

# Raiffeisen Market Weekly Report

30.10.-03.11.2017

Bosnia and Herzegovina

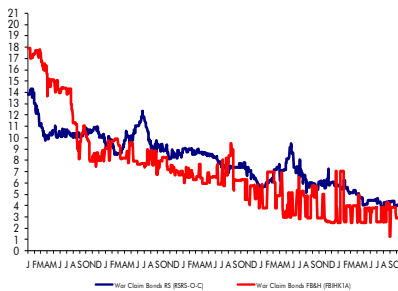
## Highlights

### Credit Rating of B&H

Credit rating	S&P		Moody's	
	Rating	Outlook	Rating	Outlook
LT	B	Stable	B3	Stable
Date of last change	September-17		March-17	
Activity	Confirmed		Confirmed	

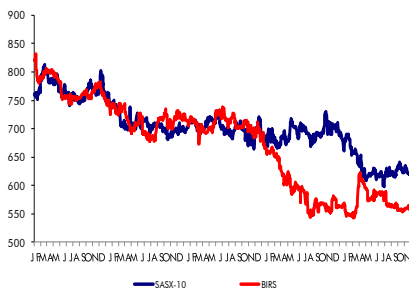
Source: Raiffeisen RESEARCH

### War Claim Bonds (% ytm)



Source: SASE, BLSE, RBI/Raiffeisen RESEARCH

### Blue Chip Indexes of SASE and BLSE



Source: SASE, BLSE, RBI/Raiffeisen RESEARCH

- ✓ Industrial production of B&H increased by 4.8% yoy (7.1% yoy in August 2017), thus marking the 4<sup>th</sup> straight month of expansion
- ✓ The retail trade index reported slowest expansion rate in this year (2.8% yoy in September 2017)
- ✓ B&H has lost five places to rank 86<sup>th</sup> place in latest "World Bank's 2018 Doing Business" report
- ✓ Successfully held 5Y bond auction on SASE in the amount of BAM 15.5 million

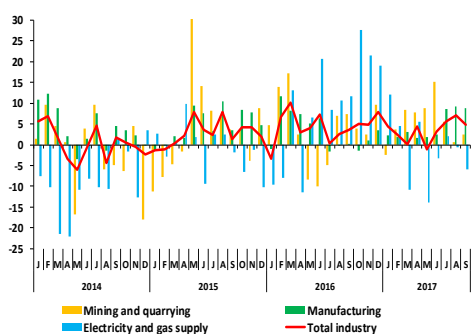
### Key Macroeconomic Figures for Bosnia and Herzegovina

Bosnia and Herzegovina	2012	2013	2014	2015	2016e	2017f	2018f	2019f
Nominal GDP (EUR bn)	13.4	13.7	14.0	14.6	15.3	16.0	16.9	18.0
Real GDP (% yoy)	-0.8	2.4	1.1	3.1	3.2	2.5	3.0	3.5
GDP per capita (EUR)	3,452	3,531	3,614	3,784	3,967	4,150	4,412	4,711
GDP per capita (EUR at PPP)	6,900	7,200	7,300	7,500	7,900	8,300	8,800	9,400
Household consumption (real, % yoy)	-0.7	0.0	1.9	1.8	1.7	2.5	2.0	2.7
Gross capital formation (real % yoy)	4.0	-3.0	8.2	2.9	10.8	4.0	7.0	8.5
Industrial output (% yoy)	-5.2	6.7	0.1	2.6	4.3	3.2	4.5	5.0
Producer prices (avg, % yoy)	1.3	-2.2	-0.2	0.6	-2.3	2.0	2.2	2.3
Consumer prices (avg, % yoy)	2.1	-0.1	-0.9	-1.0	-1.1	1.5	1.5	2.0
Average gross wages (LCY, % yoy)	1.5	0.1	-0.1	0.0	0.9	3.8	4.8	3.9
Unemployment rate (avg, %)	28.0	27.5	27.5	27.7	25.4	20.5	18.0	16.0
General budget balance (% of GDP)	-2.0	-2.2	-2.0	0.7	1.2	1.0	-0.5	0.5
Public debt (% of GDP)	39.9	38.9	42.1	41.8	40.4	41.0	41.5	42.5
Trade balance (% of GDP)	-28.2	-25.4	-27.5	-24.0	-22.5	-22.1	-21.6	-22.7
Current account balance (% of GDP)	-8.6	-5.3	-7.4	-5.7	-5.1	-6.0	-6.2	-6.4
Net foreign direct investment (% of GDP)	1.9	1.3	2.9	1.7	1.6	2.5	3.2	3.6
Official FX reserves (EUR bn)	3.3	3.6	4.0	4.4	4.9	4.8	5.0	5.3
Gross foreign debt (% of GDP)	52.1	52.1	51.7	53.4	54.4	55.1	54.3	52.1
EUR/LCY (avg)	1.96	1.96	1.96	1.96	1.96	1.96	1.96	1.96
USD/LCY (avg)	1.52	1.47	1.47	1.76	1.77	1.72	1.63	1.53

Source: Agency for Statistics of B&H, Central Bank of B&H, RBI/Raiffeisen RESEARCH

## Industry and retail trade slowed down in September 2017

B&H industrial production



Source: Agency for Statistics of B&H, RBI/Raiffeisen RESEARCH

Industrial production of Bosnia and Herzegovina increased by 4.8% yoy in September 2017 (7.1% yoy in August), thus marking the 4<sup>th</sup> straight month of expansion. Pattern of industrial growth was similar to previous 4 months, with mining and manufacturing in positive area and declining electricity supply. More precisely, mining and quarrying increased by 2.4% yoy, manufacturing jumped by 8.9% yoy while electricity supply declined by 5.9% yoy in last month of Q3 2017. Looking at the industrial figures since beginning of the year, the industrial production is higher by 3.4% over the same period in 2016. Manufacturing as its key (largest) component went up by 4.5% yoy, followed by mining and quarrying (5.4% yoy), while electricity went down by 1.3% yoy in 9 month of 2017. Thus, the cumulative growth rate of the industrial production has already exceed our target rate for this year of 3.2% yoy. However, in Q4 2017 we expect modest deterioration of industrial dynamics which will pull down the cumulative rate slightly down to our estimated level of 3.2%.

B&H retail sales index rose 2.8% yoy in September 2017, slowest in this year but also represents 40<sup>th</sup> straight month of expansion. Sale of food products declined by 3.7% yoy (first negative growth rate in this year) while sales of non-food products jumped by 7.9% over the same month in 2016. In 9 months of this year the retail sales index averaged 5.23% over the same period in 2016, which strongly backs our assumption of household consumption increase of 2.5% yoy. The household consumption is the largest GDP component of B&H, which dominantly shapes overall picture of B&H economy. Since 2012, the private consumption has been on the upside track dominantly contributing to overall GDP growth in mentioned period. Giving the fact that we do not have monthly or quarterly figures for the private consumption, we use retail sales index and VAT data for forecasting private consumption dynamics. Available data on these two macro figures, shows that the household consumption could reach 2.5% increase in 2017 marking the strongest % yoy growth rate since 2008.

Main Macroeconomic Indicators

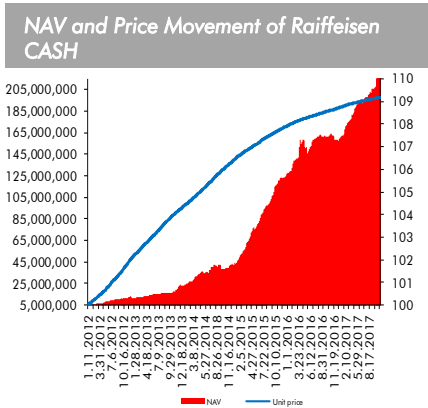
Indicators	Period	
Real GDP (% yoy)	2017e	2.5%
Industrial production (% yoy)	IX/2017	4.8%
Consumer price index (%yoy)	IX/2017	1.5%
Unemployment rate (%)	VIII/2017	39.4%
Number of unemployed	VIII/2017	485,088
Average net salary (in BAM)	VIII/2017	849.0
Exports (BAM mn)	IX/2017	1,013.7
Imports (BAM mn)	IX/2017	1,633.0
Current account deficit (BAM mn)	Q2 2017	794.3
Current account deficit (% GDP)	2017e	6.0%
External debt (BAM mn)	Q2 2017	8,746.2
Foreign reserves (BAM mn)	VIII/2017	10,172.6
Total loans (% yoy)	VIII/2017	6.3%
Total loans (BAM mn)	VIII/2017	18,038.2
Total deposits (% yoy)	VIII/2017	10.4%
Total deposits (BAM mn)	VIII/2017	19,012.9
EUR/BAM	VIII/2017	1.96
USD/BAM	VIII/2017	1.657

Source: Agency for Statistics of B&H, Central Bank of B&H, RBI/Raiffeisen RESEARCH

The focus of the week was also on the most recent result of the “World Bank’s 2018 Doing Business” report. In this report, Bosnia and Herzegovina has lost five places to rank 86<sup>th</sup> place (out of 190), ranking considerably behind SEE countries (Croatia, Serbia, Albania, Macedonia and Bulgaria). This year B&H ranked better in three areas (registering property, protecting minority investors and resolving insolvency) and performed worse in the other seven areas. The WB report ranks B&H particularly low for its lengthy and arduous processes to start a new business (fell by one place to 175), obtain construction permits (improved by 4 places to 166), and paying taxes (fell by 4 places to 137). The latest WB report confirmed, once more, the urgent need to accelerate the key reforms in order to create a stimulating investment environment and consequently create new jobs and raise the living standard of B&H citizens. However, as political parties already started to focus on the General Elections scheduled for October 2018, we expect only slow process of reform implementation and decisions making related to the local regulatory framework in the period ahead of us.

In next week we expect that publication of labor market statistics and tourism report for September 2017 by the State Agency for Statistics and loans/deposits dynamics for September 2017 published by the Central Bank of B&H.

## Successfully held 5Y bond auction on SASE in the amount of BAM 15.5 million



Data on Unit Values	
Unit price as of 03.11.2017	109.18
NAV	218,781,547
Since IPO return	0.52%
Monthly return	0.03%
Weekly return	0.01%
Since IPO return annualized	0.42%

\*Any data on past yields are indicative only and do not represent the possibility or a projection of potential future yield

In the previous week on the Sarajevo Stock Exchange (SASE) total turnover amounted to BAM 2.2 million.

Largest turnover was recorded on the free market - ST1 with the total traded amount of BAM 1.8 million, out of which the largest turnover was realized with the shares of ASA Banka d.d. Sarajevo (IKBZRK2) in the amount of BAM 1.2 million. Within two transactions it was traded 31,548 shares at price BAM 37 which is price increase by 2.78% compared to the previous trading.

Significant trading amount was recorded with shares of Fabrika duhana Sarajevo (FDSSR) in the amount of BAM 417.06 thousand at price of BAM 80.05. On the fund segment this week was traded in the amount of BAM 252.09 thousand. Out of which the largest trading volume recorded shares of ZIF BIG Investiciona grupa d.d. Sarajevo (BIGFRK3) in the amount of BAM 246.5 thousand. In line with Public call for the participation in T-bills issuance, auction is scheduled for 7 November 2017. Details of the auction are:

- ✓ Issuer: Federation of Bosnia and Herzegovina
- ✓ Planned issue amount: BAM 20 million
- ✓ Nominal value of T-bills: BAM 10 thousand
- ✓ Temporary symbol of T-Bills: FBHTZ712
- ✓ Auction date: 07.11.2017
- ✓ Maturity date: 07.11.2018
- ✓ Type of auction: auction on the primary market
- ✓ Auction method: multiple price
- ✓ Price type: discount price

In the previous week on the Banja Luka Stock Exchange (BLSE), total turnover amounted to BAM 16.7 million.

During the week was held bond auction of Republic of Srpska with following results:

- ✓ Auction Date: 01.11.2017
- ✓ Planned issue amount: BAM 15 million
- ✓ Nominal value of bond: BAM 1,000
- ✓ Maturity date: 5 years
- ✓ Principal repayment: at maturity
- ✓ Interest rate: 3.50%
- ✓ Interest payment: annual
- ✓ Success of the issue: 100%
- ✓ Selling price: 103.40%
- ✓ Effective interest rate: 2.76%
- ✓ Total collected amount: BAM 15,510,000
- ✓ Total bid amount: BAM 38,255,470
- ✓ The highest offered price at interest rate: price 107% / interest rate 2.01%
- ✓ The lowest offered price at interest rate: price 100% / interest rate 3.50%

On the fund segment the largest turnover recorded DUIF Kristal Invest a.d. - OMIF Future Fund (FTRP-U-A), with total traded amount of BAM 294.6 thousand. On the bond segment the most traded was series RSRS-O-C (Republic of Srpska – war claim bonds 3) in the amount of BAM 167.4 thousand at price 93.01% from nominal value with ytm of 3.71%.

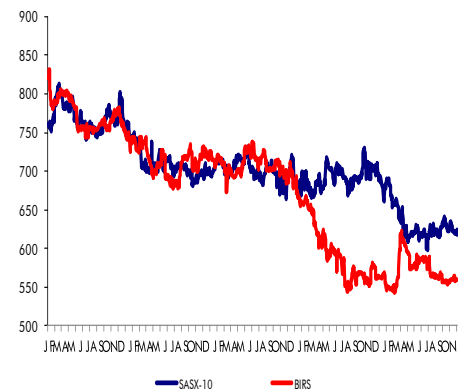
## Sarajevo Stock Exchange (SASE)

SASX-10	03.11.2017	1w %
BH Telecom d.d. Sarajevo	14.01	-1.2%
JP Elektroprivreda BiH d.d. Sarajevo	10.05	0.4%
Bosnalijek d.d. Sarajevo	11.94	3.8%
Fabrika duhana d.d. Sarajevo	80.05	0.0%
Sarajevska pivara d.d. Sarajevo	19.12	0.0%
RMU Banovići d.d. Banovići	19.00	0.0%
Solana d.d. Tuzla	24.10	-3.60%
ASA banka d.d. Sarajevo	37.00	2.8%
Šipad-komerc d.d. Sarajevo	0.45	0.0%
Sarajevo osiguranje d.d. Sarajevo	5.50	0.0%

War Claim Bonds	Maturity	Last value	Yield (%)
FBIHK1A	30.06.2019	99.28	2.92
FBIHK1B	30.06.2020	99.00	2.88
FBIHK1C	30.06.2021	97.50	3.24
FBIHK1D	30.06.2022	98.00	2.96
FBIHK1E	30.06.2023	97.99	2.89
Frozen Currency Saving			
FBIHKO1	30.09.2018	99.90	2.61
FBIHKJ1	30.09.2018	99.80	2.65
FBIHKM1	30.09.2018	97.00	4.95

Source: SASE, RBI/Raiffeisen RESEARCH

## Blue Chip Indices of SASE and BLSE



Source: SASE, BLSE, RBI/Raiffeisen RESEARCH

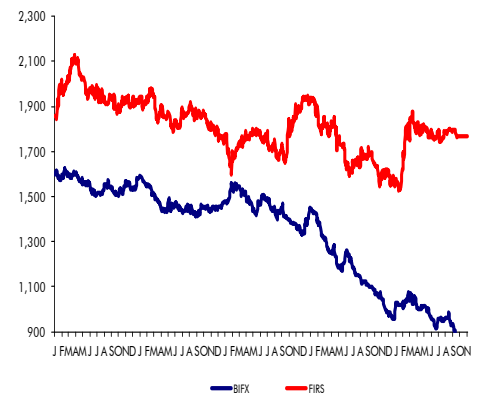
## Banja Luka Stock Exchange (BLSE)

BIRS	03.11.2017	1w %
Telekom Srpske a.d. Banja Luka	1.10	0.0%
Nova banka a.d. Banja Luka	0.591	-0.5%
HE na Drini a.d. Višegrad	0.208	0.0%
HE na Trebišnjici a.d. Trebinje	0.211	0.0%
RITE Gacko a.d. Gacko	0.03	0.0%
RITE Ugljevik a.d. Ugljevik	0.03	0.0%
Elektrokrajina a.d. Banja Luka	0.111	5.7%
Banjalučka pivara a.d. Banja Luka	1.50	0.0%
Elektro-Bijeljina a.d. Bijeljina	0.15	0.0%
Boksit a.d. Miliči	0.65	0.0%

War Claim Bonds	Maturity	Last value	Yield (%)
RSRS-O-A	27.06.2023	92.00	4.32
RSRS-O-B	15.12.2023	91.51	4.58
RSRS-O-C	25.10.2023	93.01	3.71
RSRS-O-D	15.06.2024	92.00	3.97
RSRS-O-E	09.06.2025	89.00	4.59
RSRS-O-F	31.05.2025	90.00	4.30
RSRS-O-G	24.12.2025	90.20	4.22
Frozen Currency Saving			
RSDS-O-F	15.09.2019	99.50	2.99
RSDS-O-G	22.08.2021	98.50	3.30

Source: BLSE, RBI/ Raiffeisen RESEARCH

## Blue Chip Indices of SASE and BLSE



Source: SASE, BLSE, RBI/ Raiffeisen RESEARCH

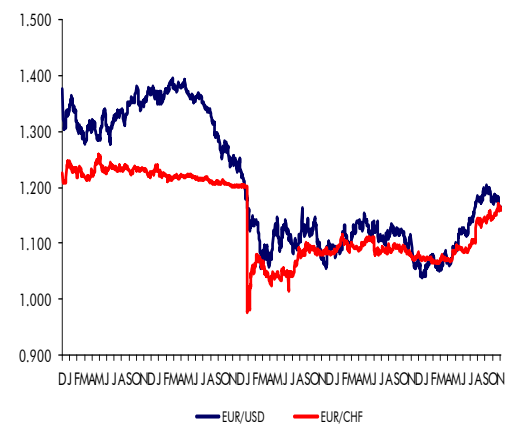
## Global Markets

Index	1w%	Ytd%	Value 03.11.2017
ATX (AT)	-0.15%	29.3%	3,410
BELEX15 (RS)	7.83%	1.7%	783
BUX (HU)	0.24%	25.2%	39,763
CROBEX (HR)	-2.68%	-9.0%	1,841
PX (CZ)	-1.01%	14.3%	1,052
MICEX (RU)	0.65%	-6.8%	2,081
SBITOP (SI)	-0.68%	9.9%	791
SOFIX (BG)	1.43%	15.3%	675
SASX10 (B&H)	0.55%	-9.5%	623
BIRS (B&H)	-0.05%	2.1%	559

	Yields 10Y	Value 03.11.2017	1W (BP)	Ytd (BP)
AT	0.53	-2.5	10.5	
DE	0.36	-1.9	15.6	
FR	0.75	-4.2	6.3	
BE	0.60	-3.9	6.3	
NL	0.47	-1.5	11.5	
IT	1.78	-17.4	-3.9	
ES	1.49	-9.8	10.4	
PT	2.09	-10.3	-167.3	
GR	5.11	-42.6	-199.5	
GB	1.24	-10.7	0.2	
US	2.35	-5.4	-9.2	

Source: Bloomberg, RBI/Raiffeisen RESEARCH

## FX Market



Source: Bloomberg, RBI/Raiffeisen RESEARCH

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