

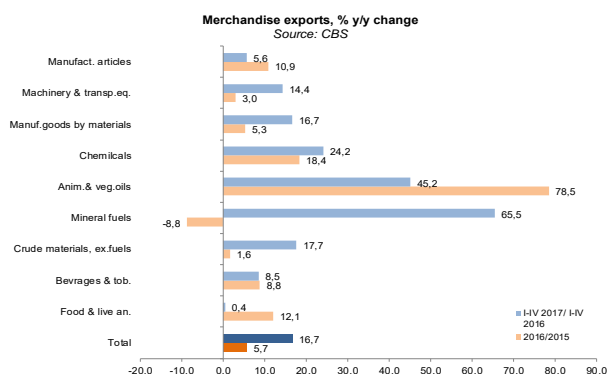
PBZ Weekly Analysis

Number 571, July 10, 2017

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Weekly overview

- Total loans in May decreased by 1.2% mom, which is mainly a result of the sale of loans, mostly of the corporate portfolio. Thus, the yoy rate of decrease accelerated from -2.6% in April to -3.9% in May. Loans to non-financial corporations sank in May by 4.9% yoy (-2.9% the previous month), due to partial sale of the portfolio. Loans for working capital dropped by 10.4%, investment loans, following a two-month increase, declined by 2.3%, while loans for other purposes rose by 1.4%. Loans to households resumed their negative trend in May (-0.8% yoy), which is a result of both the portfolio sale and the pronounced kuna strengthening (the EUR/HRK exchange rate was down by 0.9% yoy). Housing loans fell by 1.7% yoy (kuna +53.4%), overdrafts by 8.7%, card loans by 1.1% and other loans by 1.2% (kuna +9.2%), whereas cash loans increased by 3.0% (kuna +23.5%). At the same time, the central government debt owed to banks remained at a significantly lower level (-7.4% yoy). While the stock of loans, due to the balance sheet clean-up, has decreased, the data on transactions are more optimistic, showing that the private sector demand is on the rise, therefore, at the end of May, the yoy growth rate of bank claims on households and non-financial corporations reached +1.6% (+0.4 p.p. mom). Specifically, the growth of bank claims on non-financial corporations, after a +0.7% stagnation in April, accelerated to +1.1% in May, while the growth rate of claims on households continued its upward trend, reaching 1.9%. The increase in deposits slowed down in May to 2.4% yoy, mainly due to a significantly slower growth of household deposits. They modestly rose in May by 0.3% yoy, however, when excluding the impact of the exchange rate change, the growth reaches approximately 1.0%. However, the increase in household deposits is mainly a result of an increase in funds on transaction accounts, while FX savings and time deposits continued to decrease, so, at the end of May, euro savings were down by around 400 million euro versus the end of 2016. Deposits of non-financial corporations have continued their powerful growth at the beginning of the season, recording a yoy growth rate of 8.5% in May. For the rest of the year, we expect that the private sector demand will remain consistent with the economic activity growth, but also that the process of sale and write off of non-performing claims will continue. Therefore, we forecast the growth rate of loans to stay negative around -1.0%.
- In April 2017 goods exports amounted to 7.3 billion kuna, or 0.4% higher than in April past year, while goods imports were 13.1 billion kuna, or 1.9% higher yoy. Foreign trade deficit grew by 3.7% yoy (up to 5.8 billion kuna), while coverage of import by export was 55.6% (down by 0.8 p.p. yoy). Total goods exports in the first four months of 2017 was 32.5 billion kuna (+16.7% yoy), while imports reached 52.0 billion kuna or 10.8% higher than in the same period in 2016. Consequentially, the deficit grew by 2.1% up to 19.6 billion

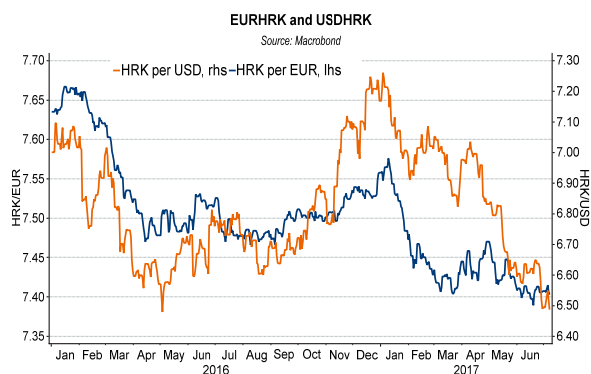


kuna, while coverage of import by export grew up to 62.4% (+3.2 p.p. yoy). Exports to EU member states (making 64.8% of total goods exports) grew in the first four months by 11.8%, while the exports to the CEFTA member states (with the 15.6% share in the total exports) grew by 20.2%.

Dollar and kuna strengthened

The USD employment figures encouraged the investors, thus the dollar strengthened against the euro. The week was closed on Friday on 1.1401 dollar to the euro, down by 0.2% wow.

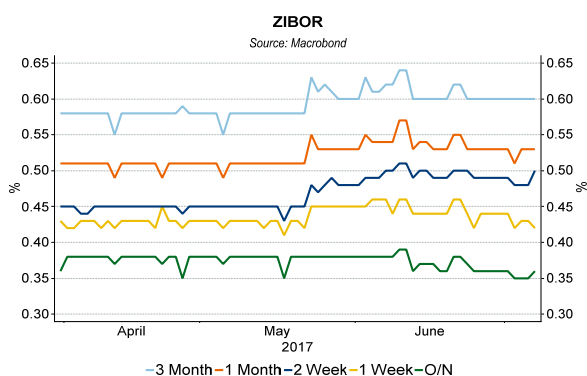
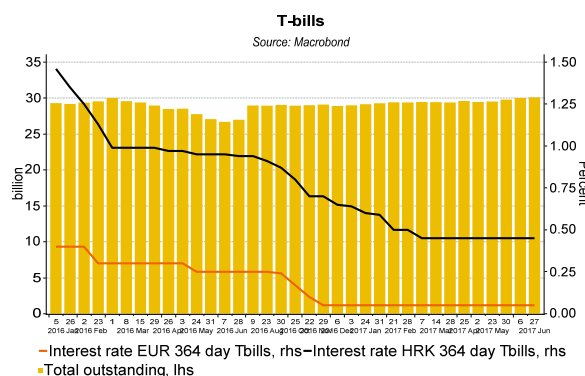
Past week the domestic FX market stood still. The mid-exchange rate of kuna to the euro on Friday was 7.4031, down by 0.1% wow, and at the same pace the kuna strengthened also against the dollar, thus the exchange rate fell to 6.4871 kuna to the dollar. This week, we expect the trading in the range 7.40-7.45 kuna to the euro.



Interest rates stagnated

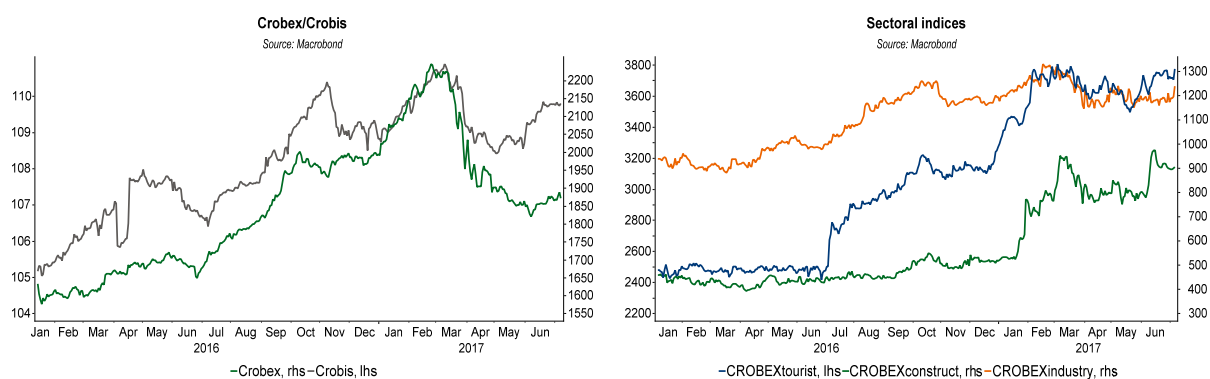
Liquidity surplus fell below 14 billion kuna in the past week, but as liquidity is still more than sufficient relative to low demand, there were no pressures on interest. The overnight Zibor stood still at 0.36%, while 1M and 3M were at 0.53% and 0.60%. At the regular reverse repo auction still there was no demand, and the ZMM turnover revived and reached 610 million kuna.

In the past week 50 million kuna matured, and no auction took place thus the government debt in T-bills remained 30.1 billion kuna. This week there will be no maturity or auction either.

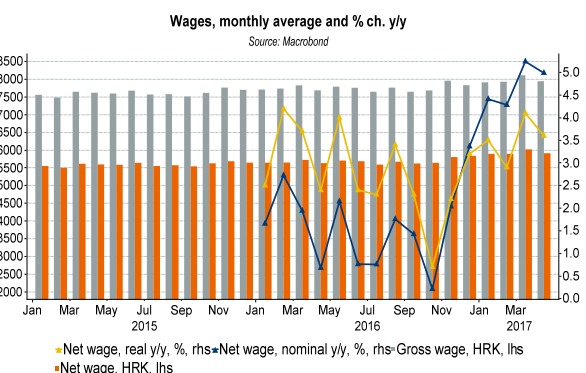
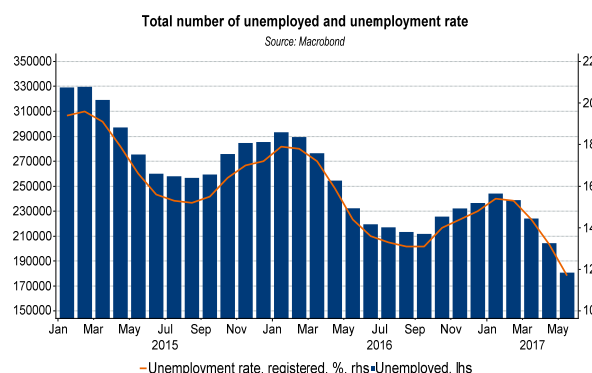
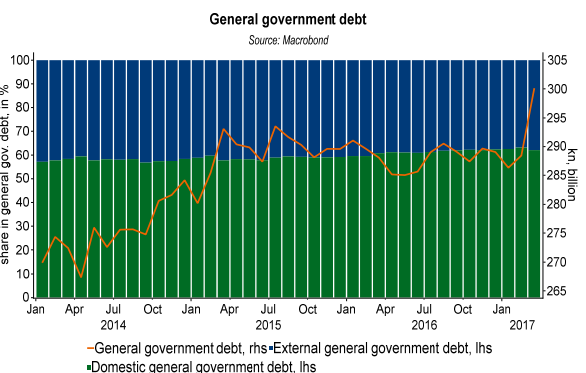
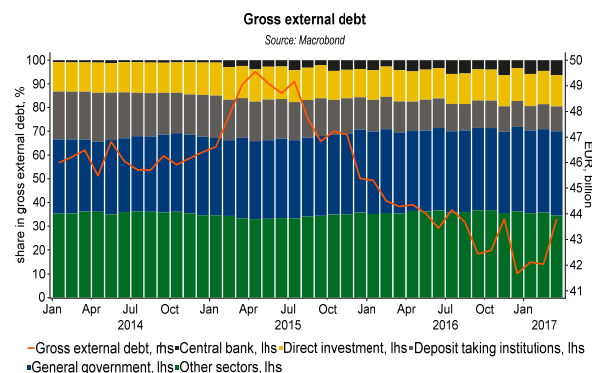
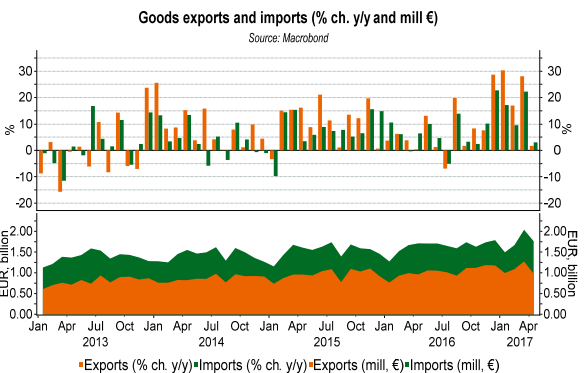
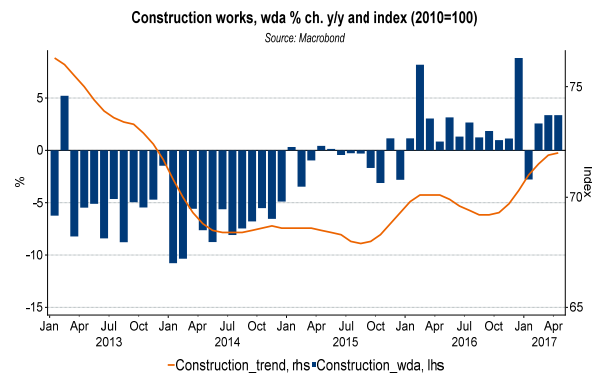
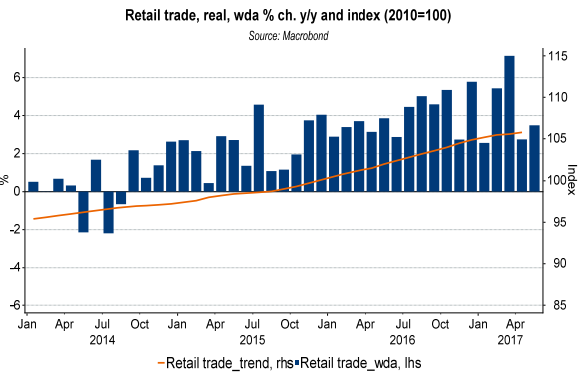
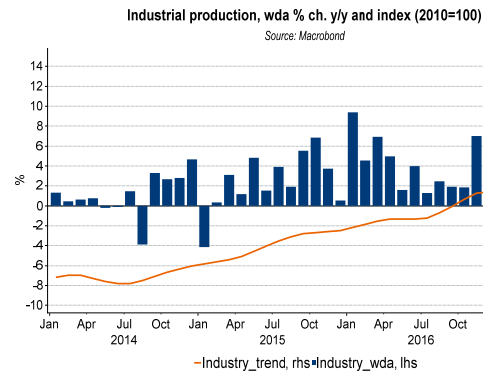


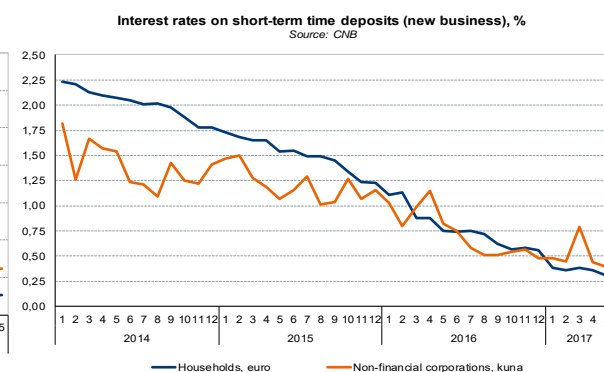
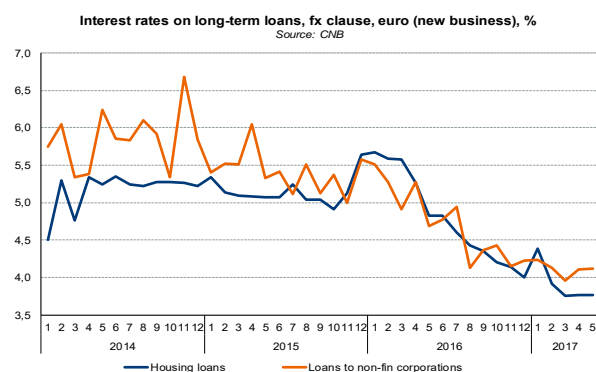
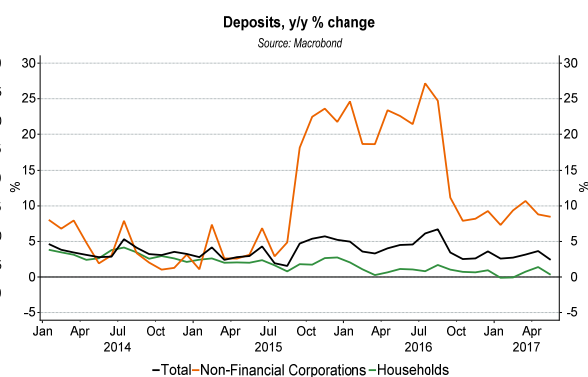
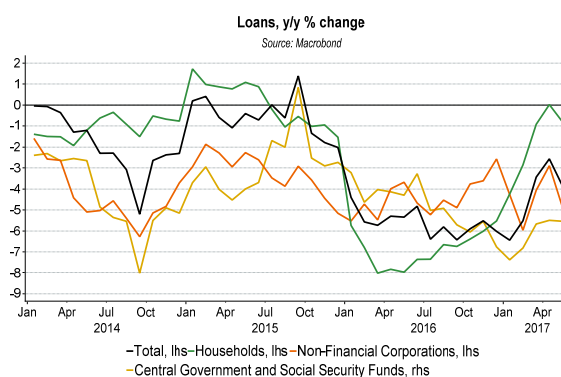
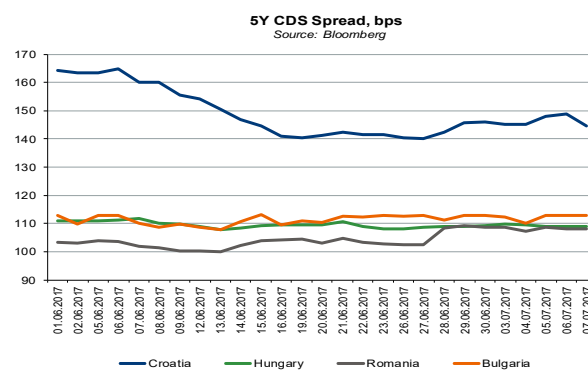
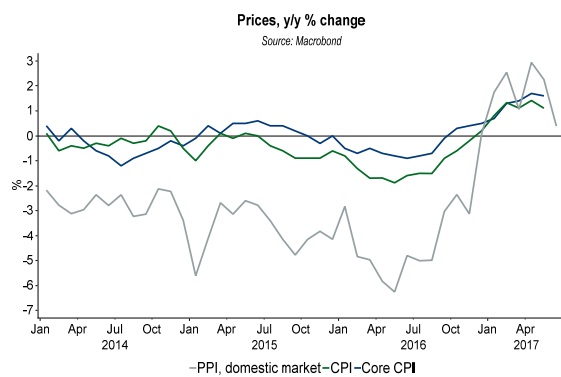
Crobex up for the fourth consecutive week

The Crobex index closed the week at 1,871.97 points, growth by 0.3% wow, while Crobis remained unchanged (109.80 points). As far as sector indices are concerned, CROBEXconstruct closed the week at 890.90 points, fall by 0.8% wow, while CROBEXindustry and CROBEXtourist grew up by 4.8% and 1.4% (to 1,229.50 and 3,775.89 points). The total ZSE turnover amounted to 264.0 million kuna (+12.7% wow), of which turnover in bonds 243.4 million kuna (+24.6%), and turnover in shares 20.6 million kuna (-47.0%). The past week, the Ministry of Finance issued a bond on a domestic market to mature in 2032, in total nominal amount of 3 billion kuna, indexed to kuna's exchange rate to the euro, at the interest rate of 3.25% and yield of 3.30%.



Statistics





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