

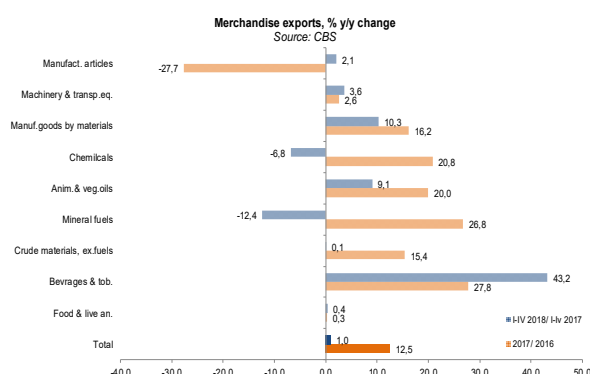
PBZ Weekly Analysis

Number 614, July 16, 2018

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Weekly overview

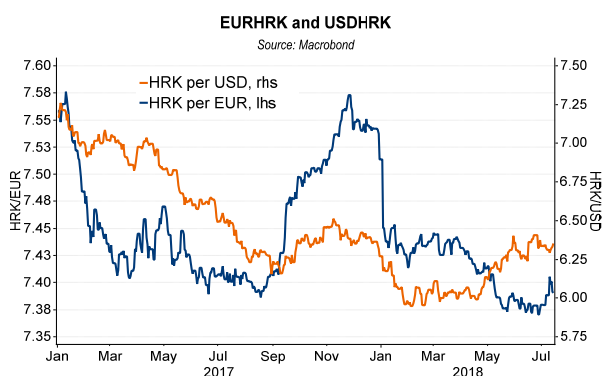
The total exports of goods in April 2018 amounted to 8.5 billion kuna, which is up by 15.7% versus April last year, while the imports of goods amounted to 13.7 billion kuna, i.e. up by 2.4% yoy. Thereby, the foreign trade deficit decreased in April by 13.8% yoy (to 5.2 billion kuna), while the coverage of imports by exports amounted to 62.2% (up by 7.2 p.p. versus the same month last year). The total exports of good in the first four months of 2018 amounted to 33.1 billion kuna, which is an increase of 1.0% versus the same period last year, where the fastest rise in the exports was recorded in the category Manufacture of tobacco products (+143.6%). The total imports of goods over the same period amounted to 55.8 billion kuna i.e. up by 6.2% yoy, due to which the foreign trade rose by 14.8% (to a total of 22.7 billion kuna), while the coverage of imports by exports decreased to 59.2% (from 62.3% recorded over the first four months in 2017). The exports in the EU member states (69.3% of the total exports of goods) advanced over the first four months by 7.8%, while the exports in the CEFTA member countries (with a 16.0% share) fell by 2.3% yoy. The preliminary data for May show an increase in the exports of goods of 1.8 and a decrease in the imports of 0.9% yoy, with a simultaneous decline in deficit of 5.1% and a growth of the coverage rate to 61.6%.



Dollar stronger, kuna unchanged

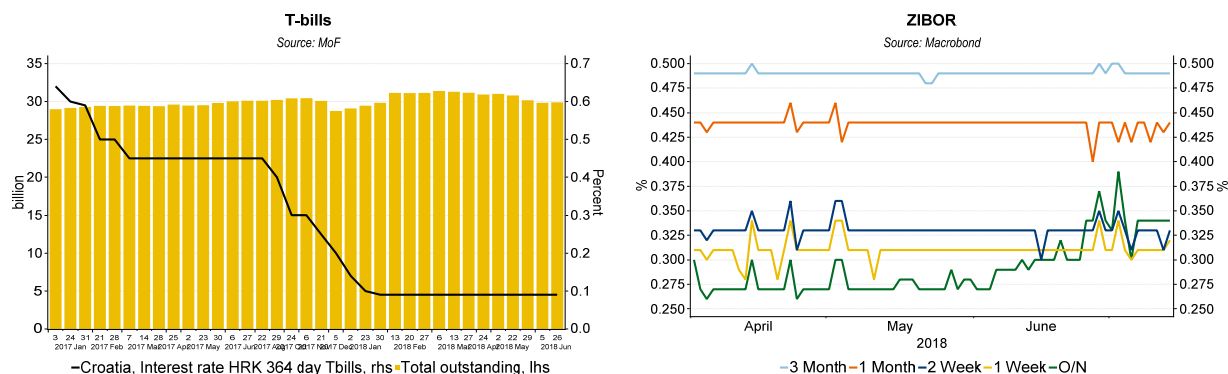
Last week, the investor concerns about an escalating trade war slightly eased, so the dollar regained losses from the week before, while the release of the ECB Minutes did not significantly impact the exchange rate movements. Trading on Friday closed at 1.1685 dollar to the euro, down by 0.5% wow.

For the past several weeks, EUR/HRK moderately rose due to higher demand for foreign currency, as a result of the closing of short positions. However, an increase in tourist inflows continues and the peak tourism season is still ahead. As the kuna slightly weakened against the euro last week, the exchange rate increased to 7.3904 kuna to the euro, whereas the kuna against the dollar depreciated by 0.7% to 6.3530 kuna to the dollar. This week, we expect trading in the range 7.38-7.41.



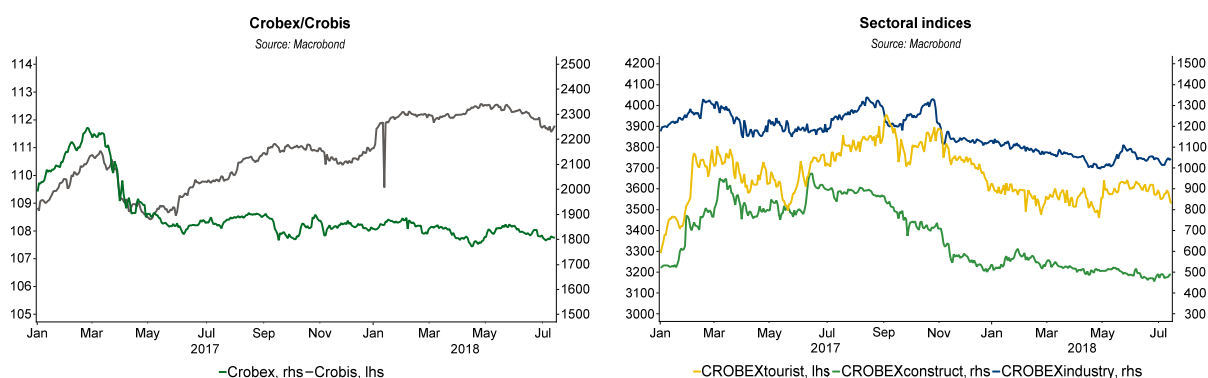
Liquidity lower

Last week, after the settlement of the government bond, excess liquidity fell to 23.5 billion kuna and interest rates continued to stagnate – the overnight Zibor at 0.34%, whereas 1M and 3M at 0.44% and 0.49%, respectively. There was no turnover on the regular reverse repo auction of CNB or on ZMM.



Stock market indices stagnate

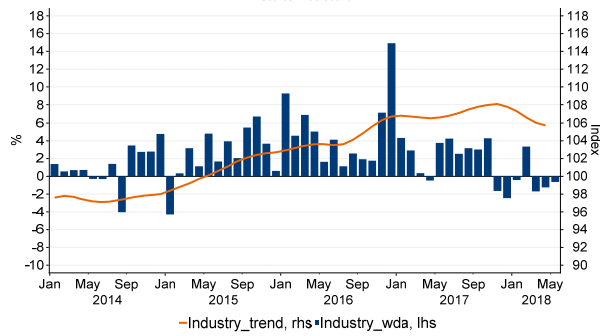
Last week, the total ZSE turnover was 596 million kuna, which is an increase of 7.9% wow, owing to an increase in the turnover in shares by 8.4% (to 28 million kuna) and an increase in the turnover in bonds by 7.9% (568 million kuna). The Crobex Index closed last Friday at 1,807.95 points, or up by 0.2% wow, while Crobis closed at 111.79 points (+0,1%). Sector indices CROBEXconstruct and CROBEXindustry closed the week up by 3.9 and 3.0%, respectively (to 490.25 and 1,045.28 points, respectively), while CROBEXtourist declined by 1.3% to 3,529.85 points.



Statistics

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

Source: Macrobond



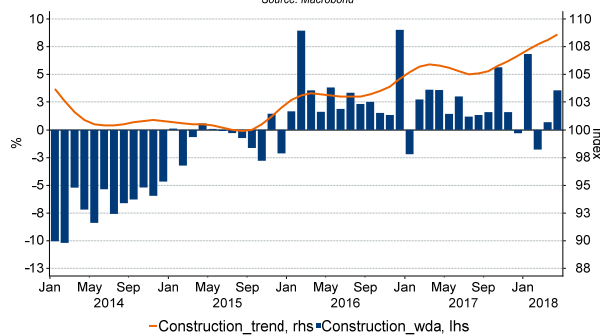
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



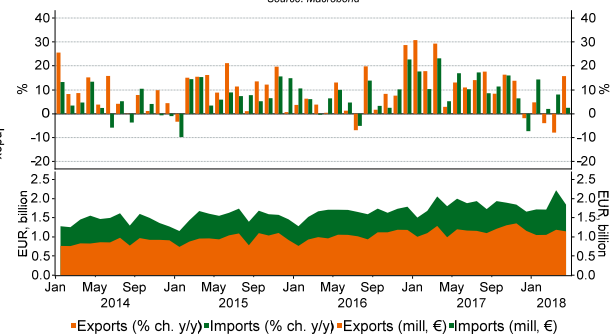
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



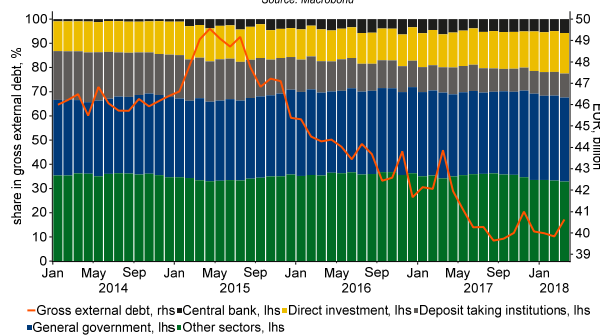
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



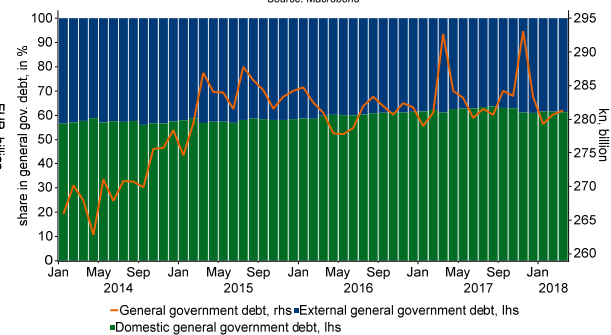
Gross external debt

Source: Macrobond



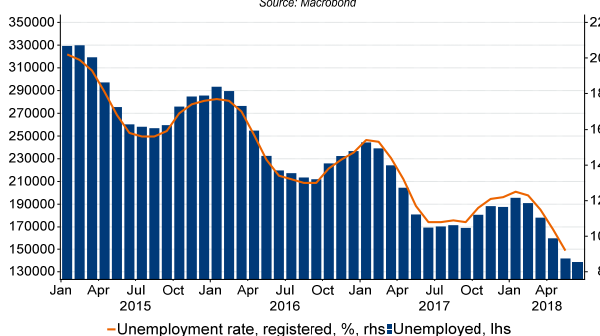
General government debt

Source: Macrobond



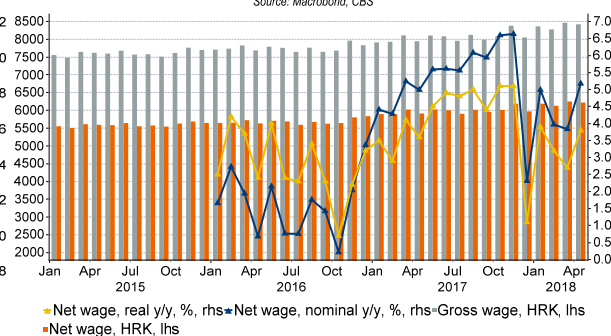
Total number of unemployed and unemployment rate

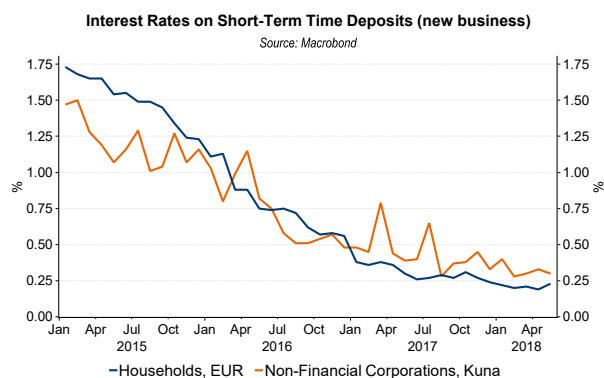
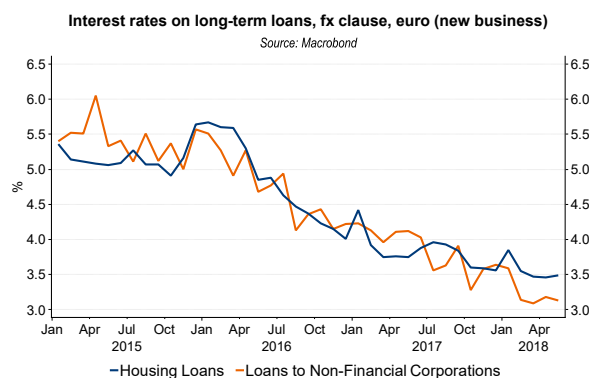
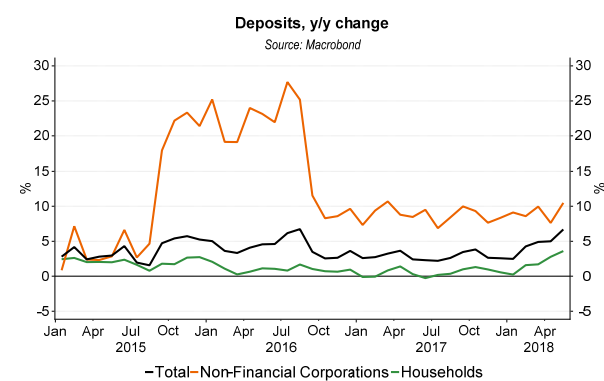
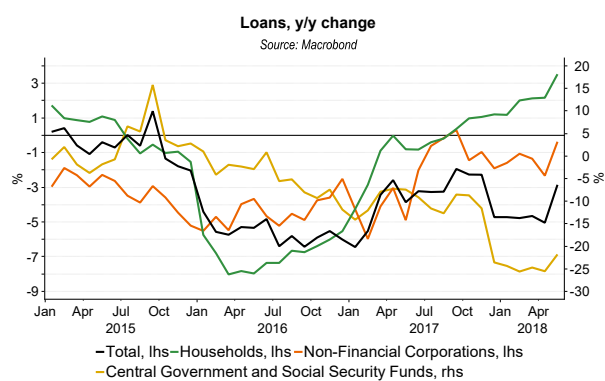
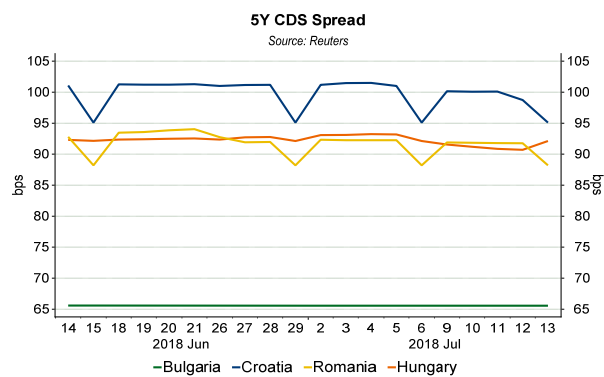
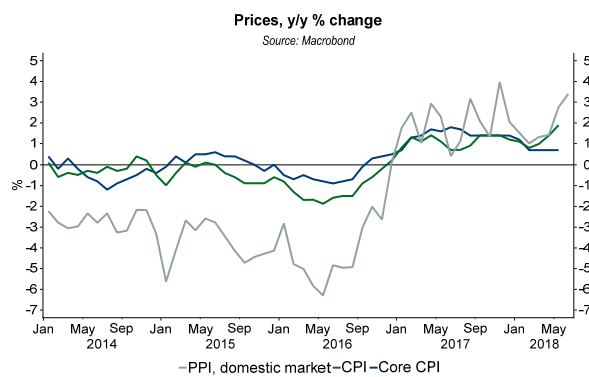
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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