

# WEEKLY ANALYSIS

## Number 723, March 1, 2021

GDP in 2020 recorded a decline of 8.4% .....	1
Weekly overview.....	2
Statistics .....	3

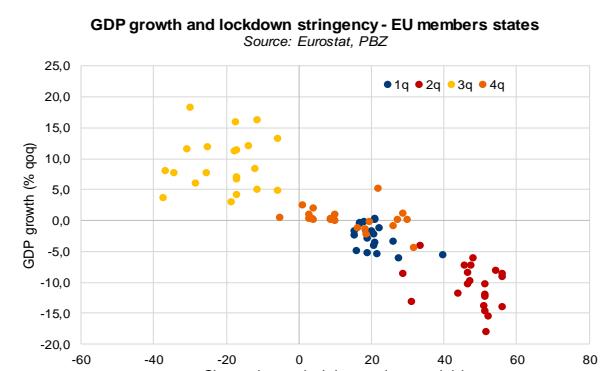
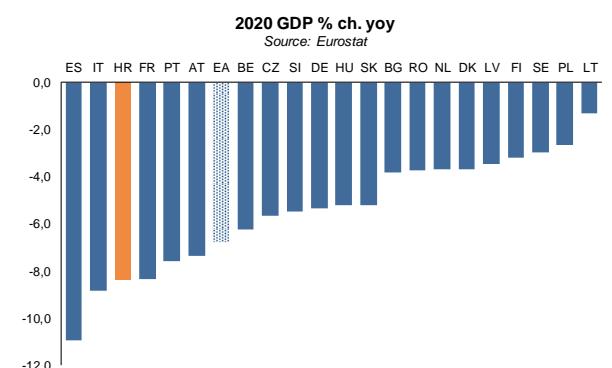
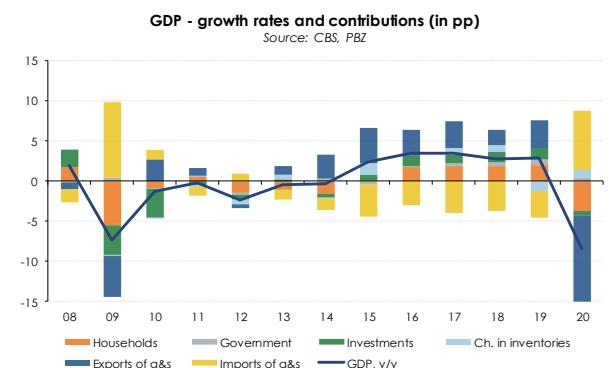
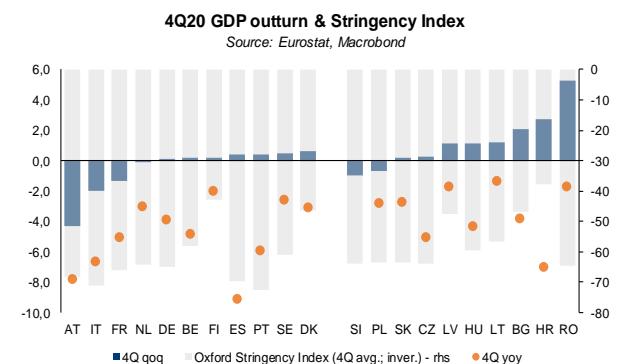


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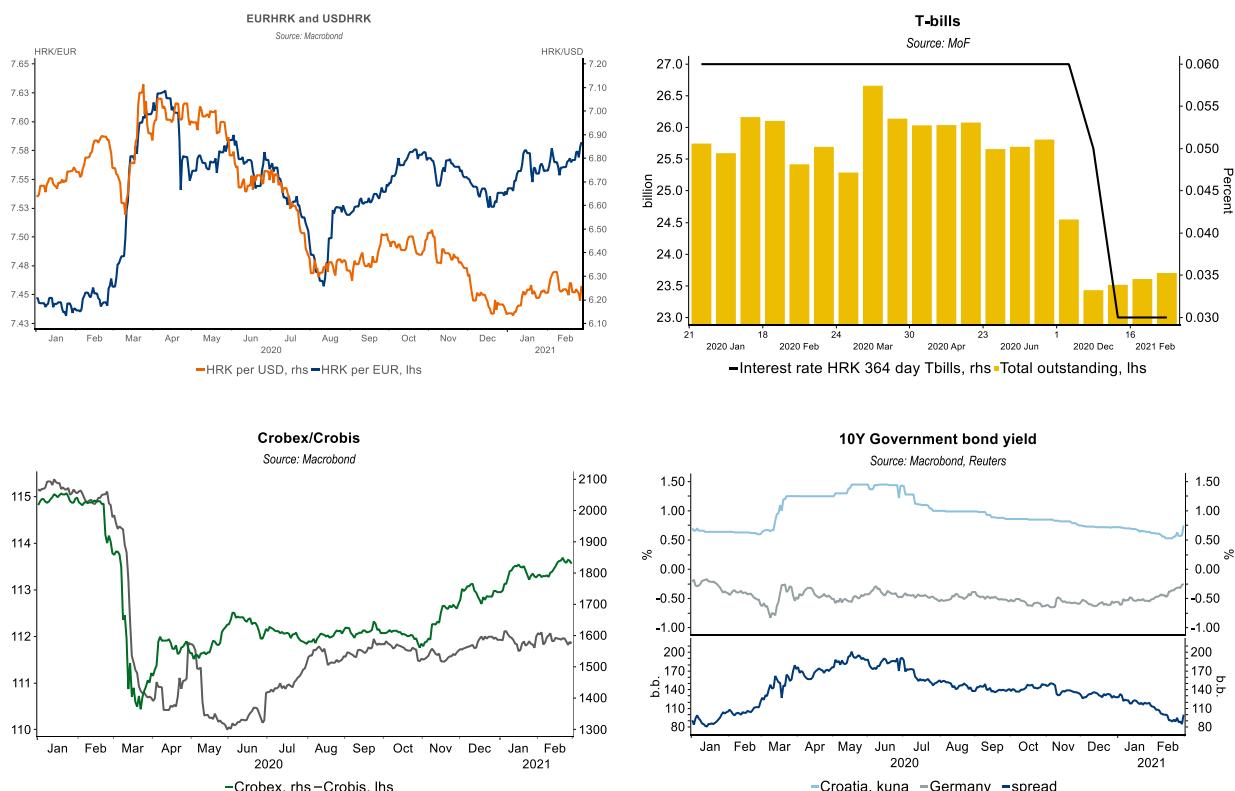
## GDP in 2020 recorded a decline of 8.4%

In line with high-frequency data, in 4Q20 GDP decline of 7.0% yoy was recorded, while qoq economic activity recorded a growth of 2.7%. According to the expenditure method, in 4Q20 household consumption recorded a yoy decline of 4.5% (significantly weaker decline than the 7.5% in 3Q), while investments simultaneously grew by 4.2% and public spending by 1.6%. Sharp growth in exports of goods (+8.6%) mitigated the decrease in total exports to -9.8% since exports of services decreased by slightly more than 1/3, while simultaneously total imports decreased by 7.6% (goods by 3.6%, services by 25.9%). Comparison with the available data for EU member states indicates that Croatia in 4Q20, in line with the eased lockdown measures, achieved one of the better performances in terms of the qoq GDP growth rate, nevertheless the generated yoy decline is still among the highest in the EU. The described movements in 4Q20 thus rounded off preliminary 2020 GDP decline to 8.4%, whereby in domestic demand a decline was recorded in household consumption and investments of 6.4% and 2.9% respectively, as well as a rise in public spending of 2.0%. Simultaneously, total exports contracted by 25.0% primarily due to the sharp 45.2% decline in exports of services (tourism) while exports of goods decreased by merely 0.8% yoy. Strong contraction of the domestic demand led to a 13.8% decline in imports. Croatia thus (expectedly), in comparison with other CEE countries, registered the sharpest economic downturn, while among the „old“ member states a stronger contraction was recorded only by Spain and Italy (and probably also Greece for which data are not yet available). Overall, it is interesting to compare quarterly GDP movements and lockdown stringency during last year. Namely, negative economic response to the tightening of measures in 4Q across European countries was less expressed than in 1H, which is attributed to the shift to targeted lockdowns compared to the total lockdown, which had a positive impact on industry and construction activity, while the service sector in one part adjusted through delivery systems (restaurants), i.e. other forms of anti-epidemic measures (e.g. shorter working hours, lower number of buyers in stores or activities involving a closer contact with clients), and, in general, organisation of homeworking achieved great improvements compared to the initial shock in March 2020. As for 2021, our working projection is that the Croatian economy might rise by around 4.5%, however the level of uncertainty is still high and the dynamic of vaccination and economic recovery in the countries we deem important will be predominant in the recovery of tourism and exports. The recovery of personal consumption will primarily reflect the situation in the labour market and reduction of uncertainty by the expected prolongation of the job retention measures, while investment activity should be under the positive impact of increased withdrawal of the remaining funds from MFF 2014-20 and rehabilitation of the earthquake-affected areas, but more detail will be provided on expectations at the end of the month following the regular quarterly review of macro scenarios.

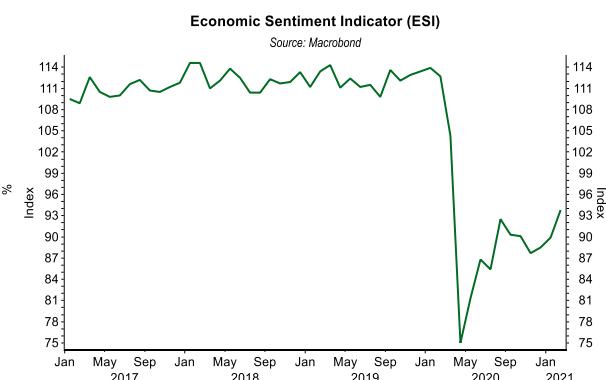
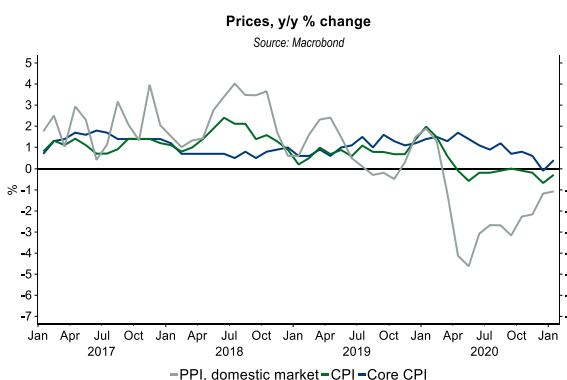
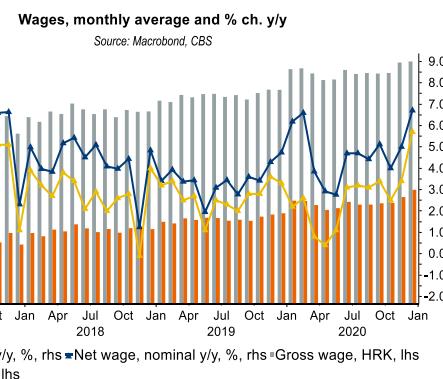
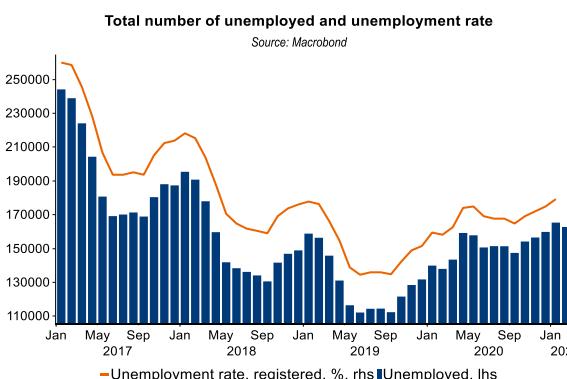
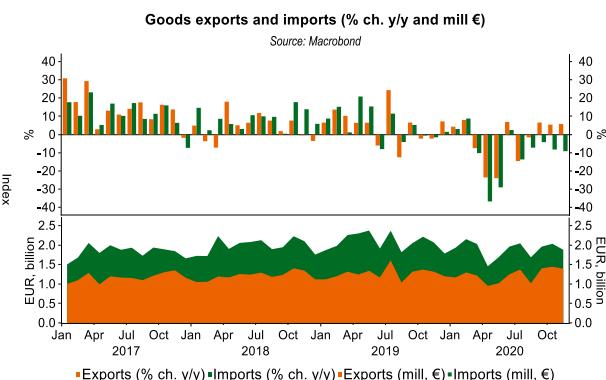
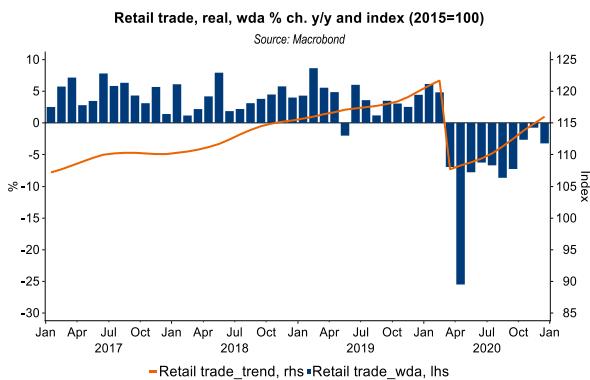
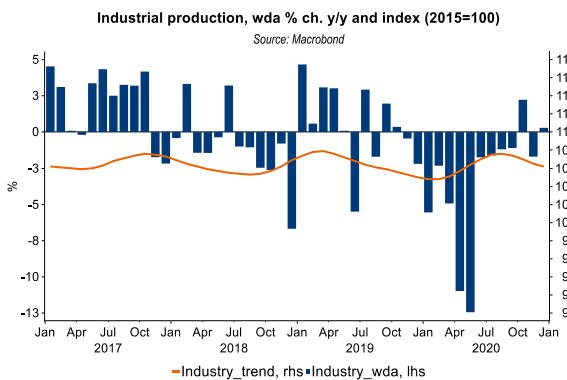


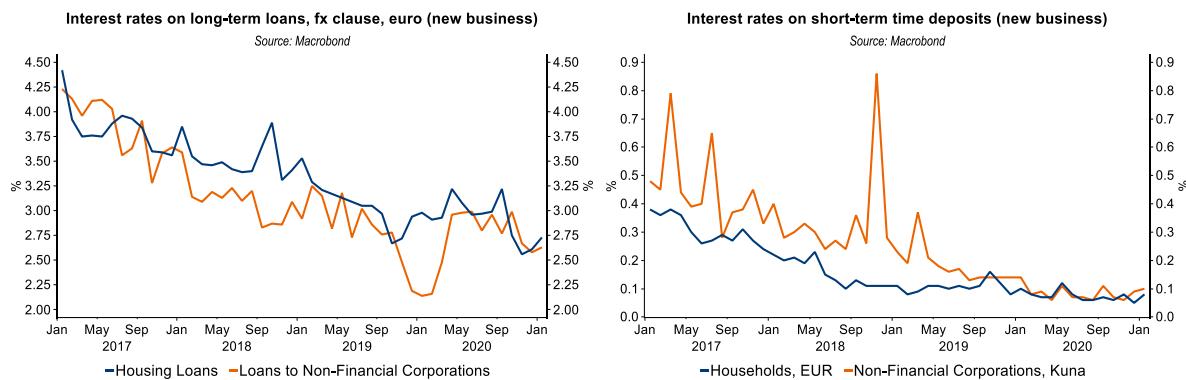
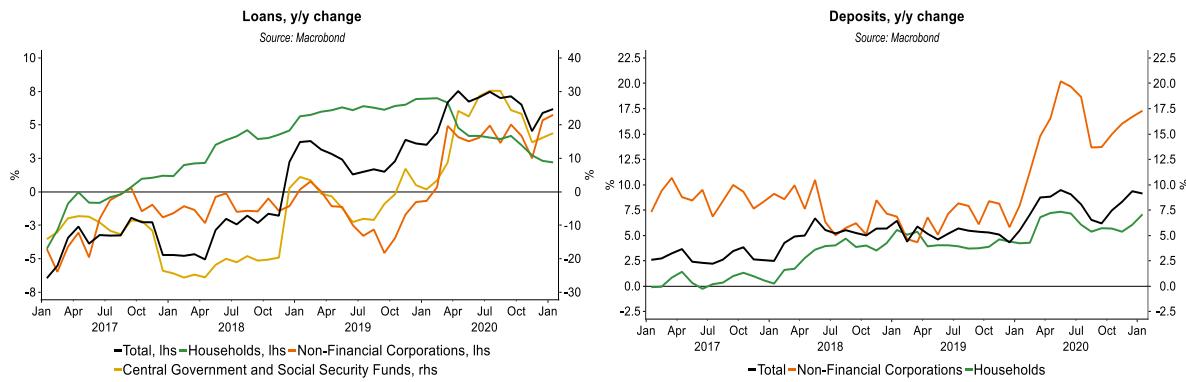
## Weekly overview

- Growth rate of total loans in January this year slightly accelerated to 6.2% yoy, whereby loans to the central government advanced to 17.5% (base effect), and to the private sector grew by almost unchanged 3.6% (households 2.2%, non-financial companies 5.7%). According to the transactions the cumulative growth of loans to the private sector slightly decelerated to 3.5%. Growth of total deposits in January reached somewhat more moderate 9.1% yoy, whereby deposits of the private sector accelerated to 9.6% (households 7.1%, non-financial companies 17.3%).
- Last week we observed a continuation of the slightly upward EUR/HRK trend, thus at the end of the week the mid-point exchange rate was higher by 0.2% wow amounting to 7.5822 kuna to the euro. The kuna depreciated also against the dollar to 6.2596 kuna to the dollar, up by 0.4% wow.
- Excess liquidity in the week behind us hovered around 65-66 billion kuna, interest rates stagnated, and at the central bank's repo auction there were no placements. At the last week auction 1.0 billion kuna of one-year HRK T-bills were issued with an unchanged interest rate of 0.03%, by which the government debt in T-bills rose to 23.7 billion kuna. This week 1.2 billion kuna of T-bills are due, hence the announced auction of six-month HRK T-bills is planned in the amount of 200 million kuna and one-year HRK T-bills in the amount of 1 billion kuna. The MF on Friday issued two tranches of euro bonds due in 2033 and 2041 in a total amount of 2 billion euro with the yield of 1.257 and 1.788% respectively.
- The Crobex Index closed last Friday at 1,830.19 points, down by 1.0% wow, while Crobis simultaneously reached 112.28 points (-0.1%). As for sector indices, CROBEXindustry recorded a wow increase of 2.1% (to 1,052.67 points), while CROBEXtourist and CROBEXconstruct fell by 1.3% and 2.6% respectively (to 3,686.31 and 866.98 points). Total ZSE turnover last week reached 120.4 million kuna, up by 2.0% wow, owing to 22.4% higher turnover in bonds (reaching 84.7 million kuna), while turnover in shares decreased by 26.8% (35.7 million kuna).



## Statistics





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