

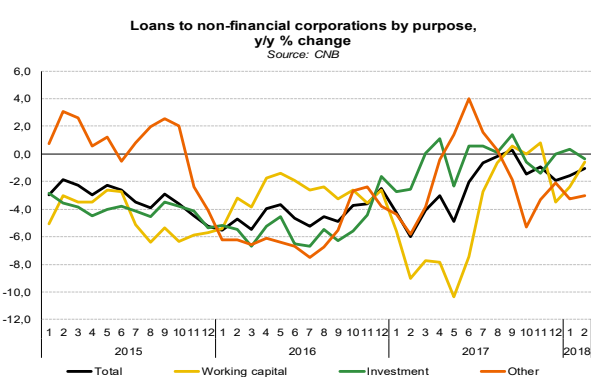
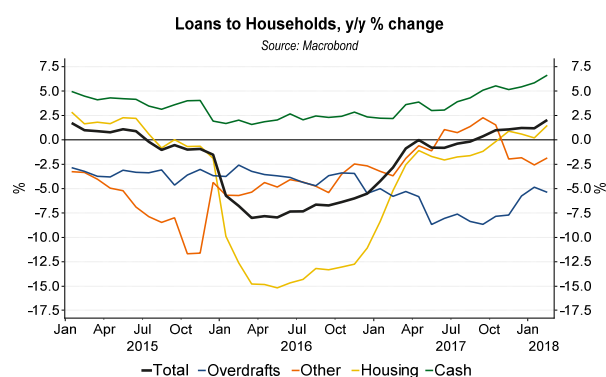
PBZ Weekly Analysis

Number 603, April 16, 2018

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Weekly overview

After ten consecutive months of decrease yoy, consolidated assets of other MFIs slightly increased by 0.4% in February, due to a 4.3% rise in total deposits followed by a 12.0% drop in foreign liabilities, which resulted in a 1.9% rise in foreign assets and a 27.2% increase in reserves with CNB. Net foreign assets continued to rise and remained positive, reaching a substantial amount of 12.0 billion kuna. The yoy growth rate of total deposits significantly accelerated in February, due to a 3.2% increase in the private sector deposits. In February, for the second consecutive month, deposits of non-financial corporations recorded a usual seasonal decline mom, however, they maintained a strong growth dynamic (+8.6%) yoy. Deposits of households accelerated to 1.6% yoy (adjusted to exchange rate changes approximately 0.8%) owing to a 3.5% mom leap of assets on kuna transaction accounts. A fall in total loans in February moderately speeded up to -4.8%, as the decrease in loans to the central government and social security funds further deepened to -25.6%, while loans to the private sector advanced by 0.7% yoy. The increase in loans to the private sector is a result of a recovery in the financing of citizens (+2.0%), whereas loans to non-financial corporations were reduced by 1.1%, recording a slightly lower drop versus January (-1.6%). Data on transactions indicate a continued trend of the faster increase in claims of other MFIs on the private sector, which recorded a cumulative yoy growth of 3.8% in February, where claims on non-financial corporations rose by 3.1 and claims on households by 4.4%. Breaking down corporate loans by type shows a continuation of volatile movements in February, due to which loans for working capital declined by 0.6, investment loans by 0.4 and other loans by 3.0%. Breaking down loans to households by purpose show that the increase in housing loans speeded up to 1.5%, mostly because of a rise in loans indexed to the euro, which have lower interest rates. The increase in housing loans, after a slowdown in January, has become solid again, partly due to a subsidy programme and partly because of higher demand boosted by a fall in interest rates and better trends in the labour market. The increase in cash loans to households reached 6.6% in February, while the yoy rate of change of other types of loans remained negative (overdrafts -5.4%, card loans -2.9%, other loans -1.9%).



Dollar weaker, kuna slightly stronger

Last week's release of the ECB and FOMC Minutes did not bring major changes, so the EURUSD exchange rate trends were mainly affected by political issues. Trading on Friday closed at 1.2331 dollar to the euro, up by 0.4% wow.

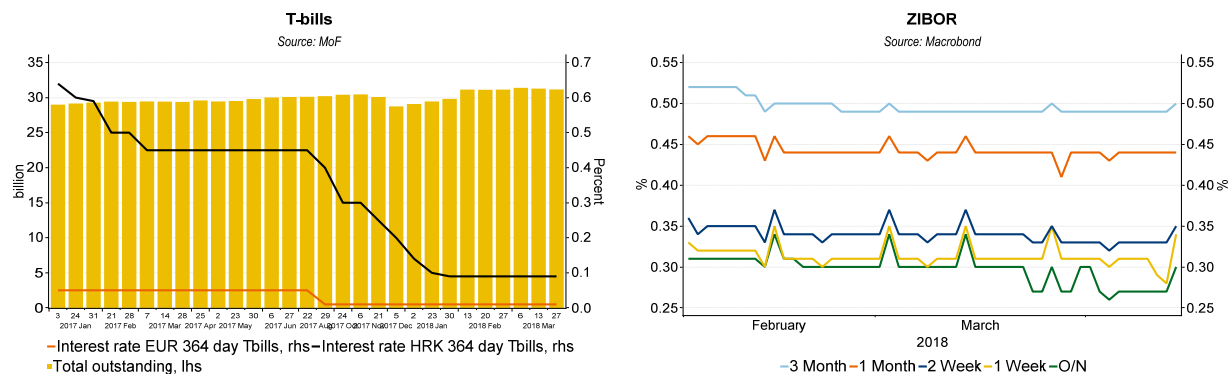
Last week, the EURHRK pair began trading at 7.423 and ended at 7.415 kuna to the euro. The mid-exchange rate on Friday amounted to 7.4171 kuna to the euro, down by 0.2% wow. The kuna against the dollar appreciated by 0.9% wow, so the mid-exchange rate on Friday fell to 6.0316 kuna to the dollar. This week, we expect trading in the range 7.40-7.44 kuna to the euro.



Minor changes in interest rates

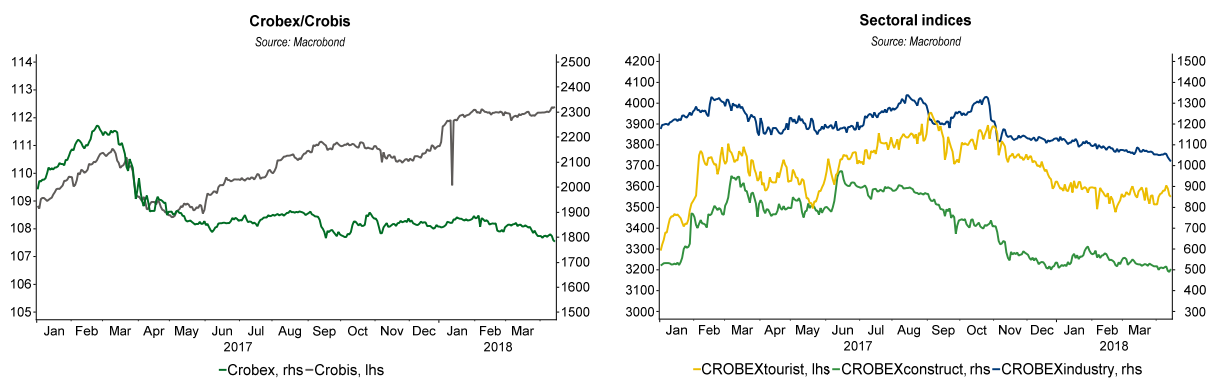
Last week, excess liquidity was above 27 billion kuna. The overnight Zibor rose by 3 b.p. to 0.30% wow, 1M remained at 0.44% and 3M increased by 1 b.p. to 0.50%. There was no interest shown at the regular reverse repo auction, and there was also no turnover on the ZMM.

There was no T-bill maturity or auction neither last week nor this week, therefore the government debt under T-bills remained at 31.2 billion kuna. A total of 876 million kuna in one-year kuna T-bills will mature next week.



Crobex continues negative trend

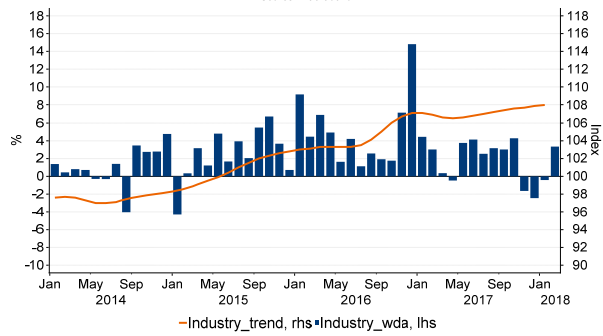
The total ZSE turnover amounted to 758.1 million kuna last week, which is 6.1 times up versus the week before, due to a 6.3 times higher turnover in bonds (reaching 623.4 million kuna) and a 5.4 times higher turnover in shares (134.7 million kuna). The Crobex index closed last week at 1,782.45 points, down by 1.1% wow, while Crobis closed last Friday up by 0.1% wow (to 112.39 points). Sector indices closed last week in negative territory, where CROBEXindustry decreased by 3.1% wow (to 1,020.61 points), CROBEXtourist by 0.8% (to 3,551.22 points) and CROBEXconstruct by 0.7% (to 505.14 points).



Statistics

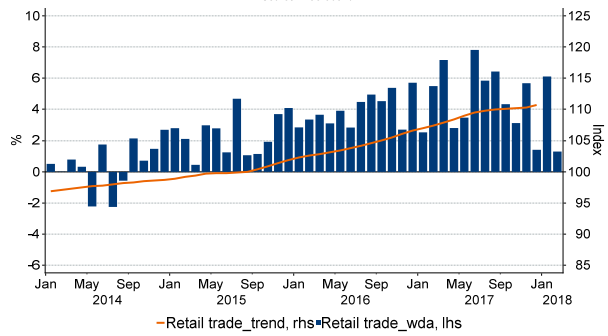
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



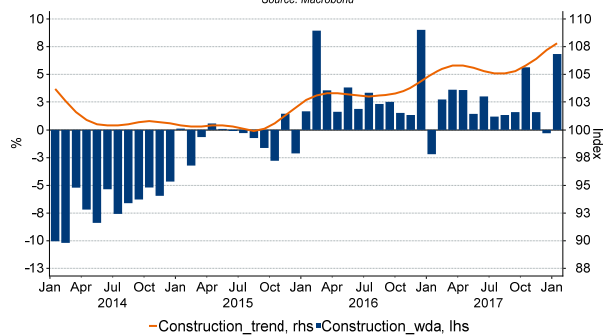
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



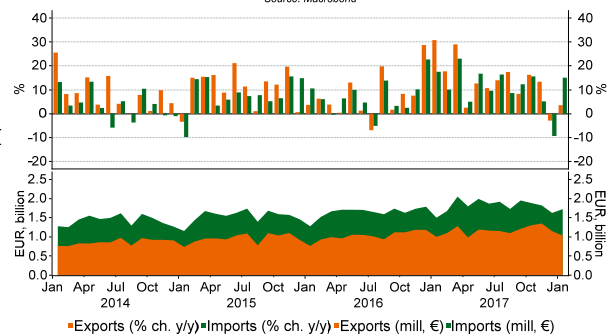
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



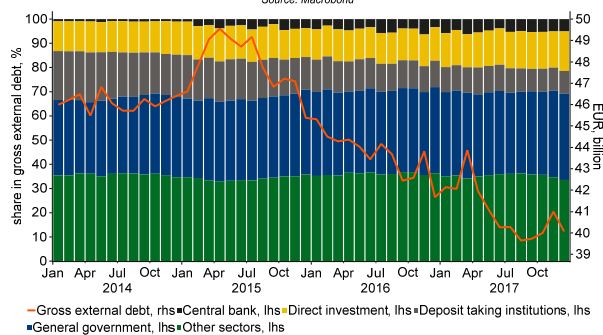
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



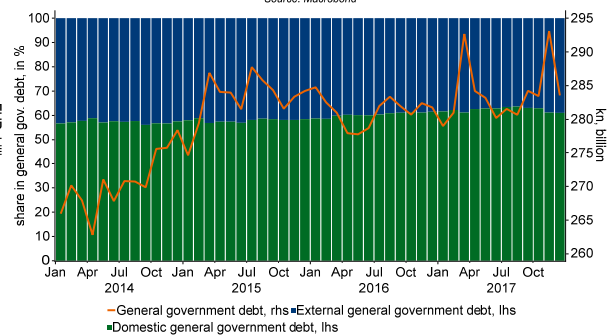
Gross external debt

Source: Macrobond



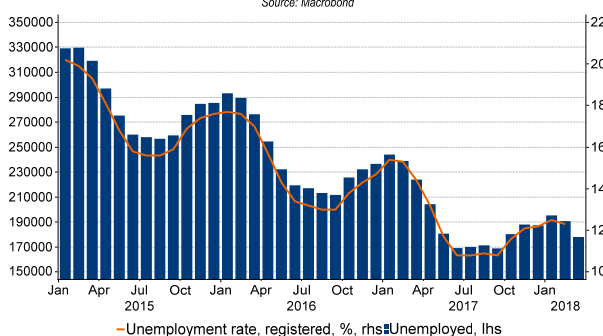
General government debt

Source: Macrobond



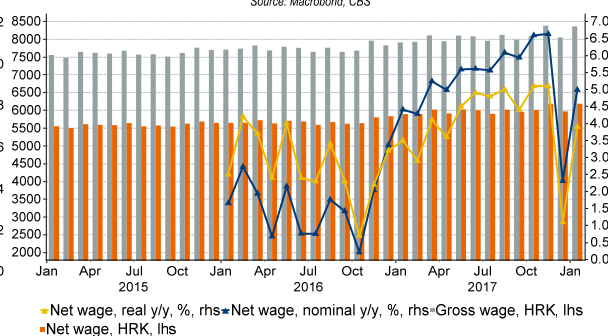
Total number of unemployed and unemployment rate

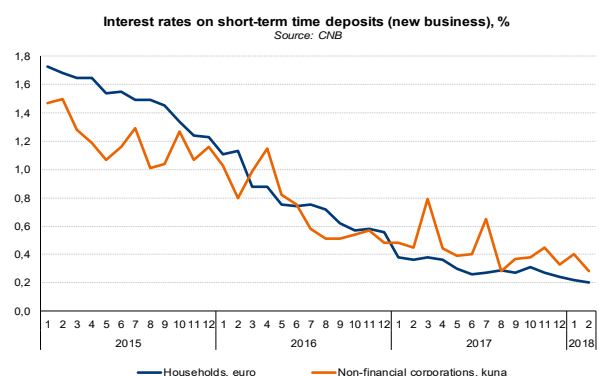
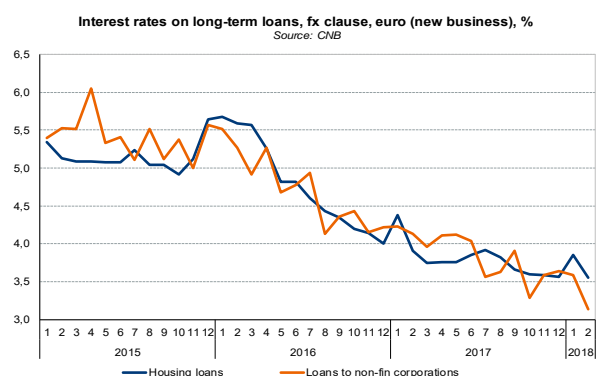
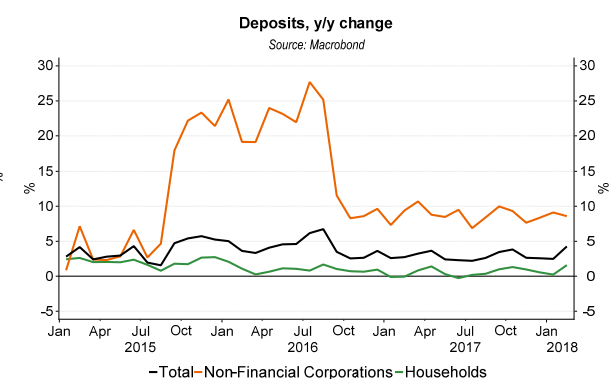
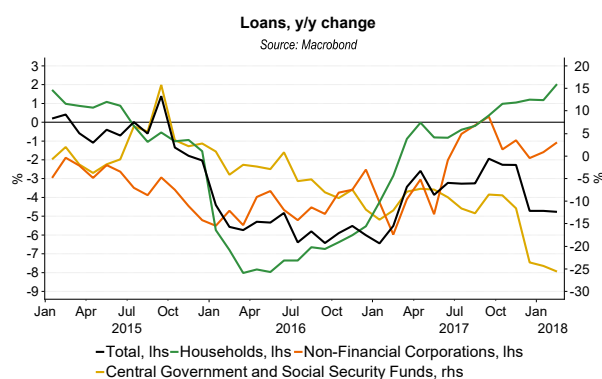
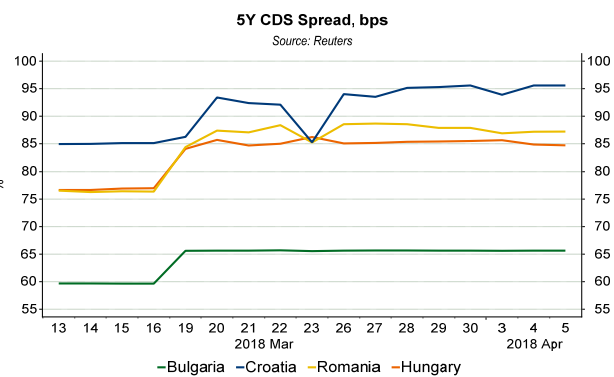
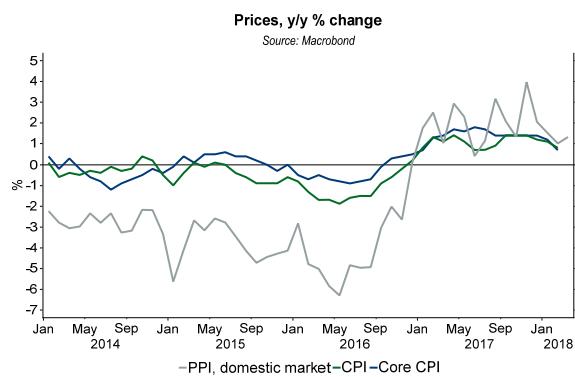
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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