

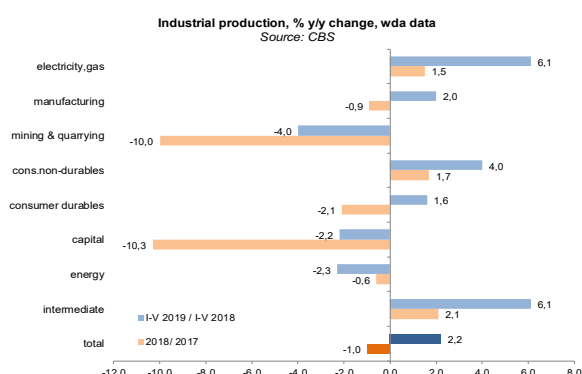
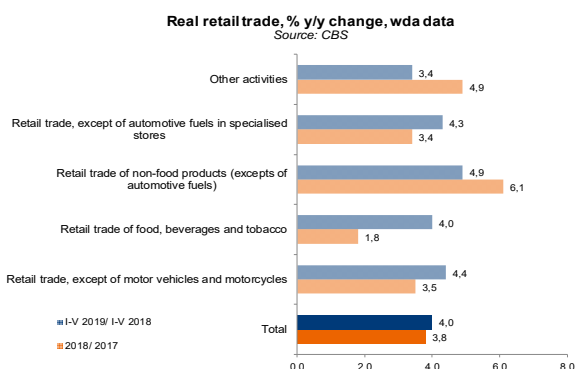
PBZ Weekly Analysis

Number 655, July 1, 2019

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Weekly overview

- The real retail trade turnover in May declined by 2.0% yoy (-1.2% in nominal terms) after 56 consecutive months of growth, where these developments were partly affected by a relatively high base recorded in the same month last year (+7.9%, when higher consumption was largely related to the approaching FIFA World Cup), but also by a slightly worse results in tourism (assessment), given the unfavourable weather conditions and a relatively high base in May 2018 (30.7% more arrivals, 39.9% more nights). The breakdown by the main activity of business entities shows that the yoy real retail trade turnover decreased in May in all the categories, where the turnover in the trade in food, beverages and tobacco decreased by 0.5%, while in non-food products by 1.3%. On the other hand, the real retail trade turnover over the first five months of this year rose by 4.0% yoy, reflecting a rather favourable situation in the labour market, increase in wages, more tourist arrivals/night and financing of households.
- The total industrial production volume in May slowed to +0.2% yoy (from +3.0% in April), mostly owing to a decrease in the Manufacturing activities (-2.3%, versus the growth of 1.6% in April). The production in Mining and quarrying simultaneously decreased by 7.5%, whereas the largest impact on the total growth was recorded by increased production in the category Electricity, gas, steam and air conditioning supply (+20.4%). By observing the period from January to May 2018, industrial production advanced by 2.2% yoy, where such developments are mostly a result of the growth of Manufacturing (+2.0%, of which its largest component, the manufacture of food, rose by 6.0%) and a smaller part of increased activities in Electricity, gas, steam and air conditioning supply (+6.1%). On the other hand, a negative contribution to the total IP increase in 2019 came from a 4.0% drop in production in Mining and quarrying.

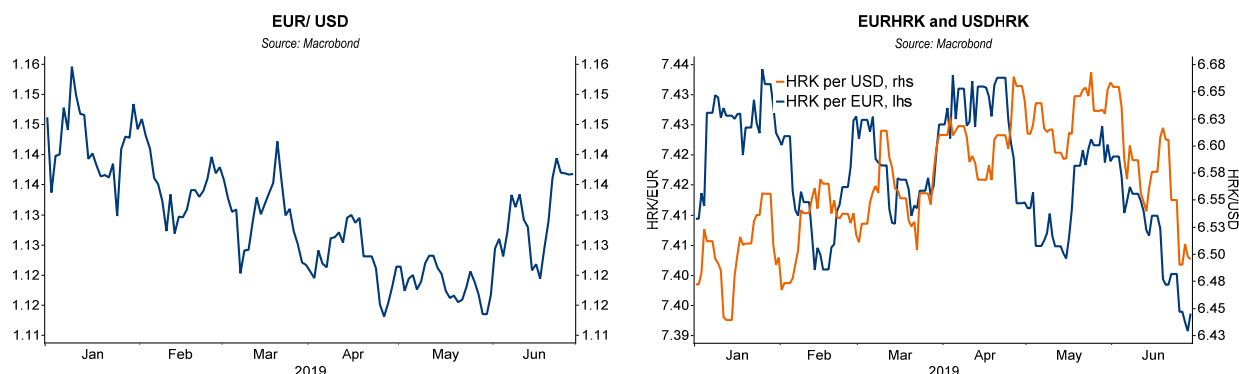


Dollar stable, kuna below 7.4

Last week saw low volatility of the EURUSD pair and trading on Friday closed near 1.14 dollar to the euro, up by 0.1% wow.

Due to increased tourist inflows, the EURHRK exchange rate decreased last week, ending the week at 7.3936 kuna to the euro, down by 0.1% wow. The kuna against the dollar strengthened by 0.8% to

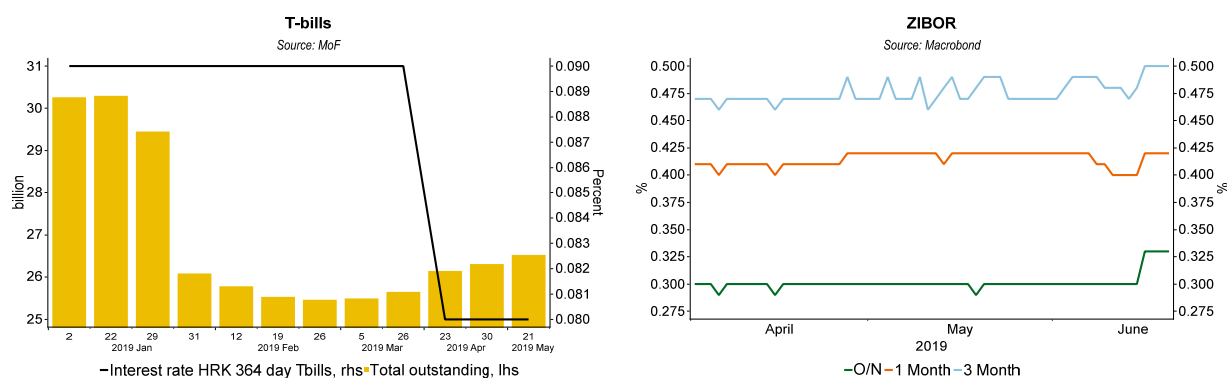
6.4953 kuna to the dollar. This week, we anticipate the same trend to continue and trading in the range 7.38-7.41 kuna to the euro.



Excess liquidity rises

Excess liquidity rose above 30 billion kuna, while interbank interest rates remained unchanged (overnight Zibor at 0.33%, 1M at 0.42%), or mildly decreased (3M Zibor -2 b.p. wow to 0.48%). There was no activity at the repo auction of CNB or on ZMM.

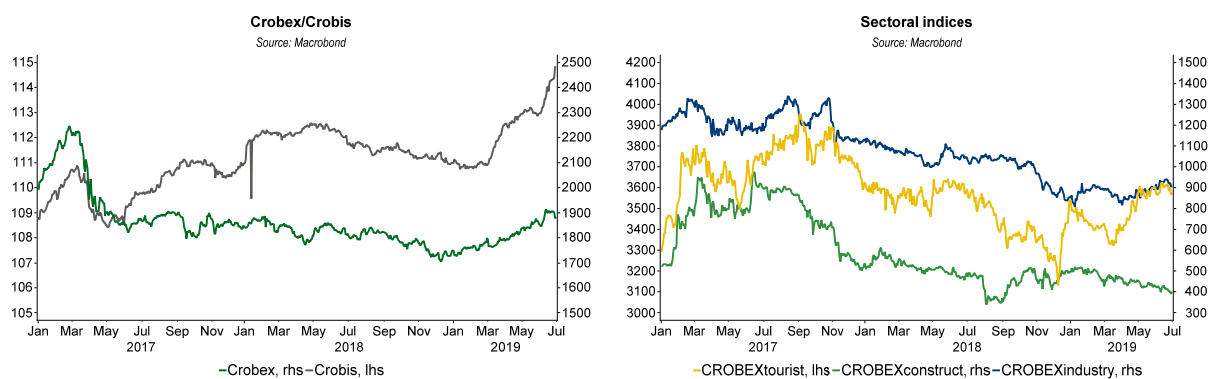
At the last week's T-bill auction, 965 million kuna in one-year T-bills were subscribed at the unchanged interest rate of 0.08%, due to which the government debt under T-bills increased to 26.5 billion kuna. The next T-bill maturity falls at the end of August.



Crobex down wow

The Crobex Index closed on Friday at 1,883.11 points, i.e. dropped by 1.2% wow, while Crobis simultaneously rose by 0.5%, to 114.84 points. Sectors indices ended in negative territory, where CROBEXconstruct dropped by 2.7% wow (to 402.15 points), CROBEXindustry by 2.5% (to 911.07 points) and CROBEXtourist by 1.1% (to 3,577.18 points). The total ZSE turnover during the last week's four trading days reached 95.2 million kuna, which is down by 59.8% versus the week before, due to a

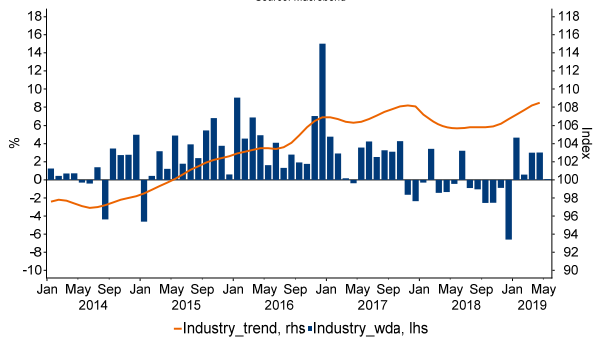
74.3% lower turnover in bonds (reaching 54.0 million kuna), while the turnover in shares rose by 53.3% (41.2 million kuna).



Statistics

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

Source: Macrobond



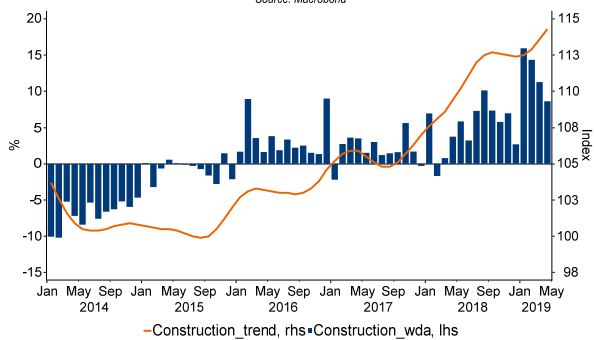
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



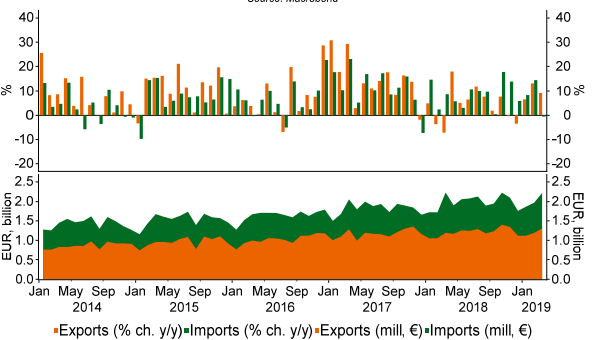
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



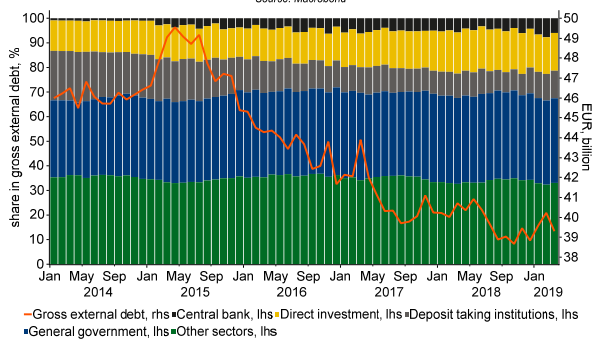
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



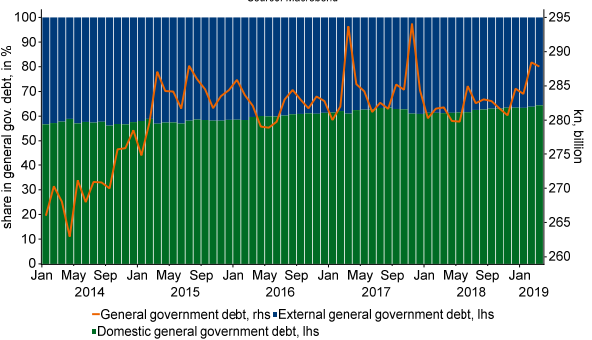
Gross external debt

Source: Macrobond



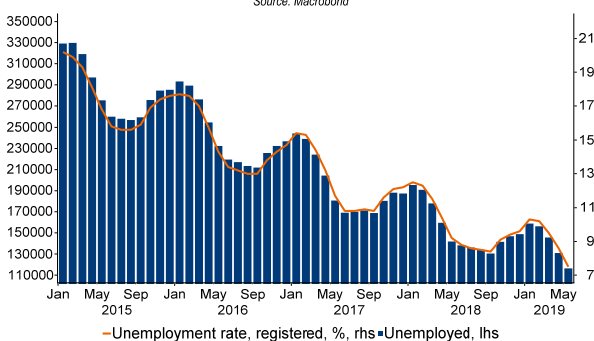
General government debt

Source: Macrobond



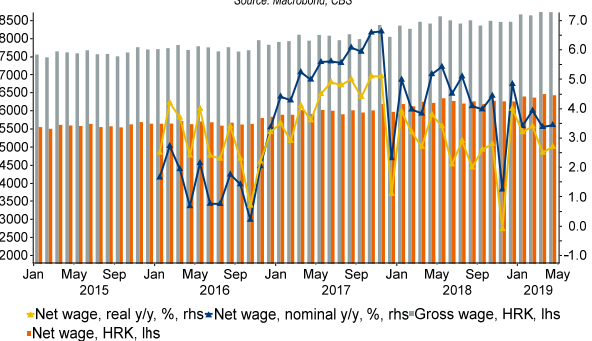
Total number of unemployed and unemployment rate

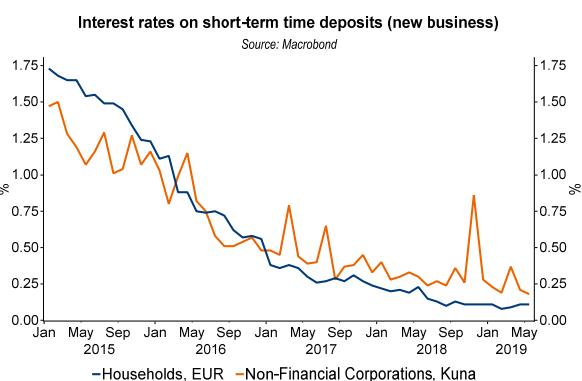
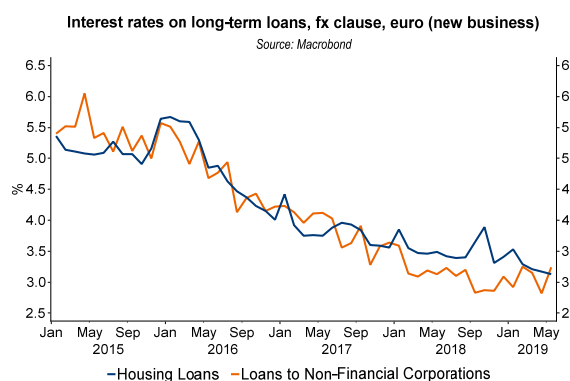
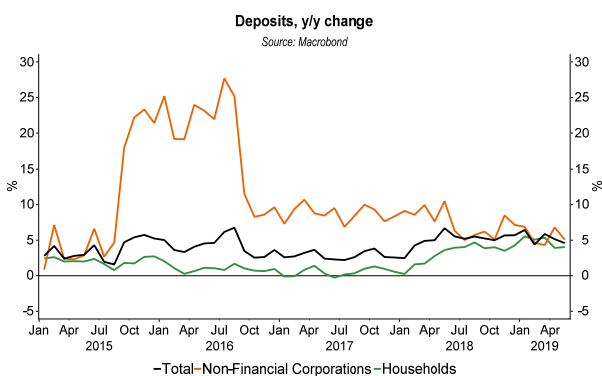
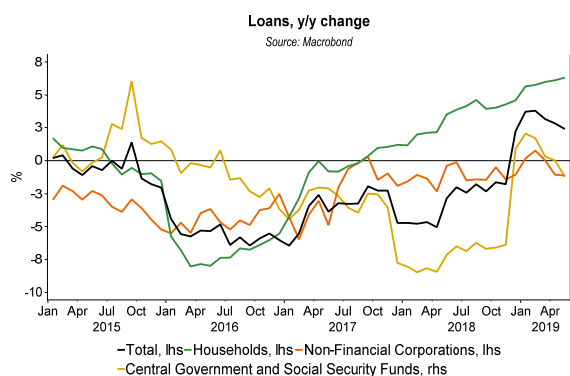
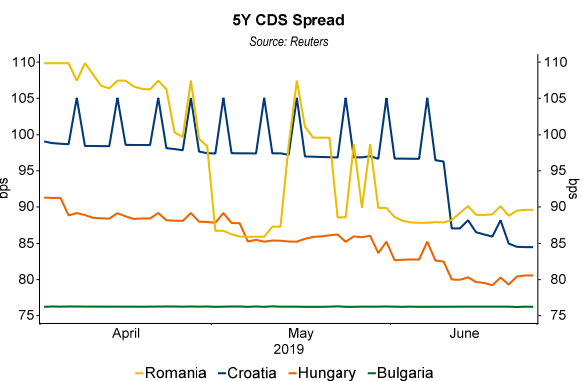
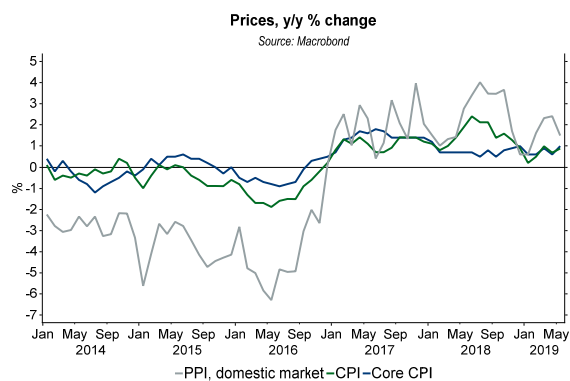
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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