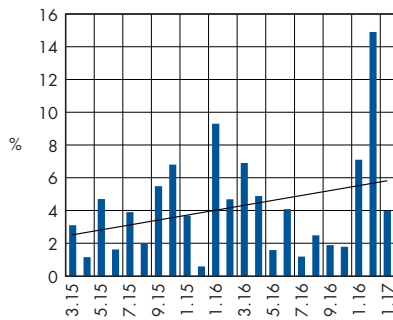


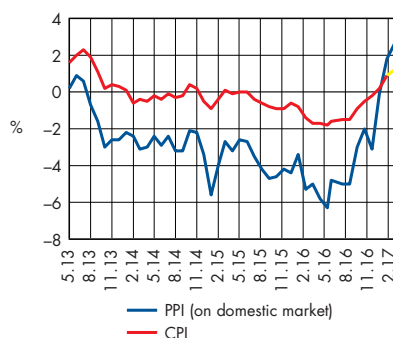
Moody's: from negative to stable outlook

Industrial Production (% yoy)



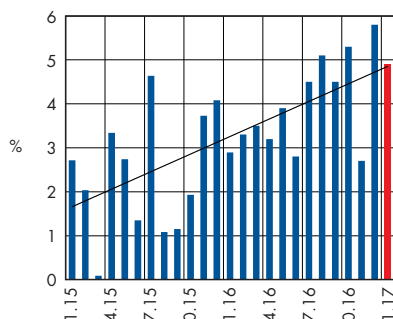
Sources: CBS, Economic RESEARCH/RBA

Inflation, yoy



Sources: CBS, Economic RESEARCH/RBA

Retail trade, real annual changes



Sources: CBS, Economic RESEARCH/RBA

At the very end of the week behind us a few important macroeconomic releases were published. As expected, **industrial production** in January continued with solid growth rates thanks to stable foreign demand but also supported by recovery in domestic demand as well. Thus, after the historical high double-digit growth in December (almost 15% yoy), industrial production in January decreased by 6.9% on monthly level but increased further by 4.0% yoy on annual basis. Encouraging trends are expected to continue in 2017 and the main drivers of growth could come from activities closely related to tourism and retail.

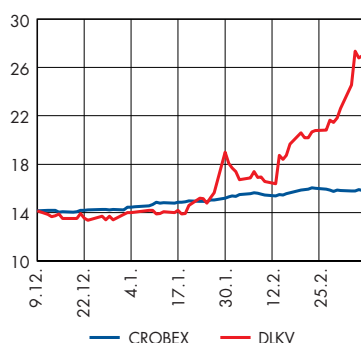
The latest **foreign trade** data for December completed the cumulative figures on the whole 2016 basis reporting that merchandise deficit deepened to EUR 7.4 bn. Namely, total value of exported goods in 2016 was worth EUR 12.3 bn (+6.9% yoy) while the value of imports of goods reached EUR 19.7 bn (+6.5% yoy), thus widening foreign trade deficit by 5.9% yoy. Despite the fact that improved export of goods recorded solid growth rates, it is worth noting that supportive disinflation environments (which significantly reduced the import values due to price development on the world oil market) finally mitigated deterioration in foreign trade deficit. Meanwhile, the most recent **PPI data** (on the domestic market) for February (+2.6% yoy) confirmed the return of inflation rates back to the positive territory. Not surprisingly, the strong contribution on the raising PPI came from imported inflationary pressures (energy prices grew by 7.8% yoy in February) thus indicating that the three-year disinflation period is behind us. The upcoming **CPI figure**, which is expected to accelerate to 1.2% yoy in February, should confirm the latter as well. The week ahead will be highlighted also by the preliminary **retail trade** data for January, which are set for release today. Based on the rising consumer optimism indicators (hitting the pre-crisis levels), positively affected by the recently adopted tax reform and stabilization on the labour market, retail trade growth is anticipated to continue with solid rates on annual level. Additionally supported by the low base effect, the January retail trade is expected to increase by 4.9% yoy in real terms.

On the **financial market**, the persistently high level of liquidity has retained the interest rates low, and on the regular weekly reverse repo auction there was no interest what so ever. On the other hand, we expect an increased investor interest to continue for the upcoming T-bill auction, so a further yield correction is not excluded. However, the focus of the market is the realisation of announced Eurobond (planned volume EUR 1 bn, 10- year maturity). In this context, the recently **revised credit outlook** from negative to stable is very welcomed. Namely, at the very end of the week, the credit agency Moody's was the last agency to lift Croatia's outlook to stable, which could complete the rating stabilization process and potentially set grounds for positive future re-rating. As for the **FX market**, the week behind us brought higher volatility and slight depreciation pressures on HRK, mostly driven by increased FCY demand by banks and the corporate sector. In anticipation of dividend pay-outs, the trend is expected to continue, thus EUR/HRK could oscillate within the weekly range of 7.42–7.45 kuna per euro.

Tomislava Ujević

Dalekovod in focus

Dalekovod (3 m)



Sources: ZSE, Economic RESEARCH/RBA

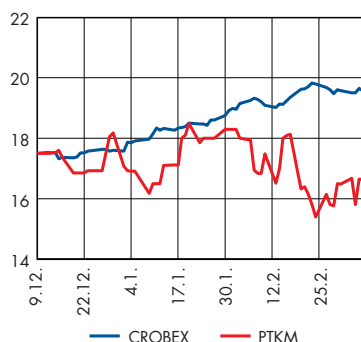
Trading comment

After the end of reporting season the regular stock turnovers on Zagreb Stock Exchange are getting wow lower, at HRK 15 mn daily on average. CROBEX index eventually closed the week up and gained 0.3%. Among CROBEX constituents the strongest performance was recorded by **Dalekovod**, which went up as much as 19% and it was also the most traded share with a total weekly turnover of HRK 10.5 million. As regards the sector indices, the top performer was CROBEXkonstrukt while tourism shares posted the largest wow drop. Regional equity indices had mainly positive performance on the weekly level.

Company news

Out of corporate news we highlight new contracts of **Petrokemija** for natural gas supply in the gas year 2017/2018 for the total volumes required with suppliers INA and Prvo plinarsko društvo.

Petrokemija (3 m)



Sources: ZSE, Economic RESEARCH/RBA

In this week

In this week we expect similar trading dynamics on ZSE, i.e. continuation of somewhat lower investors' activity and no major changes of indices.

Ana Turudić

Market performance

Index	1w %	ytd %	Value on*
10.3.2017			
BELEX15 (RS)	2.43	3.12	740
SASX10 (BH)	2.01	-6.43	646
SOFIX (BG)	1.93	6.56	625
CROBEX (HR)	0.30	11.54	2,225
PX (CZ)	0.15	5.87	976
ATX (AT)	0.00	6.94	2,800
SBITOP (SI)	0.00	10.62	794
BETI (RO)	-1.08	11.41	7,893
NTX (SEE,CE,EE)	-1.10	10.14	1,114
BUX (HU)	-1.37	2.30	32,739
WIG30 (PL)	-1.37	13.68	2,550
MICEX (RU)	-4.01	-11.57	1,974

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

Top/Flop – CROBEX index

Share	1w %	Price on*	Share	1w %	Price on*
10.3.2017			10.3.2017		
Dalekovod	19.03	27	Đuro Đaković Grupa	0.60	47
Atlantska Plov.	13.46	381	Končar EI	-0.22	848
Uljanik Plovidba	5.75	184	OT-Optima T.	-0.51	4
Belje	5.28	23	Imperial	-0.61	815
Luka Ploče	2.84	578	Ledo	-0.72	9,398
Atlantic Grupa	2.10	919	Podravka	-0.95	403
Kraš	1.79	570	Valamar Riviera	-1.04	42
AD Plastik	1.51	165	Varteks	-1.05	16
Zagrebačka Banka	1.21	67	HT	-1.06	185
Ingra	1.04	5	Luka Rijeka	-1.21	48
Tankerska NG	0.79	80	Adris Grupa (P)	-1.77	498
Ericsson NT	0.71	1,410	Arenaturist	-3.76	510

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

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Abbreviations

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

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"Reduce": expected negative return up to -10% over next 12 months.

"Sell": for stock with expected negative return by more than -10% over next 12 months.

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% of all recommendations	0%	86%	14%	0%	0%	0%
Investment banking services	0	1	0	0	0	0
% all IB services	0%	29%	0%	0%	0%	0%

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