

# WEEKLY ANALYSIS

## Number 798, November 14, 2022

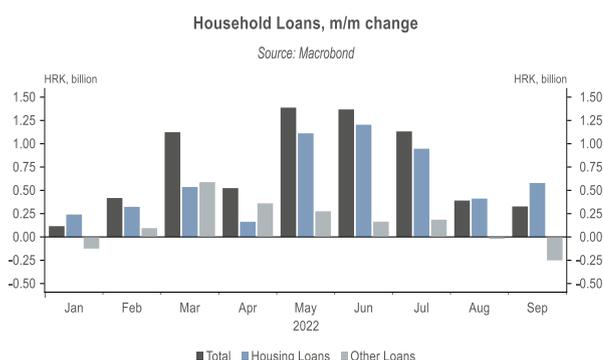
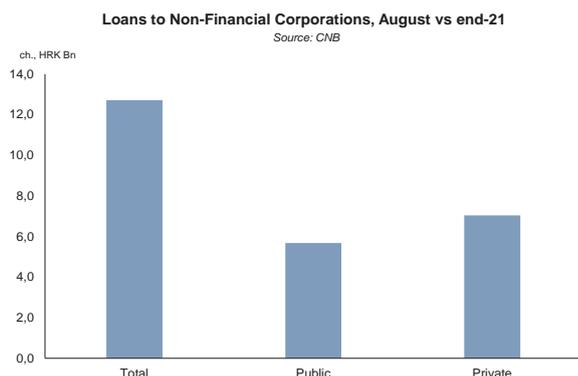
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## Corporate demand growth continued

CNB's September statistics showed that the main drivers of growth of crediting domestic banks remained the non-financial corporations whose needs for financing, especially for companies from the energy sector, jumped due to intense rise of energy prices. Therefore, by the end of September loans to non-financial corporations were higher by 2.9% m-o-m, i.e., 21.2% y-o-y, which is a growth rate last seen back in 2007, the year before global financial crisis broke out. Details per loan type point to strong y-o-y growth of all loan types (for working capital 22.5%, for investments 17.4%, other 25.5%), while division by enterprise size reveals that, as expected, fastest growth of 35.1% is achieved by large enterprises (energy sector), followed by micro and small and medium ones (15.6%; 9.6%; 9.3%). Data show, that although in the first eight months public non-financial corporations recorded an incomparably higher growth rate than the private ones (114.5%, i.e., 8.7% vs. the end of 2021), this is a base effect because the largest growth in volume was still recorded in the private sector (5.7 bln kuna, i.e., 7.0 bln kuna). Household loans continue in their currently usual rhythm (5.1% y-o-y in September), but slowdown of consumer and similar purpose loans is noticeable, so only housing loans increased m-o-m in August and September and all the rest decreased. Weakened consumer optimism, interest rate increase for other (cash and consumer) loans and decline of disposable income eroded by high inflation resulted in abstaining from borrowing and consumption, visible also in decline of retail trade m-o-m in the last two months.

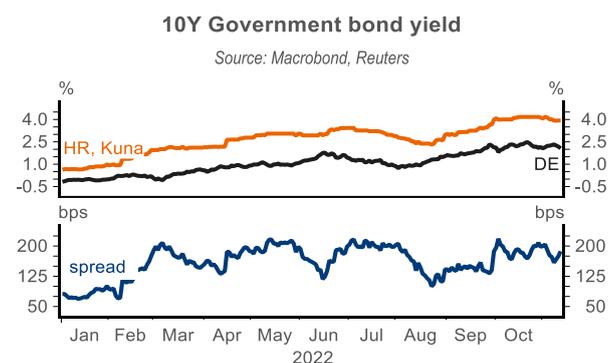
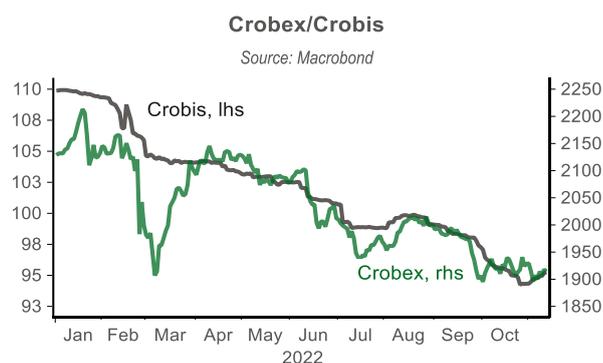
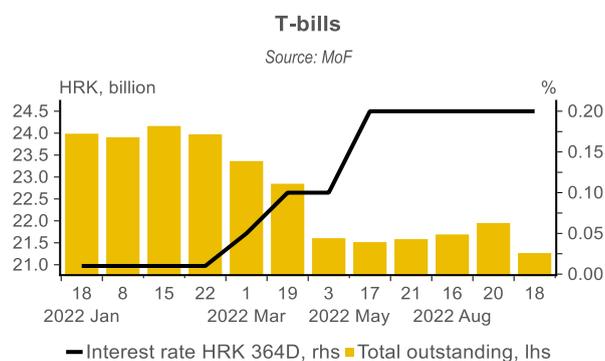
Currently the most relevant interest rates, those with currency clause, recorded growth in September. It amounted to 130 bps in enterprises and 40 bps in households m-o-m. The eurozone also recorded interest rate growth, so average rates for newly approved loans from June till September jumped by 60-70 bps for corporate loans, i.e., 50 bps for consumer and housing loans.

Deposits retained their robust growth (13.4% y-o-y in September) powered by tourism income, inflation, increased corporate borrowing and cash inflow. CNB's balance sheet shows a sharp decline of cash in circulation for a second month in a row (August -6.8%, September -8.8% m-o-m), pointing to its deposition in bank accounts, conversions to euro in banks and currency exchange offices and spending. This effect will soon be depleted, and we estimate that inflation will gradually weaken in the upcoming period (also alleviating financing needs). Therefore, we foresee lower growth rates for loans and private sector deposits in the next year. Estimations are that higher interest rates on the eurozone money market will not result in uniform growth of loan interest rates because domestic banks' needs for financing are low due to bountiful liquidity that will increase additionally in December by reducing reserves by 4 p.p. and by abolishing the requirement for maintaining a minimum amount of foreign currency claims.



## Weekly overview

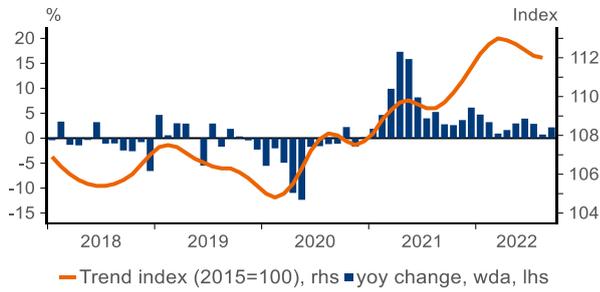
- Enticed by increased demand for currencies on the domestic currency market, HRK/EUR exchange rate rose mid-week above the conversion rate level, and then declined by the end of week to 7.5276, unchanged w-o-w. Kuna appreciated against the dollar by a high 4.5%, and the exchange rate declined to 7.3411 kuna to the dollar. This week we expect EUR/HRK trading in the range of 7.53-7.56.
- Excess liquidity increased to 85 billion kuna last week. Interest rates continued to stagnate, and there were no placements at the CNB's repo auction. This week 300 million kuna of T-bills is due, but there will be no auction.
- Total ZSE turnover last week, that lasted a day longer, increased by 28.7% w-o-w to 385 million kuna with reduced turnover in stocks (-59.9% to 37 million kuna), while turnover in shares increased by 67.1% to 344 million kuna. Crobex mildly recovered, increasing by 0.4% to 1,914.2 points, and the most important indices recorded a mixed performance (CROBEXindustry +0.3% to 1,023.0, CROBEXnutris +2.5% to 716.3, CROBEXtourist -0.5% to 3,246.1). Crobis continued to increase (+0.6% to 95.3 points).



# Statistics

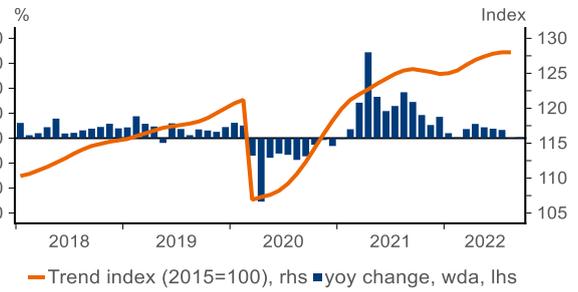
## Industrial production

Source: Macrobond



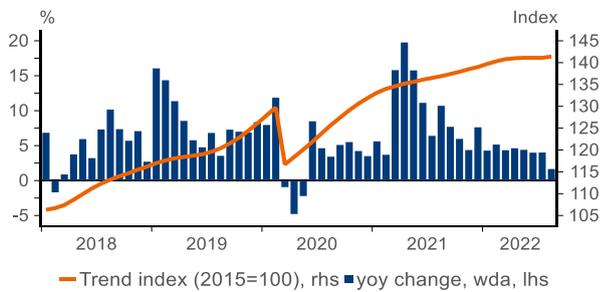
## Retail trade, real

Source: Macrobond



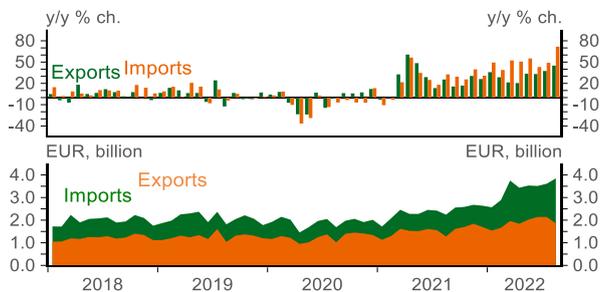
## Construction works

Source: Macrobond



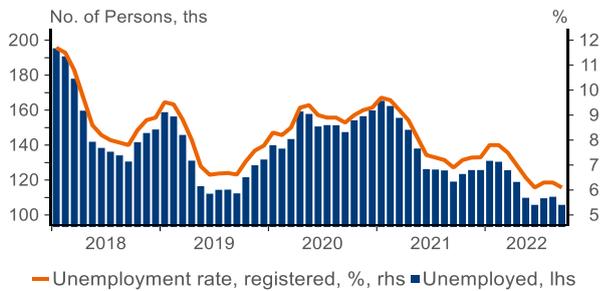
## Goods exports and imports

Source: Macrobond



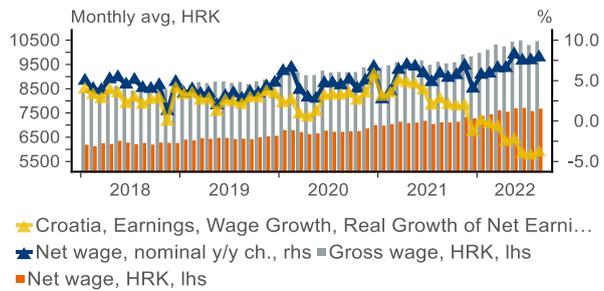
## Unemployment

Source: Macrobond



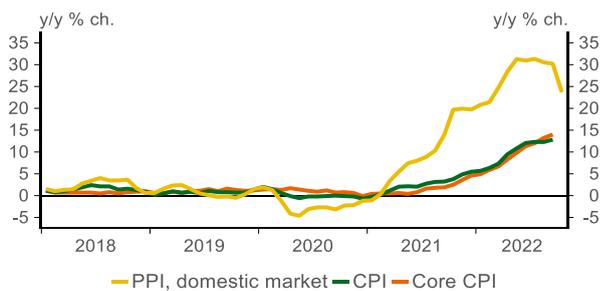
## Wages

Source: Macrobond, CBS



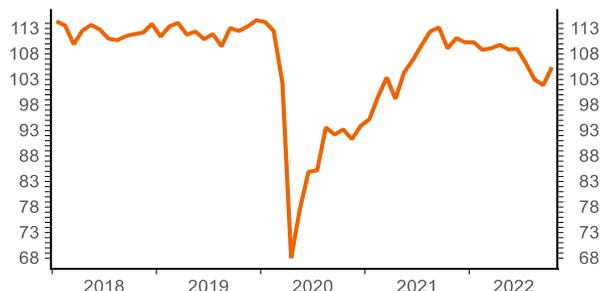
## Prices

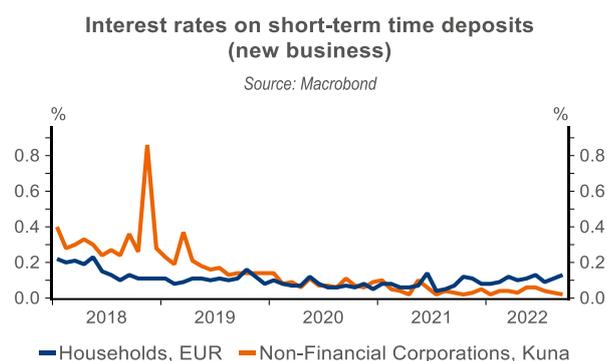
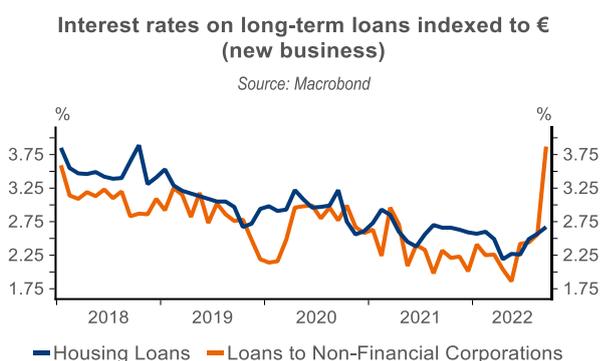
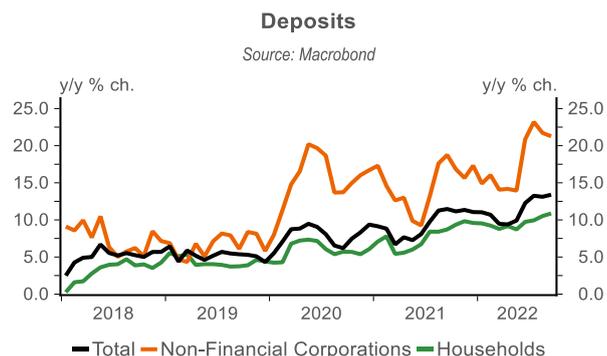
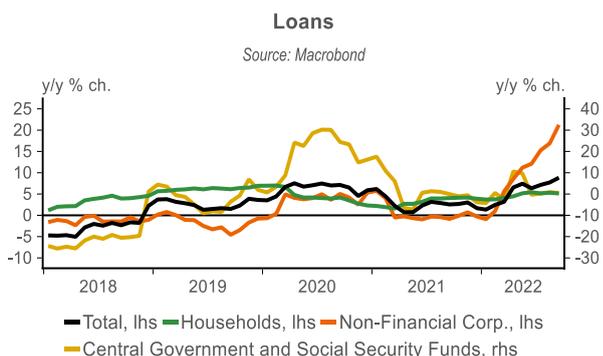
Source: Macrobond



## Economic Sentiment Indicator (ESI)

Source: Macrobond





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