

## NUMBER 820, MAY 22, 2023

### First quarter brought interest rate growth

- Per the CNB's data, this year's Q1 brought the continuation of growth of interest rates on loans, but also incremental growth of interest rates on time deposits, in line with trends of money market interest rates.
- Interest rates for pure new household loans recorded only a mild increase. Average housing loan rate in Q1 grew by 0.3 p.p. vs. last year's Q4 (to 2.9%), and for cash credits by 0.1 p.p. (to 5.6%). Upward shift has almost the same proportions on an annual level, which shows that for households, interest rates for loans remained almost equally favourable as prior to tightening of monetary policy. Interest rates for pure new corporate loans recorded a somewhat stronger trend in Q1. Observing per enterprise size, interest rates for pure new loans in March (quarterly weighted moving averages) were up by 0.4 – 0.7 p.p. vs. December so the average loan rate for micro enterprises in March was 4.8%, for small 3.8%, for medium 3% and for large 3.0%, reflecting the placement risk through their height. Interannual increase is significantly stronger though, from 1.2 to 1.8 p.p. In the upcoming period we see a continuation of loan interest rate increase, but like before, at a slower pace than our prediction for growth of key interest rates due to still ample liquidity surpluses and high percentage of domestic deposits in banks' financing sources.
- On average, interest rates for overnight deposits in Q1 either stagnated or slightly increased vs. last year's Q4, thus remaining only slightly above zero. Simultaneously, average rates for pure new time deposits recorded a 0.2 p.p. growth for households (to 0.4%), i.e., 1.1 p.p. for corporate deposits (to 1.6%). Observing per maturity, growth is slightly higher for households in short-term deposits (+0.3 p.p.) than in long-term (+0.1 p.p.), while it is almost equal for enterprises. Compared to the last year's same period, average interest rates for deposits are up by 0.3 p.p. for households and 1.6 p.p. for corporates, in line with loan interest rate trends.

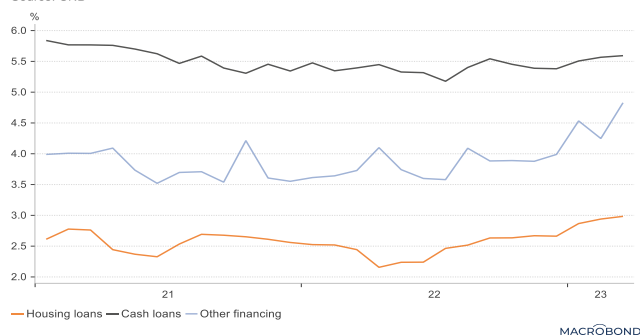
**IR for household loans mildly increased**

**Stronger growth of IR for corporate loans**

**IR for deposits increasing**

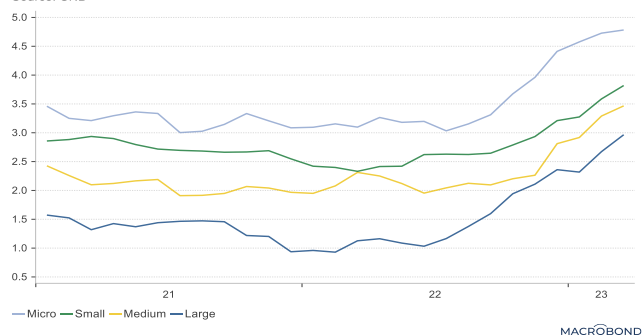
HR Interest rates on pure new household loans

Source: CNB

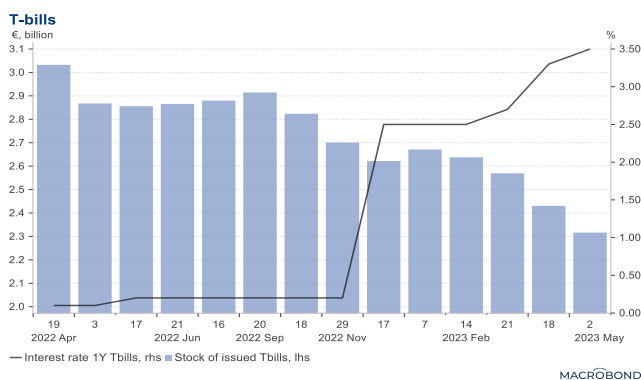
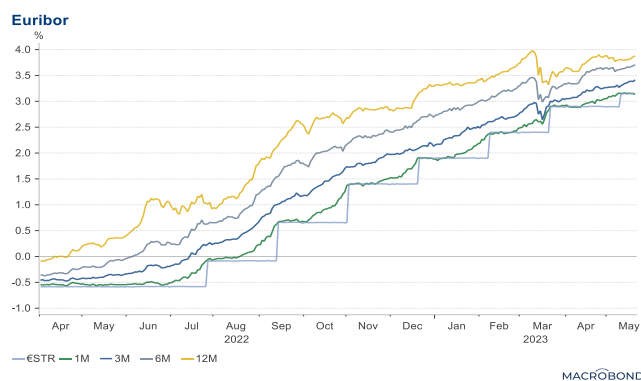


Interest rates on pure new corporate loans (quarterly weighted MA)

Source: CNB



- After exactly one year, inflation has been reduced to single digits and per the CBS's data it amounted to 8.9% y-o-y in April (March: 10.7% y-o-y). Inflationary pressures are still present, and after increasing in March by 0.9%, inflation rate mildly accelerated m-o-m to 1.0%. The largest contribution to monthly price increase was from Clothing and footwear (+6.2%), Restaurants and hotels (+2.1%), Other goods and services (+1.1%), Food and non-alcoholic beverages (+1.0%).
- Average net salary for March was 1,130 euros, i.e., up by 11.9% y-o-y, while in real terms – for the first time since 2021 – it recorded positive interannual growth rate of 1.1%. If we use inflation rate from the month in which salary was disbursed (April) as a deflator, real increase is 2.8%.
- Dollar continued to strengthen, in line with the trend of US yields, so the exchange rate was 1.0808 dollar to the euro by the week's end, down by 0.8% w-o-w.
- Euribor rose up to 10 bps w-o-w, so on Friday 3M was 3.4%, and 6M 3.7%. There are no T-bills maturing this week and no auction.
- Crobex's recovery was interrupted so the index closed Friday down by 0.2% w-o-w, i.e., at 2,256.6 points. The most important sector indices recorded mixed trends – CROBEXindustry and CROBEXnutris declined by 1.9, i.e., 1.2% (to 1,422.8 and 780.8 points), and CROBEXtourist rose by 0.4% (to 4,105.5 points). Crobis continued its mild increase (+0.1% to 94.7 points).



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## ECONOMIC RESEARCH

Ivana Jović  
Ana Lokin

## TRANSLATION

Ana Biloš  
Jelena Marinović

[www.pbz.hr](http://www.pbz.hr)