

PBZ Weekly Analysis

Number 654, June 17, 2019

- Weekly overview (p. 1)
- Dollar recovers, kuna unchanged (p. 1)
- Money market lethargic (p. 2)
- Crobex maintains positive trend (p. 2)
- Statistics (pp. 3-4)

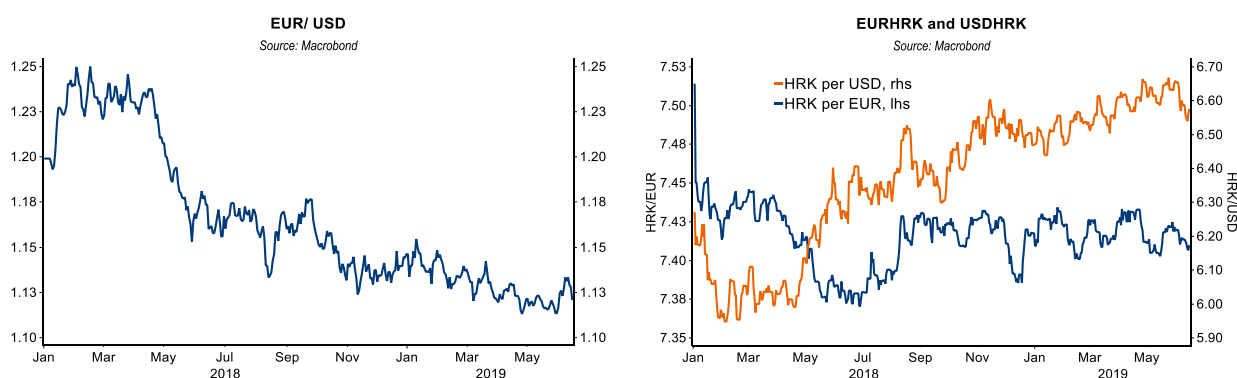
Weekly overview

The operating income of credit institutions for the first quarter this year increased by 4.6% versus the same period last year. Net interest income, the most substantial part of the income structure, rose by 1.9% due to further decline in interest expenses on deposits (by approximately 30 per cent), in line with ample liquidity and historically low reference interest rates. Total interest income sank by 9.9%, while statistics does not reveal precise data on trends in income from loans, however, as interest rates on newly granted facilities have recorded a continuous decrease, income has most likely moved in the same direction. Net income from fees substantially advanced by 12.3%, while other income rose by 6.6%. Operating expenses in the same period were reduced by 1.1%, where administrative expenditure fell by 4.7%, of which staff costs by 0.7 and other costs by 10.4%. The mentioned developments resulted in a significant growth of net operating profit of 11.4% and a decline in cost to income ratio of 2.9 p.p. to 51.6%. However, compared with the first quarter of 2018, net profit was down by 2.8%, amounting to 1.4 billion kuna, owing to a leap in value of impairments of 202.1% (from 119 to 360 million kuna), due to which the share of expenses on impairment in net operating profit rose from 6.6 to 18.0%. Return on assets of credit institutions (before taxes) remained almost unchanged versus the first quarter of 2018 (1.4%), while return on equity (before taxes) increased by 0.8 p.p., reaching 8.4%.

Dollar recovers, kuna unchanged

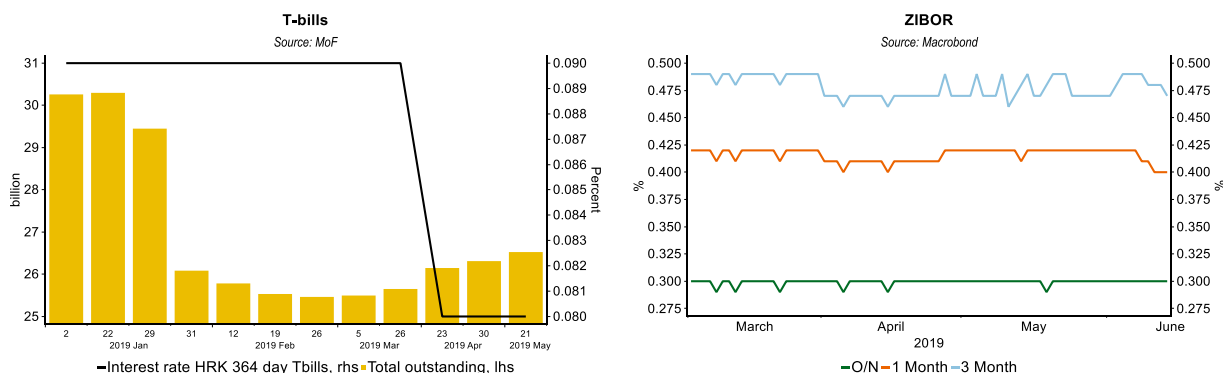
Ahead of this week's meeting of the Fed, the dollar partly recovered its losses last week, closing Friday on 1.12 dollar to the euro, down by 1.1% now.

The EUR/HRK exchange rate was stable, closing the week at 7.4099 kuna to the euro. The kuna mildly strengthened against the dollar by 0.2% to 6.5761 kuna to the dollar.



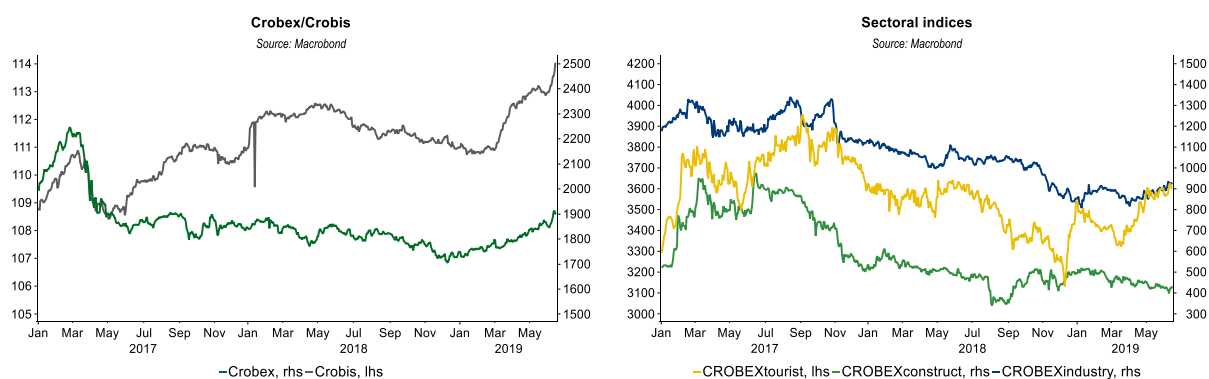
Money market lethargic

Excess liquidity remained at 30 billion kuna and interbank interest rates stayed the same (overnight Zibor at 0.30%) or moderately decreased (1M and 3M Zibor -2 b.p. wow to 0.40 and 0.47%). There were no facilities recorded at the CNB's repo auction, while the ZMM turnover barely reached 15 million kuna.



Crobex maintains positive trend

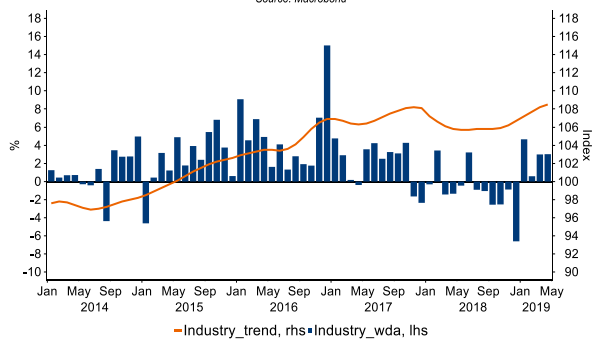
Last week the total ZSE turnover reached 148.9 million kuna, down by 32.3% versus the week before, due to a 33.6% lower turnover in bonds (112.0 million kuna) and a 28.1% lower turnover in shares (37.0 million kuna). The Crobex Index closed on Friday at 1,899.83 points, which is a wow growth of 1.3%, while Crobis simultaneously rose by 0.6% to 114.02 points. CROBEXconstruct and CROBEXtourist advanced by 4.5 and 0.5%, respectively, wow (to 432.98 and 3,599.79 points), while CROBEXindustry dropped by 0.6% to 929.57 points.



Statistics

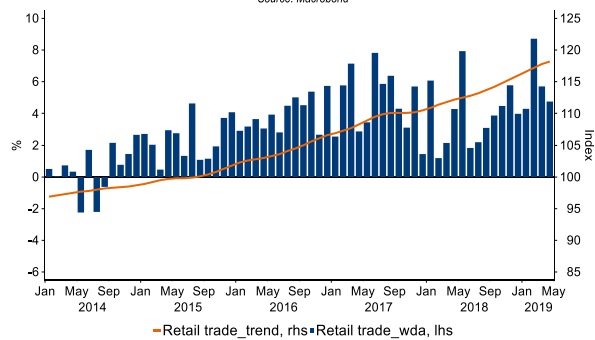
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



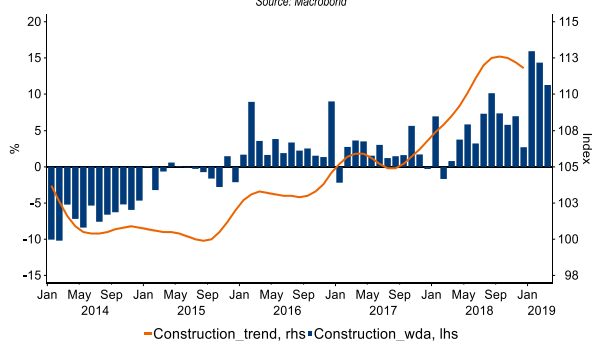
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



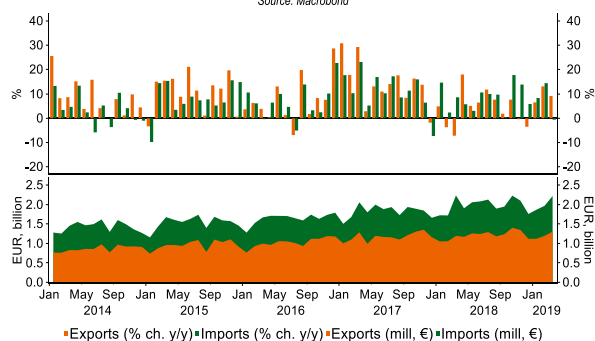
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



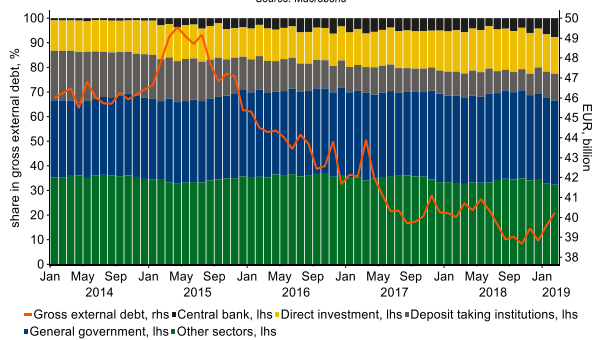
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



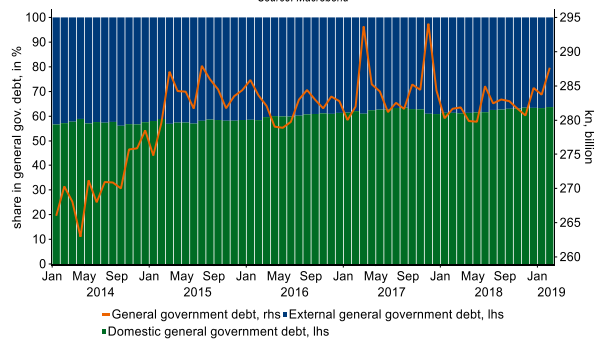
Gross external debt

Source: Macrobond



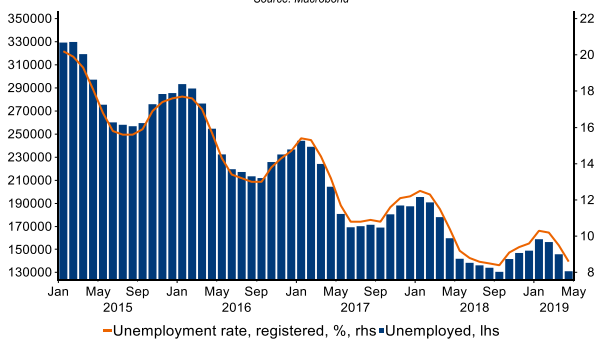
General government debt

Source: Macrobond



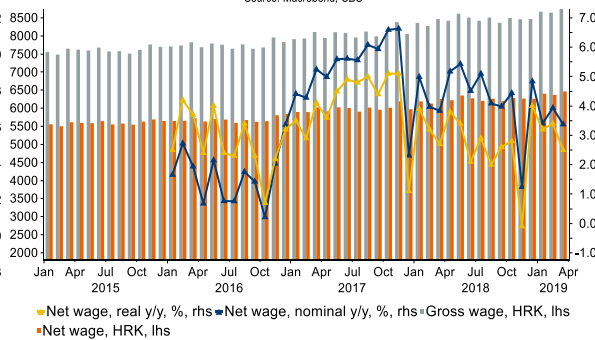
Total number of unemployed and unemployment rate

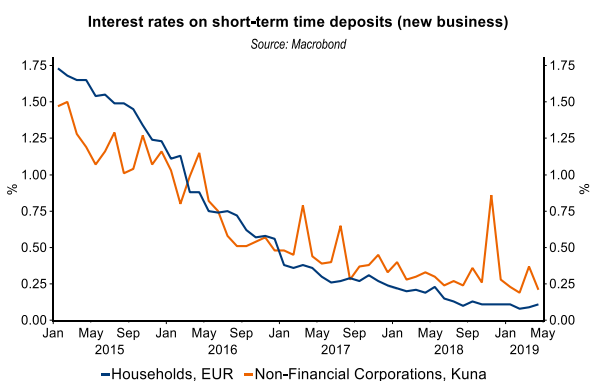
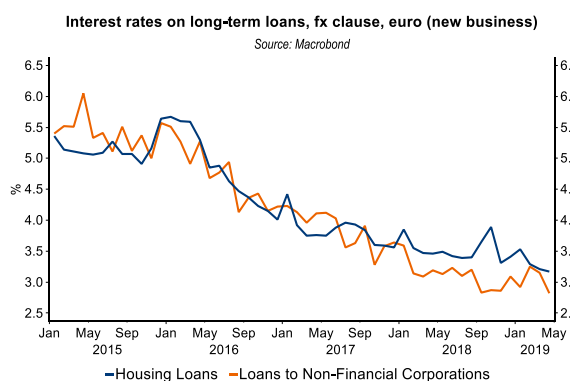
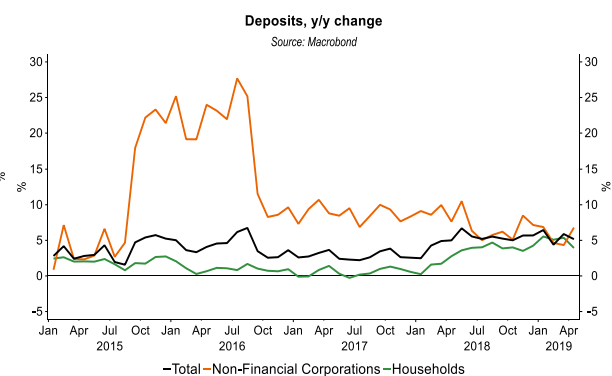
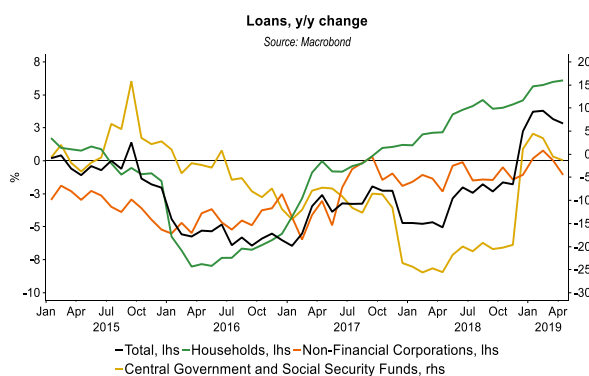
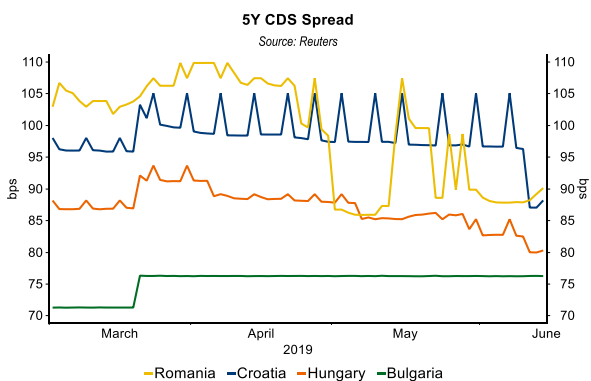
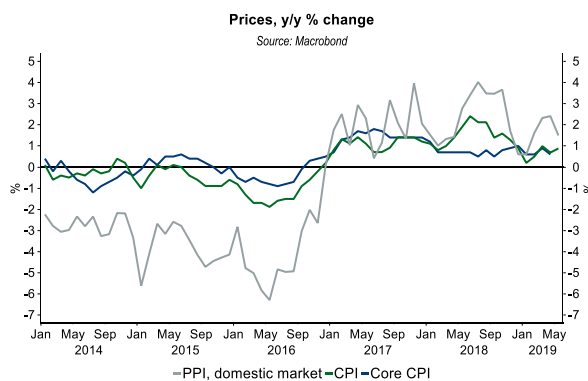
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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