

WEEKLY ANALYSIS

Number 773, April 04, 2022

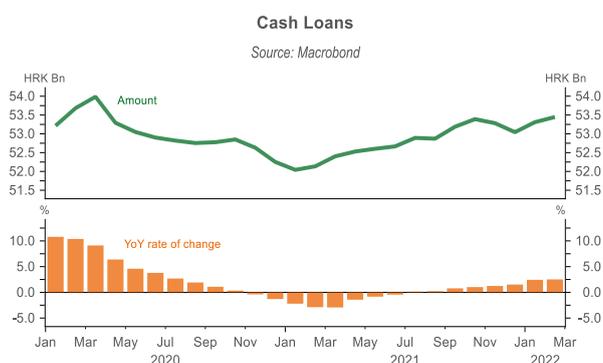
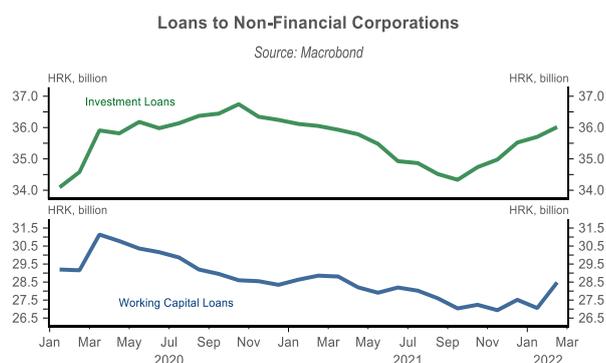
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Recovery of corporate loans in February

After two months of slowdowns, February brought a reversal of the trend of movements in total loans, which thus saw a y-o-y increase of 2.4% owing to the reversal of the central government loans trend (+0.5%), as well as stronger growth in private sector loans (2.7%). The growth of the portfolio of loans placed to the private sector was primarily due to an increase in loans to non-financial corporations, which jumped from -0.9% y-o-y in January to +1.0% in February, driven by a slightly stronger 5.7% increase in loans for other purposes and a milder decline in working capital loans (-1.3%) and investments (-0.1%). The latter recorded a m-o-m increase for the fifth month in a row, reaching 0.9% in February. At the same time, loans to households continue to grow at a steady pace (3.8% y-o-y) with housing loans, in anticipation of APN subsidies, continuing to slow down (7.7%), while the slightly upward trend in cash loans is maintained (2.5%). Data on loan transactions confirm the trends described, so the cumulative 12-month growth in loans to non-financial corporations in February noticeably accelerated to 2.4% y-o-y, while the growth of loans to households stagnated at 4.4%.

Deposits slowed slightly to 10.7% y-o-y in February, with private sector deposit growth being maintained at January levels, i.e., at 11.0%. Deposits of non-financial corporations accelerated their growth again, to 16.0% y-o-y due to a stronger increase in sight deposits and foreign currency savings, and citizens' deposits slowed slightly to 9.2% y-o-y due to a more moderate growth rate of sight deposits. Household foreign currency savings continue to post record levels, reaching HRK 149 billion with a year-to-year growth rate of 7.5% in February.

Although February signals positive lending dynamics and continued dampening of deposit growth, the pronounced uncertainty over the war in Ukraine and the sanctions imposed on Russia and the resulting pressure on prices and GDP movements have prompted us to revise our forecasts for bank aggregate growth forecasts in 2022. We thus lowered the expected growth rate of loans to the private sector by 0.9 p.p. compared to the previous estimate, to 3.0% y-o-y, estimating that slower growth in economic activity volumes and uncertainty would again lead to delays in some investments, as well as increased caution from banks. The projection of deposit growth, however, was adjusted slightly upwards (+0.2 p.p.), to 6.0% y-o-y, believing that as after the outbreak of the pandemic, uncertainty will result in a partial delay in consumption and investments, which will result in stronger growth of deposits. Our latest projections from March, as we would like to emphasize, were made in extremely uncertain circumstances, and should only be viewed as an indicative parameter of the direction of movement of the forecast variables.



Weekly overview

- Last week, trading ranged from 7.565 to 7.59 with slightly higher volumes than usual in the domestic foreign exchange market. On Friday, the mid-point exchange rate was almost unchanged on a weekly basis at HRK 7.5708 per euro. Against the dollar, the kuna appreciated by 0.4% to HRK 6.8477 per dollar. This week we expect a trading range of HRK 7.55-7.60 per euro.
- Excess liquidity dropped to HRK 76 billion, interest rates stagnated on a weekly basis, and there were no placements at the CNB's repo auction.
- The Crobex Index closed last Friday at 2,092.39 points, up by 1.7% w-o-w, while Crobis stagnated at the same time at 104.11 points. Sector indices ended in positive, with CROBEXindustry up by 5.3% w-o-w (to 1,201.48 points), CROBEXtourist by 1.1% (3,571.31) and CROBEXconstruct by 0.8% (444.25). Total ZSE turnover in the last week amounted to HRK 213.7 million, down by 29.5% w-o-w, owing to a 37.8% lower turnover in bonds (reaching HRK 168.2 million), while turnover in shares advanced by 39.3% (HRK 45.5 million).

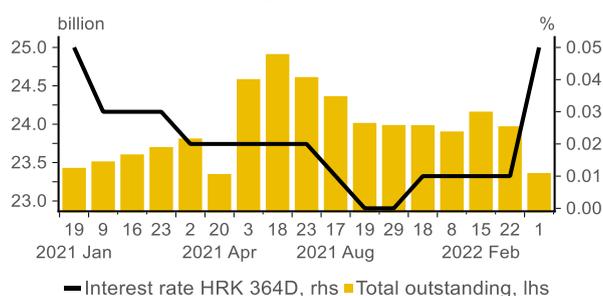
EUR/HRK and USD/HRK

Source: Macrobond



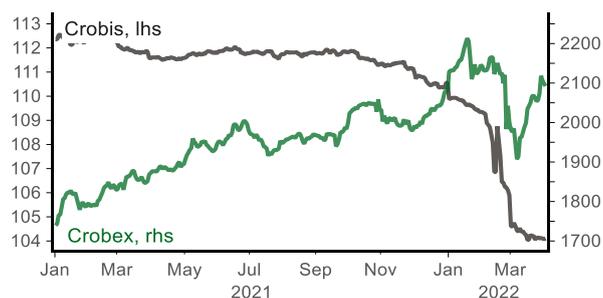
T-bills

Source: MoF



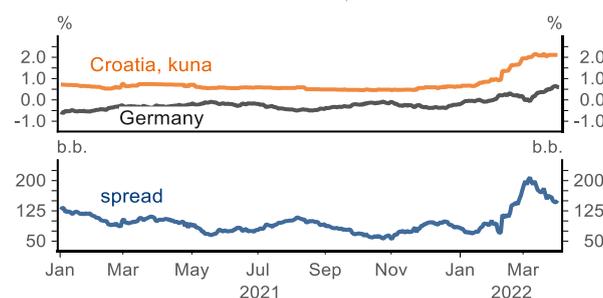
Crobex/Crobis

Source: Macrobond



10Y Government bond yield

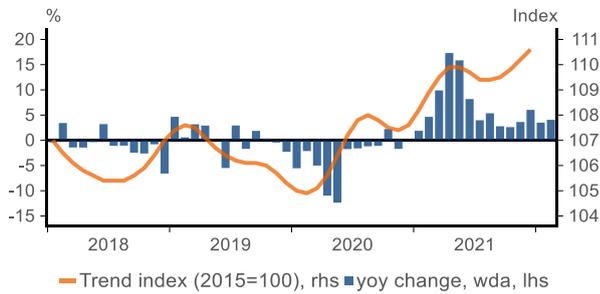
Source: Macrobond, Reuters



Statistics

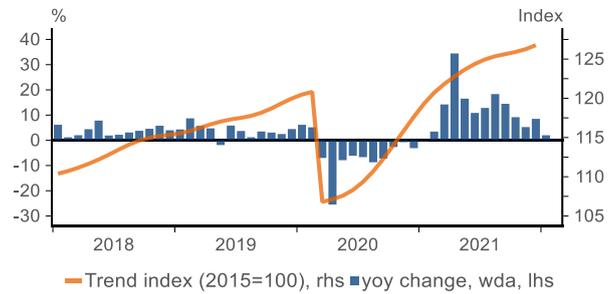
Industrial production

Source: Macrobond



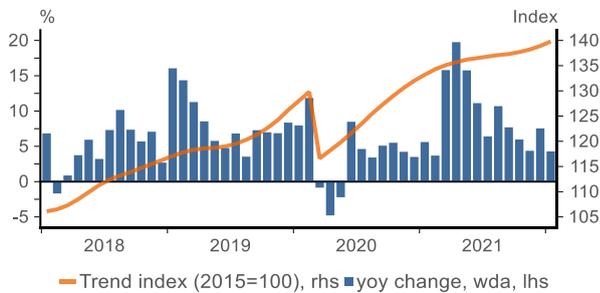
Retail trade, real

Source: Macrobond



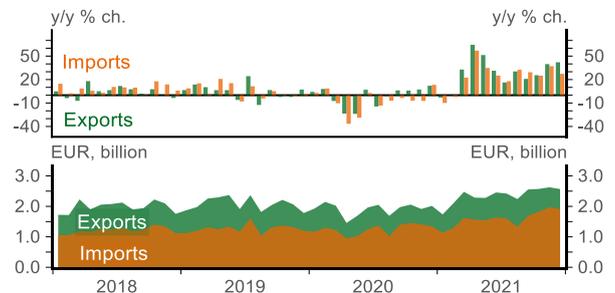
Construction works

Source: Macrobond



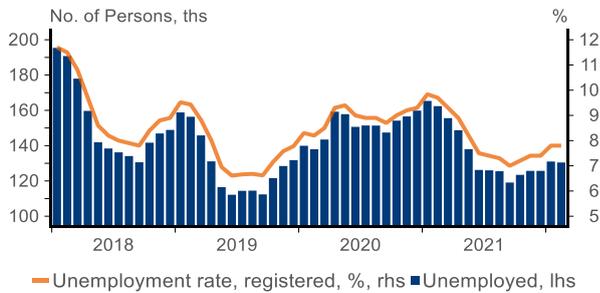
Goods exports and imports

Source: Macrobond



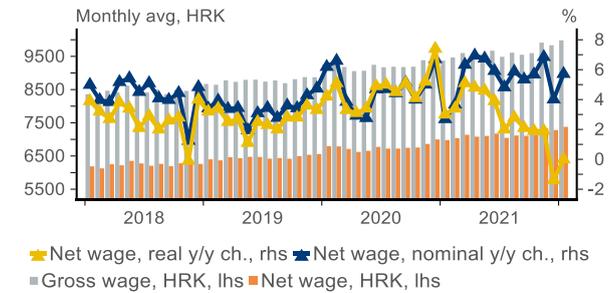
Unemployment

Source: Macrobond



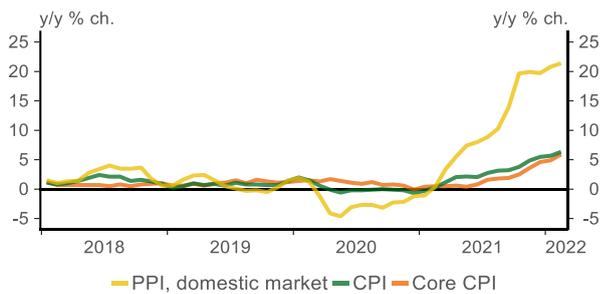
Wages

Source: Macrobond, CBS



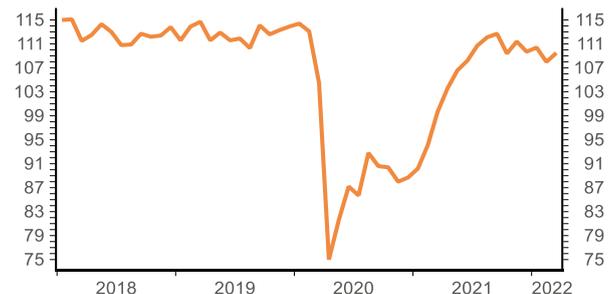
Prices

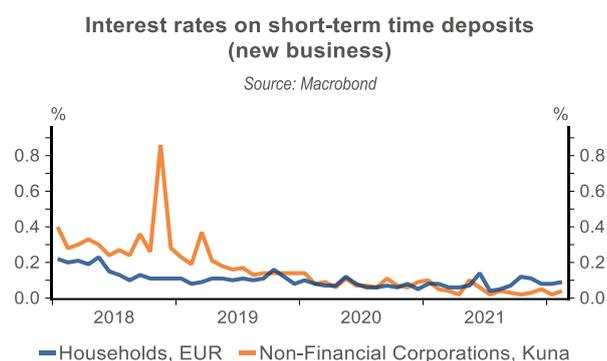
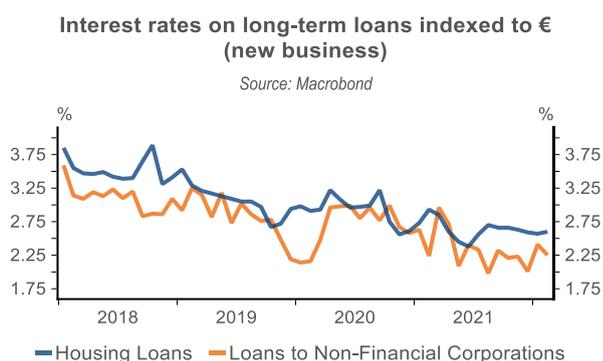
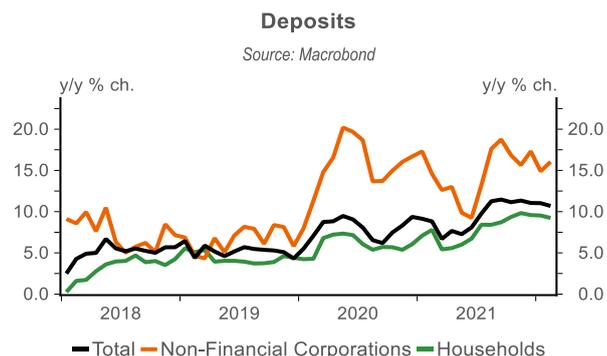
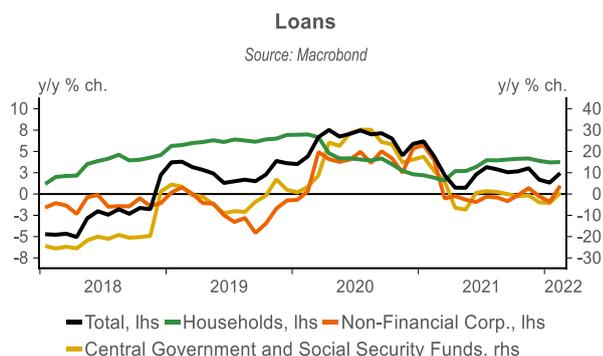
Source: Macrobond



Economic Sentiment Indicator (ESI)

Source: Macrobond





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