

# WEEKLY ANALYSIS

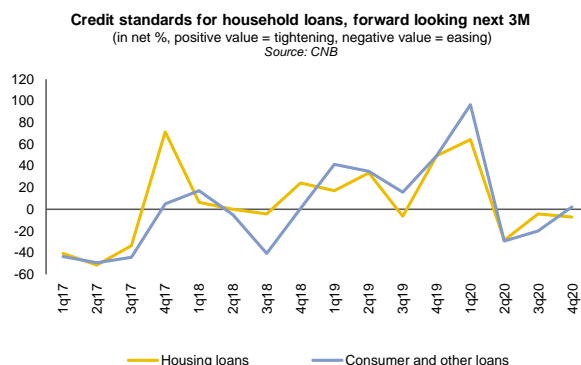
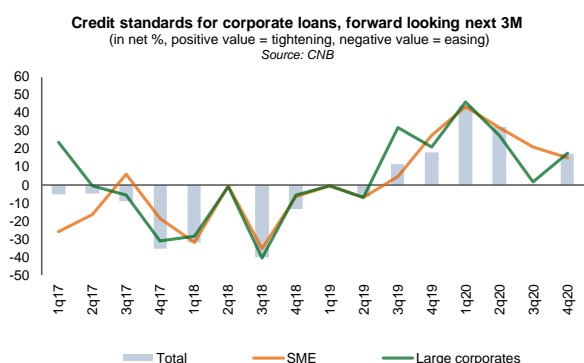
## Number 725, March 15, 2021

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## Loans to private sector in January maintained a moderate growth

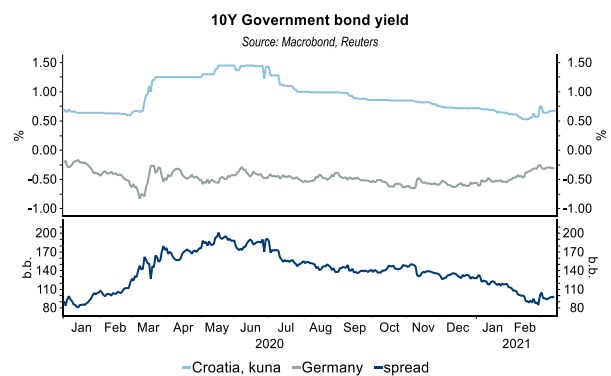
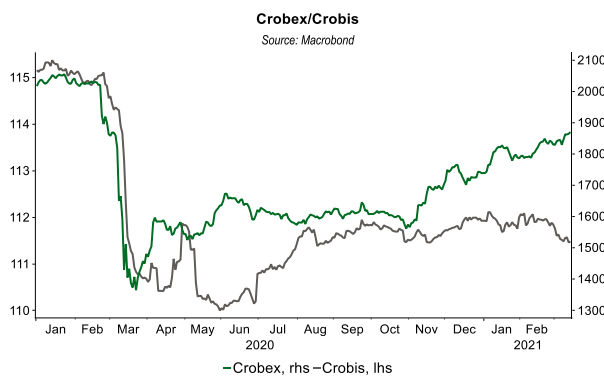
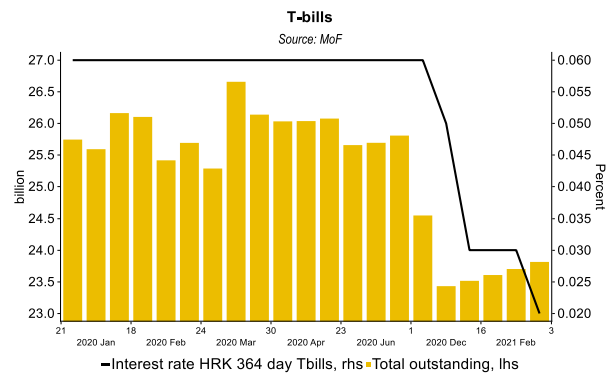
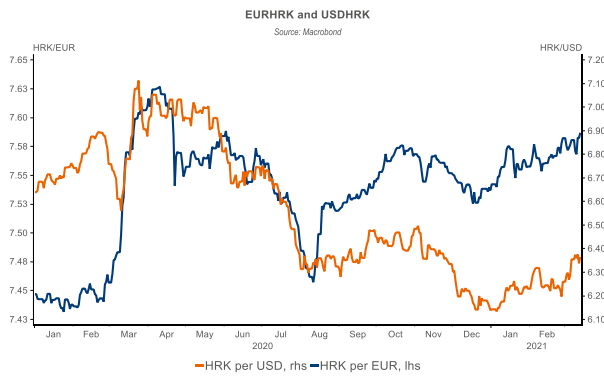
The central bank's January data point to a mild acceleration of the yoy growth of loans (to 6.2%) amid a noticeably stronger growth rate of loans to central government of 17.5% (base effect; January 2020 is pre-pandemic period) with an almost unchanged growth rate of loans to private sector of 3.6% (according to transactions, only slightly lower 3.5%). Loans to households continued to decelerate recording a growth of 2.2% yoy (1.8% according to transactions) where an acceleration of growth of housing loans (to 9.2%), generated due to subsidies, mitigated the effect of a sharper contraction of cash loans of -2.2%, while overall all other loans plunged by 5.1%, making negative the contribution of all loans besides housing loans to the total growth of loans to households for the third consecutive month. To illustrate the pace of reduction of cash loans, let us mention that only a year before their yoy growth rate reached as high as 10.8%, indicating how pronounced was the negative impact of the pandemic, from the second half of last year and reactivation of credit registry. Loans to non-financial corporations in January somewhat accelerated to 5.7% yoy (6.2% according to transactions) whereby investment loans recorded a continued slowdown to 5.9% due to base effect (the strong last year's growth was mainly generated prior to the pandemic outbreak), while working capital loans recorded pronounced fluctuations, thus accelerating in January to 2.1%. Total deposits in January only slightly decelerated to 9.1% yoy, while the private sector continued to rapidly accumulate funds in banks, thus growth of these deposits strengthened to 9.6% due to robust growth of both deposits of households (7.1%) and deposits of non-financial corporations (17.3%).

In the months ahead we observe a decelerated growth of loans and deposits of the private sector with still exceptionally favourable market conditions in terms of a continued expansive euro area monetary policy, where key interest rates are not expected to be raised over this year, and at the last week's meeting the ECB also announced an increased volume of bond purchase under the Pandemic Emergency Purchase Programme in the following quarter. In the domestic market we observe a retention of high liquidity surplus that, accompanied by a moderate credit demand, enable a continued reduction of NRR and interest rates on loans. However, according to the recent Bank lending survey, banks for the current quarter announced tightening credit standards for corporate loans, i.e. in the retail case a slight tightening of conditions for consumer and other loans and easing for housing loans. In the following months we may expect a similar situation because, amid a slow economic recovery, exceptionally high level of uncertainty, sharp drop of the last year's profits of banks due to increased provisioning costs and anticipated growth of the level of non-performing loans following the expiry of moratoria, banks will maintain their caution prudently weighing their risk exposure and conditions will be relaxed only for housing loans ahead of the new wave of subsidised loans.

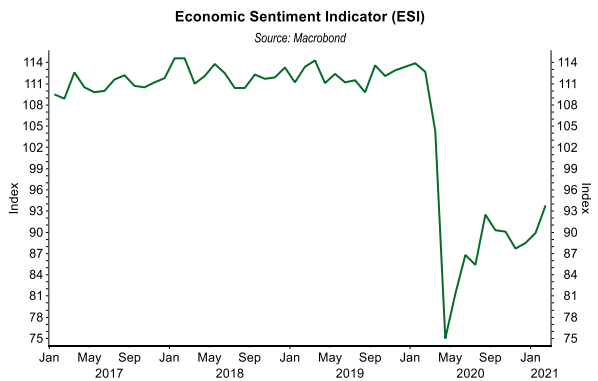
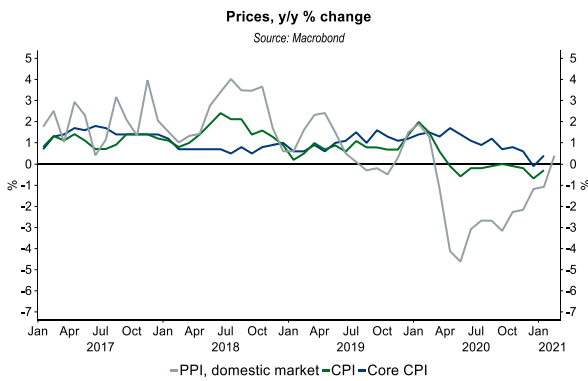
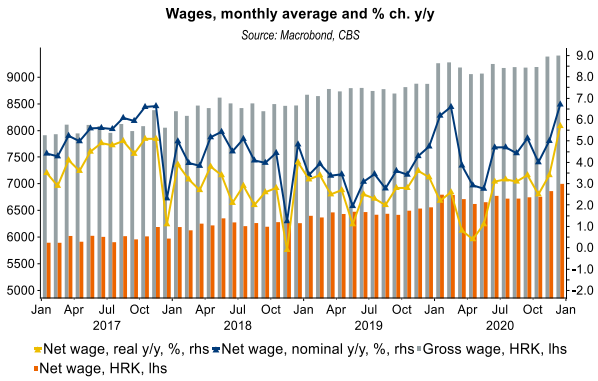
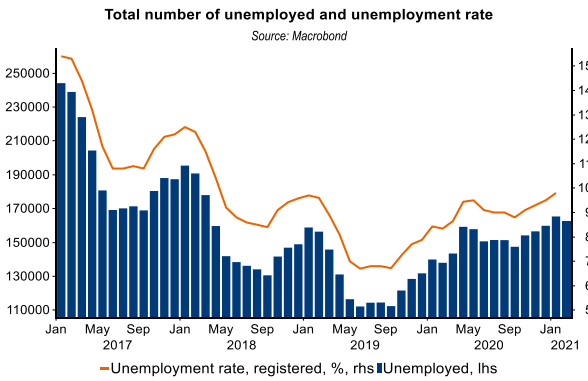
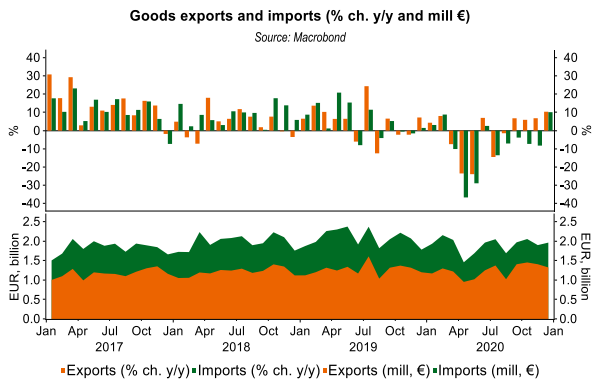
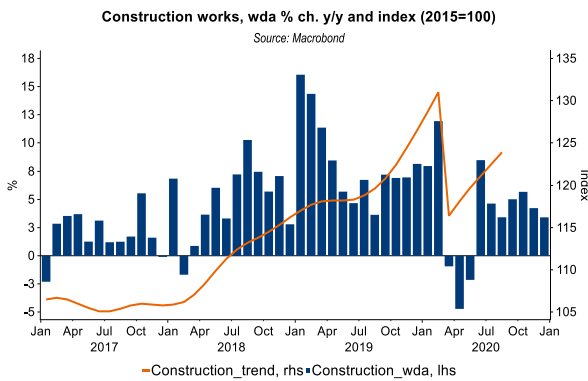
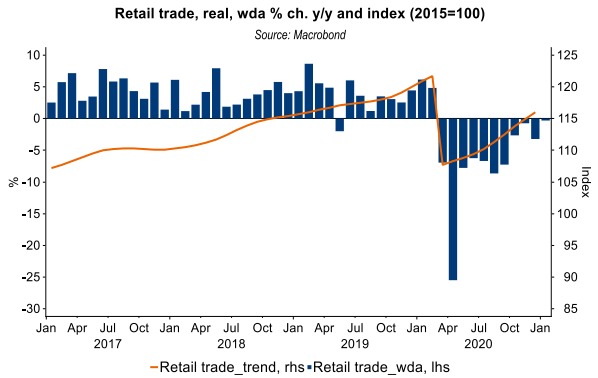
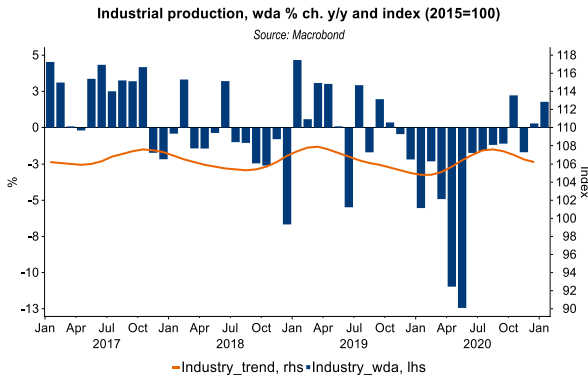


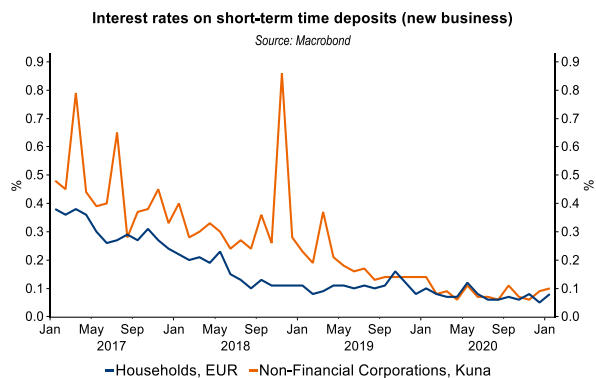
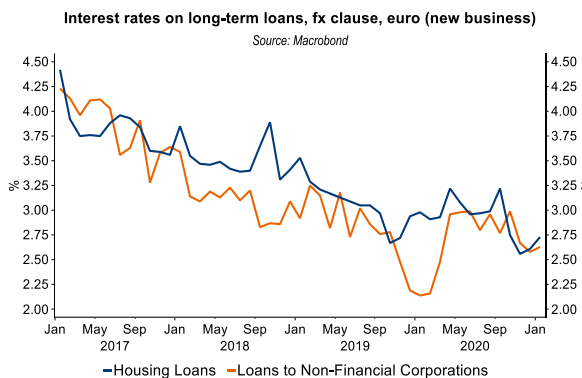
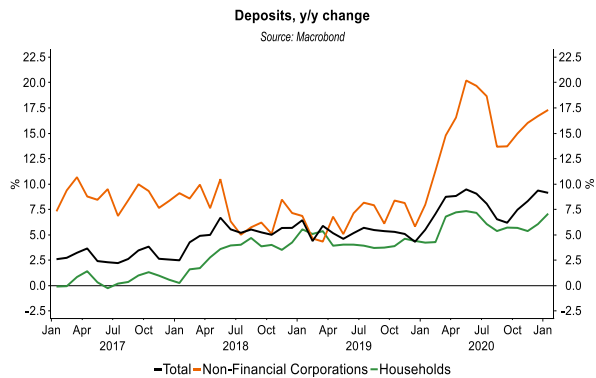
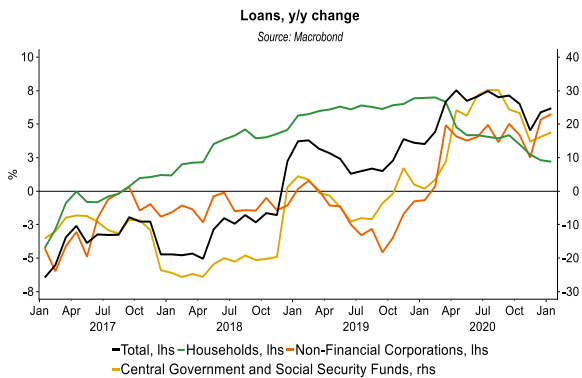
## Weekly overview

- In the week behind us turnover was intensified, however the exchange rate remained steady and on Friday it amounted to 7.5869, up by 0.1% wow, while against the dollar it advanced by 0.2% to 6.3648 kuna to the dollar. This week we do not expect major shifts in the HRK/EUR exchange rate.
- Excess liquidity once again broke record highs and last week it leaped to 66-67 billion kuna. As it was expected, interest rate remained unchanged, and at the central bank's repo auction there was no interest shown. This week there is no maturity nor will there be an auction of T-bills.
- The Crobex Index last Friday closed at 1,870.20 points, up by 2.2% wow, while Crobis simultaneously reached 111.92 points, stagnating in wow terms. As for sector indices, CROBEXindustry grew by 3.0% wow (to 1,072.90 points), while CROBEXtourist and CROBEXconstruct fell by 0.5% and 2.6% respectively (to 3,569.06 and 819.67 points). Total ZSE turnover last week reached 144.3 million kuna, down by 4.7% wow, owing to 29.3% lower turnover in bonds (amounting to 89.7 million kuna), while turnover in shares simultaneously increased by 2.2 times (to 54.6 million kuna).



# Statistics





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