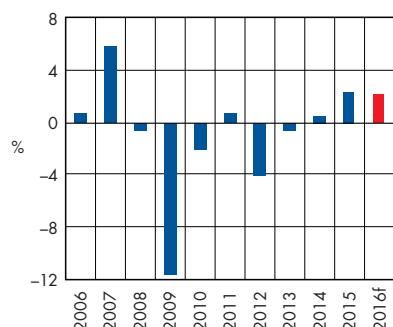


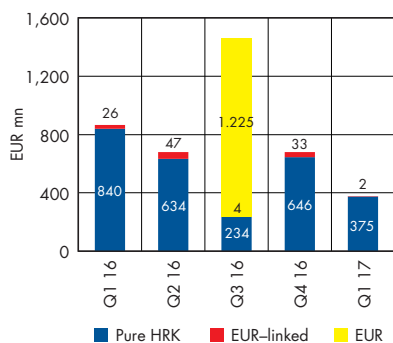
## Retail trade figures – strongest in over eight years

### Retail trade, annual change



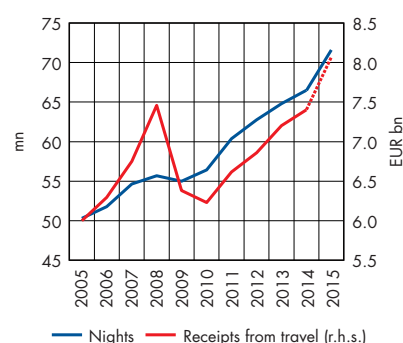
Sources: CBS, Raiffeisen RESEARCH

### T-bills Outstanding amounts



Sources: MoF, Raiffeisen RESEARCH

### Tourism nights and tourism receipts



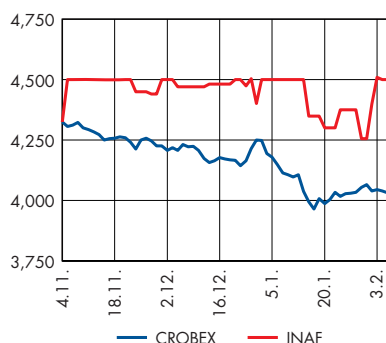
Sources: CBS, CNB, Raiffeisen RESEARCH

In the week behind us the **retail trade and tourist data** attracted the most attention. The December real retail trade grew by 4.8% yoy (w. d. a). The strongest reading in over eight years points to retail turnover acceleration in the last quarter 2015 (3.3% yoy vs 2.3% yoy in Q315) and a positive contribution of household consumption to the Q4GDP. The final data (scheduled for Thursday) should confirm that increase is driven by 21.6% yoy higher (new) car sales, lack of any inflationary pressures (drop of fuel prices) and an overall improvement of consumer confidence due to the stabilization of the labour market and a higher disposable income. Moderate positive retail trade growth rates should continue though this year as the expected slight improvement on the labour market might be accompanied by low inflation while household deleveraging is expected to come to a halt. The latest **tourist** indicators for December once again confirmed exceptional tourism results showing increase in tourist arrivals and overnights (+18%yoy and +11.5%yoy). The very good results of the last month contributed to the annual growth so in 2015, compared to the year before, tourist arrivals are higher by 9.2% while tourist overnights increased by 7.7%. Next week's economic calendar brings foreign trade data for December. Improved trading conditions and strengthened foreign demand support our expectations of further solid growth of exports. Turning our attention to the **financial market**, as expected, the ample HRK liquidity and the lack of any attractive investment continue to support the demand for the short term Government papers despite the historically low yields. Namely, yield on the 1-year HRK T-bills decreased further to 1.25% (-10bp). Amid such circumstances and the announcement of the long term repo operation, we do not exclude further downward pressures on short term debt yields. For this week the MoF did not announce a new T-bill auction. However, later this month HRK 1.038 bn in pure HRK bills and 14 mn EUR linked ones fall due, which is reason enough for holding the auction. As for the **bond market**, after the Fitch agency left the Croatian credit rating unchanged the trend of lower yields continued on the domestic bond market. Although the first part of the week passed with relatively low trading volumes, a slight upward pressure on the price was seen on the pure HRK bonds. The new decline in 1-year HRK T-bills partly encouraged and increased investors' interest for the shorter end of the pure kuna yield curve. Towards the end of the week, demand for the longer maturities, (with an emphasis on 2025 and 2026) significantly enhanced. On the Eurobond market the **Croatian Eurobonds** began the week with a fall in prices, and throughout the week the decline continued. The longest USD maturities (2024) traded near 5.50% while the yield on the longest EUR reached 3.96%. This week we expect a continuation of the larger trading volumes, and by that we mean volumes greater than HRK 200 mn, and a continuing downward trend in yields on the pure kuna bonds. The Croatian Eurobonds will follow the global and regional sentiment. On the **FX market**, due to a stronger supply of foreign currency from the local banks, the EUR/HRK rate moved to 7.650 at the end of the week. In the week ahead, affected by a mild corporate demand, we expect the peaceful period to continue. The expected trading range could be between 7.64 and 7.67 kuna per euro.

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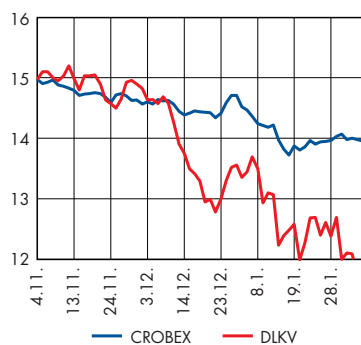
## A thin trading with equities

### Janaf (3 m)



Sources: ZSE, Raiffeisen RESEARCH

### Dalekovod (3 m)



Sources: ZSE, Raiffeisen RESEARCH

### Trading comment

In the week behind, the regular trading on the Zagreb Stock Exchange was pretty thin for equities while a bulk of the trading was done with the government bonds and the block transactions with Hrvatski Telekom (100,000 shares), Janaf and Ledo shares. General stock indices CROBEX and CROBEX10 closed the week with a move of  $-0.5\%$  and  $-0.3\%$ , respectively. All of the sector indices had a drop of values led by CROBEXtransport index. Out of 24 CROBEX constituents only five shares had an increase of the price while 16 shares dropped. Most of the equity indices in the region also had losses in the last week whereas Rumanian BETI index increased the most.

### Company news

**Janaf** published financial reports for 2015 with 53% higher sales yoy based on an excellent performance both, in Croatia and abroad. Reportedly, higher sales was a result of higher transport volumes for the existing and new clients in the abroad, higher storage capacity and USD appreciation during the year. The net income totaled HRK 203.4 mn and the net margin of 29.8% was reported. **Dalekovod** and **Hidroelektra Niskogradnja** informed about the annulment of contract award decision in relation to the railway upgrade and construction of the second track on Dugo Selo – Križevci section. Dalekovod was engaged on the works as one of the consortium members and Hidroelektra Niskogradnja as a subcontractor. **Badel 1862** sold its brands Vočko, Nara and Inka to the Czech company KOFOLA CS A. S following the decision to exit from non-alcoholic beverages business. At the same time, the company signed a contract for an exclusive distribution of PepsiCo assortment in HoReCa channel in Croatia.

### In this week

In the week ahead we expect continuation of low trading volumes on the Zagreb Stock Exchange in anticipation of the peak Q4 2015 reporting season expected in the last week in February.

Financial analyst Nada Harambašić Nereau (+385 1 55 75 733), Raiffeisenbank Austria d.d. Zagreb

### Market performance

Index	1w %	ytd %	Value on*
<b>5.2.2016</b>			
BETI (RO)	2.03	-8.68	6,396
WIG30 (PL)	0.87	-3.30	2,007
SOFIX (BG)	0.36	-2.35	450
NTX (SEE,CE,EE)	-0.26	-7.82	884
MICEX (RU)	-0.53	0.80	1,775
CROBEX (HR)	-0.54	-5.10	1,604
ATX (AT)	-1.09	-10.77	2,139
BELEX15 (RS)	-1.14	-7.66	595
SBITOP (SI)	-1.25	-2.30	680
BUX (HU)	-1.39	-1.07	23,665
PX (CZ)	-1.78	-5.40	905
SASX10 (BH)	-1.81	-4.07	671

\* as at 16:30 CET. Source: Bloomberg

### Top/Flop – CROBEX index

Share	1w %	Price on*	Share	1w %	Price on*
<b>5.2.2016</b>					
Đuro Đaković H.	6.67	35	Ina	-0.94	2,625
AD Plastik	4.20	96	Podravka	-1.18	315
Zagrebačka Banka	1.88	38	Ericsson NT	-2.13	965
Arenaturist	1.25	344	Luka Rijeka	-2.36	41
HT	1.07	141	Maistra	-2.71	215
Tankerska NG	0.07	70	OT-Optima T.	-3.16	2
Kraš	0.00	500	Belje	-3.74	23
Luka Ploče	-0.02	620	RIZ Odašiljači	-6.35	103
Končar El	-0.15	647	Petrokemija	-6.96	12
Valamar Riviera	-0.22	23	Dalekovod	-7.64	12
Atlantica Grupa	-0.48	810	Atlantska Plov.	-8.31	108
Adris Grupa (P)	-0.87	342	Ingra	-8.55	3

\* as at 16:30 CET. Source: ZSE, Raiffeisen RESEARCH

# Economic RESEARCH

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### Abbreviations

avg – average	FED – Federal Reserve System	ON – overnight
bp – basis points	FI – financial institutions	MM – money market
C/A – current account	FY – full year	MFEA – Ministry of Foreign and European Affairs
CBS – Croatian Bureau of Statistics	GDP – Gross Domestic Product	qoq – quarter over quarter
CES – Croatian Employment Service	GFCF – Gross fixed capital formation	RBA – Raiffeisenbank Austria d.d.
CNB – Croatian National Bank	ILO – International Labour Organisation	RoC – Republic of Croatia
DPS – dividend per share	IMF – International Monetary Fund	SMP – Securities markets programme
EC – European Commission	kn, HRK – Kuna	SNA – Aystem of national accounts
ECB – European Central Bank	LSE – London Stock Exchange	USD – Dollar
EDP – Excessive Deficit Procedure	MIP – Macroeconomic imbalance procedure	w.d.a – working day adjusted
EM – Emerging Markets	MoF – Ministry of Finance	yoy – year over year
eop – end of period	mom – month over month	
EUR – Euro		
FCY – foreign currency		

### Publisher

Raiffeisenbank Austria d.d. Zagreb  
 Petrinjska 59, 10000 Zagreb  
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 tel. ++385 1/45 66 466  
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Publication finished on February 5<sup>th</sup>, 2016

**Disclaimer Financial Analysis**

Publisher: Raiffeisenbank Austria d. d. (abbreviated as "RBA")

RBA is a credit institution according to §5 Credit Institution Act with the registered office Petrinjska 59, 10000 Zagreb, Croatia.

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