

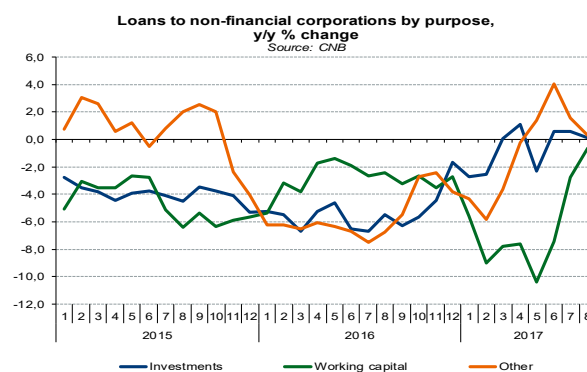
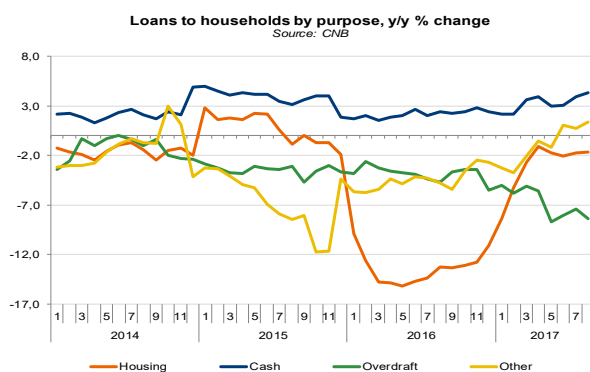
PBZ Weekly Analysis

Number 580, October 9, 2017

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Weekly overview

- At the end of August, total loans decreased by 3.3% yoy, whereas their decrease is mostly a consequence of a fast deleveraging of the central government and social security funds, which recorded a decline in loans by 12.7%, owing to better fiscal trends. Loans to the private sector simultaneously moderately decreased by 0.2% yoy, where loans to both non-financial corporations and households dropped by 0.2%. Breaking down corporate loans by purpose shows that investment and other loans have continued to recover, recording yoy growth rates of 0.1 and 0.3%, respectively, while loans for working capital decreased by 0.6%. At the same time, transaction data show that the MFI claims on non-financial corporations have continued to accelerate, thus the yoy growth in August reached 3.2%. Loan to households declined by 0.2% in August yoy, however, having regard to the exchange rate movements and the currency structure of the portfolio, it is obvious that the negative rate is solely a result of the kuna strengthening. The latter is consistent with the data on transactions which show that claims on households at the end of August rose by 2.4% yoy. Breaking down retail loans by purpose shows that there were no major surprises in August as well – growth was recorded only by total cash loans and other loans (+4.3%, +1.3%), due to an increase in kuna loans, whereas a decrease in housing loans slowed down as a result of a continued strong demand for kuna housing loans (+36.4%). The growth rate of total deposits slightly accelerated to 2.6% in August, where corporate deposits jumped by 8.4% yoy, due to favourable trends in the real sector, particularly the tourism season which reached record figures. Household deposits moderately rose by 0.4%, reaching around 1.3%, when the impact of exchange rate changes is excluded.

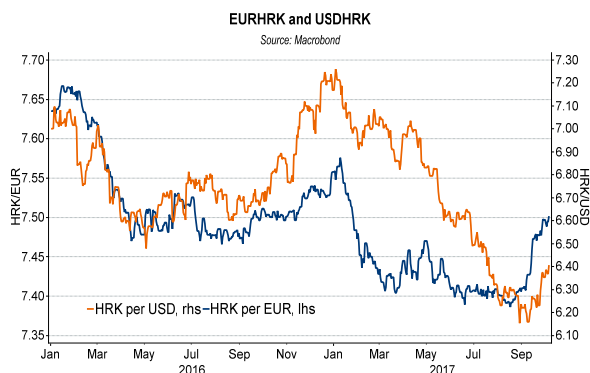


Dollar continues to strengthen, kuna slightly weakens

Growing expectations of the interest rate hike by the end of the year are supporting the strengthening trend of the dollar, thus EUR/ USD trading on Friday closed at 1.1730 dollar to the euro, which is down by 0.7% w/w.

The EUR/ HRK mid-exchange rate moved within a tight range of 7.49-7.50 and moderately increased by 0.1% on Friday w/w, amounting to 7.5018 kuna to the euro. The kuna weakened against the dollar

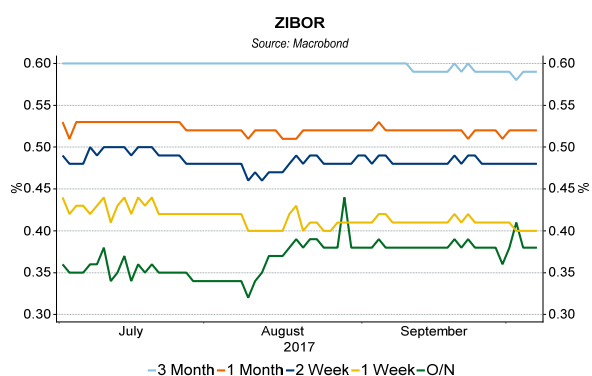
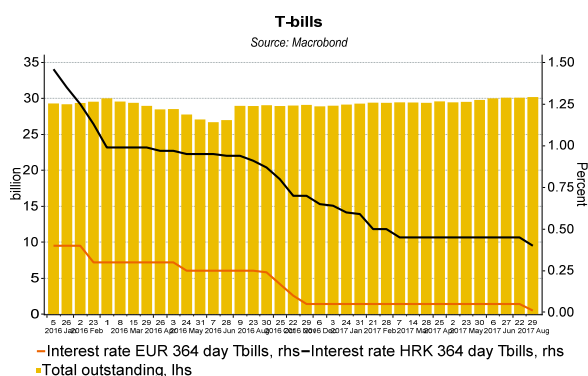
as well, by 0.8%, while the mid-exchange rate increased to 6.4074 kuna to the dollar. This week, we expect a continuation of mild depreciation and trading in the range 7.49-7.52 kuna to the euro.



Calm week for money market

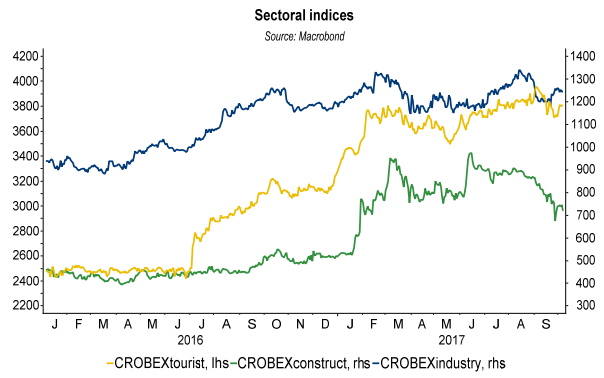
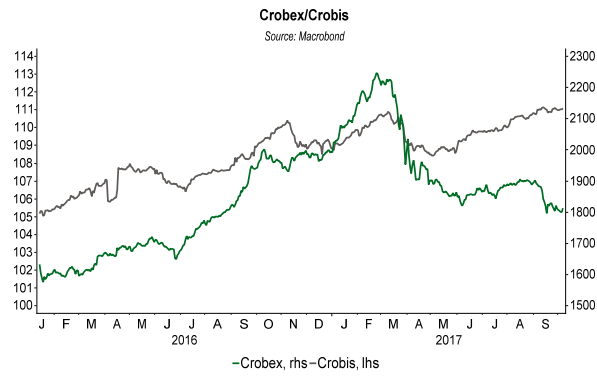
Excess liquidity fell to 11 billion kuna, the money market saw a calm week. The overnight Zibor increased by 2 b.p. to 0.38%, 1M rose by 1 b.p. to 0.52%, while 3M stayed at 0.59%. There was no activity at the regular reverse repo auction and no turnover in the ZMM.

There was neither T-bill maturity nor auction last week, and the same situation is expected this week as well.

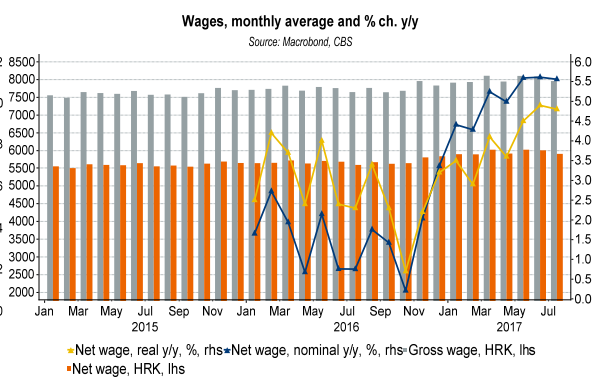
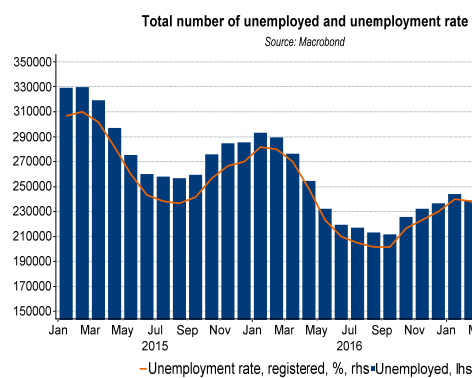
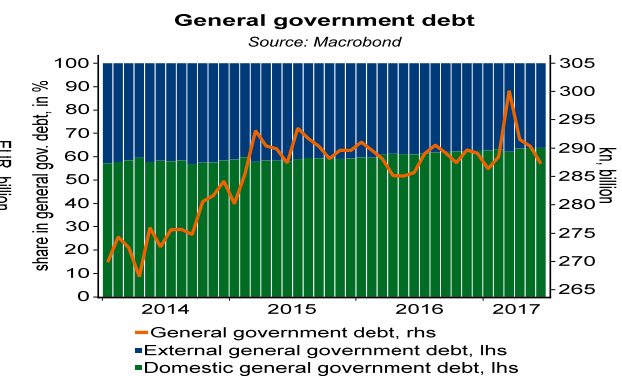
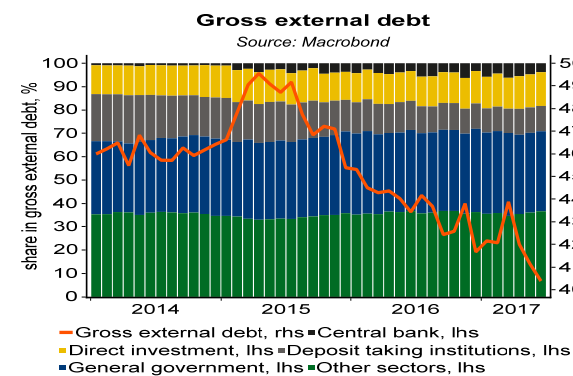
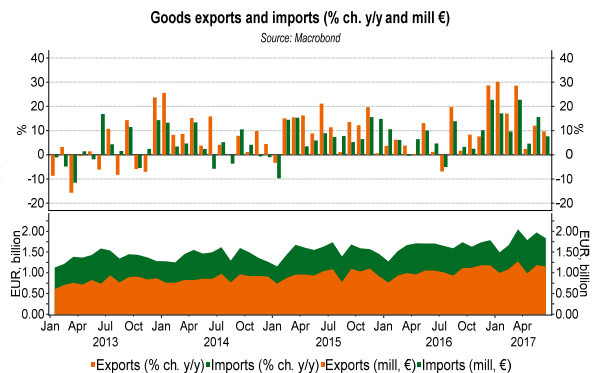
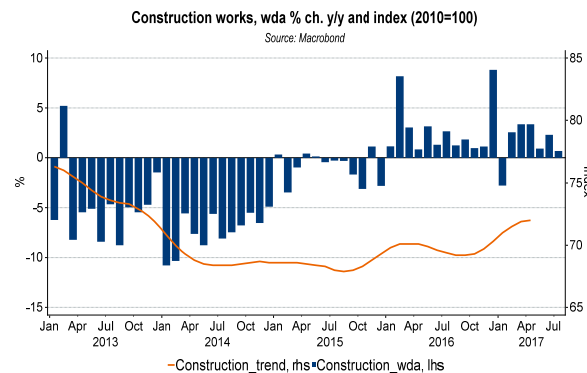
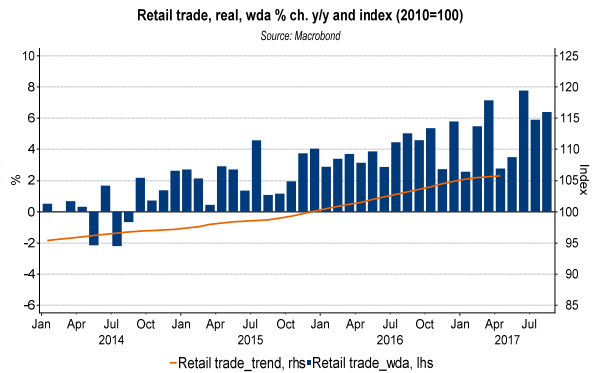
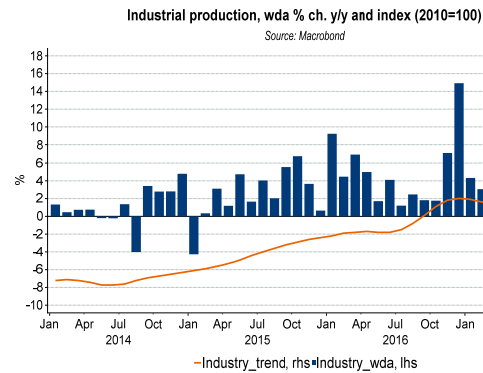


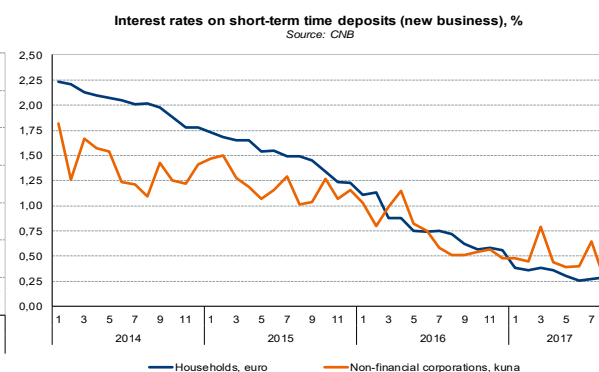
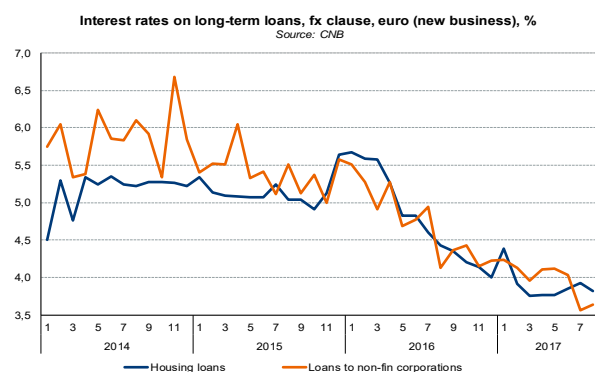
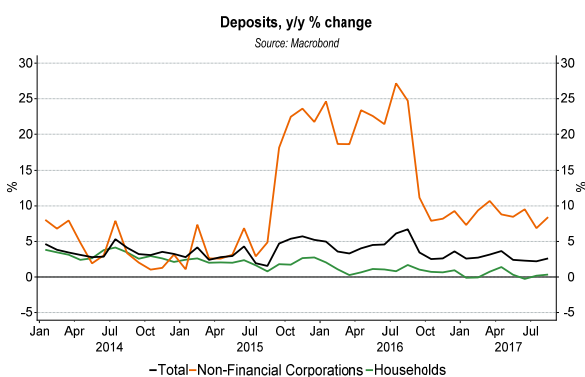
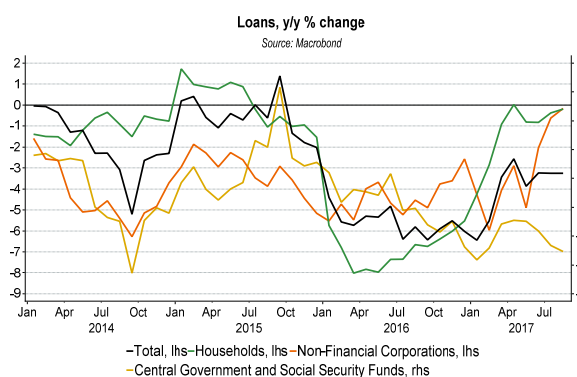
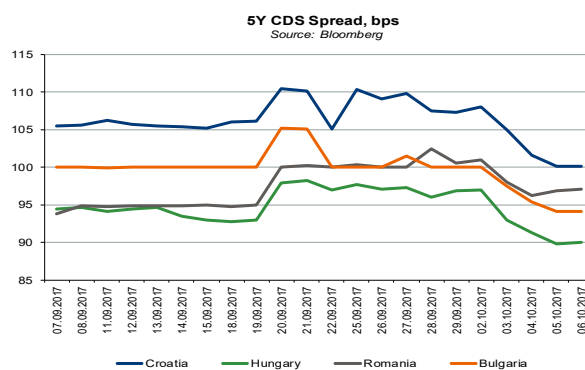
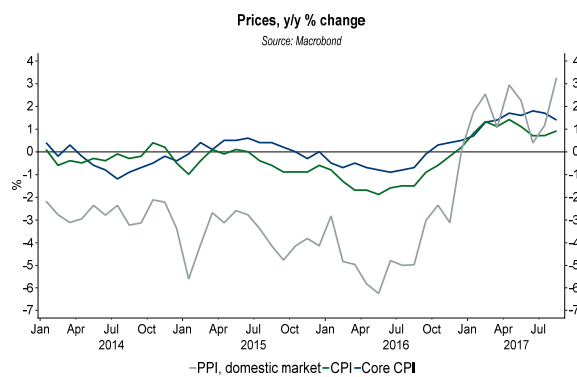
Moderate rise of Crobex

Last week, the total ZSE turnover amounted to 428.1 million kuna, which is up by 2 times versus the week before, due to 2.3 times higher turnover in bonds (reaching 407.5 million kuna), while the turnover in shares dropped by 44.1% (to 20.6 million kuna). The Crobex index closed at 1,813.27 points on Friday and Crobis at 111.08 points, i.e. both indices moderately rose by 0.1% wow. As regards sector indices, CROBEXtourist closed last week up by 2.4% wow (reaching 3,803.00 points), while CROBEXconstruct (719.58 points) and CROBEXindustry (1,244.41 points) closed down by 2.4% and 1.2%, respectively, on Friday.



Statistics





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