

PBZ Weekly Analysis

Number 566, June 5, 2017

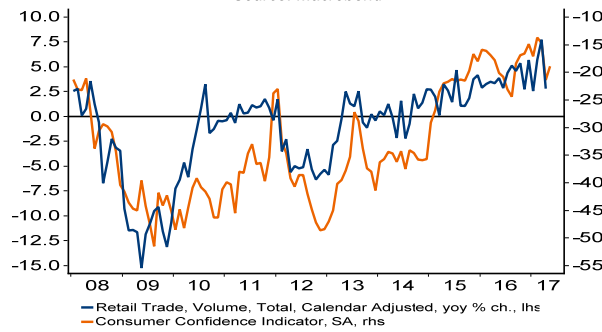
- Weekly overview (p. 1)
- Dollar weaker, kuna slightly stronger (p. 2)
- Still no demand at repo auction (p. 2)
- Crobex back in negative territory (p. 3)
- Statistics (p. 4-5)

Weekly overview

- The Croatian Bureau of Statistics data show that the gross domestic product rose by 2.5% in real terms over the first quarter of this year, compared with the same period last year, if analysing not seasonally adjusted data (in 4Q2016 +3.4%); while the seasonally adjusted data show a growth of 3.4% (the same as in the final last year's quarter). The GDP increased by 0.6% qoq and thus helped maintaining the growth dynamics from the end of last year. In accordance with the expectations and the retail trade data, personal consumption continued a solid growth (3.5%), while public spending increased by 1.6% and, therefore, maintained the growth dynamics recorded in the previous two quarters. Investment activity further strengthened, thus recording the growth rate of 5.4% versus the same period last year, which may also be seen from the data on a 3.6% rise in the construction works volume. Boosted by a 14.9% increase in the exports of goods and a moderately lower increase in the exports of services (+1%; since Easter holidays moved to April) the total exports rose by 8.6% versus the same period last year. As, at the same time, due to the strengthening of domestic spending and investment activity, the imports of goods and services increased by 10.1%, the contribution of net foreign demand was negative over the first quarter (-1.4 pp), whereas domestic demand contributed positively by 3.9 pp. The currently available high-frequency data for the second quarter, i.e. for April 2017 are slightly less unambiguous versus the first quarter data. Specifically, the real retail trade turnover slowed down to +2.8%, which had also been announced by a fall in the consumer confidence index for the same month. According to the May data, consumer confidence slightly improved compared with April, however, recording slightly lower levels compared with the first two quarters. Simultaneously, the data for April show a 0.6% fall in the industrial production versus the same month of 2016, due to a 4.3% decrease in the production of energy and a 3.2% decrease in the production of non-durable consumer goods (where the largest decrease of 7.1% was recorded in the manufacture of food products, the share of which in total production was 14.4%; whereas the total stocks of finished products increased by 3.1% compared with the same month last year). A decline in the food industry activities is probably a reflection of a decline in the activities of both manufacturing segments of Agrokor and other manufacturers, which, faced by a suspension of delivery to Konzum, have reduced their production until they distribute their products to other retail chain stores. However, deteriorated indicators of business expectations in the industry were also recorded in May (although an unusually high level was registered in March), therefore we must be cautious while estimating further movements and creating expectations only on the basis of the currently available data, so our estimate of a 3.2% GDP growth this year is currently more likely to be exposed to negative risks compared with the beginning of the year.

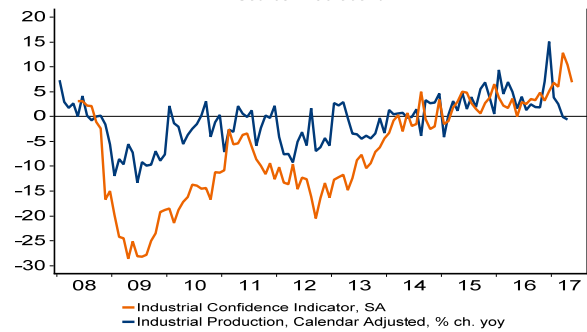
Consumer confidence and Retail Trade volume

Source: Macrobond



Industrial production and Industrial Confidence

Source: Macrobond



Dollar weaker, kuna slightly stronger

The USA employment data disappointed investors, so the dollar weakened against the euro. Trading on Friday closed at 1.1279 dollar to the euro, up by 0.9% wow.

The domestic FX market saw a rather calm last week, where kuna strengthened by 0.2% against the euro wow, to 7.4109 kuna to the euro, while the kuna against the dollar strengthened by 0.3% and the exchange rate decreased to 6.6045 kuna to the dollar. This week, we expect trading to continue in the range 7.40-7.43 kuna to the euro.

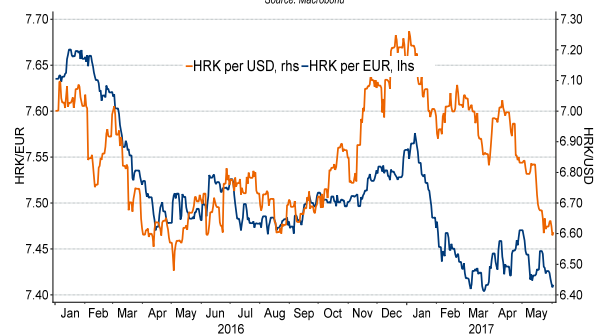
EUR/ USD

Source: Macrobond



EURHRK and USDHRK

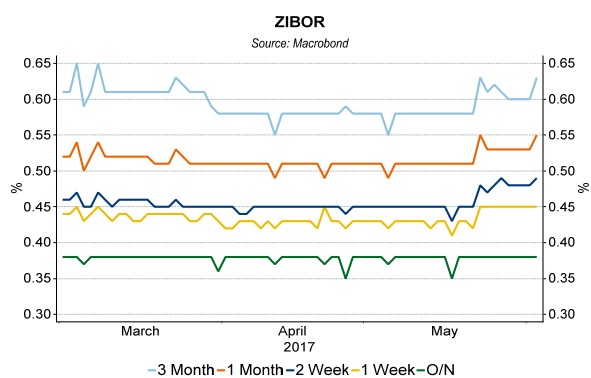
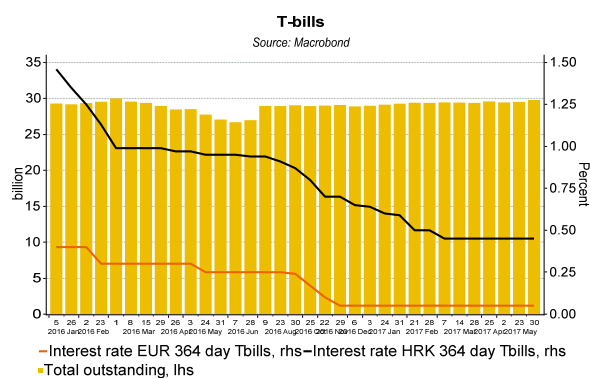
Source: Macrobond



Still no demand at repo auction

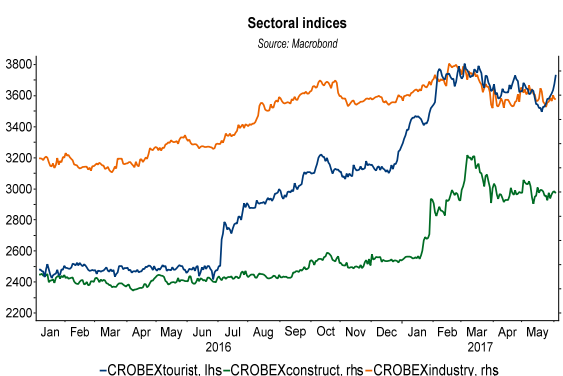
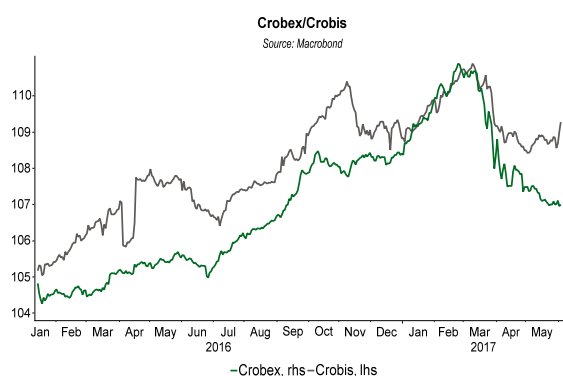
Last week, excess liquidity was reduced, however, only minor shifts in interest rates continued wow. The overnight Zibor remained at 0.38%, whereas 1M and 3M Zibor advanced 2 b.p. to 0.55% and 0.63%, respectively. Amid high liquidity, it is not surprising that there has been no demand at the regular reverse repo auction for the fifth consecutive week, while the ZMM turnover was only 5 million kuna.

Last week, 683 million kuna matured and 1.0 billion kuna was subscribed, due to which the government debt under T-bills increased from 29.5 to 29.8 billion kuna. Kuna T-bills with a one-year maturity were subscribed at the unchanged rate compared with the previous issues (0.45%). This week, 402 million kuna will mature and the auction with the planned 500 million kuna has been announced.

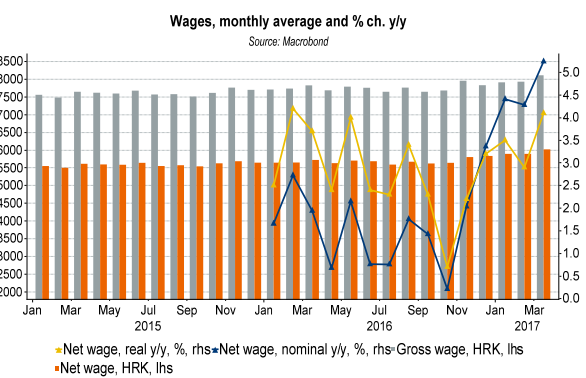
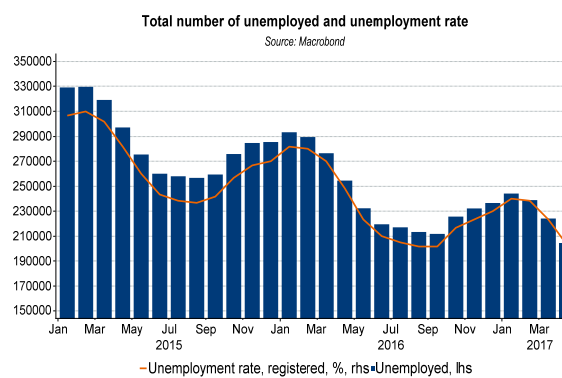
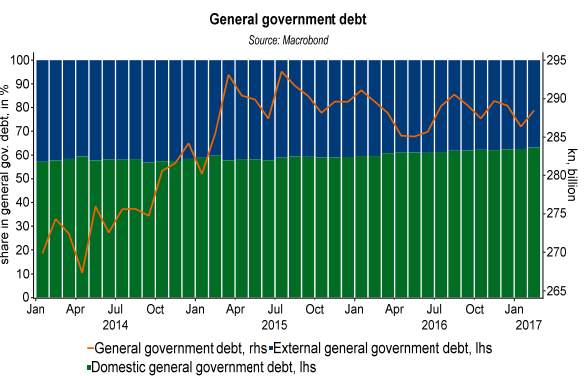
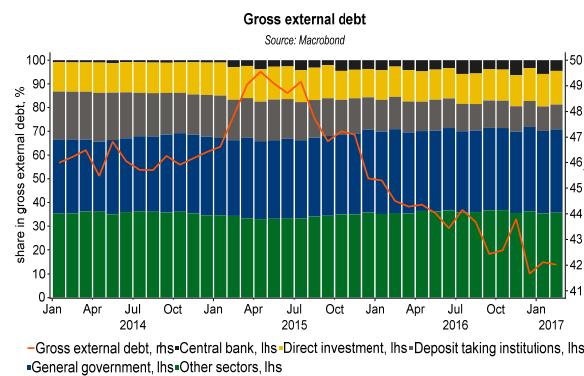
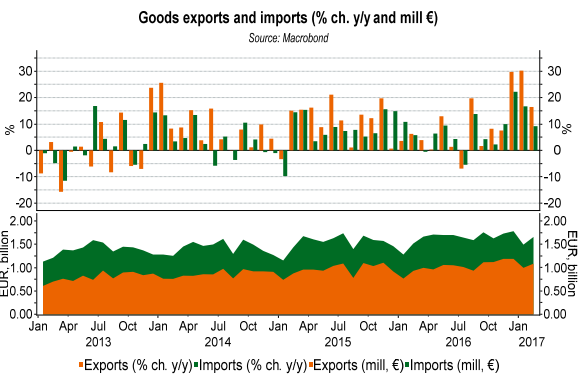
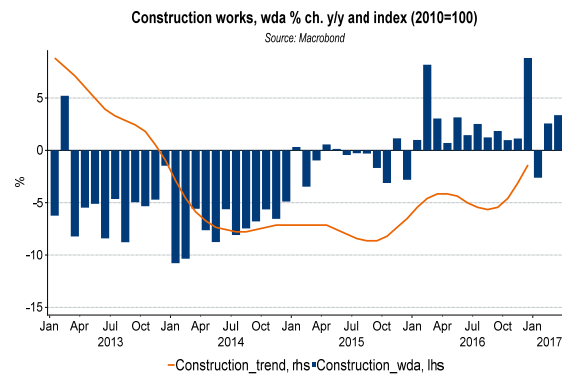
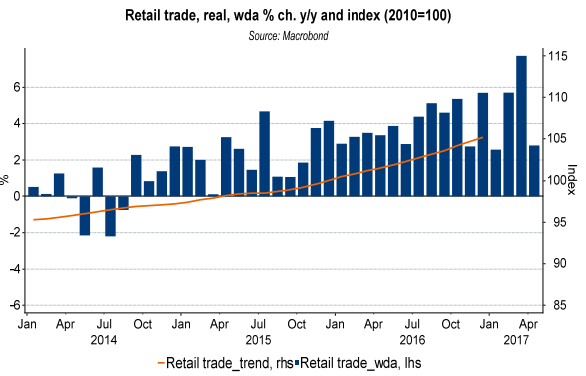
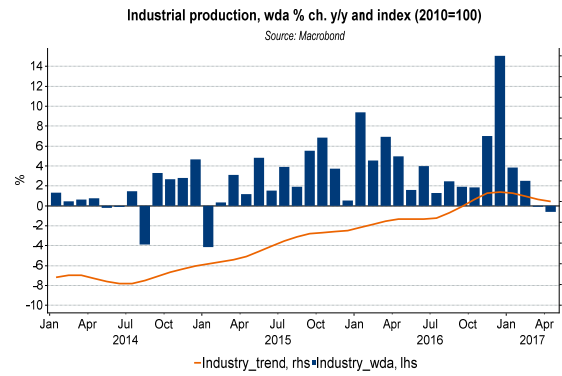


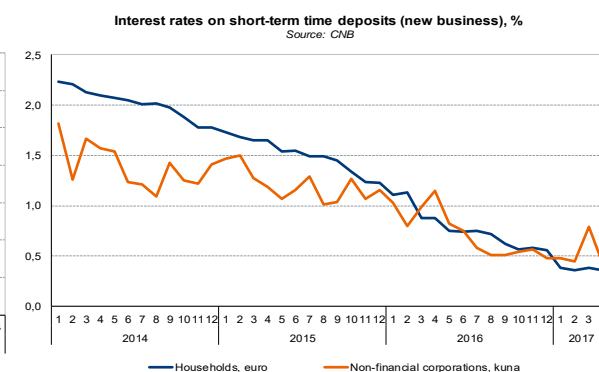
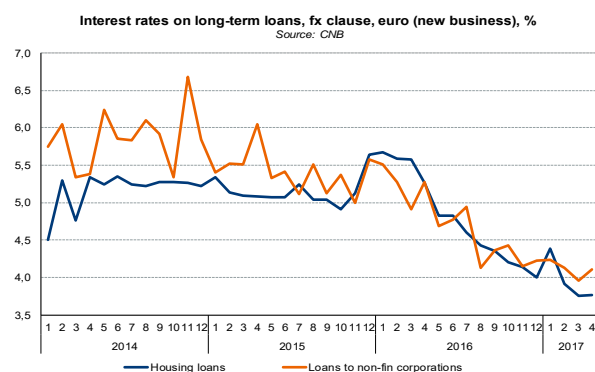
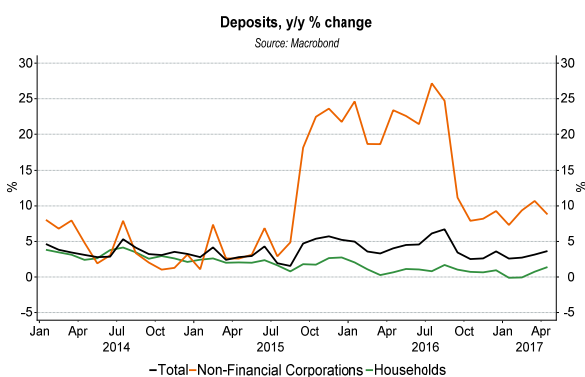
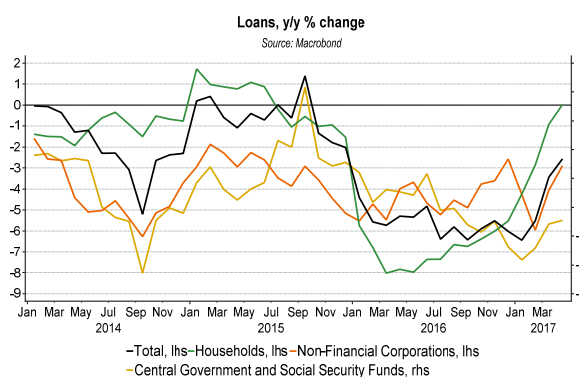
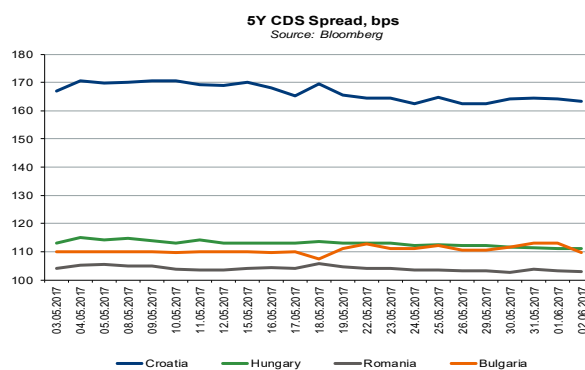
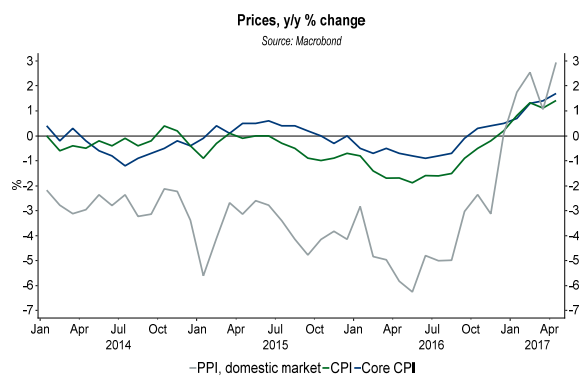
Crobex back in negative territory

The total ZSE turnover amounted to 608.2 million kuna, which is up 2.3 times wow, owing to 2.5 times higher turnover in bonds (to 573.5 million kuna), while the turnover in shares dropped by 1.4% (to 34.7 million kuna). The Crobex index declined by 0.5% on Friday wow, closing at 1,853.31 points, while Crobis rose by 0.4%, closing at 109.98 points. As regards sector indices, CROBEXtourist closed last week increasing 4.3%, thus reaching the level of 3,733.64 points (Valamar Riviera d.d.: +4.1%, Arena Hospitality Group d.d.: +4.2%), CROBEXindustry rose by 0.9% (to 1,182.72 points), whereas CROBEXconstruct closed the week decreasing by 0.2% on Friday wow (to 795.20 points).



Statistics





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