

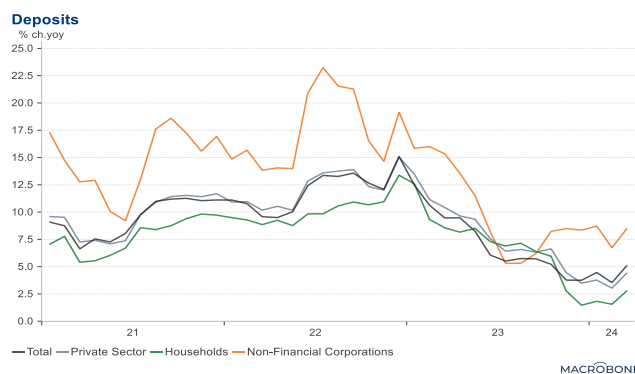
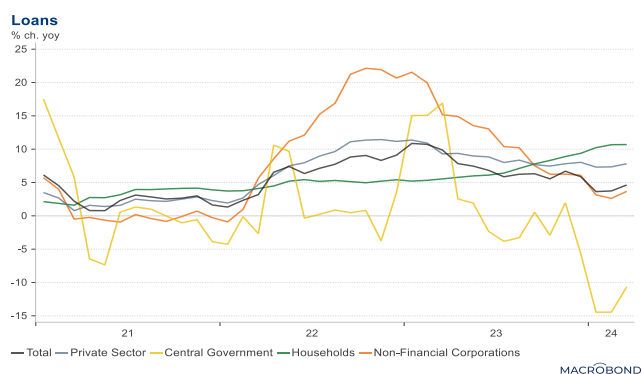
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Banking aggregates' growth accelerated in March

- Data for March show that the total loans' growth strengthened to 4.6% y-o-y due to stronger corporate lending, but also due to a smaller decline in loans to the central government of -10.7%. In March, loans to non-financial corporations registered the first significant acceleration in the last fourteen months to 3.7% y-o-y, the breakdown by purpose and enterprise size revealing that the increased demand of large enterprises for working capital (approaching the start of the tourist season) is the most deserving for the monthly increase. For households, loan portfolio growth has been accelerating for the past year powered by strong demand for cash loans resulting from income growth, but also by the need for financing due to relatively high inflation, supported by a relatively moderate increase of financing costs. Therefore, loans to households at the end of March were higher by 10.7% y-o-y, of which cash loans by 12.6%. With housing loans, interannual growth reached a high 10.8%, but if we take a look at quarterly growth rate, it amounts to a moderate 1.8% and is almost equal to the one from the last quarter in 2023 (with cash loans it is 3.8%, +1 p.p. vs previous quarter). In the conditions of increased bank interest rates, we expect that corporate demand will remain only moderate, while our prediction is that retail demand will gradually deflate as inflationary pressures weaken.
- After the interannual deposit growth rate decreased in February due to the outflow of retail funds from bank accounts to buy treasury bills, March brought an acceleration of growth dynamics to 5.1% thanks to the recovery of corporate deposits and lower last year's base (outflow of household deposits due to the issuance of government bonds). Non-financial corporations' deposits thus jumped 1.3% m-o-m (and 8.5% y-o-y), which is solely the result of the growth of deposits with contracted maturity that encourage attractive term deposit rates (3.5% on term deposits up to one year). Simultaneously, household deposits have stagnated m-o-m with growth acceleration to 2.8% y-o-y due to the base effect. By the end of the year, we forecast a deposit growth deceleration, with a note that our forecast largely depends on the government debt financing modalities.

Loan growth in March +4.6%

Deposit growth +5.1%



- Inflation flash estimate for April indicates that the harmonised inflation annual rate mildly deaccelerated to 4.7% from 4.9% recorded in March, while m-o-m inflation accelerated from 0.9% to 1.0%. Observed according to the main components, in April service prices rose the most m-o-m, by 1.7% (acceleration after 0.9% growth in the previous month; almost unchanged at 7.9% y-o-y), while non-energy industrial goods prices increased by 1% (half the growth rate than in March) thus slowing down to 1.8% y-o-y. Food prices rose 0.8% m-o-m, accelerating from 0.3% recorded a month earlier (maintaining an almost unchanged annual growth rate of 4.9% as in March), while energy prices decreased by -0.3% m-o-m (again unchanged annual 2.1%). Simultaneously, according to Eurostat's flash estimate, inflation in the euro zone increased by 0.6% m-o-m, remaining unchanged (2.4%) y-o-y. On average, service prices in the euro zone increased by 0.8% m-o-m, slowing down to 3.7% from 4.0% y-o-y, recorded during the previous five months. Non-energy industrial products recorded monthly inflation of 0.5%, while the annual rate fell below 1%. Food prices recorded growth of 0.4% m-o-m, which slightly accelerates the annual inflation rate from 2.6% in March to 2.8% in April. Simultaneously, energy prices are rising by 0.3% m-o-m (after -0.2% in March), remaining in deflation y-o-y (-0.6%). The annual inflation rate in Croatia in April was the second highest, behind Belgium (4.9%).
- Trade and industrial production are still at two different tracks. Data for March rounded off this year's Q1, in which real turnover in retail trade grew by 2.3% q-o-q, i.e., by 8.6% y-o-y, thus suggesting a positive contribution of personal consumption to gross domestic product. Simultaneously, industrial production recorded a continuation of adverse trends and a bad start to the year, considering that it recorded a drop of -4.6% q-o-q, and -4.1% y-o-y.
- At the last week's meeting the Fed did not change the fed funds rate, and its chairman Mr. Powell showed caution regarding further moves in the conditions of stubbornly strong inflationary pressures. This increased the possibility of maintaining the interest rate at its current level, i.e., starting monetary policy easing only in the next year. After the Fed's meeting the dollar strengthened to a level below 1.07, to record a correction by the end of the week and then on Friday it finished at 1.0744 dollars to the euro, up by 0.3% w-o-w.
- Euribor slightly increased at the maturity of 1M, while for longer ones it recorded a slight decline so on Friday both 3M and 6M were 3.8%, marginally lower w-o-w.
- Crobex stagnated w-o-w and finished Friday at 2,814 points, and the most important sectoral indices recorded mixed performances (CROBEXindustry +0.5% to 2,045, CROBEXnutris +0.4% to 926, CROBEXtourist -0.5% to 4,356). Crobis increased by 0.5% (to 96.5 points).

HICP in April 4.7%

Industry and trade at two different tracks



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