

# WEEKLY ANALYSIS

## Number 782, June 20, 2022

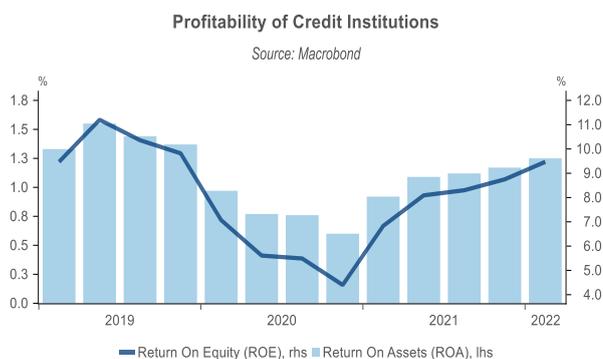
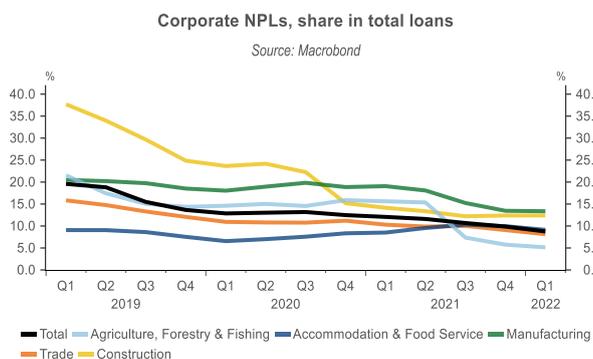
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## Banks' operations in Q1 in a positive tone

Slowdown of economic activity, which started in March, has not reflected so far on the quality of loans and credit institutions' operations in this year's Q1 on which the biggest influence came from positive trends in this year's first two months.

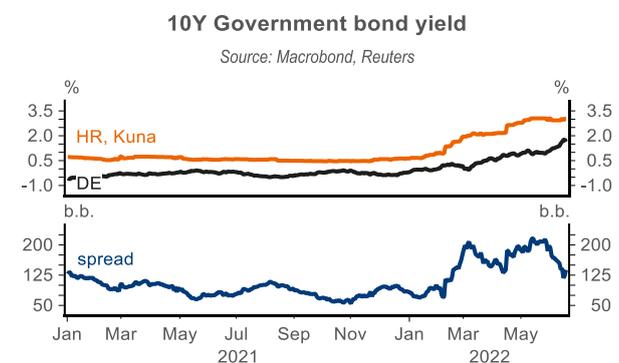
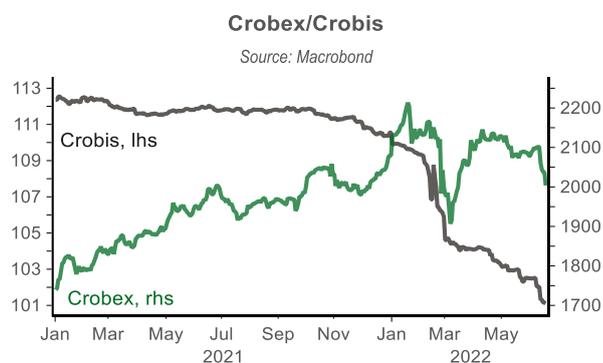
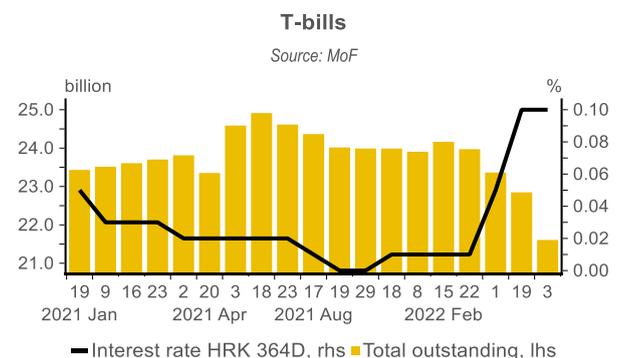
NPL share in total loans was down by 0.2 p.p. qoq at the end of March and amounted to 4.2% (private sector -0.5 p.p. to 7.4%). Continuation of favourable trends is primarily the result of strong growth of new placements, especially to non-financial corporations, as well as solid decline of the problem assets' volume, which is only partially a consequence of placements' sale that was modest in the first three months. Share of NPLs in loans to non-financial corporations was reduced by 1.1 p.p. qoq to 8.8%, whereas division by activities shows that Manufacturing and Construction recorded a slight decline in share, i.e., stagnation (-0.1 p.p. to 13.4%; 12.4%), while Accommodation & Food service and Trade experienced a significantly stronger decline in share (-0.8 p.p. to 9.1%; -0.9 p.p. to 8.1%). The sharpest decline, mostly due to sudden increase in new loans, was recorded in Transportation and storage (-1.9 p.p. to 13.2%). Share of NPLs in loans to households simultaneously dropped down by a modest 0.1 p.p. qoq to 6.4%. Cash loans continued to record quality increase and the share was reduced by a modest 0.1 p.p. to 8.3%, while housing loans and overdrafts recorded a decline of 0.2 p.p. to 3.4%, i.e., 7.3%.

Credit institutions' profit also recorded favourable movements, with a jump of 46.0% y-o-y in Q1, partially due to net operating profit increase, but mostly due to trend reversal of provisioning costs. The latter, compared to 0.4 billion kuna of costs in Q1 2021, in a comparable period of this year recorded income in the amount of 72 million kuna. Gross operating profit increased by 5.0% y-o-y, owing to 19.8% higher net income from fees and commissions (mostly from the payment system and cards due to stronger economic activity) and several times higher other income. Simultaneously, net interest income continued to decline and were reduced by 3.2% (mostly due to lower income from the private sector), and net income from financial assets and liabilities slumped 42.1% due to a decline of the market value of financial instruments. Operating expenses increased by 4.9%, also due to increased utility costs and preparations for the conversion, thus increasing net operating margin by 5.2% y-o-y. Cost/income ratio (CNB calculation) slightly increased in Q1 by 0.3 p.p. y-o-y to 53.6%. ROA and ROE continued to improve and reached 1.3% and 9.5% (+0.3, i.e., +2.6 p.p. y-o-y). In the continuation of this year, business will be mostly affected by non-performing debt movements and financial markets' trends.



## Weekly overview

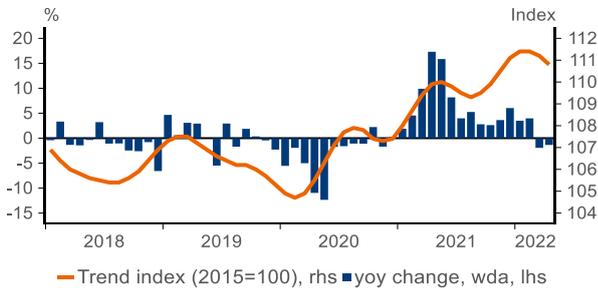
- Annual growth of consumer prices in May reached 10.8%, primarily due to influence of food and energy price hike, while in the first five months of this year the average consumer price growth rate was 8.0% y-o-y.
- Last week kuna slightly weakened against the euro, and the mid-point exchange rate was up by 0.1% w-o-w and amounted to 7.5249 kuna to the euro. Kuna depreciated against the dollar by 0.8% to 7.1543 kuna to the dollar.
- Excess liquidity in the previous week was around 72-73 billion kuna. Interest rates mostly stagnated w-o-w, and there was no interest at the CNB's repo auction. This week 600 million kuna of 1Y HRK T-bills is due so the announced auction is planned in the amount of 300 million kuna of 3M and 300 million kuna of 1Y HRK T-bills.
- The Crobex Index closed last Friday at 2,003.67 points, down by 4.6% w-o-w, while Crobis simultaneously declined by 0.9% (to 101.12 points). Sector indices ended in red, with CROBEXconstruct decreasing by 5.5% (to 429.49 points), CROBEXindustry by 3.4% (1,181.89), and CROBEXtourist by 2.1% (3,505.49). Total ZSE turnover in last week's four trading days reached 55.8 million kuna or up by 8,3% w-o-w, owing to 14.9% higher turnover in shares (reaching 31,2 million kuna) and 1.0% higher turnover in bonds (24.6 million kuna).



# Statistics

## Industrial production

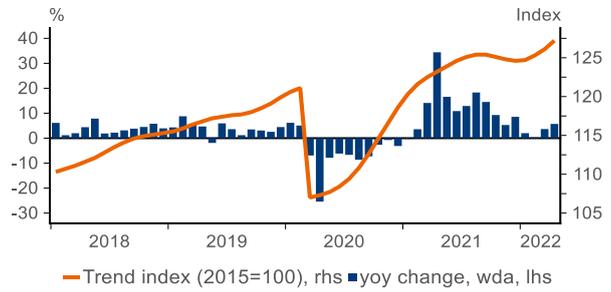
Source: Macrobond



— Trend index (2015=100), rhs ■ yoy change, wda, lhs

## Retail trade, real

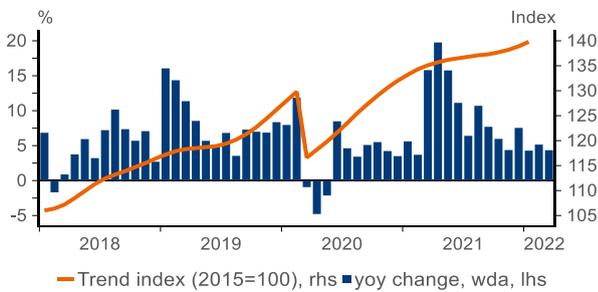
Source: Macrobond



— Trend index (2015=100), rhs ■ yoy change, wda, lhs

## Construction works

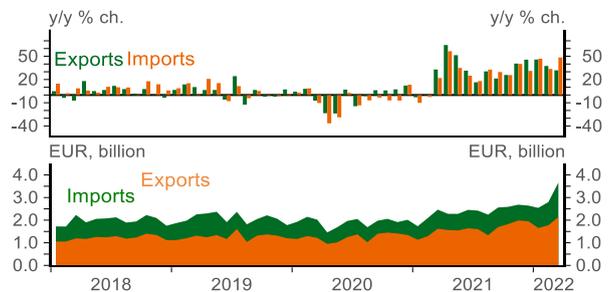
Source: Macrobond



— Trend index (2015=100), rhs ■ yoy change, wda, lhs

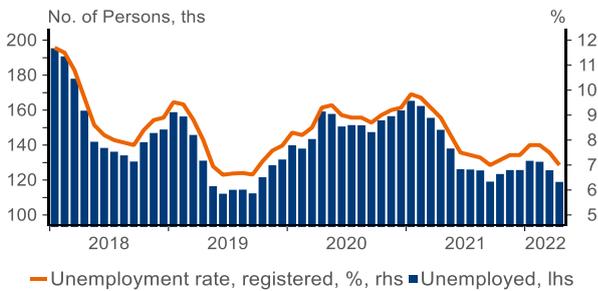
## Goods exports and imports

Source: Macrobond



## Unemployment

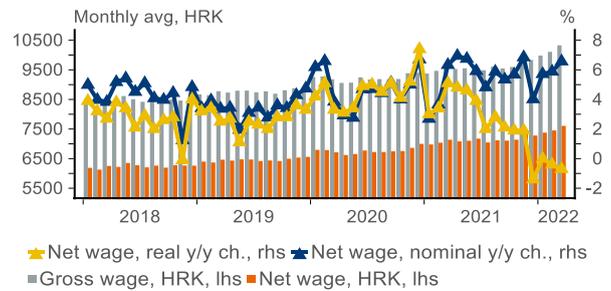
Source: Macrobond



— Unemployment rate, registered, %, rhs ■ Unemployed, lhs

## Wages

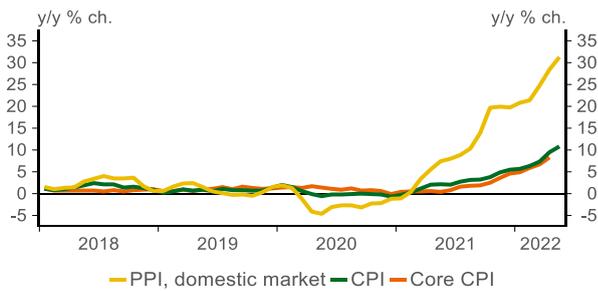
Source: Macrobond, CBS



▲ Net wage, real y/y ch., rhs ▲ Net wage, nominal y/y ch., rhs  
■ Gross wage, HRK, lhs ■ Net wage, HRK, lhs

## Prices

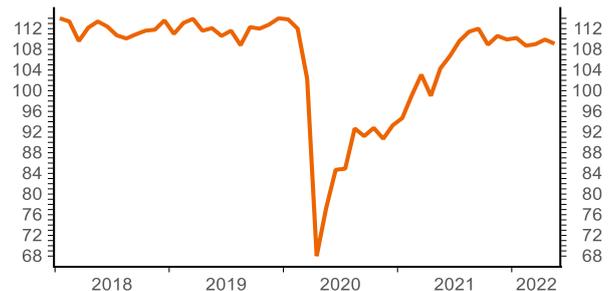
Source: Macrobond

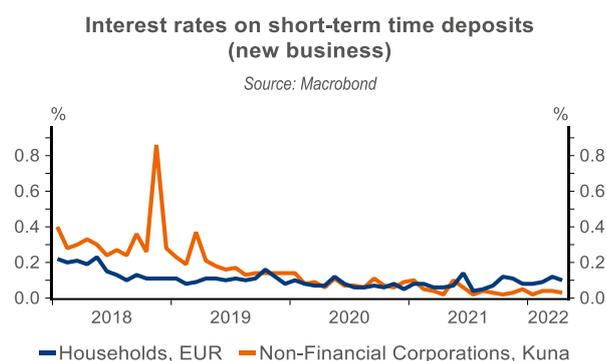
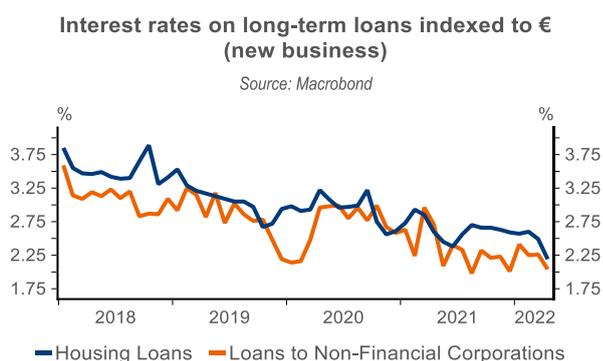
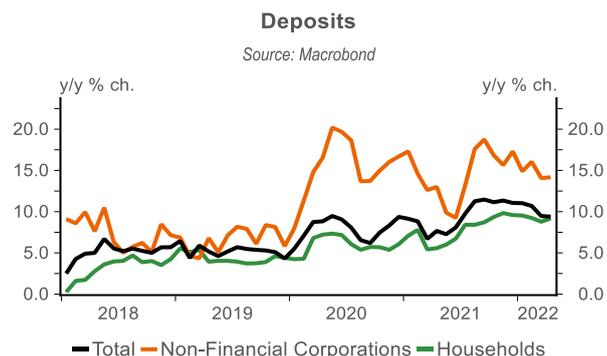
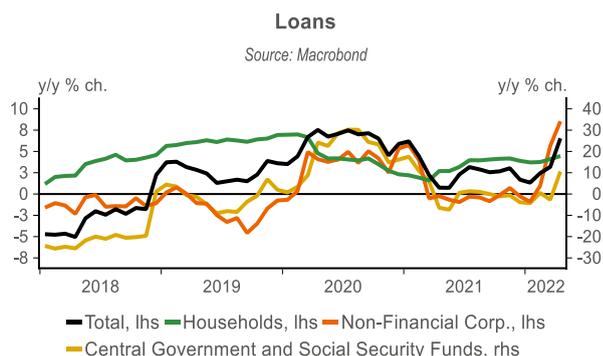


— PPI, domestic market — CPI — Core CPI

## Economic Sentiment Indicator (ESI)

Source: Macrobond





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