

WEEKLY ANALYSIS

Number 777, May 9, 2022

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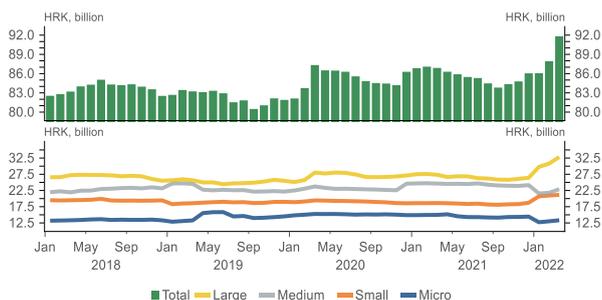
Sharp leap in loans to enterprises

Credit growth accelerated significantly in March owing to placements to non-financial corporations. Total loans thus recorded an increase of 3.2% year-on-year, with loans to the central government again ending "in the red" (-2.7%), while loans to the private sector accelerated by 2 p.p. compared to the month before to 4.7%. Loans to non-financial corporations strengthened from 1.0% in February to as much as 5.7%, due to the reversal of the trend of working capital loans (5.6%) and investments (3.4%) and an acceleration in the growth of loans for other purposes (9.4%). In terms of the size of the placements, we see that of the HRK 4.9bn of higher loans on an annual basis in March, HRK 5.5bn is the increase in loans to large enterprises, followed by small ones with +HRK 2.5bn, while the portfolios of micro and medium-sized enterprises were reduced by HRK 1.6bn and HRK 1.7bn respectively. This brought the year-to-year growth rate of loans to large enterprises to 20.0%, small enterprises to 13.6%, while loans to micro and medium-sized ones narrowed by 11.0% and 7.1%. It is also interesting to note that the growth of investment loans was largely driven by small enterprises (+18.1% year-on-year), followed by large ones (+6.3%). Household loans maintained a pace of growth of about 4% year-on-year (4.1% in March) with housing loans accelerating slightly to 8.1%, cash loans stagnating at 2.5%, while the decline in all other loans eased to -3.8%. According to transactions, in March the 12-month cumulative growth in loans to non-financial corporations jumped to 6.7% year-on-year and loans to households accelerated marginally to 4.5%. Data on new placements show that compared to the last quarter of the previous year, loans to households and micro/small enterprises achieved growth.

We see a slowdown in the pace of deposit growth also in March when total deposits increased by 9.5% year-on-year and private sector deposits by 10.2%. Deposits of non-financial corporations remain volatile, slowing in March to 14.1% year-on-year after acceleration in February, and household deposits weakened slightly to 8.8% year-on-year. The breakdown of household deposits by currency and maturity shows that FX savings slowed slightly to 6.9% year-on-year, the decline in HRK savings deepened significantly (to -9.5%), and the growth of HRK sight deposits accelerated to 18.4%. If we look at the movements of the latter on a monthly basis, household deposits in March recorded a decrease of HRK 1.1bn compared to February, with FX savings decreasing by HRK 1.3bn and HRK by HRK 0.6bn, possibly due to rising uncertainty amid the war in Ukraine. For the remainder of the year, the movement of monetary and credit aggregates will depend on the development of the situation in Ukraine, depth and duration of inflationary pressures, policies of central banks and economic growth of Croatia and the eurozone.

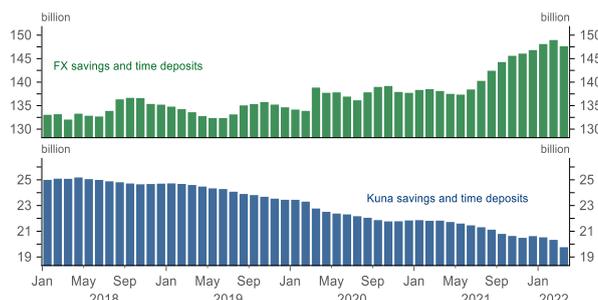
Loans to Non-Financial Corporations by company size

Source: Macrobond



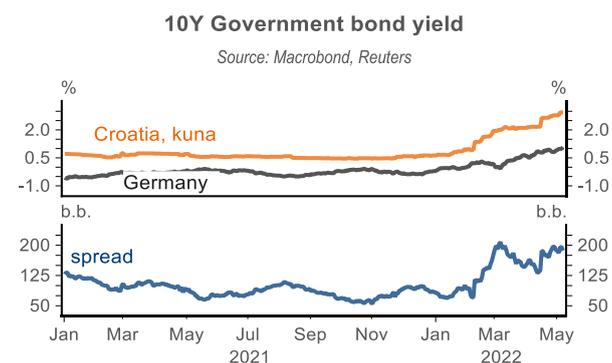
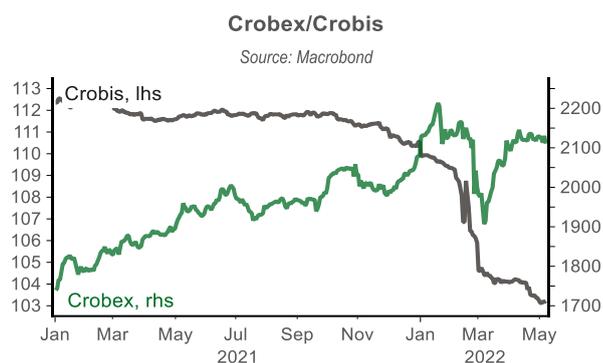
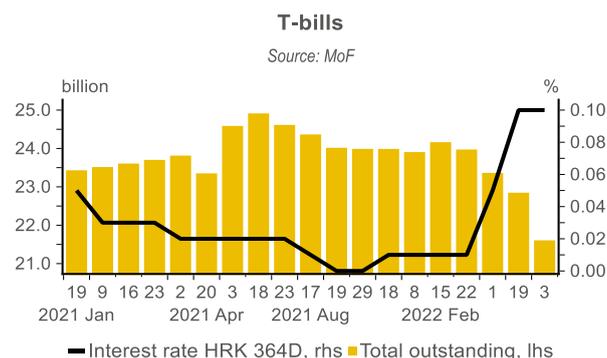
Household savings

Source: Macrobond



Weekly overview

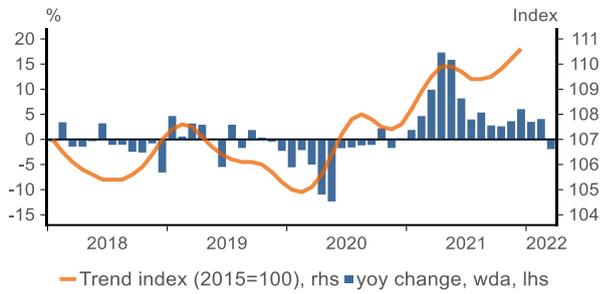
- Last week, the kuna strengthened against the euro, and there is also an increase in the inflow of foreign currency from tourism. The mid-point exchange rate at the end of the week was down by 0.3% w-o-w at HRK 7.5442 per euro, while against the dollar the kuna appreciated by 0.2% to HRK 7.1380 per dollar. This week we see a retention of the existing trend.
- Excess liquidity dropped to HRK 70bn, interest rates stagnated on a weekly basis, and there was no demand at the CNB repo auction. Last week, EUR 1.2bn of one-year T-bills were due, with EUR 1.0bn subscribed, reducing the government debt in T-bills to HRK 21.6bn. T-bills were issued at an interest rate of 0.10%, 15 p.b. higher than the earlier issue. The next auction takes place on May 17.
- The Crobex Index closed last Friday at 2,110.58 points, down by 0.9% w-o-w, while Crobis stagnated at the same time at 103.23 points. As for sector indices, CROBEXtourist closed the week at 3,604.40 points, up by 0.1% w-o-w, while CROBEXindustry and CROBEXconstruct recorded a w-o-w decrease of 1.4% and 4.3% respectively (1,204.54 and 422.12 points). Total ZSE turnover in the last week reached HRK 76.6 million, down by 36.8% w-o-w, owing to a 73.9% lower turnover in bonds (reaching HRK 21.3 million), while turnover in shares increased by 40.7%, i.e., to HRK 55.2 million.



Statistics

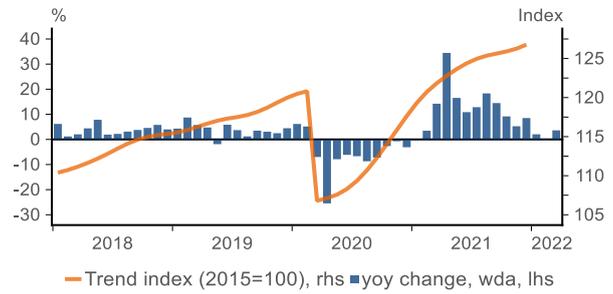
Industrial production

Source: Macrobond



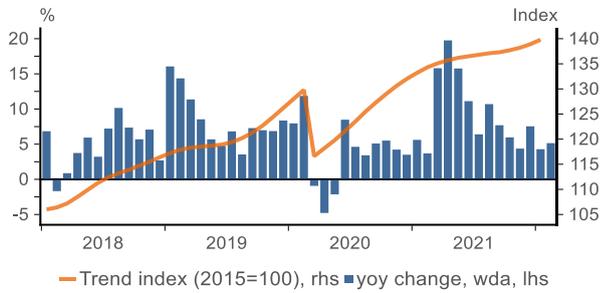
Retail trade, real

Source: Macrobond



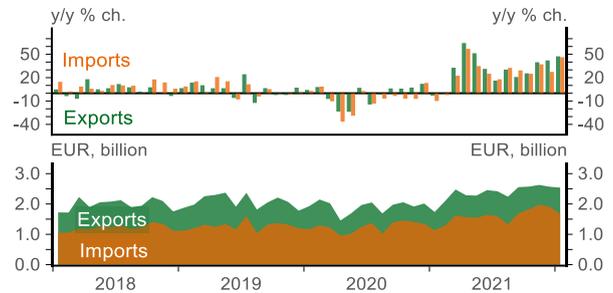
Construction works

Source: Macrobond



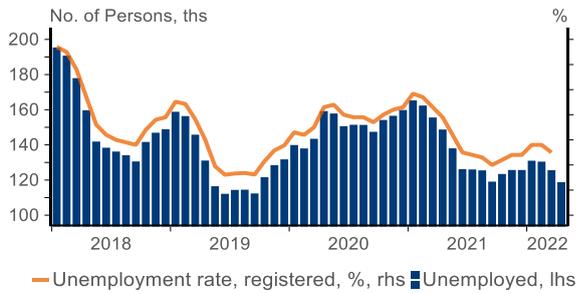
Goods exports and imports

Source: Macrobond



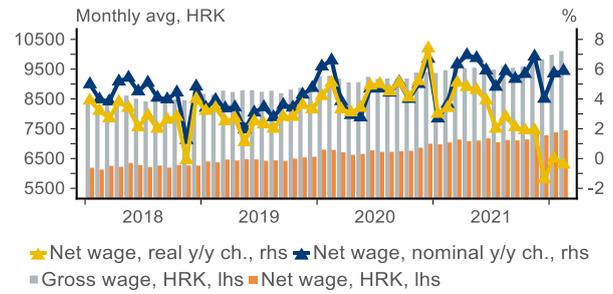
Unemployment

Source: Macrobond



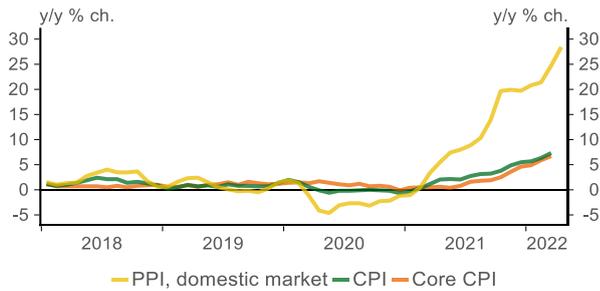
Wages

Source: Macrobond, CBS



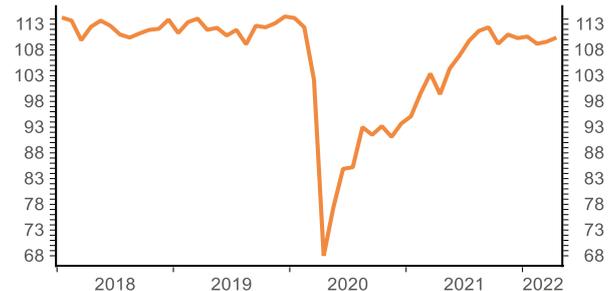
Prices

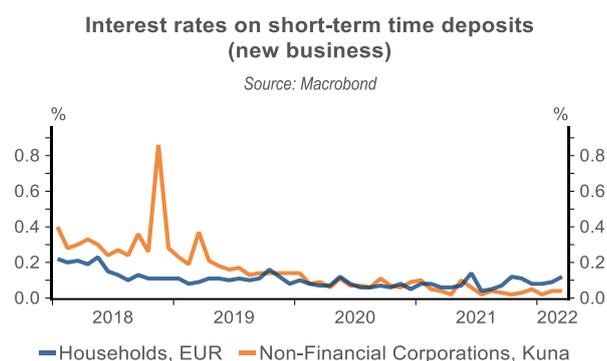
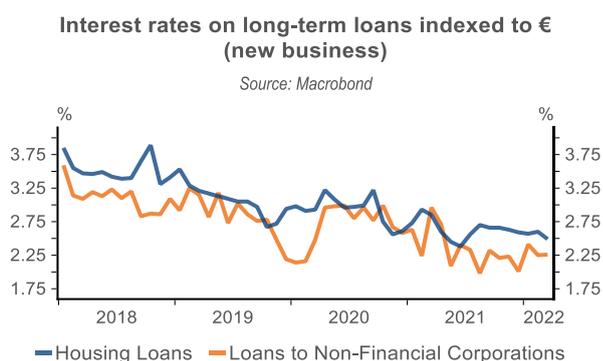
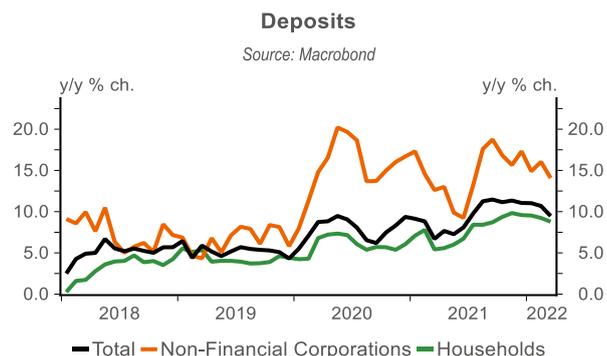
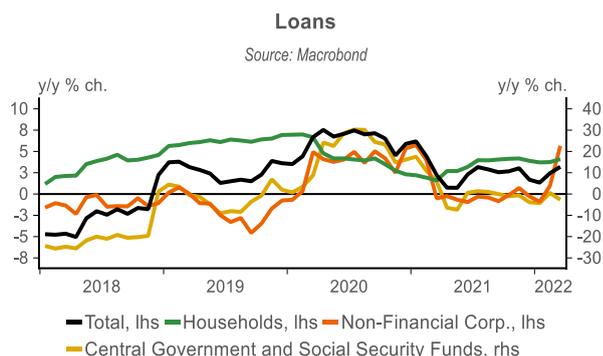
Source: Macrobond



Economic Sentiment Indicator (ESI)

Source: Macrobond





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