

PBZ Weekly Analysis

Number 545, January 9, 2017

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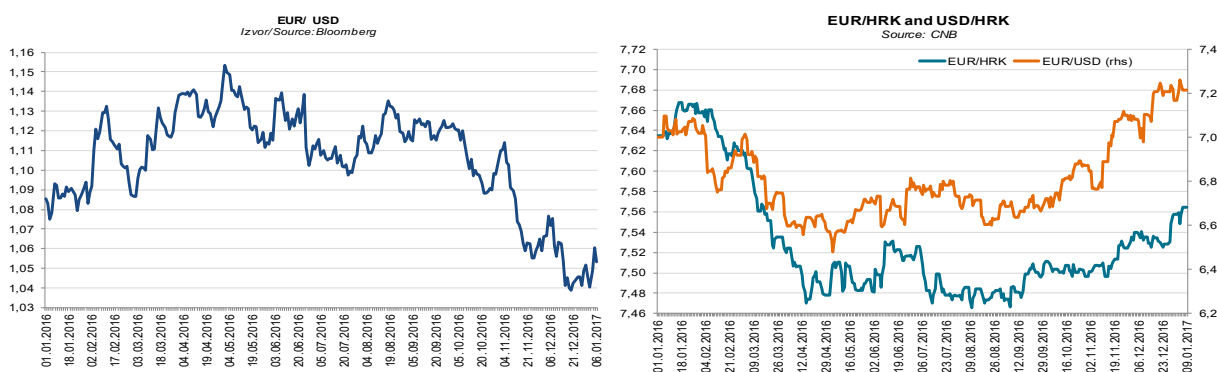
Weekly overview

- According to the flash estimate of the Croatian Bureau of Statistics, the real retail trade turnover in November 2016 increased by 2.7% yoy (wda data), thus continuing a positive growth trend yoy for the 27th consecutive month. According to both seasonally adjusted and working-day adjusted data, the retail trade turnover recorded a mom real-term decrease of 1.6%. Due to (another) record tourism season, but also increased citizen spending resulting from higher real disposable income and positive labour market indicators, we expect a real-term increase in the retail trade turnover for 2016 around 4% yoy (+2.4% in 2015), while in 2017, we anticipate a further growth in the retail trade, supported mainly by tax relief on wages through tax package changes.

Kuna stable

At the beginning of 2017, the dollar strengthened again to 1.04, however, the dollar was corrected by the end of the week and the trading on Friday closed at 1.0517 dollar to the euro, up by 0.1% wow.

Following the intervention of CNB in the last week of 2016, where 438.3 million euro was purchased from the banks at the 7.5647 exchange rate, the EUR/HRK exchange rate recorded only minor fluctuations last week. The mid-exchange rate on Friday amounted to 7.5647 kuna to the euro, up by 0.1% wow, while the kuna against the dollar weakened by 0.6% to 7.2135 kuna to the dollar.

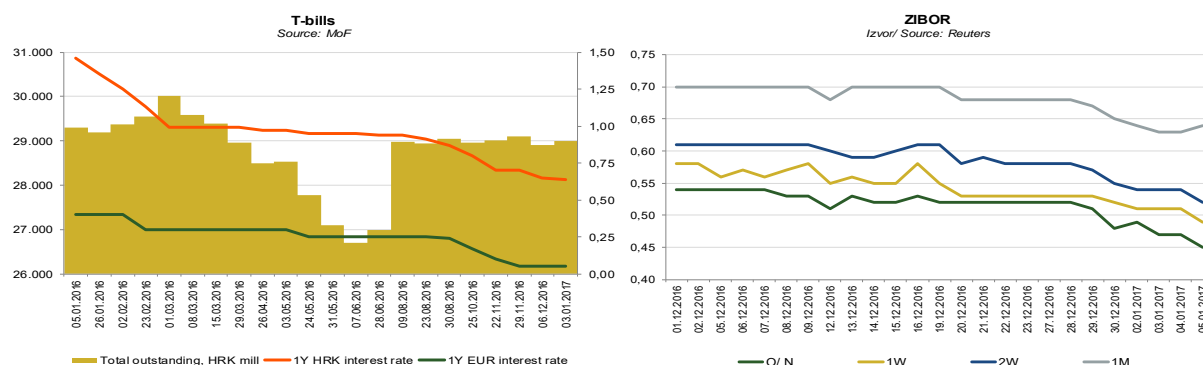


Moderate decrease in interest rates

Interest rates recorded only minor changes over the last, calm week, therefore the overnight Zibor slightly dropped to 0.45%, down by 3 b.p. wow, 1M to 0.64% (-1 b.p.), and 3M to 0.79% (- 3 b.p.). At the regular reverse repo auction, CNB injected in the system 110 million kuna at the fixed repo rate of 0.3%, while the ZMM turnover jumped to 654 million kuna, with the average daily excess of supply over demand of 383 million kuna.

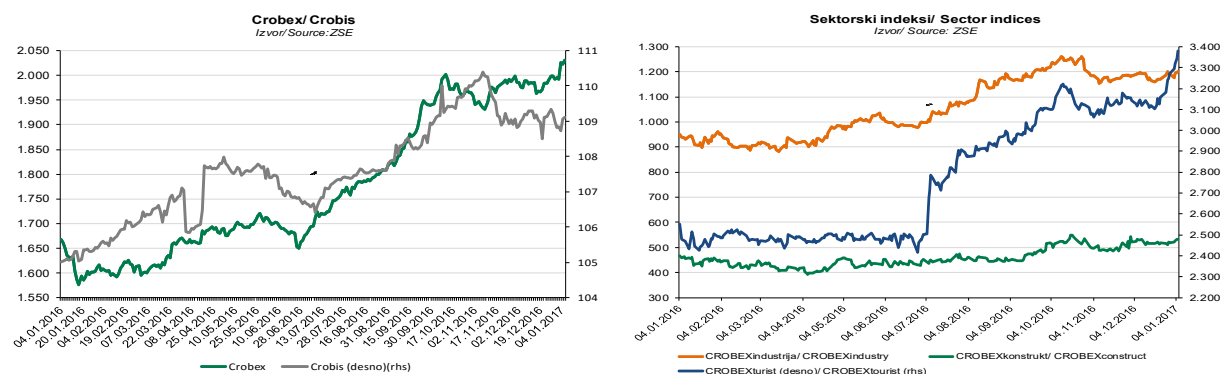
At the last week's auction, a total of 1.635 billion kuna in kuna T-bills were issued, out of which 50 million with 91-day maturity, 50 million with 182-day maturity and 1.535 billion kuna with 364-day maturity at the interest rate of 0.2% (down by 20 b.p. versus the previous auction), 0.28% (down 2

b.p.) and 0.64% (down 1 b.p.), respectively. There will be no maturity this week, while the current balance of the subscribed T-bills amounts to 29.0 billion kuna.



Crobex above psychological threshold

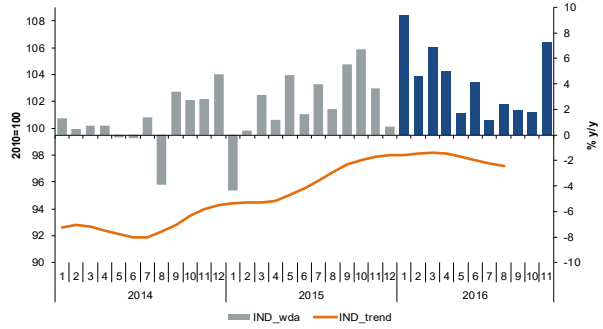
The Crobex index closed the week at 2,030.28 points (+1.8% wow), the highest level since August 2011, while at the end of last year, compared with the end of 2015, Crobex was up by 18.1%. The Crobis index closed the week at 109.12 points, i.e. up by 0.3% wow. The total ZSE turnover rose by 2.8% versus the week before (to 614.7 million kuna), where the turnover in shares recorded an increase of 30.1% (to 69.8 million kuna), and the turnover in bonds recorded a minor increase of 0.1% (to 544.9 million kuna). Sector indices ended in positive territory, where the largest increase was recorded by CROBEXtourist (+3.3% wow), closing the week at the historically highest level of 3,380.13 points. CROBEXconstruct rose by 3.0% wow (to 533.40 points), while CROBEXindustry closed the week at a 0.6% higher level wow (to 1,199.98 points).



Statistics

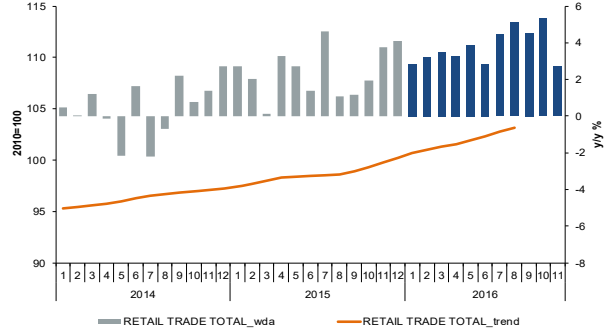
Industrial production, wda y/y % ch.

Source: Eurostat



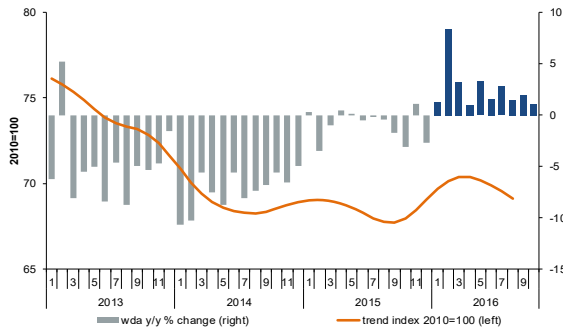
Retail trade, real, wda y/y ch.

Source: CBS



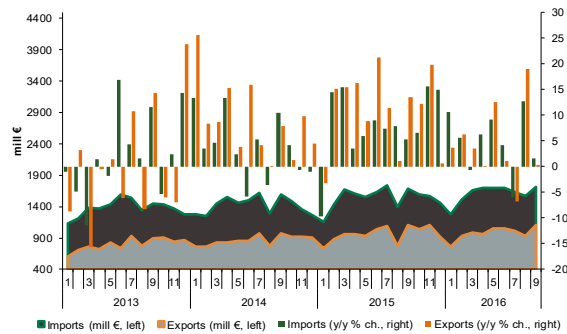
Construction works, y/y % ch. and index 2010=100

Source: CBS



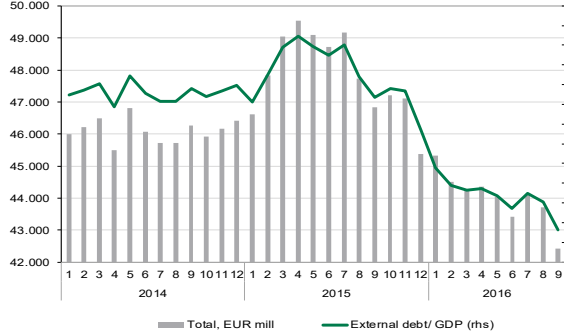
Goods exports and imports (y/y % ch. and mill €)

Source: CBS



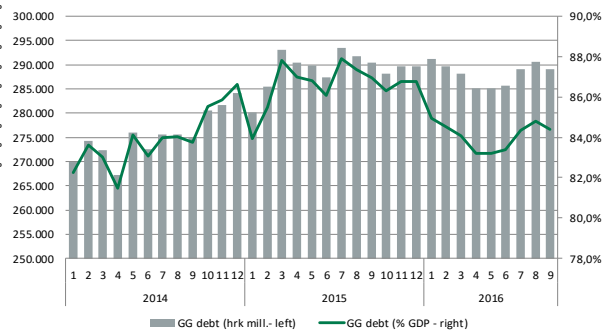
External debt, amount and share to GDP

Sources: CNB, CBS, PBZ



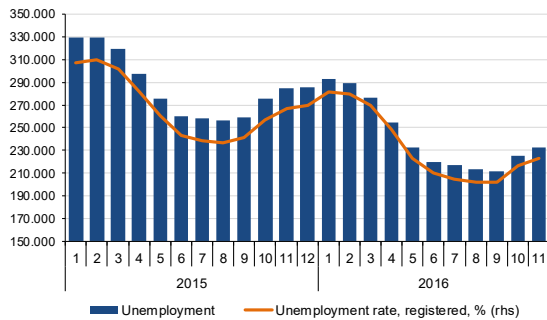
General government debt

Source: CNB



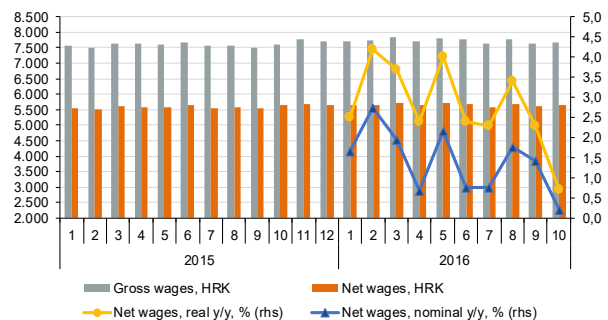
Total unemployment and unemployment rate

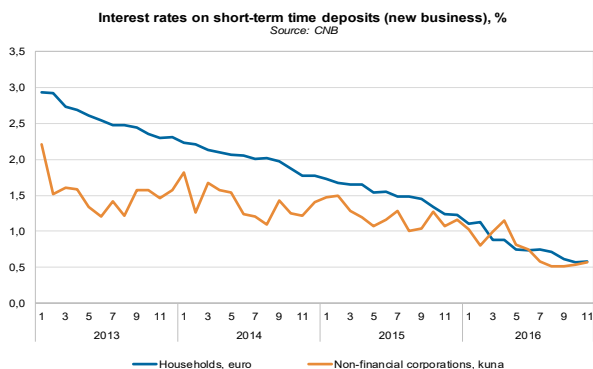
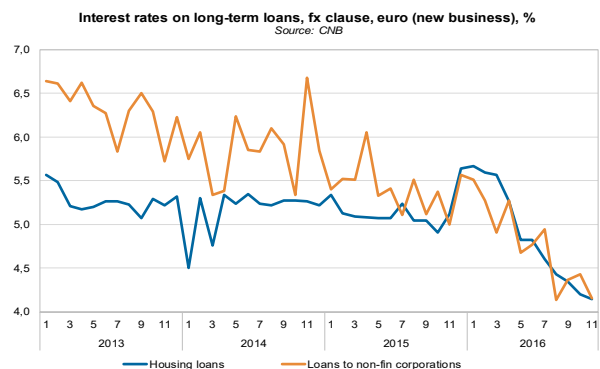
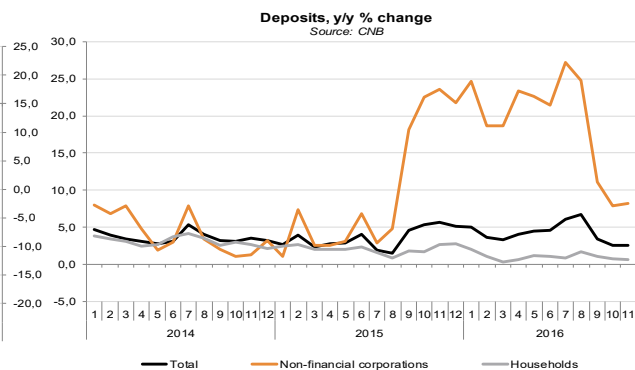
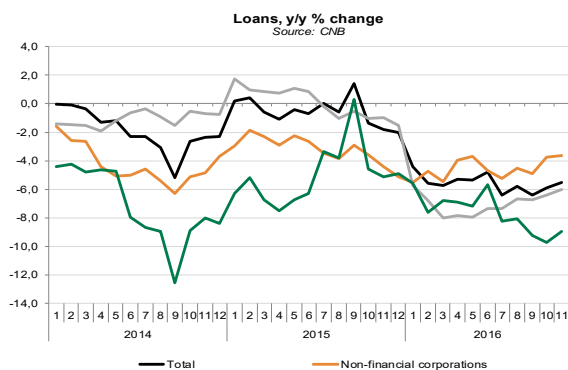
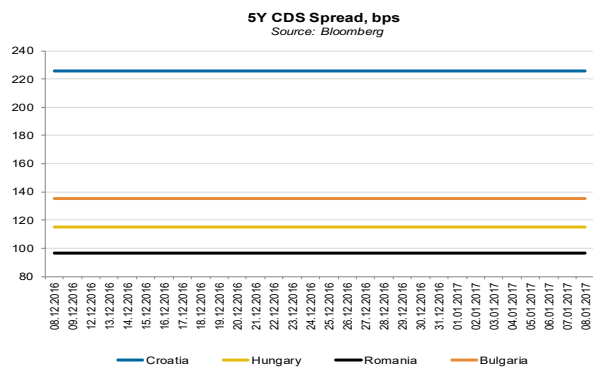
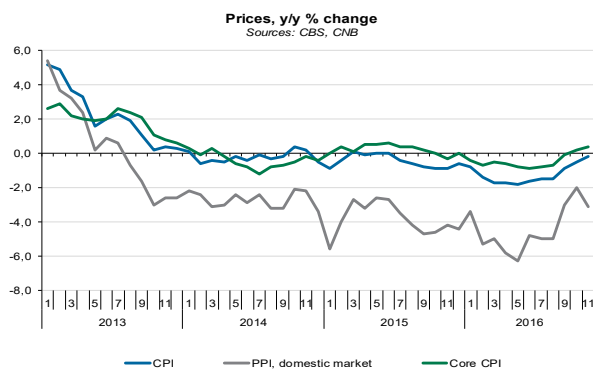
Source: CBS



Wages, monthly average

Source: CBS





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