

WEEKLY ANALYSIS

Number 732, May 10, 2021

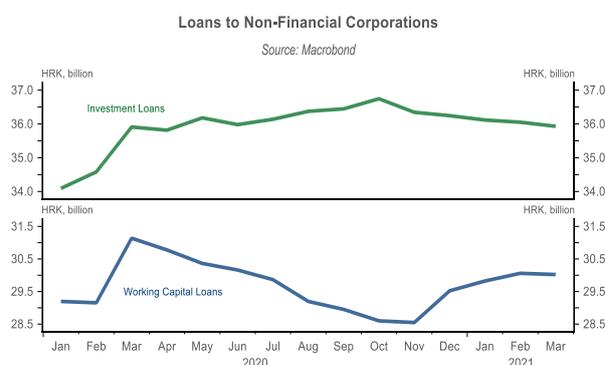
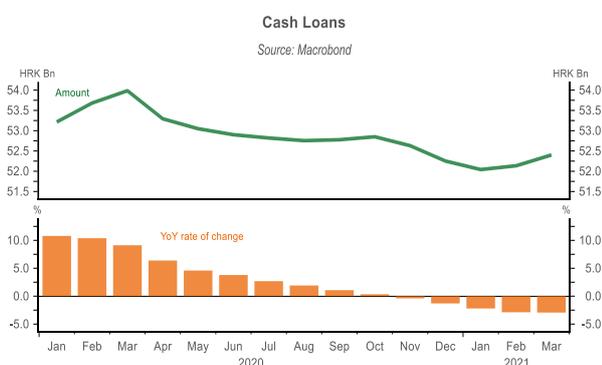
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Cash loans record growth

Annual loan growth slowed down significantly in March due to the continuation of reducing loans to the central government mom, and the base effect (exchange rate, leap in loans to non-financial companies at the very beginning of the pandemic). Total loans in March recorded a growth of 2.2% yoy (February: 4.4%), and loans to the private sector of only 0.8% (February: 2.7%). Loans to the central government have been declining since the beginning of the year so at the end of March they were higher by 6.0% yoy, but down by 5.4% on a quarterly level. Loan growth rate was strongly pulled down by non-financial companies where loans sank by 0.5% yoy due to the base effect (March 2020 also witnessed a strong increase in both working capital loans and investment loans), whereby working capital loans recorded a contraction of 3.6%, and investment loans managed to remain in slight plus of 0.1%. Still, comparison with the end of last year shows a slightly more positive trend and growth of corporate loans of 0.7%. Loans to households continue to slow down yoy, so in March they recorded an increase of 1.6%, whereas only housing loans were on the rise (8.3%), while other loan types were in decline (cash -2.9%, overdrafts -5.4%, other purpose -5.7%). Here, however, we see indications of more positive trends, considering that in March cash loans mom rose for a second month in a row, and statistics of new loans shows us that in this year's first quarter other loans (cash and other) increased by 0.8% in regards to previous quarter. Data on transactions show that cumulative 12-month growth of loans in the private sector in March slowed down to 1.8% yoy, but, while growth of loans to non-financial companies lessened to 1.2%, it sped up to 2.2% in households.

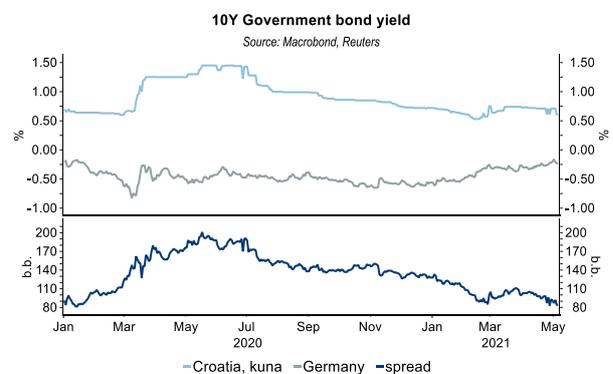
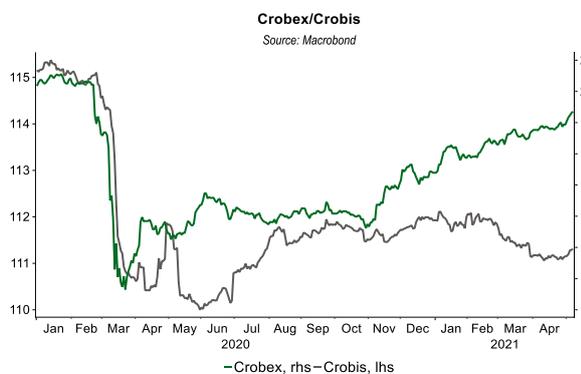
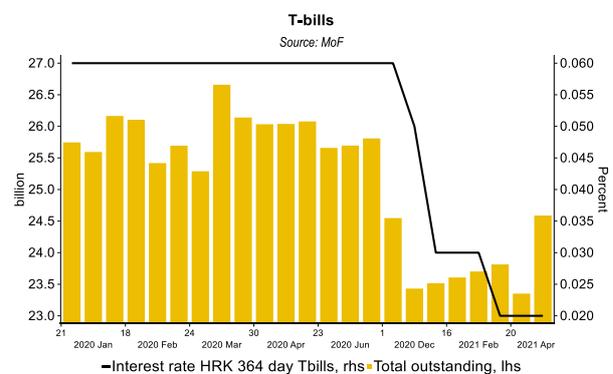
Deposit growth was also more moderate in March than the month before due to the base effect (outflows from investment funds due to pandemic outbreak, weakening of kuna) and was 6.7% yoy for total deposits (February: 8.8%). Total demand deposits in kuna sped up to 21.3% yoy, decline of kuna savings was reduced to -3.1%, while foreign currency savings weakened from +4.5% to -0.7% in March, mostly due to the aforementioned basis effect (inflow from funds). Private sector deposits slowed down to 7.2% (February: 9.5%), out of which deposits of non-financial companies to 12.6%, and households to 5.4%.

We expect that in the upcoming quarters the loan demand will record a growth, following an economic momentum, while the growth of liquidity stocks in the private sectors should be loosened with the recovery of spending and investments. In the conditions of high liquidity and capitalisation of banks, low interest rates and reduced revenues of banks, risks for growth of bank aggregates are primarily linked to the recovery of the economy, consumer optimism and business sentiment, and we assess them as balanced.



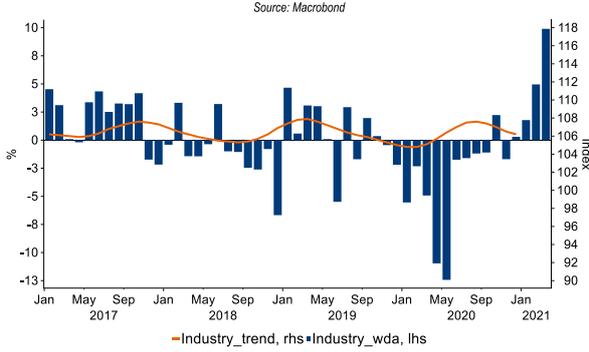
Weekly overview

- Export of goods was reduced by 0.7% yoy in February 2021, while import of goods simultaneously declined by 2.4%. In the first two months of this year the total annual decline of export of goods was 1.4%, and of import 6.4%, reducing the foreign trade deficit in trade of goods by 13.9% (coverage rate was 63.6% or 3.2 p.p. yoy more).
- Kuna continued to grow owing to somewhat stronger inflows and on Friday mid-point exchange rate was 7.5720, down by 0.3% wow. Kuna simultaneously appreciated against the dollar by 0.2%, reducing the exchange rate to 6.2330 kuna to the dollar. This week we forecast a continuation of trade on similar levels.
- Excess liquidity dropped last week to 65-66 billion kuna, interest rates continued to stagnate, and at the repo auction there was no demand. Last week 1,035 billion euro of FX T-bills were due, and a subscription was made of 1,2 billion euro with an interest rate of -0.05% by which the government debt in T-bills increased 24.6 billion kuna. There are no maturities this week and there will be no auction.
- The Crobex Index closed last Friday up at 1,935.53 points, i.e., up by 2.2% wow, while Crobis finished at 111.74 points, i.e., up by 0.1%. As for sector indices, CROBEXindustry fell by 4.5% wow (to 1,071.79 points), while CROBEXconstruct and CROBEXtourist rose by 1.4% and 1.8% respectively (to 766.70 and 3,538.78 points). Last week total ZSE turnover reached 164.6 million kuna, up by 18,3% wow, owing to 33.2% higher turnover in bonds (reaching 5.3 million kuna) and 12.5% higher turnover in shares (112.3 million kuna).



Statistics

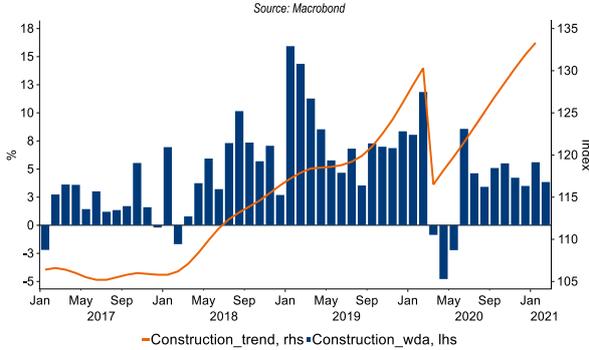
Industrial production, wda % ch. y/y and index (2015=100)



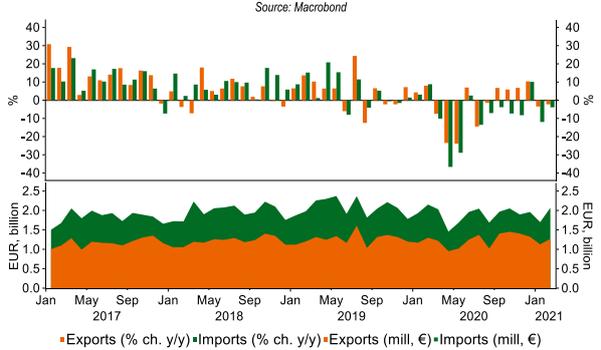
Retail trade, real, wda % ch. y/y and index (2015=100)



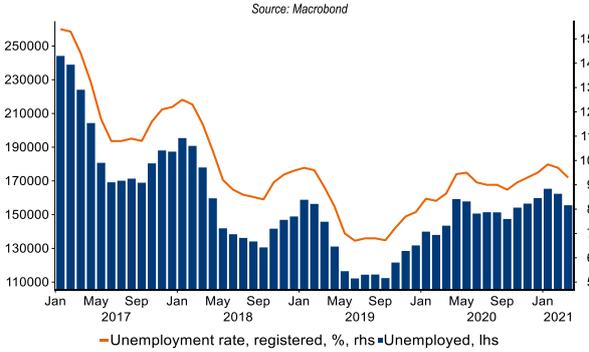
Construction works, wda % ch. y/y and index (2015=100)



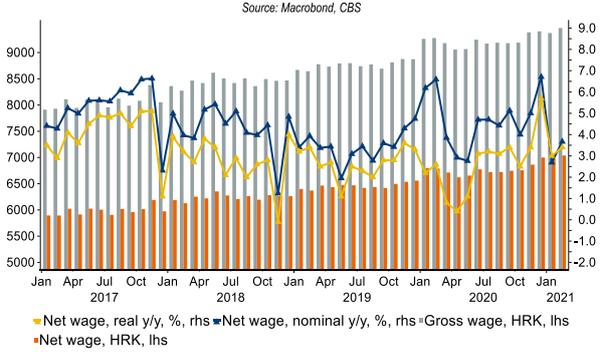
Goods exports and imports (% ch. y/y and mill €)



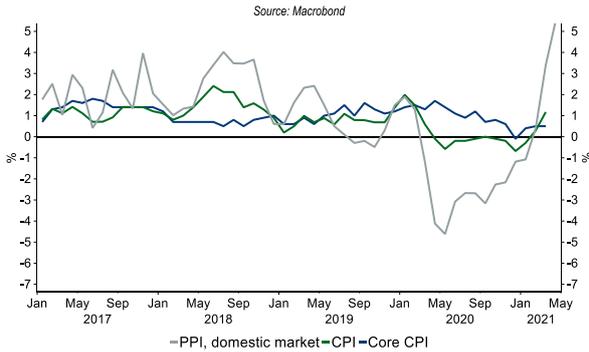
Total number of unemployed and unemployment rate



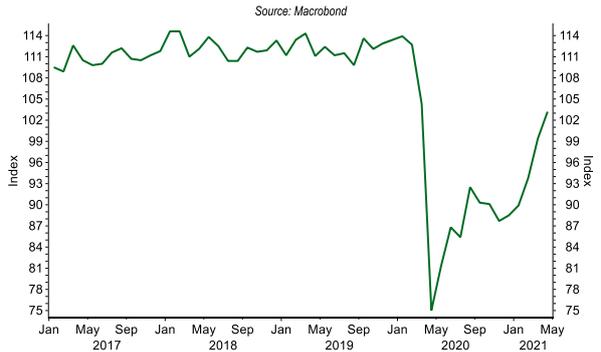
Wages, monthly average and % ch. y/y

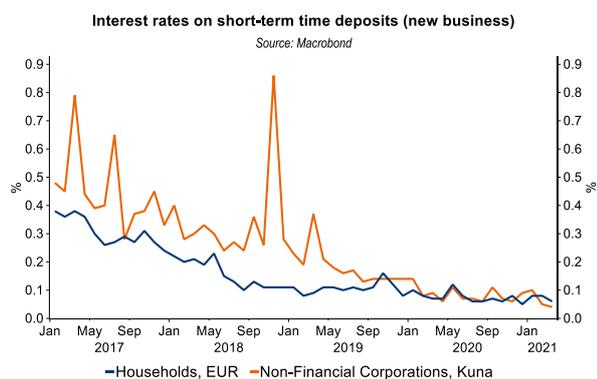
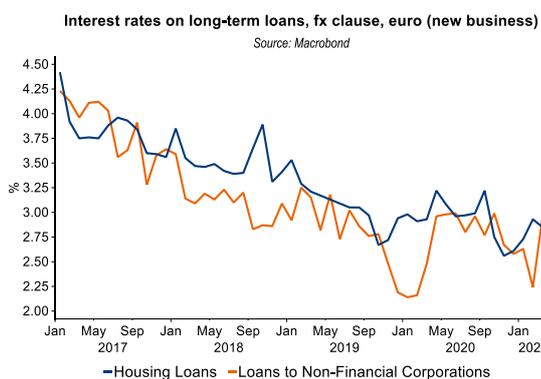
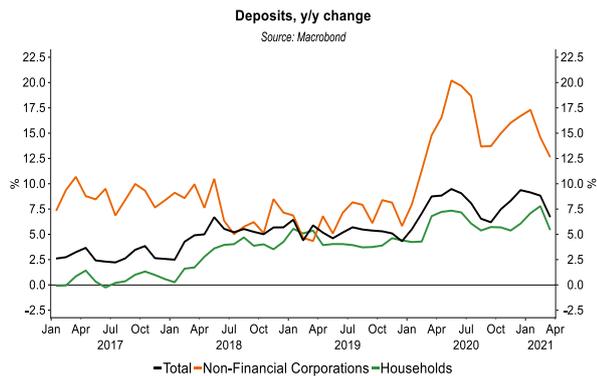
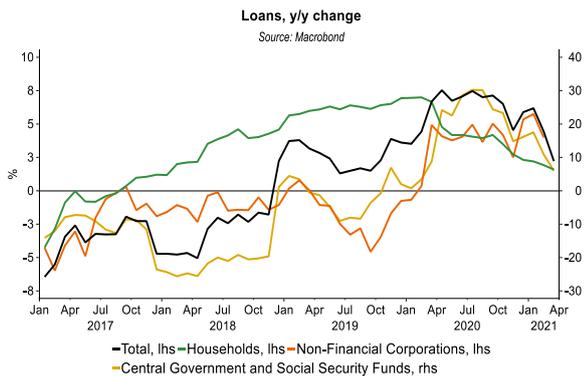


Prices, y/y % change



Economic Sentiment Indicator (ESI)





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