

WEEKLY ANALYSIS

Number 745, September 13, 2021

Cash loans turned positive	1
Weekly overview	2
Statistics.....	3

Cash loans turned positive

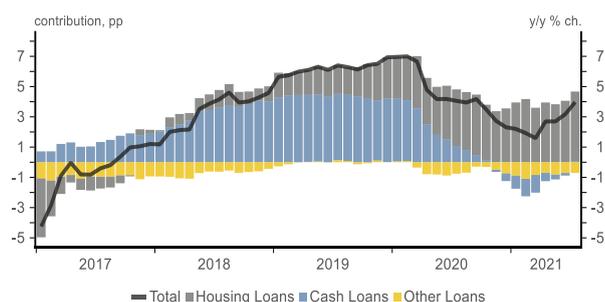
Growth rate of total loans accelerated again in June and July owing to the growth in lending to the central government and strengthening of the private sector credit demand, particularly in households. Total loans at the end of July thus advanced by 3.2% y-o-y, whereby loans to the central government posted an increase of 1.3%, and loans to the private sector of 2.3%. Simultaneously, according to the transactions, the cumulative growth of loans to the private sector reached 3.3% y-o-y. Loans to households increased by 4.0% y-o-y (4.3% according to the transactions) amid a surge recorded in housing loans (+10.4%) supported by subsidies, while cash loans, after eight months in the red, rose in July by generating a mild growth of 0.1%, and all other loans to households together maintained a strong declining rate of -4.3%. The re-emerging growth rate of cash loans turned their contribution to the total increase of loans to households once again positive reaching 0.1 p.p. (housing loans 4.6 p.p., other loans -0.7 p.p.). Loans to non-financial corporations closed July down by 0.3% compared to the same month last year, largely resulting from a weak demand for working capital loans (-6.2%). Investment loans also continued their negative streak (-3.5%) hence the growth is still being recorded only by loans for other purposes (14.6%). According to the company size, there are no major changes and only medium-size enterprises have been generating growth (7.5% y-o-y), while loan portfolios of micro, small and large enterprises continue to decline (-5.0%; -3.9%; -4.2%). The declined loans to non-financial corporations come as a result not only of the decreased demand and postponement of major projects for the following year, but also a somewhat higher volume of sold receivables in the second quarter, indicated by the transaction data according to which loans in July posted an increase of 1.6% y-o-y. The above is also confirmed by the statistics on new loans according to which over the first seven months a particularly strong growth of 12% y-o-y was generated by new loans placed to large enterprises.

Strengthened economic activity and particularly good results of the tourist season resulted in an accelerated growth of deposits, demonstrating that despite the recovery of consumption as well as business and consumer sentiment, the private sector remains cautious for the time being. Total deposits thus at the end of July were higher by 9.8% y-o-y, having exceeded even the high rates recorded last year in the months following the pandemic outbreak. Sight deposits posted an increase of 22.7%, HRK savings of 0.5%, and FX savings once again generated a y-o-y increase, of as much as 2.4%. Growth of deposits of the private sector in July reached 9.7% whereby deposits in households accelerated to 8.4% (the highest y-o-y growth rate since March 2009), and in non-financial corporations to 13.2%.

Until the end of the year we expect a continuation of the strong credit demand of households and a mild demand of the corporate sector, as well as for the growth rate of deposits to approach more moderate levels.

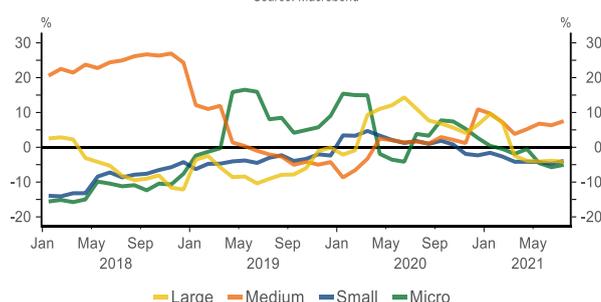
Household Loans, contribution and y/y change

Source: Macrobond



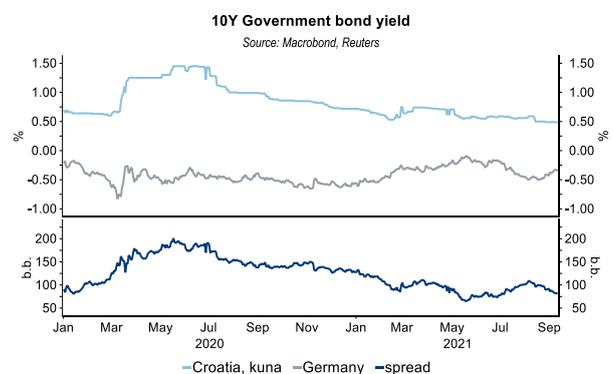
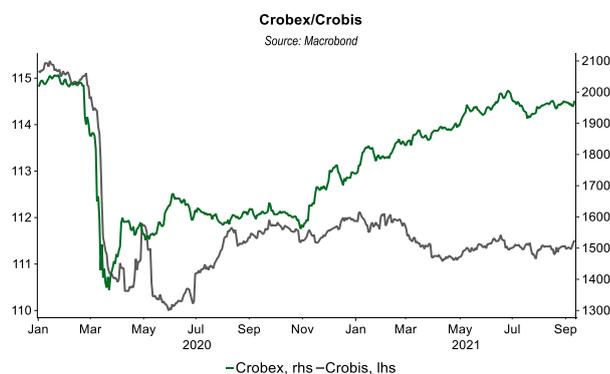
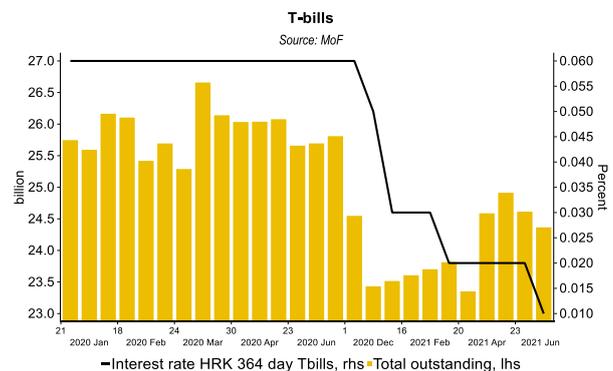
Loans to Non-Financial Corporations by company size, y/y change

Source: Macrobond



Weekly overview

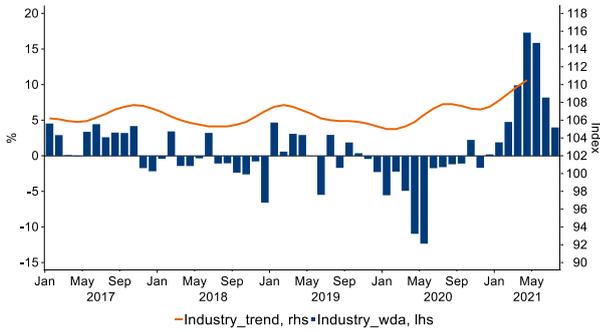
- Total exports of goods in June advanced by 28.6% y-o-y, while imports simultaneously increased by 21.7%. Over this year's first six months, total exports of goods recorded an annual growth of 27.4%, and imports of 19.0%, by which the foreign trade deficit in trade of goods increased by 5.4%, and the coverage ratio amounted to 65.9% (61.6% in the first half of 2020).
- Another quiet week behind us in which we observed a mild strengthening of the kuna. The mid-point exchange rate on Friday amounted to 7.4722 kuna to the euro, down by 0.2% w-o-w. The kuna weakened against the dollar by a mild 0.1% to 6.3153 kuna to the dollar. This week we expect trading to be in the range of 7.47-7.50 kuna to the euro.
- Excess liquidity increased last week to 63 billion kuna, at the CNB's repo auction there was no interest shown, and interest rates were lowered on a weekly basis by 10-20 b.p.
- The Crobex Index closed last Friday at 1,972.83 points, up by 0.4% w-o-w, while Crobis simultaneously closed at 11.94 points, advancing by 0.1%. Sector indices closed on a positive note, whereby CROBEXindustry grew by 3.1% compared to the Friday one week before (to 1,089.91 points), CROBEXconstruct by 1.5% (450.97), and CROBEXtourist by 1.0% (3,541.01). Total ZSE turnover last week reached 203.0 million kuna, up by 2.2 times w-o-w, owing to 4.0 times higher turnover in bonds (reaching 179.4 million kuna), whereas turnover in shares dropped by 50.6% (to 23.7 million kuna).



Statistics

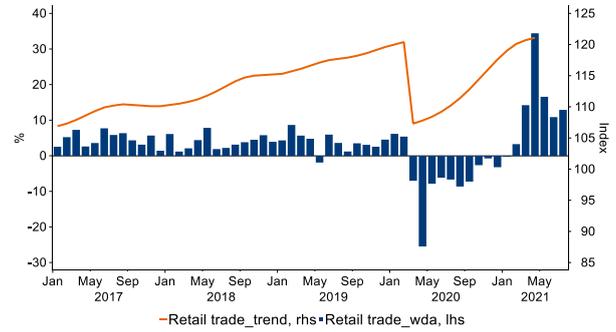
Industrial production, wda % ch. y/y and index (2015=100)

Source: Macrobond



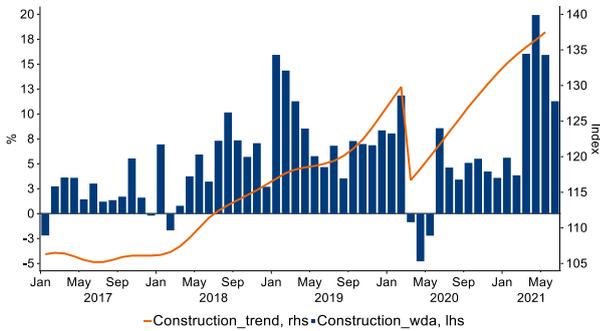
Retail trade, real, wda % ch. y/y and index (2015=100)

Source: Macrobond



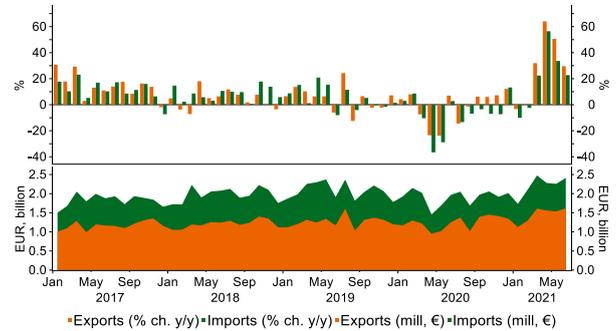
Construction works, wda % ch. y/y and index (2015=100)

Source: Macrobond



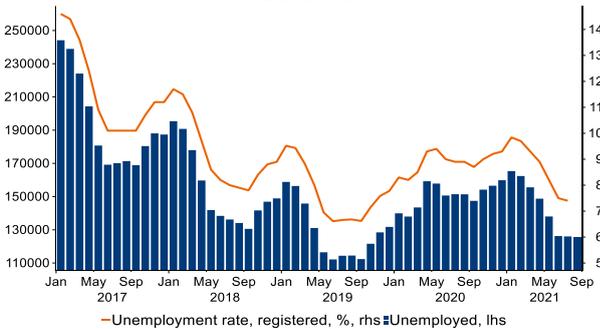
Goods exports and imports (% ch. y/y and mill €)

Source: Macrobond



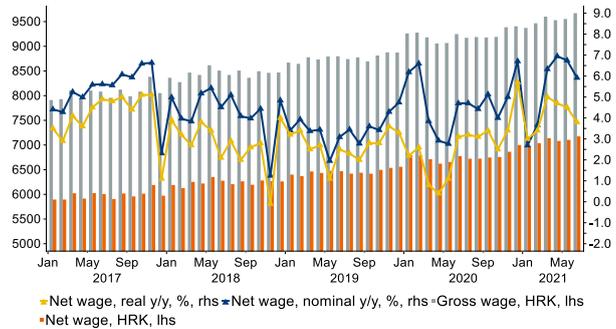
Total number of unemployed and unemployment rate

Source: Macrobond



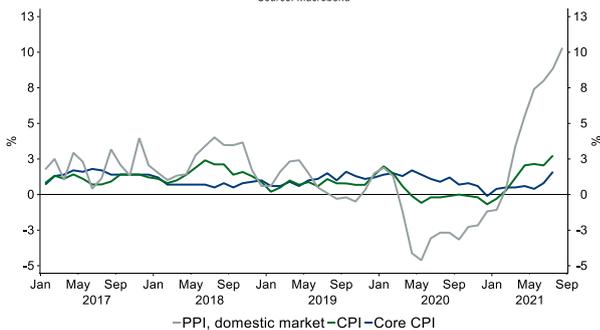
Wages, monthly average and % ch. y/y

Source: Macrobond, CBS



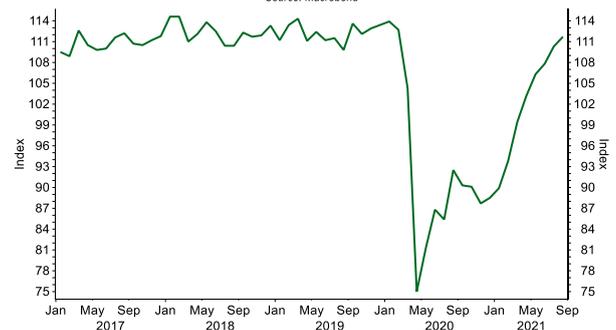
Prices, y/y % change

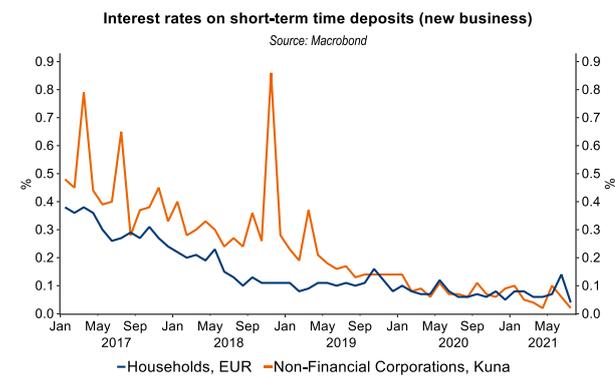
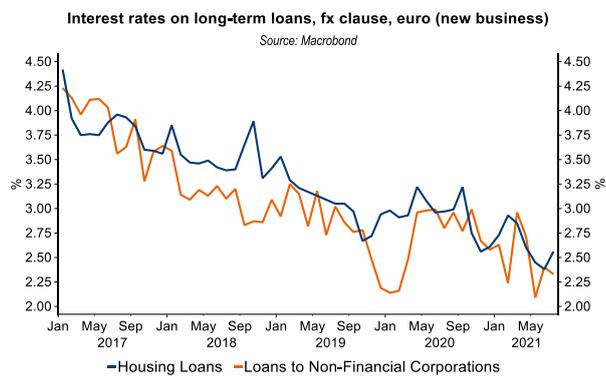
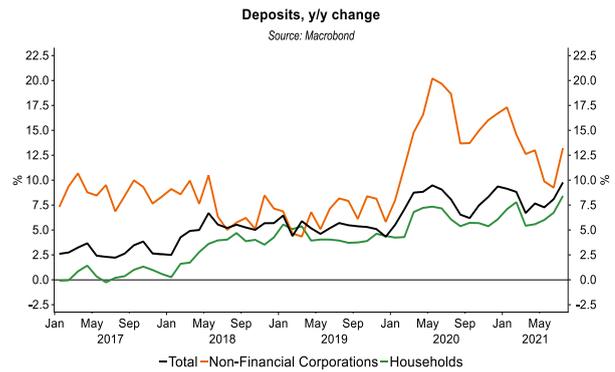
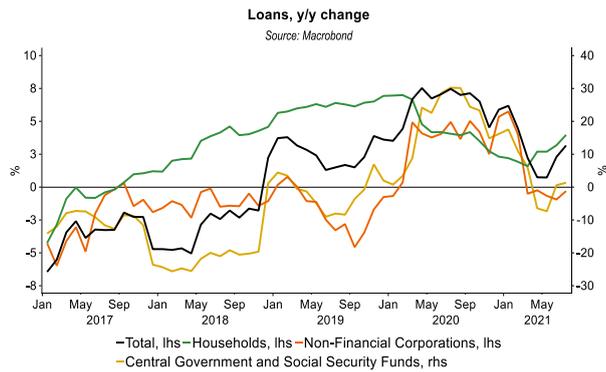
Source: Macrobond



Economic Sentiment Indicator (ESI)

Source: Macrobond





RESEARCH OFFICE

Ivana Jović
Ana Lokin
Ivan Odrčić

TREASURY

Eugen Bulat

TRANSLATION

Ana Biloš
Jelena Marinović

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.