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Indications of an interest rate decrease

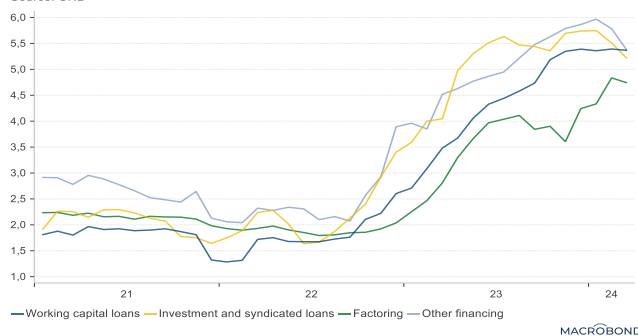
- This year's Q1 brought indications of the beginning of the interest rate reduction trend, both for loans and for deposits, in accordance with the perceived beginning of monetary policy normalisation, i.e., ECB interest rate reduction in June.
- Thus, the average interest rate on pure new corporate loans (3m weighted moving average) in March was lower by 0.1-0.2 p.p. q-o-q on loans to small and medium-sized enterprises to 0.5 p.p. on loans to micro enterprises. However, it was higher by 0.2 p.p. on loans to large enterprises. In March, the average interest rate ranged from 5.0% on loans to large and medium enterprises to 5.5, i.e., 5.8% on loans to small and micro enterprises. The breakdown by purpose indicates a strong interest rate drop for investment loans of 0.5 p.p. (to 5.2%) and stagnation in working capital loans (to 5.4%). As for deposits, the interest rate on pure new time deposits for non-financial corporations was on average lower by 0.1 p.p. in Q1 q-o-q, where the fall is the result of a strong reduction in the rate on short-term deposits (-1.2 p.p.), while it stagnated on long-term ones. If we look at the monthly dynamics, the average interest rate on total time deposits peaked in November at 3.4%, while in February and March it hovered around 2.9%.
- The average interest rate on pure new household loans in Q1 was up by 0.1 p.p. q-o-q for housing and cash loans (3.8, i.e., 6.2%) and 0.2 p.p. for other loans (5.3%). However, m-o-m data indicate that the housing loan interest rate peaked in February and almost stagnated in March, while the peak for cash and other loans was achieved in January and a gradual decline was recorded in the following two months. As with enterprises, the average interest rate on pure new household time deposits in Q1 was reduced q-o-q by 0.7 p.p., whereby the drop in the rate on short-term deposits (-0.7 p.p.) exceeded that on long-term deposits (-0.4 p.p.). The average interest rate on total household time deposits peaked in October and November at 2.5%, while in March it was 1.6%.

Interest rate for micro & SME loans reduced

Lower interest rate for cash loans

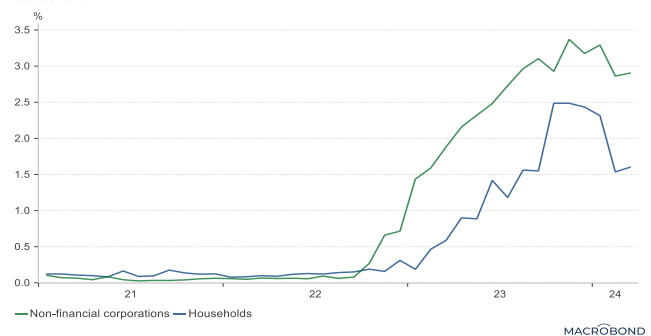
Interest rates on pure new corporate loans (quarterly weighted MA)

Source: CNB

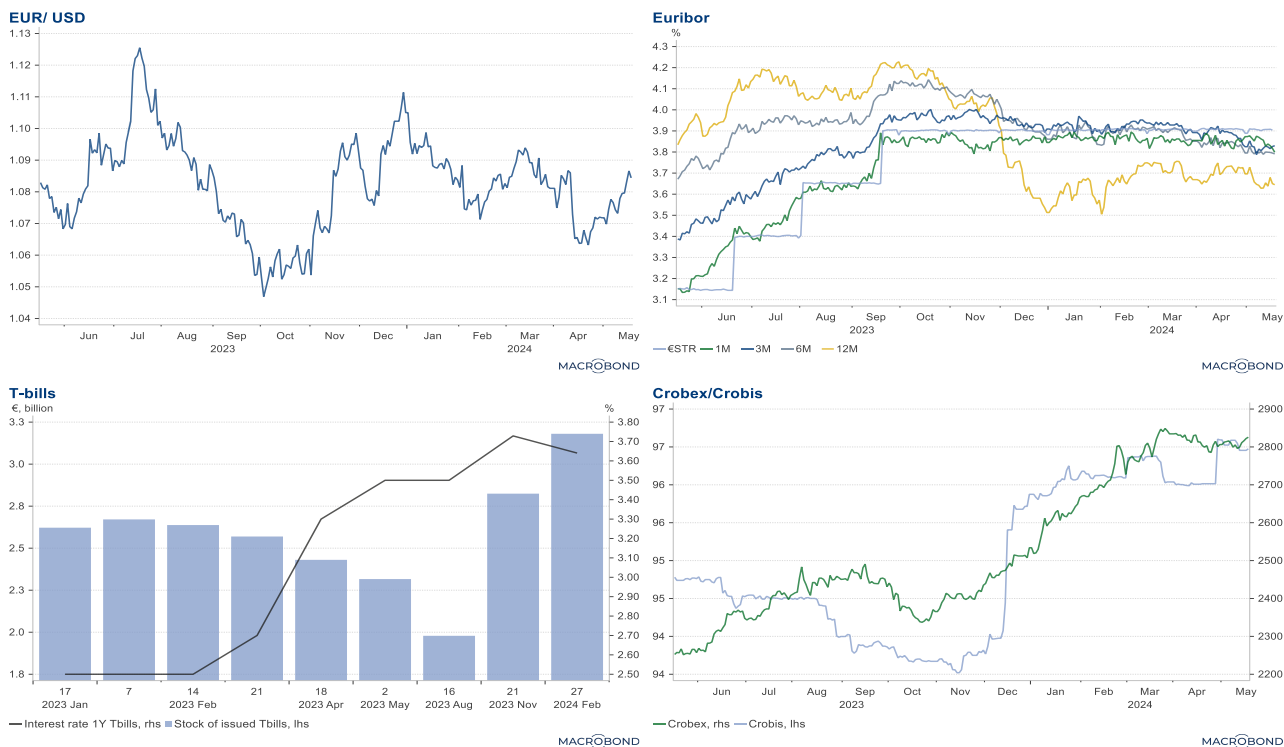


HR Interest rates on pure new time deposits

Source: CNB



- Last week, the euro appreciated against the dollar thanks to a decline of U.S. inflation that was somewhat larger than expected, with significant oscillations of market assessments of the probability that Fed will start slashing interest rates in September. On Friday, the exchange rate was 1,0844 dollars to the euro, up by 0.6% w-o-w.
- While waiting for the ECB meeting in June and the start of interest rate reduction, last week 1M Euribor was reduced by 10 bps w-o-w, while 3M and 6M stagnated at 3.8%.
- After previous week's decline, Crobex recovered last week by increasing 1.1% w-o-w to 2,826 points, while the most important sectoral indices had a mixed performance (CROBEXindustry - 0.5% to 2,030, CROBEXnutris +0.6% to 922, CROBEXtourist +0.4% to 4,391). Crobis was reduced by a mild 0.1% (to 96.5 points).



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ECONOMIC RESEARCH

Ivana Jović
Ana Lokin

TRANSLATION

Ana Biloš
Jelena Marinović

www.pbz.hr