

PBZ Weekly Analysis

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Weekly overview

- Total loans in June moderately decreased by 0.1% mom, i.e. by 3.2% yoy, which is, as over the previous period, mostly a result of the sale of corporate loans, exchange rate movements, but also lower debt of the central government, where a yoy fall in loans of 9.1% was recorded. At the same time, the data on transactions show that the demand of non-financial corporations and households has continued to accelerate and, therefore, the growth rate of claims on the private sector rose to 2.4% yoy (+0.8 p.p. mom). The decrease of loans to non-financial corporations in June slowed down to -2.0% yoy (-4.9% the month before), due to a recovery of all types of loans. Thus, the mom level shows an increase of loans for working capital of 0.4% (-7.5% yoy), investment loans of 0.7% (+0.6% yoy), while loans for other purposes rose by 0.9% (+4.0% yoy). An increase in the banks' claims on non-financial corporations (based on transactions) accelerated from +1.1% in May yoy to even +2.7% in June. Loans to households in June remained at the same pace of decrease recorded the month before (-0.8% yoy), which is a result of the sale of the portfolio and the kuna strengthening (the EUR/HRK exchange rate decreased by 1.4% yoy at the end of June). Housing loans dropped by 2.1% yoy (kuna loans +45.3%), overdrafts by 8.1%, card loans by 2.9%, while other loans and cash loans rose by 1.0, i.e. 3.1% (kuna +12.0%, +22.8%), respectively. Data on transactions show that the demand of citizens supported by positive trends in the labour market and higher net earnings accelerated, therefore, the increase in banks' claims on households reached 2.1% yoy (+0.2 p.p. mom) in June. The increase in total deposits in June slightly slowed down to 2.3% yoy, owing to a decrease in household deposits. Specifically, deposits of households in June stagnated mom, dropping by 0.3% yoy, where the latter was mainly a result of the kuna strengthening. After excluding the influence of the exchange rate, we see an increase in household deposits of almost 1% yoy. However, the outflow of FX deposits continued in June as well, so euro FX savings and term deposits declined at the end of month by more than 400 million euro versus the end of 2016, while dollar savings moderately increased. Due to a satisfactory shaping up of the tourism season, deposits of non-financial corporations have continued their robust growth, recording a yoy growth rate of 9.5% in June.

ECB worried about strong euro, CNB intervenes again

The ECB Minutes revealed the concern of their Governing Council over the recent euro strengthening and the worries about a possible too strong appreciation of the euro over the upcoming period. Amid such an environment, the euro slightly weakened against the dollar, so EUR/ USD ended the week at 1.1761 dollar to the euro, down by 0.5% wow.

Last Thursday, when the EUR/ HRK exchange rate slipped to 7.390-7.395, CNB intervened for the first time in August, purchasing 126 million euro from banks at the average exchange rate of 7.4080. The mid-exchange rate of the kuna against the euro amounted to 7.3922 kuna to the euro on Friday,

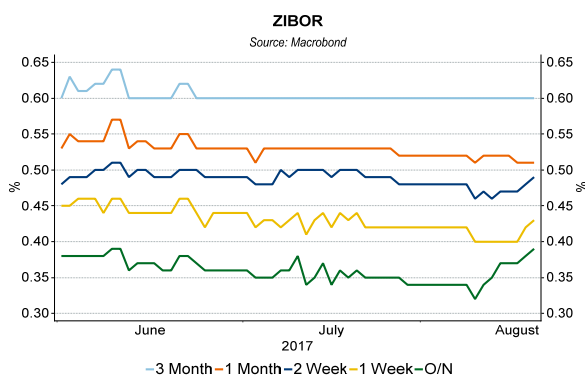
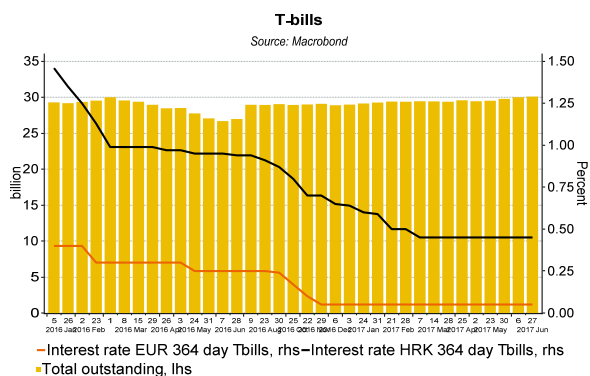
which is almost unchanged wow, while the exchange rate of the kuna against the dollar rose by 0.1% to 6.2966 kuna to the dollar. This week, we expect trading in the range 7.395-7.410 kuna to the euro.



Liquidity further strengthens

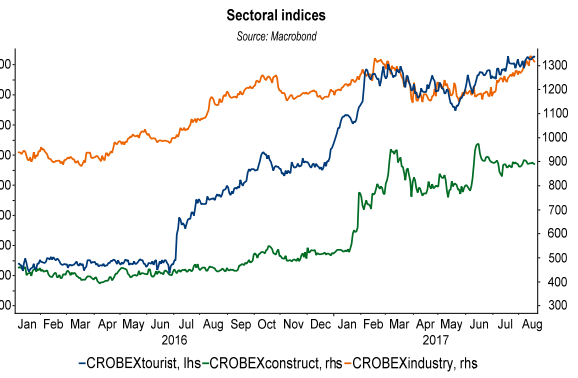
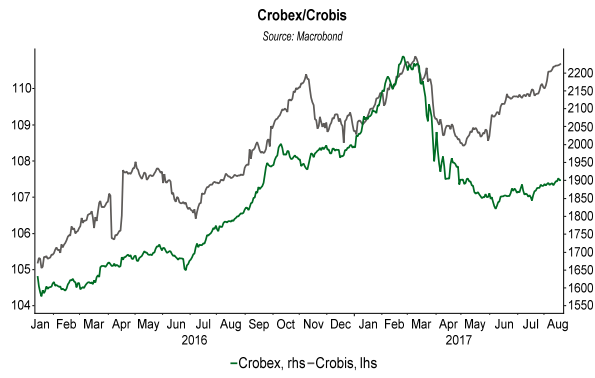
Liquidity is still ample, around 14 billion kuna, while the intervention of the central bank has increased liquidity further by 0.9 billion kuna. At the end of the week, the overnight Zibor amounted to 0.39%, up by 4 b.p. wow, 1M decreased by 1 b.p. to 0.51%, while 3M remained at 0.60%. At the reverse repo auction of CNB, 60 million kuna was injected in the system at the fixed repo rate of 0.3%, while the ZMM turnover barely amounted to 2 million kuna.

Last week there was no maturity or auction and, as 1.2 billion kuna in T-bills will mature this week, an auction with the planned 1.1 billion kuna has been announced.

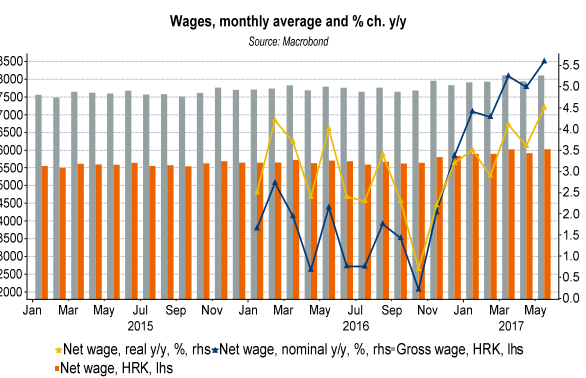
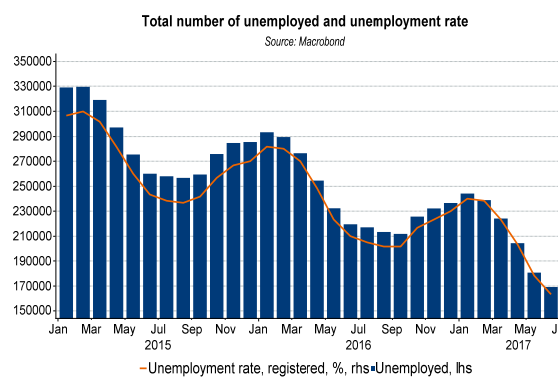
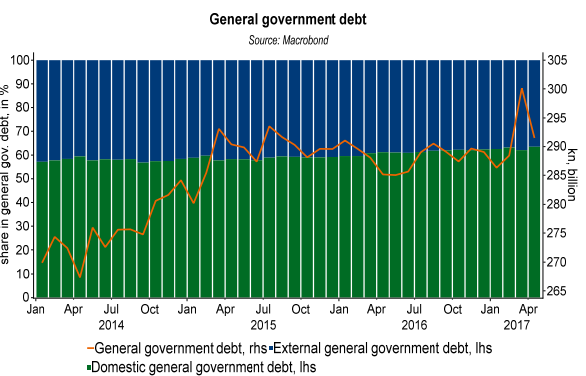
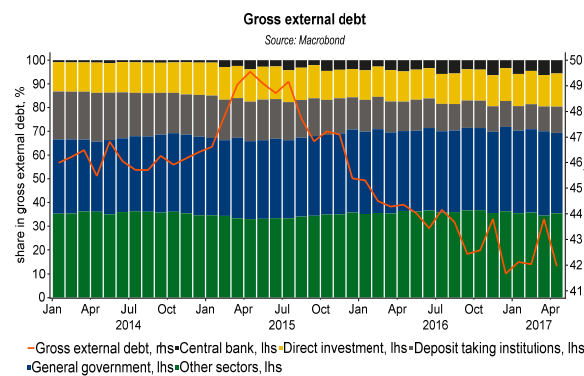
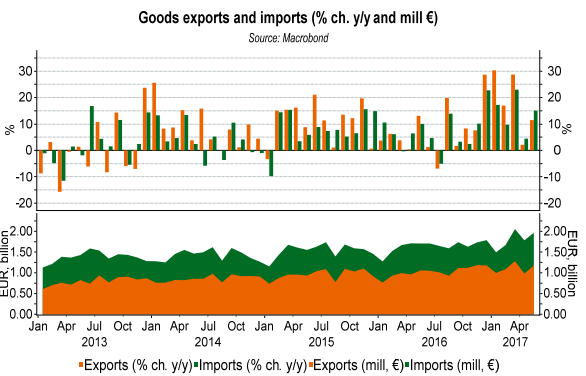
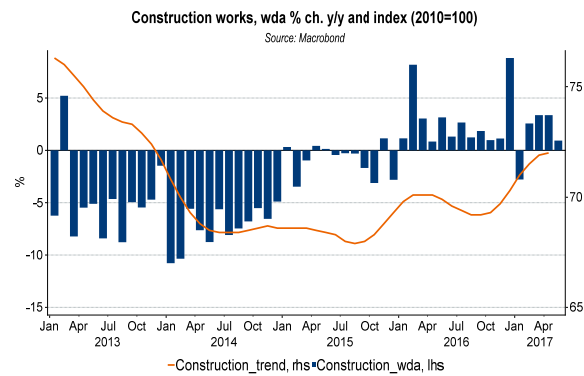
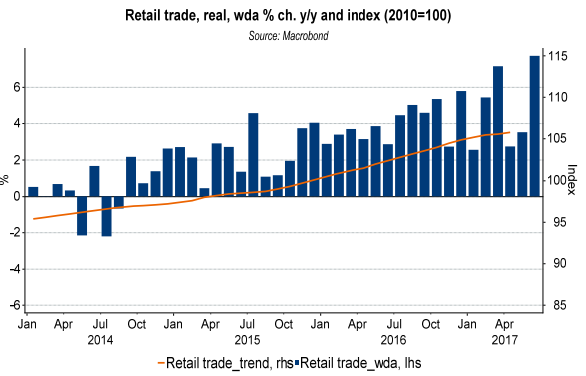
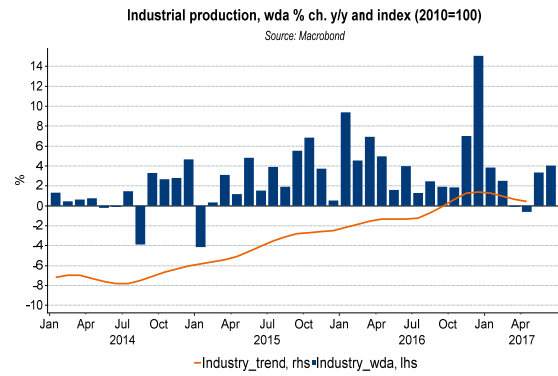


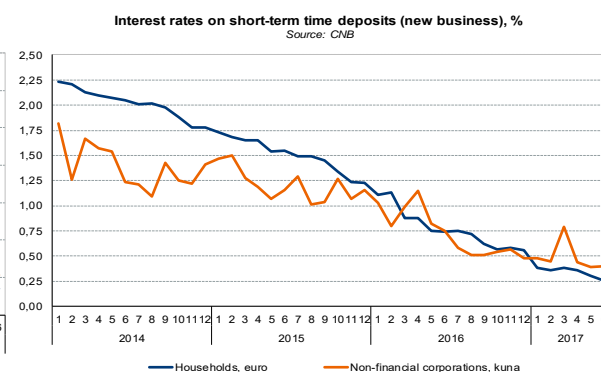
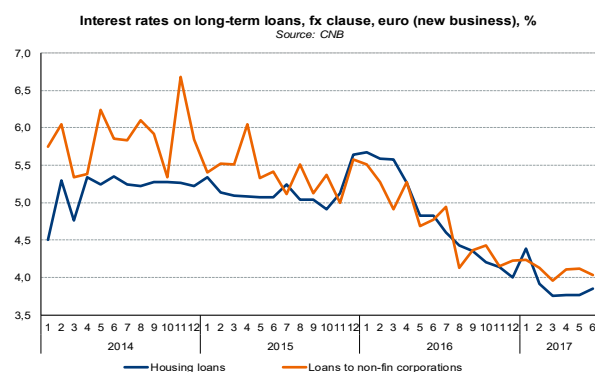
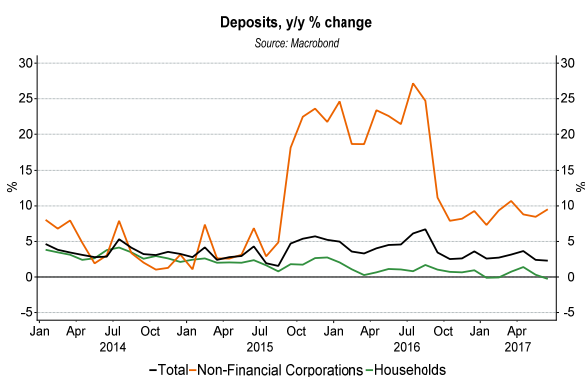
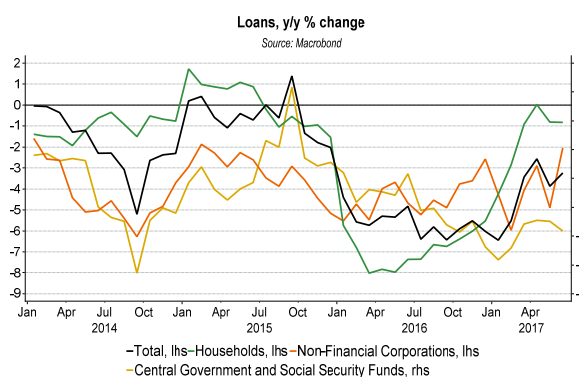
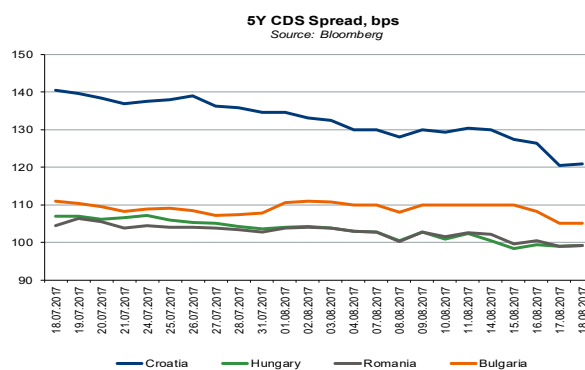
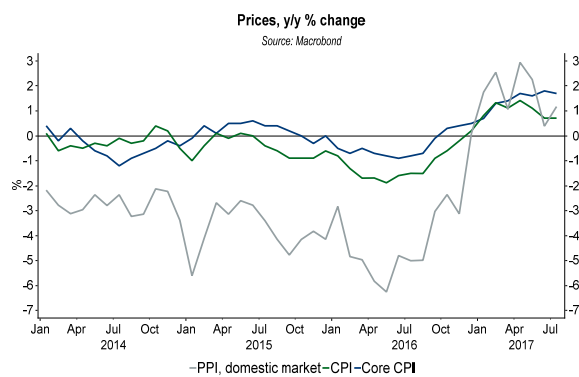
Crobex up wow

The Crobex index closed at 1,901.02 points on Friday, i.e. by an increase of 0.5%, whereas Crobis rose by 0.1% wow, closing the week at 110.69 points. As regards sector indices, CROBEXconstruct dropped by 0.4% on Friday versus the week before, declining to 888.05 points, while CROBEXindustry (1,313.92 points) and CROBEXtourist (3,850.23 points) closed the week by increasing 1.2% and 0.2%, respectively. The total ZSE turnover over the last week's four trading days amounted to 42.4 million kuna, which is down by 56.7% compared with the week before, where the turnover in shares amounted to 15.2 million kuna (-27.0% wow), while the turnover in bonds amounted to 27.2 million kuna (-64.7%).



Statistics





RESEARCH OFFICE

Ivana Jović

Ana Lokin

Ivan Odrčić

TREASURY

Eugen Bulat

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