

## NUMBER 804, JANUARY 16, 2023

### Continued strong growth of bank aggregates

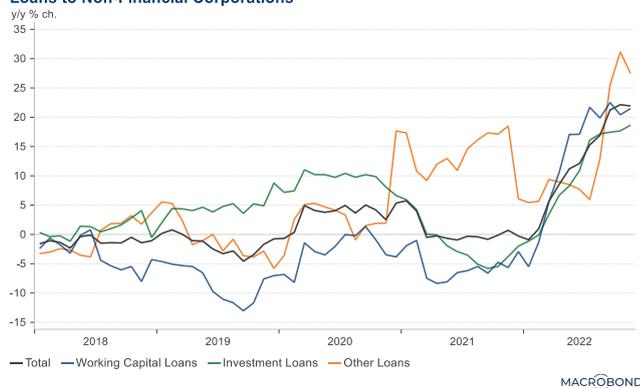
- November did not bring any major surprises in the development of bank aggregates, i.e., the robust growth of loans and deposits driven by demand from non-financial corporations and cash inflows into banks continued.
- Total loans rose 8.3% year-on-year at the end of November, with private sector loan growth unchanged from a month earlier at 11.4%. The growth of total loans slowed somewhat compared to October due to deleveraging of the central government, which recorded a year-to-year contraction of 3.7%. Loans to households accelerated slightly to 5.2% (5.5% according to transactions), and housing loans led the way as in previous months (+9.8% year-on-year and +0.7% month-on-month). Cash loans continue to grow at a mild pace (+2.1% year-on-year), hampered by adverse consumer sentiment, heightened uncertainty and a real decline in citizens' incomes. At the same time, loans to non-financial corporations slightly slowed down their growth to 21.9% year-on-year (+22.3% transactions) as a result of a lower growth of loans for other purposes, while investment and working capital loans accelerated (to 18.7 and 21.5%, respectively). Investment loans have thus reached the historically highest growth rate, and the division by company size shows us that the primary driver of growth is the demand of large enterprises (+22.7%), followed by micro enterprises (+18.6%). Total loans to large enterprises achieved a year-to-year jump of 40.0% in November, micro recorded growth of 17.8%, small 9.9%, and medium-sized enterprises lagged behind with growth of only 3.5%, which is a consequence of the decrease in loans for other purposes.
- Total deposits slowed somewhat in November, rising by 11.9% year-on-year. Private sector deposits weakened to 11.8% due to a more moderate growth in deposits of non-financial corporations (14.6%), while household deposits maintained a steady growth dynamic (10.7%). The division by currency and maturity shows that, as expected, total sight deposits accelerated, HRK savings continued to melt rapidly, and the growth of foreign currency savings slowed (16.9%; -9.6%; 11.3% year-on-year).

**Loans to the private sector were up by 11.4% year-on-year in November.**

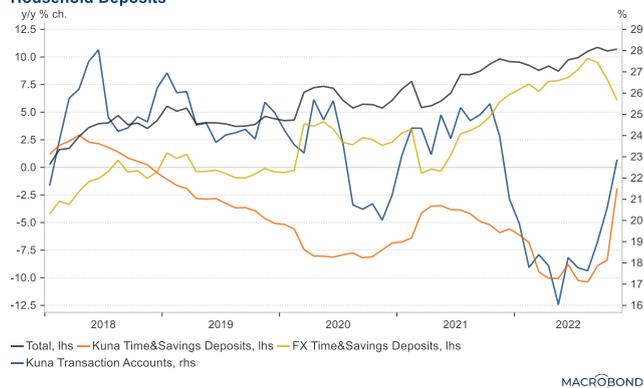
**Sight deposits accelerated to 16.9% year-on-year.**

- If we look only at household deposits, we see that in November there was a jump in sight deposits of citizens of 3.6%, or HRK 3.3bn m-o-m. At the same time, cash in circulation was reduced by HRK 3.7bn, so we can assume that at least half of this amount was deposited in bank accounts. Cash in circulation thus continued to melt for the fourth consecutive month, declining from HRK 35.7bn in July to HRK 23.8bn in November. The real picture of how much cash in circulation was poured into bank accounts (part of it was spent, changed in exchange offices, etc.) will be obtained only when the data for December last year, i.e., January this year, are available. Given the strong confidence in the euro, we can expect a substantial portion of cash to be retained in the system.

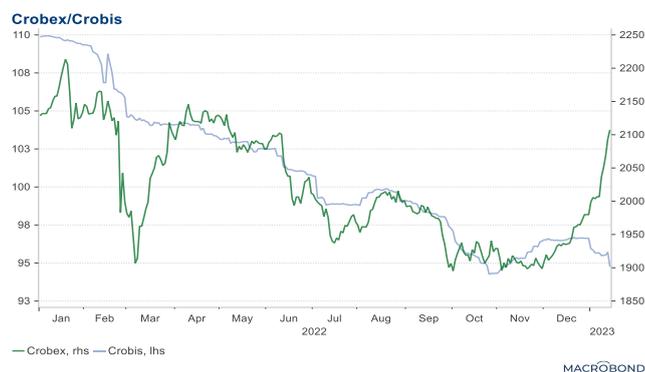
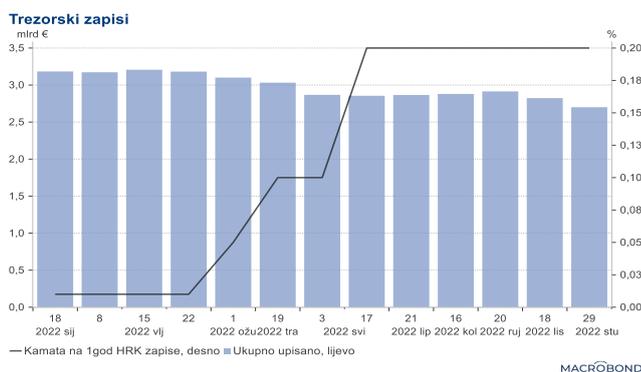
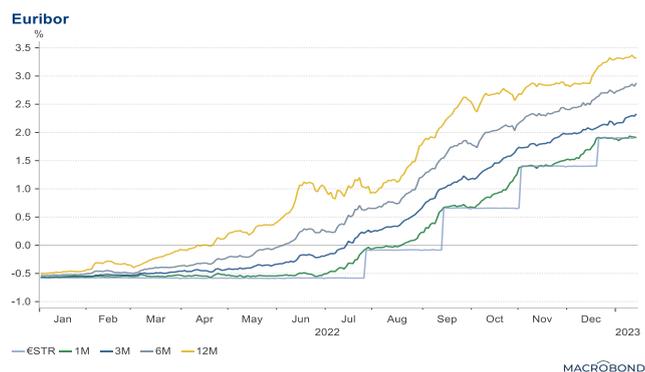
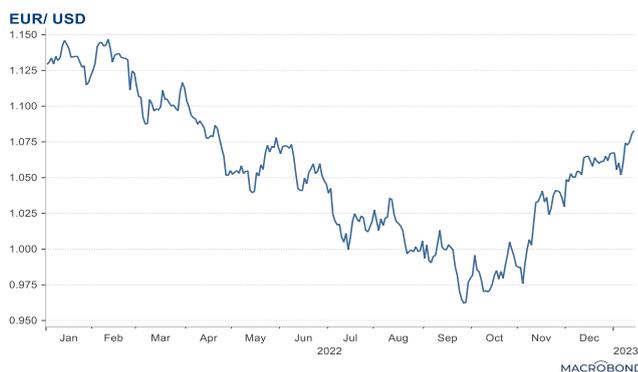
Loans to Non-Financial Corporations



Household Deposits



- Housing prices in the third quarter of 2022 increased by 2.8% compared to the previous quarter, while year-on-year they recorded a growth of 14.8% with new construction prices up by 17.4% and existing housing by 14.5%. Prices in the area of the city of Zagreb continue to rise at the fastest rate (17.9%).
- The dollar continued to weaken against the euro in the past week in anticipation of U.S. inflation data that pointed to a further decline supporting expectations that the Fed could reduce the pace of interest rate hikes in the upcoming meeting. At the same time, support for the euro comes from the belief that the ECB will continue to raise key interest rates more decisively. At the end of the week, the exchange rate reached \$1.08 for euro, up by 3.0% w-o-w.
- Euribor stood still or recorded only slight shifts in the week behind us, concluding Friday at the level of 2.3% for 3M and 2.9% for 6M. This week, €226 million of T-bills is falling due and the MF has announced an auction planned in the amount of €200 million.
- Crobex maintained an upward trend, rising 5.0% w-o-w (to 2,107.2 points) due to the growth of all the most important indices (CROBEXindustry +7.8% to 1,141.1, CROBEXnutris +6.7% to 784.1, CROBEXtourist +2.9% to 3,587.6). Crobis continued to plunge (-1.0% to 94.7 points).



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