

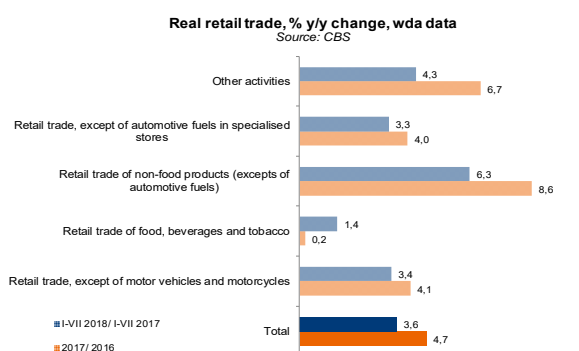
PBZ Weekly Analysis

Number 618, September 10, 2018

- Weekly overview (p. 1)
- Dollar recovers, kuna calm (p. 1)
- Reduced liquidity (p. 2)
- Crobex in negative territory (p. 2)
- Statistics (pp. 4-5)

Weekly overview

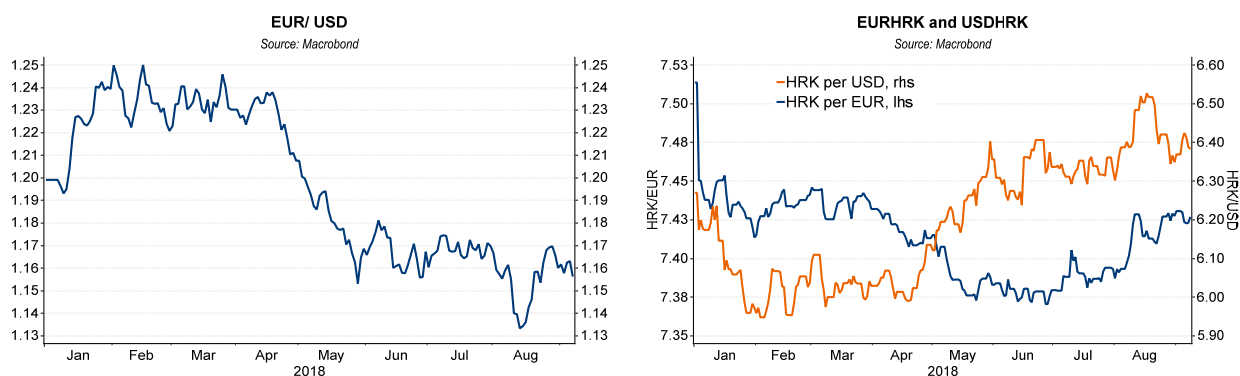
- The real retail trade turnover in July (wda) rose by 2.2% yoy (+1.8% in June), thus showing a continuation in the positive growth trend yoy for the 47th consecutive month, where the growth in the retail trade of non-food products (except for automotive fuels trade) amounted to +2.4%, while the growth in the retail trade of predominantly food products stagnated (+0.1%). The real retail trade turnover mom (seasonally and working-day adjusted) increased moderately by 0.2% (-4.1% in June), where the turnover in the Retail trade of food, beverages and tobacco declined by 1.4%, while the Retail trade of non-food products stagnated. Overall, the real turnover in the first seven months of this year increased by 3.6%, versus the same period last year, mainly due to higher consumer optimism which is a result of a growth in net earnings (of 3.2% in real terms over the first six months) and employment (+2.4% from January to July), and a larger number of tourists (increase of 12.2% in arrivals over the first six months). The turnover in the retail trade of non-food products thereby rose by 6.3% in real terms, which was partly affected by a double-digit increase in sales of new vehicles in the first part of the year, while the turnover in the Retail trade of food, beverages and tobacco rose more moderately by +1.4%.
- After a 3.1% growth in June, the industrial production declined by 0.9% in July yoy (wda), mostly due to a 1% decrease registered in Manufacturing. In July, the industrial production recorded a relatively high decrease of 4.9% versus the previous month (seasonally and working-day adjusted), which was also mostly affected by a negative (-5.1%) performance of Manufacturing, specifically, a decline in the activities of the two largest components (Manufacture of food products by -5.2% and Manufacture of fabricated metal products, except machinery and equipment by -22.3%). Over the first seven months of 2018, the industrial production modestly rose by +0.2% yoy (+2.5% over the same period last year), where the increase in the category Electricity, gas, steam and air conditioning supply was +3.1%, and in Manufacturing +0.3% (of which Manufacture of food +2.7%). The production in Mining and quarrying was simultaneously reduced by 8.3% yoy.



Dollar recovers, kuna calm

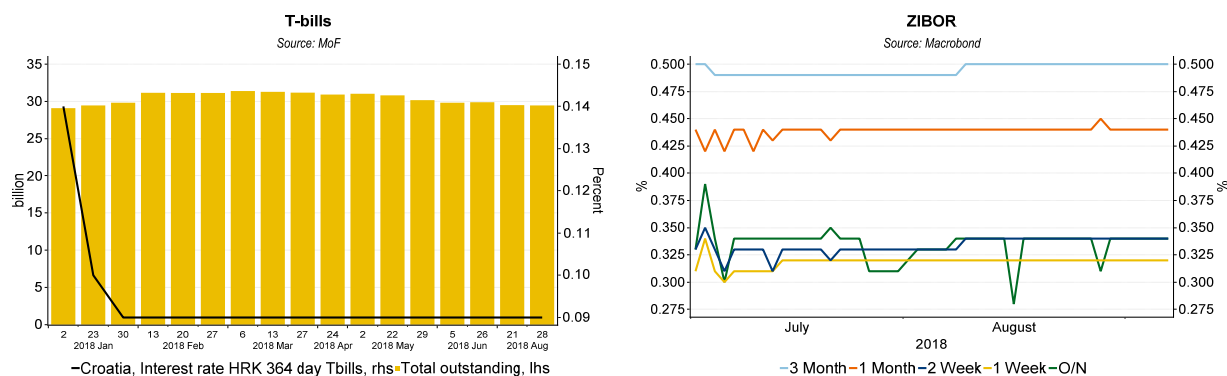
Last week, the dollar slightly continued its recovery against the euro, however the exchange rate trends remain mainly under the impact of the current happenings around customs tariffs. At the end of the week, after the release of more favourable data from the US labour market, the dollar strengthened, closing at 1.16 dollar to the euro on Friday, down by 0.3% wow.

The EURHRK exchange rate continued to record only minor fluctuations, amounting to 7.4269 kuna to the euro at the end of the week, which is almost unchanged wow. The kuna against the dollar weakened and the exchange rate advanced by 0.2% wow, to 6.3827 kuna to the dollar.



Reduced liquidity

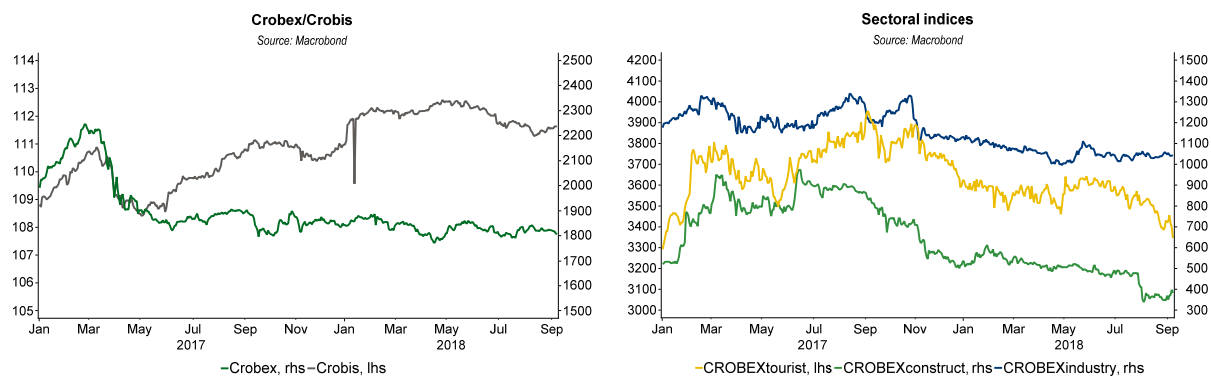
Excess liquidity decreased to 18 billion kuna, however, amid low demand, interest rates remained calm (overnight Zibor 0.34%, 1M 0.44%, 3M 0.50%). There was no turnover at the regular reverse repo auction of CNB nor on ZMM. There was no T-bill maturity or auction last week and neither of them is planned for this week.



Crobex in negative territory

The total ZSE turnover amounted to 111.1 million kuna last week, which is a decrease of 67.2% wow, due to a drop in the turnover in bonds of 74.2% (to 83.0 million kuna), while the turnover in shares increased simultaneously by 64.6% (to 28.1 million kuna). Last Friday, the Crobex Index closed down by 0.9% wow (at 1,806.53 points), while Crobis closed at 111.63 points, which is a wow increase of 0.1%. As regards sector indices, CROBEXconstruct (383.32 points) rose by 3.4%, whereas CROBEXindustry (1,044.32 points) and CROBEXtourist (3,346.66 points) declined by 0.3% and 2.2%, respectively, wow. The Index Committee made a regular revision of the Crobex Index at its meeting of 5 September 2018, where a decision was made that the shares of the companies Uljanik Plovidba d.d.

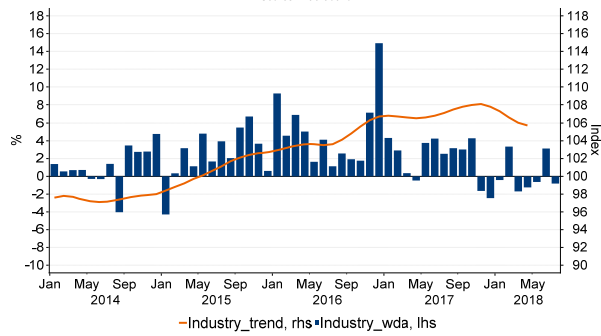
(ULPL), Institut IGH d.d. (IGH), Jadroplov d.d. (JDPL) and Luka Rijeka d.d. (LKRI) are to be excluded from the Crobex Index, while the shares of the company Jadran d.d. (JDRN) are to be included in the indicated index. The change in the composition of the Crobex index will be made after the close of trading on 21 September 2018.



Statistics

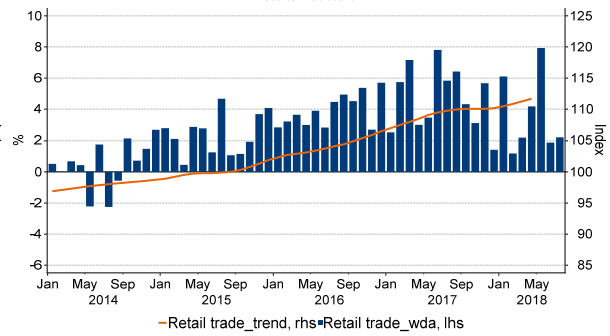
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



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

Source: Macrobond



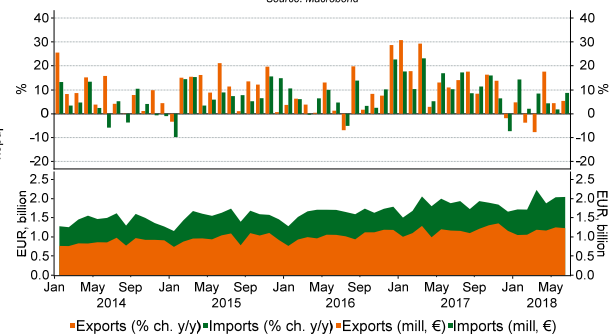
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



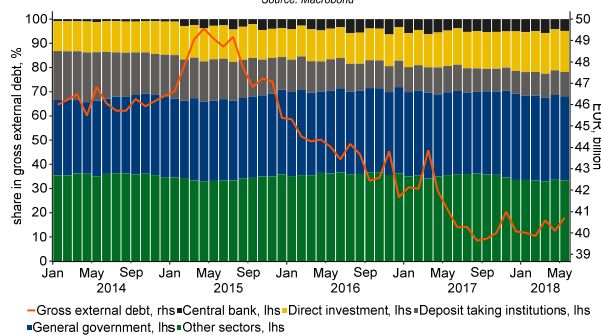
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



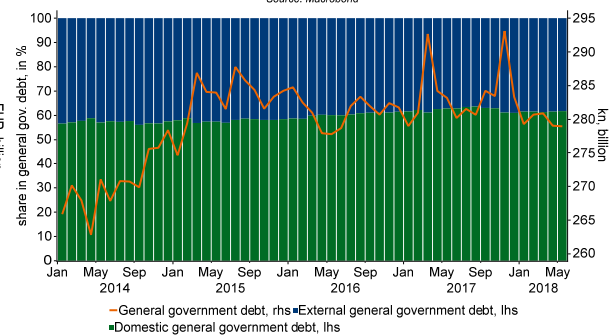
Gross external debt

Source: Macrobond



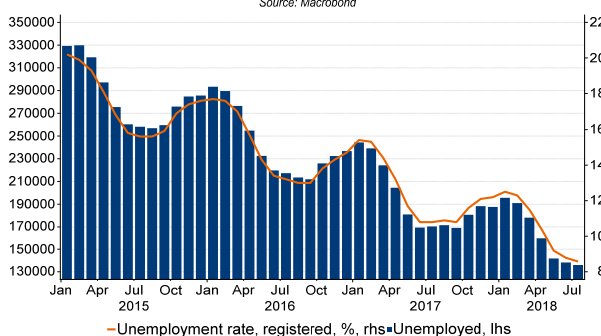
General government debt

Source: Macrobond



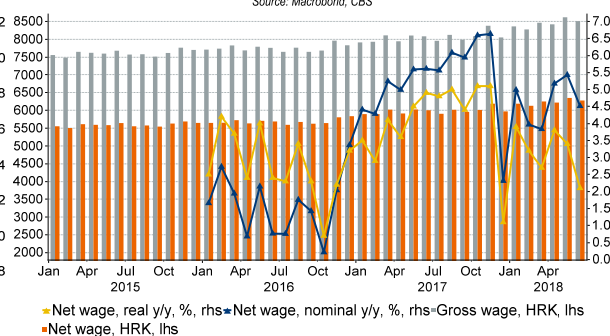
Total number of unemployed and unemployment rate

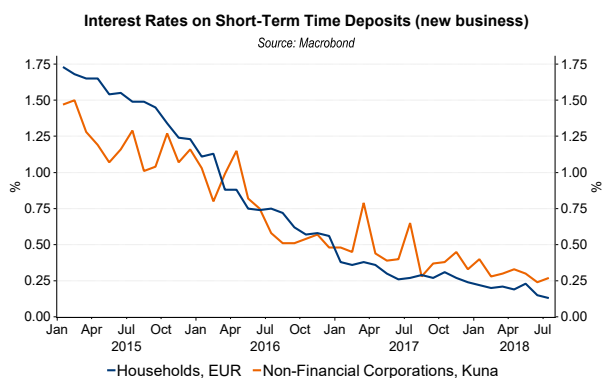
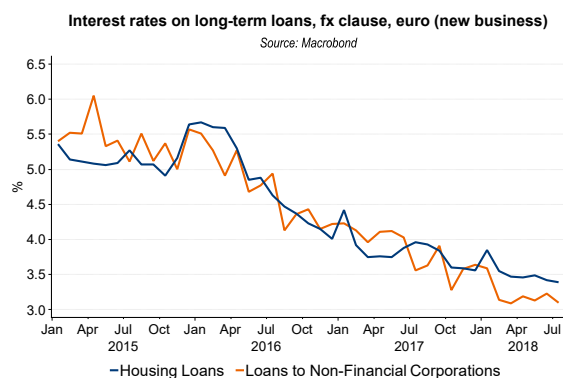
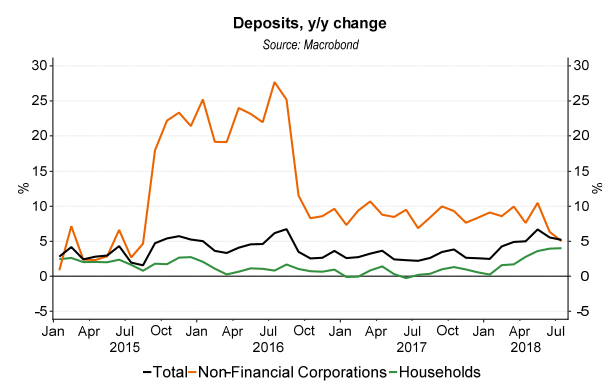
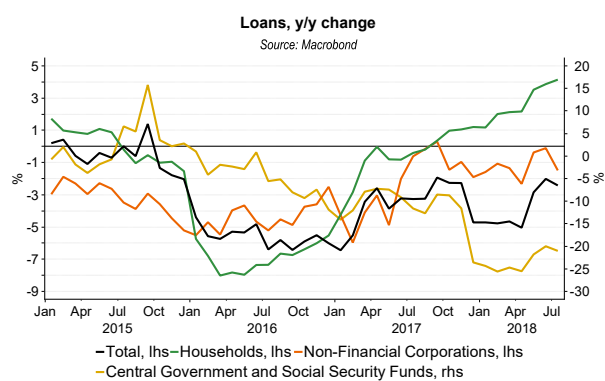
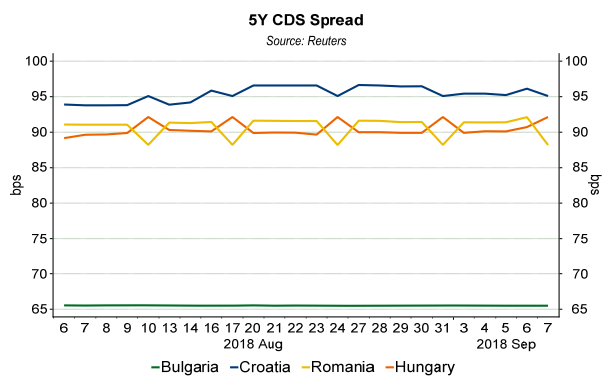
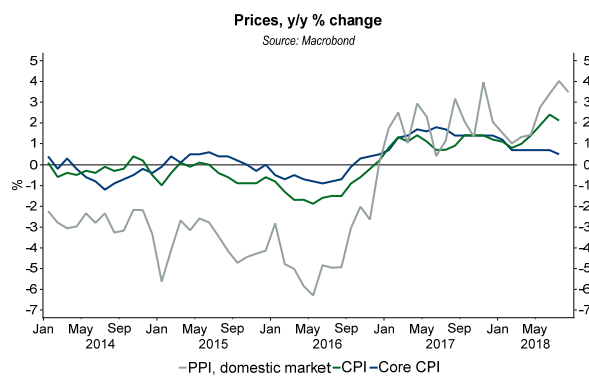
Source: Macrobond



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.