

PBZ Weekly Analysis

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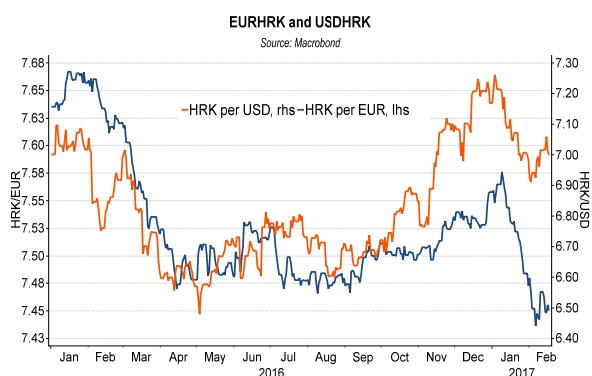
Weekly overview

- Last week, the Croatian Bureau of Statistics confirmed its estimate of the increase in the real retail trade turnover for December of 5.8% (wda) yoy, while the increase recorded at the level of 2016 (after +0.4% in 2014 and +2.4% in 2015) amounted to 4.0%, due to (one more) record tourism season with almost 16 million arrivals (up by 8.7% versus the previous year) and over 78 million nights (+9.0%), but also due to a growth in personal consumption as a result of higher real net earnings (by 2.7% yoy over the first eleven months of 2016) and a decline in the number of unemployed persons (by 15.4% or 44,046 persons yoy). The increase in Retail trade of food, beverages and tobacco slowed down in 2016 to 1.4%, after an increase of 2.8% yoy recorded in 2015, whereas the increase in Retail trade in non-food products (automotive fuels excluded) accelerated to 7.8% (2015: +5.9%), partly owing to a 23.5% rise in the sale of personal transportation vehicles. This year, we expect a continuation in the real retail trade turnover growth yoy, mainly due to a further tax relief on wages through tax package changes, while we anticipate a positive contribution of a new tourism season as well.

Dollar continues to strengthen

The dollar appreciated strongly against the euro in the middle of last week and the trading was below 1.06 level, as the Fed's Chairwoman Yellen speech resulted in market expectations on the next fed funds rate hike in June. The exchange rate was slightly corrected by the end of the week and trading closed at 1.0616 dollar to the euro on Friday, down by 0.3% wow.

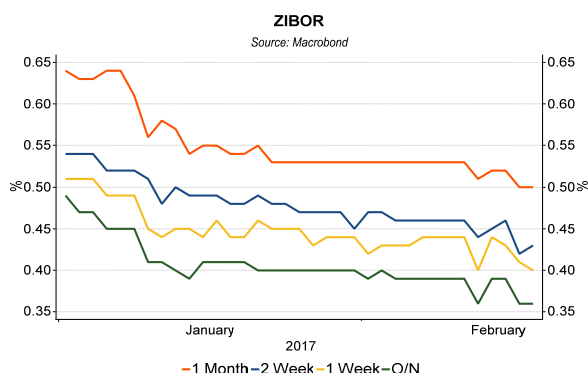
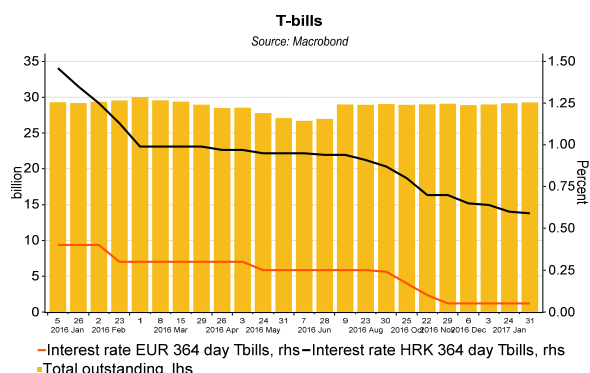
Last week, trading was in the range 7.43-7.47 kuna to the euro, and the mid-exchange rate on Friday amounted to 7.4503 kuna to the euro, down by 0.2% wow. The kuna against the dollar also strengthened by 0.2% to 6.9989 kuna to the dollar. This week, we expect the kuna to the euro to continue trading in the range 7.43-7.47.



Liquidity remains at record levels

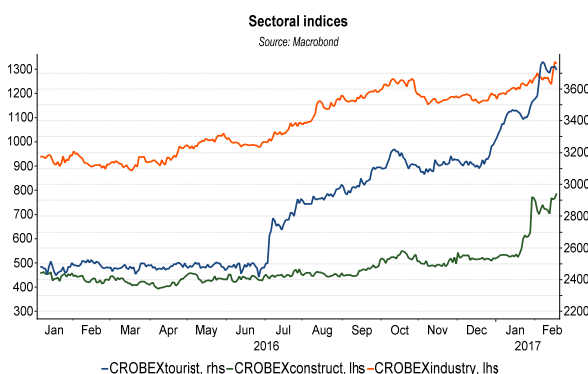
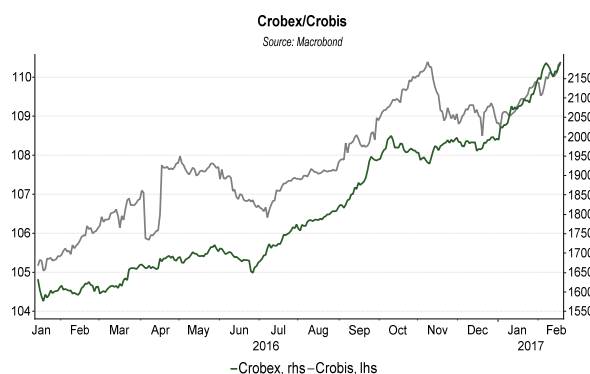
Liquidity remains at record levels thus interest rates recorded a slight decrease. The overnight Zibor fell by 3 b.p. wow to 0.36%, 1M also by 3 b.p. wow to 0.50%, and 3M by 2 b.p. wow to 0.62%. At the regular reverse repo auction the central bank injected in the system 40 million kuna, 70 million kuna less wow, at a usual fixed repo rate of 0.3%, whereas the ZMM turnover was only 14 million kuna.

Last week there were no maturities nor auction thus the government debt remained at 29.3 billion kuna. This week, a total of 1.3 billion kuna will mature and the auction is planned in the same amount.

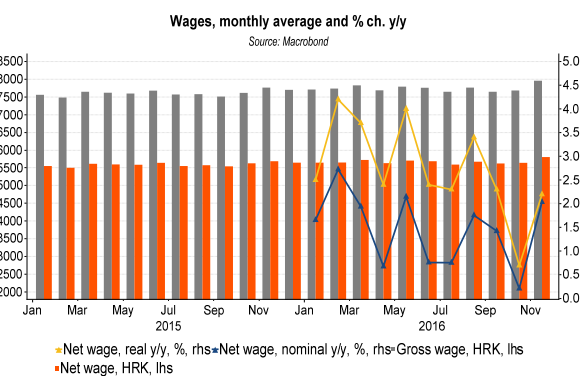
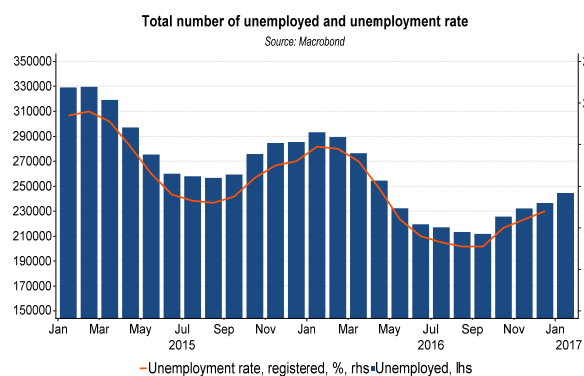
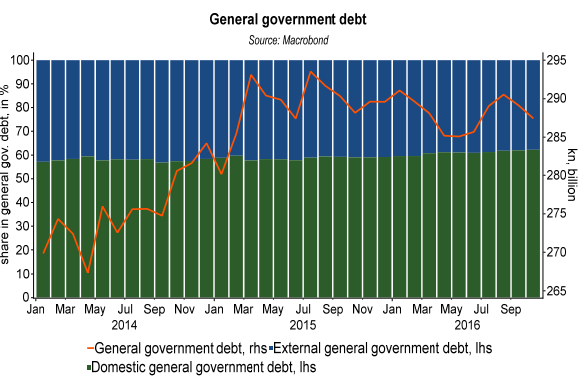
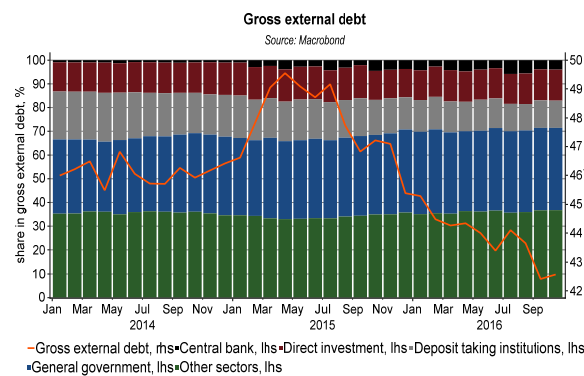
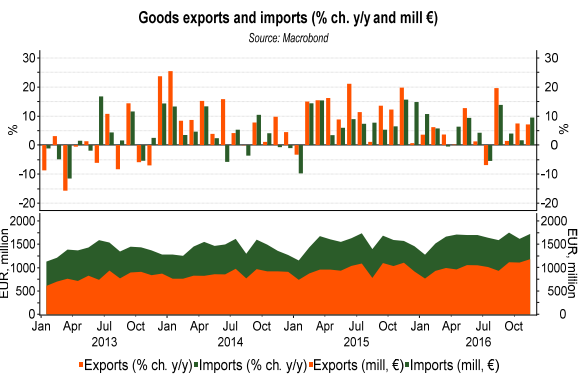
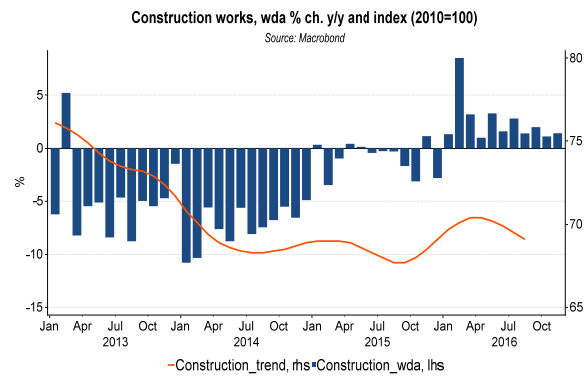
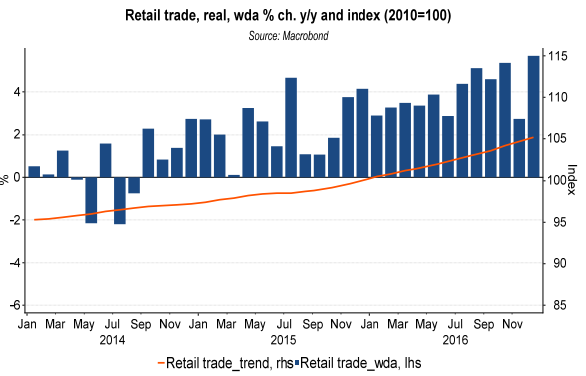
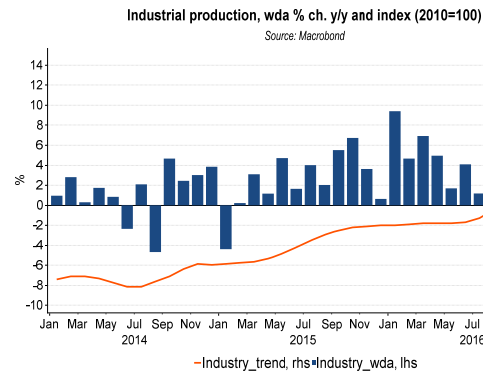


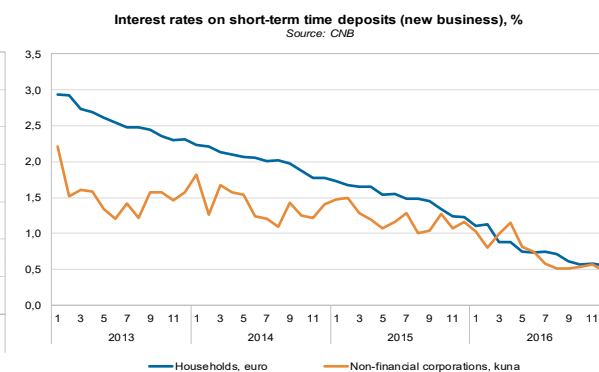
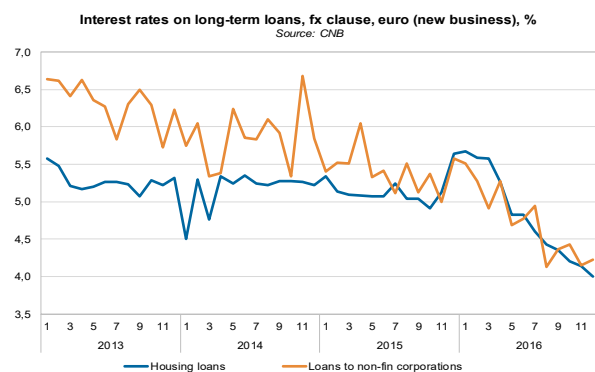
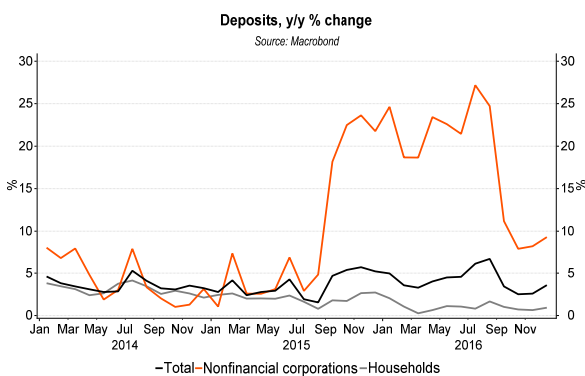
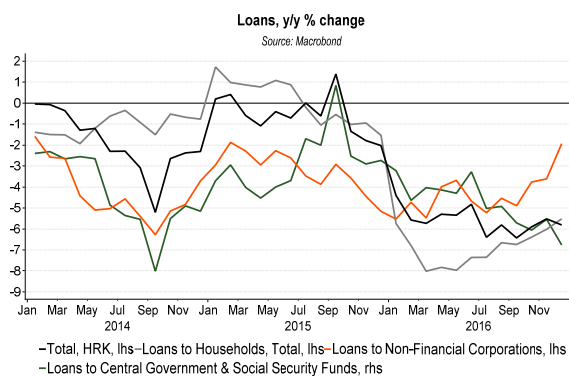
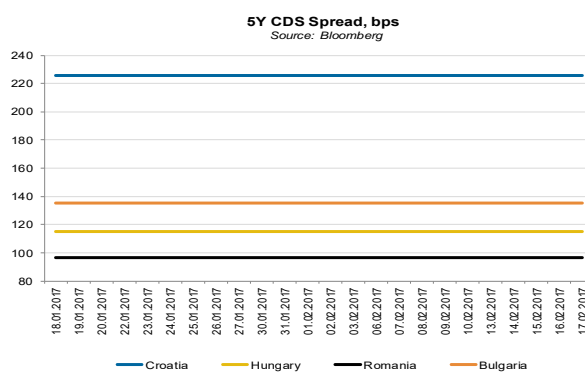
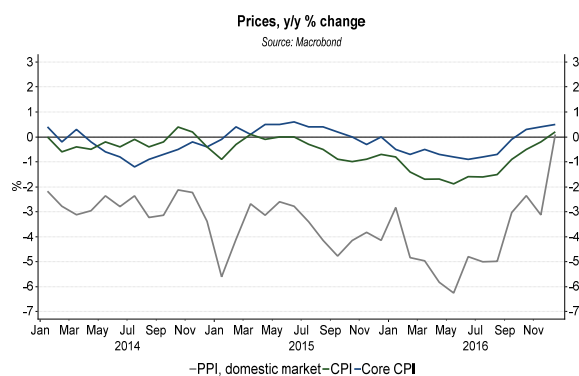
Crobex up wow

The Crobex index closed last week with an increase of 1.4% wow (to 2,192.75 points), while Crobis closed the week at 110.31 points or up by 0.2% wow. Sector indices ended in positive territory, where CROBEXconstruct recorded the highest growth, rising by 9.7% wow (to 786.95 points). CROBEXindustry rose by 4.5% wow (closing the week at a new, historically highest level of 1,322.62 points), while CROBEXtourist rose by more moderate 0.3% (to 3,719.92 points). The total ZSE turnover amounted to 390.8 million kuna, i.e. down by 40.6% wow, as a result of a 47.8% decrease in the turnover in bonds (to 288.5 million kuna) and a 2.6% decrease in the turnover in shares (to 102.3 million kuna).



Statistics





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