

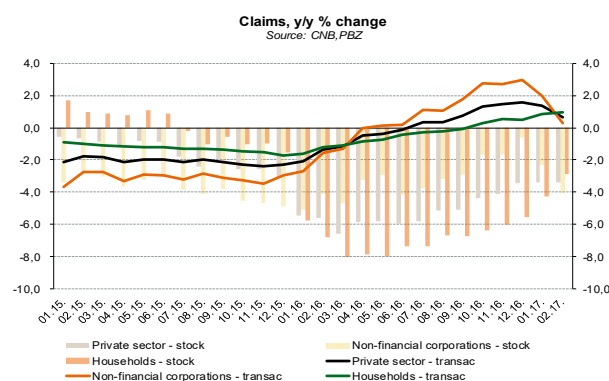
# PBZ Weekly Analysis

## Number 558, April 10, 2017

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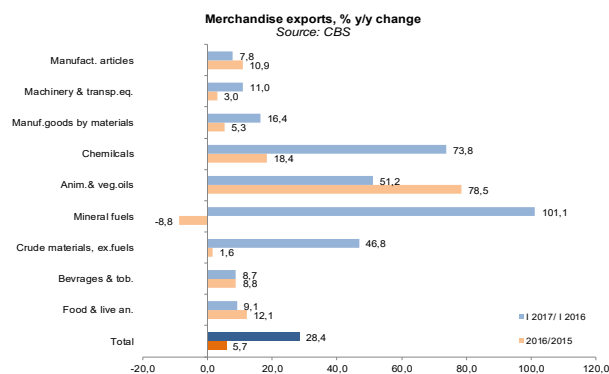
## Weekly overview

- The yoy rate of decrease in total loans was reduced from -6.5% in January to -5.5% in February, since a decline in loans to households and the central government slowed down. Thus, loans to households declined by 2.9% in February, of which housing loans fell by 5.2% yoy (kuna loans +82.8%), card loans by 3.3%, overdrafts by 5.8%, other loans by 3.7% (kuna +8.4%), while cash loans continued to grow at a +2.2% rate (kuna +25.3%). In February, loans to non-financial corporations continued their negative trend, dropping by 6.0% yoy (working capital loans -9.0%, investment loans -2.5%, other loans -5.8%). At the same time, the data on transactions shows that the banks' claims on households have continued to rise, reaching 1.0% yoy in February, which represents acceleration versus January (+0.9%), while the corporate sector recorded deleveraging over the first two months of 2017, due to which the yoy growth in claims on non-financial corporations slowed down from 2.0% in January to 0.3% in February (private sector +0.7%).



Loans to the central government and the social security funds dropped by 12.1% yoy in February. A growth in total deposits in February slightly speeded up to +2.7% yoy owing to a recovery of non-financial corporation deposits which, after a decline of 4.7% mom in January, increased by 0.3% in February versus January, which is a substantial increase of 9.3% versus the same month last year. Household deposits in February, the same as the previous month, declined by 0.1% yoy, as a result of the appreciation of the kuna against the euro; specifically, after excluding the influence of the exchange rate, total household deposits rose around 1.6%. FX savings decreased also after excluding the influence of the exchange rate changes, which shows a continuation of the outflow of citizen savings from banks into investments with higher yields.

- The export of goods in January 2017 rose by 28.4% (to 7.5 billion kuna), while the import of goods by 14.6% yoy (to 11.2 billion kuna), due to which the foreign trade deficit decreased by 6.1% (to 3.7 billion kuna), and the coverage of import by export rose by 7.2 p.p. (to 67.1%). According to more significant components of Manufacturing (which makes up the majority of the export of goods), the largest yoy growth was recorded by the export of pharmaceutical products and pharmaceutical preparations (by 510.8 million kuna or 155.9%) as well as coke and refined petroleum products (by 228 million kuna or 130.5%,



partly due to a recovery of the crude oil prices), while the largest component by share (food manufacturing) increased by 41 million kuna yoy (+8.1%). A high export growth recorded at the beginning of the year was also registered in the categories Electricity, gas, steam and air conditioning supply (+100.5% or 232.2 million kuna more yoy) and Agriculture, forestry and fishing (+55.9% or 182.5 million kuna more). Along with the data for January, CBS released the preliminary data for February, which show that total export of goods over the first two months of 2017 amounted to 15.5 billion kuna, up by 19.1% compared with the first two months of 2016, where the export in the EU countries rose by 13.5%, whereas the export in the non-EU countries rose even by 31.1%. At the same time, total import of goods amounted to 23 billion kuna, up by 7.4% yoy, of which the import from the EU member countries increased by 3.7%, and from other countries by 24.5%. Thus, the foreign trade deficit declined by 898.5 million kuna, i.e. 10.7% yoy over the first two months of 2017, while the coverage of import by export increased by 6.6 p.p. (to 67.3%).

### Dollar rising, kuna remains volatile

The dollar continued its strengthening trend against the euro, so trading closed at 1.0591 dollar to the euro on Friday, down by 0.6% wow.

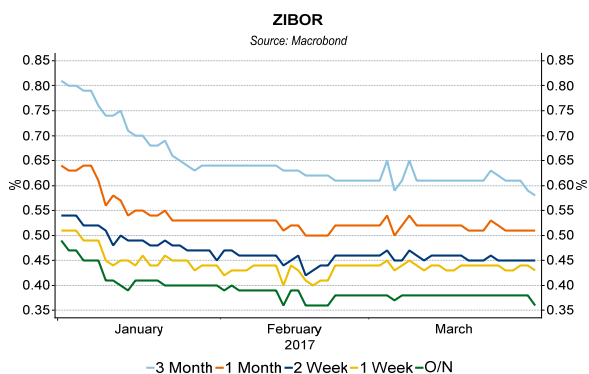
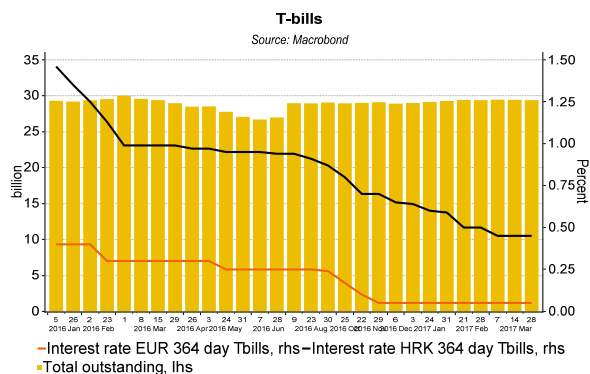
The period of uncertainty in the domestic FX market continued, therefore the exchange rate ranged from 7.42 to 7.48 kuna to the euro. The mid-exchange rate on Friday rose to 7.4586 kuna to the euro, up by 0.2% wow, while the kuna against the dollar weakened by 0.5% to 7.0119 kuna to the dollar. This week, we anticipate the trading range 7.42-7.48 kuna to the euro again.



### Money market calm

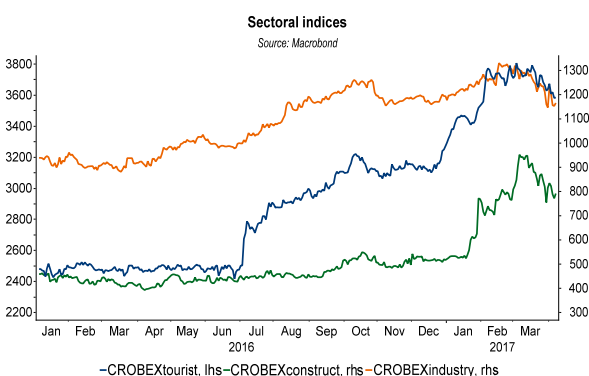
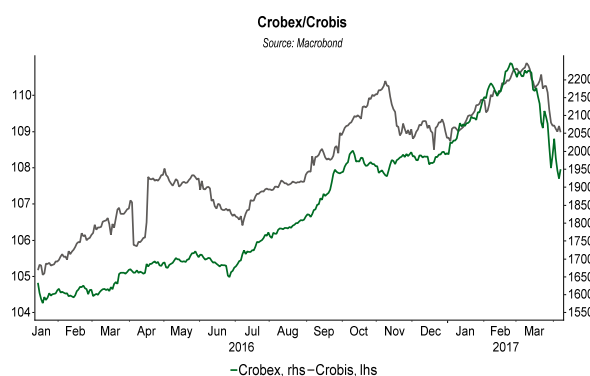
The money market saw no changes and interest rates were mostly stagnant. The overnight Zibor rose by 2 b.p. to 0.38% wow, while 1M stayed at 0.51% and 3M at 0.58%. There was no demand at the regular reverse repo auction of CNB, whereas the ZMM turnover was more active, amounting to 653 million kuna.

Last week, only 50 million kuna in T-bills matured, therefore there was no auction and the government debt under T-bills remained at 29.4 billion kuna. There will be no maturity and no auction this week.

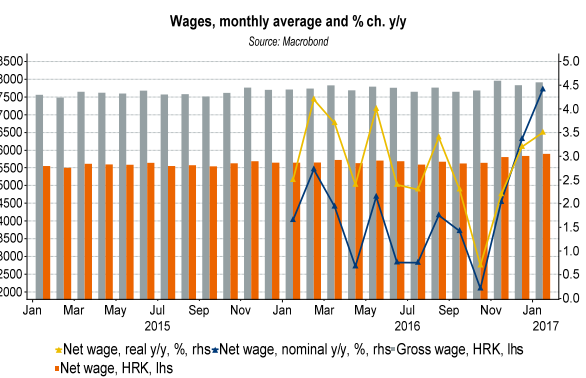
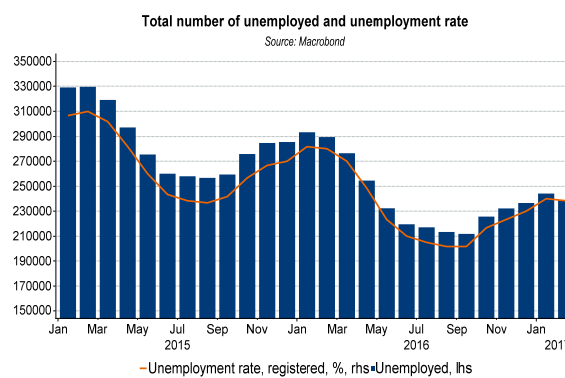
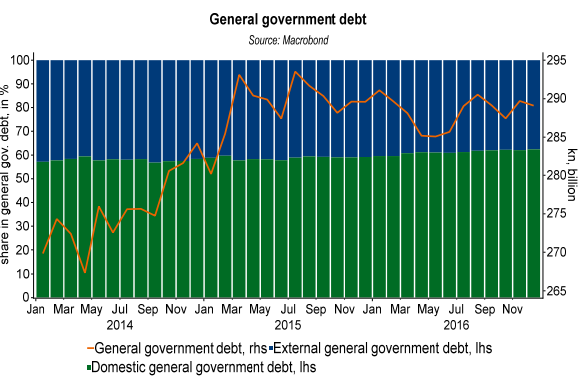
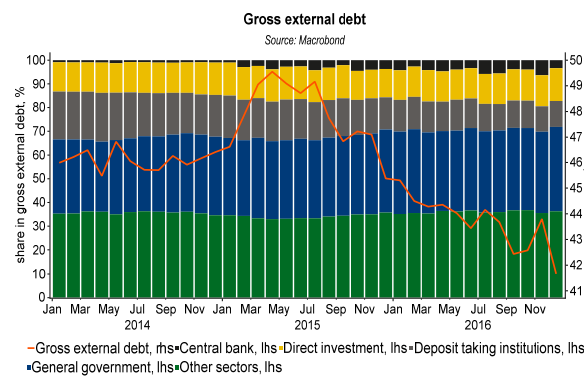
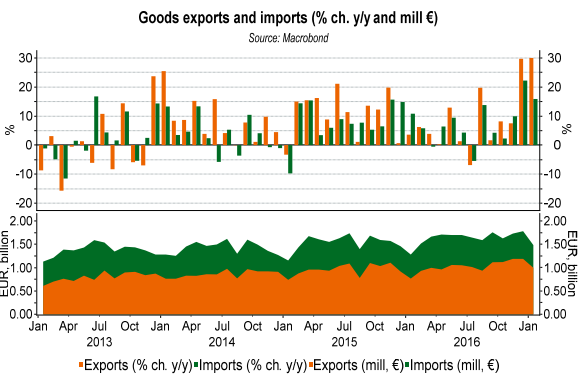
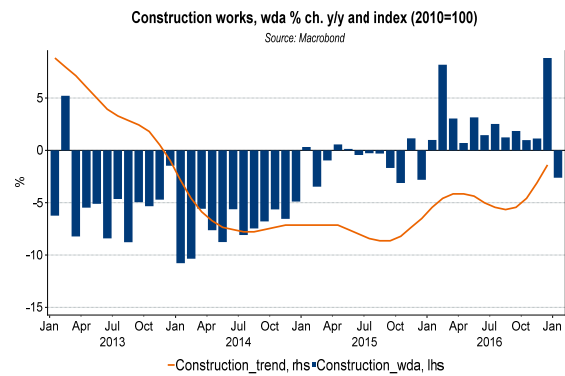
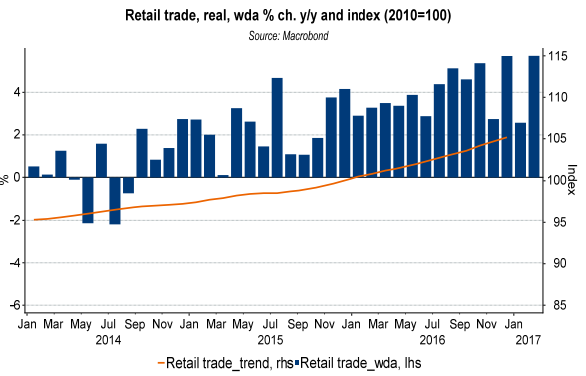
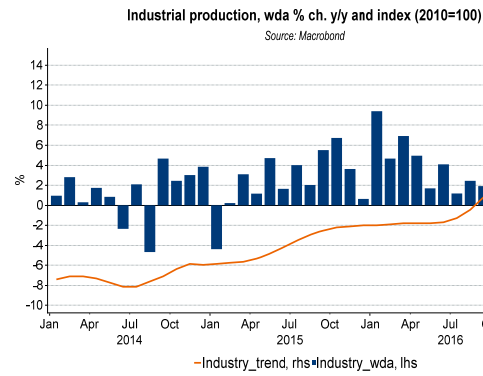


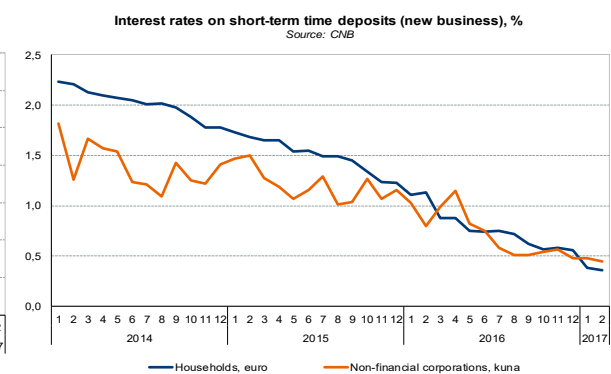
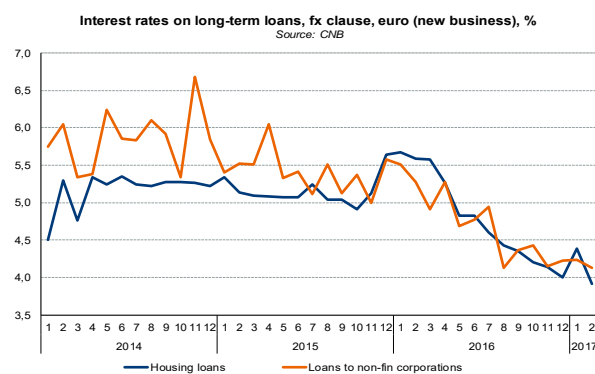
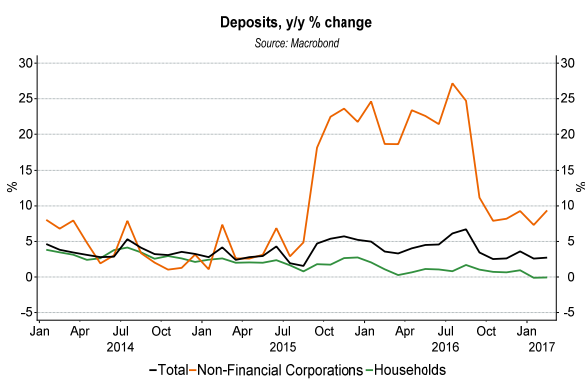
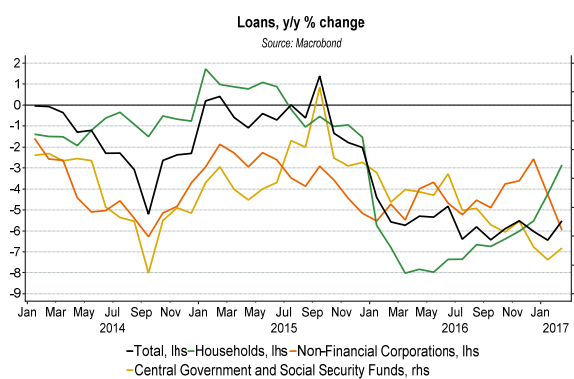
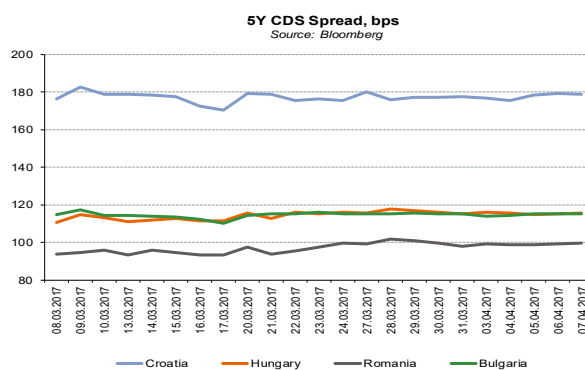
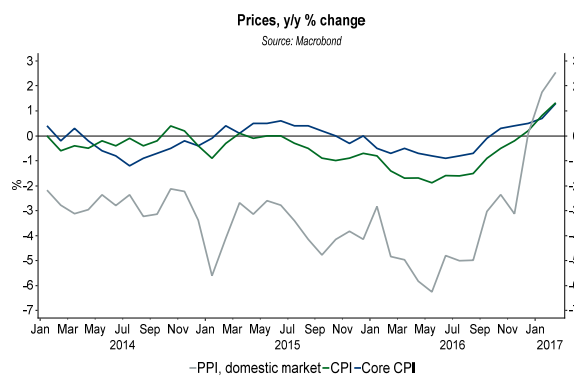
### Crobex negative trend

Last week, the total ZSE turnover amounted to 505.6 million kuna, down by 24.8% versus the week before, owing to a fall in the turnover in bonds of 51.1% (to 226.8 million kuna), while the turnover in shares increased to 278.8 million kuna, which is an increase of 33.8% wow. The Crobex index closed the week down by 2.0%, declining to a level of 1,950.41 points, due to which its negative trend continued for the fourth consecutive week, whereas Crobis closed the week at 108.98 points, i.e. down by 0.2%. As regards sector indices, CROBEXconstruct (791.92 points) and CROBEXtourist (3,538.71 points) closed the week down by 2.9% and 1.4%, respectively, while CROBEXindustry rose by 1.7% wow, closing at 1,165.61 points on Friday.



# Statistics





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