

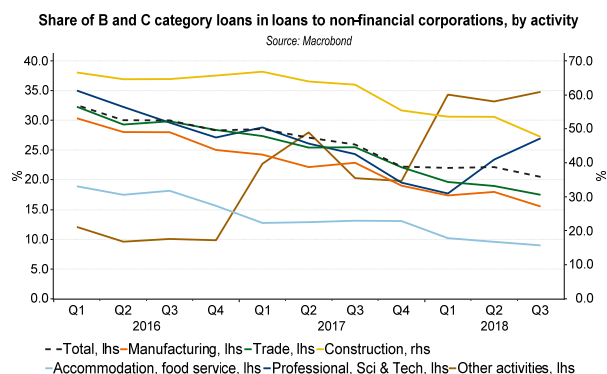
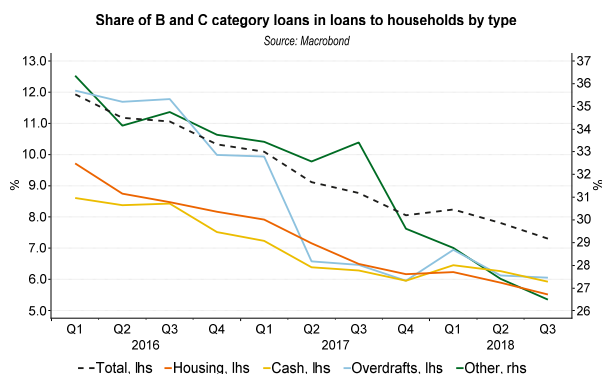
PBZ Weekly Analysis

Number 630, December 10, 2018

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Weekly overview

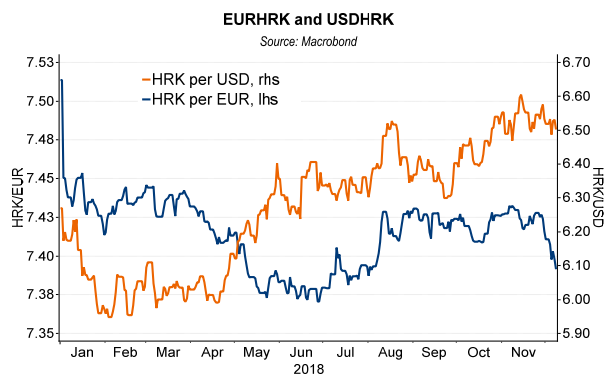
The third quarter this year saw an intensified sale (gross 2.3 billion kuna of claims, of which 1.8 billion kuna of claims on non-financial corporations, 0.4 billion kuna on households) and a growth of loans to the private sector, which resulted in a further improvement in the loan portfolio quality. The share of B and C loans in total loans thus decreased by 0.9 p.p. qoq to 10.3%. The indicated share in the portfolio of household loans decreased by 0.5 p.p. to 7.3%, where the largest contribution came from a 0.9 p.p. decline in the share in other loans (to 26.5%) and a 0.4 p.p. decline in the share in housing loans (to 5.5%), whereas the share in cash loans and overdrafts declined by 0.3 and 0.1 p.p. to 5.9 and 6.1%, respectively. In the corporate portfolio, the share fell strongly by 1.6 p.p. to 22.3%, mainly due to a decrease in Construction (-5.9 p.p. to 47.6%), Manufacturing (-2.5 p.p. to 15.5%) and Trade (-1.5 p.p. to 17.5%), moreover, professional, scientific and technical activities as well as other activities recorded a negative trend (+3.6 p.p. to 27.0% and +1.6 p.p. to 34.8%). In the fourth quarter but also next year, we anticipate a continuation of positive trends supported by economic and credit growth and the portfolio clean-up activities. Therefore, we estimate a decrease in the share of B and C loans to 9%.



Dollar weaker, CNB intervenes

In anticipation of December meetings of ECB and the Fed, the dollar weakened against the euro and trading closed at 1.14 on Friday, up by 0.9% wow.

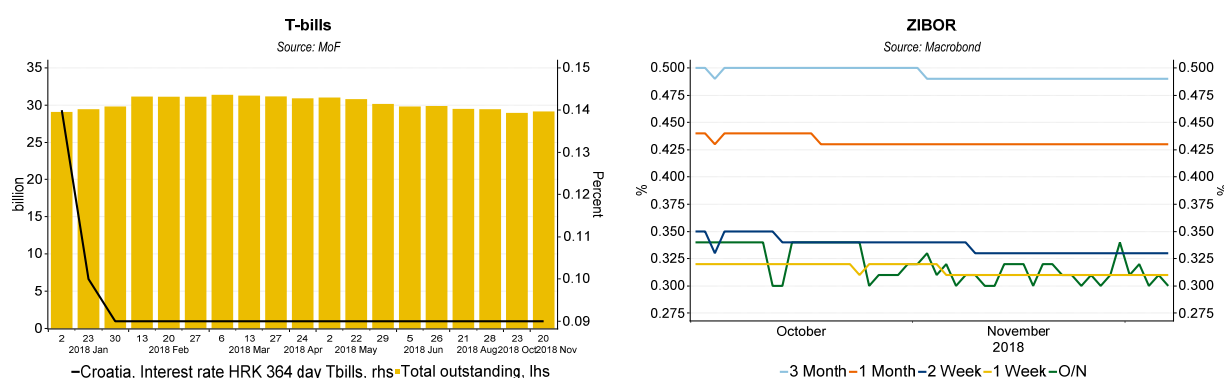
Last week, appreciation pressures on the kuna strengthened, so the central bank intervened when the exchange rate decreased to 7.38 by purchasing even 494.7 million euro from banks at the average exchange rate of 7.4059 kuna to the euro. Afterwards, the kuna stabilised around 7.40 and the mid-exchange rate was 7.3915 kuna to the euro on Friday, down by 0.3% versus the week before. The kuna appreciated by 0.3% against the dollar as well, to 6.5020 kuna to the dollar.



Structural operation announced

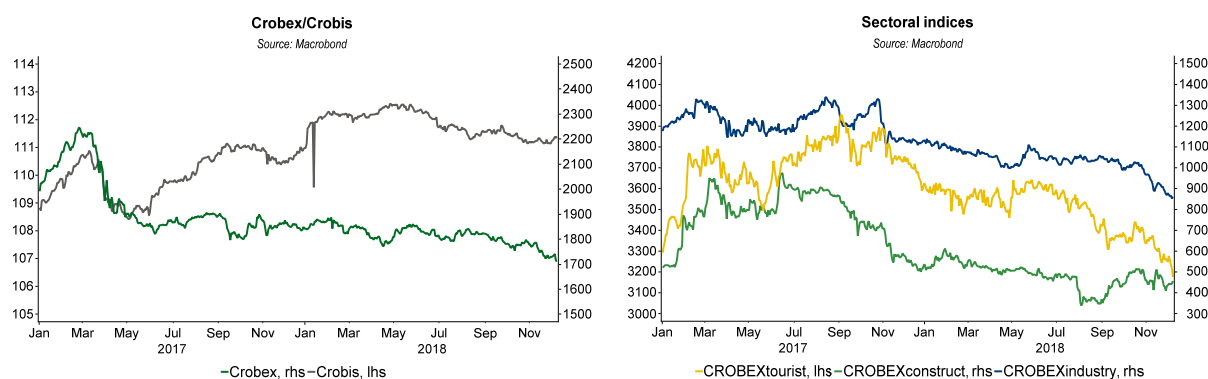
Excess liquidity decreased by the middle of last week, which is usual for the beginning of a month, however, on Thursday it surged to 25 billion kuna after the FX auction due to which CNB created 3.7 billion kuna. The overnight Zibor decreased by 4 b.p. wow to 0.30%, whereas 1M and 3M stagnated at 0.43 and 0.49%, respectively. No interest was shown at the regular reverse repo auction of CNB, while ZMM saw a turnover of 369 million kuna. CNB has announced a structural operation to be held this week, at the fixed interest rate of 1.2% and 5-year maturity.

At the T-bill auction, a total of 1.9 billion kuna in one-year kuna and 3.3 million euro in one-year euro T-bills were subscribed at the unchanged interest rate of 0.09 and 0.00%, respectively, due to which the government debt under T-bills rose to 30.1 billion kuna. There will be no maturity by the end of the year.



Turnover up, Crobex in negative territory

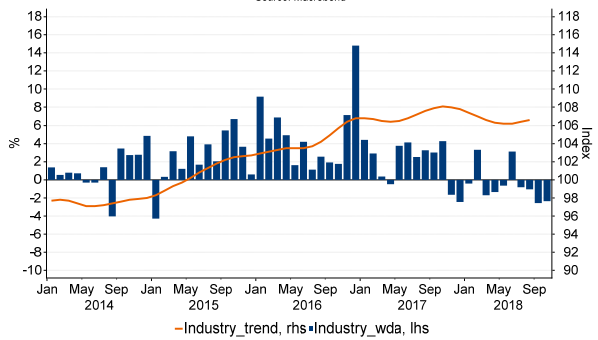
The Crobex Index closed on Friday at 1,714.89 points, down by 0.8% wow, whereas Crobis simultaneously rose by 0.1% (to 111.40 points). As regards sector indices, CROBEXconstruct closed last week at 457.04 points, up by 4.6% wow, while CROBEXindustry and CROBEXtourist closed down by 2.0% and 2.2% wow, respectively (to 861.28 and 3,176.88 points). Last week, the total ZSE turnover amounted to 538.7 million kuna, up by 2.7 times versus the previous week, owing to a 3.2 times higher turnover in bonds (reaching 488.9 million kuna) and an 8.8% higher turnover in shares (49.8 million kuna).



Statistics

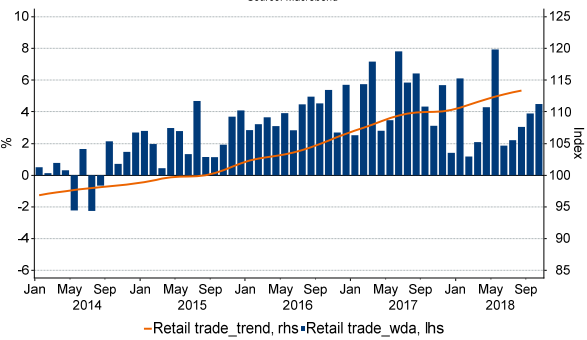
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



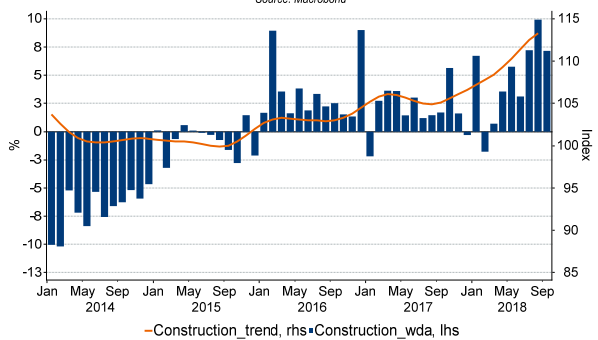
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



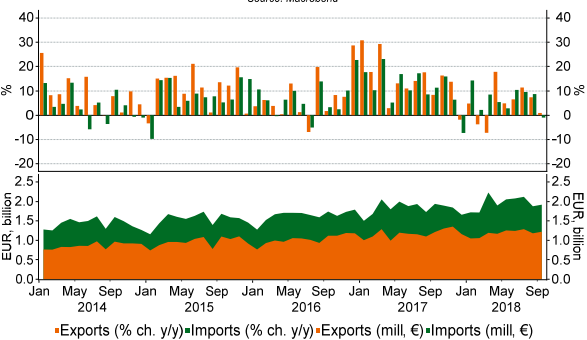
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



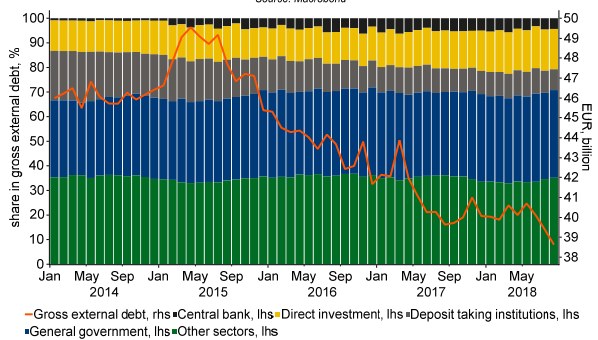
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



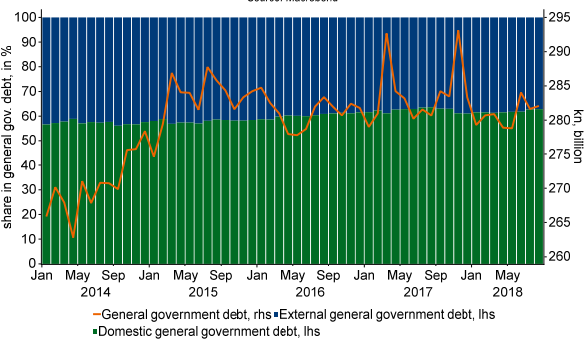
Gross external debt

Source: Macrobond



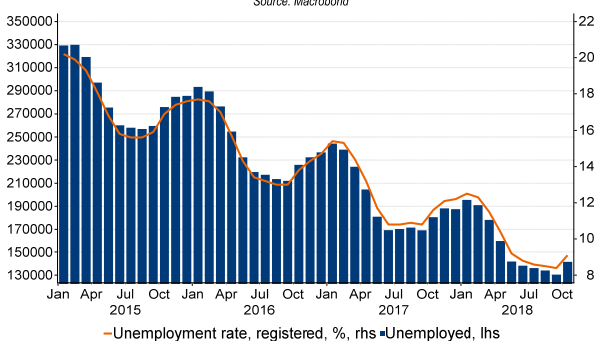
General government debt

Source: Macrobond



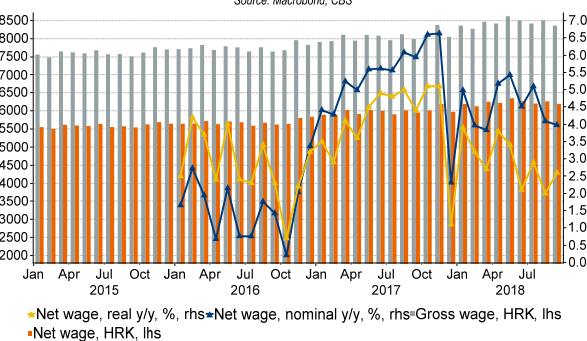
Total number of unemployed and unemployment rate

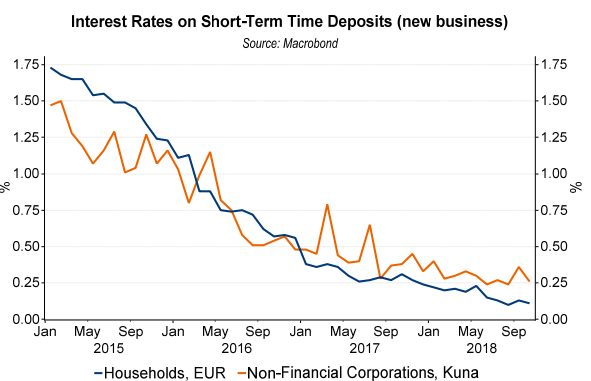
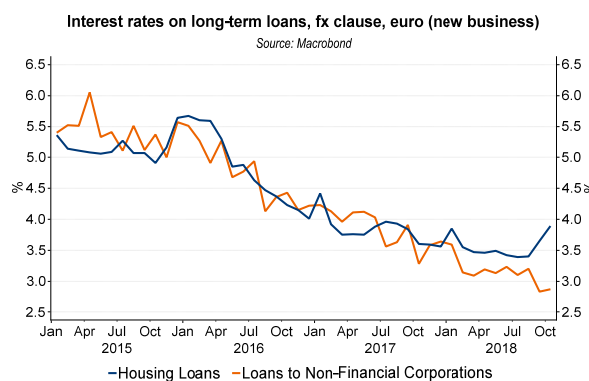
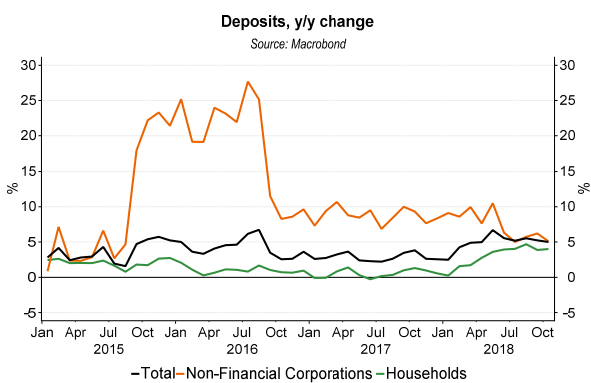
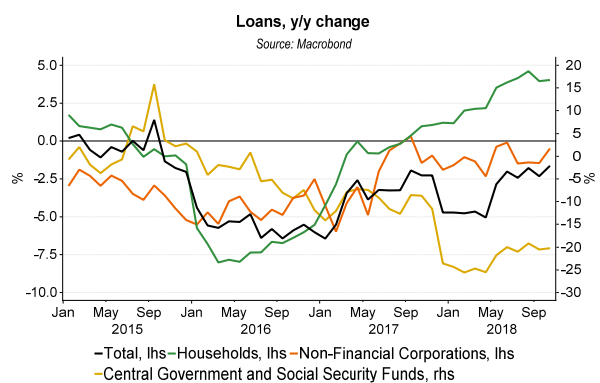
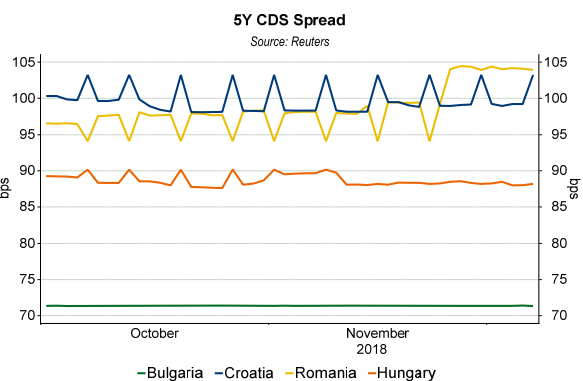
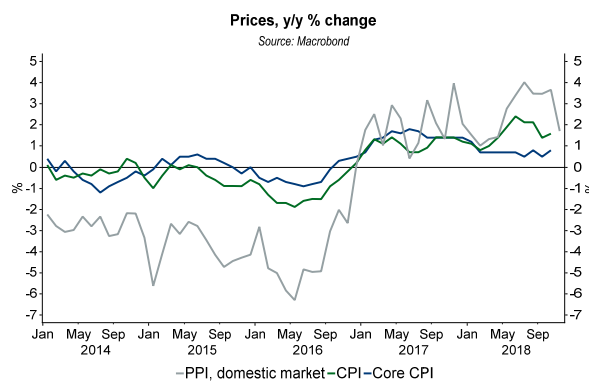
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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