

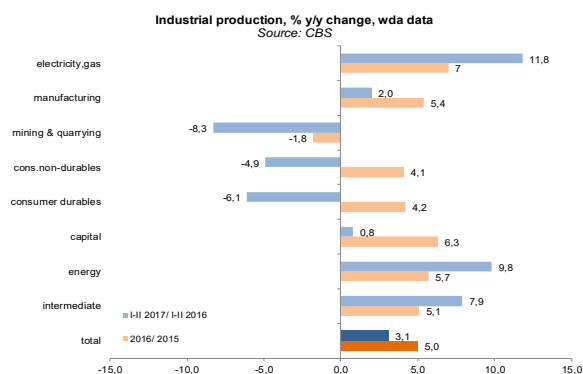
# PBZ Weekly Analysis

## Number 557, April 3, 2017

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## Weekly overview

- The industrial production in February, according to wda data, rose by 2.3% yoy, recording at the same time the 25th consecutive month of an increase in the industry yoy. The increase in the industrial production yoy (according to NKD) was supported by a positive performance (+1.6%) in the category Manufacturing (80.3% share in total IP),



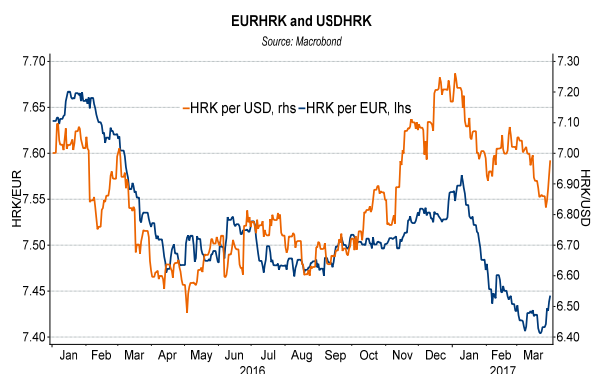
where a special emphasis is on the Manufacture of coke and refined petroleum products, which rose by 214.9%, while its largest component (Manufacture of food products, with a 14.4% share in total IP) recorded a decrease for the second consecutive month (-0.8%) yoy. A positive contribution to the yoy increase in IP in February also came from the category Electricity, gas, steam and air conditioning supply (+4.0%), while the increase in the industrial production was slightly lessened by reduced production in the category Mining and quarrying (-10.2%). At the monthly level, according to the seasonally and working-day adjusted data, the industrial production dropped by 1.4%, mostly due to a strong fall in the production of Energy (-11.8%).

- The volume of construction works in January 2017 decreased by 2.7% yoy (wda), due to a strong fall in civil engineering works of 7.7% (also the largest decrease yoy since November 2014), which may be partly caused by unfavourable weather conditions, while an increase (+2.4%) in the construction activities on buildings, although a slightly lower, has continued for the fifteenth consecutive month. The comparison with the last month of 2016 shows a decline of 5.9% in the construction activity in January (seasonally and working-day adjusted), of which the construction activity on buildings declined by 3.5%, while civil engineering works declined by 9.8%. Total construction activity should resume its positive growth rates over the upcoming months, mainly under the influence of economic recovery in general, partly owing to a better utilisation of the available EU funds, but also due to a stronger investment activity in the tourist sector as well as the announced administrative measures which should result in increasing residential construction. Positive expectations are also supported by a 66.6% higher number of building permits issued in January 2017, with a total value of works amounting to 1.9 billion kuna, showing an increase of 67.7% yoy.

## Higher volatility in domestic market

The dollar has started to recover losses incurred after the Fed's Decision, so trading on Friday closed at 1.0652 dollar to the euro, down by 1.4% wow.

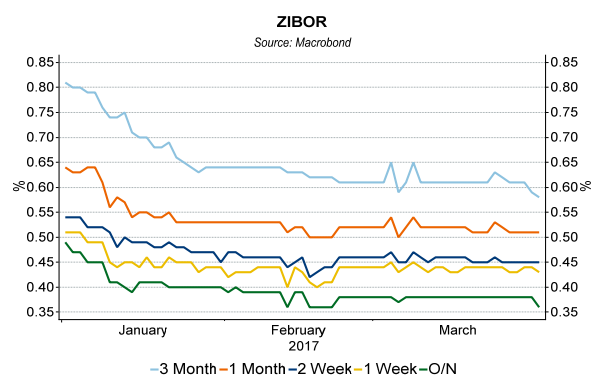
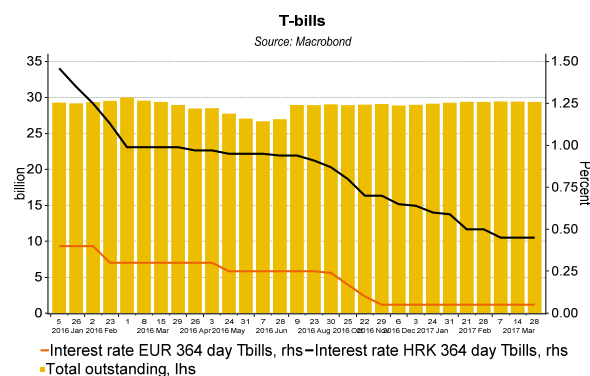
Last week, the domestic FX market saw rather large turnovers, while the quarter ended with a slightly higher volume of corporate clients and fluctuations in the exchange rate from 7.4150 to 7.4650 kuna to the euro. The mid-exchange rate amounted to 7.4451 kuna to the euro on Friday, up by 0.5% wow, while the kuna against the dollar weakened by 1.7% to 6.9770 kuna to the dollar. This week, we anticipate trading in the range 7.43-7.48 kuna to euro.



## Moderate fall in interest rates

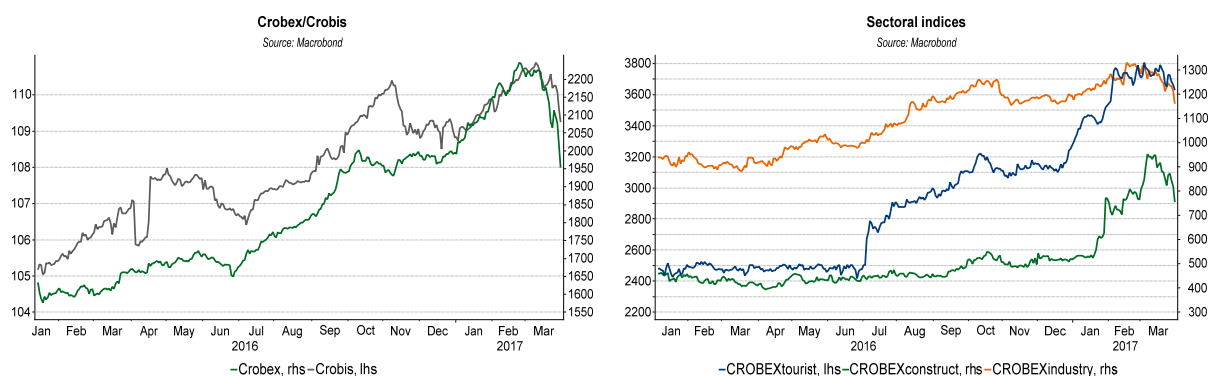
Liquidity continued to remain around 17 billion kuna and interest rates recorded only slight shifts to lower levels. The overnight Zibor declined by 2 b.p. wow to 0.36%, 1M by 1 b.p. to 0.51%, and 3M by 4 b.p. to 0.58%. There was no demand at the regular reverse repo auction of CNB again, while the ZMM turnover amounted barely to 17.5 million kuna.

Last week, 0.6 billion kuna matured, the same as the amount subscribed, so the government debt under T-bills remained at 29.4 billion kuna. There was a subscription of one-year kuna T-bills at the interest rate of 0.45%, unchanged versus the previous issue. This week, 50 million kuna will mature and there will be no auction.

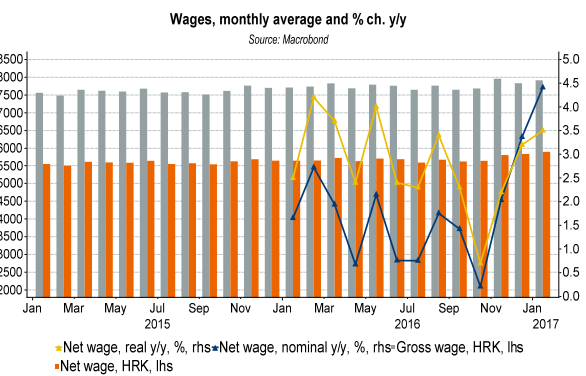
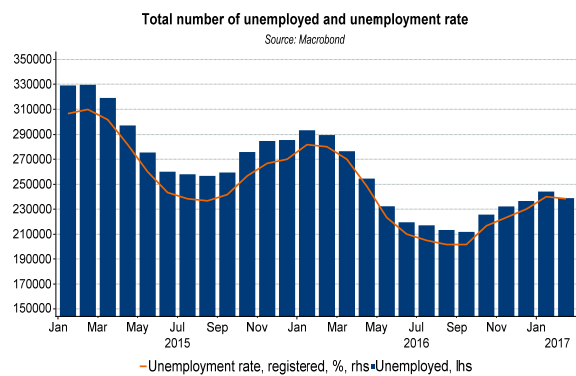
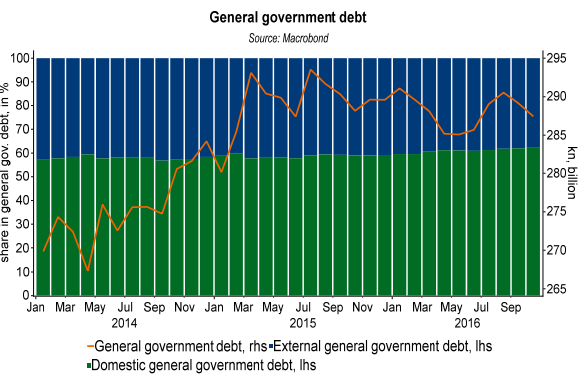
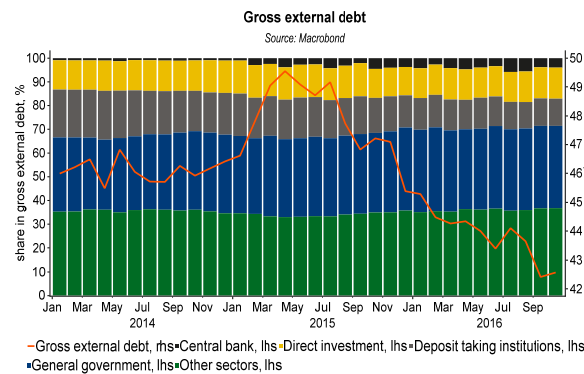
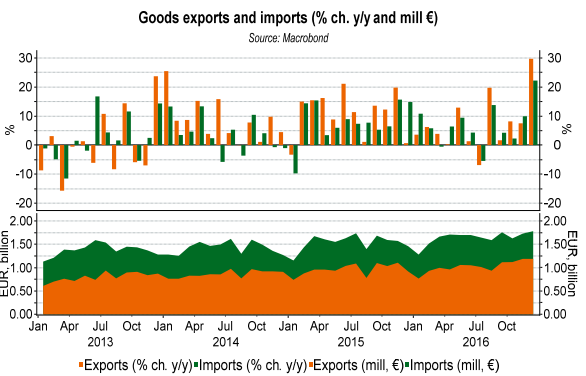
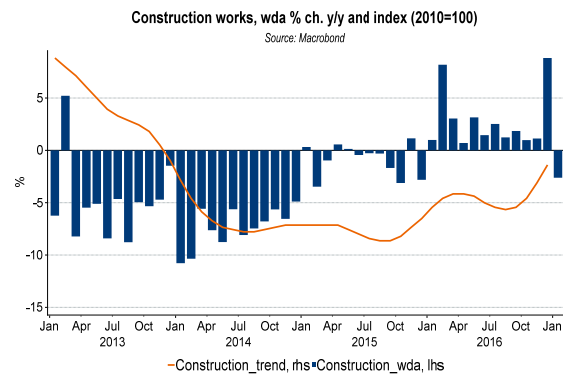
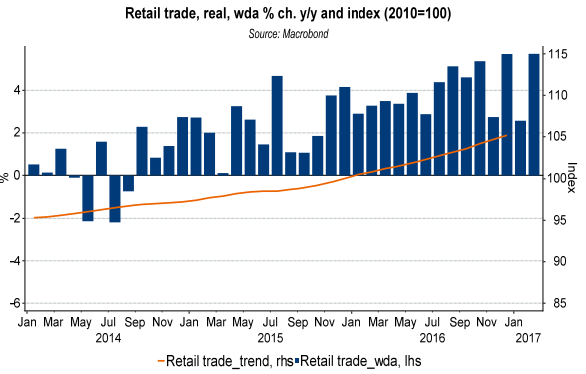
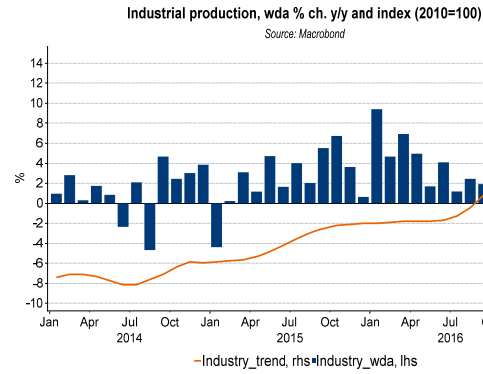


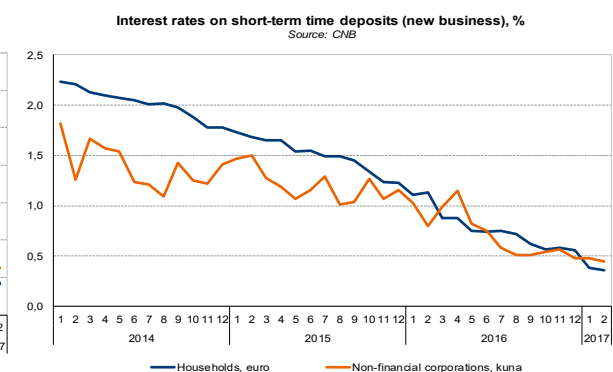
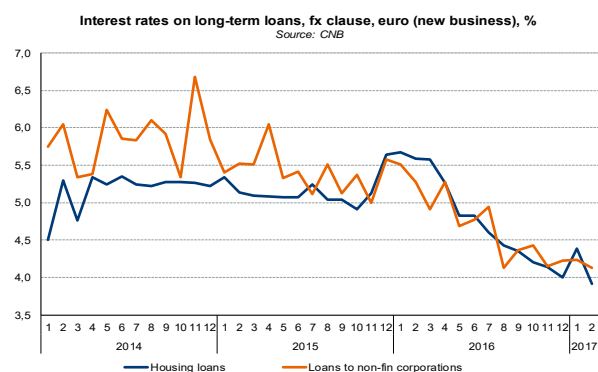
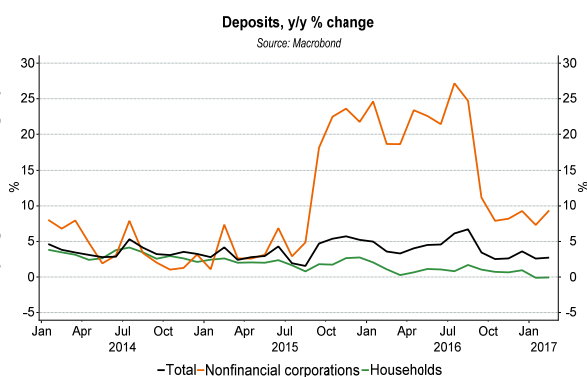
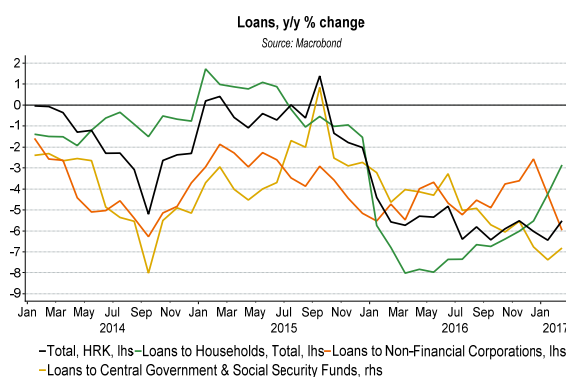
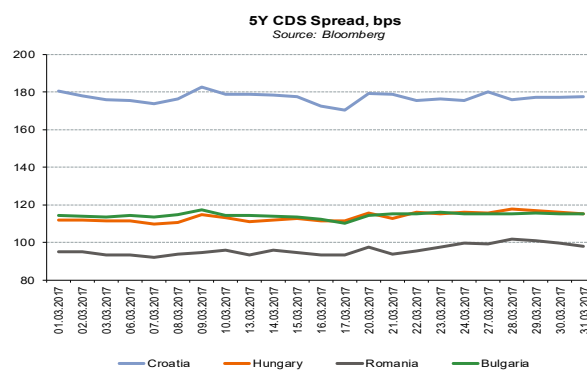
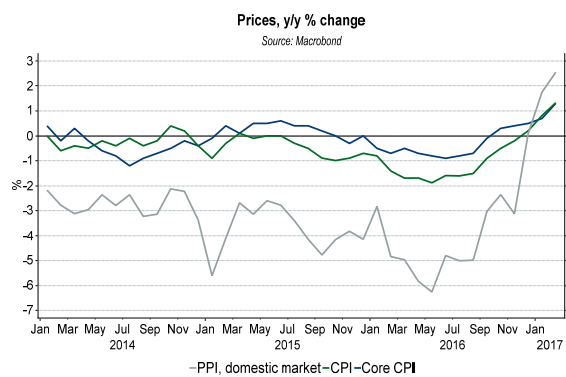
## Crobex down for the third consecutive week

The Crobex index closed last week at 1,989.27 points, recording a drop of 5.8% wow, while Crobis closed the week at 109.16 points or down by 1.0% wow. Sector indices also ended in negative territory, where the largest fall (-8.0%) wow was recorded by CROBEXindustry, closing the week at 1,145.85 points, while CROBEXconstruct (815.38 points) and CROBEXtourist (3,636.06 points) closed the week decreasing by 5.9% and 2.5%, respectively. The total ZSE turnover was 1.4 times higher than the week before, amounting to 672.4 million kuna, where the turnover in bonds rose 1.2 times (to 464.1 million kuna), and the turnover in shares 2.1 times (to 208.3 million kuna).



# Statistics





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