

# PBZ Weekly Analysis

## Number 601, March 26, 2018

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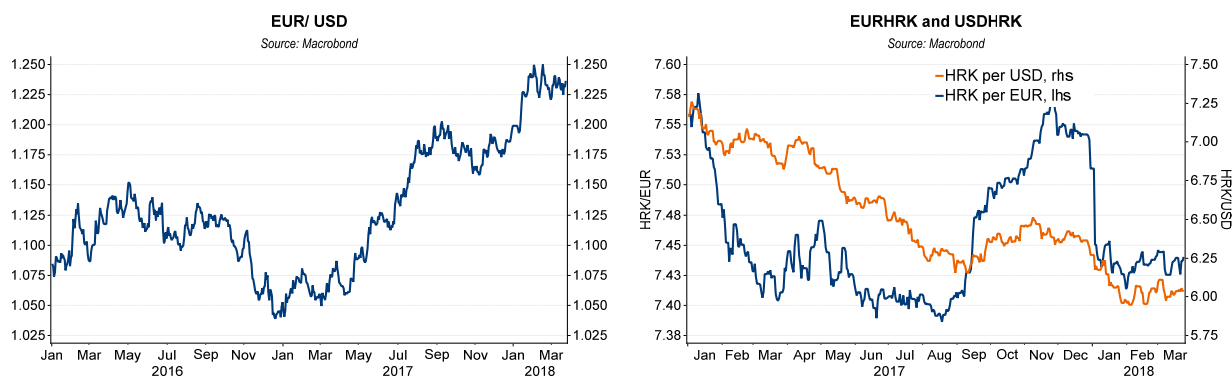
## Weekly overview

- The yoy rate of change of total loans remained at -4.7% in January, as loans to the central government and the social security funds decreased by 24.4%, while loans to the private sector stayed unchanged yoy. Loans to non-financial corporations declined by 1.6%, which is a slightly lower decrease versus the previous month, where loans for working capital and other loans continued their negative trend (-2.4%; -1.1%, respectively), while loans for investments moderately recovered, recording the growth rate of 0.3%. Loans to households continued their upward trend, recording a yoy increase of 1.2% in January, the same as the month before, where the increase in cash loans speeded up to 5.8%, while the increase in housing loans slowed down, from 0.6% in December to 0.2% in January. A slowdown of the increase in housing loans due to this year's regulatory changes was expected, however, the slowdown might be lessened by the announced subsidy continuation. Data on transactions, as during the previous period, indicate a continued acceleration of the private sector demand, therefore total claims on the private sector recorded a cumulative yoy growth of 3.7% in January, where claims on the corporate sector rose by 2.8% and from households 4.3%. The growth rate of total deposits in January remained almost unchanged, amounting to 2.5% yoy, where kuna transaction accounts advanced by 21.4%, whereas kuna and FX savings deposits dipped by 1.0% and 3.5%, respectively. Deposits of non-financial corporations continued their robust growth (+9.1%), while deposits of households, affected by low interest rates and the outflow of savings deposits from banks, slightly decreased by 0.3%.
- On Friday, the Standard & Poor's Agency upgraded the rating of the Republic of Croatia for the domestic and foreign currency to BB+ (from BB) with a stable outlook, which is a return to the same level maintained up to January 2014.

## Dollar weaker, kuna stable

At the FOMC meeting held last Wednesday, the Committee raised the target range of the key interest rate by 25 b.p. to 1.50-1.75%, and the highest estimates of GDP growth and inflation in the US were revised. Consequently, the dollar weakened against the euro, so trading on Friday closed at 1.2353 dollar to the euro, up by 0.5% wow.

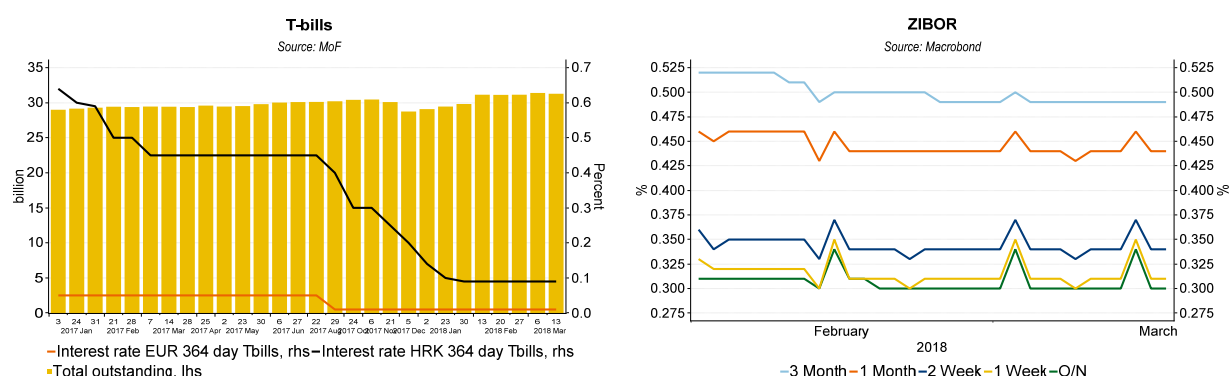
The EUR/ HRK exchange rate remained relatively steady, amounting to 7.4402 kuna to the euro at the end of the week, which is almost unchanged wow. The kuna stayed the same against the dollar as well, so the mid-exchange rate on Friday amounted to 6.0352 kuna to the dollar. This week, we expect trading in the range 7.42-7.46 kuna to the euro.



## Excess liquidity nears 29 billion kuna

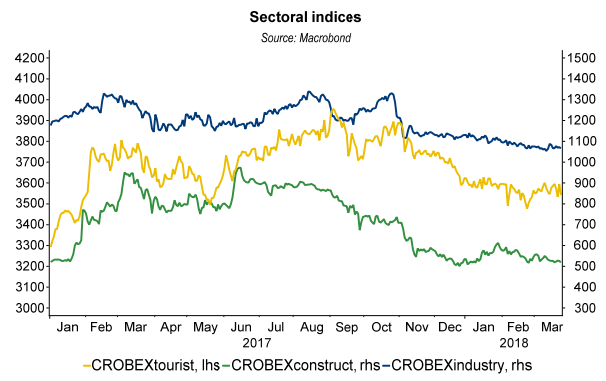
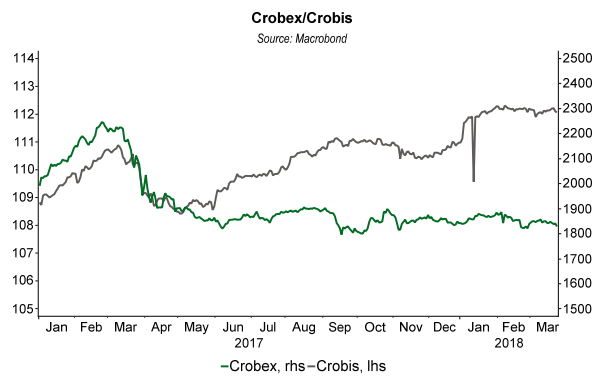
Last week, excess liquidity got close to 29 billion kuna. The overnight Zibor fell by 3 b.p. to 0.27% wow, while 1M stayed at 0.44% and 3M at 0.49%. There was no activity at the regular reverse repo auction and no turnover on the ZMM.

There was no maturity or auction last week, whereas this week 558 million kuna will mature and the auction with the planned amount of 550 million kuna has been announced.



## Crobex back in negative territory

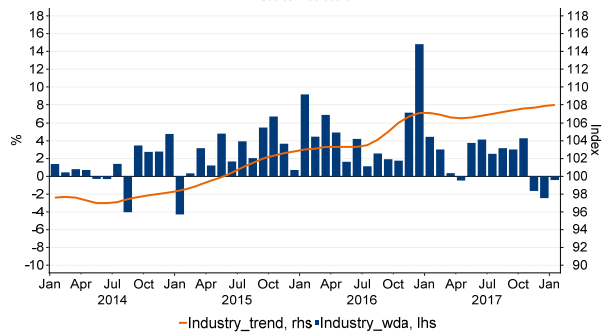
The total ZSE turnover amounted to 401.3 million kuna last week, i.e. down by 14.6% wow, due to a 19.4% fall in the turnover in bonds (to 353.0 million kuna), while the turnover in shares rose by 49.3% (to 48.3 million kuna). The Crobex Index closed last Friday at 1,829.21 points, down by 0.8% versus the week before, while Crobis closed the week at 112.07 points (-0.1%). As regards sector indices, CROBEXtourist closed last week at 3,543.06 points (-1.2% wow), CROBEXindustry at 1,066.30 points (-0.2%), while CROBEXconstruct at 520.42 points (-1.2%).



# Statistics

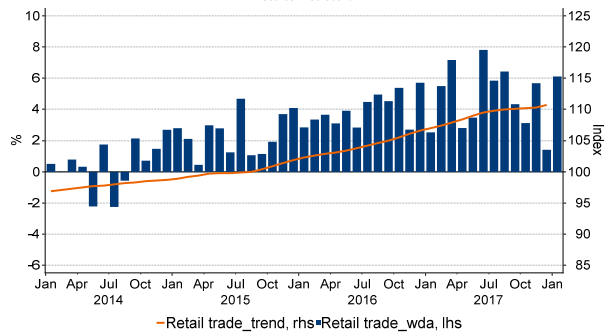
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



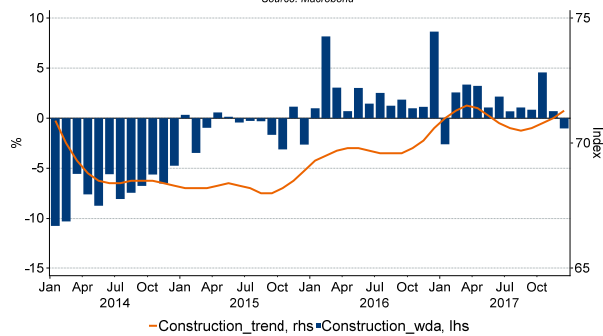
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



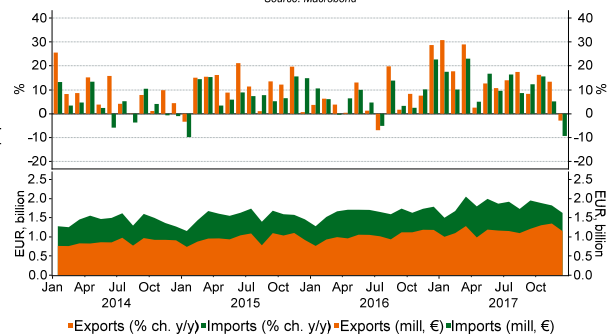
Construction works, wda % ch. y/y and index (2010=100)

Source: Macrobond



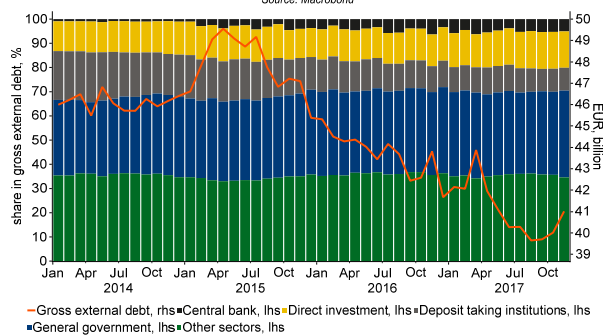
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



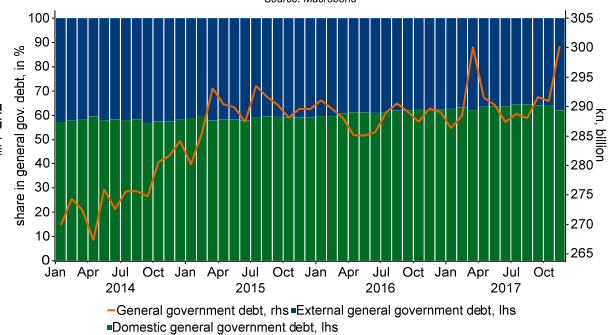
Gross external debt

Source: Macrobond



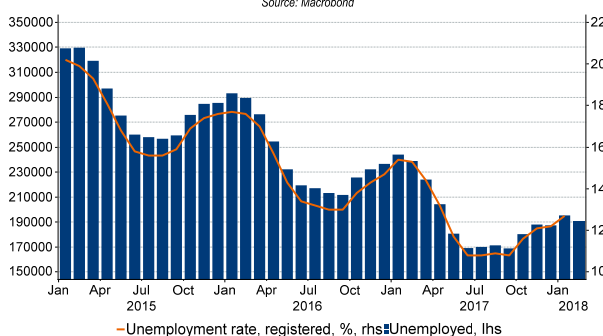
General government debt

Source: Macrobond



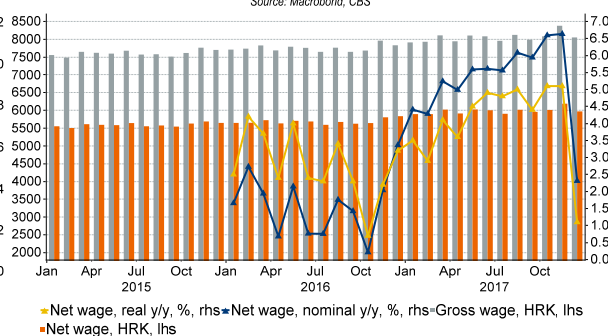
Total number of unemployed and unemployment rate

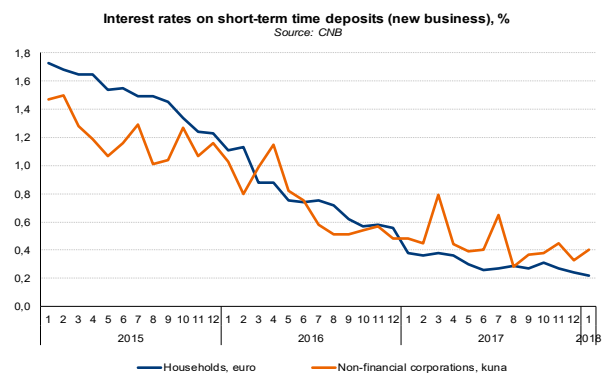
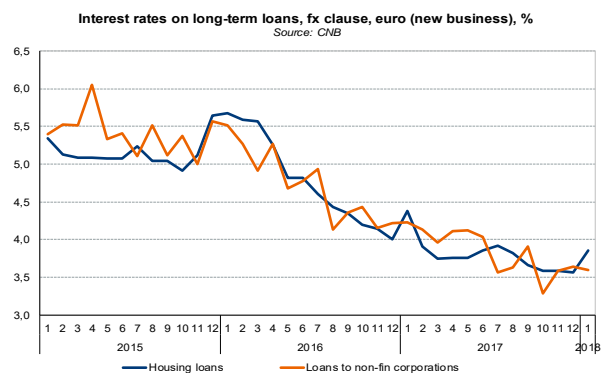
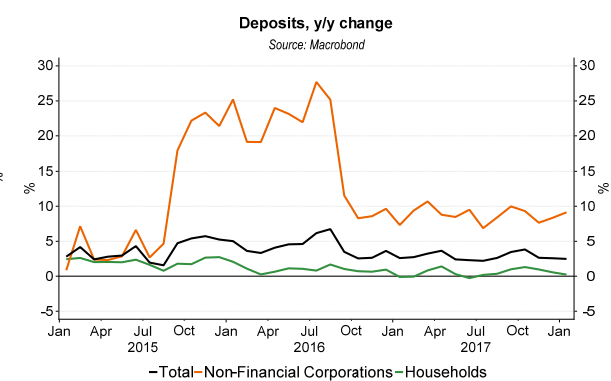
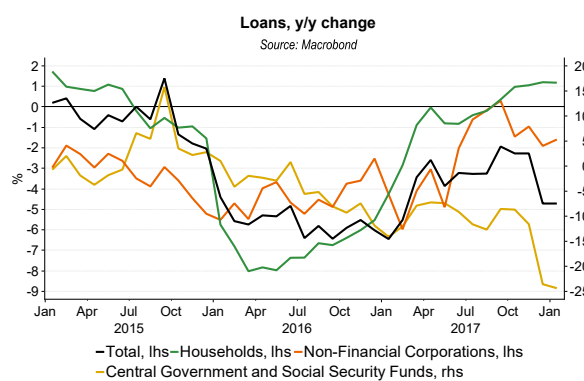
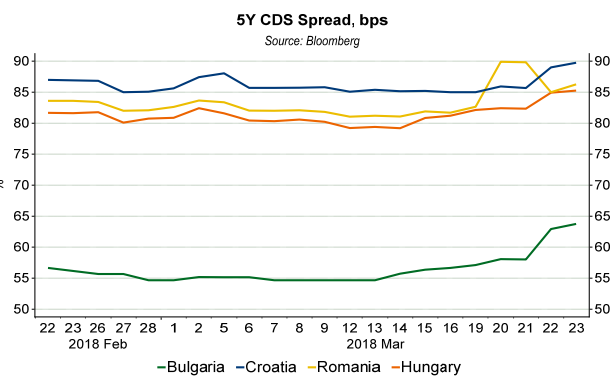
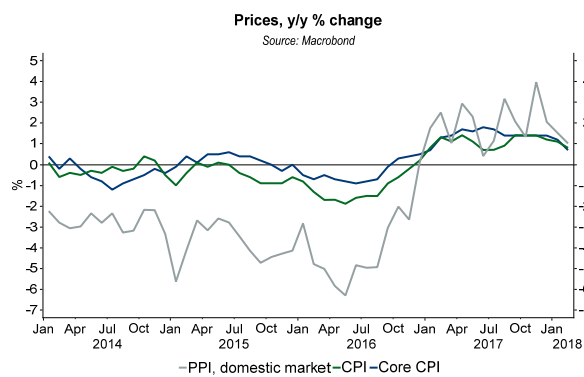
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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