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Companies in 2023 recorded higher growth of interest rates than the citizens

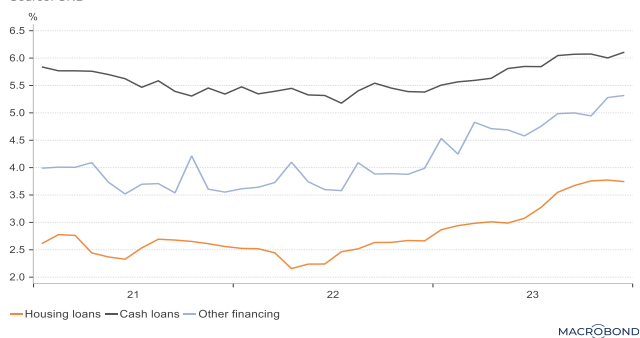
- The past year saw loan and deposit interest rate growth that has not been recorded for many years, driven by the tightening of the ECB's monetary policy. Growth of interest rates was significantly stronger for loans than for deposits, and sectoral breakdown shows that it was more pronounced for enterprises than for households.
- On average, interest rates on pure new household loans increased in 2023 up to 1 p.p. vs 2022, while growth for pure new corporate loans developed up to 2.9 p.p. Thus, the increase for housing loans reached 0.8 p.p. (to 3.3%), for cash loans 0.5 p.p. (to 5.8%), for working capital loans 2.5 p.p. (to 4.3%), and for investment and syndicated loans 2.9 p.p. (to 5.1%). Breakdown per enterprise type points to a fairly uniform trend and proper distribution of rate height according to risk, so an average loan interest rate for micro, small and medium-sized enterprises increased by 2 p.p. (to 5.4%, 4.6% and 4.2%), and for loans to large enterprises 2.5 p.p. (to 3.9%). However, annual averages do not adequately present movement trends during the year because, for example, in December the interest rate for housing loans reached 3.7%, for cash loans 6.1%, for working capital loans 5.4%, and for investment and syndicated loans 5.7%. In the final month of the year the interest rate was notably higher than the annual average which is a consequence of a gradual increase of reference interest rates and time delay with which monetary policy transmission is conducted.
- In the case of pure new contracted savings, in 2023 the growth of an average household interest rate was up to 1.2 p.p. y-o-y (to 1.3%), and for corporate up to 2.3 p.p. (to 2.5%). Maturity structure of deposits, both for households and corporate, shows that average growth was stronger with short-term deposits (+0.4 p.p. vs long-term) which is in line with expectations that gradual decrease of key interest rates will start this year. Like with loans, data for the final month of the year points to a significantly higher interest rate level than what is shown by the annual average. Thus, in December the rate for total term deposits reached 2.4% for households and 3.2% for enterprises.
- We expect that the projected decrease of key interest rates with a time delay will reflect on loan and deposit interest rates in this year. Considering that our prediction is that the ECB will start slashing interest rates in late spring or early summer, their decline should start in the second half of the year and be more pronounced towards the year's end, making long-term financing more attractive again. At the same time, deposit interest rate decline followed by an inflation drop should put savings in the growth zone in real terms.

Interest rate for housing loans in December 3.7%

Interest rate for retail savings in December 2.4%

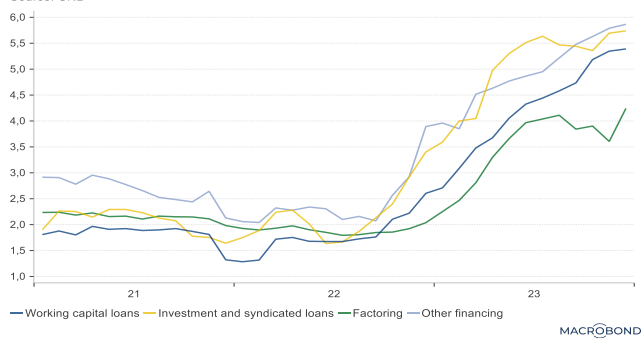
Interest rates on pure new household loans

Source: CNB

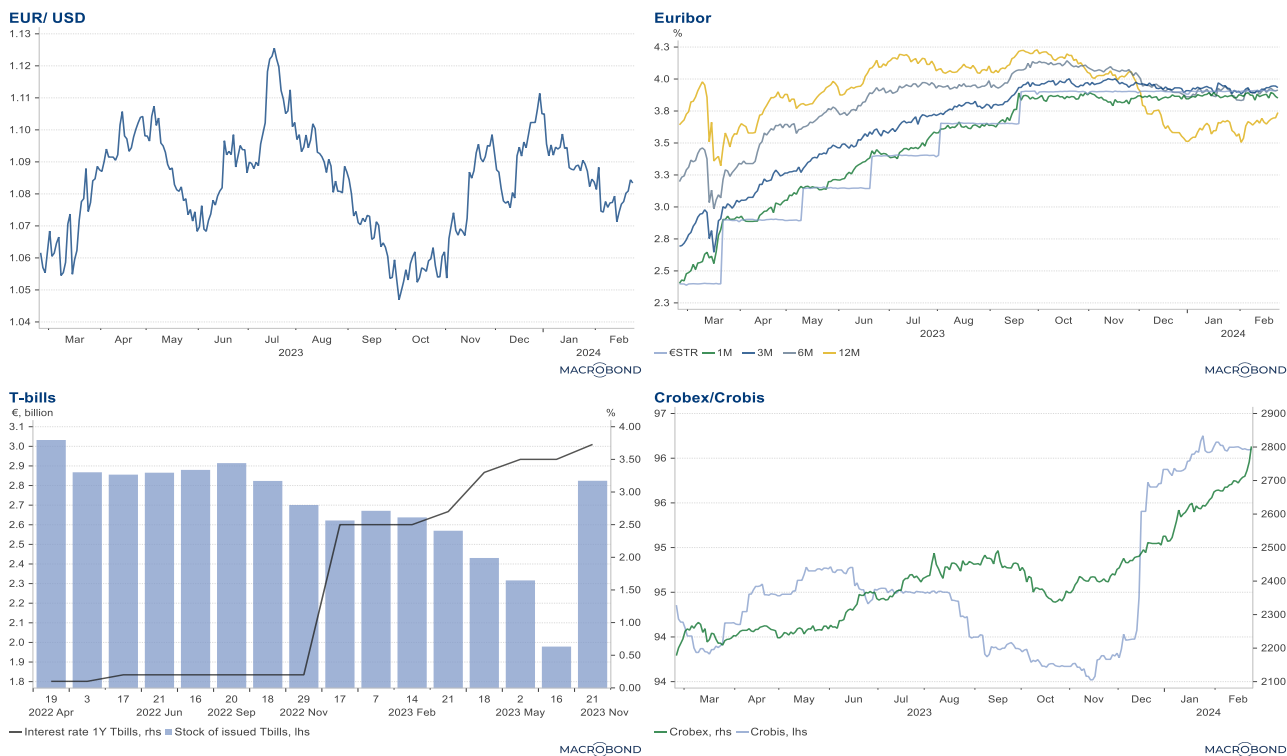


Interest rates on pure new corporate loans (quarterly weighted MA)

Source: CNB



- The euro appreciated against the dollar by 0.6% w-o-w due to recovery of PMI index of the eurozone, thus finishing the week at the level of 1.0834 dollars to the euro.
- Euribor recorded a weekly decline or stagnation for shorter, and a mild increase for longer tenors so on Friday 3M and 6M were both 3.9%, almost unchanged w-o-w. Last week 38.5 million euros of T-bills was due, and this week, after the first round of subscriptions in which T-bills were offered to citizens, an auction for institutional investors will be held.
- Crobex recorded a strong 3.7% jump w-o-w (to 2,802 points) due to 8.0% higher index CROBEXindustry (1,929 points) and 1.4% higher CROBEXotulist (4,495 points), while CROBEXnutris recorded a decline (-0.7% to 937). Crobis remained at 96.1 points.



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