

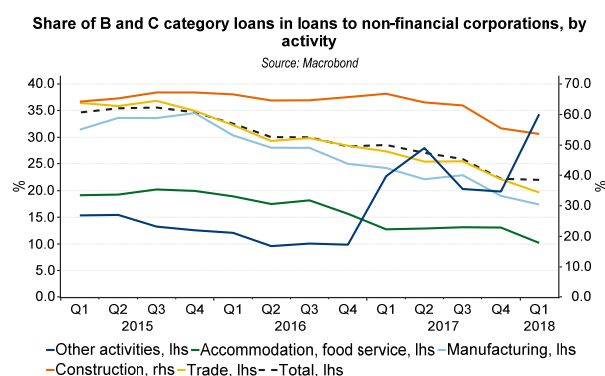
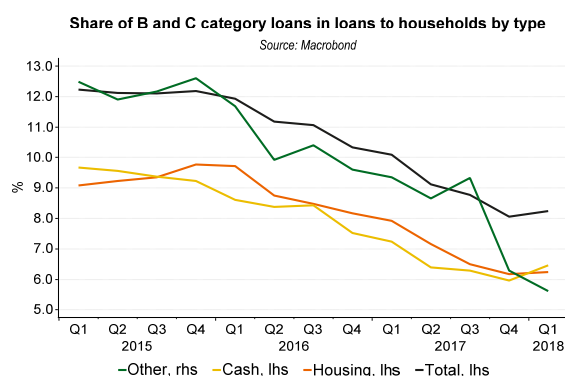
PBZ Weekly Analysis

Number 610, June 11, 2018

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Weekly overview

- In the first quarter this year, the share of B and C loans in total loans remained at 11.4% due to a reduction in loans to non-financial corporations (by 0.2 p.p. qoq, to 22.0%), with a simultaneous increase in loans to citizens (+0.2 p.p. to 8.2%). The sale of facilities continued, therefore, over the first three months of this year, banks sold gross claims amounting to 1.1 billion kuna, up by 3.8% yoy, where 0.4 billion kuna relates to households and 0.6 billion kuna to non-financial corporations. The share of non-performing loans in the corporate portfolio fell owing to a decrease in all the leading activities (trade -2.5 p.p. to 19.6%, construction -1.8 p.p. to 53.6%, manufacturing -1.6 p.p. to 17.4%, accommodation and food service activities -2.9 p.p. to 10.2%), while the category of other activities (Agrokor) jumped even by 14.5 p.p. to 34.3%. The increase in the share of non-performing loans in loans to households is a result of a deteriorated quality of cash loans, which increased by 0.5 p.p. to 6.5% qoq. The mentioned share in housing loans remained at 6.2%, whereas an increase of 1.0 p.p. to 7.0% was recorded for overdrafts and a decrease of 0.8 p.p. to 28.8% for other loans. Regardless of the stagnation registered at the beginning of the year, we anticipate a continuation of a downward trend of the share of B and C loans in total loans over next three quarters of 2018, owing to a rise of loans and demand of the private sector and a further sale of bad loans.



Dollar weaker, kuna stable

In anticipation of this week's FOMC meeting and a very much expected increase in the fed funds target range by 25 b.p. and a slightly more uncertain ECB meeting, the dollar weakened against the euro. Last week, the EUR/USD trading closed at 1.1769, up by 0.9% wow.

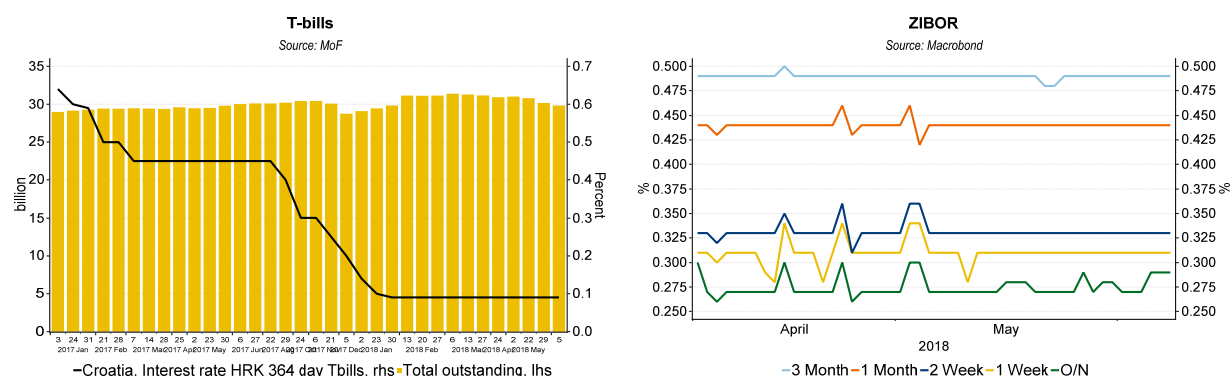
The EUR/HRK exchange rate fluctuated around 7.38 last week, amounting to 7.3804 kuna to the euro on Friday, unchanged wow. The kuna strengthened by 0.5% against the dollar, therefore the mid-exchange rate amounted to 6.2748 kuna to the dollar on Friday. This week, we anticipate trading in the range from 7.36 to 7.40 kuna to the euro again.



Interest rates unchanged

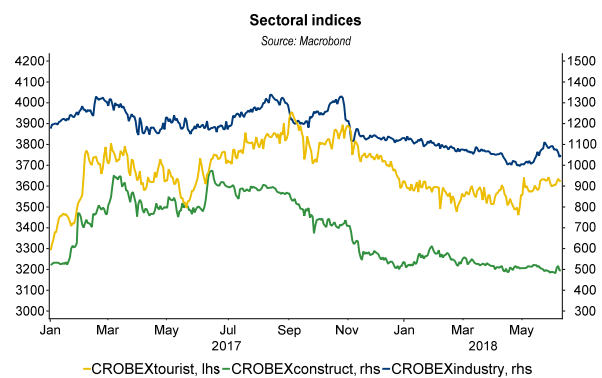
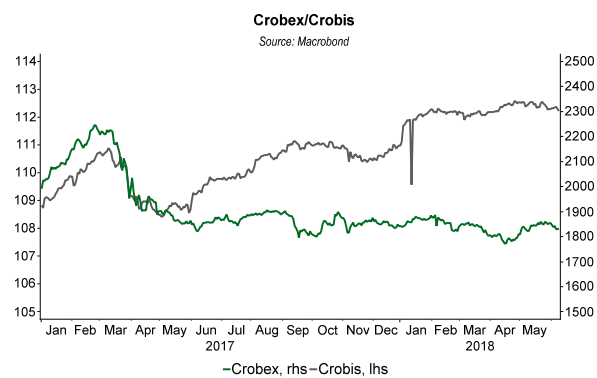
Excess liquidity dropped below 27 billion kuna, while interest rates recorded only minor changes. The overnight Zibor moderately rose by 2 b.p. to 0.29% wow, whereas 1M and 3M remained at 0.44% and 0.49%, respectively. There was no turnover at the reverse repo auction of CNB, while the turnover on ZMM reached 0.5 billion kuna.

Last week, 643 million kuna in T-bills matured, while 313 million kuna were subscribed and accordingly the government debt declined to 29.8 billion kuna. There was no interest for three-month T-bills, therefore a subscription was recorded of 200 million kuna in six-month kuna T-bills at the interest rate of 0.06%, down by 19 b.p. from the last issue and 113 million kuna in one-year kuna T-bills at the unchanged interest rate of 0.09%. There will be no maturity this week and therefore no auction.



Crobex down wow

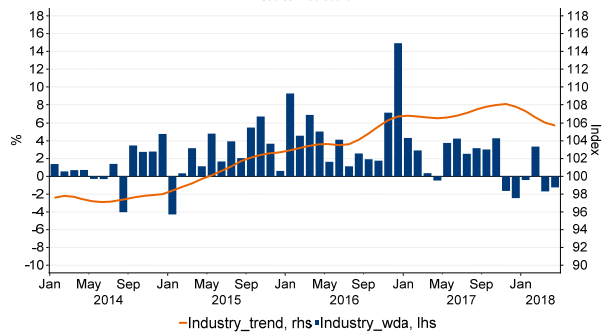
The total ZSE turnover amounted to 431.4 million kuna last week, which is up by 2.4 times versus the week before, due to a 2.6 times higher turnover in bonds (reaching 391.8 million kuna) and a 30.0% higher turnover in shares (39.6 million kuna). The Crobex index closed on Friday down by 0.8% (to 1,831.45 points), while Crobis fell by 0.1% (to 112.22 points). As regards sector indices, CROBEXindustry closed last Friday down by 2.5% wow (reaching 1,049.07 points), while CROBEXconstruct (496.50 points) and CROBEXtourist (3,625.13 points) closed up by 2.1%, i.e. 0.5%.



Statistics

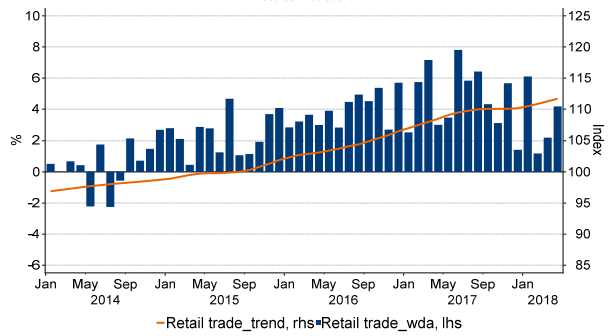
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



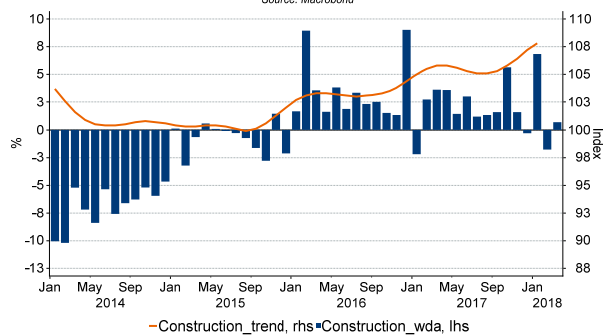
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



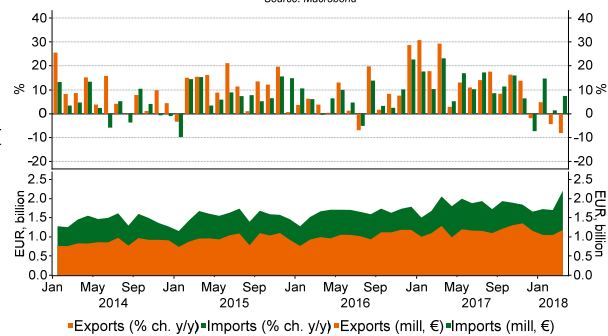
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



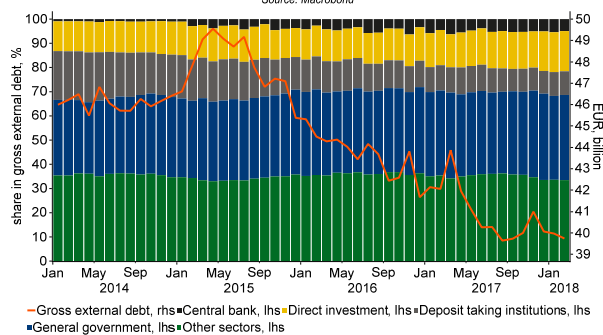
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



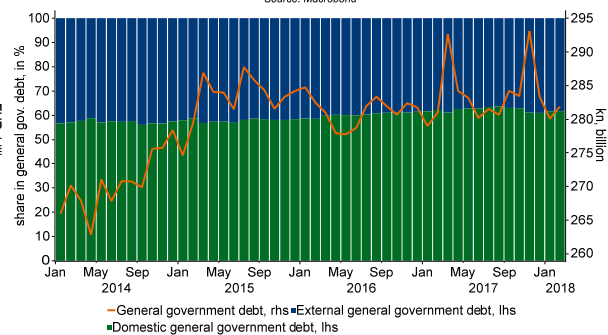
Gross external debt

Source: Macrobond



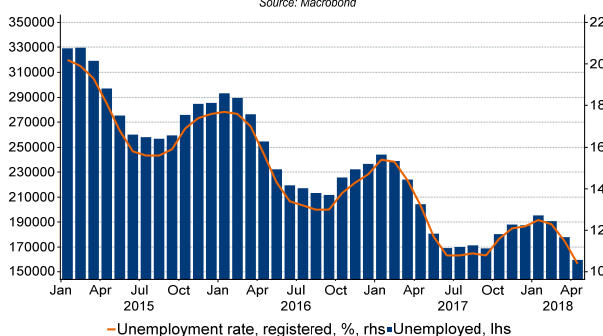
General government debt

Source: Macrobond



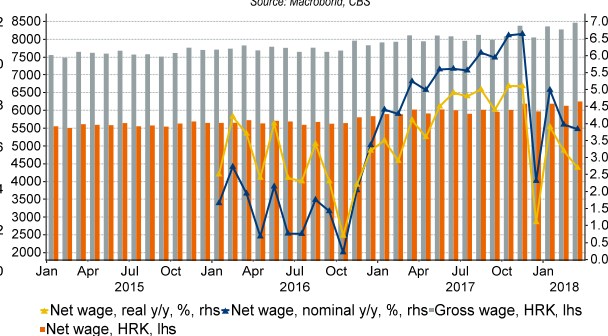
Total number of unemployed and unemployment rate

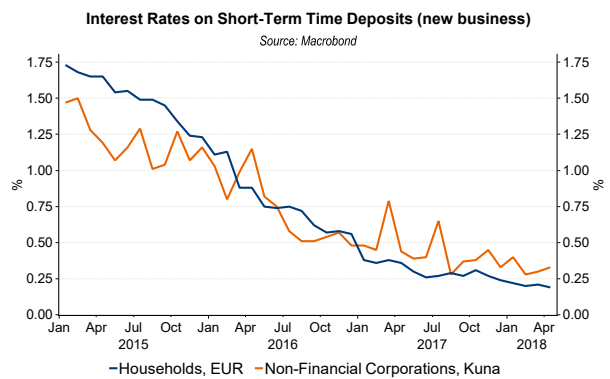
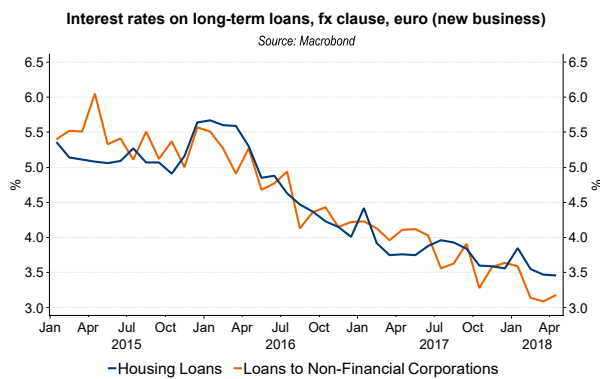
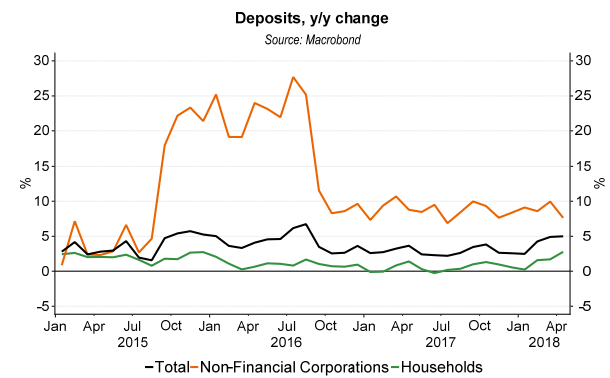
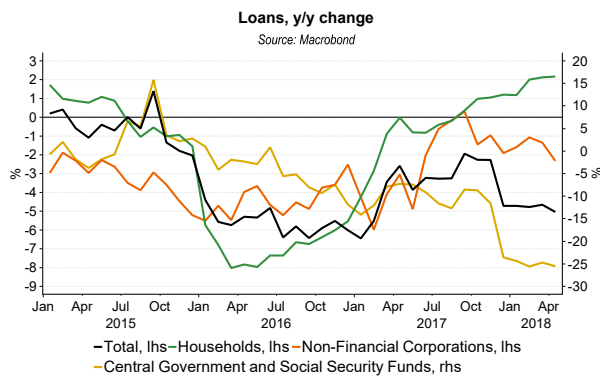
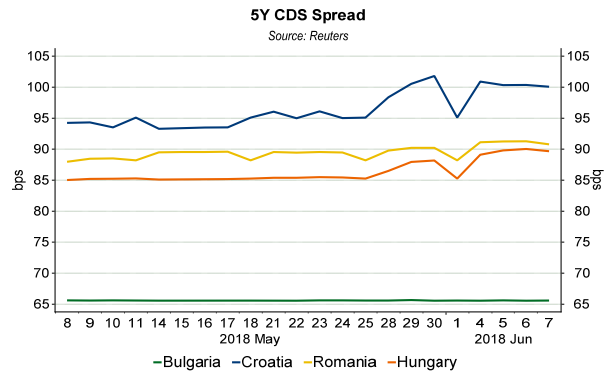
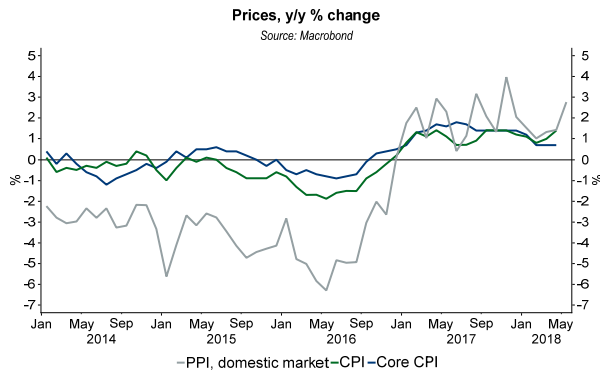
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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