WEEKLY ANALYSIS

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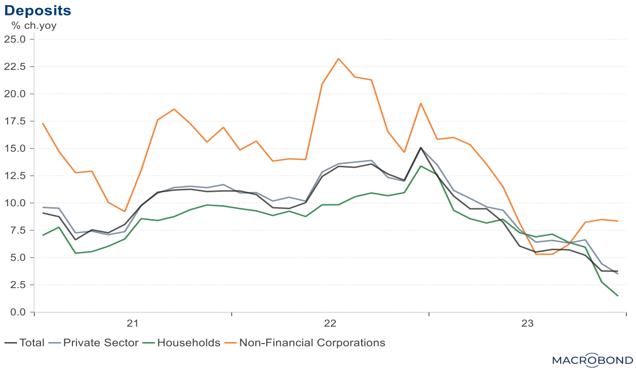
Growth stabilisation of banking aggregates in 2023

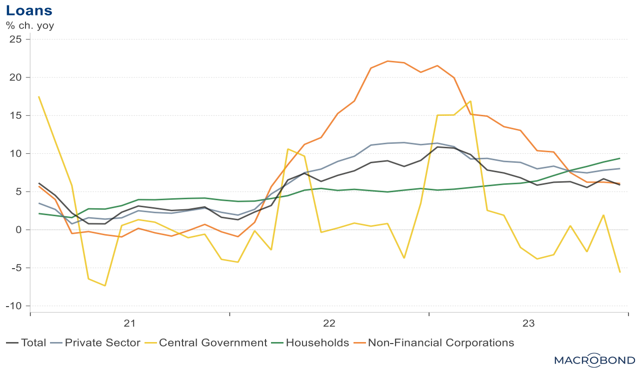
Deposits in 2023 increased by 3.8%

- In December we saw a continuation of the trend of gradual slowdown in the growth of assets, deposits, and loans of other MFIs. Thus, at the end of 2023, total assets were up by 3.2% y-o-y (13.4% the previous year), while the growth of total deposits reached 3.8% (12.22.: 15.1%) due to significantly slower private sector deposit growth of 3.5%. After the first larger outflow of household deposits in the spring caused by the issuance of the first government bond offered to natural persons, the second larger wave of outflows was brought by November and the issuance of 1Y T-bill offered to retail investors. In December household deposits slightly recovered m-o-m, but they welcomed the end of the year up by a mere 1.5% (12.22.: 13.4%), which is the lowest interannual growth rate in almost five years. Deposits of non-financial corporations were up by 8.3% at the end of the year which shows, compared to the previous year (12.22.: 19.1%), that the accumulation of liquidity is slowing down, but is still significant. The structure of deposits per maturity, both of citizens and companies, has changed in favour of term deposits as interest rates on savings were raised so the share of deposits with agreed maturity in total deposits reached 26% in December, 6 p.p. higher than the year before. We forecast that private sector deposit growth in current year will remain low, pressured by competition from alternative investments, including the announced issue of a new government bond.

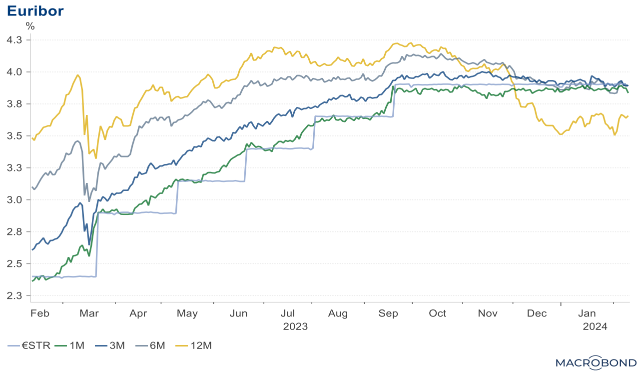
Loans in 2023 increased by 5.9%

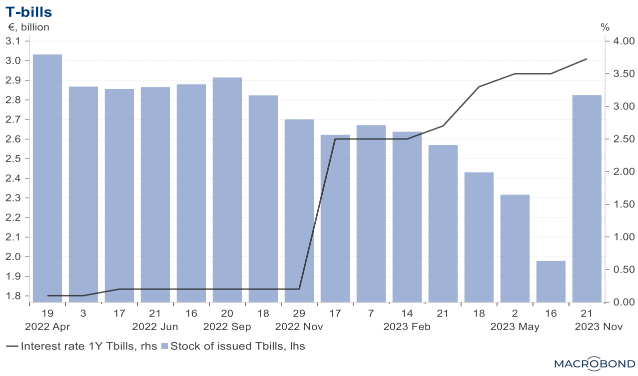
- Last year, total loans increased by 5.9% (12.22.: 9.1%) with private sector recording growth of 8.0%, and the central government a contraction of -5.6%. After the exponential rise in energy prices in 2022 fuelled the demand of non-financial corporations, easing of price pressures in previous year resulted in reduction of needs for financing, and demand was also pressured by growth of financing costs. Therefore, loans to non-financial corporations in December noted growth of 6.1% (12.22.: 20.7%). At the same time during last year, household demand grew stronger, whereas the last cycle of subsidies stimulated growth of housing loans, while growth of salaries, recovery of consumer sentiment but also still strong inflationary pressures in the conditions of a mild increase of interest rates supported increased demand for cash loans. Household loan growth thus grew stronger, reaching 9.4% at the end of the year (12.22.: 5.4%). This year, we expect a slower growth of private sector loans, and we feel that corporate demand will strengthen slightly towards the end of the year, emboldened by a gradual decrease in reference interest rates, while we predict that household demand will weaken.





- Overall, exports in 2023 experienced a decline of 5.3% y-o-y, which was especially evident in exports to EU member states, which saw a decrease of 6.7%. The data for the first eleven months show that exports to important partners like Italy decreased by -5.9%, while the decrease was stronger for some EU countries, with Hungary experiencing a decrease of -44%. However, exports to other major trading partners like Germany saw a slight increase, despite the overall downward trend, with a rise of 2.2%. At the same time, exports to non-EU members saw a smaller decrease of 2.2%. Among these, based on the data from the first eleven months, exports to Bosnia &Herzegovina fell by 8.5%, and on a brighter note, exports to the U.S., a major trading partner outside of Europe, increased by 4.8%. On the import side, 2023 saw a total of 6% y-o-y decrease. Interestingly, imports from the EU member states increased by 2.1%, however, this was offset by a significant 25.4% decrease in imports from non-EU member states marked by a massive reduction in imports from Qatar (-99.1%), Russia (-87.9%) and Azerbaijan (-40.4%). This sizable decrease in imports likely contributed to a 6.9% y-o-y reduction in the foreign trade deficit in 2023. The data for the initial eleven months reveal significant fluctuations in the exports and imports of key goods. Food and Live Animals trade witnessed a 5.8% increase in exports, along with a substantial 19.6% increase in imports. Trade with Machinery and Transport Equipment experienced a notable increase as well: its exports grew 19.5%, while imports rose 16.4%. Conversely, there was a significant decline in the trade of certain goods during the initial eleven months. Notably, a decrease was observed in the volume of Crude Materials, except Fuels, with exports experiencing a reduction of -18.9%, and imports declining by -13.6%. Nevertheless, the most noteworthy contraction occurred in the trade of Mineral Fuels and Lubricants, with exports decreasing -42.5% and imports -39.7%.
- The dollar appreciated against the euro by 1.0% w-o-w due to strong data of the U.S. economy, so the week ended at the level of 1.0772 dollars to the euro.
- Euribor noted a weekly decline in shorter, and growth in longer maturities so on Friday 3M and 6M were both 3.9%, meaning stagnation, i.e., increase of 10 bps w-o-w. This week, 154 million euros of T-bills is due, but no auction.
- Crobex maintained its positive trend by growing 0.6% w-o-w (to 2,687 points) despite a decline of all the most important sector indices (CROBEXindustry -0.8% to 1,736, CROBEXnutris -0.7% to 946, CROBEXtourist -1.8% to 4,407). Crobis was reduced by 0.1% (to 96.1 point).





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