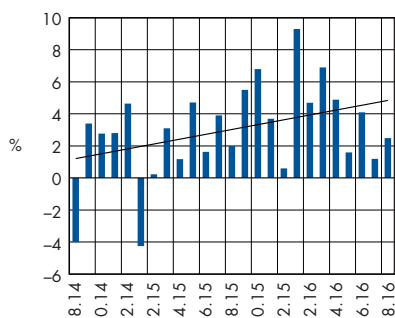


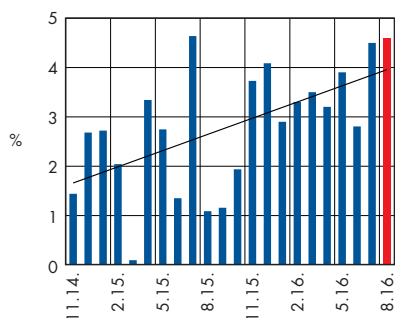
## Q2 Current Account Surplus confirmed

### Industrial production, annual changes



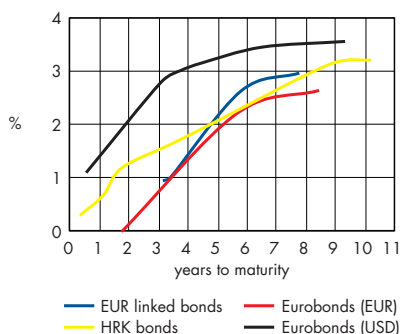
Sources: CBS, Economic RESEARCH/RBA

### Retail trade, real annual changes



Sources: CBS, Economic RESEARCH/RBA

### Yield curves



Sources: Bloomberg, Economic RESEARCH/RBA

The week behind us actually passed with a focus on **politics**. As the first meeting with the President did not produce the name of the PM designate, the next round of consultations is scheduled for 10 October, while the first session of the new Parliament should take place on 14 October. In the meantime, we expect that the HDZ and MOST will agree the whole package during the upcoming negotiations so the new government could be formed soon.

At the very end of the week the CNB published the first results for **Q2 Current Account**. In line with our expectations, a positive C/A balance was recorded (152 EURmn), strongly driven by solid performance in the tourist pre-season. Favorable developments (especially on the service account) are expected to continue, widely supported by rising receipts from tourism but also from higher EU funds. Therefore, on the whole 2016 level the C/A balance could record a surplus for the fourth year in a row. Given the absence of the CHF conversion this year, the expected positive balance will be much lower in comparison with 2015.

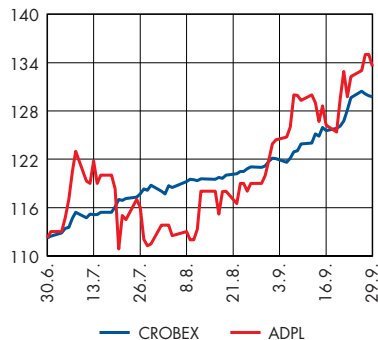
The last week also brought the **industrial production** data for August, which confirmed the trend of positive growth rates for the nineteenth month in a row (+2.5%yoy), but simultaneously indicated a slowdown on the monthly basis (-1.2%mom). In accordance with the working-day-adjusted data, in the cumulative period of the first eight months total industrial production grew by 4.3%yoy. Due to encouraging trends in foreign demand, positive growth rates could continue by the end of the year thus contributing to the GDP outcome as well. Positive impacts could also come from the upcoming data on **tourism** and retail data for August. We expect that the number of arrivals and tourist nights will confirm the record high tourist season. As the higher receipts from tourism positively affect personal disposable income (supported by the deflationary environment as well), we assume that real **retail trade** growth in August could accelerate to +4.6%yoy. The preliminary results on **foreign trade** for the first seven months are also set to be released at the very end of the week. In spite of solid export growth rates, we expect the foreign trade deficit in the observed period could increase in annual terms, primarily as a consequence of the strong import dependence.

Turning our attention to the **FX market**, we saw slight depreciation pressures on HRK as the end of peak tourist season is drawing to its end. Seasonal mild depreciation pressures on the domestic currency is expected to continue thus in the week ahead EUR/HRK could oscillate within the range 7.50 – 7.53 kuna per euro. Coming closer to the end of year, the domestic currency could be supported by solid performance in fiscal and C/A outcome but an increasing FCY demand will mitigate the HRK strengthening (mainly due to high imports growth). On the local **bond market** the week was marked by declining yields with higher investors' focus on the HRK bonds. The positive sentiment could continue over the upcoming week with increased trading volumes. Regarding the Croatian Eurobonds, the trend of rising prices has continued and consequently 5-years CDS (USD) declined below 200bp.

Economic analyst: Tomislava Ujević (+385 61 74 606), Raiffeisenbank Austria d.d., Zagreb

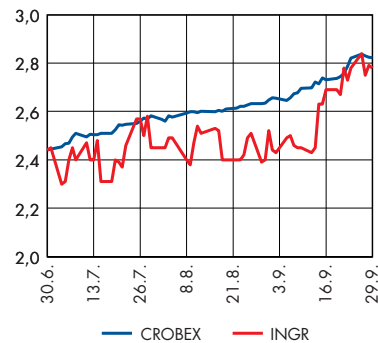
## Surge of equity indices slowed down

### AD Plastik (3 m)



Sources: ZSE, Economic RESEARCH/RBA

### Ingra (3 m)



Sources: ZSE, Economic RESEARCH/RBA

### Trading comment

Stock indices of the Zagreb Stock Exchange CROBEX and CROBEX10 slowed down its upward momentum and closed the week with only small changes. Still, the regular stock turnover was maintained at decent levels of HRK 14 million daily on average. Among CROBEX constituents, shares of **Ingra** posted the highest increase during the week while shares of **Optima Telekom** had the highest drop. Between sector indices the index of construction shares was the best performer and the index of transport shares lost the most, while all other sector indices had a neutral performance. Shares of **Valamar Riviera** recorded the highest turnover followed by shares of **Hrvatski Telekom** and **Jamnica** which accounted for total of HRK 13,3 million of turnover in the last week. Leading regional indices had a mixed performance led by the Bulgarian SOFIX.

### Company news

**AD Plastik** informed about new contract related to production of grab handles for four models of Volkswagen vehicles. The grab handles will be produced at the plant in Solin and serial production is planned in 2017. The annual revenue from this deal is estimated at EUR 2,5 million, while the cooperation with Volkswagen has been agreed for a period of at least four years.

### In this week

We expect similar trading dynamics on ZSE to continue, i.e. intensified trading activity and small index movements.

Financial analyst Nada Harambasic Nereau

### Market performance

Index	1w %	ytd %	Value on*
<b>30.9.2016</b>			
SOFIX (BG)	4.05	9.48	505
CROBEX (HR)	0.21	14.90	1,941
NTX (SEE,CE,EE)	0.00	-2.02	940
ATX (AT)	-0.14	0.12	2,400
SBITOP (SI)	-0.38	6.54	742
BELEX15 (RS)	-0.50	-1.21	636
BETI (RO)	-0.77	-0.83	6,946
SASX10 (BH)	-0.78	3.47	723
PX (CZ)	-0.90	-9.43	866
BUX (HU)	-1.08	16.29	27,817
MICEX (RU)	-1.63	12.36	1,979
WIG30 (PL)	-2.25	-4.17	1,989

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

### Top/Flop – CROBEX index

Share	1w %	Price on*	Share	1w %	Price on*
<b>30.9.2016</b>					
Ingra	10.79	3	Sunčani Hvar	0.00	24
Varteks	9.77	19	Belje	0.00	27
AD Plastik	3.21	137	Imperial	-0.01	800
Dalekovod	2.73	14	Atlantic Grupa	-0.29	870
Valamar Riviera	2.47	34	Končar EI	-0.44	677
Arenaturist	1.17	435	HT	-0.44	164
Zagrebačka Banka	1.02	50	Podravka	-0.52	379
Ericsson NT	0.97	1,142	Uljanik Plovidba	-0.72	124
Kraš	0.96	525	Luka Rijeka	-1.85	47
Adris Grupa (P)	0.57	438	Tankerska NG	-2.39	75
Đuro Đaković H.	0.32	51	OT-Optima T.	-2.48	3
Ledo	0.00	10,750			

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

# Raiffeisen RESEARCH

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### Abbreviations

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

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Investment banking services	0	2	0	0	0	0
% all IB services	0%	29%	0%	0%	0%	0%

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