

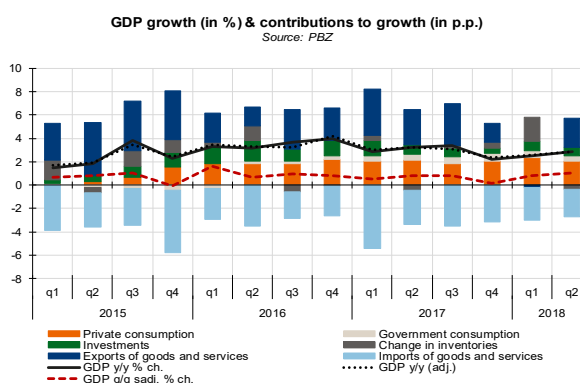
PBZ Weekly Analysis

Number 617, September 3, 2018

- Weekly overview (p. 1)
- FX markets calm (p. 2)
- Interest rates unchanged (p. 2)
- Crobex moderately up (p. 3)
- Statistics (pp. 4-5)

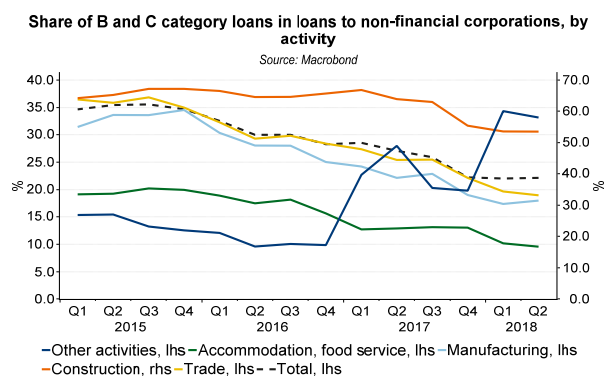
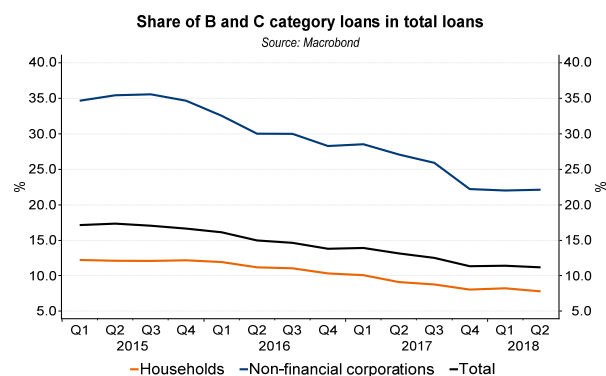
Weekly overview

- In line with our expectations, the first quarterly gross domestic product estimate for the second quarter of 2018 shows an increase of 2.9% (2.8% seasonally adjusted) yoy or 1.1% qoq. The largest contribution to the achieved growth came from domestic demand, mainly household consumption, which recorded a growth of 3.6% in the



analysed period versus the same quarter last year – reaching also the level of the average growth of personal consumption over the past ten quarters, i.e. since the beginning of 2016. Simultaneously, a real growth of investments of 3.1% and a growth of government spending of 2.5% was recorded, whereas variation of stocks negatively contributed to the total GDP growth rate (contrary to the notable contribution registered over the previous quarter). In addition, contrary to the first quarter and a strong negative contribution, net foreign demand had a moderate positive contribution to the total growth in the second quarter. Specifically, the growth rate of the exports of goods and services amounted to 5.6%, whereas a decrease of 0.5% was recorded in the first quarter and, simultaneously, the growth of the imports slowed down to 4.7% yoy (from 5.5% in the first quarter). Given the trends so far, we will keep our growth estimate for the year 2018 at 2.7%.

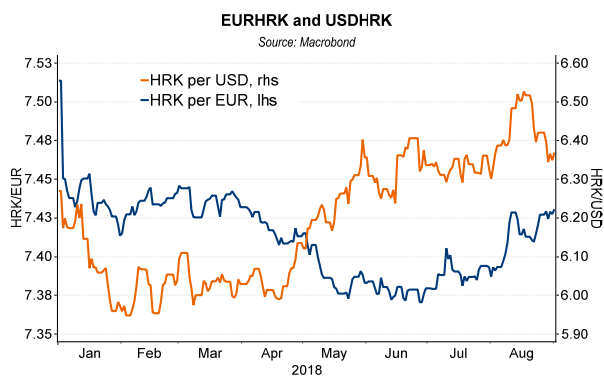
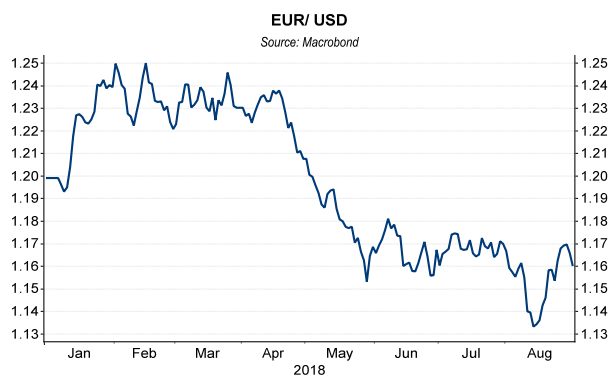
- Following the stagnation registered over the first quarter, the share of B and C loans in total loans continued their trend of decrease in the second quarter, due to a decline in the share of loans to households. The total share thus dropped by 0.2 p.p. qoq, to 11.2%, where the share of households declined by 0.4 p.p. to 7.8%, while the share of non-financial corporations rose by 0.1 p.p. to 22.1%. Such trends, in addition to the increase in crediting, were supported by a continued sale of facilities, which, however, slowed down significantly versus the first three months this year. Over the second quarter, banks sold gross claims (financial assets at amortised costs) amounting to 0.2 billion kuna, where almost the entire amount related to the claims on non-financial corporations. A reduction in the share of non-performing loans in total loans of households is a result of an increased quality of housing loans (-0.3 p.p. to 5.9%), cash loans (-0.2 p.p. to 6.3%), overdrafts (-0.8 p.p. to 6.1%), as well as the most problematic other loans (-1.4 p.p. to 27.4%). In the corporate portfolio, the share of B and C loans decreased in almost all most significant activities (construction -0.1 p.p. to 53.5%, trade -0.7 p.p. to 19.0%, accommodation and food service activities -0.6 p.p. to 9.6%, other activities -1.2 p.p. to 33.2%), however, manufacturing advanced by 0.6 p.p. to 18.0%, while the share of professional, scientific and technical activities jumped by 5.7 p.p. to 23.4%. In the second half of this year, we expect a continuation in the improvement of asset quality due to an ongoing increase in financing of the private sector and balance sheet clean-up.



FX markets calm

Last week, the dollar continued to weaken moderately against the euro, however, recovering a part of its losses at the end of the week, therefore, the dollar closed at 1.16 against the euro on Friday, down by 0.2% wow.

The exchange rate of the kuna against the euro stayed the same last week, amounting to 7.4306 kuna to the euro on Friday, unchanged wow. The kuna against the dollar continued to strengthen, so the exchange rate fell to 6.3689 kuna to the dollar at the end of the week, down by 0.8% wow.

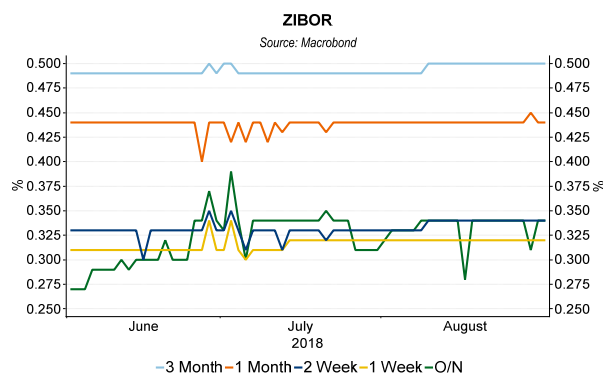
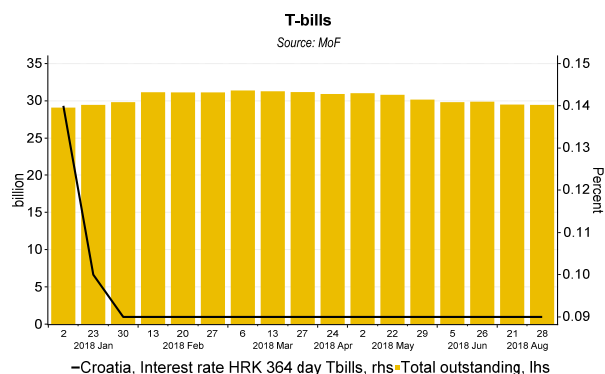


Interest rates unchanged

Excess liquidity slightly declined to 22.5 billion kuna and interest rates continued to stagnate (overnight Zibor 0.34%, 1M 0.44%, 3M 0.50%). There was no turnover at the regular reverse repo auction of CNB nor at ZMM.

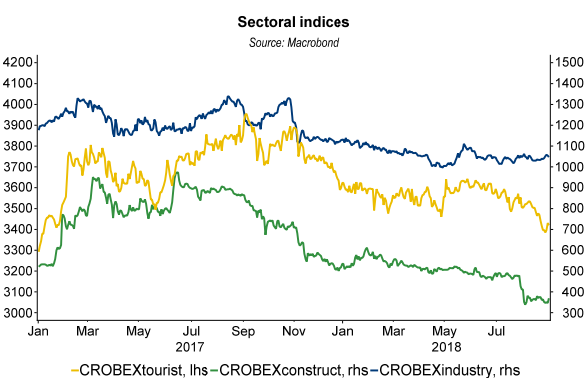
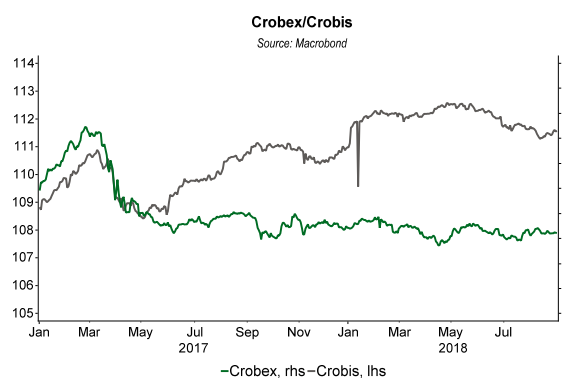
At the T-bill auction held last week, a total of 199 million kuna in one-year kuna and 50 million euro in one-year euro T-bills were subscribed at the unchanged interest rate of 0.09 and 0.00%, respectively.

The government debt under T-bills thus remained at 29.5 billion kuna. This week, there will be no maturity and no auction.



Crobex moderately up

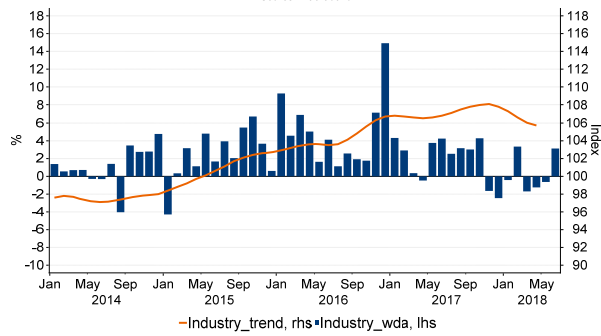
The Crobex Index closed last Friday up by 0.1% wow, reaching 1,822.24 points, while Crobis ended at 111.57 points, which is also an increase of 0.1% wow. Sector indices ended in positive territory, where CROBEXconstruct (370.58 points) rose by 1.5%, CROBEXindustry (1,047.74 points) by 0.9% and CROBEXtourist (3,421.38 points) by 0.7%. The total ZSE turnover amounted to 338.9 million kuna last week, which is an advance of 75.2% wow, owing to a 2 times higher turnover in bonds (reaching 321.8 million kuna), while the turnover in shares decreased by 51.2% (to 17.1 million kuna).



Statistics

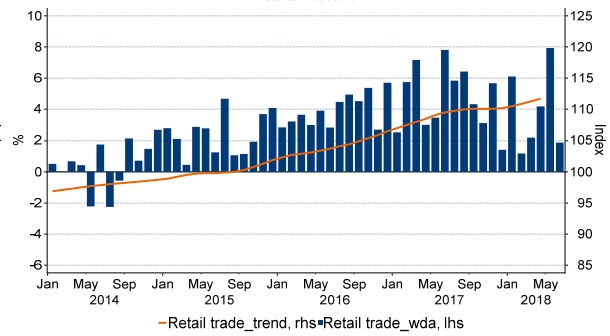
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



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

Source: Macrobond



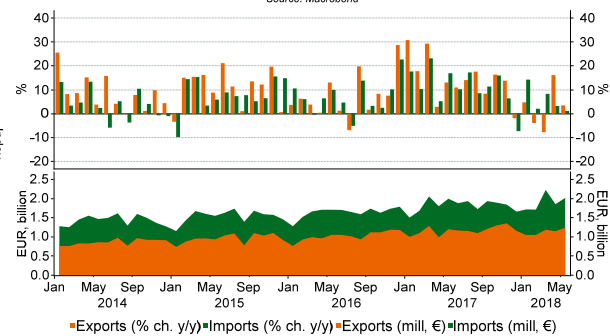
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



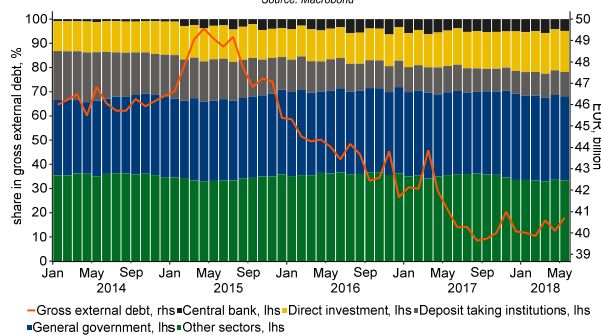
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



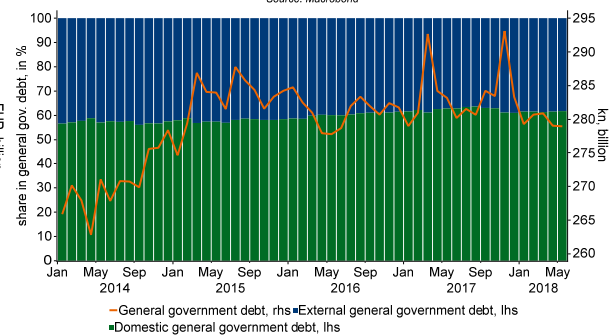
Gross external debt

Source: Macrobond



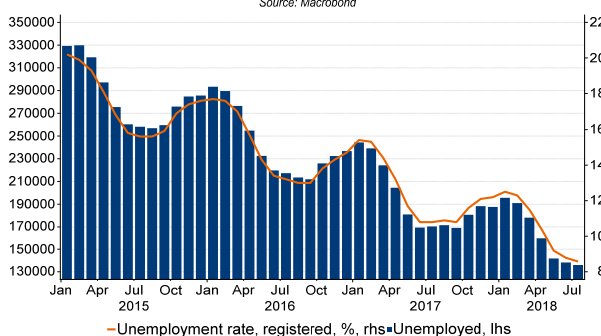
General government debt

Source: Macrobond



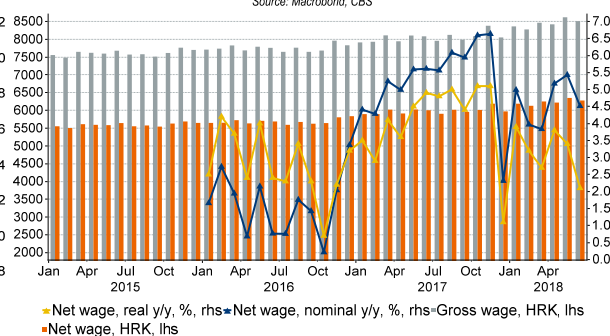
Total number of unemployed and unemployment rate

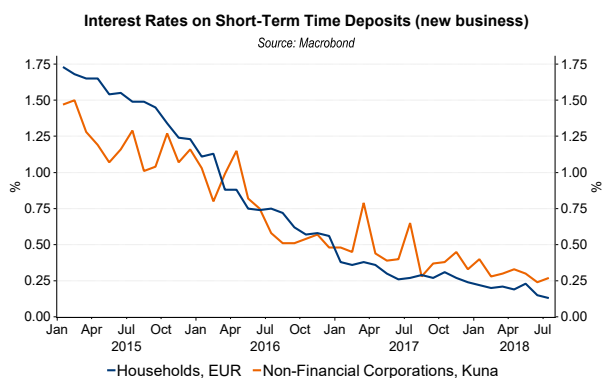
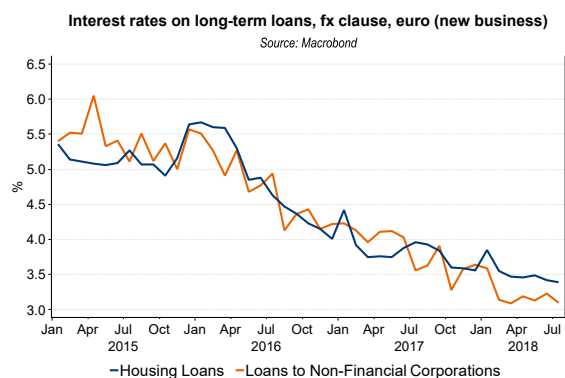
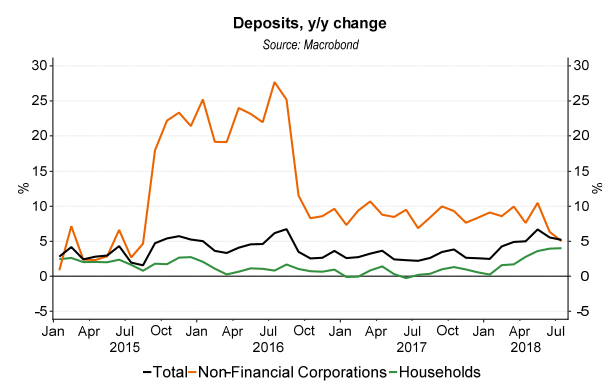
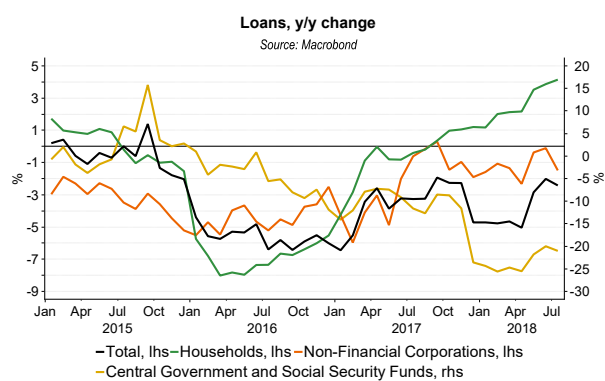
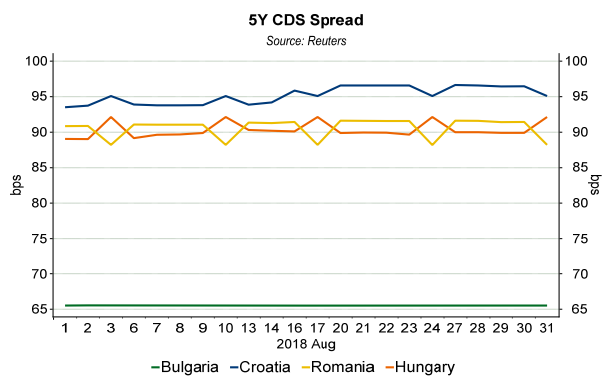
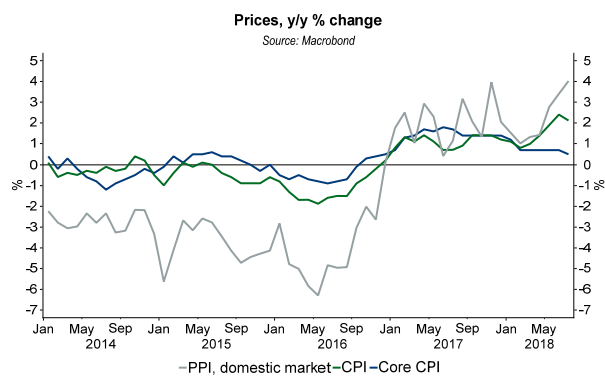
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





RESEARCH OFFICE

Ivana Jović

Ana Lokin

Ivan Odrčić

TREASURY

Eugen Bulat

LEGAL DISCLAIMER

This publication is issued by PRIVREDNA BANKA ZAGREB-DIONIČKO DRUŠTVO, Zagreb, Radnička 50 (hereinafter: PBZ) and aimed at clients of the PBZ Group. This publication is intended for information purposes only and may not in any way be considered an offer or invitation to purchase any property or rights mentioned in it. The informative nature of this publication means that it may not serve as a substitute for the personal judgment and assessment of any reader or anyone who receives this publication. The information, opinions, analyses, conclusions, forecasts and projections given here are founded on publicly available data whose accuracy PBZ relies on, but cannot guarantee. Accordingly, all the opinions, attitudes, conclusions, forecasts and projections given in this publication are subject to changes, which depend on changes to the data as published by the source used. PBZ allows further utilization of the data given in this publication on the condition that the publication is indicated as the source. All the property mentioned in this publication and whose movement is the subject of comment may from time to time be the subject of trade or positions taken by PBZ.