

WEEKLY ANALYSIS

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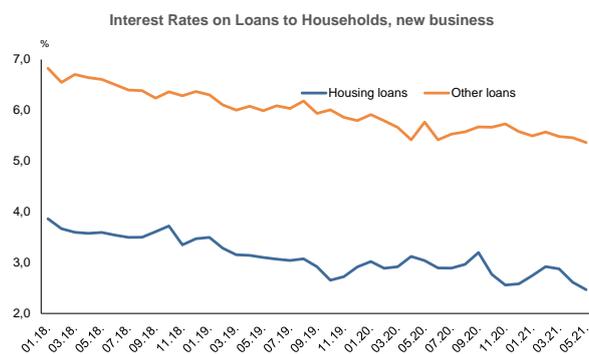
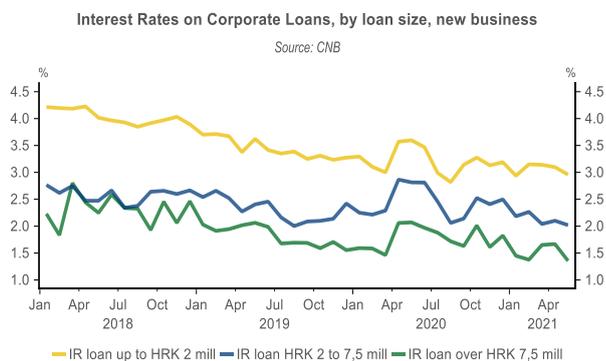
Bank interest rates declining

Bank interest rates on loans and deposits recorded a downward trend over this year's first five months, in line with a continuation of ample liquidity, low reference interest rates, stagnation of the country's risk premium and accelerated economic recovery.

Compared with the last year's average, the average interest rate on loans to small enterprises (up to HRK 2 million) dropped by 0.2 p.p. to 3.1%, and on loans to medium-sized enterprises (HRK 2 to 7.5 million) and large enterprises (above HRK 7.5 million) by 0.3 p.p. to 2.1 and 1.5% respectively. Interest rates on corporate loans thus, after the increase posted in last year's second quarter following the pandemic outbreak, during the rest of the year 2020 and in early 2021 returned to the longstanding downward trend, hence in May they were equal or lower than in March last year. Favourable movements are also recorded by interest rates on newly approved loans to households that in the observed period dropped by 0.2 p.p. on both housing loans and loans for other purposes, amounting to 2.7 and 5.5% respectively. Movements of interest rates on housing loans are significantly determined by cycles of subsidies, while in the case of other, mainly cash loans, over the past year an increased competition among banks kicked in due to the reduced demand for this type of loans.

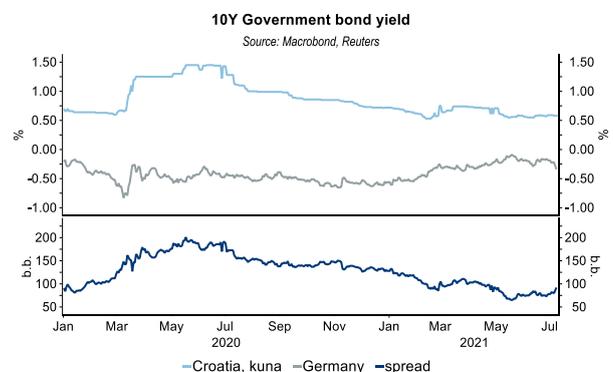
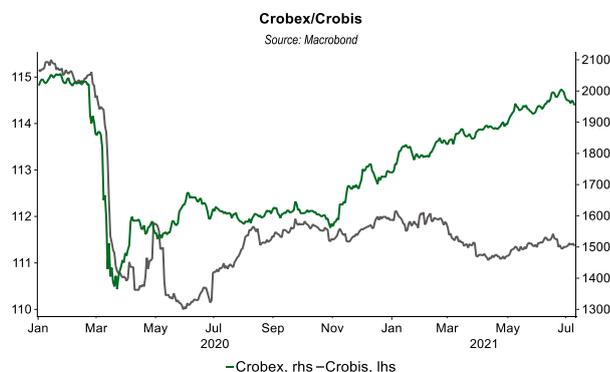
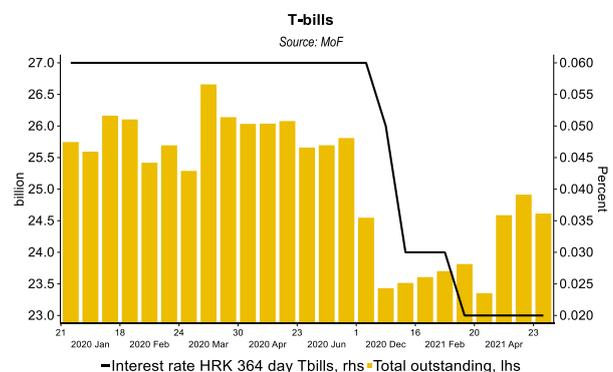
The average interest rate on new time deposits of the private sector over this year's first five months, compared to the 2020 average, dropped by 0.1 p.p. to 0.1%, on both HRK and FX time deposits. Thereby the rate on retail time deposits amounted to 0.1% for HRK and FX, while in companies the average rate on HRK term deposits reached 0.1%, and on FX time deposits 0.02%. Interest rate on overnight deposits simultaneously stagnated and in May on HRK it amounted to 0.04% for households and 0.01% for companies, and on FX 0.01% for both households and companies.

As credit demand awakens, and interest rates on deposits are already close to zero, later in the year we expect the downward trend of interest rates on loans to be maintained and the consequent narrowing of interest spread (difference between the interest rates on total loans and deposits). Such developments will continue to motivate the banks to develop new services, accelerate digitalisation, reduce costs and search for market niches as to preserve a solid level of profitability.

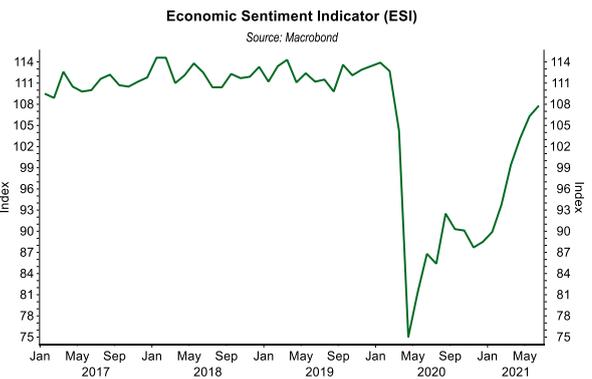
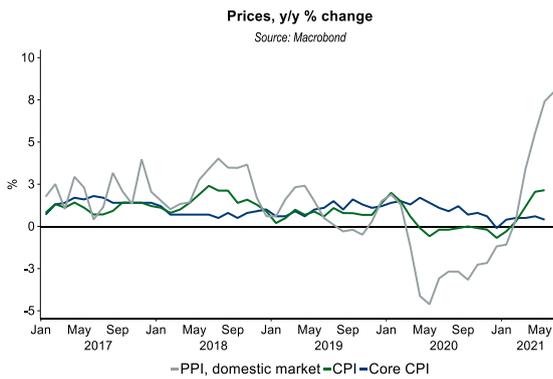
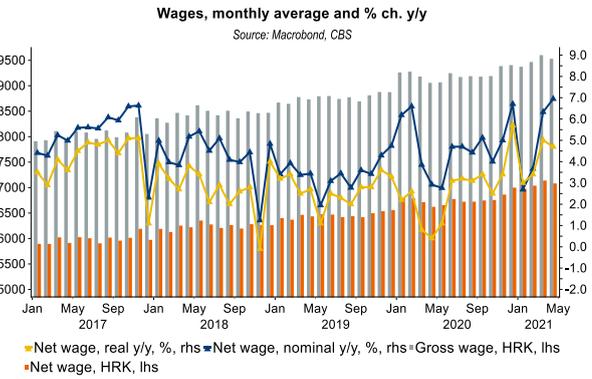
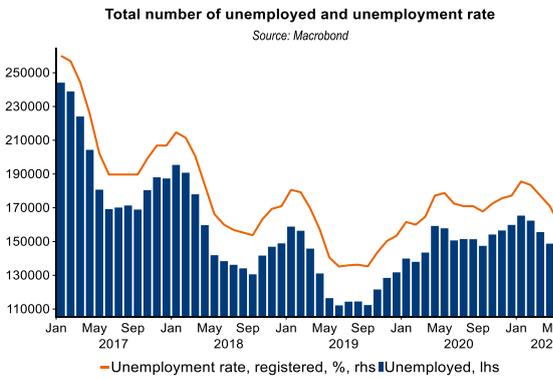
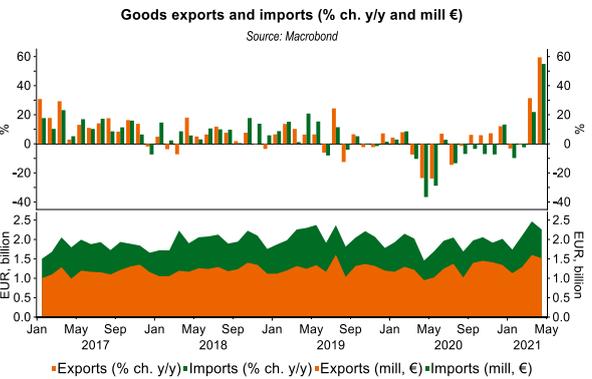
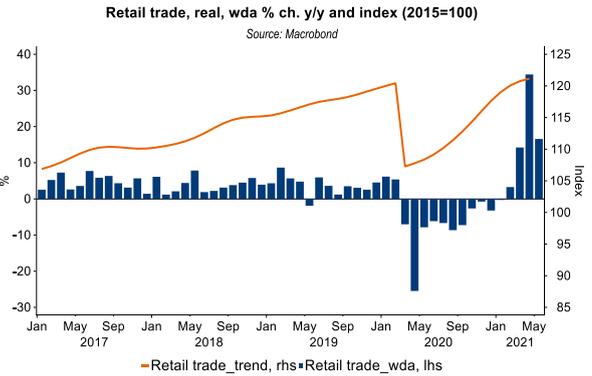


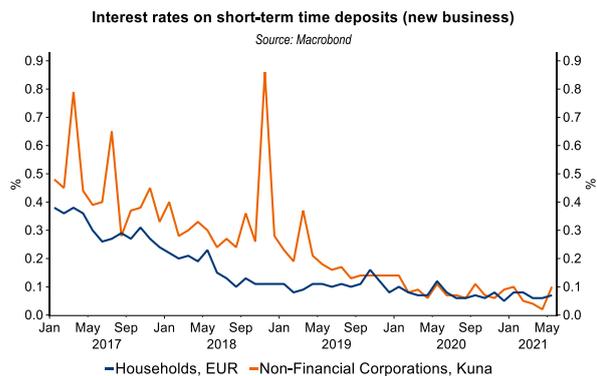
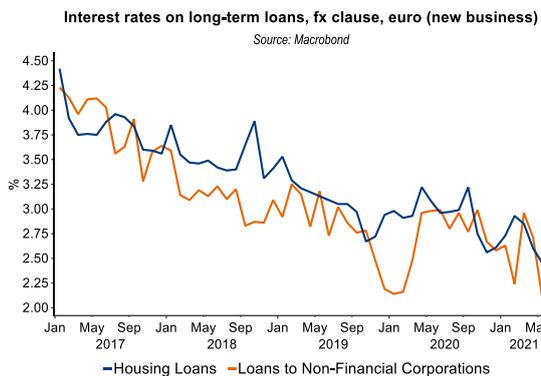
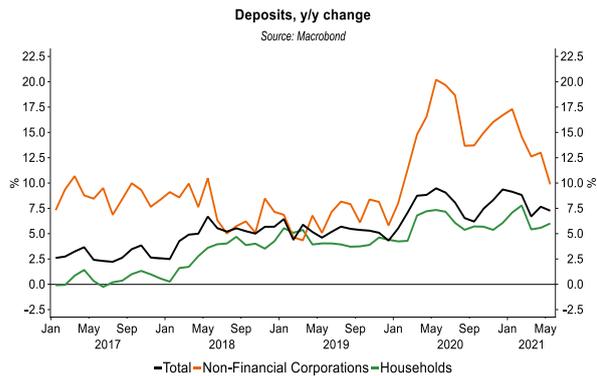
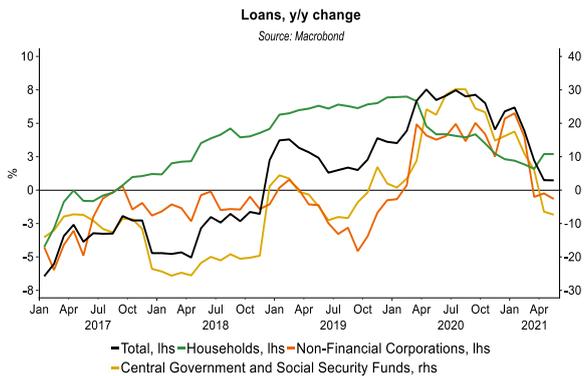
Weekly overview

- Exports of goods in April posted an increase of 58.7% yoy, while imports simultaneously grew by 54.1%, whereby foreign trade deficit in trade of goods advanced by 45.5% yoy, and coverage ratio grew by 1.9 p.p. (to 67.2%). In the period from January to April this year exports of goods recorded a growth of 20.8% compared to the same period last year, while imports increased by 14.6%.
- Last week the increased demand for HRK was maintained and the exchange rate continued to fluctuate around 7.48 and at the end of the week it amounted to 7.4832 kuna to the euro, resulting almost unchanged in wow terms. The kuna appreciated against the dollar by 0.3% wow thus the exchange rate dropped to 6.3134 kuna to the dollar.
- Liquidity decreased at the beginning of last week to 59 billion kuna, to then grow once again in the following days reaching 64 billion kuna. At the CNB's repo auction there were no placements, and interest rates stagnated.
- The Crobex Index closed last Friday at 1,954.03 points, down by 0.8% wow, while Crobis simultaneously stagnated (at 11.80 points). As for sector indices, CROBEXconstruct closed on Friday up by 10.7% wow (at 440.86 points), while CROBEXtourist and CROBEXindustry dropped by 1.5% and 1.9% respectively (at 3,527.38, i.e. 1,020.41 points). Total ZSE turnover last week reached 203.3 million kuna, up by 10.2% compared to the week before, owing to 19.3% higher turnover in bonds (reaching 179.2 million kuna), while turnover in shares fell by 29.7% (to 24.1 million kuna).



Statistics





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