

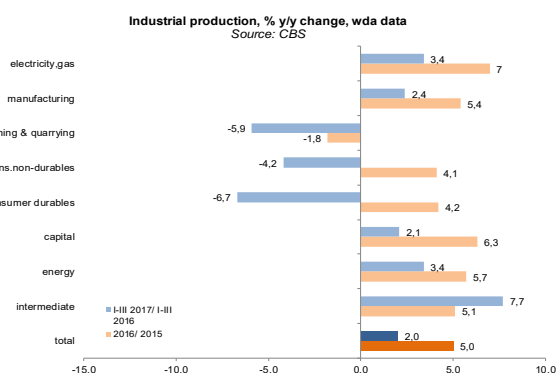
PBZ Weekly Analysis

Number 561, May 2, 2017

- Weekly overview (p. 1)
- Kuna weakens to 7.47 (p. 2)
- Liquidity remains ample (p. 3)
- Crobex back in negative territory (p. 3)
- Statistics (p. 4-5)

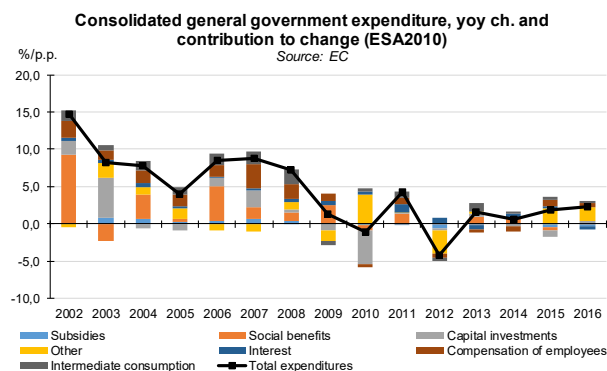
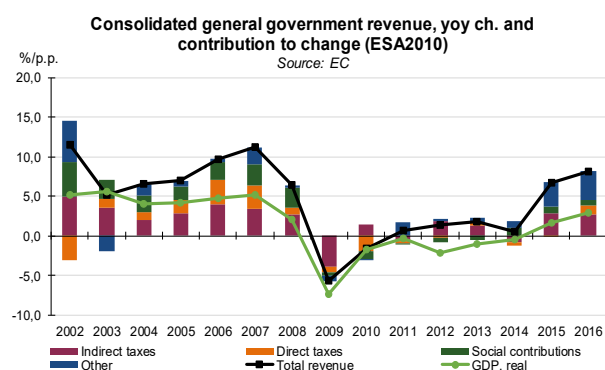
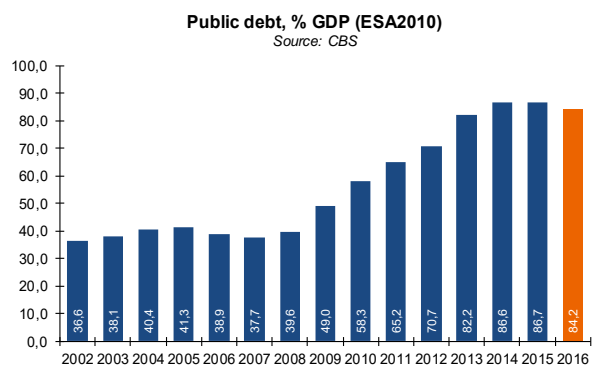
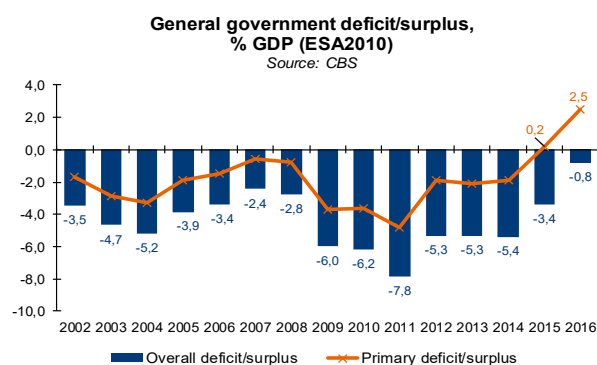
Weekly overview

- The industrial production in March 2017 rose by 1.5% (seasonally and working-day adjusted) compared with the previous month, after a mom decline of 6.9% (January) and 1.4% (February), respectively, recorded in the previous two months. The increased industrial production volume mom was mainly a result of a solid growth (+3.4%) of



Manufacturing (which accounts for approximately 80% of total IP), i.e. its largest component (Manufacture of food products, with approximately a 14% share in total IP) which increased by 2.1%. A positive contribution to the total IP growth was recorded by an increase of 5.9% in the volume of production in Mining and quarrying (of which extraction of crude petroleum and natural gas by +3.8%), while, simultaneously, Electricity, gas, steam and air conditioning supply decreased by 5.9%. At the annual level, the industrial production stagnated in March (wda), where the increase of 3.0% in Manufacturing was not sufficient to compensate for a reduced production in the categories Electricity, gas, steam and air conditioning supply (-12.4%, a fall in the production partly caused by better weather conditions) and Mining and quarrying (-1.6%). Thus, over the first three months of 2017, the industrial production increased by 2.0%, which is a substantially lower increase compared with the same period last year when an increase of +6.9% was recorded, but particularly compared with the last three months of 2016 when the yoy IP growth amounted to +7.8%. Thus, Manufacturing grew by 2.4% (of which manufacture of food moderately by 0.3%, while, due to higher crude oil prices and larger production, manufacture of coke and refined oil products rose even by 101.3%), whereas a positive contribution to the yoy IP growth over the first quarter of 2017 came from the category Electricity, gas, steam and air conditioning supply (+3.4%). At the same time, the total IP growth was somewhat lessened by a reduced production in the category Mining and quarrying (-5.9%).

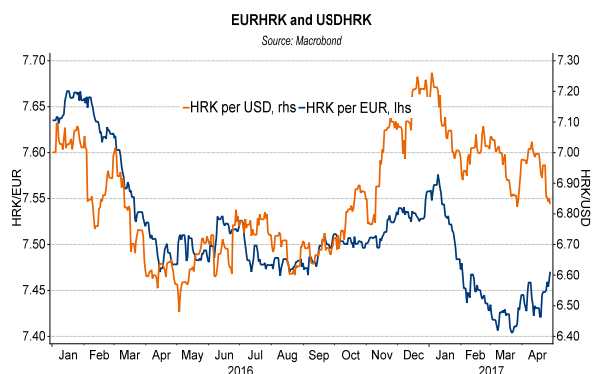
- The April notification, within the Excessive Deficit Procedure, indicated a significant reduction in the general government deficit to 0.8% of GDP in 2016 (from 3.4% in 2015), the lowest deficit level since 2001, the year of the beginning of recording deficit under ESA methodology. The public debt level simultaneously decreased from 86.7% to 84.2% of GDP.



Kuna weakens to 7.47

The continuing trend of the dollar weakening against the euro was briefly interrupted in the wake of the last week's ECB meeting. Trading on Friday closed at 1.0895 dollar to the euro, up by 1.6% versus the Friday before.

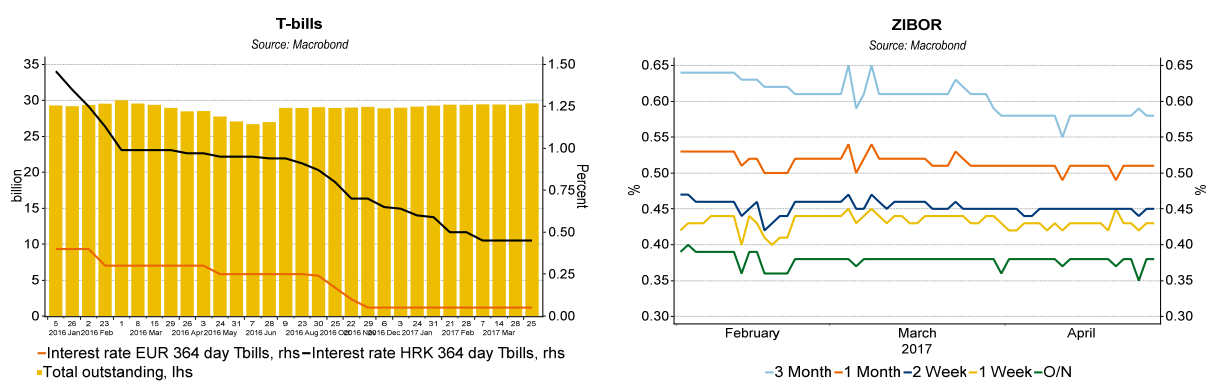
Last week, the mid-exchange rate was in a tight range from 7.45 to 7.46, however, recording a slide on Friday to 7.4703 kuna to the euro, up by 0.3% wow. At the same time, following the dollar against the euro trend, the kuna strengthened against the dollar to 6.8315 kuna to the dollar, down by 1.8% wow. We expect trading in the range 7.43-7.48 kuna to the euro again this week.



Liquidity remains ample

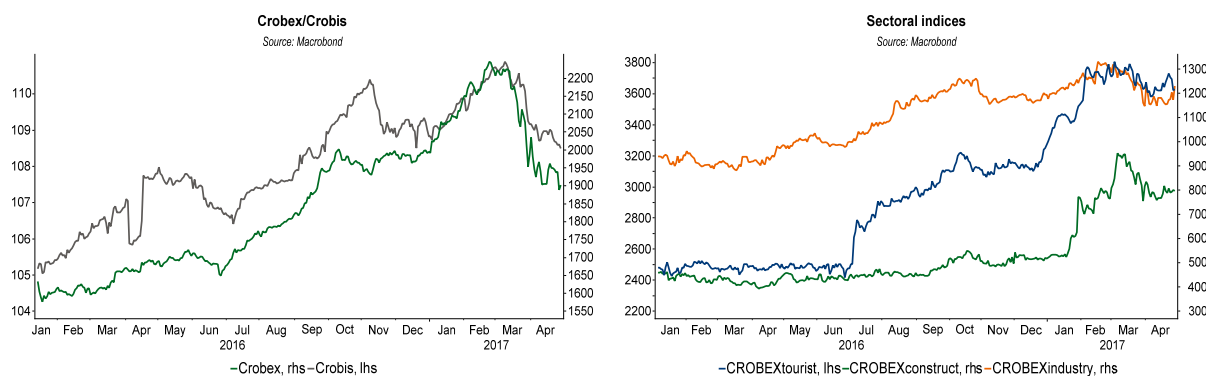
Excess liquidity remained over 15 billion kuna, therefore interest rates slightly fluctuated. The overnight Zibor dropped in the middle of the week to 0.35%, however, moderately increasing again to 0.38% by Friday, unchanged wow. 1M Zibor also recorded no change versus the previous Friday, staying at 0.51%, while 3M at 0.58%. At the CNB's regular reverse repo auction, the same as the week before, 50 million kuna was injected in the system at the fixed repo rate of 0.3%, whereas the ZMM turnover barely amounted to 10 million kuna.

Last week, 672 million kuna matured and 876 million kuna in one-year kuna T-bills were subscribed at the unchanged interest rate of 0.45%, due to which the government debt under T-bills advanced to 29.6 billion kuna. This week, 575 million kuna will mature and the auction with the planned 600 million kuna has been announced.

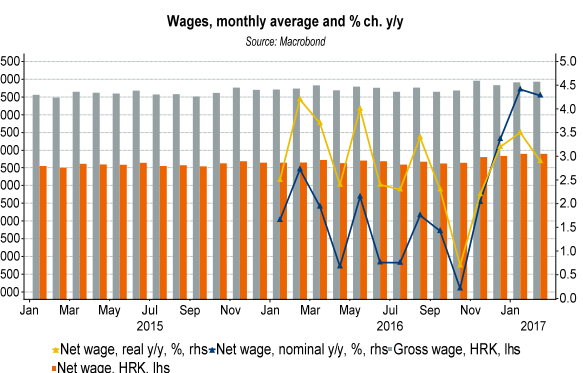
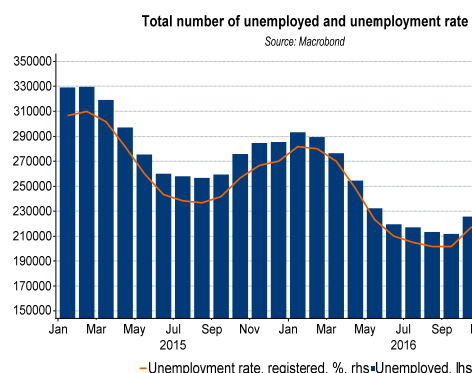
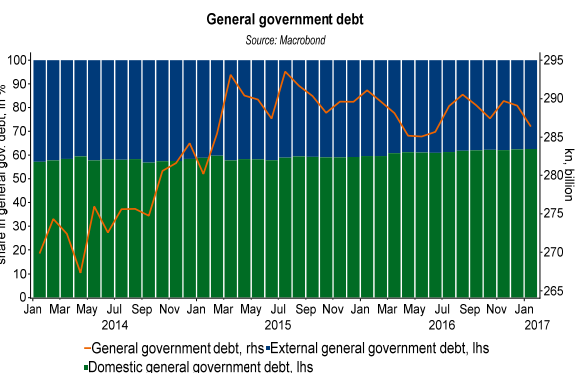
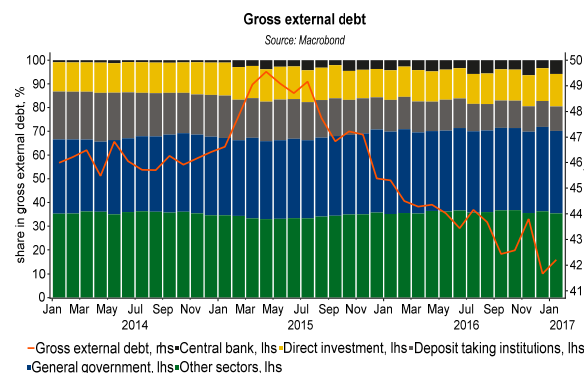
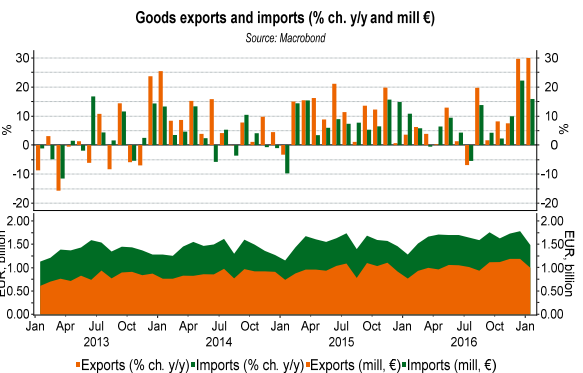
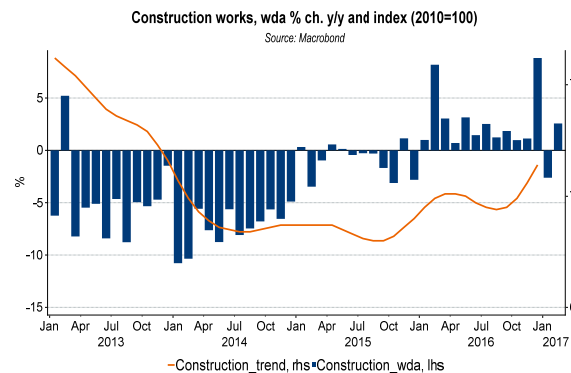
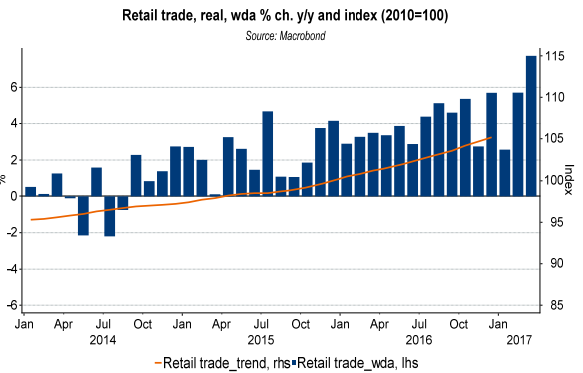
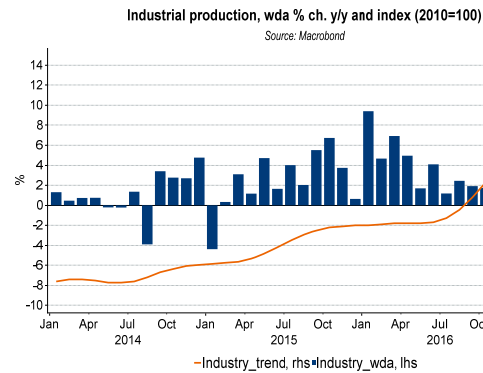


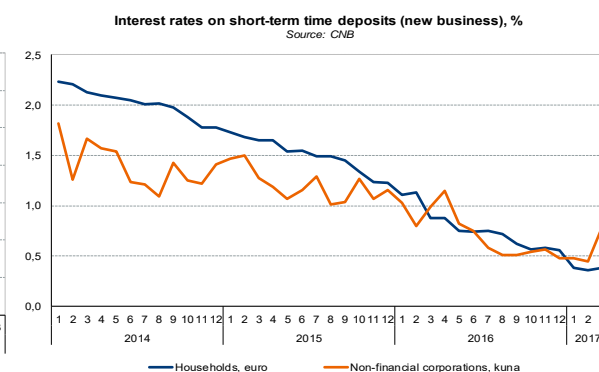
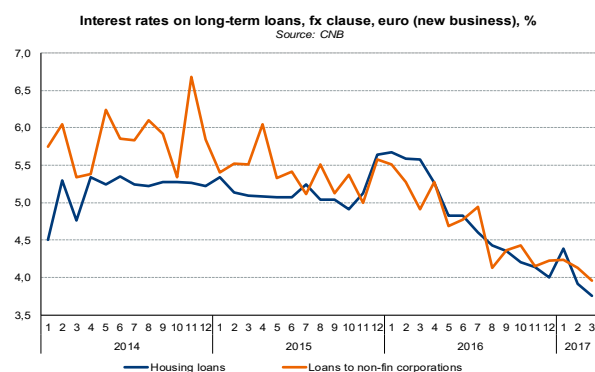
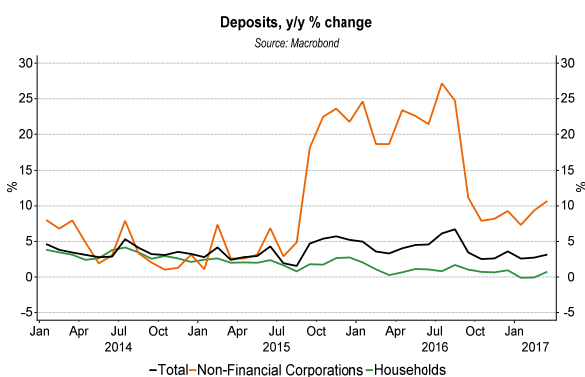
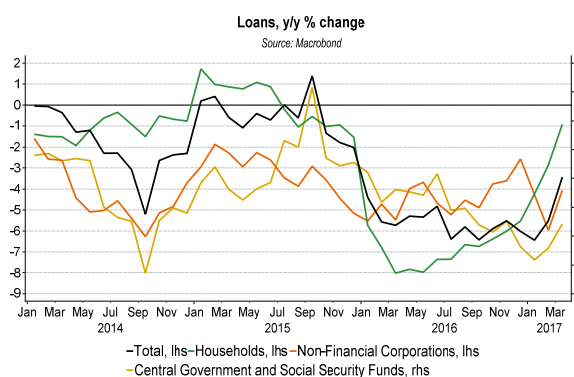
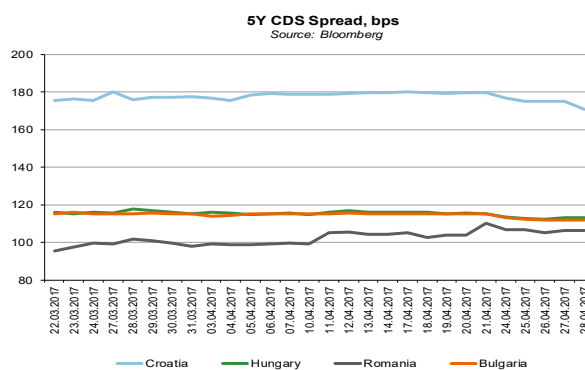
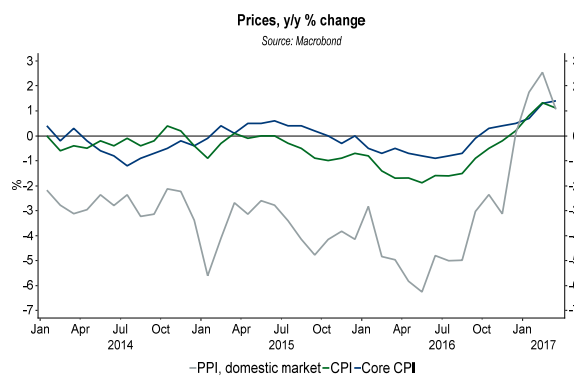
Crobex back in negative territory

Last week, the total ZSE turnover amounted to 826.7 million kuna, i.e. increasing 3.7 times compared with the week before, as a result of a 5.2 higher turnover in bonds (to 763.0 million kuna), while the turnover in shares decreased by 20.4% (to 63.7 million kuna). The Crobex index declined by 2.4% wow, closing at 1,901.87 points on Friday, whereas Crobis closed at 108.49 points on Friday, i.e. declining 0.3% wow. As regards sector indices, CROBEXindustry closed last week by an increase of 6.4%, thus reaching 1,229.46 points, CROBEXconstruct rose by 1.1% (to 797.05 points), while CROBEXtourist closed the week by a decline of 2.0%, dropping to 3,627.26 points. It is important to indicate that the trading in shares of the Agrokor concern has been suspended since Thursday, and it is still unknown when the suspension of the trading in the Agrokor concern shares will be over.



Statistics





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