

PBZ Weekly Analysis

Number 665, October 14, 2019

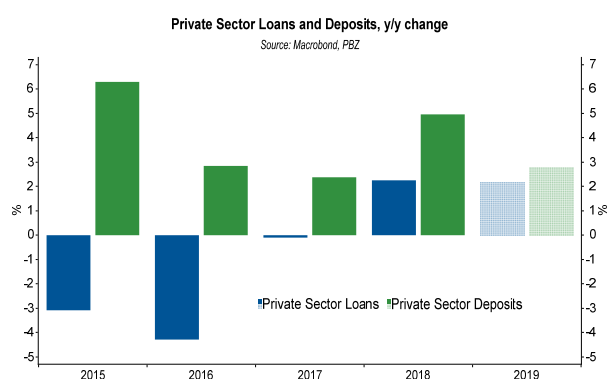
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Weekly overview

Loan growth remained weak in August (+1.7% yoy), under the impact of the substantial deleveraging of the central government (-8.4%) and modest growth of loans to the private sector (+2.6%). Loans to non-financial corporations maintained their negative trend (-2.8% yoy, of which: for working capital -11.7%, for investments +5.2%), as a result of the call of the guarantees issued for shipbuilding by the end of last year, the

implementation of the Agrokor Group settlement in June, the selling off bad loans and deleveraging of companies. For the moment, loans to households have not slowed down, despite stricter financing conditions, thus increasing in August by 6.3% yoy (housing loans +4.2%, cash loans +11.5%, other loans 3.9%). After a two-month decrease, transaction data shows a modest growth of loans to non-financial corporations of 0.2% mom in August again, due to which the yoy decline has eased to -1.9%. At the same time, the increase in loans to households mildly slowed, to 7.0% yoy, owing to a little less increase in cash loans, while the increase in housing loans remained at the level recorded the previous month. Deposits advanced in August by 5.5% yoy, where the growth of the private sector deposits reached 4.8%. The growth of household deposits continued to slow down (+3.7% yoy, i.e. +4.0% exchange rate adjusted), due to more moderate growth rates of sight deposits (+24.1%) and a strong fall in savings (kuna -3.7%, FX -0.9%). Deposits of non-financial corporations surged in August (+7.9% yoy), which occurs usually during the peak tourist season months.

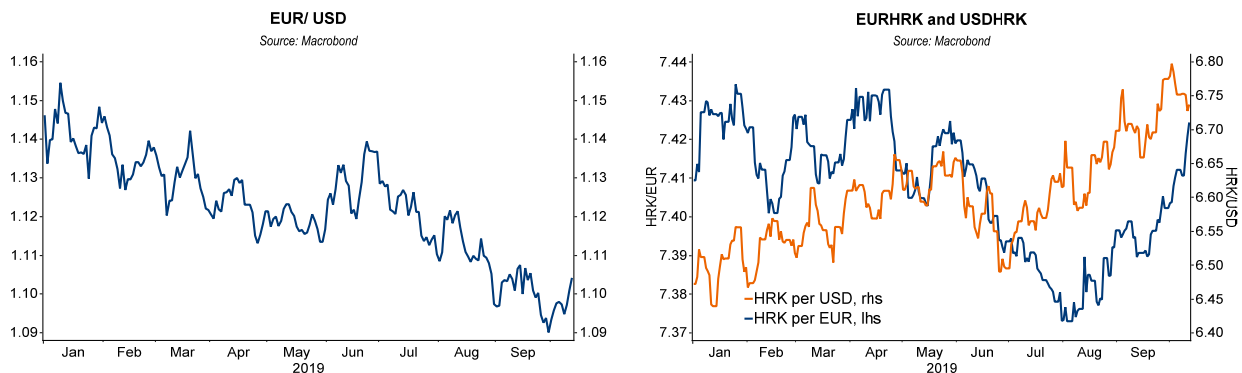
Our projections of the yoy private sector growth rates were slightly revised upwards for loans (+2.2%) and downwards for deposits (+2.8%), mainly due to monitoring the housing sector trends. However, the developments in the non-financial corporation sector have remained under the impact of one-off effects (selling off facilities etc.) and are therefore relatively difficult to predict.



Dollar and kuna weaken

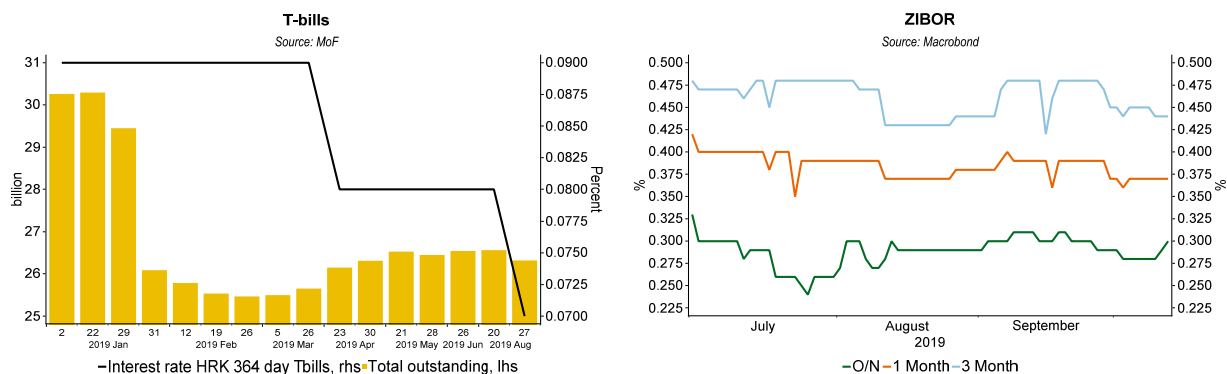
The dollar to euro exchange rate trends were mainly affected by the sentiment related to trade negotiations between USA and China, therefore trading on Friday closed above 1.10 dollar to the euro, up by 0.6% wow.

The exchange rate continued its mild growth, closing last week at 7.4244 kuna to the euro, up by 0.2% wow. The kuna simultaneously strengthened by 0.2% against the dollar, to 6.7372 kuna to the dollar.



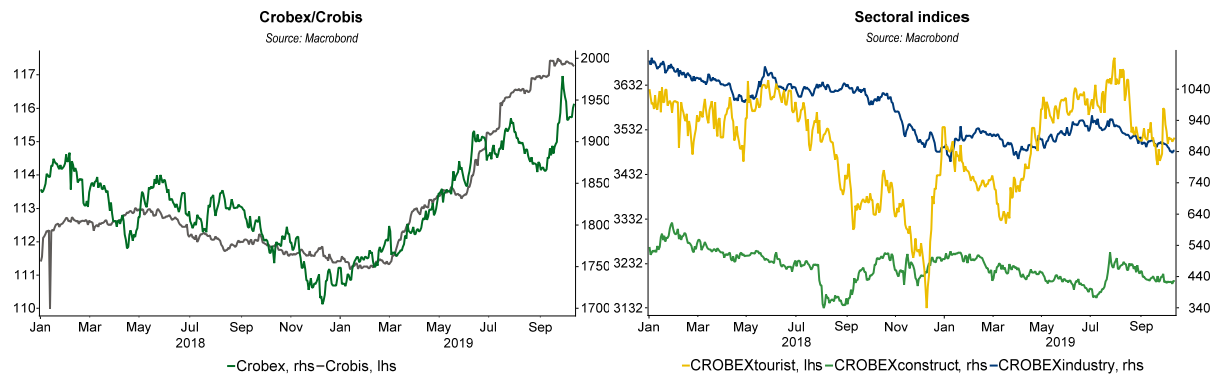
High liquidity

Last week, excess liquidity was back to 33 billion kuna, while interest rates recorded only minor changes. At the end of the week, the overnight Zibor reached 0.30% (+2 b.p. wow), 1M 0.37% (unchanged) and 3M 0.44% (-1 b.p.). As usual, no activity was recorded at the repo auction of CNB or on ZMM.



Crobex continues positive trend

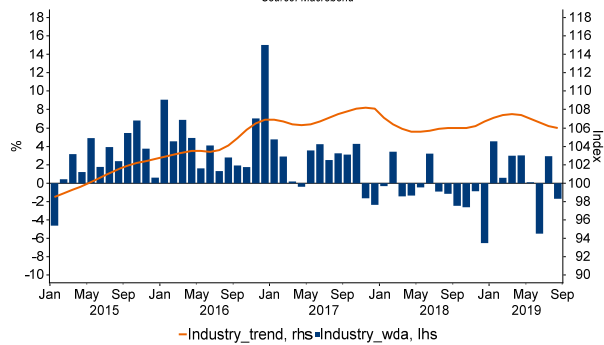
The total ZSE turnover over the last week's four trading days reached 290.1 million kuna, which is up by 53.1% wow, due to an 81.3% increase in the turnover in bonds (to 172.4 million kuna) and a 24.6% increase in the turnover in shares (to 117.7 million kuna). The Crobex Index closed last Friday at 1,945.55 points, up by 1.0% wow, while Crobis simultaneously dropped by 0.1% (to 116.83 points). As regards sector indices, CROBEXconstruct rose by 0.4% versus the week before (to 424.37 points), CROBEXtourist stagnated at 3,514.78 points, whereas CROBEXindustry declined by 0.8% (to 843.55 points).



Statistics

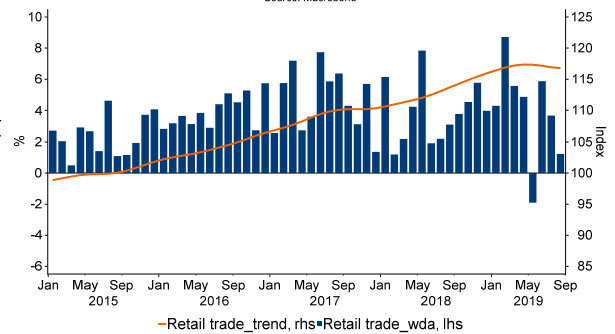
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



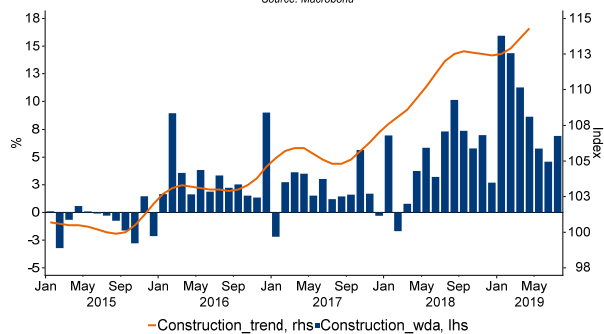
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



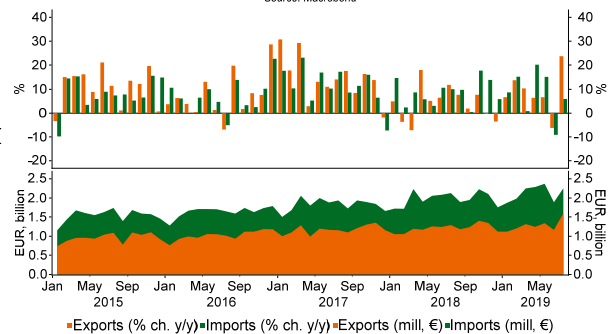
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



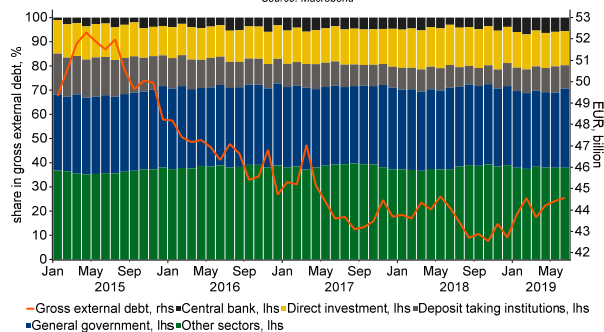
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



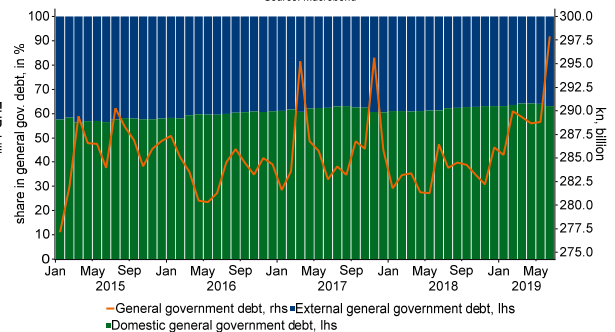
Gross external debt

Source: Macrobond



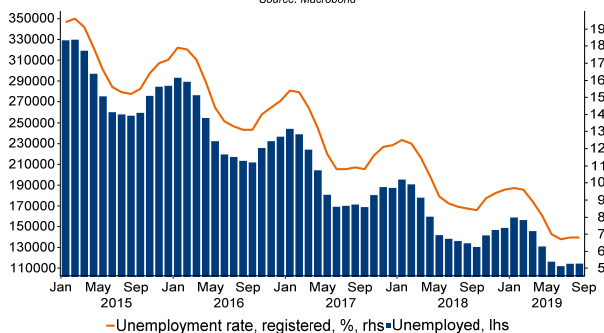
General government debt

Source: Macrobond



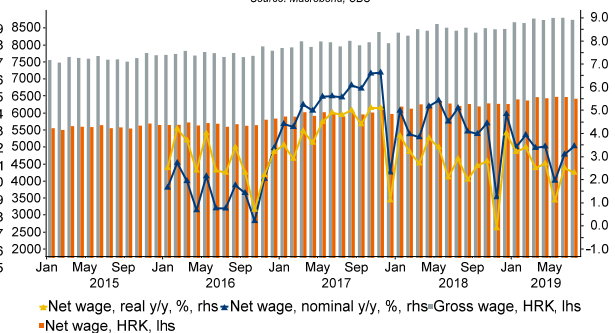
Total number of unemployed and unemployment rate

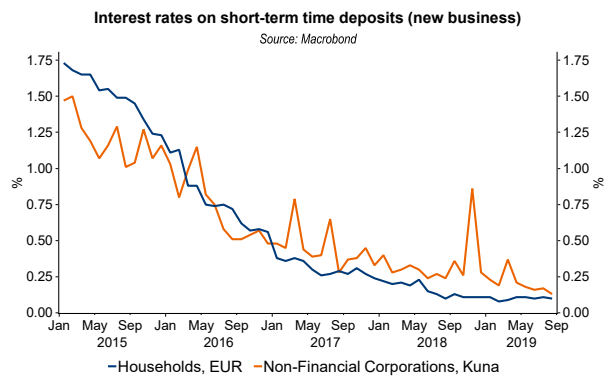
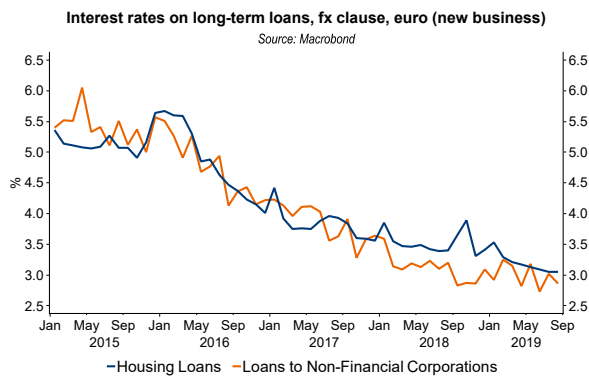
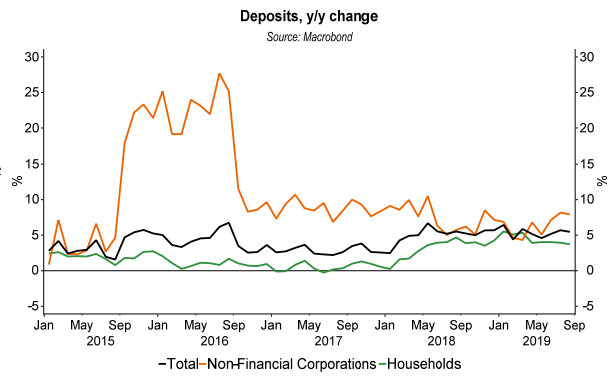
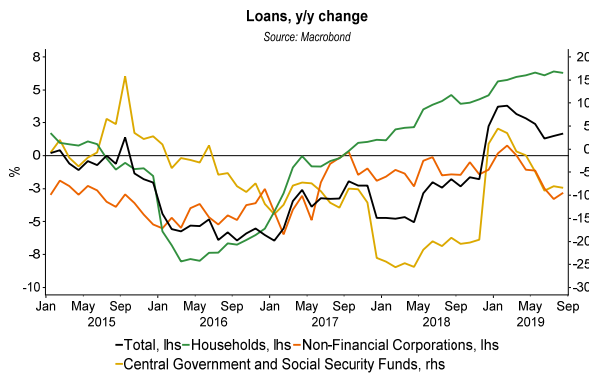
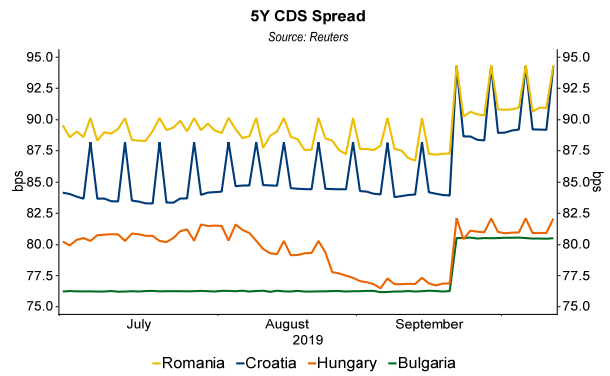
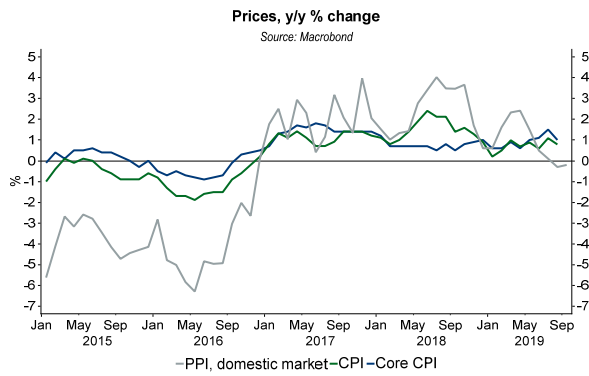
Source: Macrobond



Wages, monthly average and % ch. y/y

Source: Macrobond, CBS





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