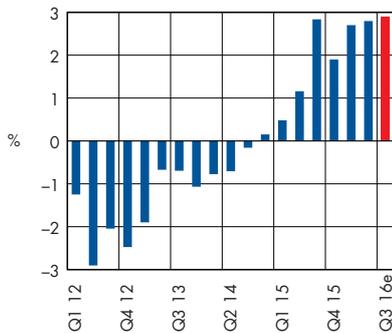


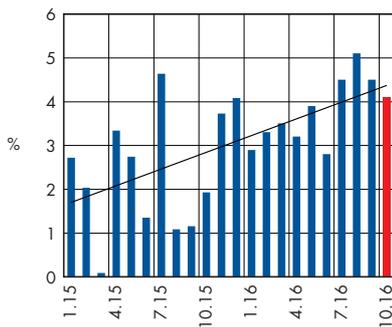
In anticipation of Q3 GDP figures

Gross domestic product



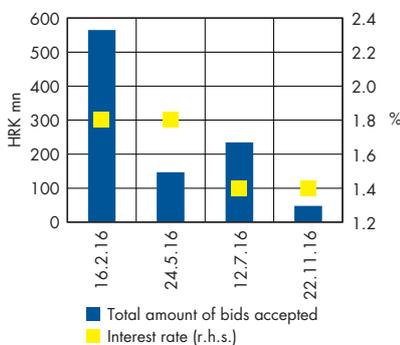
Sources: CBS, Economic RESEARCH/RBA

Retail trade, annual changes



Sources: CBS, Economic RESEARCH/RBA

LTRO



Sources: CNB, Economic RESEARCH/RBA

The calm week behind us was reserved for **labor market** figures. With the usual seasonal increase in the registered unemployment rate in October (to 14%), the trend of real wages annual growth is still supported by a deflationary environment, and partly with the low last year base effect. Consequently, we expect a positive contribution to disposable income and, indirectly, to personal consumption as the most important GDP component, which Q3 first estimate statistical office will announce on Wednesday. The first indicators for Q3 encouraged our assessment that the **solid growth**, headed primarily by personal consumption and investments, will continue. Personal consumption will further be supported by the absence of inflationary pressures, slightly more favorable indicators from the labour market, and the strong growth of tourism indicators, these last ones having a great impact on household income. Investment activity, with accelerated growth dynamics in Q2, gained momentum both in the public and the private sectors, with encouraging data coming from better utilization of EU funds. Amid the good realization of budget revenues, investment growth should continue as well. The contribution of net foreign demand should also be positive primarily due to growth of service exports but also due to a continuing growth of goods exports. On the demand side, positive contribution to the GVA came from all activities, especially those related to trade and the hospitality industry. Although registering a more modest growth, industry also made a positive contribution, while recovery in construction accelerated slightly. We expect similar developments in Q3 but with a stronger contribution of activities connected to tourism. Amid such conditions we expect a real Q32016 economic growth of 2.9% yoy. Release of the **industrial production** and **retail trade** data for October are also scheduled for the week ahead. Favorable trends with the positive annual growth rate are expected to continue (+1.4% yoy and +4.1% yoy, respectively).

On the financial markets, low interest marked the last **LTRO auction**, as a result of ample HRK liquidity as well as the still subdued demand for loans. The CNB conducted the last one of the four structural repo operations planned for this year. A total of HRK 47.5mn were auctioned for a four year term, at the interest rate of 1.40%. In the structural repo operations conducted in 2016, the CNB placed a total of HRK 993.4mn to the banks, much less than initially expected (HRK 3.2bn). At the same time, an increased demand for the short-term Government papers at the last week's **T-bills auction** resulted again in yields decline. The total amounts accepted were higher than the amount due while pure HRK and EUR 1-year T-bill's yields declined to 0.70% and 0.10% respectively (also, 6-months yield on pure HRK T-bills slid to 0.30%). In such market conditions, investors switched their attention to the HRK bond with maturity in 2017, which offers higher yields. However, this week we expect higher trading volumes with the focus on pure kuna papers to continue. Furthermore, given the still present uncertainty on the foreign markets, we do not rule out to see greater volatility to continue as a result of the spill-over effect. As for **FX movements**, we do not expect any significant changes in EUR/HRK trading pattern. Mild FCY demand could push EUR/HRK up slightly, thus the trading range is expected between 7.52–7.54 kuna per euro.

Elizabeta Sabolek Resanović

New contract for Tehnika in Sweden

Trading comment

CROBEX and CROBEX10 closed the week with gains of 0.7%. The regular equity turnover was lower than in the previous week and amounted to HRK 8 million daily on average. Thereof, shares of **Hrvatski Telekom** were the most traded with turnover of HRK 6 million in total. Among CROBEX constituents the top performer was the share of **Ingra** thus propping CROBEXkonstrukt index to be the best performer among sector indices. Regional indices posted mainly positive wow changes.

Company news

The Supervisory Board of **AD Plastik** gave its consent to the Management Board to acquire its own shares whereby the total number of own shares can be 400,000 at most. **Tehnika** signed new contract in Sweden related to construction of the public garage in Moelndal/Goeteborg. The value of the contract is not disclosed. **Tankerska Next Generation** informed that time charter contract for the eco designed MR product tanker Pag has been fully exercised and the next employment for vessel is planned on the spot market.

In this week

In this week we expect continuation of the similar trading dynamics on the ZSE.

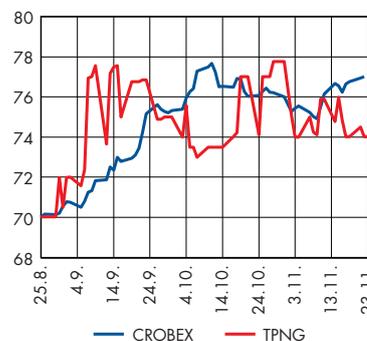
Ana Turudić

Tehnika (3 m)



Sources: ZSE, Economic RESEARCH/RBA

Tankerska NG (3 m)



Sources: ZSE, Economic RESEARCH/RBA

Market performance

Index	1w %	ytd %	Value on*
25.11.2016			
SOFIX (BG)	4.60	20.49	555
WIG30 (PL)	4.07	0.64	2,089
BELEX15 (RS)	2.35	6.98	689
NTX (SEE,CE,EE)	1.82	-0.54	954
ATX (AT)	1.28	4.82	2,512
CROBEX (HR)	0.70	17.92	1,992
BETI (RO)	0.17	-2.41	6,836
PX (CZ)	0.14	-7.39	886
MICEX (RU)	0.00	15.78	2,039
BUX (HU)	-0.30	25.49	30,018
SBITOP (SI)	-0.74	1.44	706
SASX10 (BH)	-1.70	-0.32	697

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

Top/Flop – CROBEX index

Share	1w %	Price on*
25.11.2016		
Ingra	9.85	3
Varteks	8.26	17
Belje	7.03	25
Zagrebačka Banka	3.64	51
Dalekovod	3.21	14
Luka Ploče	2.75	560
Ericsson NT	2.72	1,132
Valamar Riviera	2.37	35
AD Plastik	1.60	140
Končar El	1.17	693
Atlantic Grupa	0.71	890
Adris Grupa (P)	0.66	457

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

Share	1w %	Price on*
25.11.2016		
HT	0.47	164
Arenaturist	0.47	432
Đuro Đaković Holding	0.15	47
Luka Rijeka	0.11	47
Imperial	0.06	809
Tankerska NG	0.03	74
Kraš	0.00	530
Podravka	-0.52	380
Ledo	-0.90	11,000
OT-Optima T.	-1.89	3
Atlantska Plov.	-4.31	355

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Abbreviations

bp – basis points	HBOR – Croatian Bank for Reconstruction and Development	pp – percentage points
CERP – Restructuring and Sale Center	HNB – Croatian National Bank	Q1, Q2, Q3, Q4 – quarters
DZS – Croatian Bureau of Statistics	IMF – International Monetary Fund	RBA – Raiffeisenbank Austria d.d.
ECB – European Central Bank	kn, HRK – Kuna	USD – Dollar
EUR – Euro	MF – Ministry of Finance	yoy – year-on-year
FED – Federal Reserve System		
GDP – Gross Domestic Product		

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% of all recommendations	29%	72%	0%	0%	0%	0%
Investment banking services	0	2	0	0	0	0
% all IB services	0%	29%	0%	0%	0%	0%

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