

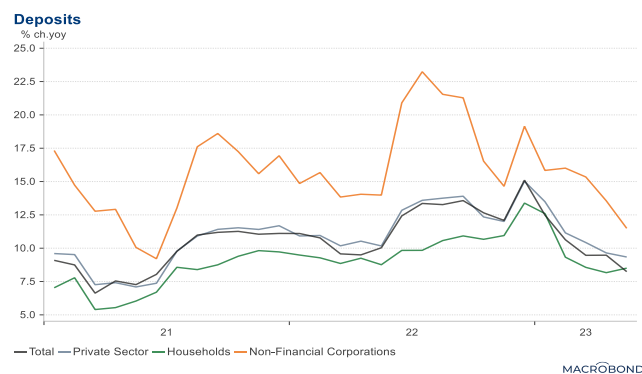
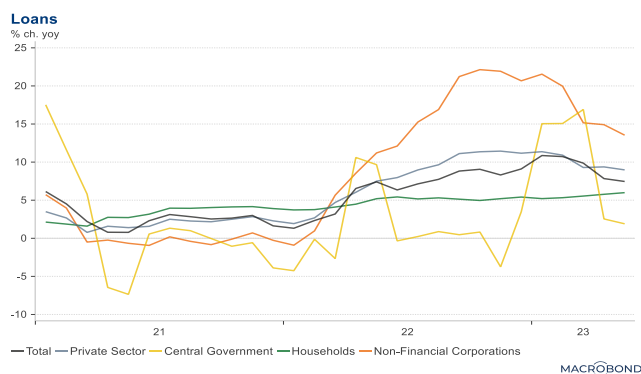
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Slowdown of banking aggregates continues

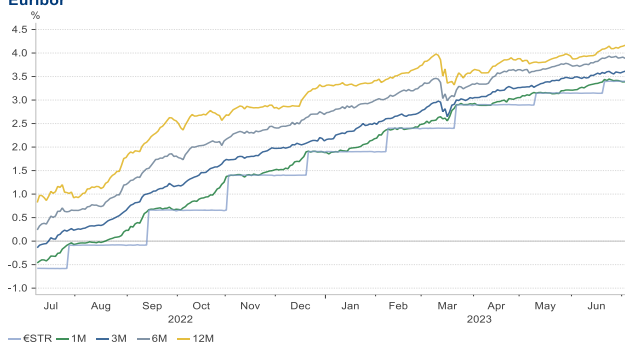
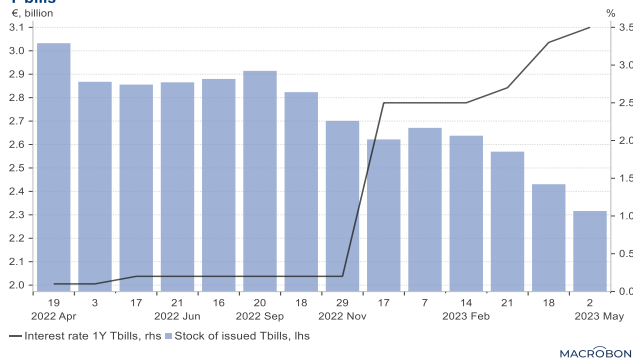
- Behind us are several months of recorded slowdown of loan and deposit growth under the influence of weaker economic activity surrounded by higher loan interest rates.
- Loan growth has slowed down. Per CNB's data, in late May total loans recorded an increase of 7.5% y-o-y, approximately 3 p.p. lower growth rate than the one in January. Loans to the central government increased by a mild 1.9%, while loans to the private sector slowed to 9.0%, mostly due to significant cool-down of corporate demand (+13.5%). Observed by purpose, this is primarily the result of lower volume growth for working capital loans (2.4%) that we believe is the reflection of reducing pressures which came from energy prices in the previous period. At the same time, investment loans are recording solid interannual growth of 10.7%, while other purpose loans are still the fastest growers (+32.8%). Data per enterprise size show a slow-down of loans to micro (13.0%), small (3.6%) and large enterprises (29.4%), while loans to medium-sized enterprises recorded a negative trend (-4.0%). As we predict further reference rate growth, and thus growth of active banks' rates, for the rest of the year we expect a continuation of deacceleration of corporate lending.
- On the other hand, household loans recorded a slight acceleration of growth (+6.0% in May) influenced by a recent subsidy programme and continuous strengthening of cash loan growth. Thus, the latter increased in May by 4.6% y-o-y, while housing loans increased by 9.4%. In the upcoming months we expect a gradual slow-down of household loan growth.
- Deposit growth rate reduced significantly due to household deposit outflow because of the purchase of government bond and still stringy inflationary pressures impacting citizens' incomes. Thus, in May total deposits achieved an interannual increase of 8.2%, around 4 p.p. lower growth rate than in January. Households recorded an 8.5% increase, and non-financial corporations of 11.5%. Citizens' time deposits continued to decline in conditions of a mild increase of interest rates that still weren't attractive enough to encourage a spill-over from overnight deposits happening in enterprises, following an upward trend of interest rates. We foresee further dampening of deposit growth by the end of year.

Cool-down of
corporate demand

Growth of
corporate
term deposits
continued



- House price index in Croatia recorded quarterly growth of 2% in this year's Q1 – the lowest quarterly growth rate recorded since Q3 2021, while the annual growth rate slowed down to 14% after a record 17.3% at the end of last year. Slowdown of prices of new residential buildings is noticeable, their prices increasing q-o-q only by 0.9%, while annual growth slowed to 7.7% - after five consecutive quarters of high double-digit growth. For the first time, prices in Zagreb recorded a quarterly decline (-0.3%), while annual price increase slowed down to 14.7%. Simultaneously, prices on the Adriatic recorded quarterly growth of 3.6% (annual 13.2%), and in the rest of the country 5.5%, i.e., 16.6%. It is interesting that, unlike Zagreb where Q1 2023 brought along price revision, both the Adriatic and the rest of the country recorded acceleration of quarterly growth.
- Dollar slightly oscillated to the euro, closing Friday up by 0.2% w-o-w, i.e., at 1.0888 dollar to the euro.
- During last week, Euribor increased up to 10 bps w-o-w, so on Friday 3M was 3.6%, and 6M 3.9%.
- Negative series at the ZSE continued, and Crobex closed the week down by 0.1% compared to previous week, i.e., at 2,345 points. Of the most important sector indices, CROBEXindustry recorded a decline of 1.1% (to 1,538 points), CROBEXnutris a growth of 3.8% (to 842 points), and CROBEXtourist a correction of 0.2% (to 4,144 points). Crobis stagnated at 94.5 points.

EUR/ USD**Euribor****T-bills****Crobex/Crobis****LEGAL DISCLAIMER**

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