

# PBZ Weekly Analysis

## Number 576, September 11, 2017

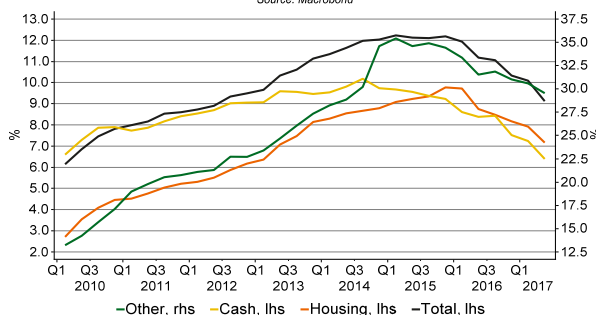
- Weekly overview (p. 1)
- No change from ECB, kuna slightly weaker (p. 2)
- Money market sees calm week (p. 2)
- Crobex back in negative territory (p. 3)
- Statistics (p. 4-5)

## Weekly overview

- After a short pause in the first quarter this year, the downward trend in the share of partly recoverable and fully irrecoverable loans in total loans continued in the second quarter. Thus, the total qoq share decreased by 0.8 p.p. to 13.2% (private sector: -1.1 p.p. to 16.8%), which is a result of an improved quality of both the corporate sector and households, owing to the sale of claims and renewal of the portfolio (increase in new loans). The share of partly recoverable and fully irrecoverable loans in total loans to non-financial corporations recorded a decline of 1.5 p.p. to 27.1%, which is undoubtedly mostly a result of the sale of 2.7 billion kuna of gross claims on non-financial corporations in the second quarter. According to activities, the largest contribution to the decrease came from the sale of loans in the construction activity where the share was down by 2.9 p.p. to 63.9%, while the largest negative contribution came from the growth in non-performing loans of 5.3 p.p. to 28.0% in the category of other activities (Agrokor holding). As regards other significant activities, a positive trend was recorded (manufacturing -2.1 p.p. to 22.1%, trade -1.9 p.p. to 25.4%), apart from a mild growth of 0.2 p.p. to 12.9% in the accommodation and food service activities. As regards loans to citizens, the total share substantially dropped by 1.0 p.p. to 9.1%, where, over the second quarter the claims were sold in the gross amount of 1.0 billion kuna. According to types, housing loans declined by 0.8 p.p. to 7.2%, card loans by 0.8 p.p. to 2.6%, overdrafts by 3.4 p.p. to 6.6%, and cash loans by 0.9 p.p. to 6.4%. However, considering the share, but also the amount of non-performing loans (around 3 billion kuna), which is slightly lower than the volume of non-performing housing loans, the most significant non-performing loans are loans for other purposes, where a decline in the share of 1.0 p.p. to 29.6% was recorded. For the rest of the year, we expect a further portfolio clean-up, although of slightly lower intensity, while an increase in the provisions due to Agrokor restructuring might lead to a rise in the share of partly recoverable and fully irrecoverable loans in the corporate loans.

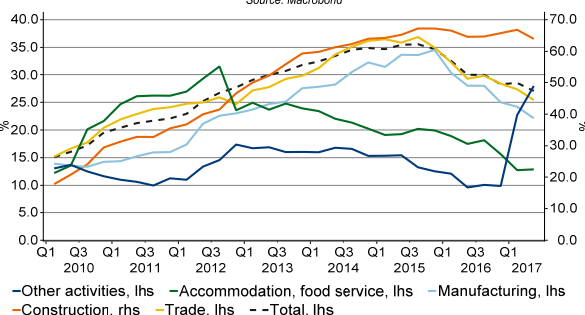
Share of partly recoverable and fully irrecoverable loans in loans to households by type

Source: Macrobond



Share of partly recoverable and fully irrecoverable loans in loans to non-financial corporations, by activity

Source: Macrobond



## No change from ECB, kuna slightly weaker

The ECB meeting did not bring any news in the monetary policy, however, a strong euro was a driver to the central bank to revise down the inflation estimate for the next two years. More significant news is expected to be announced at the October meeting when ECB should present further plans regarding the asset purchase programme (APP). Amid these developments, the euro continued to strengthen against the dollar, thus EUR/USD reached 1.2036 dollar to the euro on Friday, which is up by 1.5% wow.

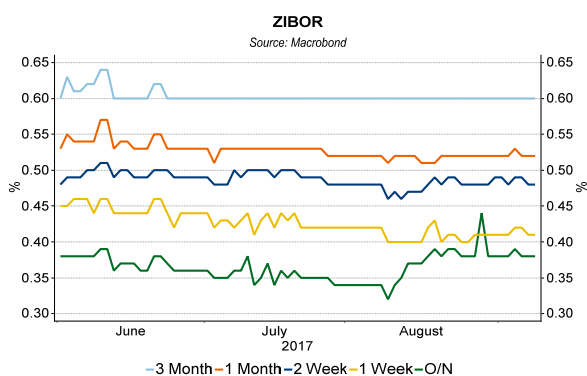
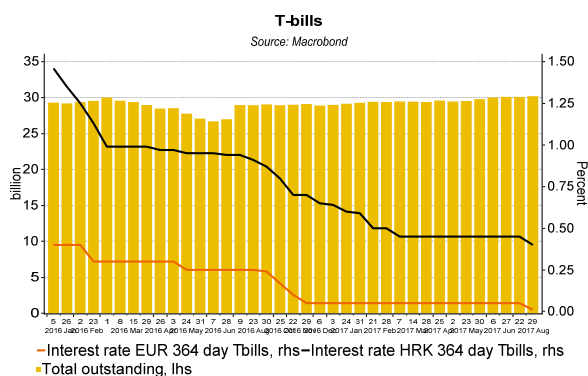
As we entered September, moderate depreciation pressures on the kuna were recorded, therefore EUR/ HRK increased by the end of the week to 7.4274 kuna to the euro, which is up by 0.2% wow. The kuna strengthened against the dollar by 1.0% to 6.1598 kuna to the dollar. We anticipate trading this week in the range 7.42 to 7.45.



## Money market sees calm week

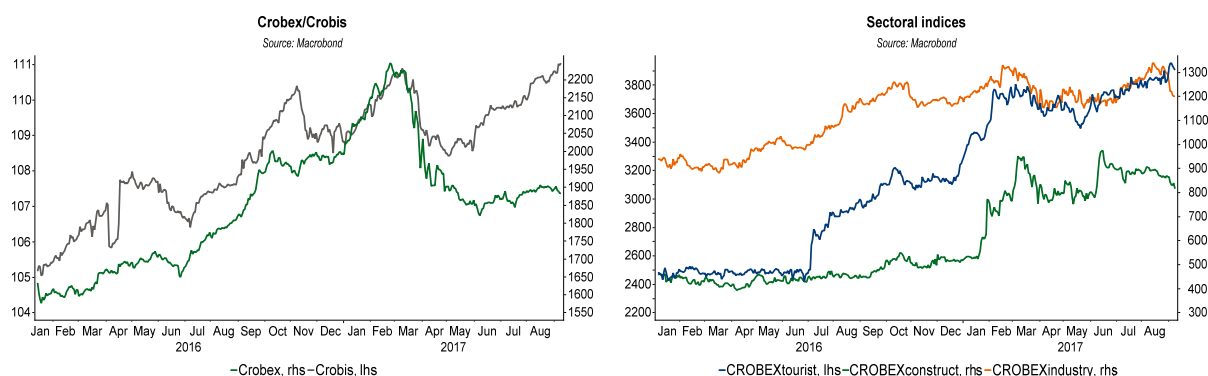
Last week in the money market stayed calm. Excess liquidity decreased, but interest rate did not record any changes. The overnight Zibor remained at 0.38%, 1M at 0.52% and 3M at 0.60%. At the regular reverse repo auction, the same as the week before, CNB injected 30 million kuna in the system at the fixed repo rate of 0.3%, while no ZMM turnover was recorded.

Last week there was no maturity or auction and, as there will be no maturity this week, there will be no auction either.

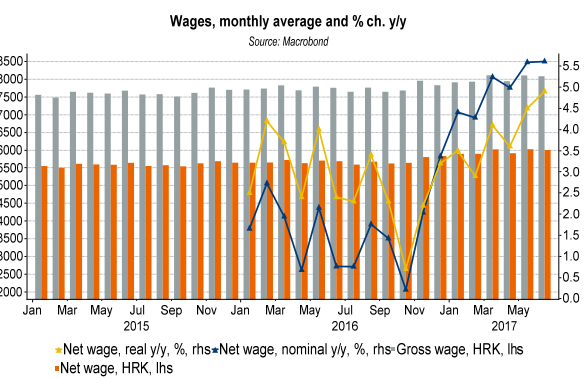
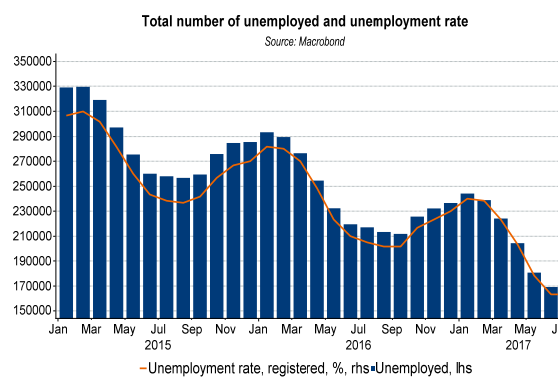
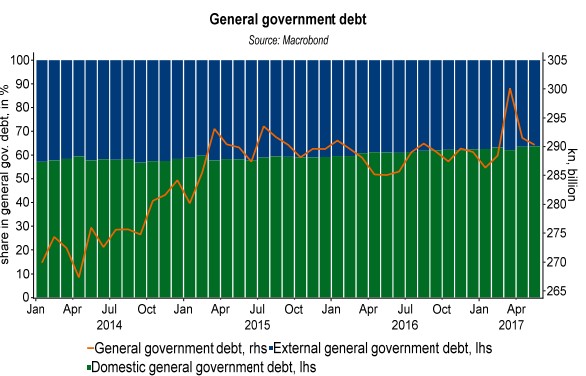
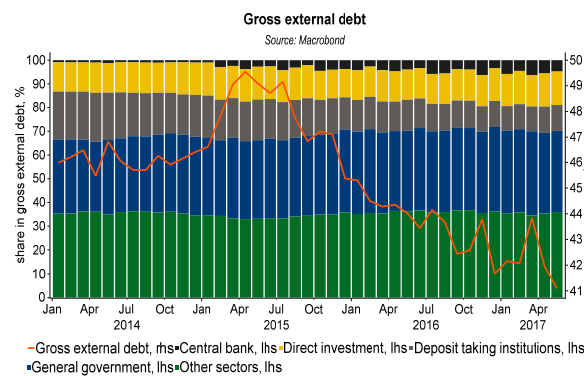
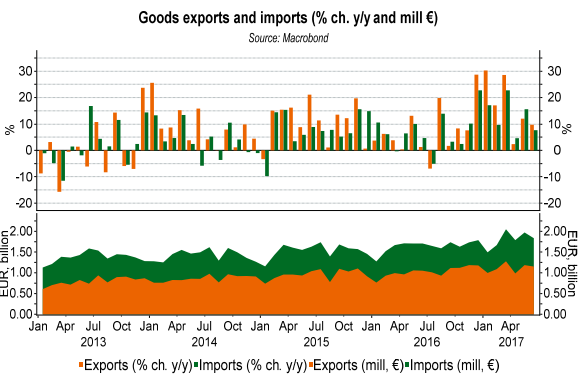
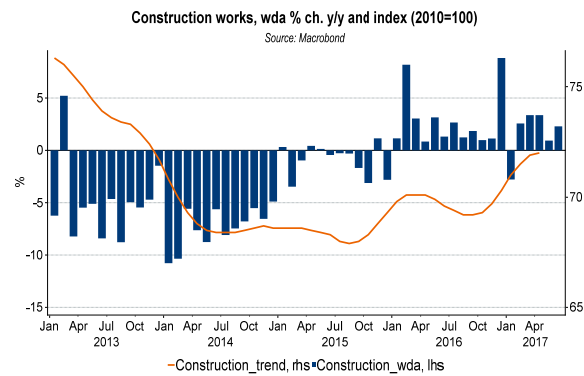
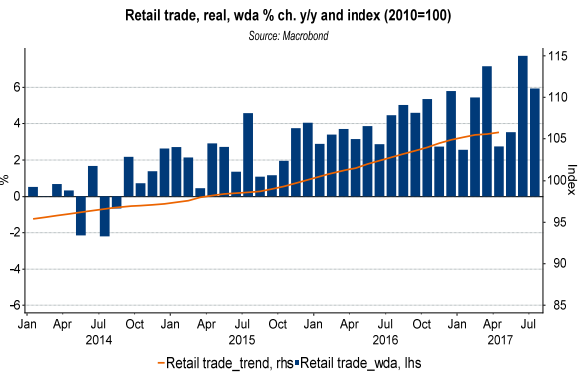
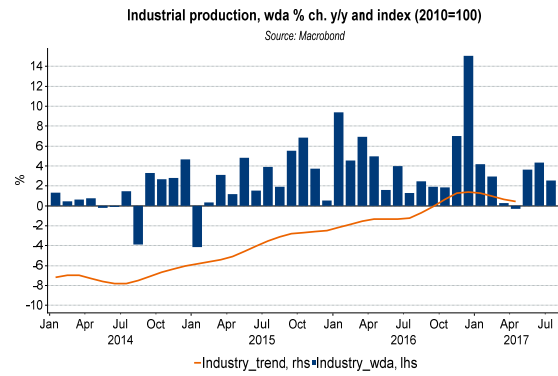


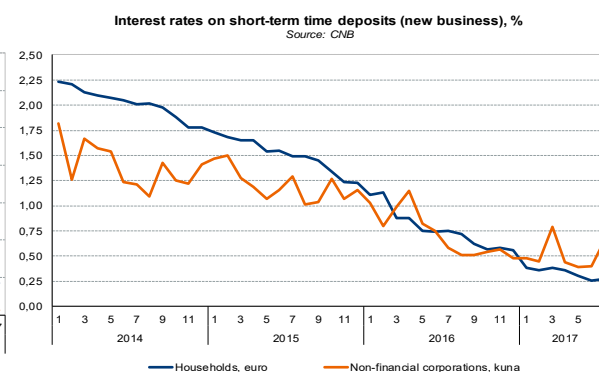
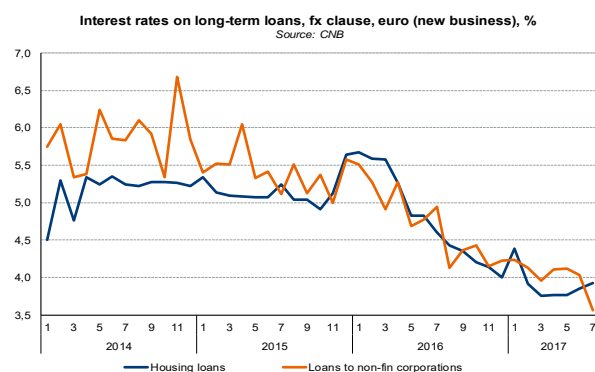
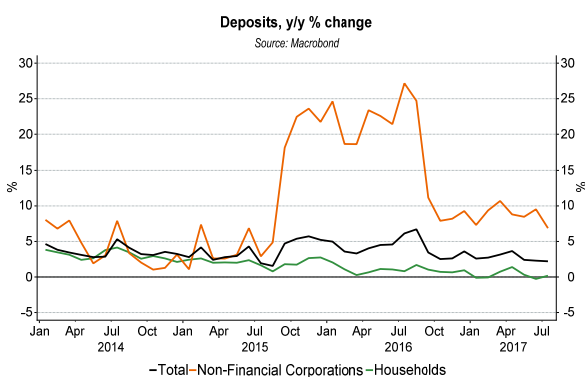
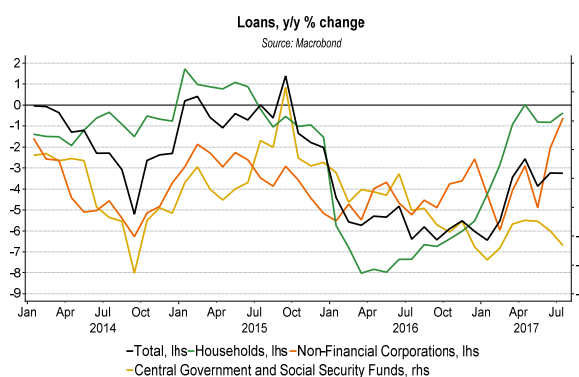
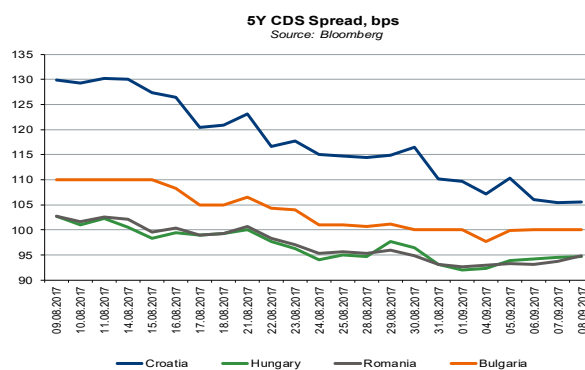
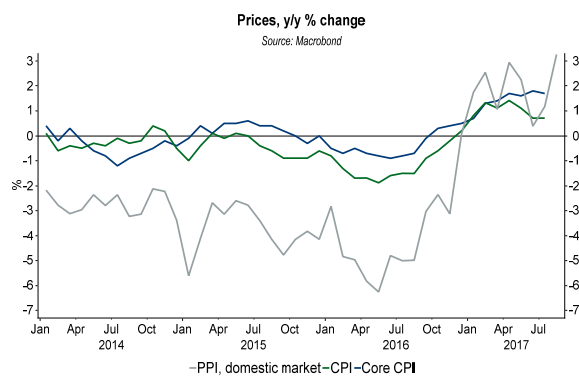
## Crobex back in negative territory

The total ZSE turnover amounted to 772.6 million kuna last week, which is up 2.3 times versus the week before, where the turnover in bonds amounted to 666.7 million kuna (2.3 times more wow), while the turnover in shares amounted to 105.9 million kuna (2.1 times more). The Crobex index closed the week down by 0.7% versus the previous Friday, dropping to the level of 1,882.72 points, while Crobis rose by 0.2% wow (to 111.04 points). Sector indices closed the week in negative territory, where CROBEXconstruct recorded the largest decline wow (-5.6%), closing the week at 816.02 points, CROBEXindustry decreased by 4.7% (to 1,200.74 points), and CROBEXtourist by 0.5% (to 3,905.79 points). At its meeting held on 6 September 2017, the Index Committee made a regular revision of the Crobex index, where a decision was made that the shares of the companies Maistra d.d. (MAIS), Petrokemija d.d. (PTKM), Zagrebačka burza d.d. (ZB) are to be excluded from the Crobex index, whereas the shares of the company Institut IGH d.d. (IGH) are to be included in the aforesaid index. The change in the composition of the Crobex index will be made after the close of trading on 15 September 2017.



# Statistics





#### **RESEARCH OFFICE**

Ivana Jović

Ana Lokin

Ivan Odrčić

#### **TREASURY**

Eugen Bulat

#### **LEGAL DISCLAIMER**

This publication is issued by PRIVREDNA BANKA ZAGREB-DIONIČKO DRUŠTVO, Zagreb, Radnička 50 (hereinafter: PBZ) and aimed at clients of the PBZ Group. This publication is intended for information purposes only and may not in any way be considered an offer or invitation to purchase any property or rights mentioned in it. The informative nature of this publication means that it may not serve as a substitute for the personal judgment and assessment of any reader or anyone who receives this publication. The information, opinions, analyses, conclusions, forecasts and projections given here are founded on publicly available data whose accuracy PBZ relies on, but cannot guarantee. Accordingly, all the opinions, attitudes, conclusions, forecasts and projections given in this publication are subject to changes, which depend on changes to the data as published by the source used. PBZ allows further utilization of the data given in this publication on the condition that the publication is indicated as the source. All the property mentioned in this publication and whose movement is the subject of comment may from time to time be the subject of trade or positions taken by PBZ.