

## NUMBER 809, FEBRUARY 20, 2023

### Loan interest rates increased slower than in the eurozone

- The CNB statistic shows that banks' interest rates on new business in last year's December recorded mixed trends compared to previous month. However, if we observe the trend in the 2H of the year when the ECB interest rate hike cycle began, their move towards higher levels is visible, both for loans and deposits.
- Average interest rate for newly approved loans to the private sector in HRK with currency clause (we do not observe HRK rates because termination of offer with certain types of loans could warp the overall picture) was 3.6% in the 2H of last year, up by app. 1 p.p. than in the 1H of 2022. Corporate loan increase is 1.0 p.p. (to 3.2%) and is also 1.0 p.p. in household loans (to 3.9%). Increase in housing loans reached still significantly milder 0.3 p.p. (to 2.7%), so stronger total growth in households is the result of mostly higher rate increase for other, shorter-term loan types (cash and other).
- A comparison with the eurozone average reveals that in Q3 and Q4 the eurozone recorded strong interest rate growth for corporate loans, it being more modest in Croatia, and thus significantly reducing the gap between Croatia and eurozone interest rates, especially with SMEs. More detailed data show that the interest rate for loans to micro and small enterprises recorded average growth of 1.0 p.p. (Croatia 0.5 p.p.) in the eurozone in the 2H of the year, and 1.1 p.p. for loans to medium and large enterprises (Croatia 0.7, i.e., 1.1 p.p.). In December interest rate for new loans to micro and small enterprises in the eurozone was on average 3.9% and 0.3 p.p. lower than in Croatia, and 3.4% for loans to medium and large enterprises, which is 0.4, i.e., 0.2 p.p. lower than in Croatia. Average housing loan interest rate in the eurozone also strongly increased in the observed period, by 0.9 p.p. and reaching 2.9% in December, thus surpassing the rate in Croatia by 0.2 p.p.
- With interest rates for EUR time deposits, growth was significantly milder, like with loans, than in the eurozone because the release of a part of reserves resulted in a sudden liquidity increase.

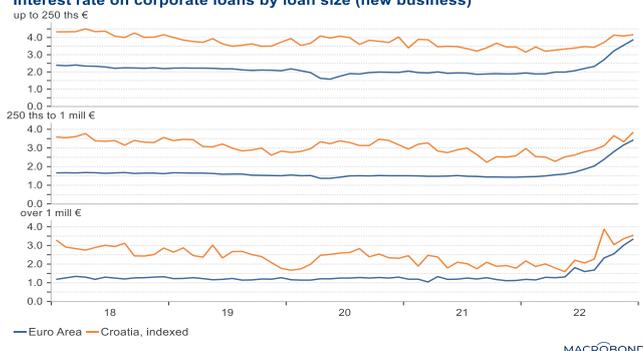
**Interest rate for new loans in 2H22 up by 1 p.p. vs. 1H22.**

**Housing loan interest rate in late 2022 lower in Croatia than in eurozone**

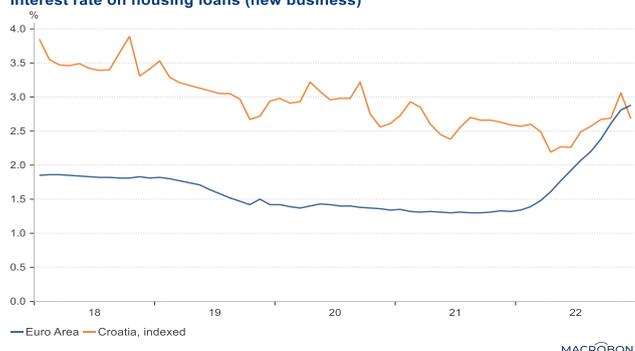
**Interest rate for deposits in Croatia lower than in eurozone**

- Thus, in the eurozone interest rates for new corporate time deposits in 2H22 were raised by more than 1 p.p. on average compared to the 1H22. At the same time growth in Croatia was 0.3-0.4 p.p. In eurozone households, the rate for short-term deposits was raised by an average of 0.6, and for long-term by 0.9 p.p., while in Croatia it stagnated for short-term deposits, and for long-term there was a slight upward trend of 0.1 p.p. Following that, in December companies in the eurozone realised almost 1 p.p. higher interest rate for deposits than in Croatia (1.8% vs. 0.9%), while with households the difference was 1.2 p.p. (1.4% vs. 0.2%).
- We expect in this year that reference interest rate growth will continue to spill over to interest rates for loans and deposits in Croatia, but with continued weaker range than in the eurozone average as liquidity is high, after cash inflow (which is still present) to banks, while credit activity is slowing down.

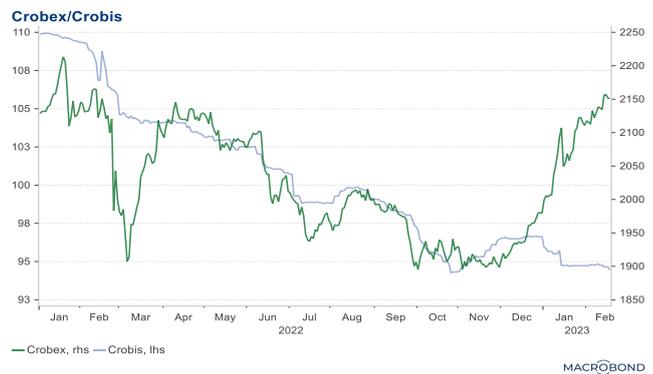
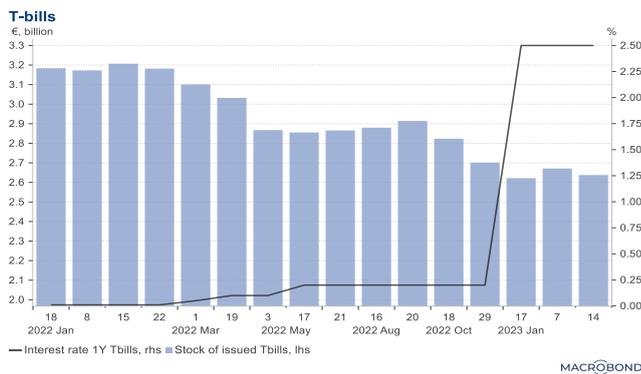
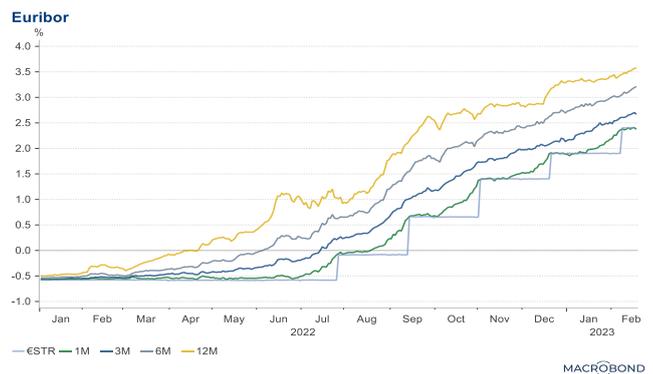
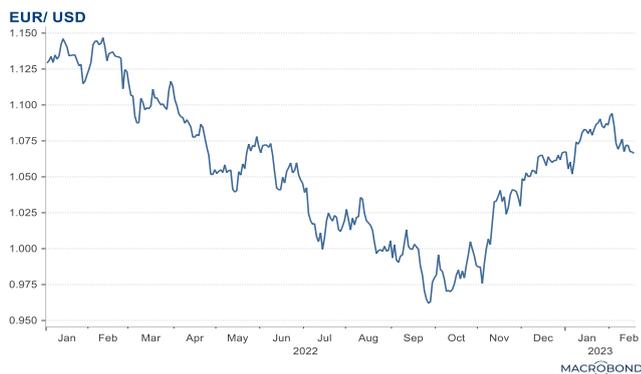
**Interest rate on corporate loans by loan size (new business)**



**Interest rate on housing loans (new business)**



- EUR/USD exchange rate was around 1.07 in previous week, with strong support to the dollar coming from data on robust US economic activity, but the trend is stabilised by expectations that in the upcoming months the ECB will increase interest rates more significantly than FED. On Friday, the exchange rate was 1.0625 dollar to the euro, down by 0.6% w-o-w.
- Euribor kept its upward trend, increasing up to 10 bps w-o-w so on Friday 3M rate reached 2.7%, and 6M rate 3.2%. Last week 1 million of 3M, 5 million of 6M and 141 million of 1Y T-bills was subscribed, thus mildly reducing government debt to 2.6 billion €. Interest rates remained unchanged (2.0%, 2.2%, 2.5%). This week 107 million € is due and an auction in the amount of 80 million € has been announced.
- Crobex fluctuated during previous week, closing Friday up by 0.7% w-o-w, i.e., at 2,151.0 points. The most important indices recorded a mixed performance (CROBEXindustry - 0.5% to 1,201.5, CROBEXnutris almost unchanged at 804.5, CROBEXtourist 4.1% to 3,905.1). Crobis was down by 0.3% to 94.4 points.



## LEGAL DISCLAIMER

This publication is issued by PRIVREDNA BANKA ZAGREB-DIONIČKO DRUŠTVO, Zagreb, Radnička 50 (hereinafter: PBZ) and aimed at clients of the PBZ Group. This publication is intended for information purposes only and may not in any way be considered an offer or invitation to purchase any property or rights mentioned in it. The informative nature of this publication means that it may not serve as a substitute for the personal judgment and assessment of any reader or anyone who receives this publication. The information, opinions, analyses, conclusions, forecasts and projections given here are founded on publicly available data whose accuracy PBZ relies on but cannot guarantee. Accordingly, all the opinions, attitudes, conclusions, forecasts and projections given in this publication are subject to changes, which depend on changes to the data as published by the source used. PBZ allows further utilization of the data given in this publication on the condition that the publication is indicated as the source. All the property mentioned in this publication and whose movement is the subject of comment may from time to time be the subject of trade or positions taken by PBZ.

## ECONOMIC RESEARCH

Ivana Jović  
Ana Lokin

## TRANSLATION

Ana Biloš  
Jelena Marinović