

# PBZ Weekly Analysis

## Number 541, November 28, 2016

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## Weekly overview

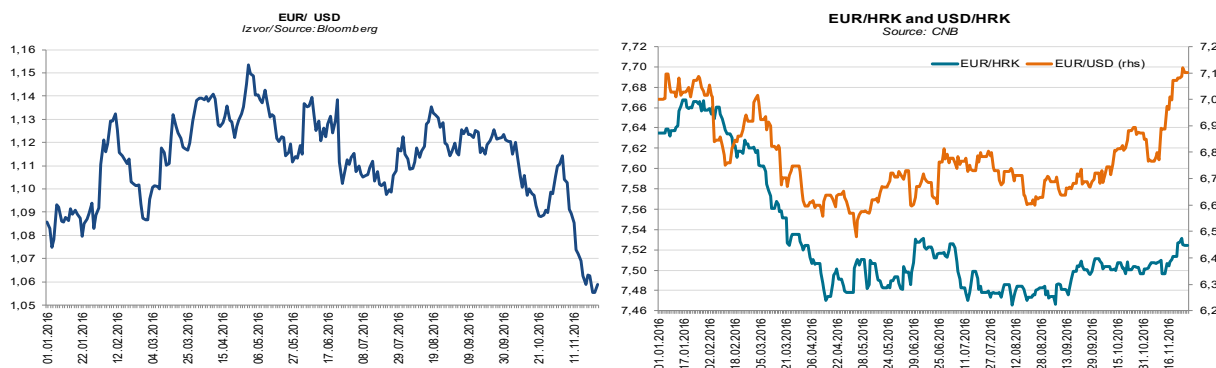
- The average interest rate on newly granted loans to the private sector (revolving loans not included) decreased by 73 b.p. for kuna loans (amounting to 7.37%) and 76 b.p. for loans with a currency clause (to 5.28%) over the first nine months of this year compared with the average interest rate recorded last year, while the interest rate on term deposits fell by 52 b.p. for kuna (to 1.28%) and 63 b.p. for FX deposits (to 0.90%). Over the analysed period, the average interest rate on newly granted household loans decreased by 78 b.p. to 8.33% for kuna loans and 83 b.p. to 5.80% for loans with a currency clause. Retail kuna loans for other purposes recorded a drop in the interest rate of 35 b.p. (to 8.19%), while kuna card loans and overdrafts recorded a drop of 62 and 70 b.p. (8.16% and 9.51%), respectively. The interest rate on retail kuna loans for other purposes indexed to a foreign currency posted a sharper fall of 72 b.p. to 6.88%. The interest rates on kuna housing loans declined an average decline of 37 b.p. to 4.80% showing a trend of a further drop, while the interest rate on housing loans with a currency clause fell barely by 6 b.p. to 5.01%, as the average interest rate increased from November 2015 to April 2016 due to the conversion; specifically, the interest rate on the loans converted to the euro was higher than the statutory interest rate on franc loans, while according to the statistics of the central bank, the conversion is presented as granting a new loan. The drop in the interest rate on newly granted loans to non-financial corporations was slightly lower, amounting to 53 b.p. for kuna and 66 b.p. for loan indexed to a foreign currency (4.63%, 4.91%). Analysing the total amount of loans, the good news is that interest rates on corporate loans decreased in all classes, indicating that banks reduced their criteria for financing both large and medium and small-sized companies and that the increased demand is present in all the segments. Interest rates on term deposits followed the trend of interest rates on loans, thus, compared with the average of last year, the average interest rate on household term deposits in euros decreased by 66 b.p. on short-term deposits and 78 b.p. on long-term term deposits (to 0.84% and 1.45%), respectively, while the interest rate on kuna term-deposits recorded a fall for both short-term and long-term deposits of 63 b.p. (to 1.50% and 2.28%, respectively). Interest rates on term deposits of non-financial corporations decreased as well, thus the interest rate on short-term kuna deposits dropped by 41 b.p. to 0.79%, and for short-term euro deposits by 59 b.p. to 0.21%.

## Dollar still strong, kuna stable

The appreciation of the dollar continued last week, additionally supported by the favourable U.S. economic indicators. The EUR/USD exchange rate declined to 1.0553 in the middle of the week, hitting the lowest level since March last year. By the end of the week, the dollar slightly weakened and the trading on Friday closed at 1.0589 dollar to the euro, recording no change now.

Last week, the EUR/HRK trading was around the level of 7.53, with a short-term leap above 7.54 at the beginning of the week. The mid-exchange rate on Friday amounted to 7.5241 kuna to the euro, up

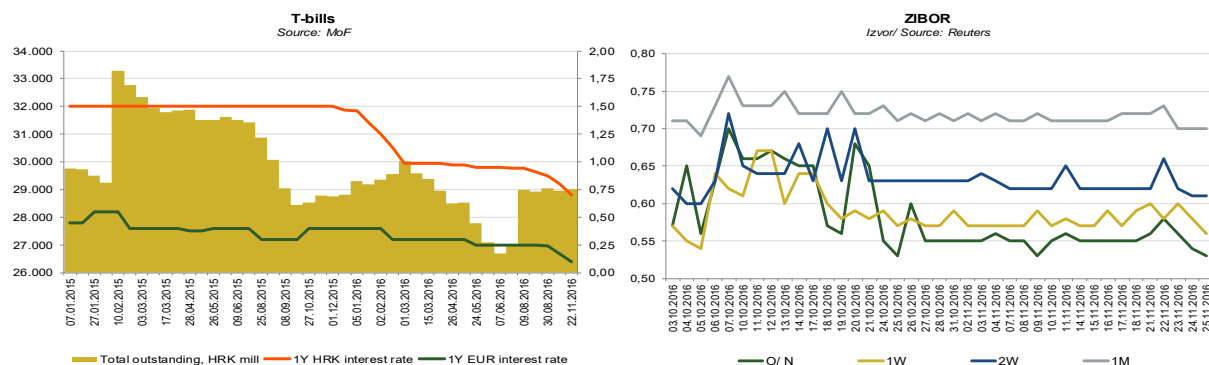
by 0.1% wow, while the kuna against the dollar weakened by 0.4% to 7.1008 kuna to the dollar. This week, we anticipate trading in the range 7.52-7.55 kuna to the euro.



## Lower interest rates

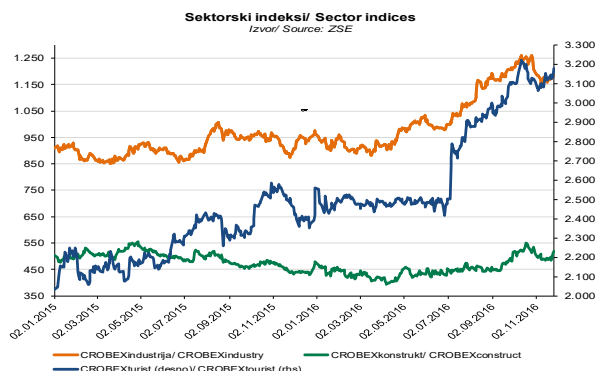
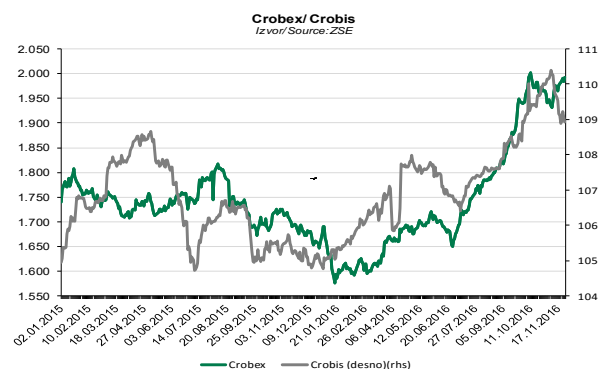
Liquidity is ample, so interest rates have increased slightly by the end of the week, reaching the end of the week at the lower levels than those recorded the previous Friday. Therefore, the overnight Zibor declined wow by 2 b.p. to 0.53%, 1M by 2 b.p. to 0.70%, whereas 3M by 1 b.p. to 0.87%. At its regular reverse repo auction, the same as the week before, CNB injected 280 million kuna at the fixed repo rate of 0.3%, whereas, CNB injected 47.5 million kuna at the fixed repo rate of 1.4% at this year's fourth structural repo auction. The ZMM turnover dropped to 126 million kuna, while the average daily excess of supply over demand fell to 248 million kuna.

Last week, 1.7 billion kuna in T-bills matured, whereas a total of 1.71 billion kuna and 3 million euro in T-bills were issued, due to which the government debt under the issued T-bills moderately rose to 29.0 billion kuna. Kuna T-bills were issued with a maturity of six months (10 million kuna) and one year (1.7 billion kuna), with the interest rate of 0.3, i.e. 0.7%, respectively, down by 15 and 10 b.p. from the previous issue. The euro T-bills were issued with a maturity of one year and with the interest rate of 0.1%, down by 7 b.p. from the previous issue. This week, a total of 0.9 billion kuna in T-bills will mature and the auction with a planned amount of 700 million kuna and 10 million euro has been announced.



### Crobex up for the third consecutive week

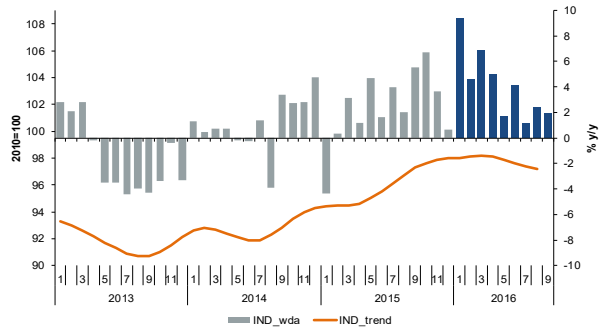
The Crobex index closed the week at 1,992.49 points (+0.7% wow), while the Crobis closed the week at 108.94 points, i.e. down by 0.2% wow. As regards sector indices, CROBEXconstruct closed the week at 518.81 points (+6.6% wow), CROBEXtourist at 3,178.51 points (+1.7%), while CROBEXindustry closed the week at 1,185.15 points (+1.5%). The total ZSE turnover amounted to 956.6 million kuna, i.e. down by 56.5% wow, due to a fall in the turnover of bonds of 55.6% (to 916.2 million kuna), while the turnover in shares decreased by 70.6% (to 40.4 million kuna).



# Statistics

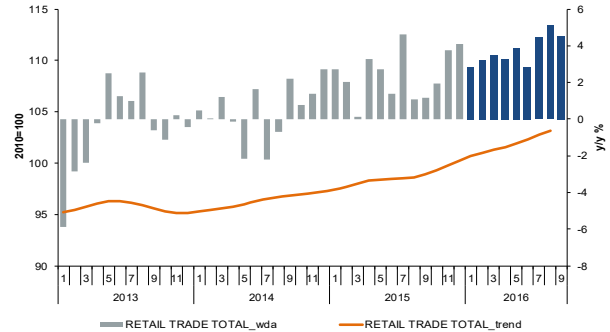
**Industrial production, wda y/y % ch.**

Source: Eurostat



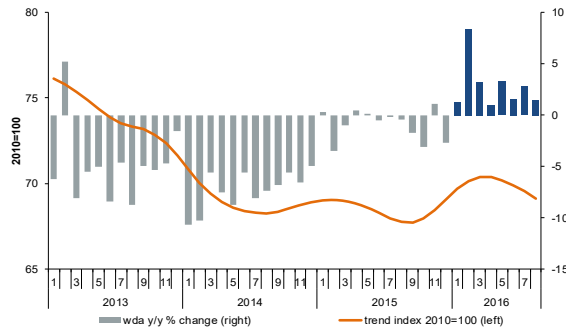
**Retail trade, real, wda y/y ch.**

Source: CBS



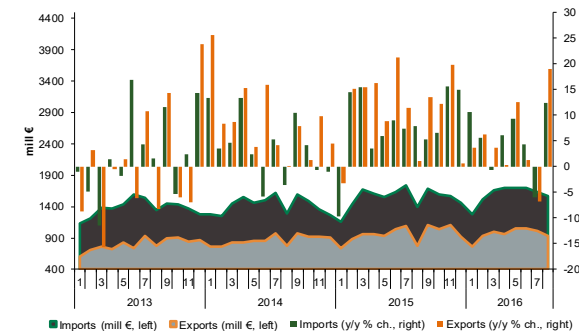
**Construction works, y/y % ch. and index 2010=100**

Source: CBS



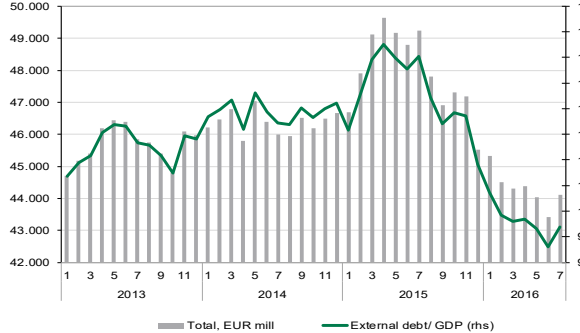
**Goods exports and imports (y/y % ch. and mill €)**

Source: CBS



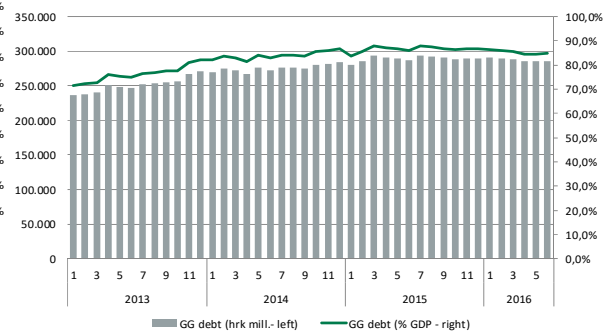
**External debt, amount and share to GDP**

Sources: CNB, CBS, PBZ



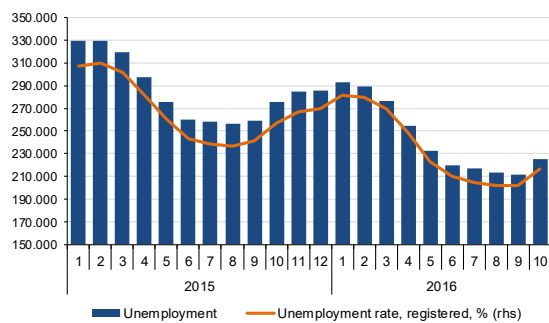
**General government debt**

Source: CNB



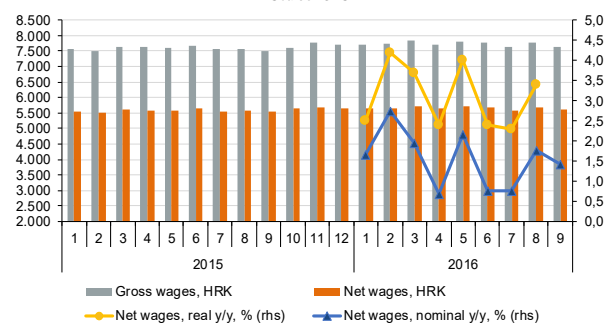
**Total unemployment and unemployment rate**

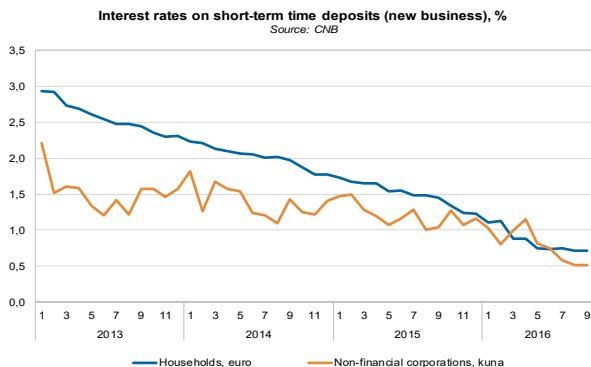
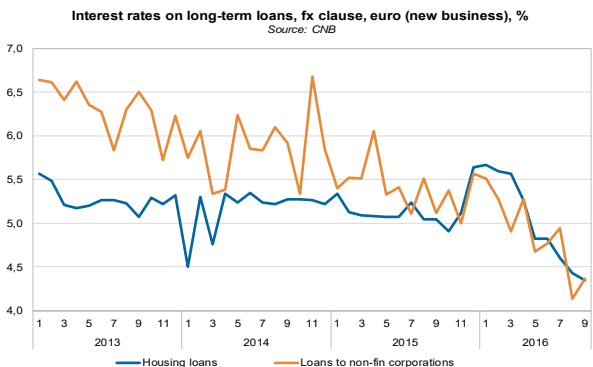
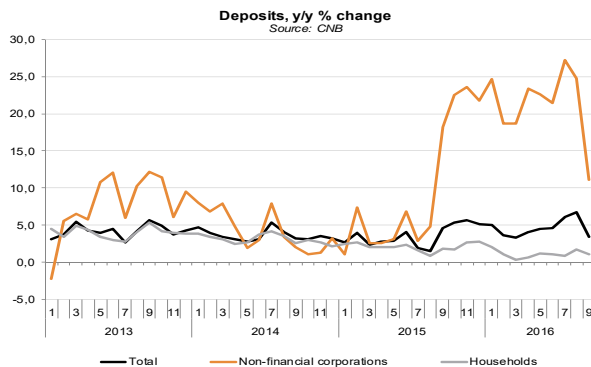
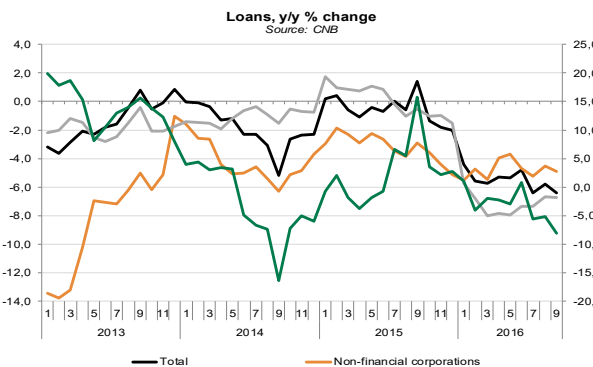
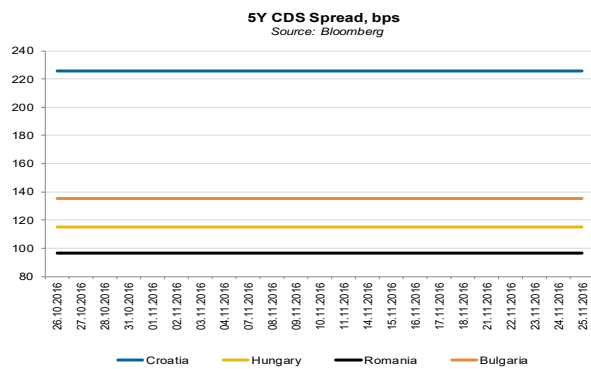
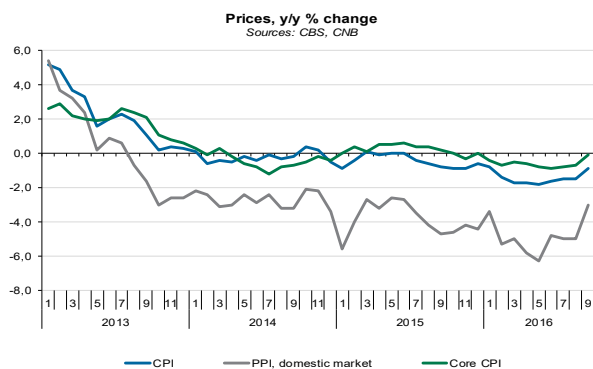
Source: CBS



**Wages, monthly average**

Source: CBS





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