

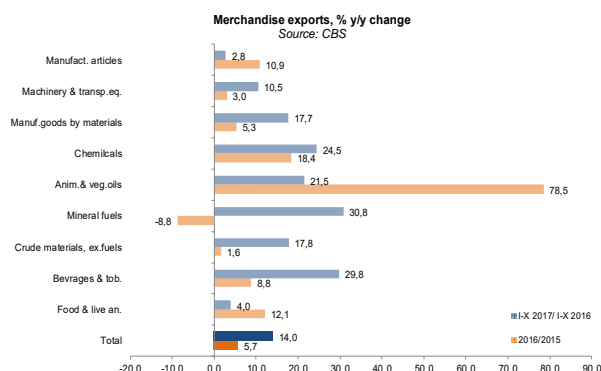
PBZ Weekly Analysis

Number 591, January 15, 2017

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Weekly overview

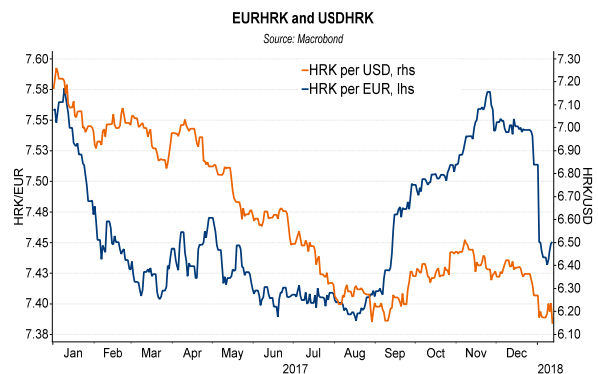
- The total exports of goods in October 2017 amounted to 9.7 billion kuna, which is up by 15.0% versus the same month of 2016, while the total imports of goods simultaneously amounted to 13.9 billion kuna, up by 13.6% yoy. Thus, the foreign trade deficit rose in October by 10.6% yoy (to 4.2 billion kuna), while the coverage of imports by exports increased to 69.5% (from 68.7% in October 2016). Analysing the period from January to October 2017, the total exports of goods rose at the rate of 14.0% yoy, thus reaching 85.4 billion kuna, where the largest increase in absolute terms was recorded in the manufacture of coke and refined petroleum products (+2.0 billion kuna), manufacture of basic pharmaceutical products and pharmaceutical preparations (+1.9 billion kuna) and the manufacture of basic metals (+0.8 billion kuna). At the same time, the total imports of goods rose at the average rate of 11.9% yoy, i.e. to 136.5 billion kuna, due to which the foreign trade deficit advanced to 51.1 billion kuna (+8.6% yoy), while the coverage rate to 62.6% (+1.2 p.p.). The total exports in the EU members states over the first ten months last year rose by 10.4% yoy, while the exports in the CEFTA member countries rose even by 20.9% (mostly due to 22.2% higher exports in the market of Bosnia and Hercegovina, supported by the elimination of tariffs for export of food products). The preliminary data for November indicate a further two-digit (+10.7%) increase in the value of exports yoy, whereas the imports decreased by 2.3% yoy, which resulted in the record growth of the coverage rate to 77.7%, but also the substantially lower (-30.5%) foreign trade deficit.
- On Friday, the Fitch Agency upgraded the rating of the Republic of Croatia in local and foreign currency to BB+ (from BB), with stable outlook, which is a return to the same level held by August 2014. In the report, Fitch indicates that the upgrade of the rating reflects the stable economic growth, due to a successful tourism season, positive effects of the tax reform, improvement in public finances and a better absorption of EU funds.



Euro stronger, kuna stabilised

The euro strongly ascended against the dollar, mostly after the release of the ECB Meeting Minutes, which indicate the strengthening of the eurozone economy that might influence the ECB's timing of the end of the APP. The additional weakness of the dollar was boosted by the rumours of the intentions of the Chinese monetary authorities to diversify the FX reserves, i.e. reduce the investments in the US securities. Amid these events, EUR/USD closed at 1.2202 dollar to the euro, up by 1.4% wow.

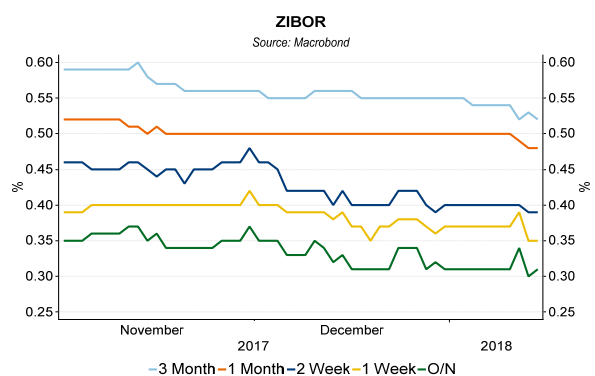
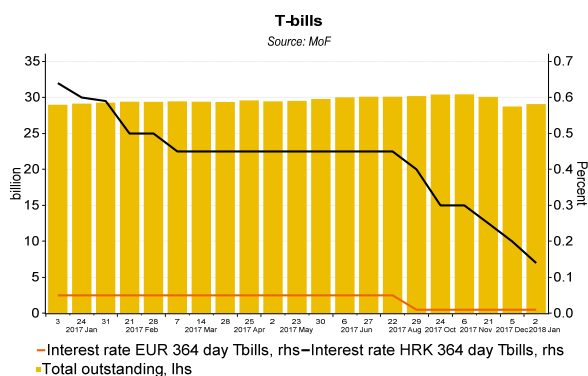
After the intervention the week before, the EUR/ HRK exchange rate stabilised, amounting to 7.4505 at the end of the week, up by 0.2% wow, while the kuna against the dollar strengthened by 0.4%, to 6.1462 kuna to the dollar.



Liquidity continues to rise

Last week, after the intervention of the central bank the previous week, excess liquidity jumped to 26-28 billion kuna. The overnight Zibor remained at 0.31% and 1M and 3M decreased by 2 b.p. wow to 0.48% and 0.52%, respectively. No interest was shown at the reverse repo auction again, but the turnover on the ZMM was recorded, amounting to 1.2 billion kuna.

Last week, there was no T-bill maturity or auction, therefore the government debt remained at 29.1 billion kuna. The next auction is scheduled for 23 January.

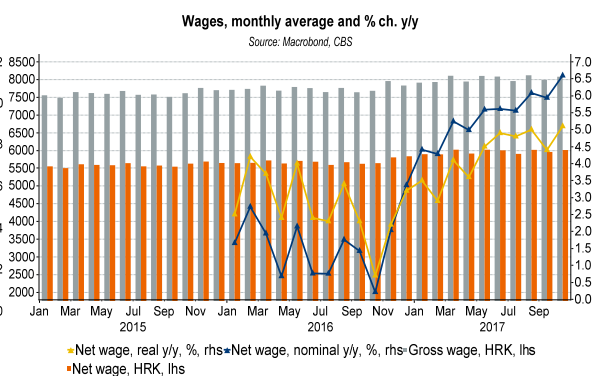
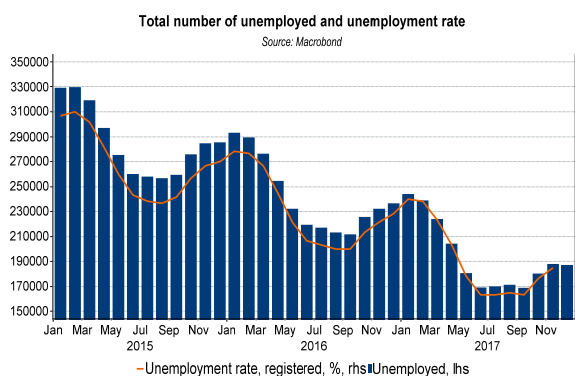
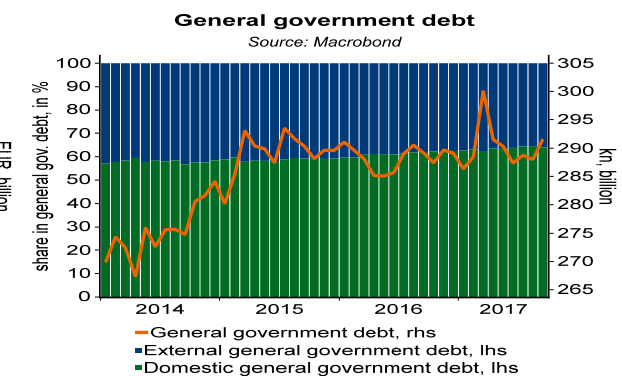
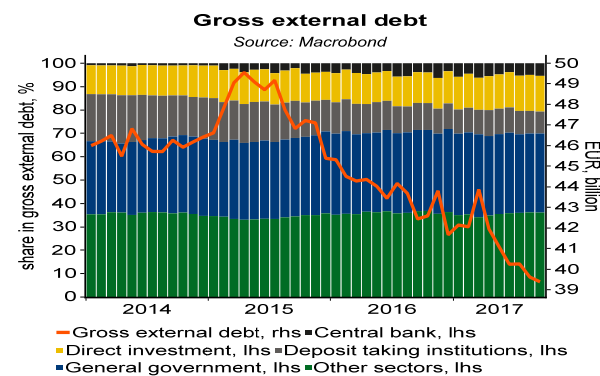
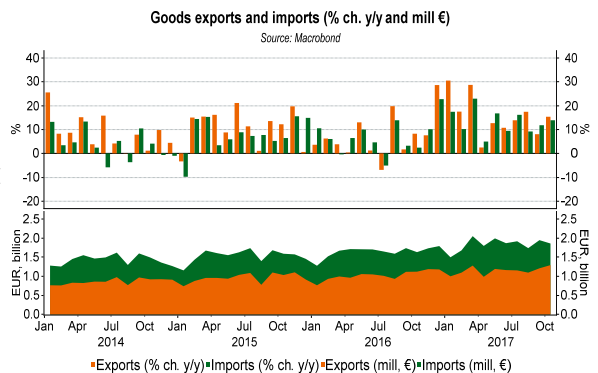
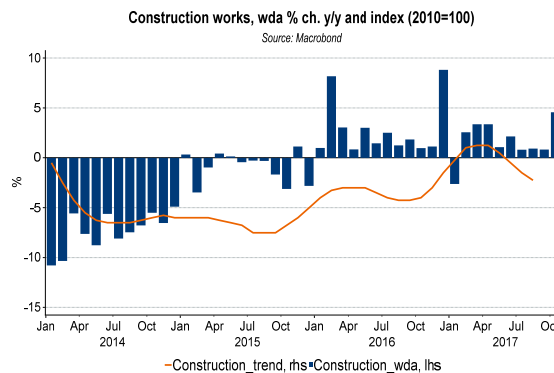
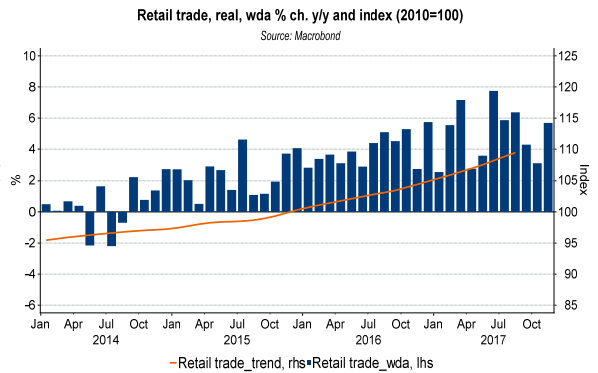
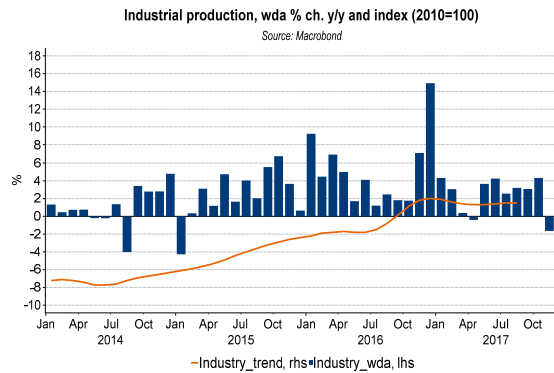


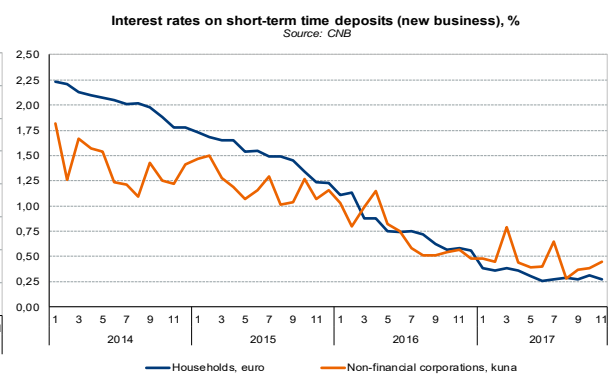
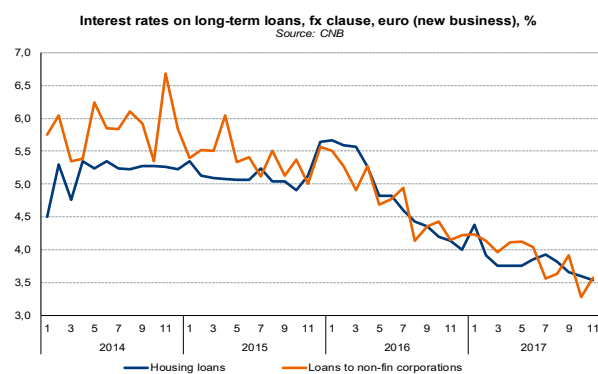
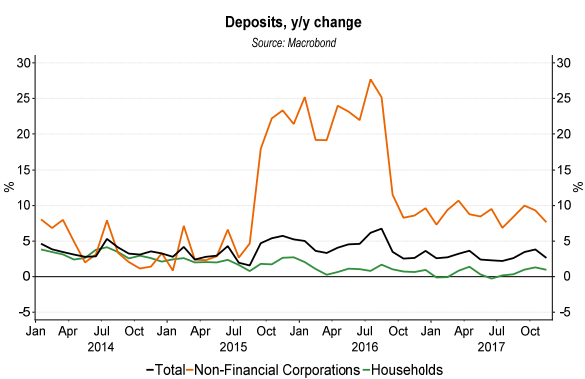
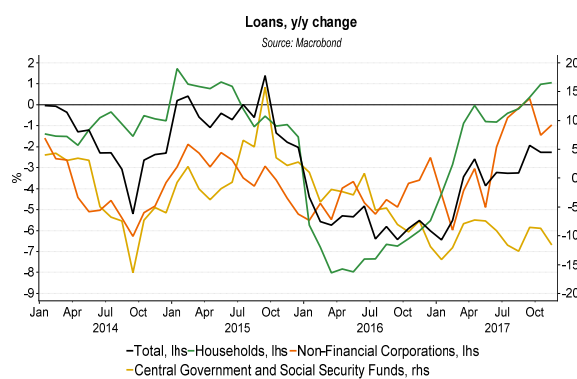
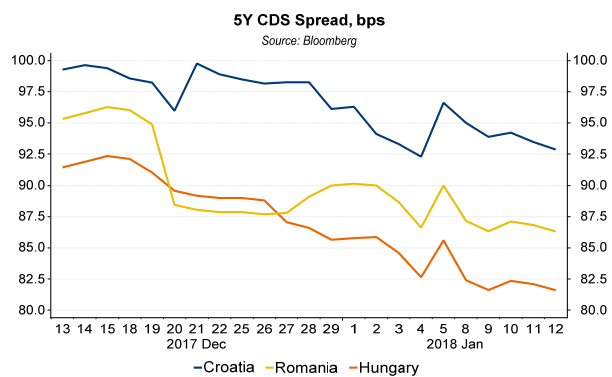
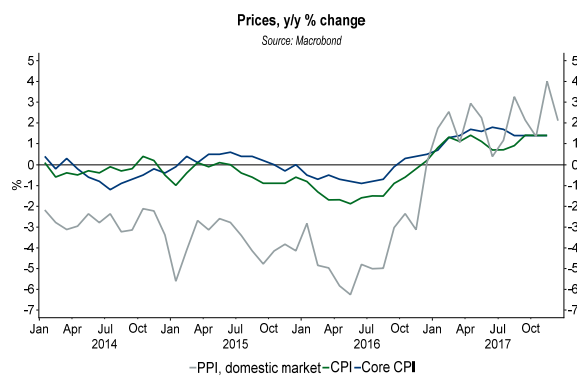
Crobex up wow

The total ZSE turnover last week amounted to 616.4 million kuna, up 3.1 times wow, owing to a 4.1 times higher turnover in bonds (reaching 568.5 million kuna), while the turnover in shares dropped by 15.4% (to 47.9 million kuna). Last Friday, the Crobex Index closed at a 1.2% higher level wow, reaching the level of 1,871.58 points, while Crobis rose by 0.1% (to 111.89 points). As regards sector indices, CROBEXconstruct and CROBEXtourist closed last Friday up by 2.9% and 1.1% wow (to 535.01 and 3,619.15 points, respectively), while CROBEXindustry fell by 1.7% (to 1,110.91 points).



Statistics





RESEARCH OFFICE

Ivana Jović

Ana Lokin

Ivan Odrčić

TREASURY

Eugen Bulat

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