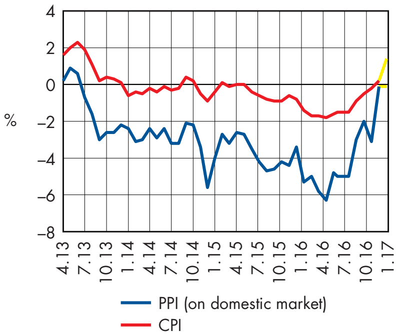
Raiffeisen Weekly Report
Number 7
February 20th, 2017

Raiffeisen RESEARCH

# Upcoming CPI data in focus

**CPI,PPI**

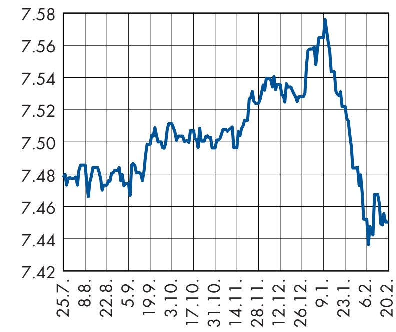



*Sources: CBS, Economic RESEARCH/RBA*

**Croatia 5Y USD CDS**


** as at 15:30 CET.*
*Sources: Bloomberg, Economic RESEARCH/RBA*

**EUR/HRK middle rate**




*Sources: CNB, Economic RESEARCH/RBA*

In terms of macroeconomic data this was an uneventful week with no really relevant economic releases. Only one worth of mentioning is number of unemployed in January which, with an increase of 3.2% mom, confirmed typical seasonality in the (un)employment movements. On the other hand, in annual terms, the number of unemployed declined by 16.7%. The later will surely be confirmed with **unemployment rate** for January, scheduled to be released on Thursday (we anticipate an increase to 15.3%).

Upcoming data calendar for the next week brings several relevant macroeconomic figures. The trend of **real wages** annual growth is still supported by subdued inflation environment, and partly with the low last year base effect. However, the expected real growth of wages in December will be slightly lower given that the inflation returned back to positive territory. Nevertheless, the still positive contribution to disposable income and, indirectly, to personal consumption as the most important GDP component is expected (which Q4 first estimate statistical office will announce at the very end of the February). On Friday the January **PPI and CPI data** will be published. Due to low base effect and energy prices developments we reckon consumer prices could record positive annual growth at 1.4% (for a second month in the row). PPI might record stagnation on annual level.

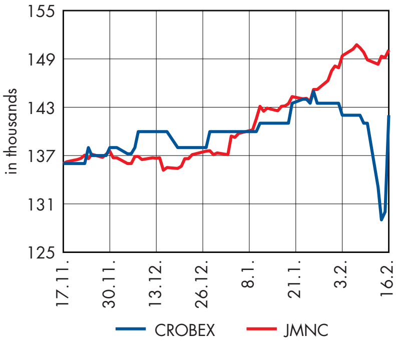
As regards the financial markets, there were nearly no trading volumes over the past days on the domestic **bond market**. Only towards the end of the week subdued trading turnovers with government papers were recorded. Such a quiet period might be explained partly by investors preparing for the **new Eurobond issuance**. Namely, according to the recently adopted Strategy of Public Debt for the 3-year period, the Government will probably tap the international market during March. It will be the first government Eurobond issue in two years. Given the ECB unconventional policy and that the Fed announced raising its interest rate, market situation and expectations speak of a likely issue in the European market. At the same time better-than-expected macroeconomic movements and positive expectations of domestic economic recovery go in favor of successful borrowing on the foreign market. The latter is also confirmed by the level of 5y USD CDS which reported record lows (183bp) in recent days.

At the same time improved fiscal outcome in 2016, solid net-foreign positions of banks, increased FCY inflow spurred by record-high tourist season and rising investments continue to give support to the LCY. In such conditions a **lower EUR/HRK**, compared to previous years, in the week behind us finds further support in higher FCY supply by banks. Over the week ahead we expect a slightly higher FCY demand by the corporate sector thus the EUR/HRK range is expected between 7.44–7.47 kuna per euro. Regarding the MM, the still record-high level of liquidity continues to support a downward pressure on interest rates. Further, decreasing yields also persisting over the last few **T-bill's auctions** might not be excluded even on this week's auction, which was already announced by the Ministry of Finance. The planned issuance amount at HRK 1.3 bn could cover the T-bill's amount due.

*Elizabeta Sabolek Resanović*

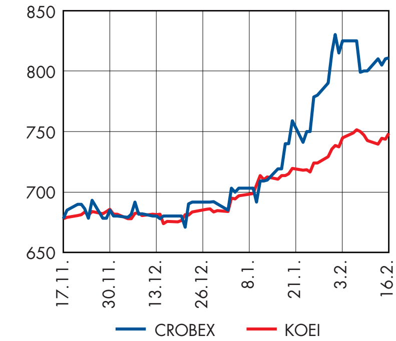
# Shares of Jamnica in focus

**Jamnica (3 m)**




*Sources: ZSE, Economic RESEARCH/RBA*

**Končar El (3 m)**




*Sources: ZSE, Economic RESEARCH/RBA*

## Trading comment

Stock indices of the Zagreb Stock Exchange CROBEX and CROBEX10 closed the last week with gains of 1.4% and 1.7%, respectively. The regular stock turnover was lower than in the week before, at HRK 15 mn on average, daily. Shares of **Jamnica** had the highest regular turnover, in total around HRK 20 mn and HRK 25 mn in an OTC transaction. Among the CROBEX constituents, shares of **Dalekovod** were the top performer thus also launching CROBEXkonstrukt index on the top of sector indices list while only CROBEXnutris declined. Regional equity indices also posted mostly gains on the weekly level.

## Company news

**Končar El** reported sales in 2016 of HRK 2,853 mn (down by 6.4% yoy) while net income after minority interest amounted to HRK 143 mn (up by 12% yoy). Despite sales drop of 28% yoy in 2016 **Tehnika** managed to almost double its bottom line profits. **AD Plastik** also posted sales drop of 8% last year but net income increased by 4% yoy. **Podravka** opened the previously announced Vegeta factory in Tanzania. The investment is worth around EUR 4 mn and there will be 20 people employed. As a leading partner in association **Viadukt** signed the construction contract with Hrvatske Vode worth HRK 73.6 mn. The Board of **Privredna Banka Zagreb** proposed a dividend of HRK 25.33 per share to shareholders registered on April 14 (ex-dividend on April 13).

## In this week

We expect high Q4 2016 reporting dynamics on the ZSE along with announcements of dividend proposals for some companies.

*Nada Harambašić Nereau*

**Market performance**

| Index | 1w % | ytd % | Value on* 17.2.2017 |
|---|---|---|---|
| BUX (HU) | 1.90 | 5.57 | 33,786 |
| NTX (SEE,CE,EE) | 1.49 | 10.32 | 1,116 |
| CROBEX (HR) | 1.37 | 9.92 | 2,193 |
| ATX (AT) | 1.30 | 6.74 | 2,795 |
| WIG30 (PL) | 1.09 | 12.89 | 2,532 |
| BELEX15 (RS) | 1.04 | –1.04 | 710 |
| SBITOP (SI) | 0.95 | 6.28 | 763 |
| BETI (RO) | 0.88 | 9.18 | 7,736 |
| PX (CZ) | 0.46 | 5.12 | 969 |
| SASX10 (BH) | –0.34 | –5.19 | 655 |
| SOFIX (BG) | –1.23 | 1.80 | 597 |
| MICEX (RU) | –1.52 | –4.63 | 2,129 |

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

**Top/Flop – CROBEX index**

| Share | 1w % | Price on* 17.2.2017 | Share | 1w % | Price on* 17.2.2017 |
|---|---|---|---|---|---|
| Dalekovod | 18.51 | 20 | Kraš | 1.06 | 551 |
| Uljanik Plovidba | 7.73 | 173 | Ledo | 1.01 | 9,899 |
| Varteks | 5.70 | 18 | Atlantska Plov. | 0.92 | 330 |
| HT | 2.87 | 180 | AD Plastik | 0.65 | 153 |
| Valamar Riviera | 2.79 | 42 | Atlantic Grupa | 0.47 | 946 |
| Tankerska NG | 2.35 | 78 | Imperial | 0.00 | 815 |
| Končar El | 2.13 | 817 | Podravka | –0.24 | 412 |
| Adris Grupa (P) | 1.69 | 500 | Luka Rijeka | –3.09 | 47 |
| Zagrebačka Banka | 1.64 | 62 | Luka Ploče | –3.30 | 560 |
| Ericsson NT | 1.52 | 1,340 | Đuro Đaković Grupa | –3.41 | 46 |
| OT–Optima T. | 1.28 | 4 | Arenaturist | –3.45 | 560 |
| Ingra | 1.27 | 5 | Belje | –3.58 | 22 |

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

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


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| Investment banking services | 0 | 1 | 0 | 0 | 0 | 0 |
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