

# PBZ Weekly Analysis

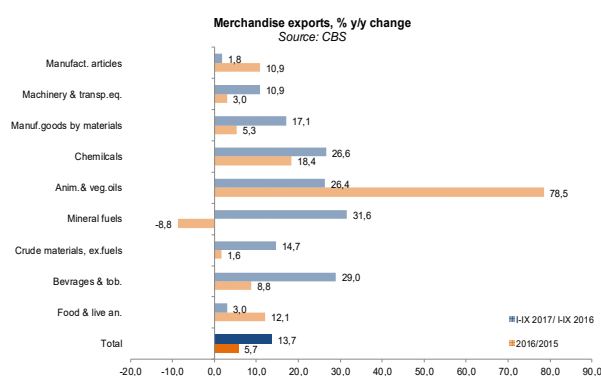
## Number 588, December 11, 2017

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## Weekly overview

- After a recovery in September, total loans in October decreased again by 0.7% mom, due to which the yoy rate of decrease further fell to -2.3%. Loans to the private sector, after the September increase of 0.3%, stagnated in October yoy as a result of a 1.0% rise in retail loans followed by a 1.4% drop in loans to non-financial corporations. Loans to the central government and social security funds continued their downward trend, declining by 8.7% at the end of October versus the same month last year. Breaking down corporate loans by purpose shows that the yoy decline was mainly a result of a strong 5.3% decline in other loans, whereas investment loans dropped by 0.6% and loans for working capital stagnated. The analysis of retail loans by purpose and currencies shows a further increase in kuna loans (+17.2%), specifically, housing loans by 33.3%, cash loans by 23.6% and other loans by 11.2% yoy. Data on transactions indicate a continued rise in the private sector demand, therefore, in October, claims of banks on the private sector rose by 2.5%, where claims on households speeded up to 3.4%, while claims on non-financial corporations slowed down to 1.4%. In October, deposits increased at a slightly accelerated pace to 3.8% (+3.2% private sector), where deposits of non-financial corporations continued their strong growth (+9.3%), while retail deposits continued their moderate increase (+1.3%).

- The total exports of goods in September amounted to 8.9 billion kuna, i.e. up by 6.6% yoy, while the imports of goods amounted to 14.3 billion kuna, up by 9.8% versus September last year, due to which the foreign trade deficit climbed by 15.7% yoy (to 5.4 billion kuna) and the coverage rate of imports by exports decreased by 1.9 p.p. (to 62.4%). Over

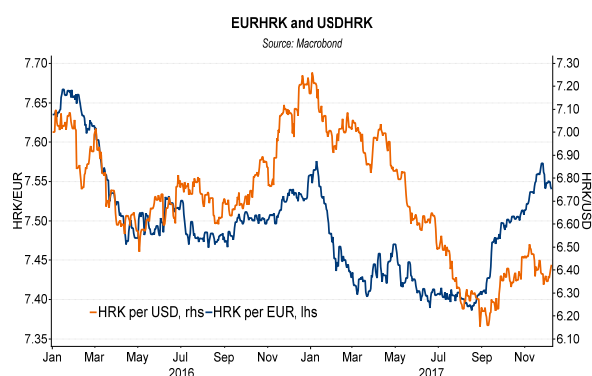


the first nine months of 2017, the total exports of goods rose by 13.7% versus the first nine months last year, reaching 75.7 billion kuna, where the largest increase (in absolute terms) was recorded in Manufacture of basic pharmaceutical products and pharmaceutical preparations (by 1.8 billion kuna), Manufacture of coke and refined petroleum products (by 1.6 billion kuna) and Manufacture of basic metals (by 742 million kuna). On the other hand, the imports of goods increased by 11.4% over the same period, reaching 122.3 billion kuna, due to which the foreign trade deficit advanced to 46.6 billion kuna (+7.8% yoy). Thereby, the coverage of imports by exports was 61.9%, i.e. up by 1.3 p.p. compared with the first nine months of 2016. The first results for October show a double-digit (+12.6%) growth of the exports of goods yoy, versus a 7.5% increase in the imports, owing to which the foreign trade deficit decreased by 3.8%, and the coverage rate increased by 3.3 p.p. yoy (to 72.0%, i.e. the most since January 2000 when the coverage rate was 74.2%).

## Dollar continues to strengthen, kuna unchanged

The progress in the tax reform and a growing belief of investors that the Fed will raise its key interest rate this Wednesday, have boosted further strengthening of the dollar against the euro. Trading closed at the end of week at 1.1773 dollar to the euro, down by 1.0% wow.

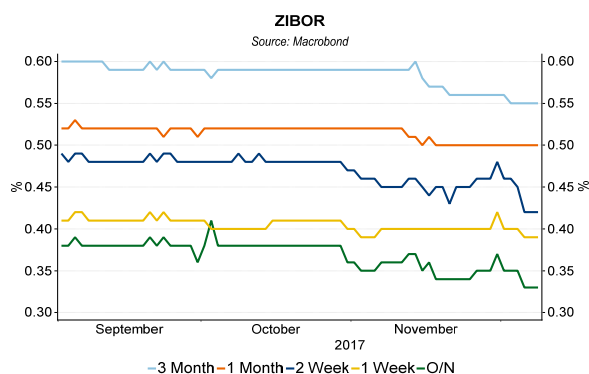
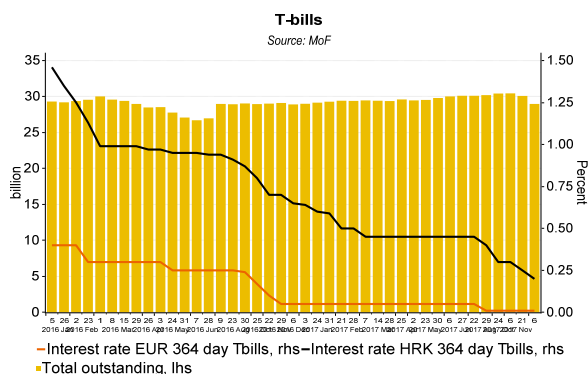
Last week saw more activity in the interbank market, while the mid-exchange rate of the kuna against the euro recorded minor fluctuations, amounting to 7.5401 kuna to the euro on Friday, unchanged wow. The kuna against the dollar weakened by 0.8% to 6.4231 kuna to the dollar. This week, we anticipate trading back in the range from 7.54 to 7.58 kuna to the euro.



## T-bill auction held

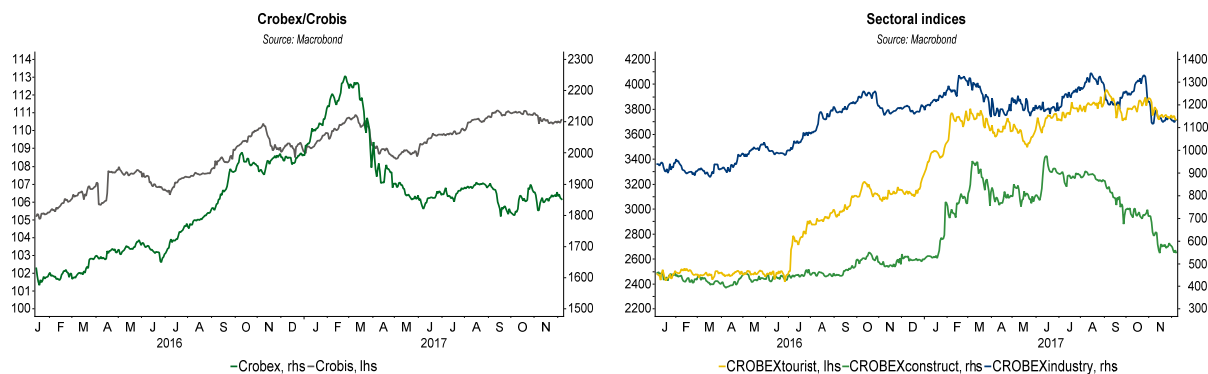
There were no major changes in the money market. At the end of the week, the overnight Zibor amounted to 0.33%, down by 2 b.p. wow, while 1M stayed at 0.50% and 3M decreased by 1 b.p. to 0.55%. There was no activity at the regular reverse repo auction again, while the ZMM turnover reached 607 million kuna.

Last week saw maturity of 1.1 billion kuna and a subscription of 675 million kuna, therefore the government debt under T-bills declined to 29.0 billion kuna. There was a subscription of one-year kuna T-bills at the interest rate of 0.2%, 5 b.p. lower from the previous issue. There will be no more T-bill maturity by the end of the year, therefore the next auction is scheduled for 2 January 2018.

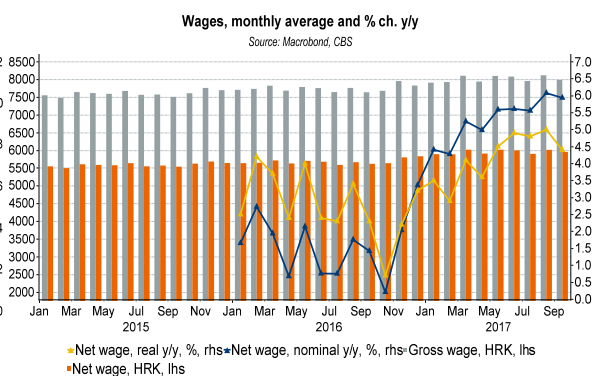
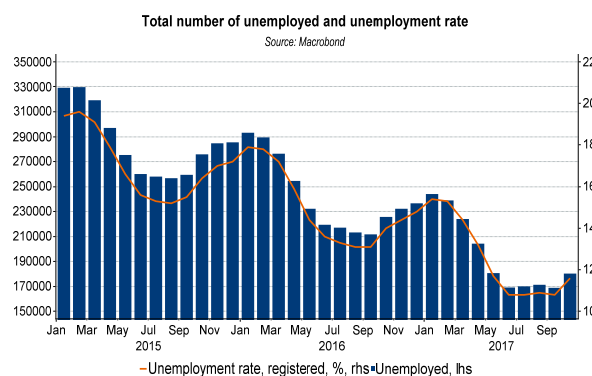
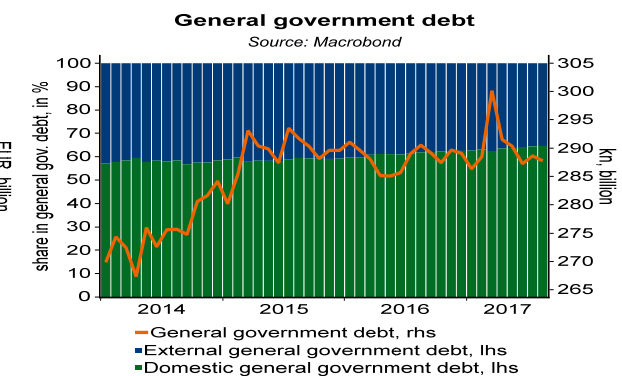
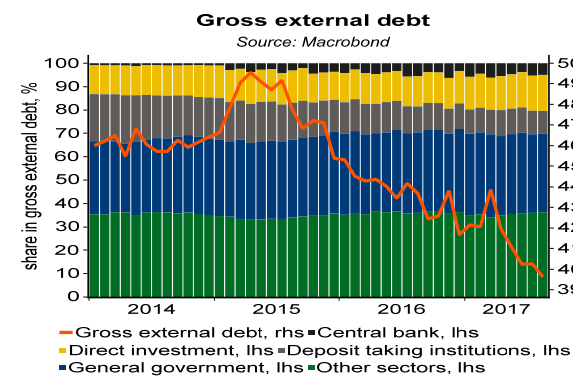
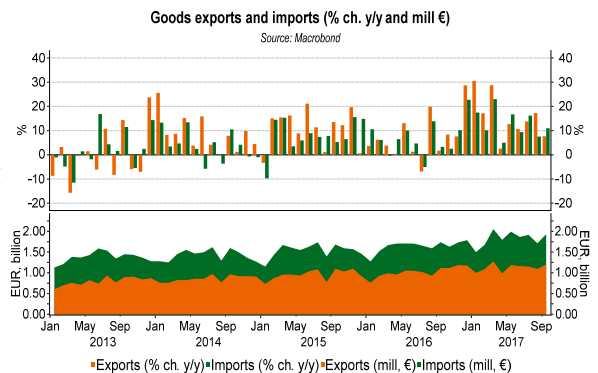
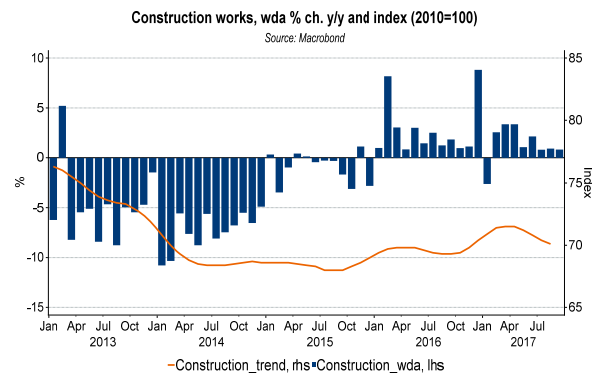
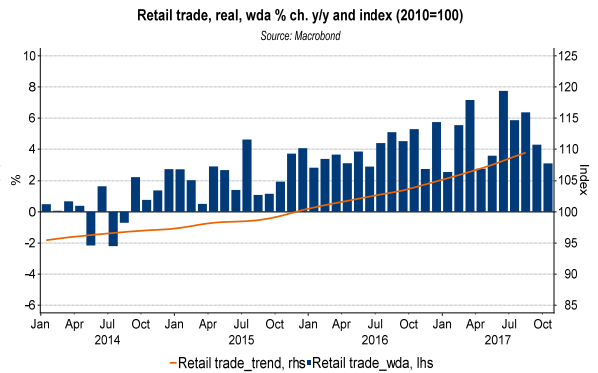
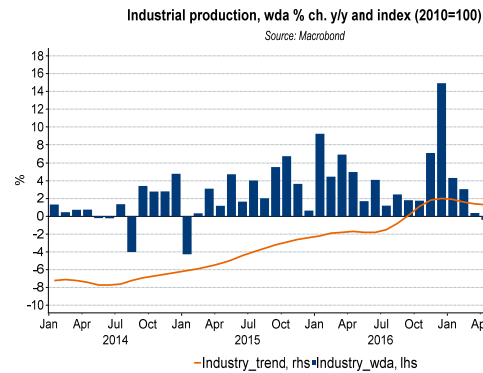


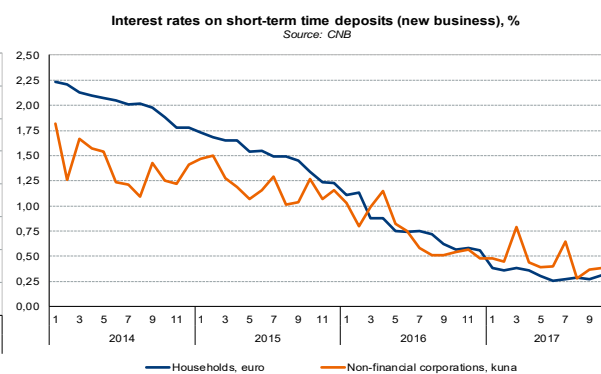
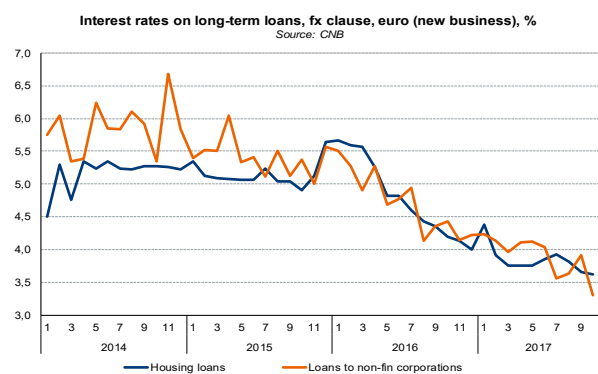
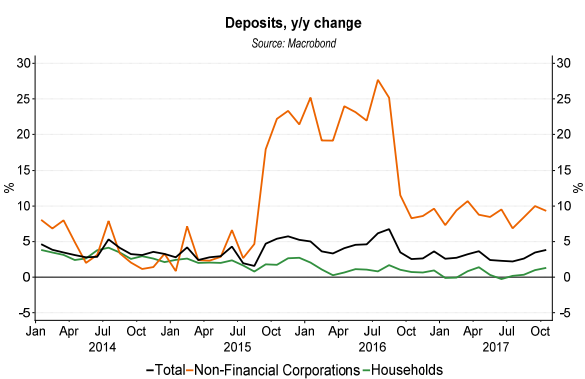
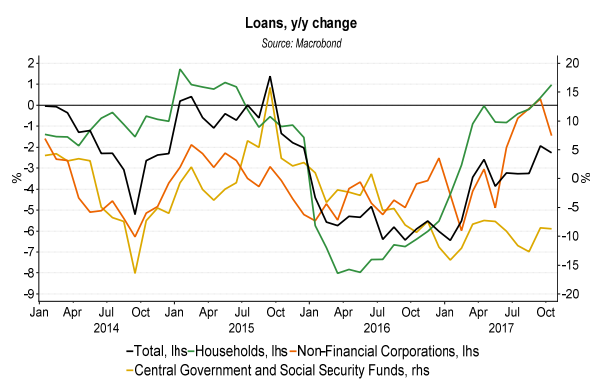
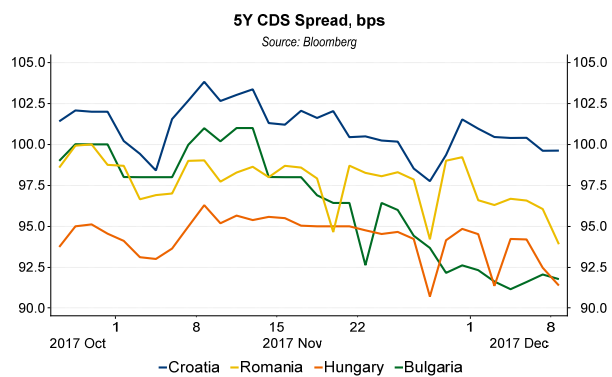
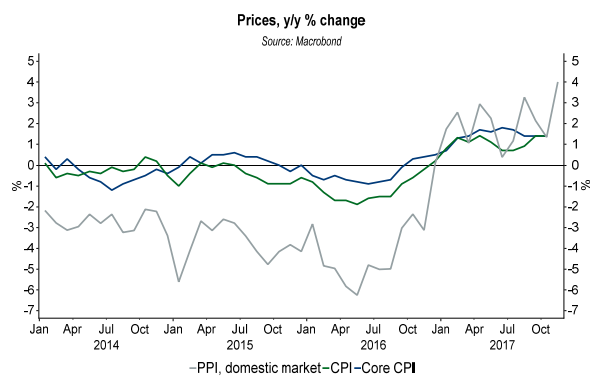
## Crobex down wow

Last week, the total ZSE turnover was 1.093 billion kuna, up 2.2 times versus the week before, owing to a 2.6 times higher turnover in bonds reaching 987.7 million kuna, whereas the turnover in shares was down by 5.1% wow (105.4 million kuna). Last Friday, the Crobex index closed at 1,849.14 points, or down by 0.7% wow, while Crobis reached 110.61 points, i.e. up by 0.1%. Last week, sector indices ended in negative territory, where CROBEXconstruct declined by 2.8% wow (to 556.64 points), CROBEXindustry dropped by 0.9% (to 1,119.37 points) and CROBEXtourist by 0.3% (to 3,718.58 points).



# Statistics





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