

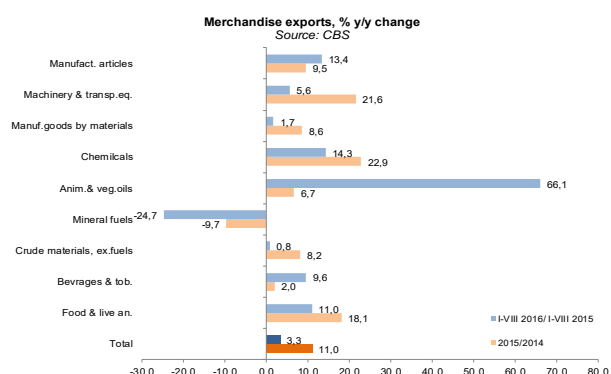
PBZ Weekly Analysis

Number 539, November 14, 2016

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Weekly overview

- The total exports of goods in August 2016 amounted to 6.9 billion kuna (+17.3% compared with August 2015), while the imports amounted to 11.7 billion kuna (+10.7%). The coverage of imports by exports was 59.1% (55.8% in August 2015), while the foreign trade deficit increased by 2.5% yoy (to 4.795 billion kuna). In total, exports



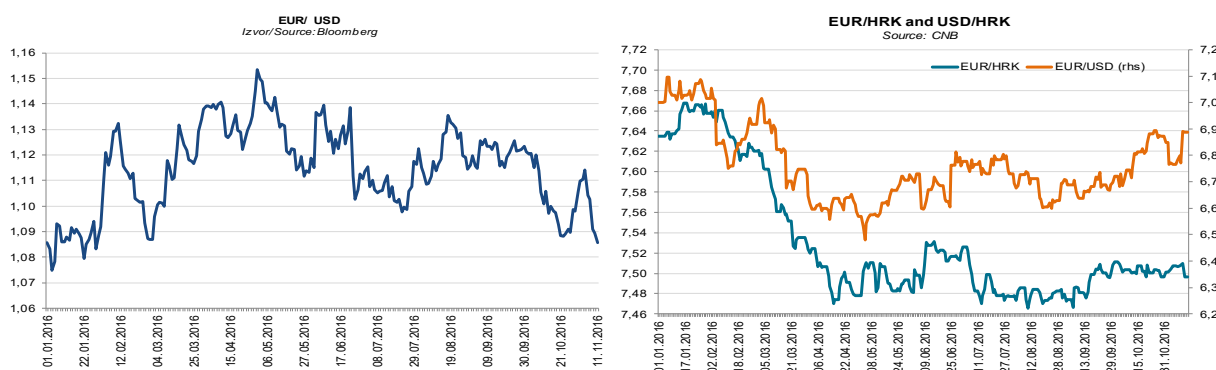
over the first eight months of 2016 amounted to 58.1 billion kuna (+3.3% yoy), where in absolute terms the largest increase was recorded (according to NKD) in the exports of Pharmaceutical products and preparations (by 1.2 billion kuna), Food (by 836 million kuna) and Fabricated metal products, except machinery and equipment (by 812 million kuna). The largest decrease was recorded in the exports of Manufacture of coke and refined petroleum products (by 1.3 billion kuna), which is a result of both a low oil price and a decline in the physical volume of production. The imports reached 96.2 billion kuna (+3.6% yoy), due to which the foreign trade deficit over the first eight months increased by 1.5 billion kuna or 4.1% yoy (to 38.1 billion kuna), while the coverage of imports by exports amounted to 60.4% (I-VIII 2015: 60.5%). The exports in the EU countries (a 67.2% share in the total exports of goods) rose by 3.3% yoy (to 39.1 billion kuna), in the CEFTA countries (a 16.7% share) dropped by 3.1% (to 9.7 billion kuna), whereas the imports from the EU countries increased by 4.6% (to 75.6 billion kuna) and from the CEFTA countries by 11.0% (to 5.5 billion kuna).

- The Croatian Bureau of Statistics confirmed the preliminary results for September retail trade, which show a real-term yoy growth of 4.5% (wda data), while the mom level shows a decrease of 0.1% (seasonally and working-day adjusted data). This year's third quarter thus recorded a real-term increase in retail trade of 4.7% yoy, more than the retail trade of +3.3% recorded in the first half of the year, mostly due to a successful tourism season (3q2016: +10.8% in foreign tourist arrivals yoy), but also due to a decrease in the number of unemployed persons as well as higher household consumption, resulting from increased real disposable income. Cumulatively, over the first nine months the retail trade turnover went up 3.8% in real terms yoy (+2.1% over the same period last year), where the growth in Retail trade of food, beverages and tobacco reached +1.6% (I-IX 2015: +3.3%), while in Retail trade of non-food products an impressive +8.1% (I-IX 2015: +4.9%). By the end of the year we expect the growth of real retail trade turnover yoy to continue, which, along with the announced further tax relief on wages through tax package changes, should continue even in 2017.

Dollar rises strongly, kuna unchanged

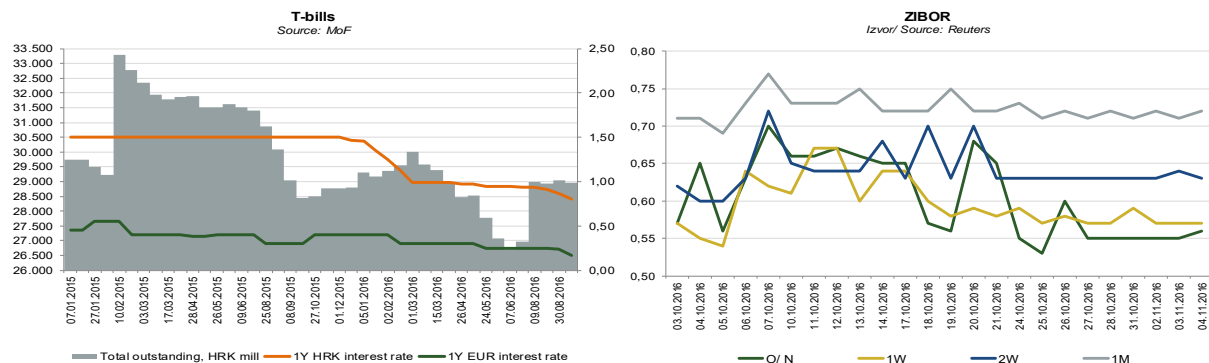
The pre-election weakness of the dollar ended, thus a dramatic recovery of the American currency was recorded last week and the trading on Friday closed at 1.0855 dollar to the euro, down by 2.6% wow.

The EURHRK exchange rate remained stable, therefore, the mid-exchange rate on Friday slightly fell to 7.4964 kuna to the euro, down by 0.2% wow, while the kuna against the dollar weakened by 1.8% at the same time and the exchange rate increased to 6.8888 kuna to the dollar. This week, we expect trading in the range 7.50-7.53 kuna to the euro.



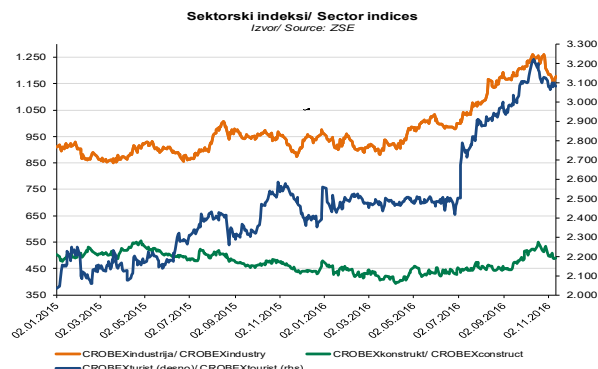
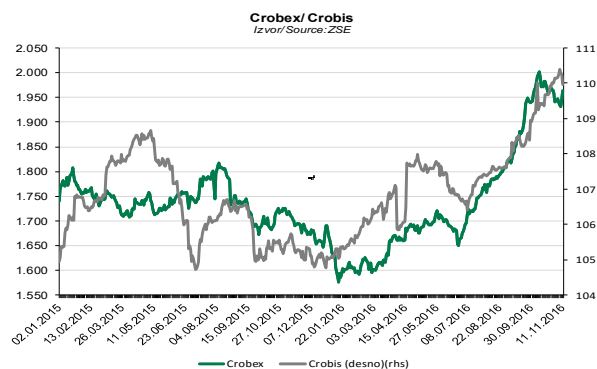
Interest rates unchanged

The beginning of a new obligatory reserve maintenance period has not led to a change in interest rates in the interbank market, owing to ample liquidity. The overnight Zibor remained at 0.56%, 1M decreased by 1 b.p. to 0.71%, while 3M stayed at 0.88%. At the regular reverse repo auction, CNB injected 30 million kuna more than the previous week, i.e. 270 million kuna at the fixed repo rate of 0.3%, while the total ZMM weekly turnover dropped to 155 million kuna, where the average daily excess of supply over demand declined to 304 million kuna. The balance of the subscribed T-bills amounts to 29.0 billion kuna, and there will be no maturity or auction this week, whereas a total of 1.7 billion kuna in T-bills will mature next week.



Crobex up wow

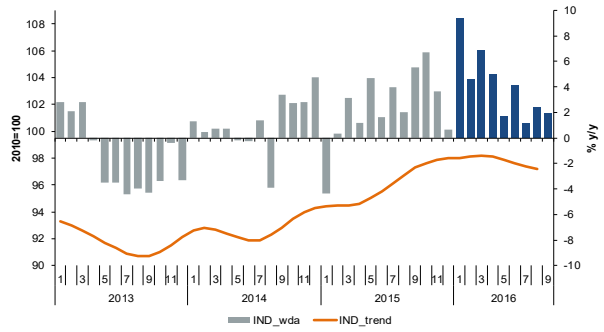
The Crobex index closed the week at 1,962.86 points, up by 0.8% wow, while the Crobis closed the week at 109.97 points, or down by 0.2% wow. As regards sector indices, CROBEXconstruct closed the week at 490.06 points (-1.3% wow), CROBEXindustry at 1,175.93 points (-0.8%), while CROBEXtourist closed the week at 3,080.99 points, up by 0.6%. The total ZSE turnover rose by 89.3% versus the week before (to 881.4 million kuna), where the turnover in shares increased more than 6 times (to 234.6 million kuna), while the turnover in bonds increased by 51.3% (to 646.7 million kuna).



Statistics

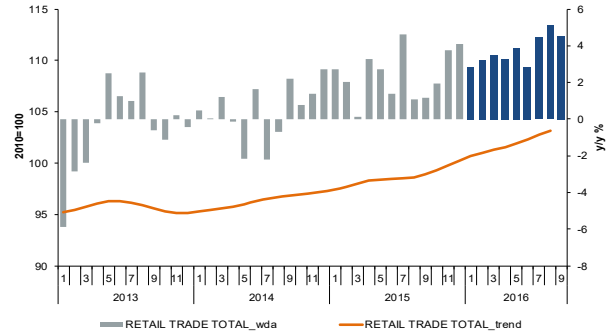
Industrial production, wda y/y % ch.

Source: Eurostat



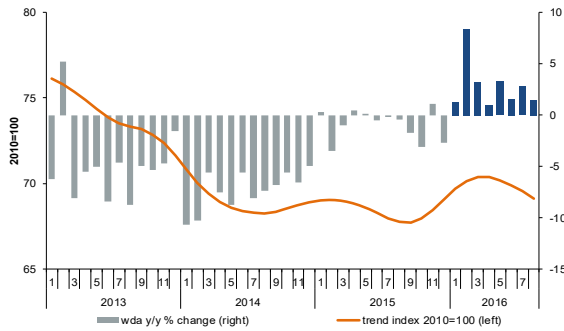
Retail trade, real, wda y/y ch.

Source: CBS



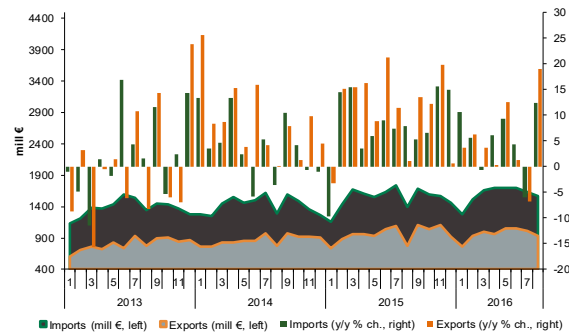
Construction works, y/y % ch. and index 2010=100

Source: CBS



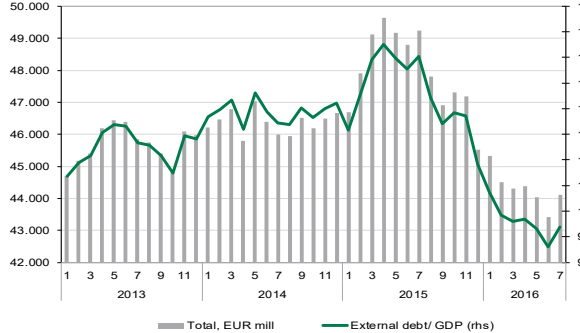
Goods exports and imports (y/y % ch. and mill €)

Source: CBS



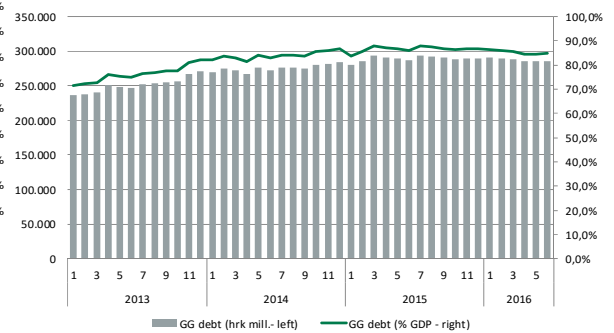
External debt, amount and share to GDP

Sources: CNB, CBS, PBZ



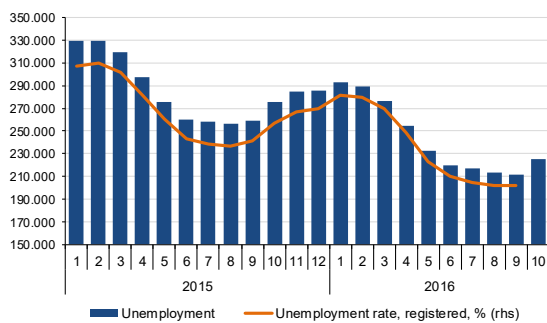
General government debt

Source: CNB



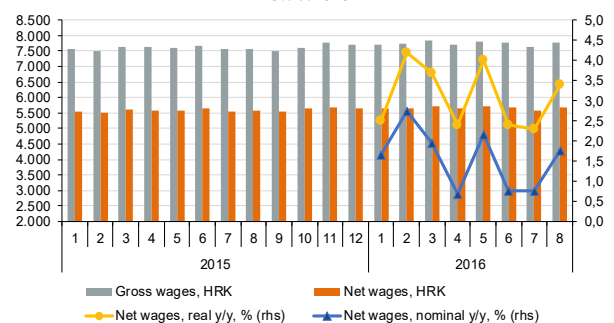
Total unemployment and unemployment rate

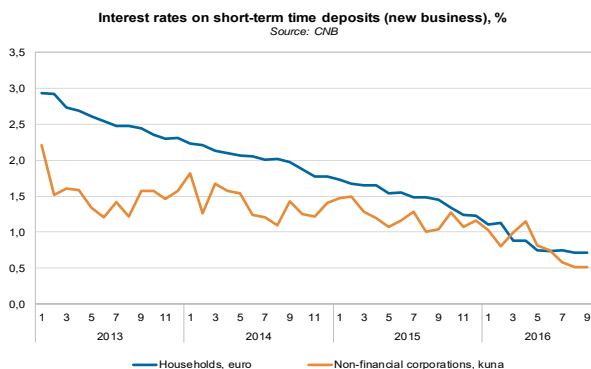
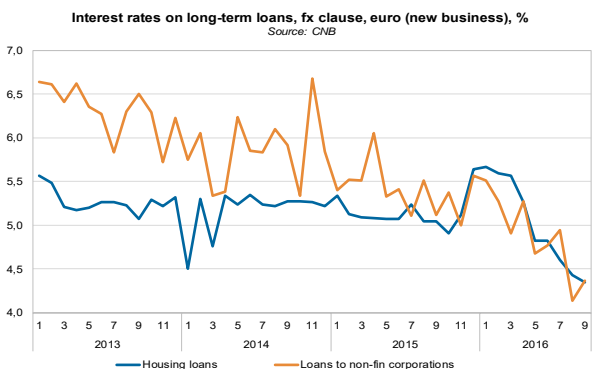
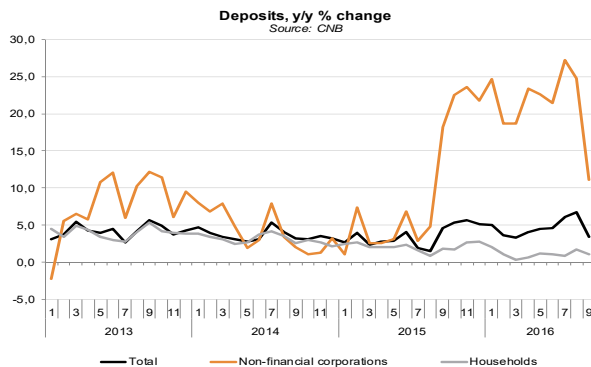
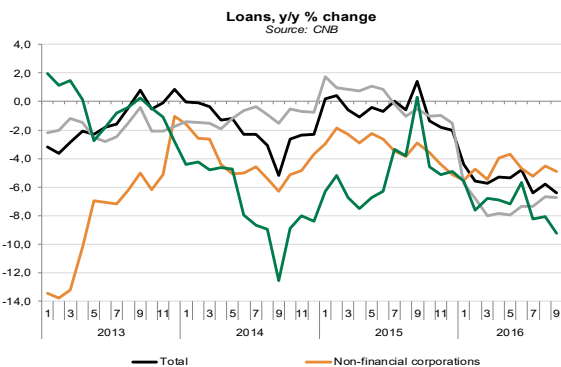
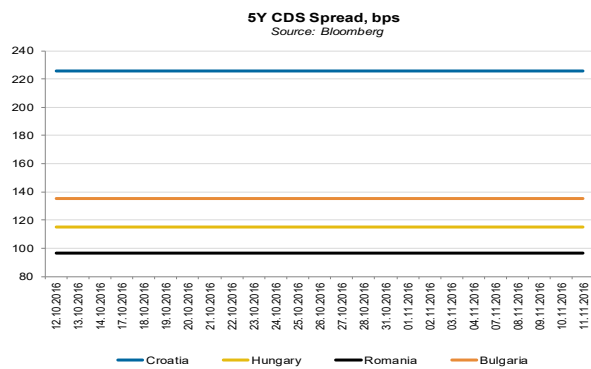
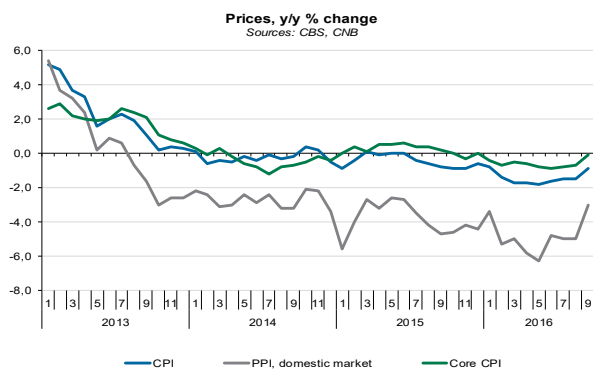
Source: CBS



Wages, monthly average

Source: CBS





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