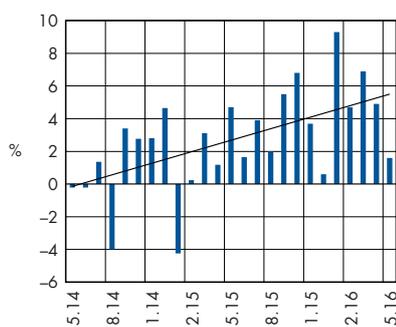


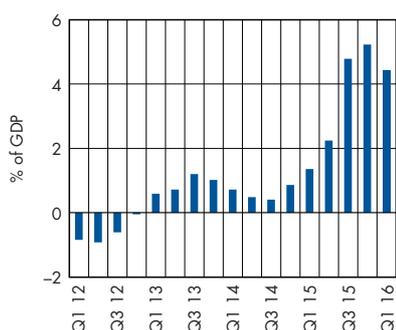
## In Q1 C/A deficit deepened to EUR 1.6bn

### Industrial production, annual changes (w.d.a)



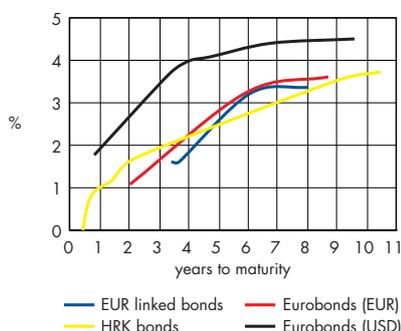
Sources: CBS, Economic RESEARCH/RBA

### Current account balance



Sources: CNB, Economic RESEARCH/RBA

### Croatia – sovereign bonds yield curve



\* bid rate, as of June 24<sup>th</sup> 8:30 CET

Sources: Bloomberg, Economic RESEARCH/RBA

A finally calm week in terms of the domestic political situation was, however, ample with macroeconomic data released. In line with our expectation, **industrial output** figures for May confirmed a positive but slower annual growth at 1.6%yoy. Despite a monthly decline for the second consecutive month (-1.4%mom), total industrial production in the cumulative period of the first five months recorded a positive annual growth at 5.4%yoy. Positive trends are to continue due to the expected recovery of foreign demand. According to the latest CNB data, the Q1C/A deficit was EUR 1.6bn, but on a rolling basis (over the last fourth quarters) the **C/A balance** remained in a relatively huge surplus at 4.4% of GDP. The seasonal deterioration on the current account in the Q1 was mitigated by favourable revenues from tourism with a double-digit growth in Q1 (16.2%yoy), also supported by the earlier beginning of the tourist season.

The upcoming week brings **retail trade** data for May and **PPI** figures for June. Together with a slight increase in employment and expectations of a solid tourist season, consumer confidence indicators point to a continuation of the favourable trends. Additionally, a continuation of the double-digit increase in newly registered cars (21.8% yoy in May) suggests a solid performance in retail trade in May. As a result, we expect annual growth of 3.0%. The PPI data, scheduled to be released on Friday, are expected to confirm the continued absence of inflationary pressures.

Turning our attention to the financial markets, the domestic **bonds market** experienced a somewhat lively trading paralleled with increased volumes. The latter could be attributed to a reshuffling of market participants' portfolios in anticipation of a new local bond issuance. The new domestic primary issue could be generous as the Ministry of Finance was forced to delay the Eurobond issuance that was planned in May. However, in expectation of the new issuance we might see somewhat stronger trading volumes.

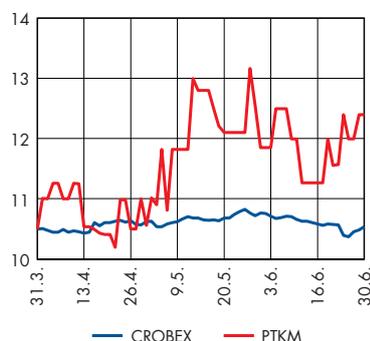
On the Eurobond markets, after the Brexit decision the situation is calming down gradually. As we have already grown accustomed to, the Croatian Eurobonds followed the regional sentiment with prices returning to the position where they were before the British referendum.

The **FX market** remained calm with EUR/HRK hovering over 7.5 kuna per euro. In the summer months we expect to see a stronger HRK supported by the seasonal inflow of tourism-related FCY receipts and the possible (but temporary) withdrawal of HRK liquidity due to the tourist season and announced sovereign HRK bond issue. Finally, at the last week's **T-bills auction**, the MoF issued 1Y pure HRK 562mn (HRK 262mn higher than planned), thus increasing the short-term Government debt by HRK 239mn. Ample HRK liquidity and a lack of any attractive investment continue to support the demand for the short-term Government papers despite the historically low yields, which have recorded a further decline to 0.94% (-1bp).

Financial analyst: Elizabeta Sabolek Resanović (+385 46 95 099), Raiffeisenbank Austria d.d., Zagreb

## Stock indices recovered

### Petrokemija (3 m)



Sources: ZSE, Economic RESEARCH/RBA

### Atlantska plovodba (3 m)



Sources: ZSE, Economic RESEARCH/RBA

### Trading comment

CROBEX and CROBEX10 added 1.6% and 1.2% in the previous week thus erasing losses after the Brexit. All of the sector indices of the ZSE also had positive performance led by the transport shares index. Among CROBEX members, shares of **OT-Optima Telekom** increased the most while shares of **Maistra** had the largest decline. The regular stock turnover continued to slide and the daily average amounted to only HRK 4.7 mn. Shares of **Hrvatski Telekom** had the highest turnover, HRK 5.7 mn in total during the week. The regional indices had a mixed performance and the Romanian BET added the most.

### Company news

**Petrokemija** informed about the shutdown of the production facilities during July due to overhaul works which will also include investment in the Urea plant intended to improve environmental standards. In addition, the company started the construction of a high-pressure gas pipeline aimed to improve energy efficiency. The investment amounting to HRK 45 mn will be mostly financed by the credit of HBOR. Petrokemija also signed a new contract for the supply of natural gas with Prvo Plinarsko Društvo from Vukovar thus completing its requirements for the production in 2016/2017. **Atlantska Plovodba** cancelled its two contracts for newbuilding from the Chinese shipyard.

### In this week

We expect continuation of low activity with stocks on the ZSE.

Financial analyst Nada Harambašić Nereau

### Market performance

Index	1w %	ytd %	Value on*
			<b>1.7.2016</b>
BETI (RO)	3.60	-7.32	6,491
BUX (HU)	2.29	10.00	26,313
CROBEX (HR)	1.58	-0.60	1,679
SBITOP (SI)	0.96	-1.24	687
MICEX (RU)	0.81	7.85	1,900
ATX (AT)	0.30	-12.78	2,091
NTX (SEE,CE,EE)	0.26	-9.87	865
PX (CZ)	-0.04	-14.34	819
SOFIX (BG)	-0.42	-1.40	454
BELEX15 (RS)	-0.59	-6.15	604
WIG30 (PL)	-1.08	-6.08	1,949
SASX10 (BH)	-1.54	-1.08	692

\* as at 16:30 CET. Source: Bloomberg, Economic RESEARCH/RBA

### Top/Flop – CROBEX index

Share	1w %	Price on*	Share	1w %	Price on*
					<b>1.7.2016</b>
OT-Optima T.	10.00	2	Ericsson NT	1.82	1,008
Dalekovod	8.25	13	Đuro Đaković H.	1.71	42
Belje	7.89	20	HT	1.62	141
Atlantska Plov.	7.34	140	Podravka	0.99	328
Tankerska NG	6.61	75	Arenaturist	0.58	347
Luka Rijeka	6.55	47	Varteks	0.00	15
Ina	3.70	2,800	Zagrebačka Banka	-0.10	39
AD Plastik	3.66	113	Ingra	-0.81	2
Valamar Riviera	3.24	25	Končar El	-2.02	637
Ledo	2.13	9,600	Adris Grupa (P)	-2.08	377
Kraš	2.08	490	Maistra	-2.38	209
Atlantic Grupa	1.88	815			

\* as at 16:30 CET. Source: ZSE, Economic RESEARCH/RBA

# Raiffeisen RESEARCH

## Raiffeisenbank Austria

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### Abbreviations

GDP – Gross Domestic Product	HNB – Croatian National Bank	bp – basis points
kn, HRK – Kuna	ECB – European Central Bank	RBA – Raiffeisenbank Austria d.d.
EUR – Euro	FED – Federal Reserve System	HBOR – Croatian Bank for Reconstruction and Development
USD – Dollar	IMF – International Monetary Fund	
DZS – Croatian Bureau of Statistics	MF – Ministry of Finance	

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