

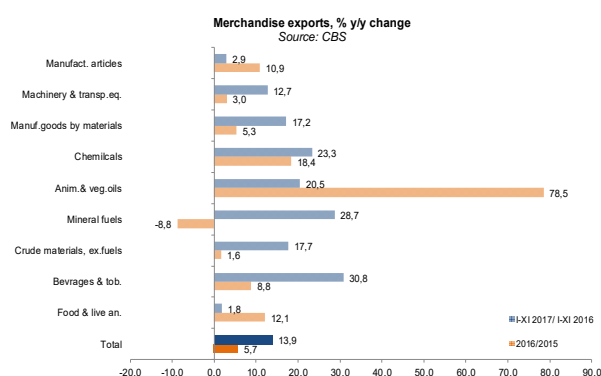
PBZ Weekly Analysis

Number 595, February 12, 2017

- Weekly overview (p. 1)
- Dollar stronger, kuna stable (p. 2)
- Money market calm (p. 2)
- Crobex down wow (p. 3)
- Statistics (p. 4-5)

Weekly overview

- Total exports of goods in November 2017 rose by 12.6% yoy (to 10.0 billion kuna), whereas total imports of goods increased by 3.7% (to 13.5 billion kuna), due to which the foreign trade deficit decreased by 15.8% (to 3.4 billion kuna) and the coverage of imports by exports increased by 5.9 percentage points (to a record high 74.5%). Over the first eleven



months of 2017, the total exports of goods climbed by 13.9% yoy, reaching 95.5 billion kuna (compared with the same eleven months of 2008, the exports of goods rose by 49.0%), where the largest absolute increase was recorded in the manufacture of coke and refined petroleum products (+2.1 billion kuna). Simultaneously, the total imports of goods increased at the average rate of 11.0% yoy, i.e. to 149.8 billion kuna (7.2% higher level versus the period January-November 2008), thus the foreign trade deficit increased to 54.3 billion kuna (+6.3% yoy) and the coverage rate to 63.7% (+1.6 p.p.). The total exports of goods into the European Union member states (share of 64.9% in total exports) increased by 10.3% yoy over the first eleven months last year, while the exports into the CEFTA member countries (17.5% share) increased even by 20.8% (of which to Bosnia and Herzegovina by 22.5% and to Serbia by 28.8%). The imports of goods from the EU member states (78.1% share in total imports of goods) thus rose by 10.8% yoy, while from the CEFTA member countries (6.2% share) by 16.7%. The preliminary data for December indicate a drop in the exports of goods by 5.2% and in the imports of goods by 14.9% yoy, which resulted in a significantly lower (-33.7%) foreign trade deficit and a rise in the coverage rate to 73.5%. Total exports of goods in 2017 (together with the preliminary data for December) recorded an average annual growth rate of 12.0% (of which into the EU member states by +9.0% and into other countries by +18.0%), which is an increase to a total of 103.9 billion kuna, suggesting stronger foreign demand, while the imports advanced by 8.6% (+9.4% from EU, +6.0% from other countries), reaching 161.3 billion kuna, partly due to a recovery of domestic demand. Last year, the foreign trade deficit amounted to 53.4 billion kuna, or 4.2% less yoy, while the coverage of imports by exports increased by 1.9 p.p. (to 64.4%).

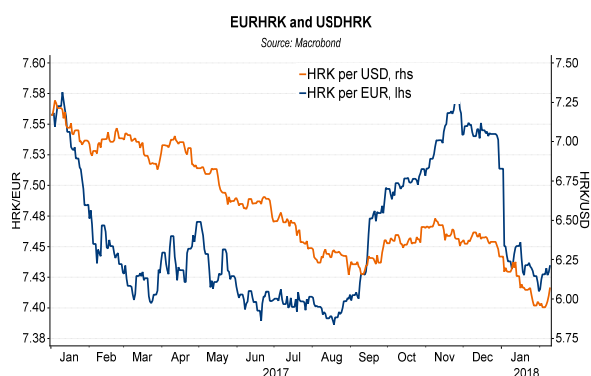
- The real retail trade turnover rose by 1.4% yoy in December 2017 (wda), owing to which the positive growth trend in the retail trade continued for the 40th consecutive month yoy, however, also recording the slowest pace since September 2015. During the entire 2017, the real retail trade turnover recorded an average increase of 4.7% yoy (+6.9% in nominal terms), where the growth in the retail trade of non-food products amounted to +8.6% (+8.7% in nominal terms), while the retail trade of predominantly food products +0.2% (+3.1% in nominal terms). Last year, a positive impact on the growth of the real retail trade was recorded by a higher citizen consumption, as a consequence of an increase in the real available income (over the first

eleven months of 2017, net wages rose by 4.4% yoy in real terms), excellent tourism season (with a record high 17.4 million arrivals and 86.2 million nights) and positive trends in the labour market, where a rise in the number of employed persons by 1.9% was recorded (according to the data of the Croatian Pension Insurance Institute), with a simultaneous decline in the number of unemployed persons by 19.8% versus 2016.

Dollar stronger, kuna stable

Global stock market turbulences resulted in a stronger dollar against the euro last week, therefore trading on Friday closed at 1.2252 dollar to the euro, down by 1.7% wow.

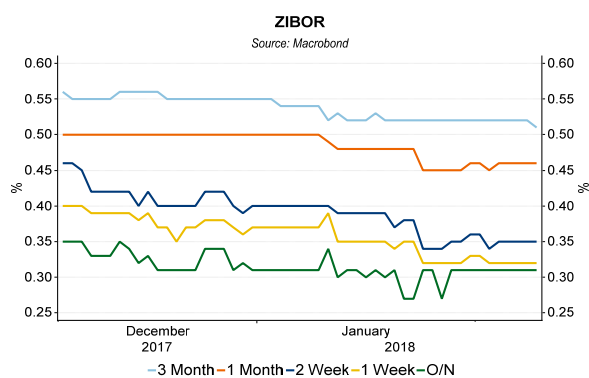
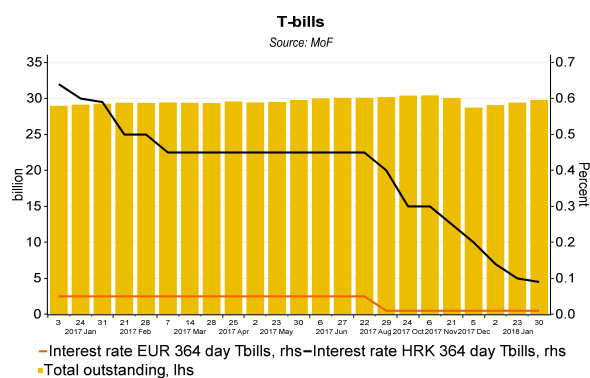
Last week, the domestic FX market stayed calm, where the EUR/HRK mid-exchange rate fluctuated around 7.43, amounting to 7.4349 kuna to the euro at the end of the week, barely up by 0.1% wow. The kuna against the dollar dramatically dropped by 2.1% and the exchange rate climbed to 6.0737 kuna to the dollar. This week, we expect trading in the range 7.43-7.48 kuna to the euro.



Money market calm

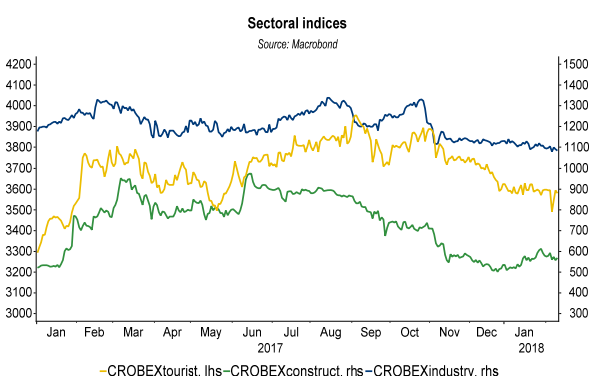
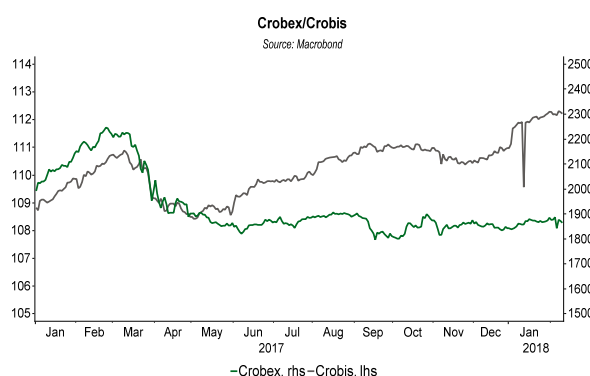
Last week, excess liquidity remained at 25 billion kuna, while interest rates recorded only minor changes. The overnight Zibor stayed the same at 0.31%, 1M rose by 1 b.p. wow to 0.46% and 3M fell by 1 b.p. to 0.51%. No interest was shown at the regular reverse repo auction, while the ZMM turnover reached 1.5 billion kuna.

Last week, there was no T-bill maturity or auction. There will be no maturity this week, however the auction of one-year T-bills amounting to 1 billion kuna has been announced.

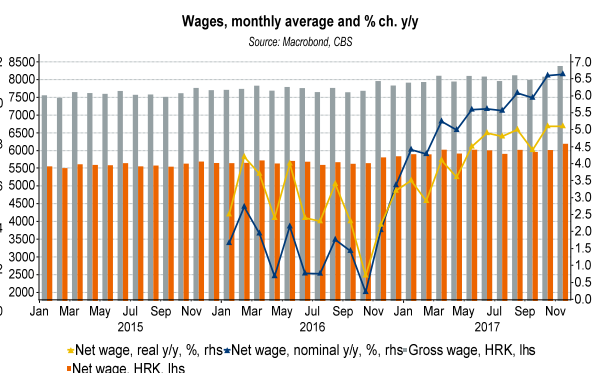
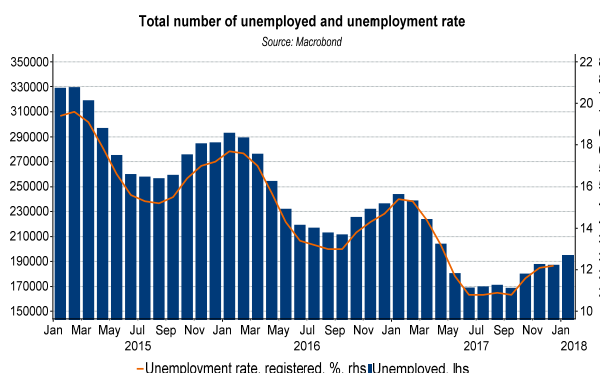
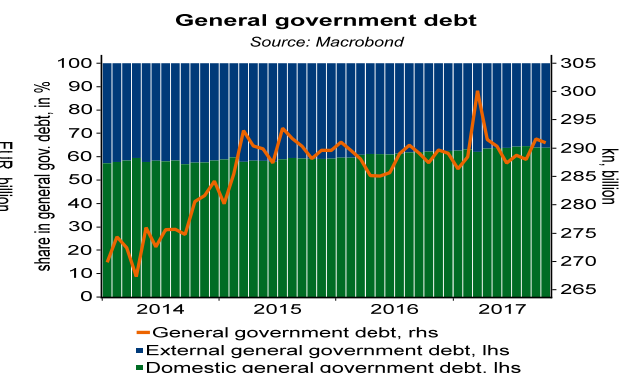
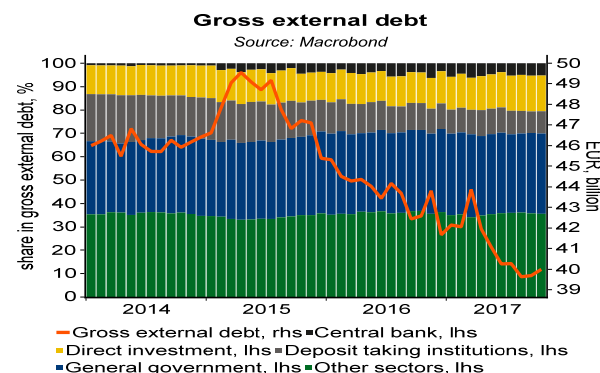
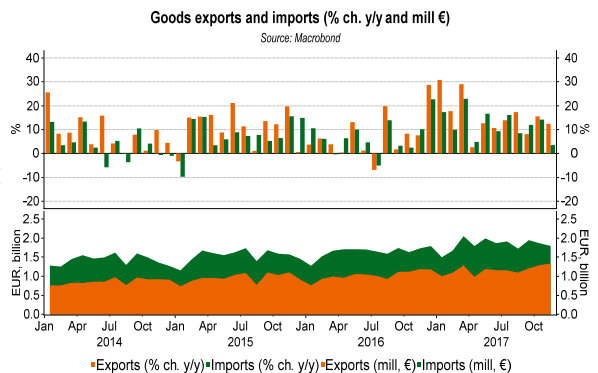
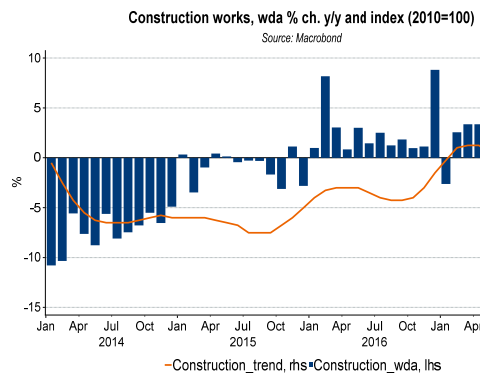
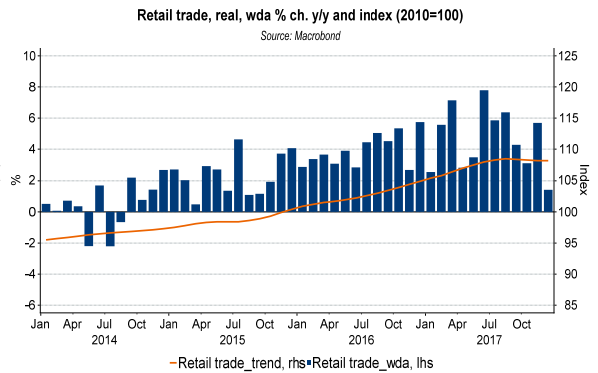
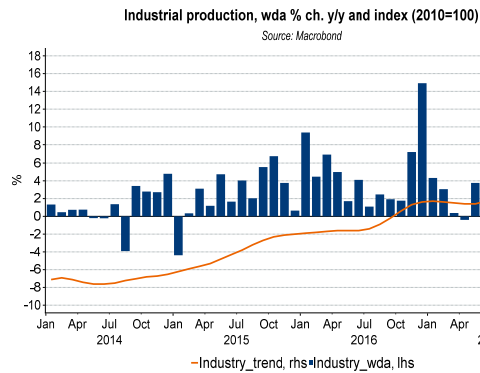


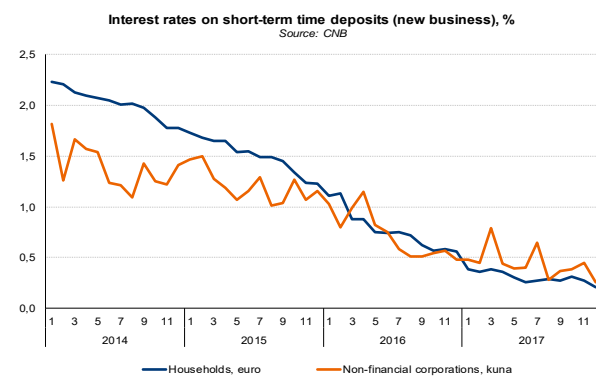
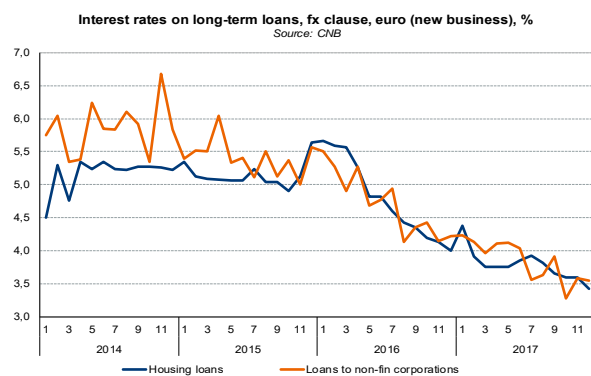
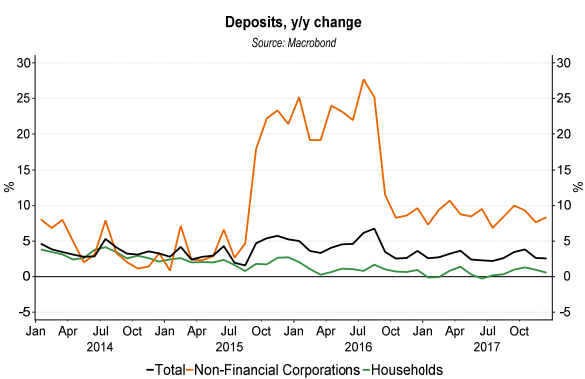
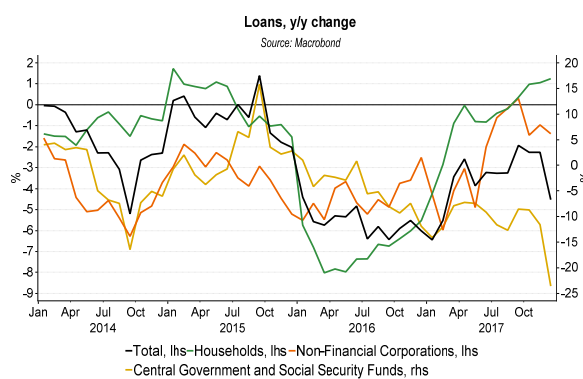
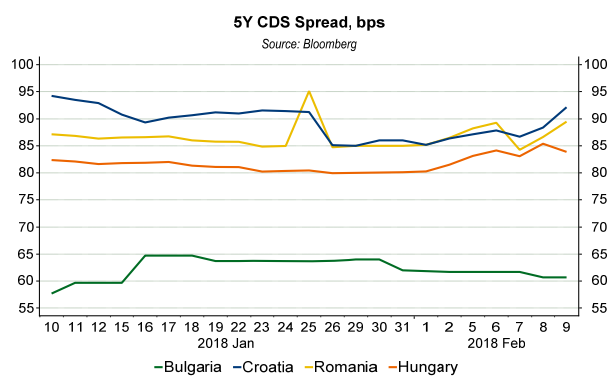
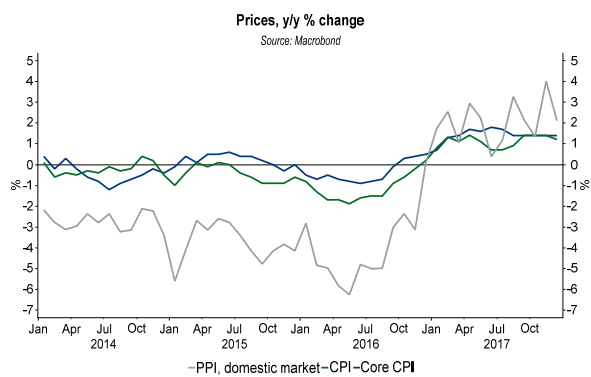
Crobex down wow

Following the movements on the global stock markets, the Crobex Index closed last Friday down by 0.7% wow, dipping to 1,864.48 points, whereas Crobis remained unchanged wow (at 112.21 points). Sector indices ended in negative territory, where CROBEXconstruct dropped by 1.7% wow (to 569.04 points), CROBEXindustry by 1.2% (to 1,084.62 points) and CROBEXtourist by 0.4% (to 3,579.81 points). The total ZSE turnover amounted to 357.6 million kuna last week, i.e. down by 37.0% wow, where the turnover in bonds amounted to 307.6 million kuna (-37.7%), while the turnover in shares was 50.0 million kuna (-32.7%).



Statistics





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