

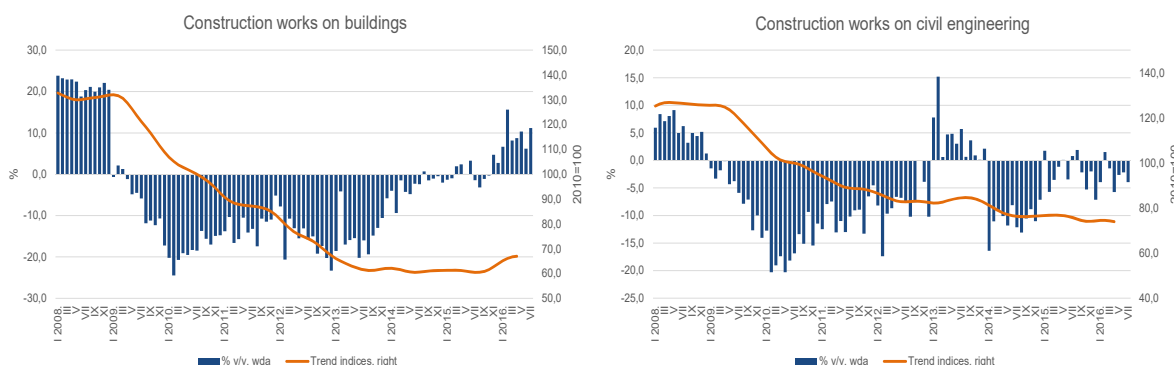
PBZ Weekly Analysis

Number 533, September 26, 2016

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Weekly overview

- The construction works volume in July rose by 2.8% yoy (wda data), while the comparison with the previous month shows an increase in the volume of 0.7% (seasonally and wda adjusted data). The yoy increase in the construction works volume was affected by the increase in the volume of construction works on buildings of 11.2% (with a 44.9% share of hours worked on sites), while the civil engineering works volume decreased by 3.9% (with a 55.1% share of hours worked). In July, a total of 555 permits were issued (+16.6% yoy), whereas the anticipated value of works amounted to 1.4 billion kuna (+30.4%). Over the first seven months of 2016, construction activities were up by 3.0% yoy (-0.6% over the same period of 2015), where the volume of construction works on buildings rose by 9.5% (2015: +0.6%), while the civil engineering works volume dropped by 2.7% (2015: -1.6%), and a total of 4,179 permits were issued (2015: +21.9%) with an anticipated value of works amounting to 10.1 billion kuna (2015: -9.8%).

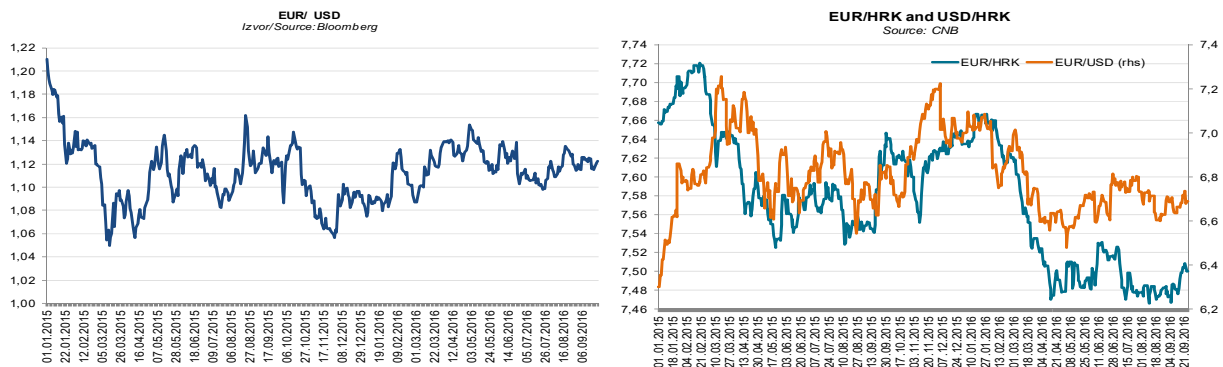


- According to the first results of the Croatian Bureau of Statistics, the average net earnings in July 2016 amounted to 5,594 kuna, which is a nominal increase of 0.8% yoy, or a real-term increase of 2.3%. Thus, the average gross earnings amounted to 7,646 kuna, showing a yoy increase of 1.0% in nominal terms and 2.5% in real terms. Over the first seven months of 2016, the average net earnings amounted to 5,663 kuna (gross: 7,736 kuna), which is up by 1.5% in nominal terms, or 3.1% in real terms compared with the same period last year (gross: +1.9%, +3.4%).
- The administrative number of unemployed persons in August amounted to 213,340 persons (the lowest level since January 1991), which is a decrease of 43,408 persons, or 16.9% yoy, while the registered unemployment rate fell to 13.1% (-2.1 p.p. yoy, -0.2 p.p. mom).

Dollar weakens, kuna stays the same

At its last week's meeting, the Fed left the target range for its interest rate at 0.25-0.50%, however, this decision has only delayed the interest rate hike, which will most likely occur by end of the year. Although the market had expected this outcome, the dollar weakened. The trading on Friday closed at 1.1227 dollar to the euro, up by 0.6% wow.

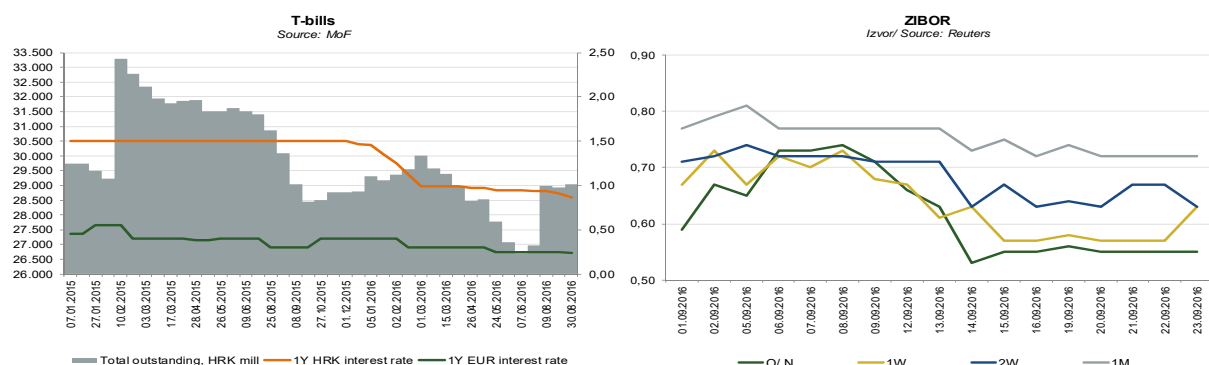
The domestic FX market was generally calm last week, where modest corporate demand and a continued tourist season held the exchange rate around the level of 7.50 kuna to the euro. The mid-exchange rate on Friday amounted to 7.5001 kuna to the euro, unchanged wow, while the kuna against the dollar weakened by 0.1% to 6.6887 kuna to the dollar. This week, we expect trading in the range 7.49-7.52 kuna to the euro.



No change in interest rates

The money market was calm last week, therefore the overnight Zibor remained at 0.55%, 1M at 0.72% and 3M at 0.87%. At the regular reverse repo auction, CNB injected in the system 40 million kuna at the fixed repo rate of 0.3%. The total ZMM weekly turnover dropped to 52.5 million kuna, while the average daily gap between supply and demand slightly fell to 268 million kuna.

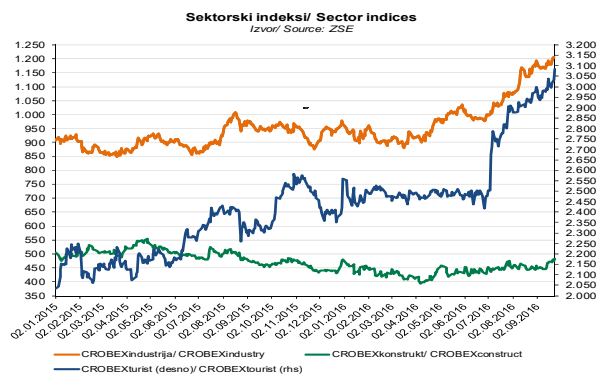
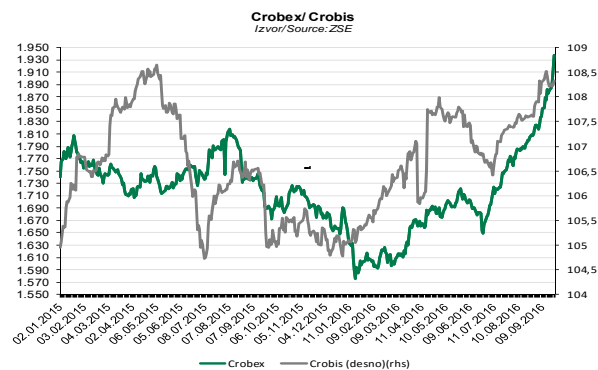
As there was no maturity or auction, the subscribed T-bills balance remained at 28.9 billion kuna. There will be no auction this week as well, as the next maturity is expected in the last week of October.



Crobex up for the seventh consecutive week

The Crobex index rose by 3.3% wow, closing the week at 1,937.17 points (the highest level since May 2013), while the Crobis closed the week 108.33 points, which is a wow stagnation. Sector indices ended in positive territory, where CROBEXtourist rose by 2.5% wow, closing the week at the new historically highest level of 3,084.78 points, CROBEXindustry rose by 2.3% (to 1,208.04 points, also the highest level since inclusion), while CROBEXconstruct rose by 1.8% (to 481.91 points). The total ZSE turnover increased by 40.6% wow (to 598.1 million kuna), due to a 50.4% increase in the

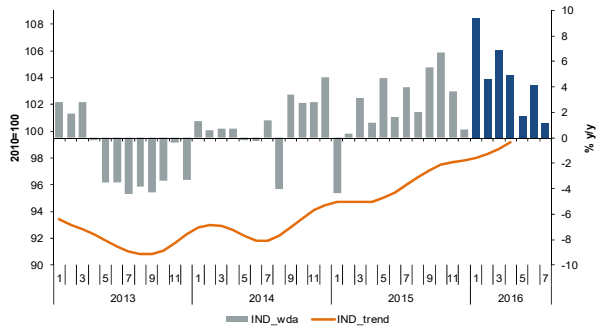
turnover in bonds (to 518.2 million kuna), while the turnover in shares was moderately lower (-0.7%), amounting to 80 million kuna.



Statistics

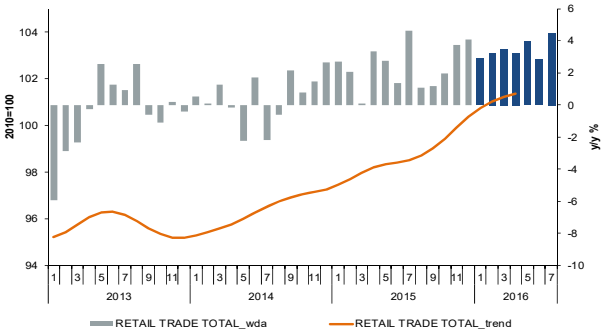
Industrial production, wda y/y % ch.

Source: Eurostat



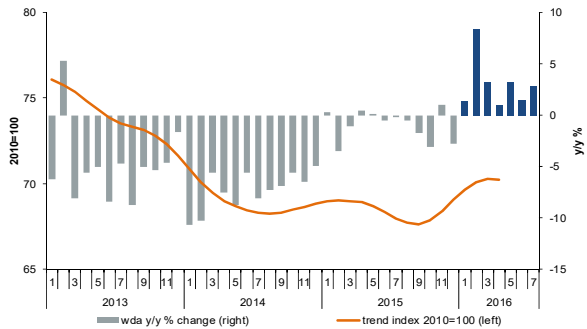
Retail trade, real, wda y/y ch.

Source: CBS



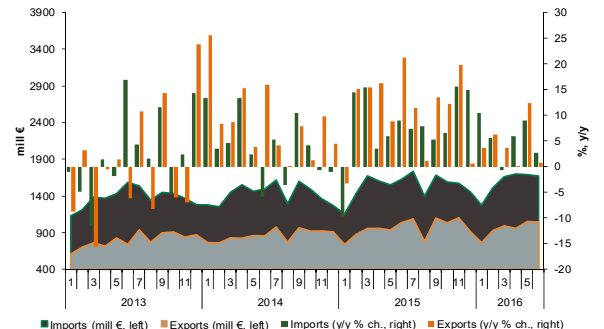
Construction works, y/y % ch. and index 2010=100

Source: CBS



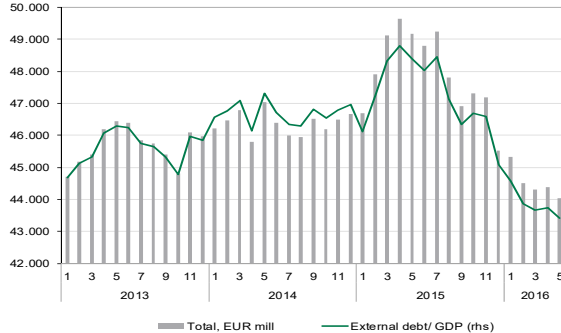
Goods exports and imports (y/y % ch. and mill €)

Source: CBS



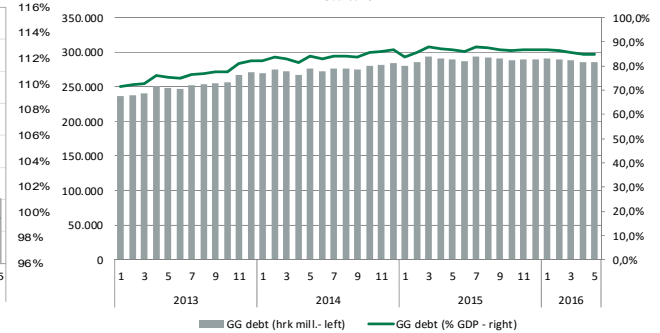
External debt, amount and share to GDP

Sources: CNB, CBS, PBZ



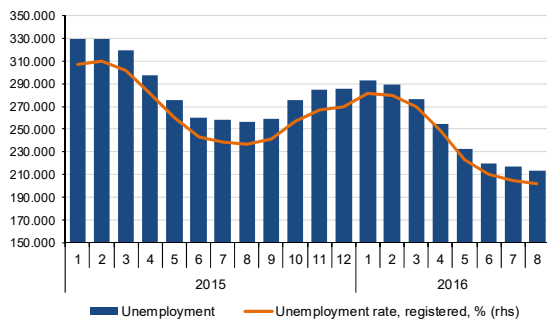
General government debt

Source: CNB



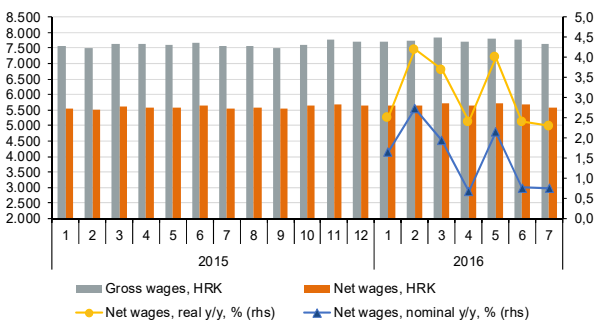
Total unemployment and unemployment rate

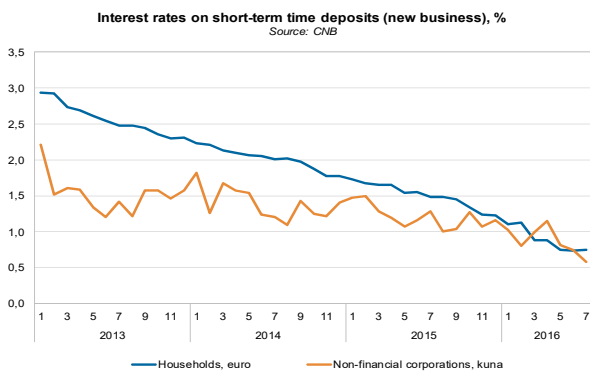
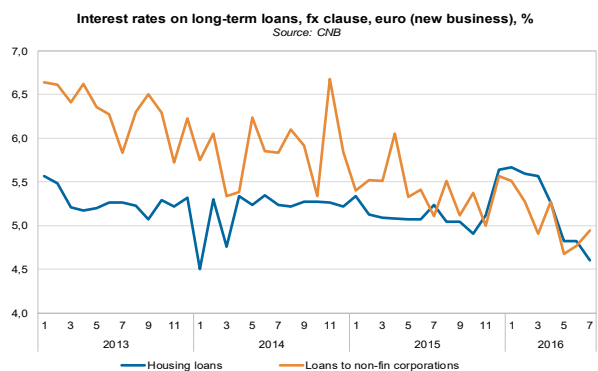
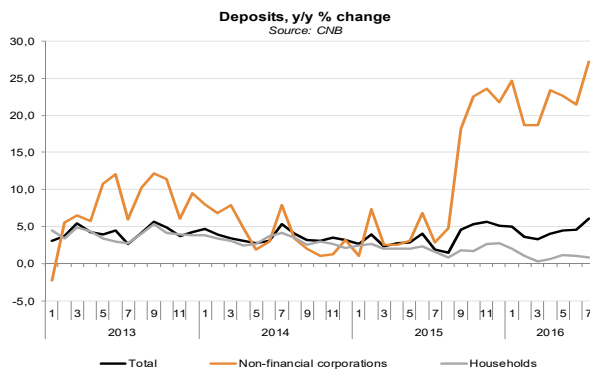
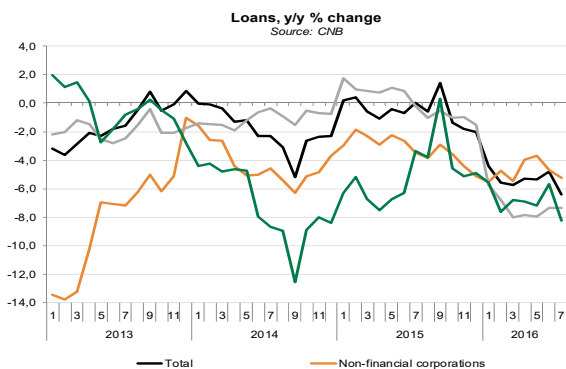
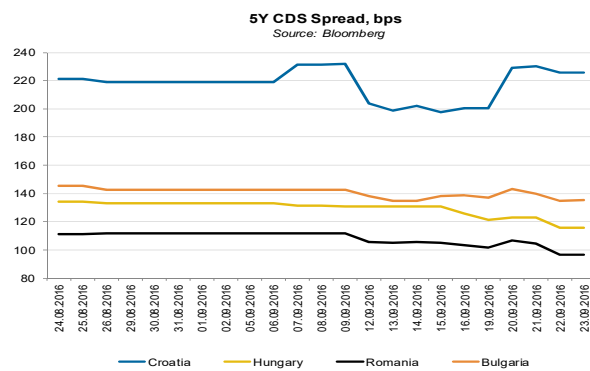
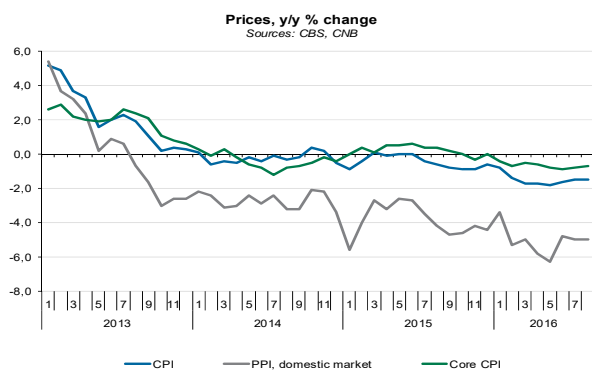
Source: CBS



Wages, monthly average

Source: CBS





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