

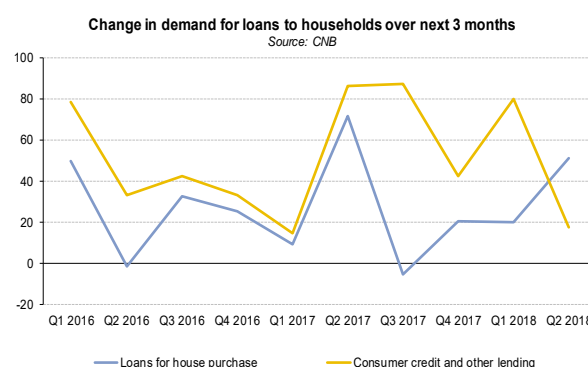
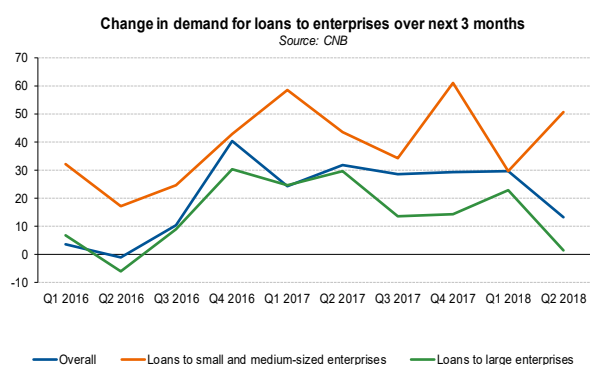
PBZ Weekly Analysis

Number 616, August 27, 2018

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Weekly overview

- The recovery of crediting continued in June as well, where a decrease of total loans eased to -2.0%, due to a 2.2% rise in loans to the private sector, the demand for which is supported by a rise in the economic activity, favourable trends in the labour market, consumer optimism and reduction in interest rates, as well as a lower rate of decrease of loans to the central government and the social security funds (-20.0%). As loans to non-financial corporations rose for the fifth consecutive month mom, their pace of decline slowed to -0.1% yoy (+0.8% for working capital, +1.3% investment loans, -3.8% other loans), while loans to households continued their fast rise at the rate of +3.9% (+2.4% housing loans, +9.7% cash loans, +1.4% card loans, +0.1% overdrafts, -4.5% other loans). Transaction data show that the cumulative yoy increase in claims on the private sector has continued and reached 4.5% in June, remaining at 3.1% for non-financial corporations and accelerating to 5.6% for households. Total deposits rose by 5.5% in June (+27.4% transaction funds, +2.5% kuna savings and time deposits, -2.4% FX savings and term deposits) owing to an increase in the deposits of non-financial corporations of 6.3% and households of 4.0%. Over the third quarter, positive trends will continue, judging by the Bank lending survey which reveals that banks expect a growth in the private sector demand over the upcoming period (particularly, demand of small and medium-sized enterprises and also demand of households for housing loans), and plan to ease the credit standards.

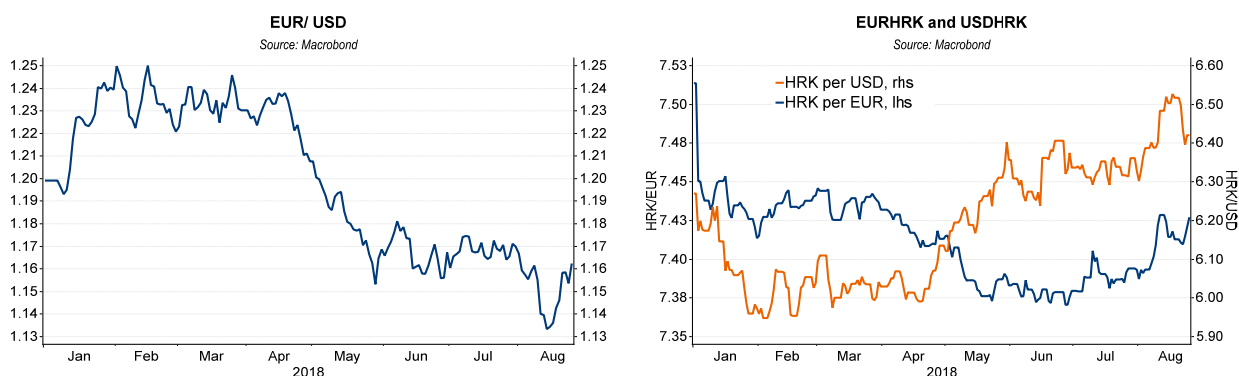


- The consumer price index rose by 2.1% y/y in July, mostly as a result of higher prices of Transport (+7.2%), Housing (+3.6%) and Food (+1.5%), while the indicated index decreased by 0.9% versus the previous month, where the largest contribution to the decrease came from 14.0% lower prices of Clothing and footwear (seasonal sales). The average annual core inflation rate in July declined to +0.5% (from +0.7% in June), while the twelve-month average rose to +1.4% (from +1.3% in June). In the first seven months, the average annual inflation rate was 1.5%, mostly due to an increase in the prices of electricity (+6.3%), fuels (+6.0%, due to an increase in the prices of crude oil), gas (+2.1%) and food (+1.3%, of which oils and fats by 6.4% and fruit by +4.4%).

Dollar under pressure, kuna at 7.43

Last week, after the released Fed meeting minutes, which express concern over the risk of customs tariffs increases, the dollar continued to weaken. On Friday, the EUR/USD trading closed at 1.16 dollar to the euro, up by 1.7% wow.

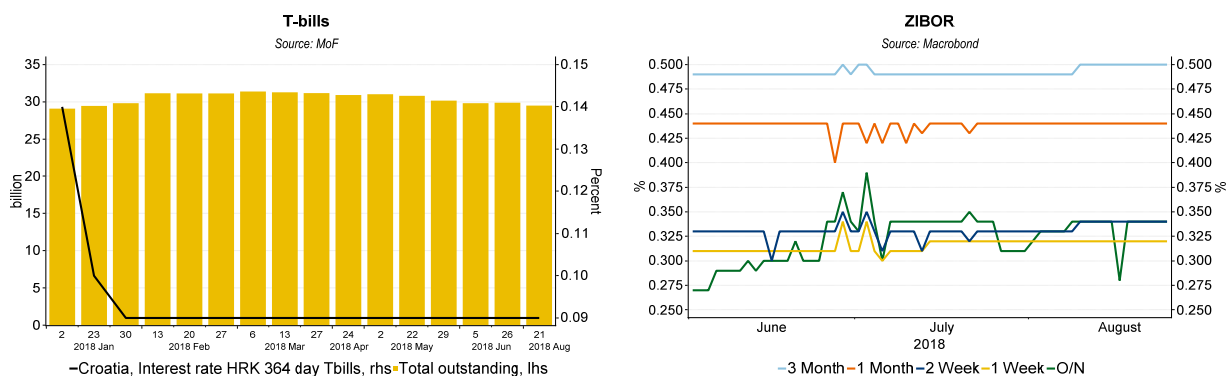
A moderate upward trend of the EUR/HRK exchange rate continued last week, where the mid-exchange rate reached 7.4271 kuna to the euro on Friday, up by 0.2% wow. At the same time, the kuna strengthened by 1.5% against the dollar, to 6.4204 kuna to the dollar.



T-bill auction held

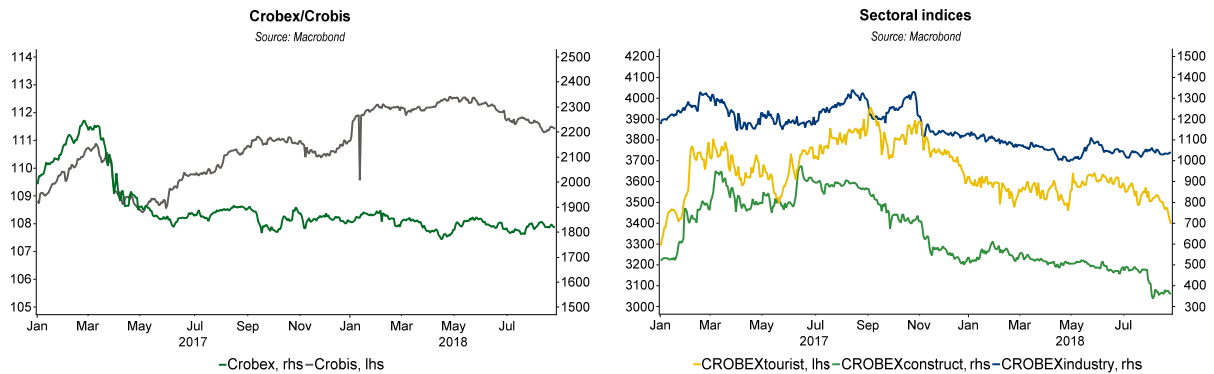
Excess liquidity remained at 23 billion kuna while interest rate stagnated, so the overnight Zibor stayed at 0.34%, 1M at 0.44% and 3M at 0.50%. There was no turnover at the regular reverse repo auction of CNB, while a low turnover of 5 million kuna was recorded at the ZMM.

After a two-month break, a T-bill auction was held where 752 million kuna in one-year kuna T-bills at the unchanged interest rate of 0.09% were subscribed. The government debt under T-bill thus fell to 29.5 billion kuna. This week, a total of 402 million kuna and 31.1 million euro in T-bills will mature and an auction with the planned 300 million kuna and 10 million euro has been announced.



Crobex up wow

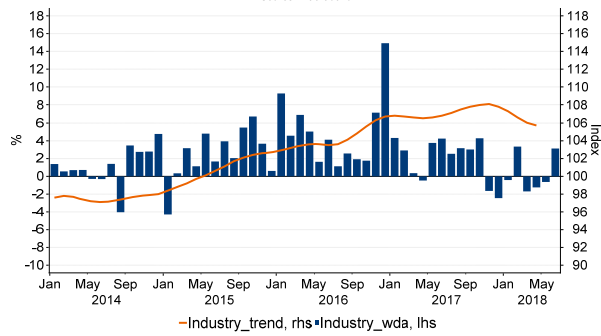
Last week, the total ZSE turnover amounted to 193.4 million kuna, which is an increase of 2.2 times wow, due to a rise in the turnover in shares of 50.2% (to 35.0 million kuna) and a rise in the turnover in bonds of 2.4 times (to 158.4 million kuna). The Crobex Index closed last Friday at 1,820.55 points or up by 0.1% wow, while Crobis closed at 111.41 points, i.e. stagnated wow. As regards sector indices, CROBEXconstruct and CROBEXtourist closed the week down by 4.0 and 2.0%, respectively (at 365.24 and 3,397.71 points), whereas CROBEXindustry rose by 0.2% wow (to 1,037.94 points).



Statistics

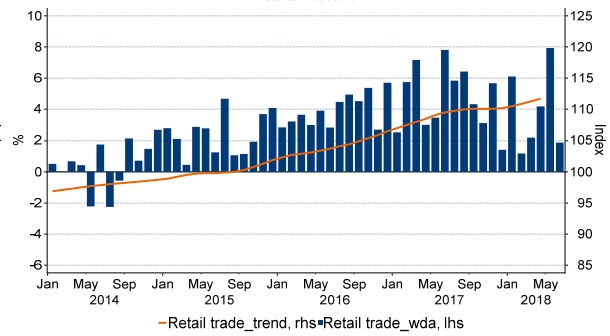
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



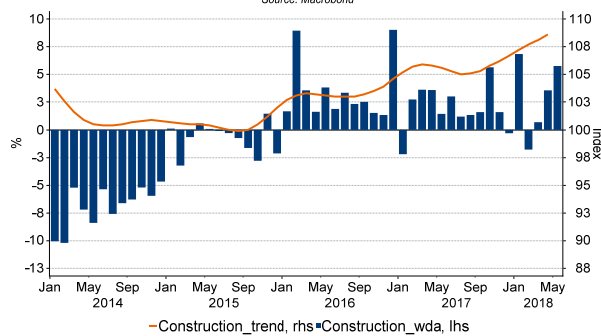
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



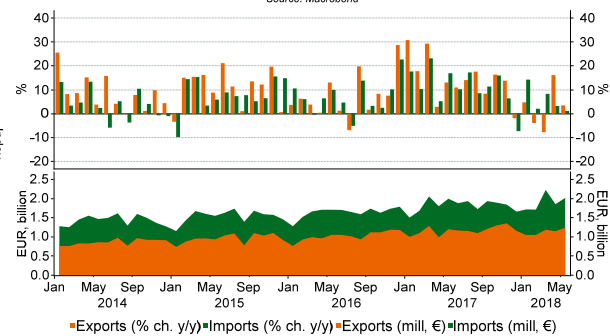
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



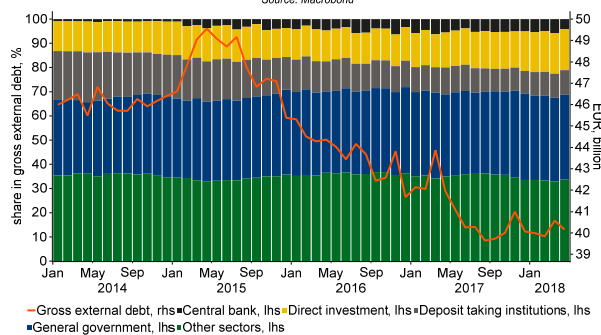
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



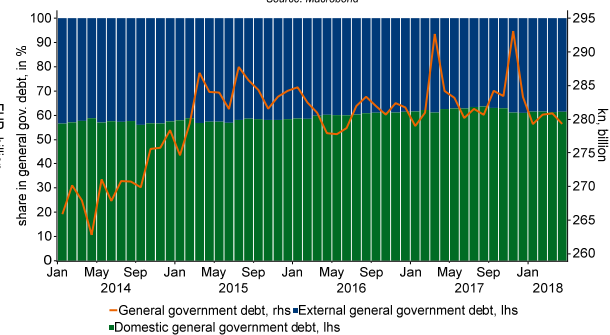
Gross external debt

Source: Macrobond



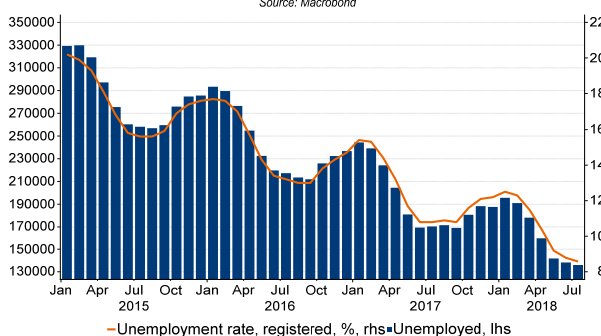
General government debt

Source: Macrobond



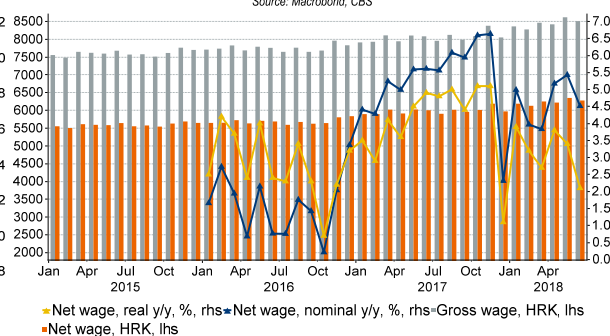
Total number of unemployed and unemployment rate

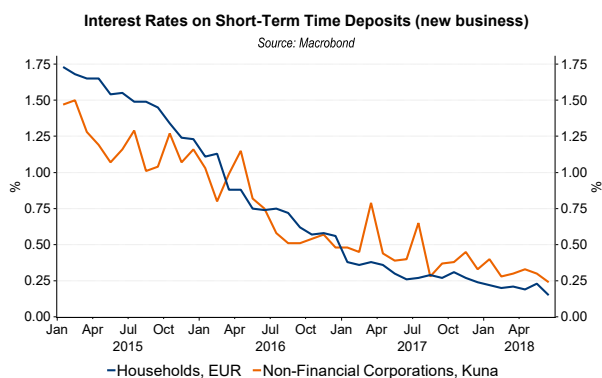
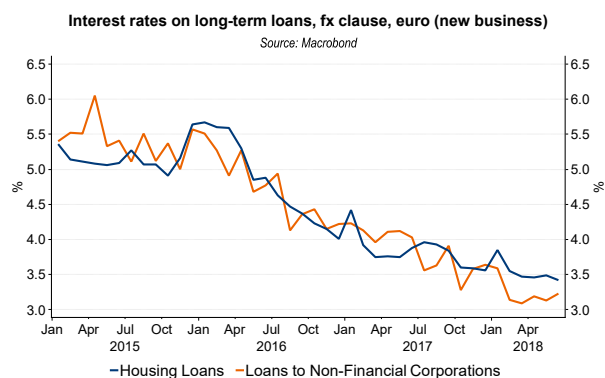
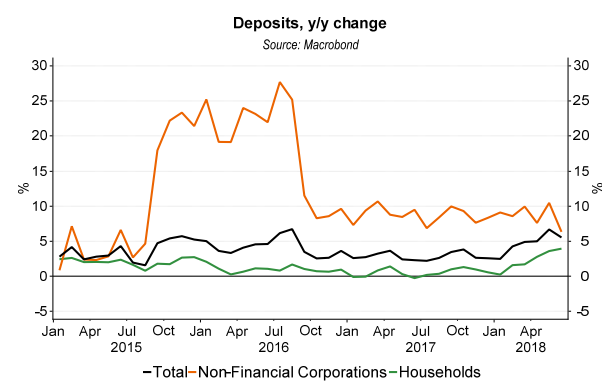
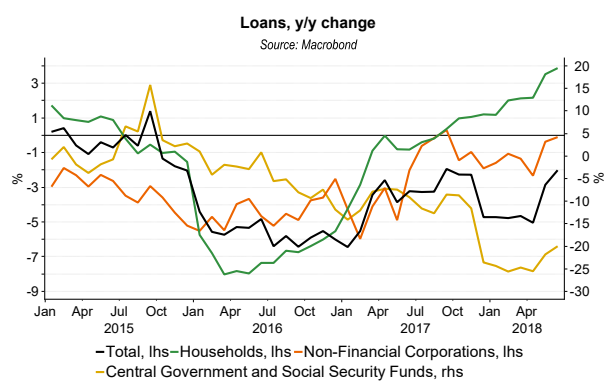
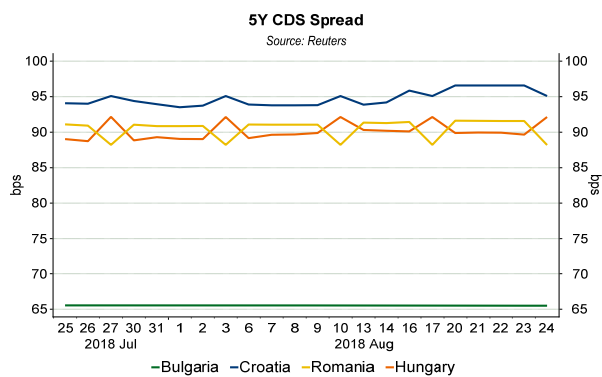
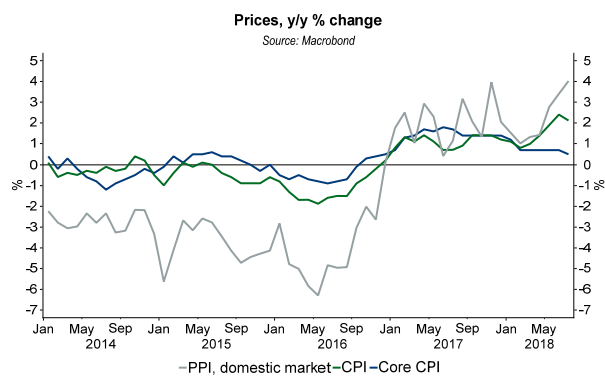
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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