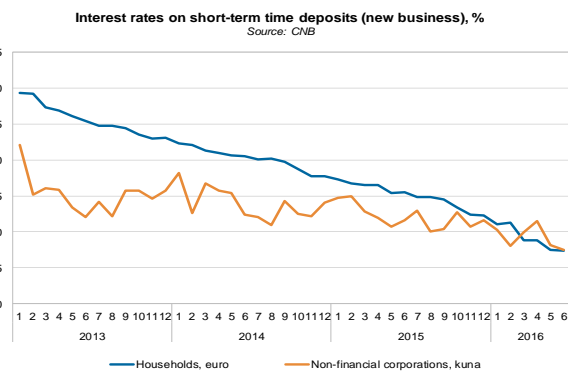
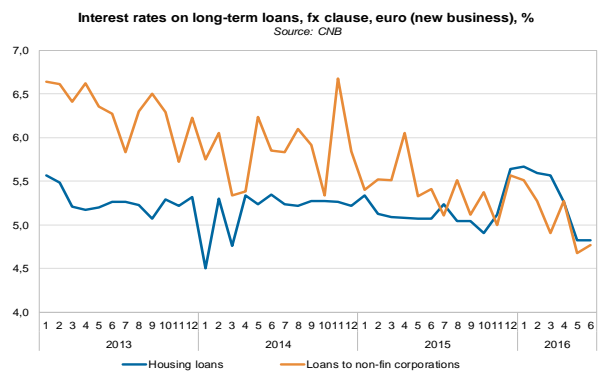
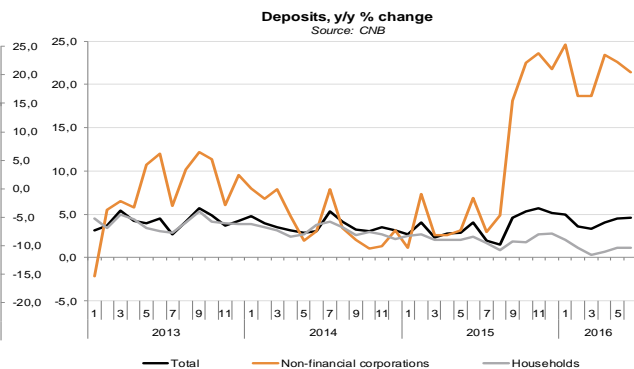
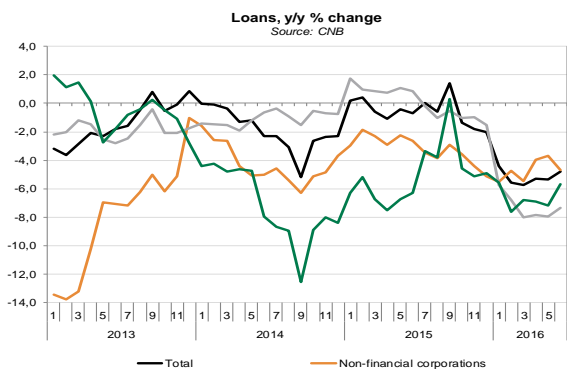
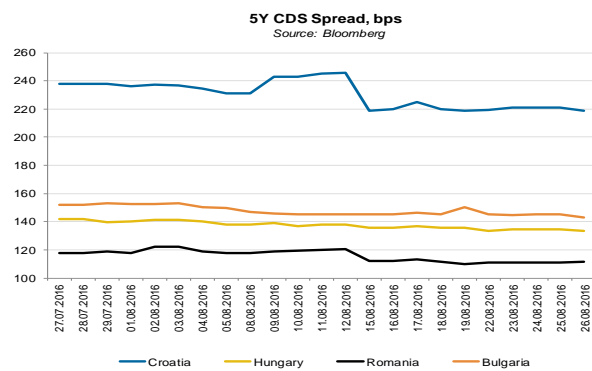
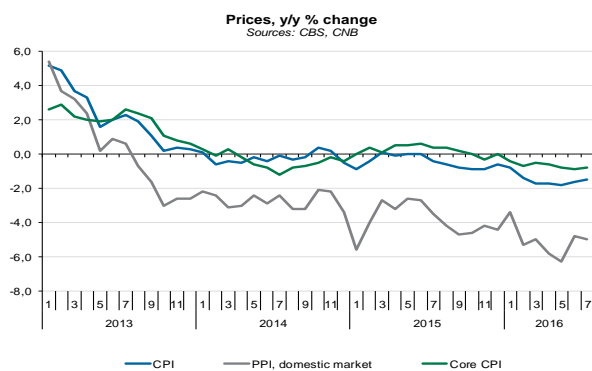
Source: CBS



Wages, monthly average

Source: CBS





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