

# WEEKLY ANALYSIS

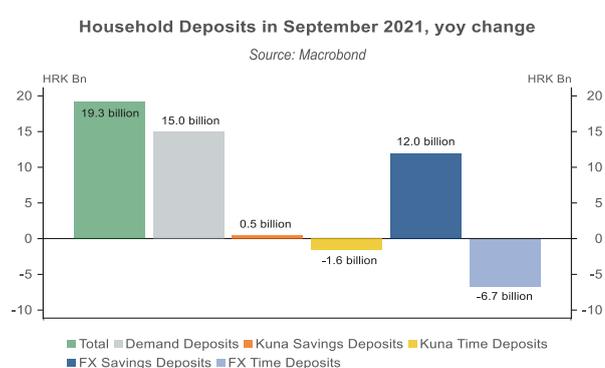
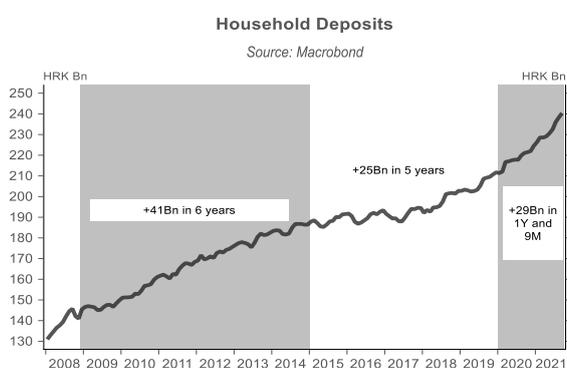
## Number 752, November 8, 2021

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## More favourable economic environment, but citizens continue to save

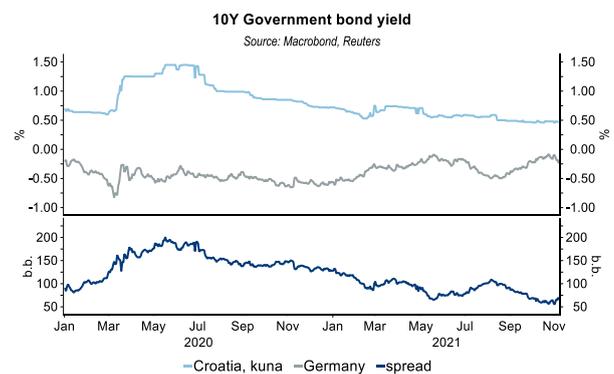
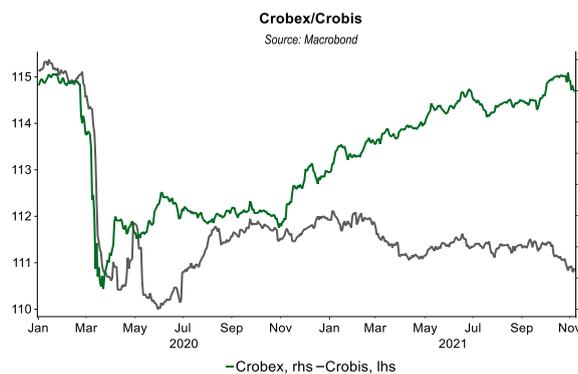
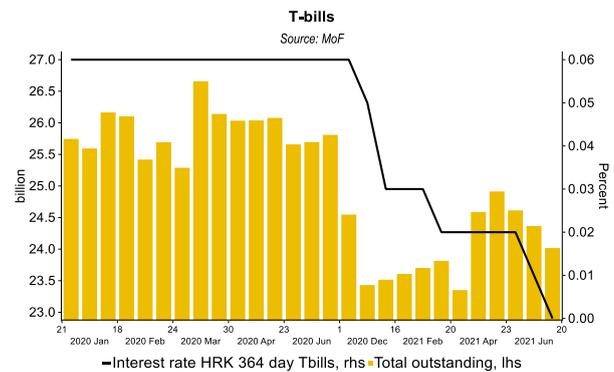
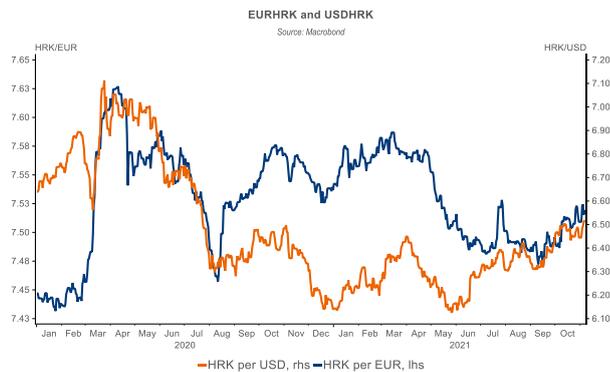
One year ago we analysed the growth of household savings over the first three quarters of the year 2020 marked by the pandemic, establishing that the caution of citizens, postponement of purchase and conservative profile of average domestic saver brought about a noticeable growth of deposits in banks (+HRK 9.4 bn, i.e. 4.4%), as the safest form of savings, i.e. investments. In the last twelve months many factors affecting the level of savings changed markedly. In Croatia and Europe economic activity strongly rose from the bottom, consumer optimism increased, and domestic tourist season surpassed even the most optimistic expectations. Paradoxically, the growth of savings did not weaken, but it accelerated, and the outlook on a slightly longer period indicates that in the past one year and nine months almost HRK 29 bn has been saved under bank accounts, while over the previous five-year period deposits grew by HRK 25 bn.

At the end of September total deposits of households were up by HRK 19.3 bn (8.7%) compared with September 2020, whereby the growth of sight deposits amounted to HRK 15.0 bn (25.0%), and FX savings HRK 5.3 bn (3.8%). The growth particularly accelerated in the second quarter amid increased revenue from tourism and improved labour market developments, showing that citizens for the time being decided to save one part of those revenues, which points to a continued increased level of caution. FX savings, owing to a continuous growth in the last four months, at the end of September reached HRK 144.3 bn, down by merely 0.1% from its record high in November 2015. HRK savings simultaneously, discouraged by the decreasing difference between the interest rates on HRK and FX time deposits and approaching the date of joining the eurozone, continued to melt (-HRK 1.1 bn, i.e. -4.9%). By observing the savings in more detail, according to the maturity, we see that sight savings advanced within a year (FX by HRK 12.0 bn, i.e. 17.1%, HRK by HRK 0.5 bn, i.e. 7.9%), and time savings decreased (FX by HRK 6.7 bn, i.e. 9.7%, HRK by HRK 1.6 bn, i.e. 8.4%). This continues the longstanding time savings downward trend (structure according to the maturity did not excessively change, thus still around 1/3 is deposited up to one year) that may be stopped once the interest rates on savings start going up. The latter may be expected when the European Central Bank starts increasing key interest rates, which according to our current projections will not happen at least until the end of 2022. Although we will gain a better insight into further steps of the ECB Governing Council only after the meeting in December, already after the last month's meeting Lagarde announced that, despite the significant inflation growth, the rise of interest rates expected by the markets already at the end of 2022 is not consistent with the ECB's conditions of the forward guidance.



## Weekly overview

- The first week of November unfolded quietly at the domestic FX market. The mid-point exchange rate at the end of the week amounted to 7.5195 kuna to the euro, up by 0.1% w-o-w. The kuna at the same time noticeably weakened against the dollar, by 1.2%, and the exchange rate grew to 6.5189 kuna to the dollar. This week we expect trading to be maintained in the range of 7.52-7.53 kuna to the euro.
- Excess liquidity decreased to 62 billion kuna, at the CNB's repo auction also last week there was no interest shown, and interest rates stagnated. This week no T-bills are due thus there will be no auction.
- The Crobex Index closed last Friday at 1,997.42 points, down by 1.7% w-o-w, while Crobis simultaneously stagnated at 111.32 points. As for sector indices, CROBEXconstruct posted an increase of 3.9% (to 451.06 points), while CROBEXtourist and CROBEXindustry recorded a decline of 1.5% and 1.3% (to 3,560.59 and 1,121.00 points). Total ZSE turnover last week reached 133.7 million kuna, down by 67.0% compared to the week before, owing to 67.9% lower turnover in bonds (reaching 100.6 million kuna) and 63.9% lower turnover in shares (33.1 million kuna).



# Statistics

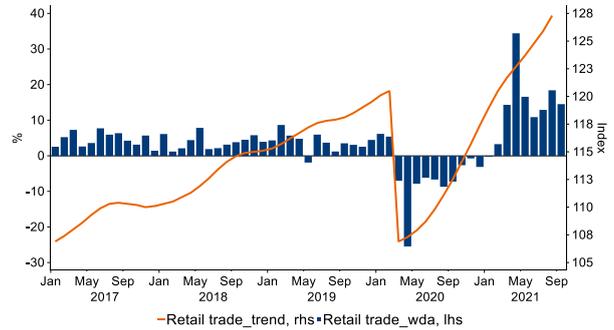
**Industrial production, wda % ch. y/y and index (2015=100)**

Source: Macrobond



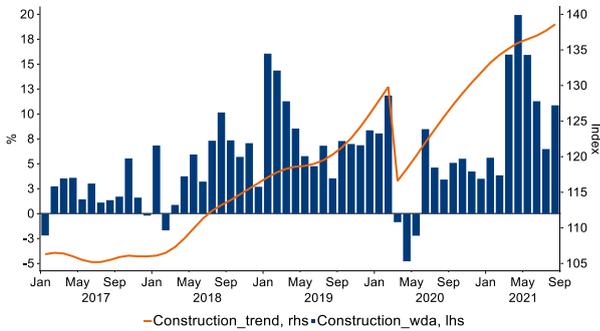
**Retail trade, real, wda % ch. y/y and index (2015=100)**

Source: Macrobond



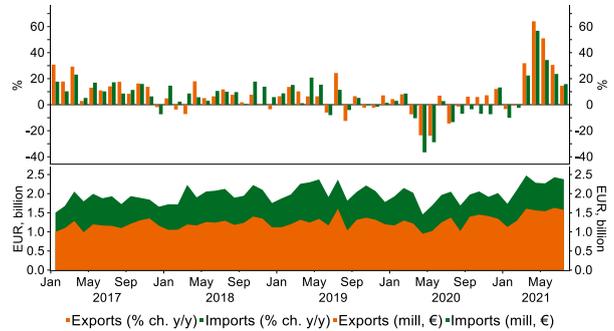
**Construction works, wda % ch. y/y and index (2015=100)**

Source: Macrobond



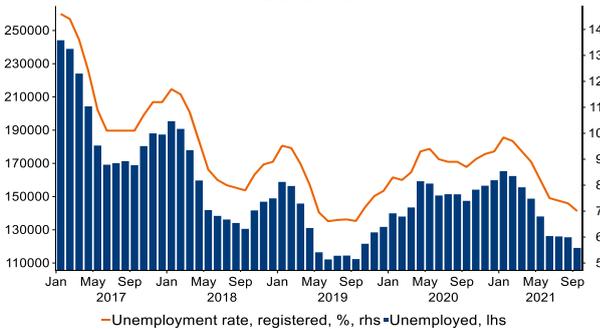
**Goods exports and imports (% ch. y/y and mill €)**

Source: Macrobond



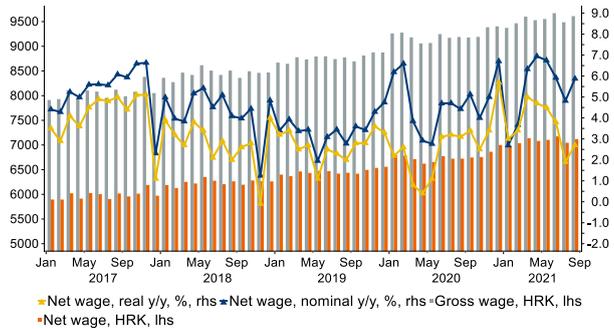
**Total number of unemployed and unemployment rate**

Source: Macrobond



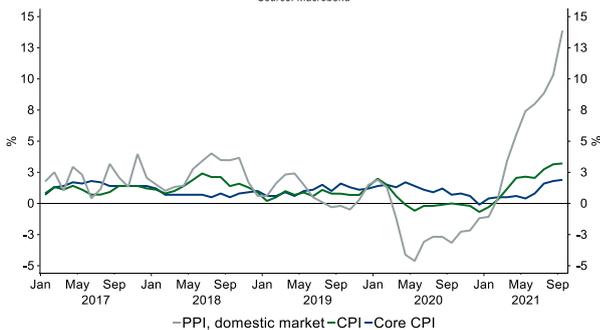
**Wages, monthly average and % ch. y/y**

Source: Macrobond, CBS



**Prices, y/y % change**

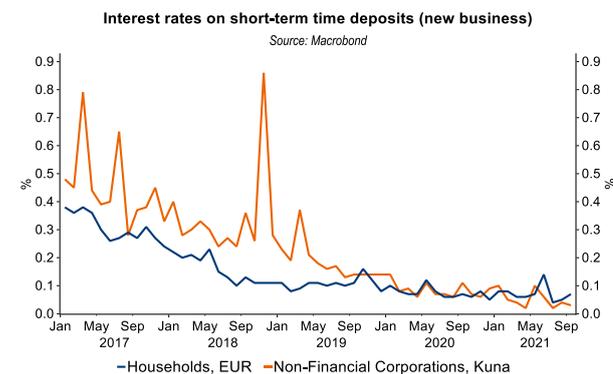
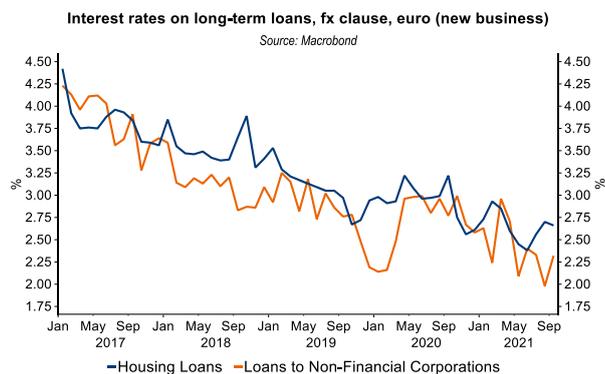
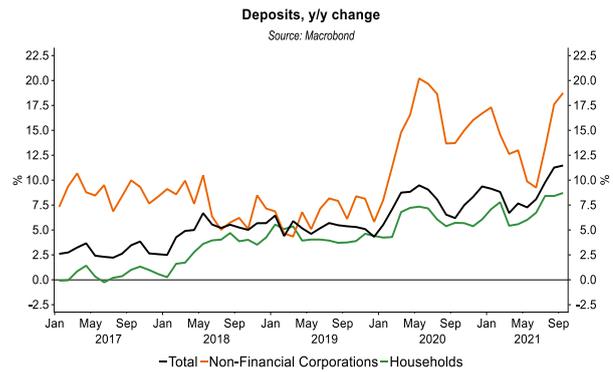
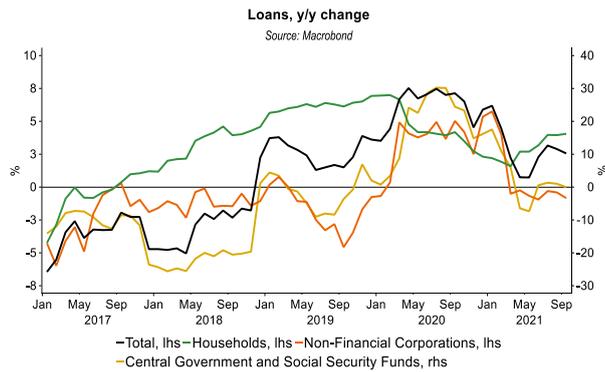
Source: Macrobond



**Economic Sentiment Indicator (ESI)**

Source: Macrobond





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