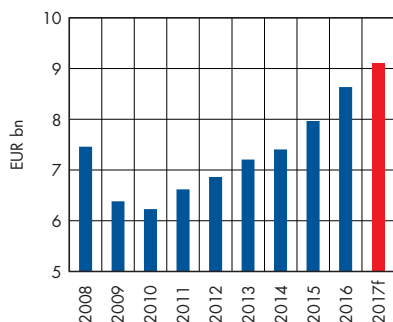


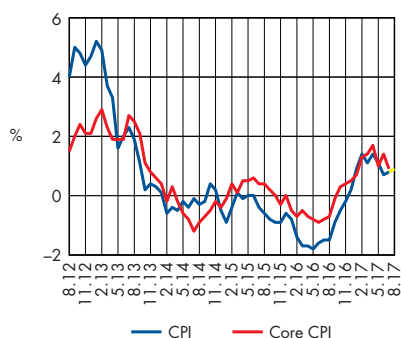
Favorable tourism indicators

Travel receipts (tourism)



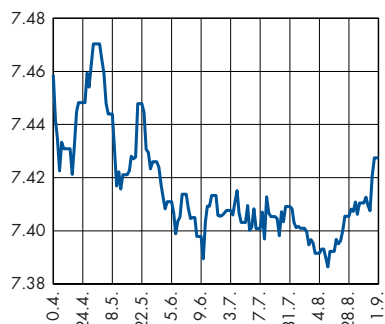
Sources: CNB, Economic RESEARCH/RBA

CPI, real changes, yoy



Sources: CBS, Economic RESEARCH/RBA

EUR/HRK, mid rate



Sources: CBS, Economic RESEARCH/RBA

Last week brought several important macroeconomic data. In line with expectation, the **July tourism figures** reported a double digit growth; nights rose by 10.8% yoy while arrivals reported a 11.8% yoy increase. Consequently, in the first seven months of the year, the number of overnight stays was 16% higher compared to the same period last year. Additionally, at the end of last week, the Croatian National Tourist Board announced that, according to eVisitor data, the number of overnight stays in August was 5.12% higher compared to the same month of 2016. Although the CNTB data are not directly comparable with the CBS data, growth rates of arrivals and nights from both sources have largely coincided in the previous months. It is, therefore, likely that, once the CBS releases the August data, a new record tourist season will be confirmed.

Besides a positive impact on the current account surplus, the spillover on domestic demand through the increasing available households' income raises positive risks for the overall GDP growth. However, the high import dependency, confirmed by the latest foreign H1 **foreign trade data**, which showed further deepening of foreign trade deficit, implies strengthening of imports so the risk of any growth above 3%yoy is somewhat mitigated. Finally, the **PPI** figures for August delivered growth on monthly and annual basis, amounting to 0.7% and 3.2% respectively.

The upcoming week will bring the **August CPI** data. Annual inflation growth is expected to remain below 1%. Although wages and employment have been rising since the beginning of the year, there is no evidence of demand-pull inflation. On the contrary, inflationary pressures are mainly driven by supply side, especially by food prices. As the Government-supported administrative reimbursement of renewable energy sources increases (starting from 1st September), the prices will definitely find support in rising electricity prices. Still, the average inflation rate for 2017 is expected to remain slightly above 1 % yoy.

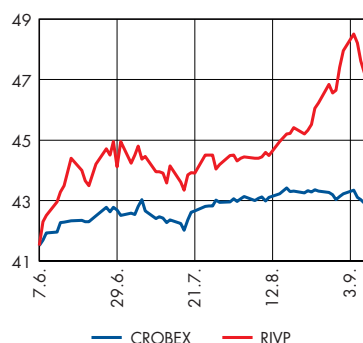
On the **financial markets** slight depreciation pressures on the domestic currency prevailed with the EUR/HRK market rate jump over 7.43 kuna per euro level. However, the local financial FX market will continue to perform in line with the usual movements: as the tourist season ends and the end of the year approaches, EUR/HRK should trend slightly upwards. However, compared with 2016, the average as well as the end-of-year figure should reach lower levels.

As of **bond market**, the narrowing of the Croatian sovereign spread, clearly reflects the perception of lower risk towards Croatia but also of potential short term improvement in the credit rating, at least in outlook.

Elizabeta Sabolek Resanović

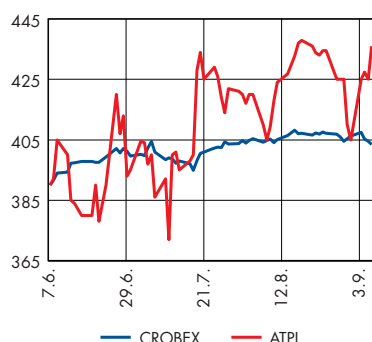
Valamar Riviera postponed 2018 investments

Valamar Riviera (3 m)



Sources: ZSE, Economic RESEARCH/RBA

Atlantska plovodba (3 m)



Sources: ZSE, Economic RESEARCH/RBA

Trading comment

Pessimistic sentiment prevailed on ZSE in a week behind and CROBEX lost 0,7% wow. Regular daily equities' turnover was a bit lower wow and amounted to HRK 5 mn on average. The most traded share was again Valamar Riviera. The best performers among CROBEX member companies were **Atlantska** and **Uljanik plovodba**, on the back of BDI index uptake. The weakest performer was the share of **Viadukt**. Majority of equity indices in the region saw negative performance last week.

Company news

Valamar Riviera informed that the investment in Valamar Pinia Family Suites in Poreč initially planned for the 2018 opening has been postponed due to an unpredictable fiscal framework for investors in tourism as well as delays in the preparation of the required technical documentation. The company will ultimately decide on 2018 investments by the end of November 2017. CERP approved the sale of a 11,75% government-owned stake in port operator **Luka Rijeka** to Polish company OT Logistics, which was the only bidder in the tender for the purchase of the shareholding and offered HRK 50 per each of the 1.584.124 shares put up for sale. As the total ownership stake of OT Logistics in Luka Rijeka reached 32,56%, the company is now obliged to launch a takeover bid for the company.

In this week

We expect similar trading dynamics on ZSE to continue.

Ana Turudić

Market performance

Index	1w %	ytd %	Value on*
8.9.2017			
MICEX (RU)	1.28	-8.78	2,037
SASX10 (BH)	1.24	-7.61	638
BELEX15 (RS)	0.35	1.38	727
PX (CZ)	-0.21	10.66	1,020
SBITOP (SI)	-0.31	13.15	812
ATX (AT)	-0.52	23.83	3,242
BUX (HU)	-0.61	17.14	37,489
CROBEX (HR)	-0.75	-5.62	1,883
SOFIX (BG)	-0.78	20.18	705
NTX (SEE,CE,EE)	-1.15	23.77	1,252
WIG30 (PL)	-1.55	27.73	2,865
BETI (RO)	-3.26	10.87	7,855

* as at 16:00 CET.

Source: Bloomberg, Economic RESEARCH/RBA

Top/Flop – CROBEX index

Share	1w %	Price on*
8.9.2017		
Atlantska Plov.	7.40	435
Uljanik Plovodba	3.18	166
Luka Ploče	1.96	520
AD Plastik	1.80	167
Maistra	0.90	336
Dalekovod	0.09	21
Ericsson NT	0.00	1,200
Končar El	0.00	730
Zagrebačka burza	0.00	14
Arenaturist	-0.92	485
Adris Grupa (P)	-0.95	449

* as at 16:00 CET.

Source: ZSE, Economic RESEARCH/RBA

Share	1w %	Price on*
8.9.2017		
Atlantic Grupa	-1.11	805
Valamar Riviera	-1.20	47
Zagrebačka Banka	-1.29	53
Kraš	-1.33	444
HT	-1.68	176
Podravka	-2.51	310
OT-Optima T.	-3.45	3
Ingra	-3.80	4
Đuro Đaković Grupa	-10.81	26
Petrokemija	-25.42	9
Viadukt	-32.53	18

Raiffeisen RESEARCH

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Economic Research

Zrinka Živković Matijević, MSc, Head of Department; tel: +385 1/61 74 338, email: zrinka.zivkovic-matijevic@rba.hr
 Elizabeta Sabolek Resanović, Economic Analyst; tel: +385 1/46 95 099, e-mail: elizabeta.sabolek-resanovic@rba.hr
 Viktor Viljevac, tel: +385 1/61 74 837, e-mail: viktor.viljevac@rba.hr

Financial Advisory

Nada Harambašić Nereau, MSc, Financial Analyst; tel.: +385 1/61 74 870, email: nada.harambasic-nereau@rba.hr
 Ana Turudić, Financial Analyst; tel: +385 1/61 74 401, email: ana.turudic@rba.hr

Markets and Investment Banking

Robert Mamić, Executive Director; tel: +385 1/46 95 076, email: robert.mamic@rba.hr

Editor

Zrinka Živković Matijević, MSc, Head of Economic Research

Abbreviations

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

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 www.rba.hr
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 fax: ++385 1/48 11 626

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