

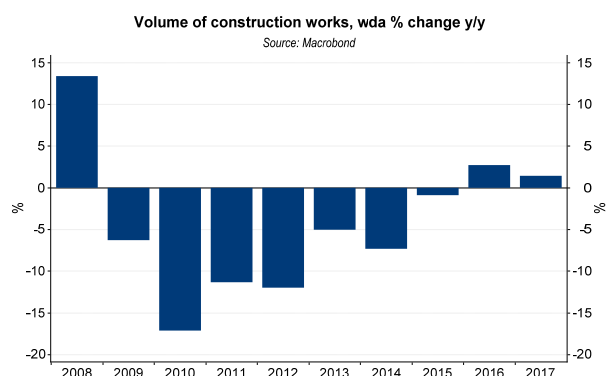
PBZ Weekly Analysis

Number 598, March 5, 2018

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Weekly overview

In December the indices of construction works, according to seasonally and calendar adjusted data, grew by 0.8% mom (-1.2% in November), out of which on buildings grew by 0.6% (-2.9% in November) and on civil engineering works by 1.4% (-1.0% in November). On an annual level (calendar adjusted data) the volume of construction works in the last month of 2017 fell by 1.0% (+0.7% in November), where the volume

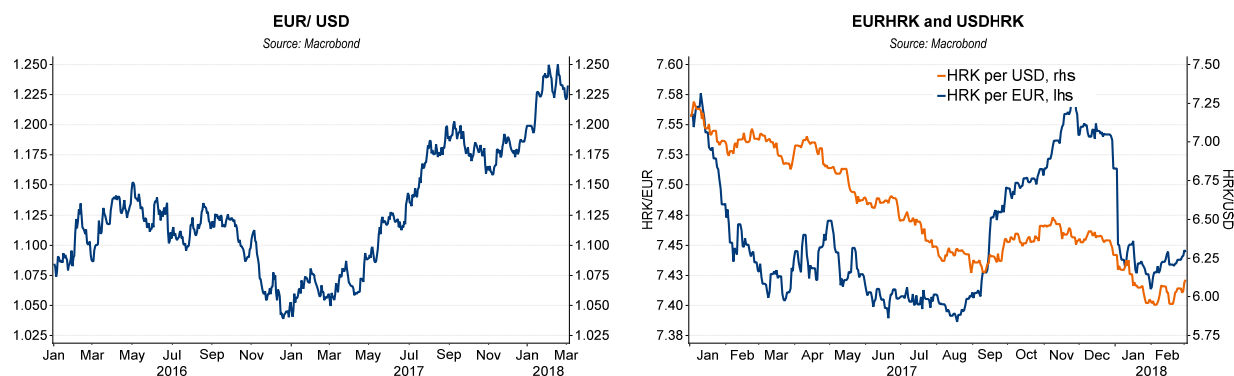


of works on civil engineering works recorded the fall of 8.1% (-8.0% in November), which is at the same time the eighth consecutive month a fall on a yoy basis in civil engineering works was recorded, while the volume of works on buildings grew by 6.1% (+10.0% in November). During the entire 2017 the volume of construction works grew on an average by 1.4% (calendar adjusted), representing half the growth rate in relation to 2016. The growth in the volume of construction works past year was influenced by the growth in activities on buildings of 7.0%, which is attributed to increased investments by (mostly) private sector, especially in tourism, while the fall in activities on civil engineering works of 3.9% negatively contributed to the growth of the total sector, which is a result of a less investments into infrastructure. Total number of building permits issued in the past year reached 9,418, which is 17.5% higher than in relation to 2016, whereby the number of permits for buildings grew by 21.2% and for other civil engineering works by 2.6%. The planned value of works encompassed by the building permits grew past year by 11.6% (up to in total HRK 26.0 billion), of which on buildings by 21.5% (up to HRK 18.6 billion), while on civil engineering works it fell by 7.3% (down to HRK 7.4 billion). According to the figures of the Croatian Pension Insurance Institute, the number of persons employed in construction in 2017 grew by 3,096 persons or 3.3% in relation to the past year (to on an average 98,214), while at the same time there was a trend of labour force shortage. This year we expect the continuation of positive trends in construction, partially supported by a strong growth in building permits issued past year and expected higher investments of public sector, especially into infrastructure.

Dollar slightly weakened, kuna stood still

Ahead of the ECB meeting this week, where no change in rhetoric of the central Eurozone bank is expected, the dollar slightly weakened to the euro and the trading on Friday closed at 1.2317 dollar to the euro, up by 0.2% wow.

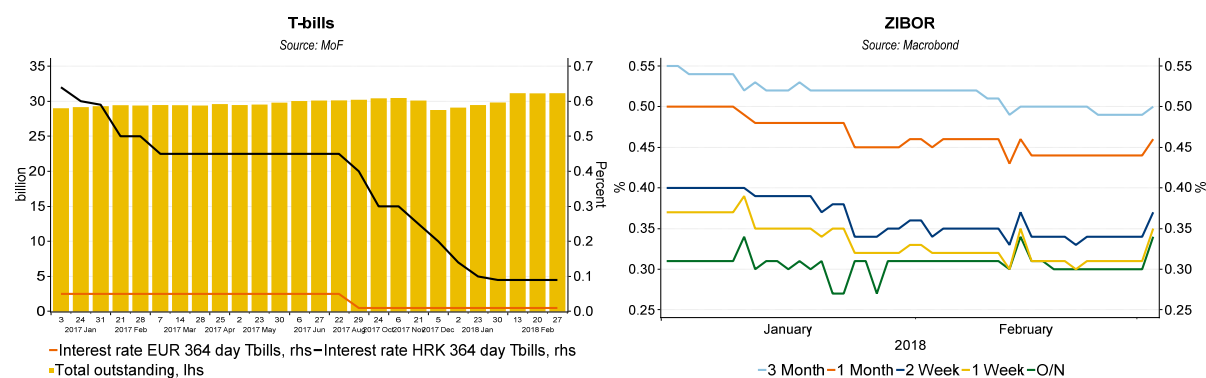
The kuna mid-exchange rate ranged past week between 7.44 and 7.45 and on Friday amounted to 7.4469 kuna to the euro, up by 0.1% wow. The kuna weakened also to the dollar by 0.1%, therefore the exchange rate rose to 6.0569 kuna to the dollar. The period of dividend payment is just coming, which could awake the market and encourage buying. This week we expect a calm trading in the range 7.42-7.47 kuna to the euro.



Yield on treasury bills unchanged

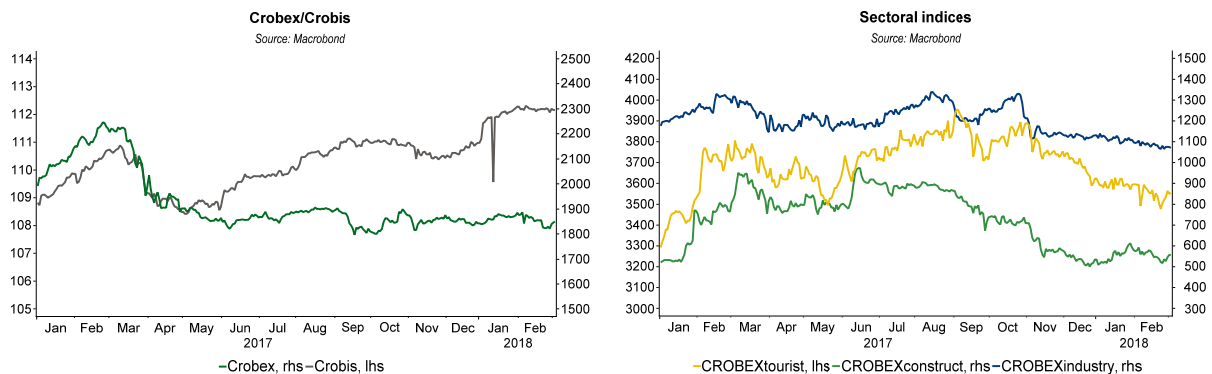
Last week, excess liquidity remained at 28 billion kuna and interest rates slightly grew. The overnight Zibor grew by 4 b.p. wow to 0.34%, 1M by 2 b.p. to 0.46%, and 3M by 1 b.p. to 0.50%. There was no interest at the reverse repo auction and no turnover on the ZMM.

Last week, 1.5 billion kuna in T-bills matured, with a subscription of the equal amount of one-year kuna T-bills at the unchanged interest rate of 0.09%, so the government debt remained at 31.1 billion kuna. This week, 864 million kuna will mature and the auction with the planned issue amount of 850 million kuna has been announced.



Crobex up wow

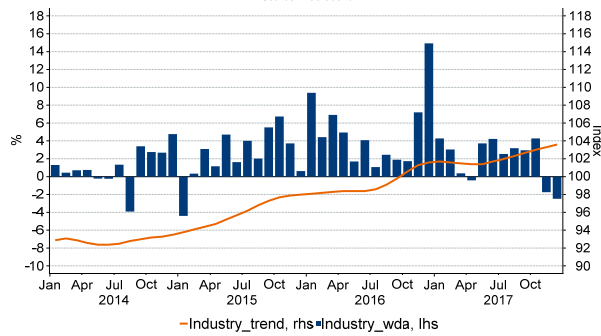
The Crobex Index closed at a 1.4% higher wow level, growing to 1,850.05 points, while Crobis closed the week by a slight fall of 0.1%, dropping to 112.16 points. Regarding sector indices, CROBEXindustry dropped by 1.0% wow (to 1,070.00 points), while CROBEXtourist and CROBEXconstruct grew by 1.4% and 7.9%, respectively (to 3,553.83 and 558.68 points). The total ZSE turnover past week was 51.5 million, down by 84.2% versus the week before, owing to a decrease in turnover in bonds of 94.9% (to 15.1 million kuna), while the turnover in shares grew by 30.6% (to 36.4 million kuna).



Statistics

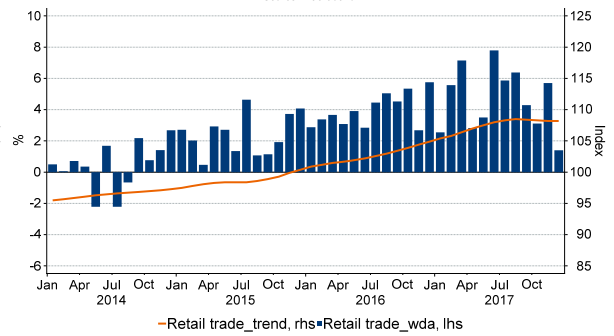
Industrial production, wda % ch. y/y and index (2010=100)

Source: Macrobond



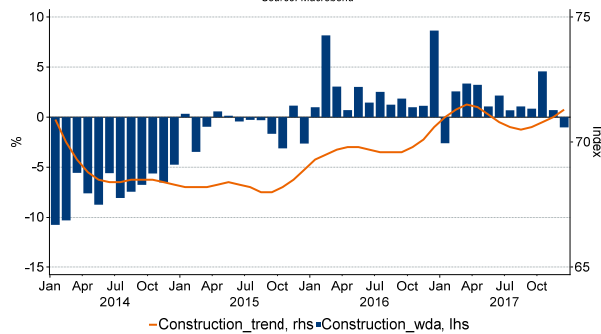
Retail trade, real, wda % ch. y/y and index (2010=100)

Source: Macrobond



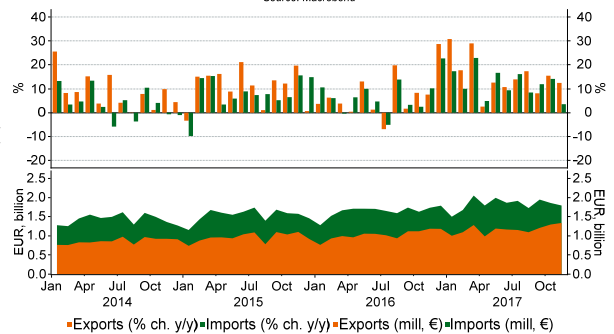
Construction works, wda % ch. y/y and index (2010=100)

Source: Macrobond



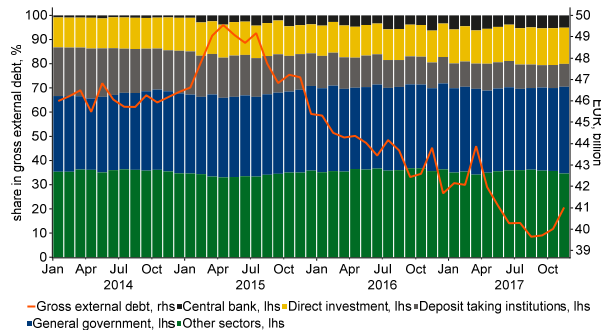
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



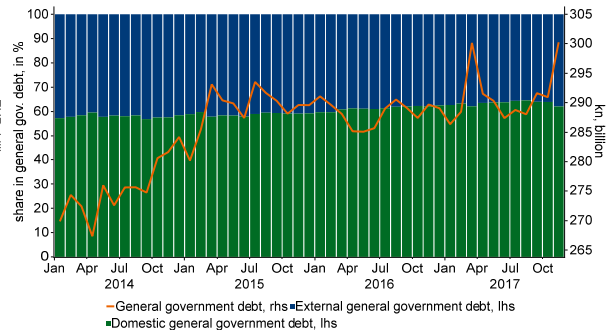
Gross external debt

Source: Macrobond



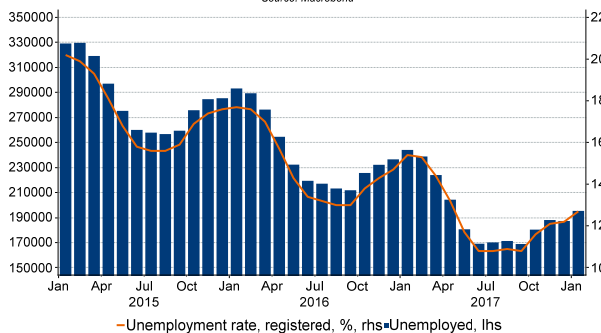
General government debt

Source: Macrobond



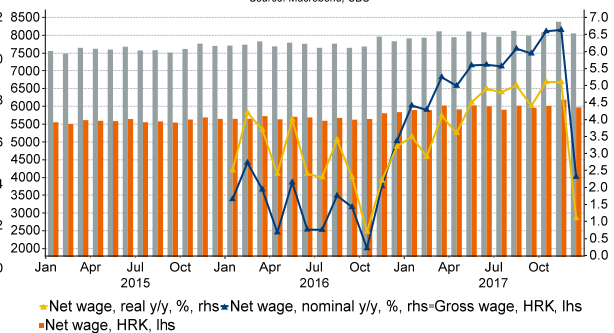
Total number of unemployed and unemployment rate

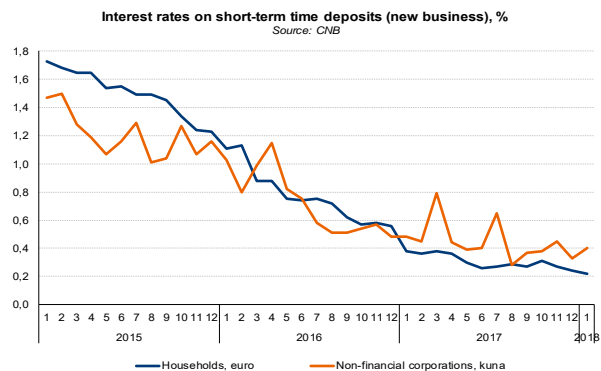
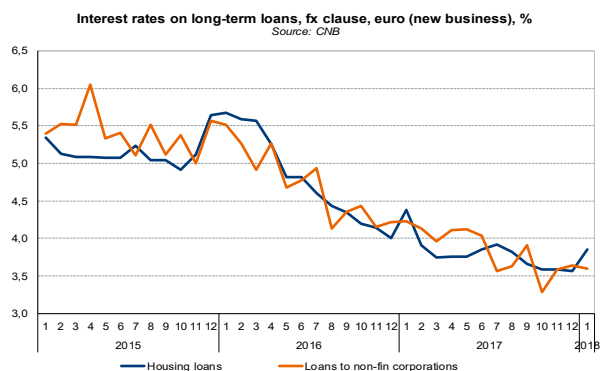
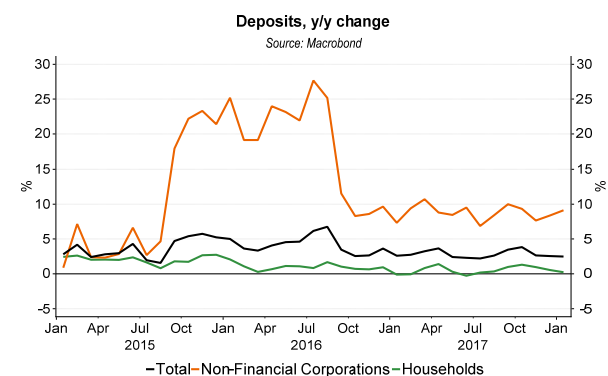
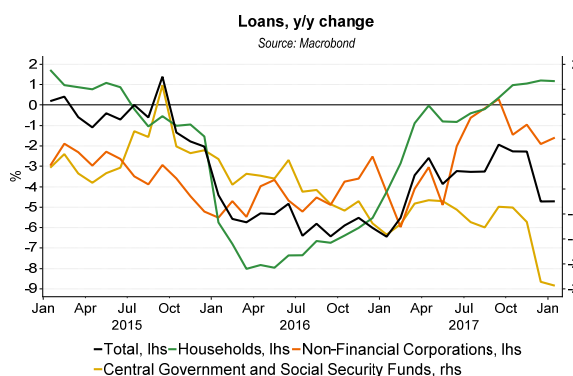
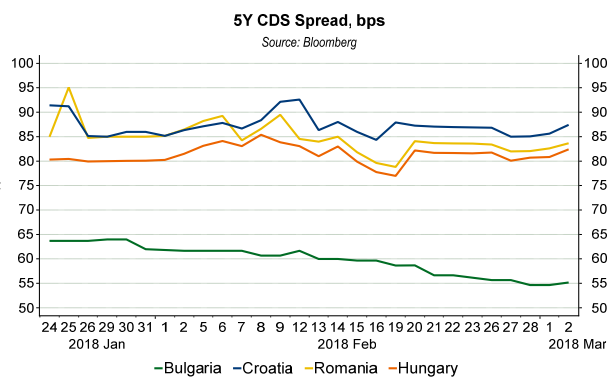
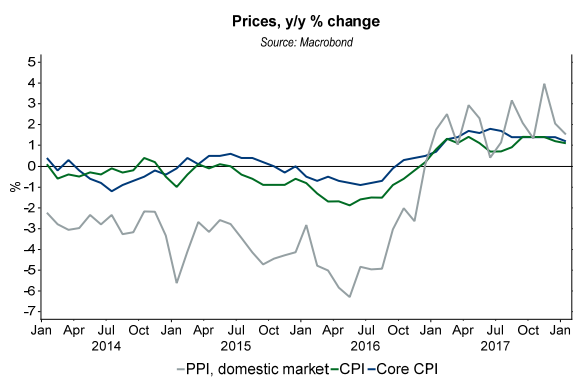
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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