

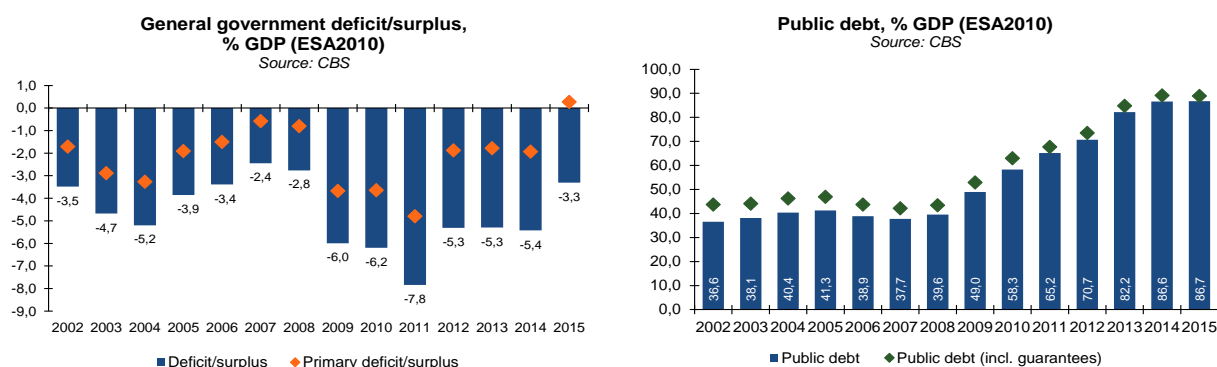
PBZ Weekly Analysis

Number 537, October 24, 2016

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Weekly overview

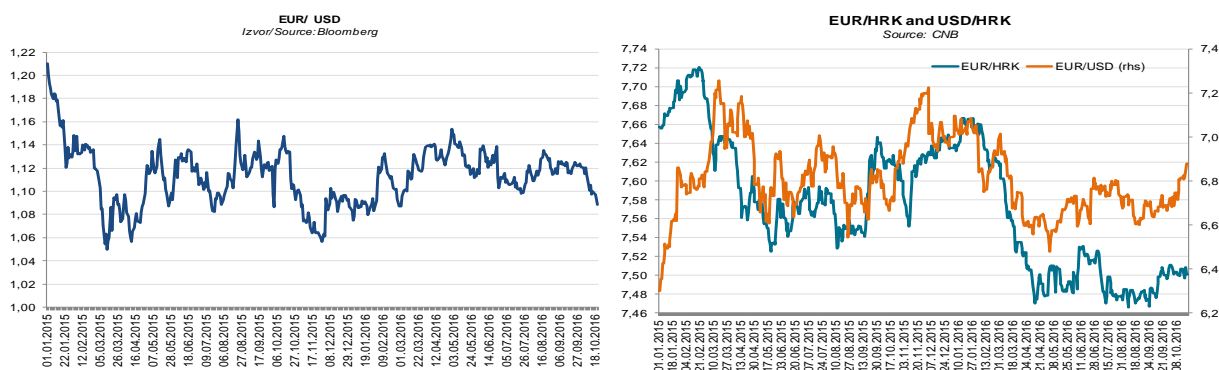
- According to the October Excessive Deficit Procedure Report, the total deficit in 2015 was equal to 3.3% of GDP (modest correction of 3.2% recorded in the April Report); the primary surplus equal to 0.3% of GDP (0.4% according to the April Report) and public debt equal to 86.7% of GDP. Last year, total deficit decreased by 6.8 billion kuna compared with the previous year, the largest yoy decrease recorded since 2012; which had a positive impact on the public debt movements that increased only by 5.4 billion kuna over the same period (thereby keeping almost the same share in GDP). The Ministry of Finance data indicate a further reduction in the total deficit of the general government over the first six months of this year, to 0.2% of GDP, however, as the methodological comparison of the Ministry of Finance data with the Excessive Deficit Procedure Report, or the ESA2010 methodology is not possible, we must wait for the quarterly data, expected to be released in the next few days. However, positive movements are certainly supported by the data showing a decrease in the public debt level by 3.9 billion kuna at the end of June, i.e. below 85% of GDP.



Euro weaker, kuna stable

The euro weakened against the dollar after the ECB meeting, which has triggered expectations of a possible ECB decision to extend the APP at its December meeting. The trading on Friday closed at 1.0884 dollar to the euro, down by 0.8% wow, reaching the lowest level since March this year.

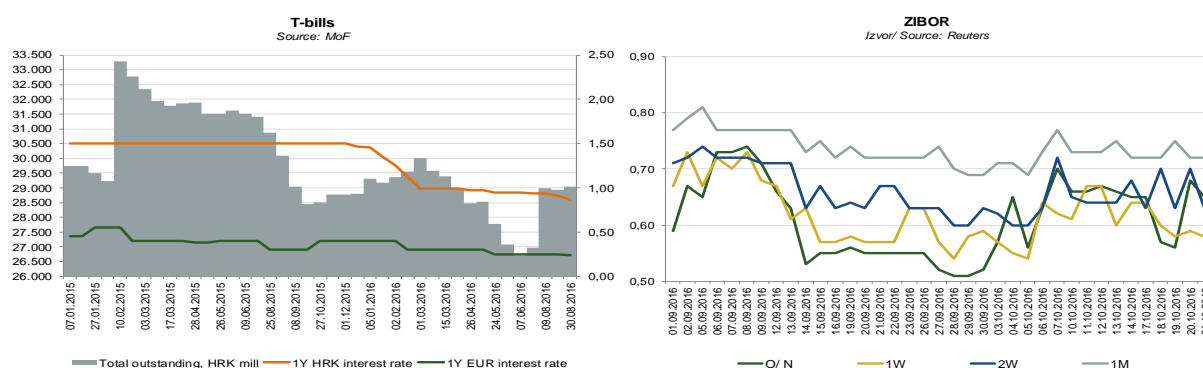
The exchange rate at the domestic FX market has remained stable, and the trading volumes are moderate. The mid-exchange rate on Friday amounted to 7.5006 kuna to the euro, down only 0.1% from the previous Friday, whereas the kuna against the dollar continued to weaken, thus USD/HRK increased to 6.8807 kuna to the dollar, +1.0% wow. This week, we expect trading in the range 7.49-7.52 kuna to the euro.



Interest rates unchanged

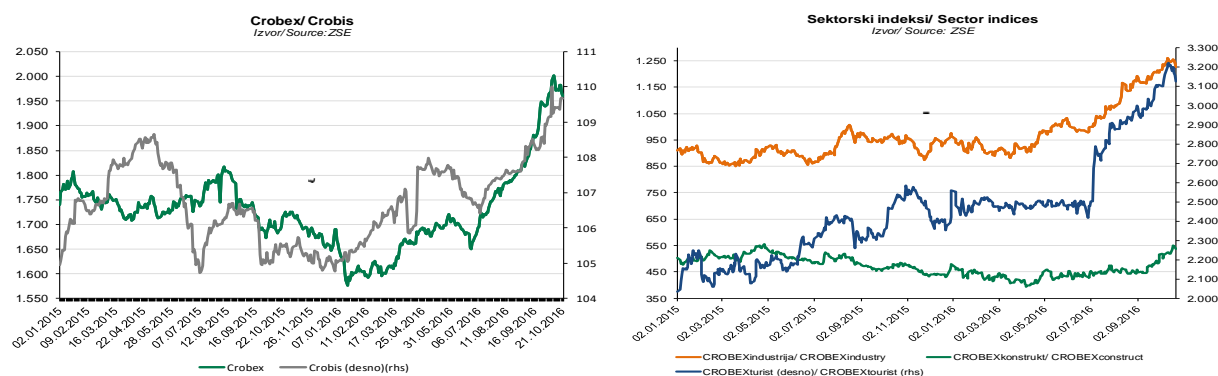
Last week, amid ample liquidity and low demand, interest rates in the interbank market stayed the same. The overnight Zibor remained at 0.65%, 1M at 0.72%, while 3M at 0.88%. At the regular reverse repo auction, CNB injected 440 million kuna at the fixed repo rate of 0.3%, 100 million kuna less than the previous week, while the total ZMM turnover rose to 277 million kuna, where the average daily excess of supply over demand increased to 286 million kuna.

The balance of the subscribed T-bills amounts to 28.9 billion kuna, while 1.4 billion kuna in kuna T-bills will mature this week and the auction with the planned issue of 1.1 billion kuna has been announced.



Crobex down for the second consecutive week

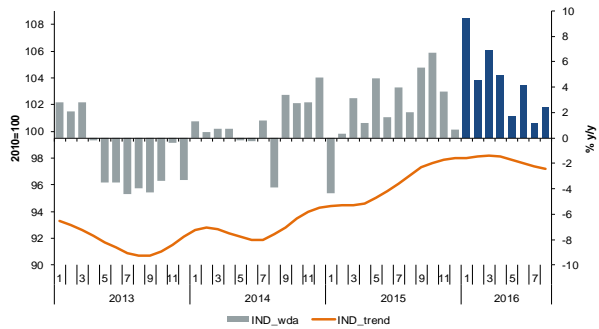
Last week, the Crobex closed at 1,959.68 points (-0.6% wow), as the companies began to release their financial results for the third quarter, while the Crobis closed the week at 109.67 points (+0.2% wow). As regards sector indices, CROBEXtourist closed the week at 3,125.71 points (-2.6% wow), CROBEXindustry at 1,227.82 points (-1.3%), while CROBEXconstruct closed the week at 536.25 points, up 3.4% wow. The total ZSE turnover amounted to 329.3 million kuna, down 7.0% wow, due to a decline in the turnover in shares of 32.6% (to 65.9 million kuna), while the turnover in bonds rose by 2.8% wow (to 263.4 million kuna).



Statistics

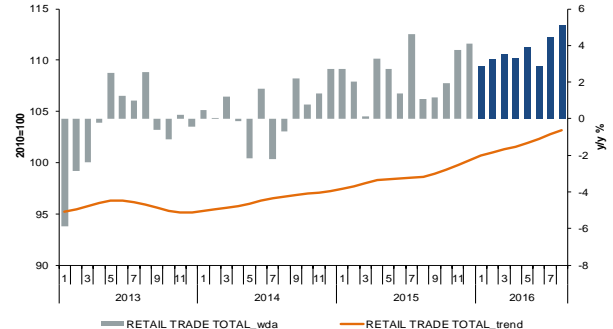
Industrial production, wda y/y % ch.

Source: Eurostat



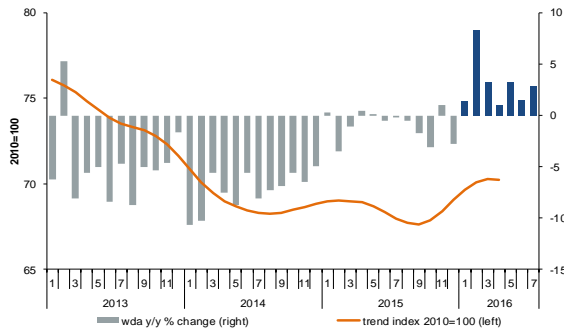
Retail trade, real, wda y/y ch.

Source: CBS



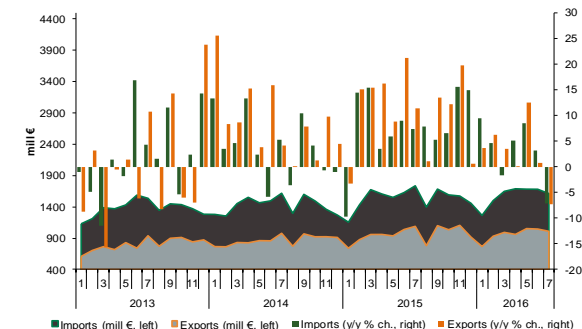
Construction works, y/y % ch. and index 2010=100

Source: CBS



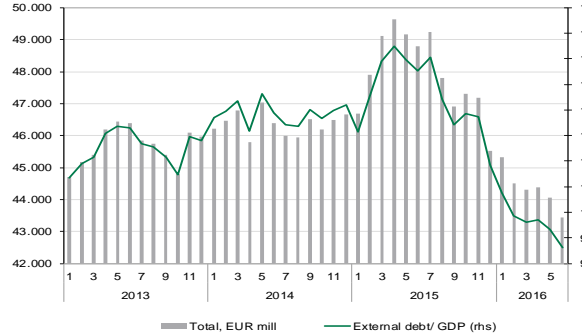
Goods exports and imports (y/y % ch. and mill €)

Source: CBS



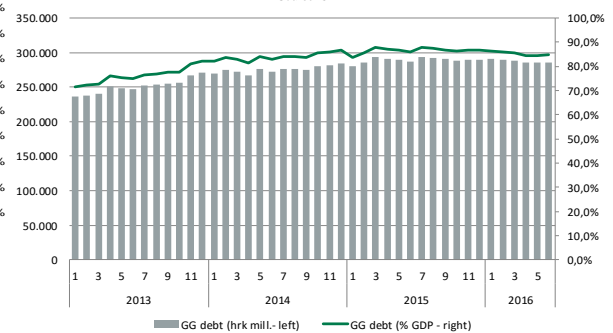
External debt, amount and share to GDP

Sources: CNB, CBS, PBZ



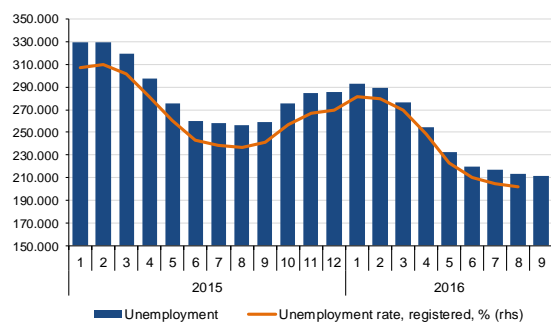
General government debt

Source: CNB



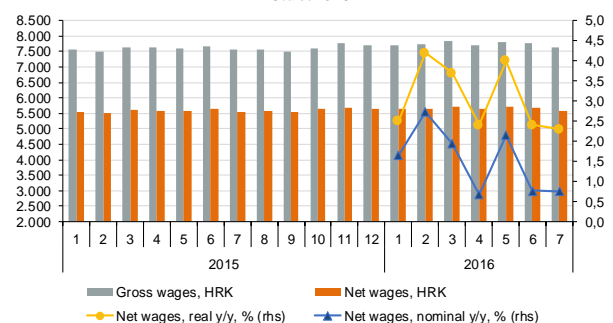
Total unemployment and unemployment rate

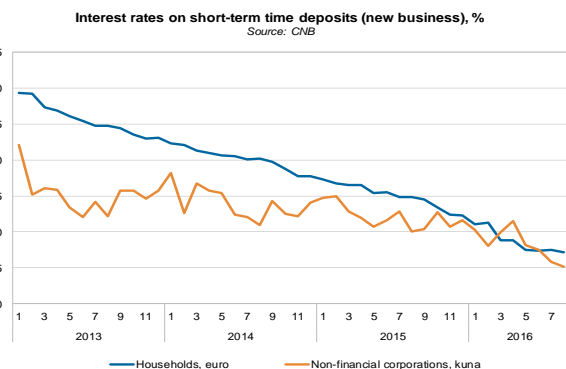
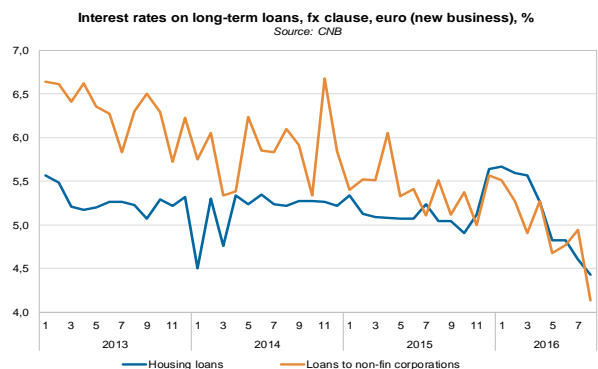
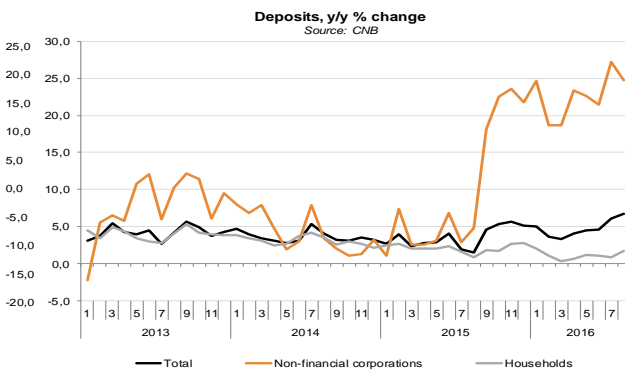
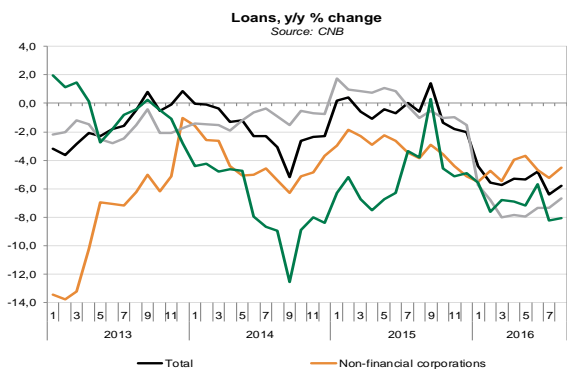
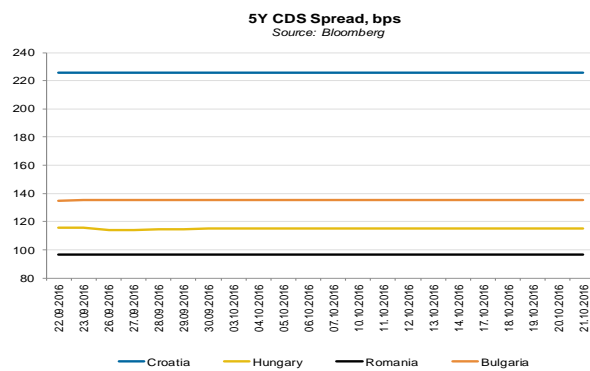
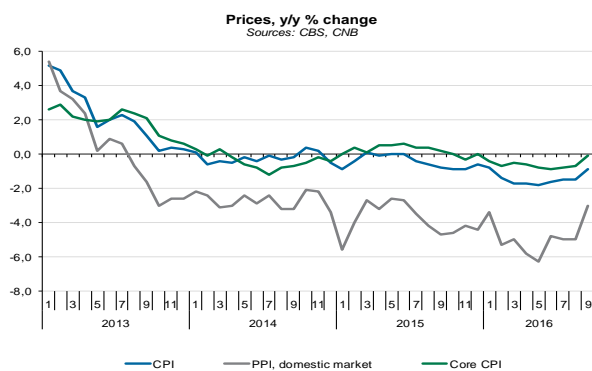
Source: CBS



Wages, monthly average

Source: CBS





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