

# PBZ Weekly Analysis

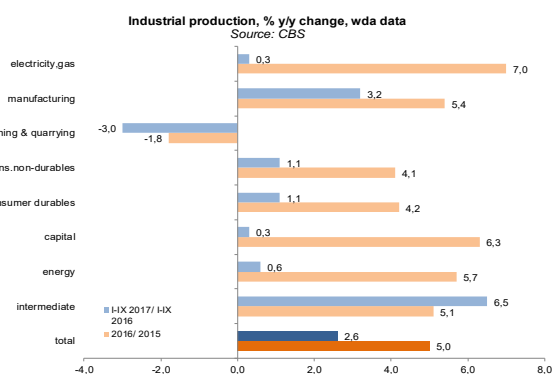
## Number 583, November 6, 2017

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## Weekly overview

- The assets of other MFIs recorded a negative yoy rate for the fifth consecutive month (-0.4% in September), which is a consequence of a continued decrease in external debt, due to which net foreign assets in September reached a record 20.7 billion kuna. A decrease in foreign liabilities was followed by an increase in deposits, which accelerated to 3.5% yoy in September, where deposits of non-financial corporations substantially rose by 10.0% and household deposits by 1.0% (around 1.4% adjusted to exchange rate changes). The fastest growth remains recorded by demand deposits (+24.0%), while kuna and foreign currency savings decreased by around 2% yoy. The outflow of retail euro savings stopped in the third quarter (most likely only temporary, as this trend was recorded last year as well). Total loans in September were still in negative territory (-1.9% yoy), which is mostly a result of lower debt of the central government and the social security funds owed to domestic banks (-8.5%). Simultaneously, loans to households and non-financial corporations increased by 0.4 and 0.3% yoy, respectively, which is in case of the latter two the first positive yoy rate of change since April 2012. Breaking down loans according to purpose shows a continued increase in investment loans (+1.4%), recovery of loans for working capital (+0.5%) and a decrease of other corporate loans (-1.9%), whereas retail housing loans continued to decline (-1.2%; kuna +32.9%) and cash loans and other loans accelerated their increase (+5.1%; +2.3%). The data on transactions show a slightly lower rise in claims on the private sector in September (+2.7% yoy), where claims on non-financial corporations slowed down from +3.2% in August to +2.9% in September, while claims on households speeded up from +2.4% to +2.6%. By the end of the year, we expect a continuation of the increase in claims on the private sector and a yoy rise in loans to the private sector around 0.6%.

- The industrial production in September recorded a mom growth of 1.4% (seasonally and working-day adjusted), while an increase of 3.0% was recorded yoy (working-day adjusted). According to NKD, all the categories made a positive contribution to the yoy increase in the industrial production volume in September, where the increase in



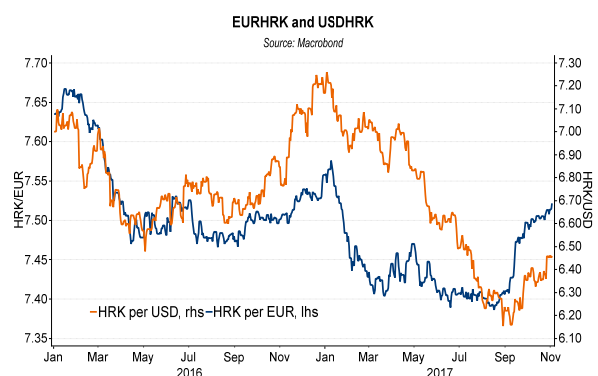
Electricity, gas, steam and air conditioning supply was the highest, amounting to +10.9%. The production in Mining and quarrying rose by 8.7% yoy (out of which Extraction of crude petroleum and natural gas +10.0%), while the production volume in Manufacturing advanced by a meagre +0.8% (out of which Manufacture of food products rose by 8.6%, while Production of fabricated metal products, except machinery and equipment declined by 18.5%, as the two components with the largest share in Manufacturing), i.e. at least since April, when a yoy decline of 0.1% was recorded. In total, over the first nine months this year, the industrial production rose by 2.6% compared with the same period last year (I-IX 2016: +4.0%), where the increase in Manufacturing amounted to +3.2% (I-IX 2016: +4.6%) and in Electricity, gas,

steam and air conditioning supply +0.3% (I-IX 2016: +3.7%). Thereby, Mining and quarrying recorded a yoy decline in the production of 3.0% (I-IX 2016: -0.4%) over the mentioned period.

## Euro unchanged, kuna slightly weaker

Euro weakened against the dollar after the ECB meeting, where the cut was announced of the APP to 30 billion euro per month from the current 60 billion euro, starting January 2018, and remained at that level during the past week. The EUR/USD trading closed at 1.1608 dollar to the euro on Friday, unchanged wow.

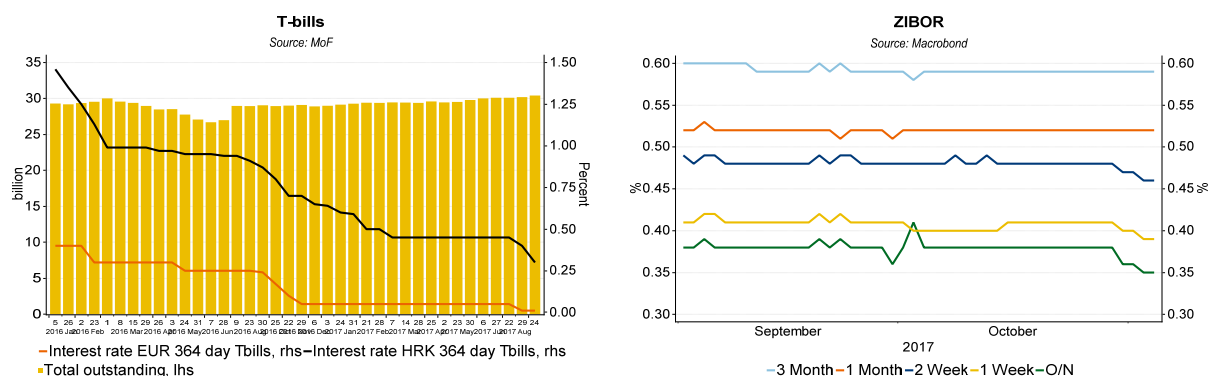
The kuna continued to weaken against the euro moderately, therefore the mid-exchange rate at the end of the week amounted to 7.5217 kuna to the euro, up by 0.1% wow. The kuna stayed the same against the dollar and the exchange rate amounted to 6.4597 kuna to the dollar on Friday. This week, we expect trading in the range 7.52-7.55 kuna to the euro.



## Structural repo operation announced

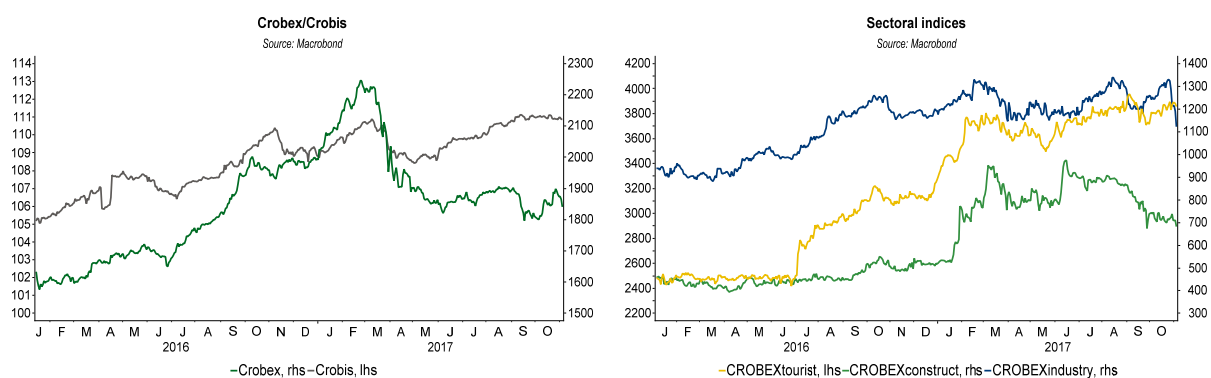
Excess liquidity fell below 11 billion kuna, however the market remained calm, so the overnight Zibor dropped by 3 b.p. wow to 0.35%, while 1M and 3M stayed at 0.52% and 0.59%, respectively. At the CNB's regular reverse repo auction there was no activity, whereas at this year's first structural repo operation announced for this week loans will be placed at the fixed interest rate of 1.2%, down by 20 b.p. versus the last operation (held in November 2016), with a 5-year maturity (4 years thus far). There was no turnover on the ZMM.

There was no maturity or T-bill auction last week, therefore the government debt under T-bills remained at 30.4 billion kuna. This week, 1.5 billion euro in T-bills issued in August 2016, with 455-day maturity, will mature and the auction with the same amount and maturity has been announced.

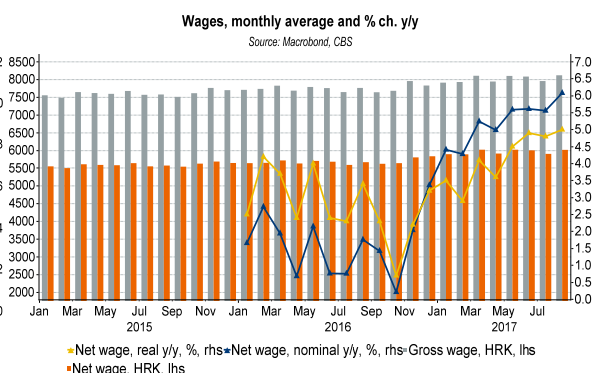
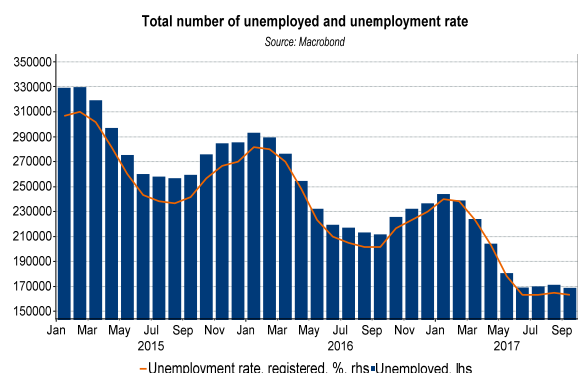
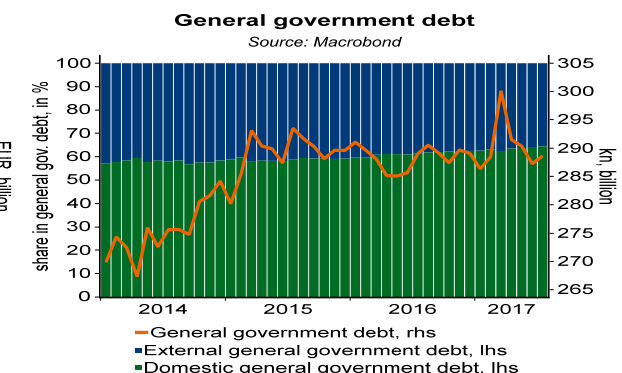
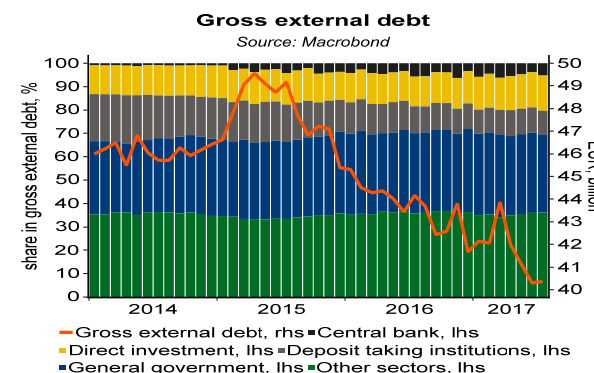
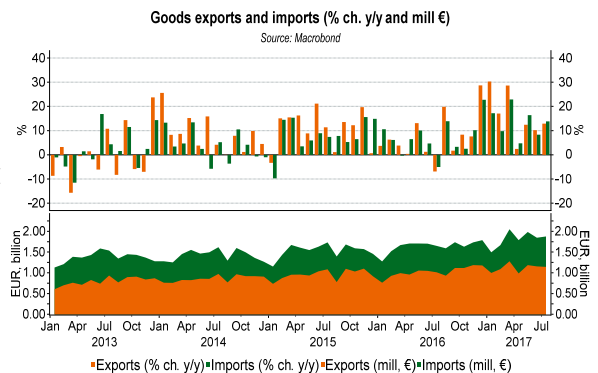
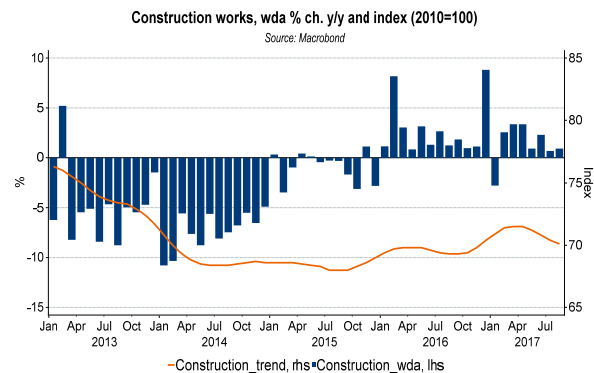
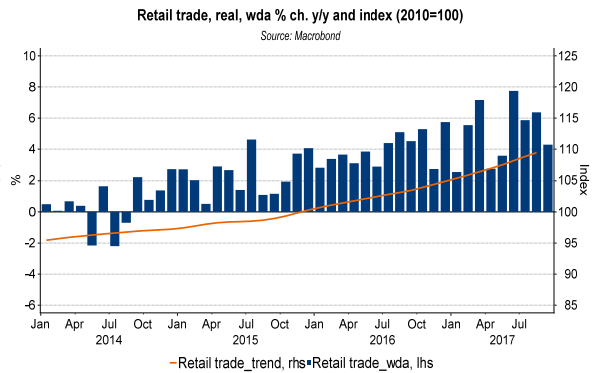
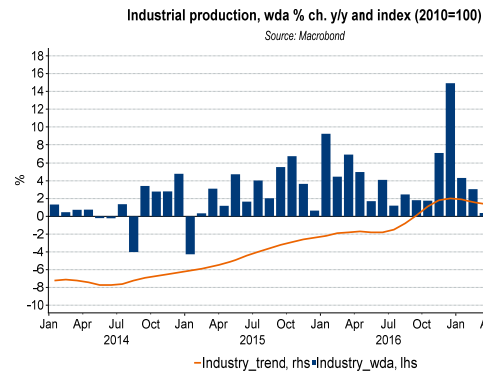


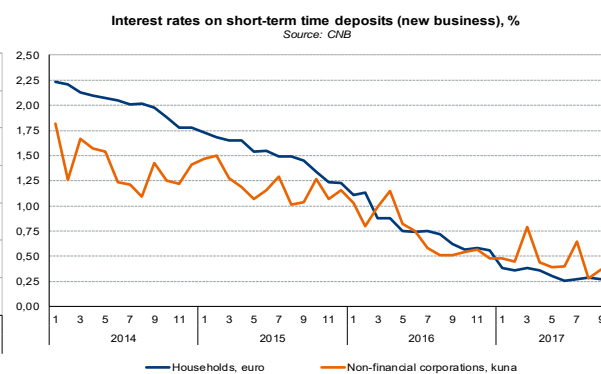
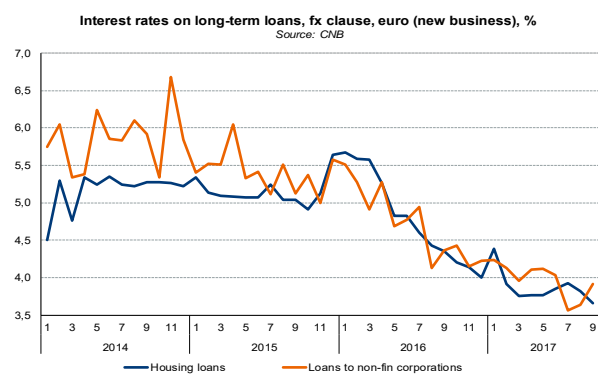
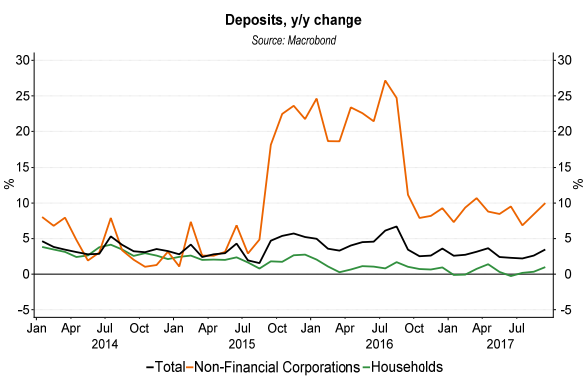
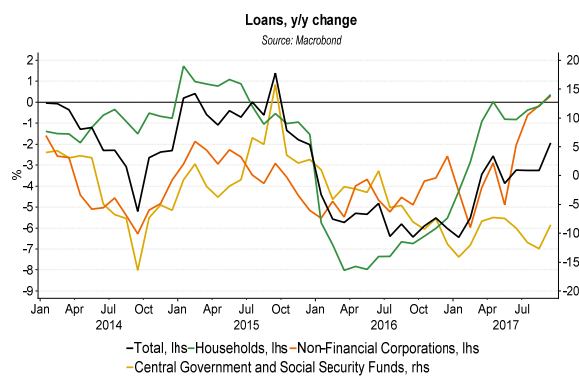
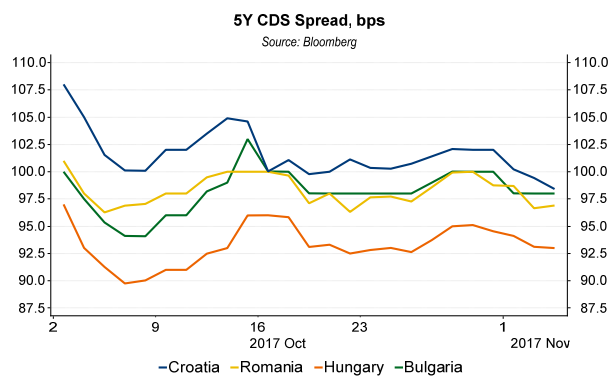
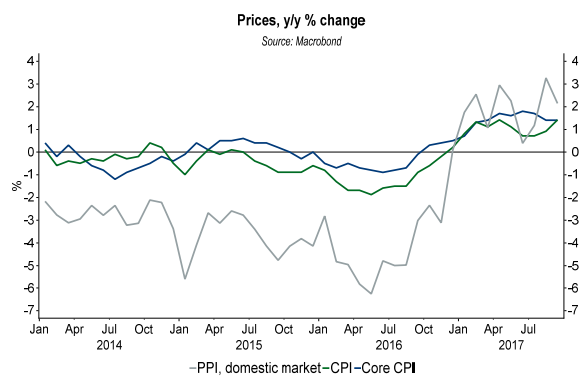
## Crobex down now

The Crobex index closed last week at a 2.7% lower level wow of 1,841.12 points, while Crobis remained unchanged wow (at 110.88 points). As regards sector indices, CROBEXindustry plummeted by 12.8% wow (where the shares of the companies Petrokemija d.d. by -29.5%, Varteks d.d. by -8.7% and Đuro Đaković Grupa d.d. by -6.5%), dropping to 1,121.92 points, whereas a negative performance was recorded by CROBEXconstruct as well, closing at 681.77 points on Friday, i.e. down by 5.7% wow. CROBEXtourist closed last week by an increase of 0.7% (to 3,855.60 points). The total ZSE turnover over the last week's four trading days amounted to 73.1 million kuna, down by 79.5% versus the week before, of which the turnover in bonds decreased by 89.6% (to 31.3 million kuna), and the turnover in shares by 26.1% (to 41,8 million kuna). After several months of suspended trading, trading in shares of the Agrokor concern continued on Friday (Belje d.d., Jamnica d.d., Ledo d.d., PIK-Vinkovci d.d., Tisak d.d., Vupik d.d., Zvijezda d.d. and Žitnjak d.d.). All the shares of the Agrokor concern that were traded suffered a double-digit decline in prices.



# Statistics





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