NUMBER 903, MAY 19, 2025

Acceleration of banking aggregates' growth in Q1

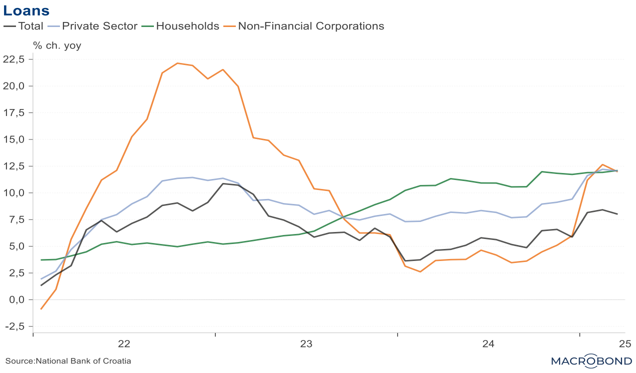
- Credit growth accelerated noticeably in this year's Q1, primarily due to strong household demand and the one-off effect of a major corporate transaction at the beginning of the year. Thus, in March total loans were up 8%, and private sector loans were up 12% y-o-y, while loans to the government deepened the negative trend (-17%). Citizens' interest in borrowing is not letting up, but on the contrary has increased due to the announcement of tightening loan criteria from July and the continued strong labour market, so the interannual household loan growth strengthened slightly to 12.1% (2.8% q-o-q). Cash loans slightly deaccelerated (14.8% y-o-y), while housing loans accelerated to 10%, not only due to the upcoming macroprudential measures, but also due to the rise in real estate prices. Loans to non-financial corporations jumped by 12% y-o-y (5.1% q-o-q), due to the aforementioned placement and the base effect, but also because of the awakening of corporate demand with the approaching season and the decline in reference interest rates (in late March, 6M Euribor was down by 0.2 p.p. q-o-q). Observed by purpose, with the growth of 18.3% in March the total loans were up by 8%, and private sector loans by 12% but working capital loans are leading, and the high growth rate of investment loans (9.1%) is also encouraging. In Q2 there is a continuation of extremely strong household demand and judging by the survey on the banks' lending activities, corporate demand growth is also expected. By the end of the year however, corporate loans could come under pressure from increased market volatility and higher uncertainty, despite the reduction in financing costs.

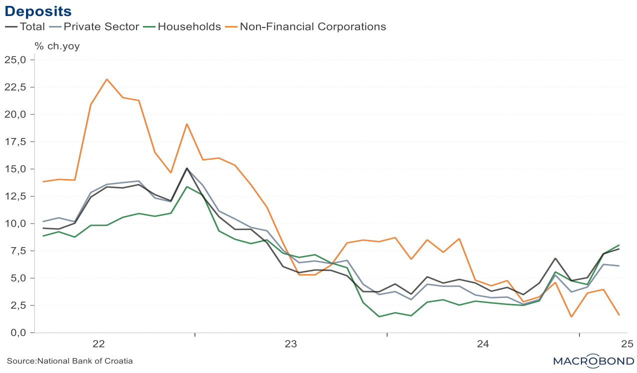
Growth of housing loans strengthened

- Deposits also accelerated this year, recording a 7.7% y-o-y increase in March (private sector 6.1%), largely due to base effect. Household deposit growth strengthened to 8% (although, since the beginning of the year, they have increased by a mild 1.1%), mostly due to lower refinancing volumes of government securities in Q1 due to reduced interest in this type of investment with a decrease in yields. Deposits of non-financial corporations were down by 6.8% q-o-q by the end of March, while increasing by a stable 1.6% y-o-y. Also interesting to observe is the trend in the maturity of private sector deposits.

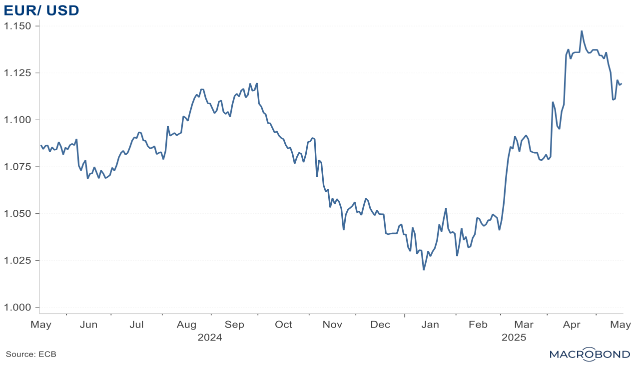
Decrease of private sector's term deposits

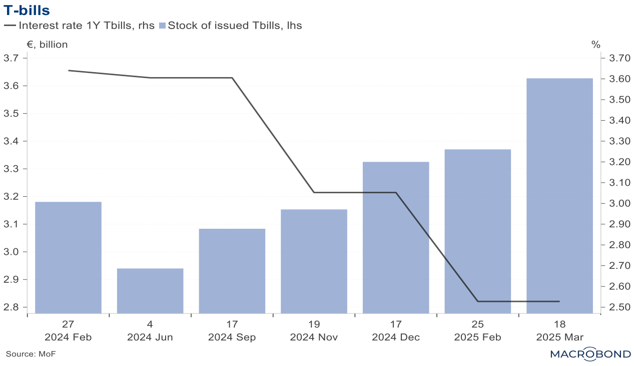
In late March, overnight deposits increased by 9.2% y-o-y, while deposits with agreed maturity sank by 1.4%. The decline rate in term deposits was significantly higher for non-financial corporations (-4.3%) than for households (-0.1%), but the former recorded an increase q-o-q, while the latter declined by an identical rate of 1.4%. The tendency for term deposits is clearly declining, due to which the share of deposits with agreed maturity in total private sector deposits was down by 2 p.p. y-o-y and was 27%.





- The dollar strengthened against the euro thanks to the news of the U.S. -China trade agreement, but the strengthening was limited by mixed data from the U.S. economy, so the exchange rate declined by a mere 0.5% w-o-w, to 1.1194 dollars to the euro.
- Euribor recorded divergent trends, with a slight decline w-o-w for shorter maturities, that is, growth up to 10 bps for longer ones. At the end of the week, 3M and 6M thus reached 2.1, i.e., 2.2%.
- Following the global markets, Crobex jumped 2.9% w-o-w, to 3,480 points due to growth of almost all sectoral indices (CROBEXindustry +4.8% to 2,648, CROBEXnutris -1.8% to 789, CROBEXtourist +4.3% to 4,614). Crobis stagnated at 99.2 points.





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