

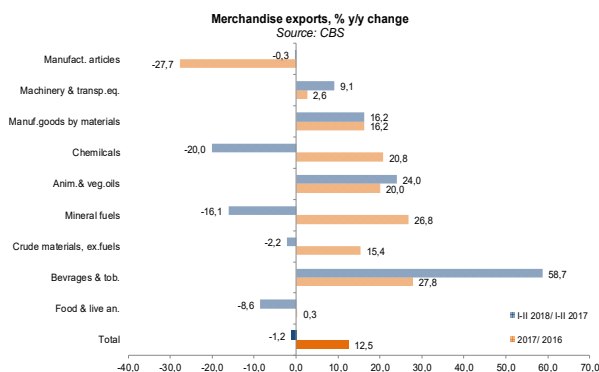
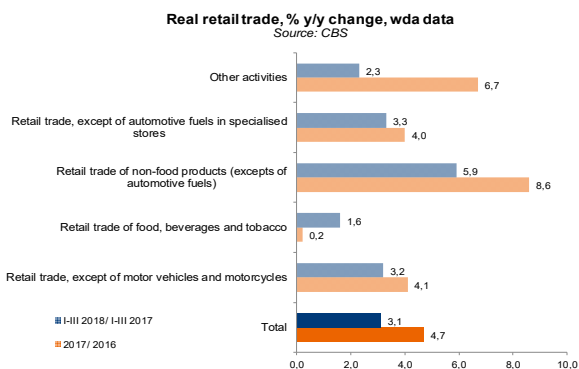
PBZ Weekly Analysis

Number 606, May 14, 2018

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Weekly overview

- The real retail trade turnover in March increased yoy (wda) by 2.1% (+1.2% in February), partly due to a 3.8% increase in the turnover in the Retail trade of food, beverages and tobacco (this year, Easter Holidays began at the end of March). Over the first three months this year, the real retail trade turnover advanced by 3.1% yoy (+3.6% in nominal terms), supported by a rise in employment (+2.5% yoy, according to the data of the Croatian Pension Insurance Institute), earnings (the real net earnings rose from January to February by an average of 3.6% yoy), a strong growth in tourism (19.3% more arrivals and 22.3% more nights yoy in the first quarter) and a double-digit (28.4%) increase in the number of sold new cars (according to the data of European Automobile Manufacturers' Association). At the same time, the real turnover in the Retail trade of non-food products (except for automotive fuels and lubricants) rose by 5.9% yoy, while real turnover in the Retail trade of food, beverages and tobacco rose more moderately, by +1.6%.
- Total exports of goods in February 2018 amounted to 7.8 billion kuna, i.e. 5.6% less versus the same month last year, while the imports amounted to 12.6 billion kuna, i.e. 0.1% more yoy. Thereby, the foreign trade deficit increased by 10.9% yoy (to 4.8 billion kuna), while the coverage of imports by exports amounted to 61.8%, i.e. 3.7 p.p. less versus February 2017. Over the first two months of this year, compared with the same period last year, total exports of goods decreased by 1.2% (to 15.6 billion kuna), partly due to a high base recorded in the same period last year (+21.5%) and a strong fall in the exports in the categories Agriculture, forestry and fishing (-35.7%) and Electricity, gas, steam and air conditioning supply (-57.1%), whereas the imports, supported by higher domestic demand, rose by 10.7% (to 23.7 billion kuna). The foreign trade deficit simultaneously advanced by 22.2% (to 9.9 billion kuna), while the coverage of imports by exports decreased by 4.9 percentage points (to 61.2%). The preliminary data for March show an accelerated decrease in the exports of goods (to -8.6% yoy), whereas imports rose by 6.4%. Further to the above, the total exports of goods over the first three months of 2018 decreased by 4.0% yoy, whereas the total imports of goods rose by 6.6%. The exports in the EU countries thereby rose by 2.6%, while the exports in the other countries decreased by 16.2%.



HNB intervenes

The dollar continued to strengthen against the euro by mid-week, recording a decrease below 1.19, however, the exchange rate slightly rose by the end of the week, after the release of data on the inflation movements in USA, showing that inflationary pressures are still mild. Trading on Friday closed at 1.1943 dollar to the euro, down by 0.1% wow.

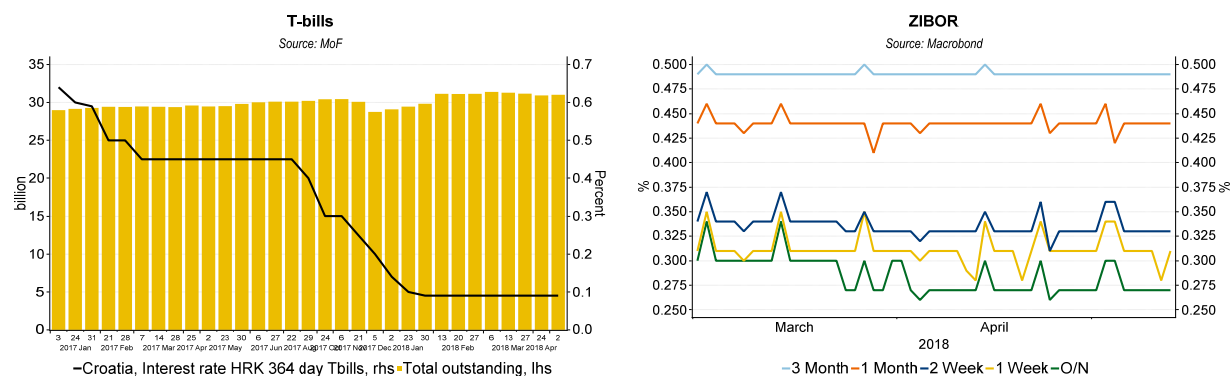
The appreciation pressures on kuna strengthened last week, therefore the central bank intervened at the moment the exchange rate decreased to 7.377 by purchasing from banks 320.5 million euro at the average exchange rate of 7.3976. After the intervention, the exchange rate remained above 7.38, closing the week at 7.3863 kuna to the euro, down by 0.3% wow. The kuna against the dollar strengthened barely by 0.1% wow, to 6.1888 kuna to the dollar. This week, we expect a continuation of slight kuna strengthening trend, with a trading range 7.36-7.41.



Liquidity rises

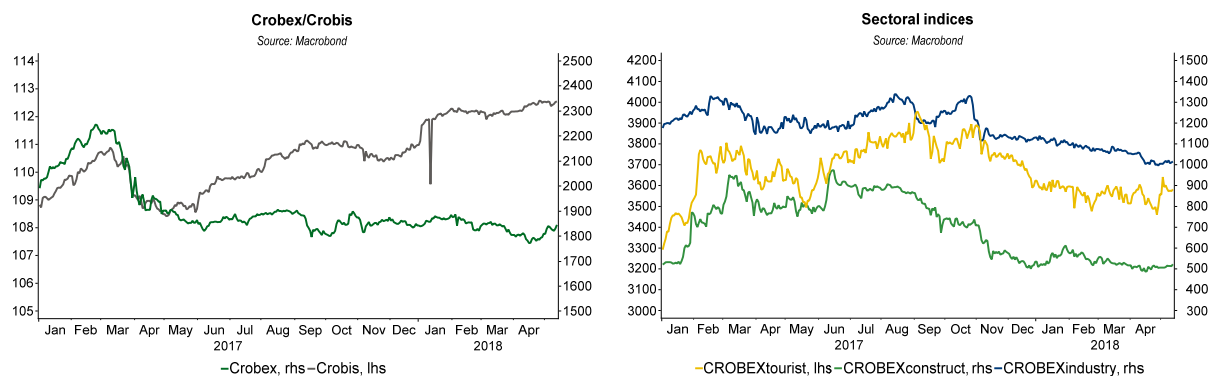
Excess liquidity rose gradually near 27 billion kuna, while FX intervention increases excess liquidity by a further 2.4 billion kuna. In such an environment the overnight Zibor stayed at 0.27%, while 1M and 3M at 0.44 and 0.49%, respectively. There was no interest shown at the regular reverse repo auction, while the ZMM turnover reached 0.5 billion kuna.

There was no T-bill maturity or auction last week, therefore the government debt under T-bills remained at 31.0 billion kuna. There will be no maturity or auction this week as well.



Crobex up for the fourth consecutive month

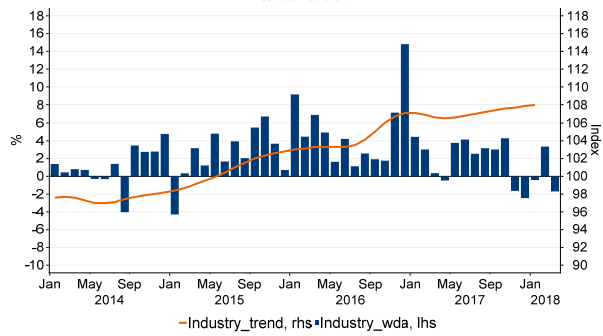
The Crobex Index closed at a 0.4% higher level wow last Friday, i.e. at 1,845.24 points, while Crobis remained unchanged (112.54 points). As regards sector indices, CROBEXconstruct closed last week up by 2.7% wow, reaching 523.30 points, while CROBEXtourist (3,582.06 points) and CROBEXindustry (1,015.85 points) decreased by 0.5% and 0.3%, respectively. The total ZSE turnover amounted to 281.0 million kuna last week, or up by 3.6 times versus the week before, owing to a 4.8 times higher turnover in bonds (reaching 228.0 million kuna) and a 76.0% higher turnover in shares (53.0 million kuna).



Statistics

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

Source: Macrobond



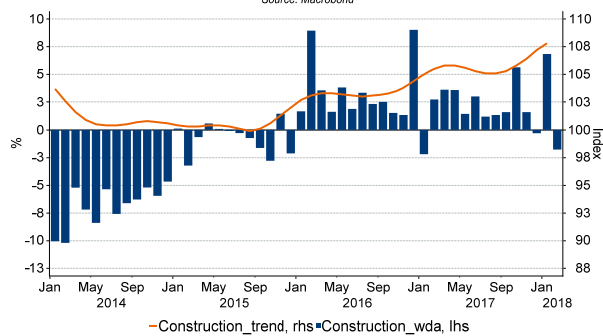
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



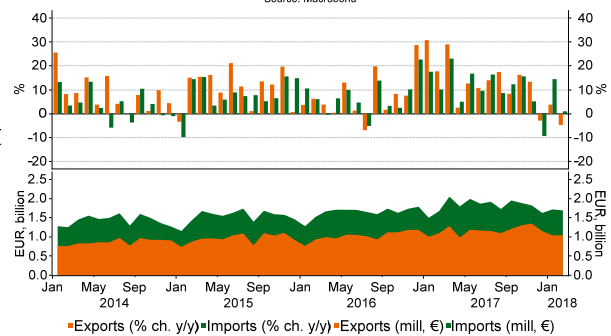
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



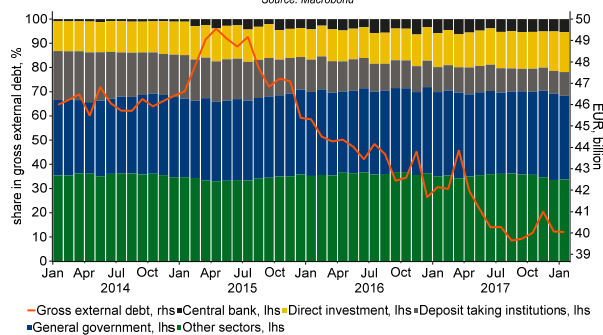
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



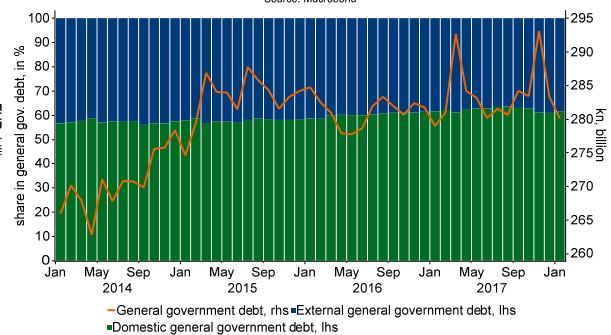
Gross external debt

Source: Macrobond



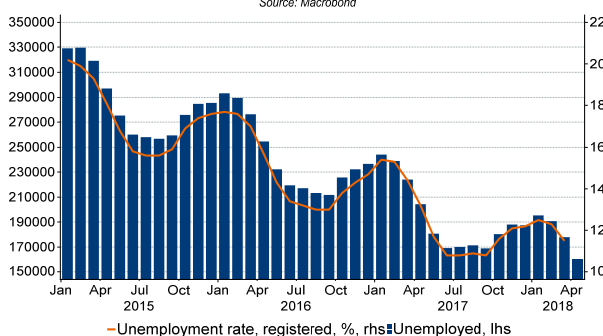
General government debt

Source: Macrobond



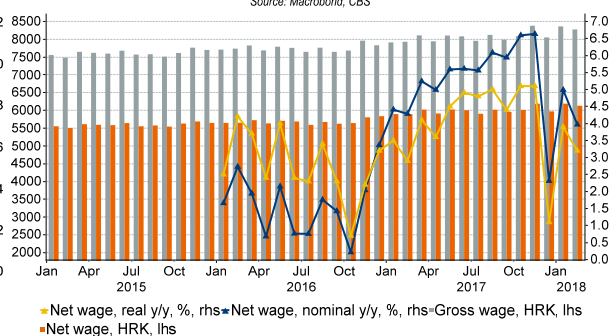
Total number of unemployed and unemployment rate

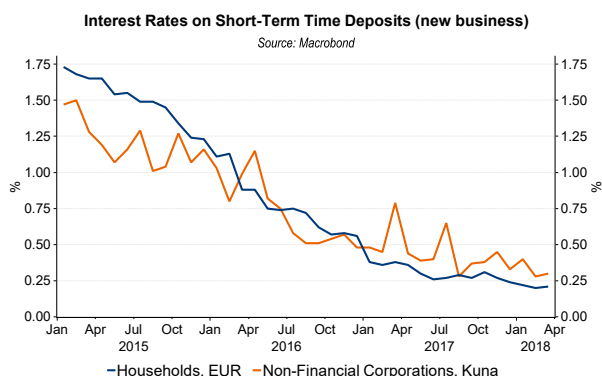
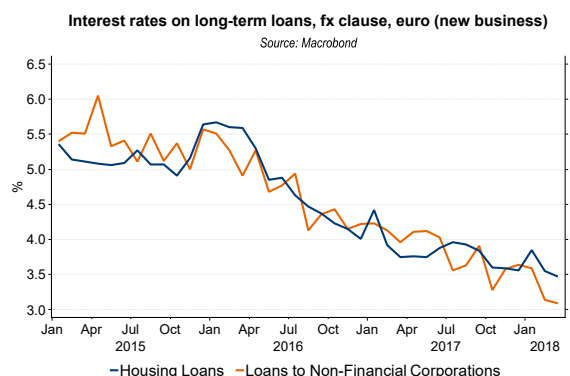
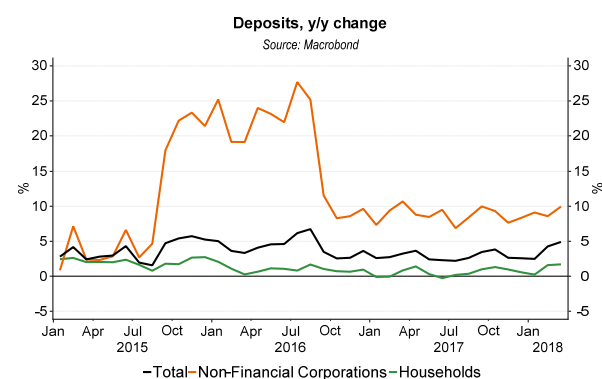
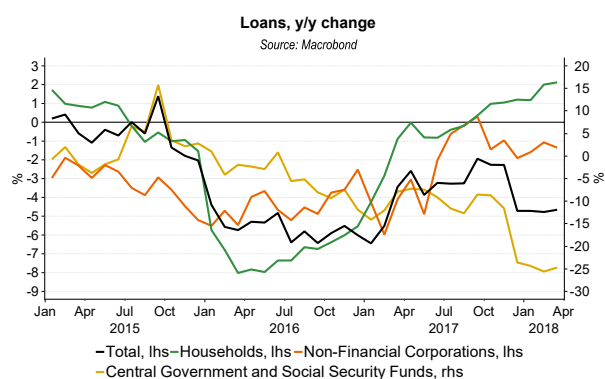
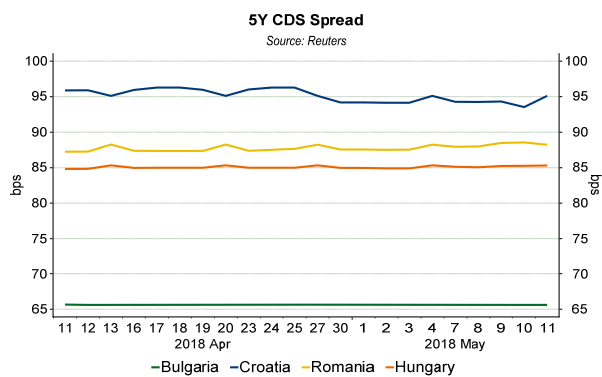
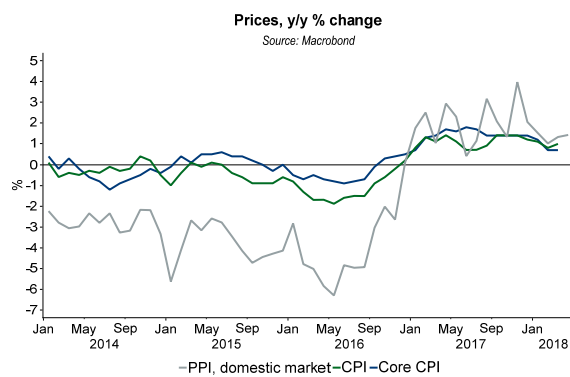
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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