

WEEKLY ANALYSIS

Number 767, February 21, 2022

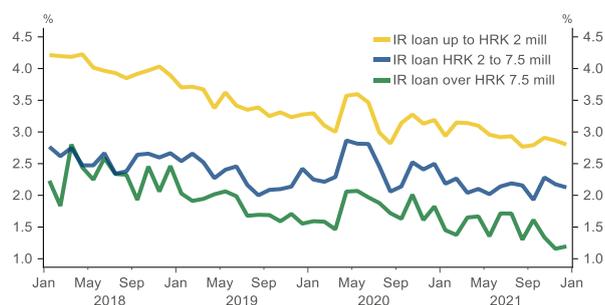
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2021 brought a noticeable decline in interest rates on loans

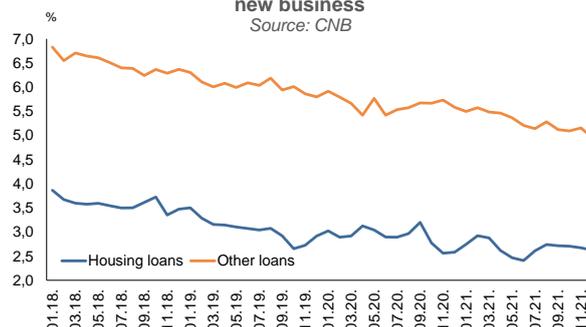
Following the uneven dynamics of loan interest rates in 2020 caused by the pandemic outbreak, the past year has brought a continuation of the multiannual downward trend. For example, the average interest rate on newly approved loans to households thus dropped by 0.2 p.p. year-on-year on housing loans (to 2.7%) and by 0.4 p.p. on other loans (to 5.3%). At the same time, the average interest rate on newly approved loans to non-financial corporations fell by 0.3 p.p. year-on-year - to 2.9% on loans to small and micro enterprises (placements up to HRK 2 m), to 2.1% on loans to medium-sized enterprises (HRK 2 to 7.5 m) and to 1.5% on loans to large enterprises (above HRK 7.5 m). The statistics presented also contain pure new and refinanced loans, while the CNB states that in the first ten months of last year, the interest rate on pure new loans to enterprises ranged even lower from 1.8% to 2.2%, dropping to 1.75% in October.

Due to ample liquidity and the retention of reference interest rates at low or negative levels, the interest rate on new time deposits of the private sector in 2021 decreased compared to the year before. The decrease reached an average of 0.06 p.p. on HRK, i.e. 0.05 p.p. on FX time deposits (to 0.07% and 0.08% respectively). In time deposits of households, HRK deposits recorded a y-o-y decline in the average interest rate of 0.08 p.p. (to 0.08%), and FX deposits a stagnation at 0.09%. Time deposits of enterprises, meanwhile, recorded an average interest rate drop of 0.04 p.p. year-on-year in the case of HRK (to 0.06%) and 0.15 p.p. in the case of FX (to 0.03%). Interest rates on overnight deposits made only minor developments, with the rate on overnight household deposits lowered for HRK to 0.03% at the end of the year, while on foreign currency it stagnated at 0.01%. The interest rate on overnight deposits of enterprises remained at 0.01% on both HRK and FX deposits. The interest rate spread following the trends described continued to fall and over the first eight months of 2021 it was down by 0.1 p.p. compared to the 2020 average amounting to 4.5 p.p. on new business. In the current year, the year leading up to joining the eurozone, we forecast continued spread reduction due to the expected further cut in interest rates on loans against the backdrop of tightening competition between banks, especially in the corporate lending market.

Interest Rates on Corporate Loans, by loan size, new business
Source: CNB



Interest Rates on Loans to Households, new business
Source: CNB



Weekly overview

- The domestic foreign exchange market has been calm for the past week and there has been a slight depreciation of the kuna. The mid-point exchange rate was HRK 7.5309 per euro on Friday, up by 0.1% w-o-w. At the same time, the kuna declined 0.4% against the dollar and the exchange rate rose to HRK 6.6293 per dollar. We don't expect any major changes this week.
- Excess liquidity exceeded HRK 79 bn, interest rates rose 5-20 b.p. w-o-w, and there was no interest shown at the CNB's repo auction. Last week, HRK 1.1 bn of T-bills were due, with HRK 1,311 m and EUR 6.5 m subscribed, increasing the government debt in T-bills to HRK 24.2 bn. The interest rate on HRK T-bills remained at 0.01%, while on euro it increased by 5 b.p. compared to the previous issue, to -0.10%. This week, HRK 1.0 bn is due, so an auction planned in the amount of HRK 700 m has been announced.
- The Crobex Index closed last Friday at 2,121.11 points, down by 2.0% w-o-w, while Crobis fell by 0.5% at the same time (to 107.52 points). Sector indices closed on a negative note, with CROBEXconstruct down by 2.6% (477.90 points), CROBEXtourist by 1.2% (3,598.61) and CROBEXindustry by 0.8% (1,259.23). Total ZSE turnover in the last week amounted to HRK 204.1 m, down by 69.0% w-o-w owing to a 43.5% lower turnover in bonds (reaching HRK 51.6 m) and a 75.5% lower turnover in shares (HRK 152.5 m).

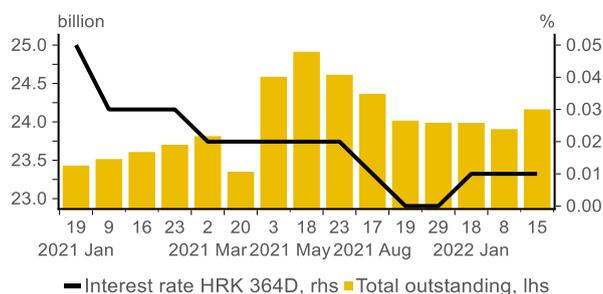
EUR/HRK and USD/HRK

Source: Macrobond



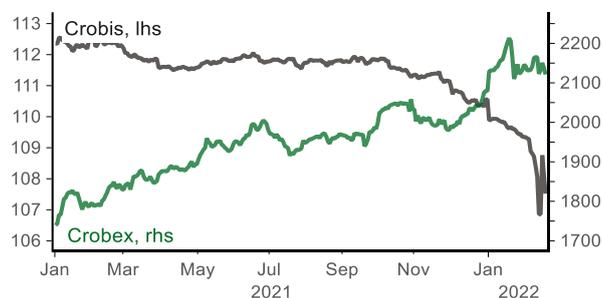
T-bills

Source: MoF



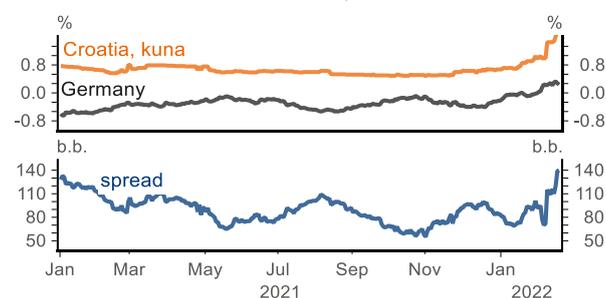
Crobex/Crobis

Source: Macrobond



10Y Government bond yield

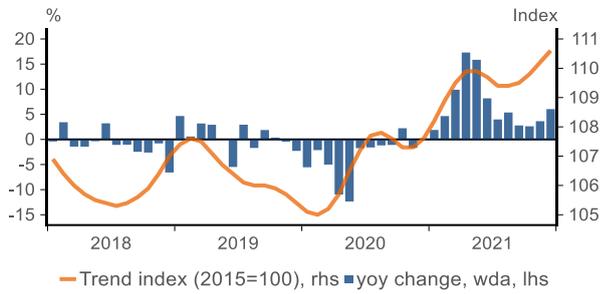
Source: Macrobond, Reuters



Statistics

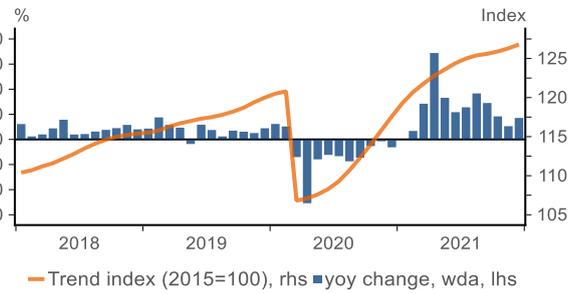
Industrial production

Source: Macrobond



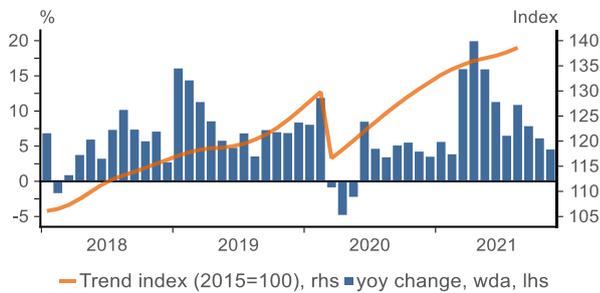
Retail trade, real

Source: Macrobond



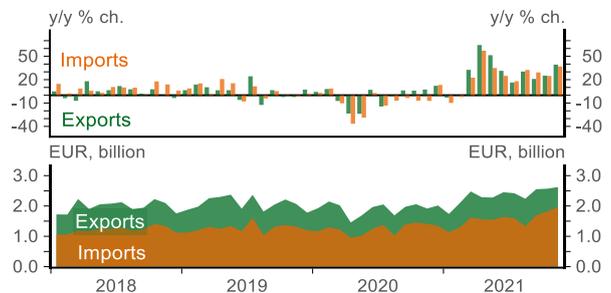
Construction works

Source: Macrobond



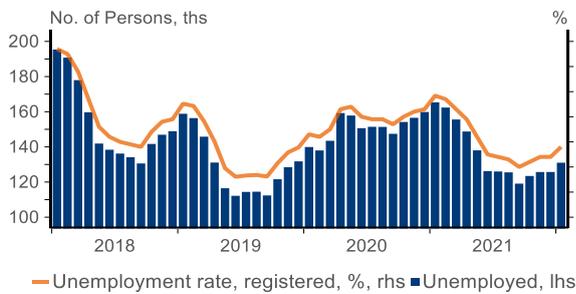
Goods exports and imports

Source: Macrobond



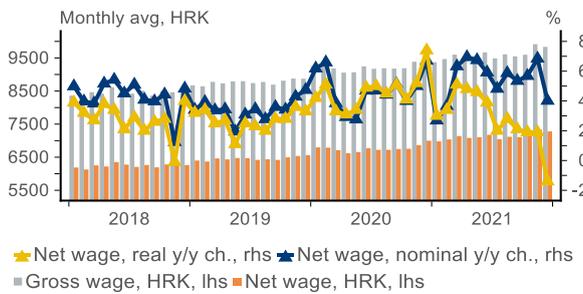
Unemployment

Source: Macrobond



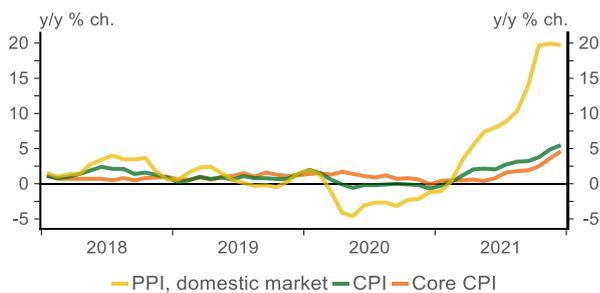
Wages

Source: Macrobond, CBS



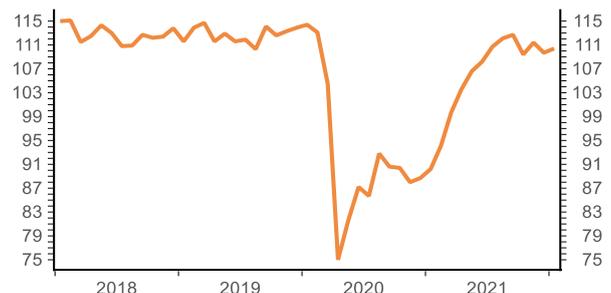
Prices

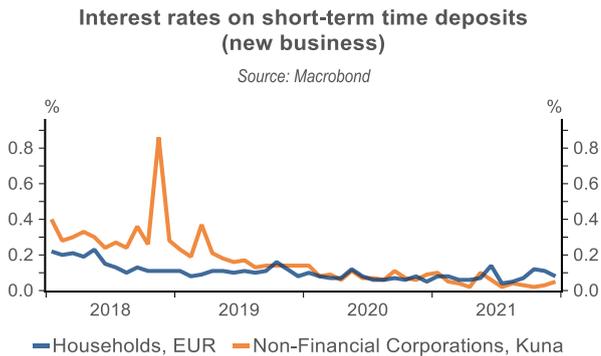
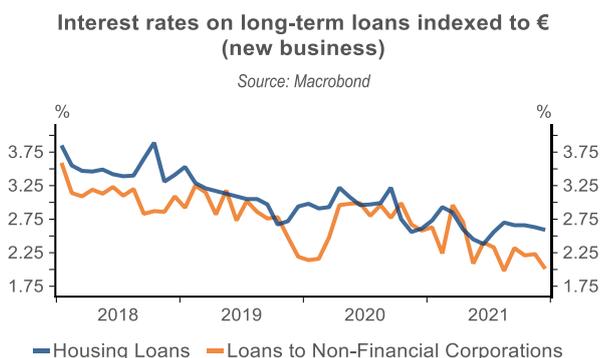
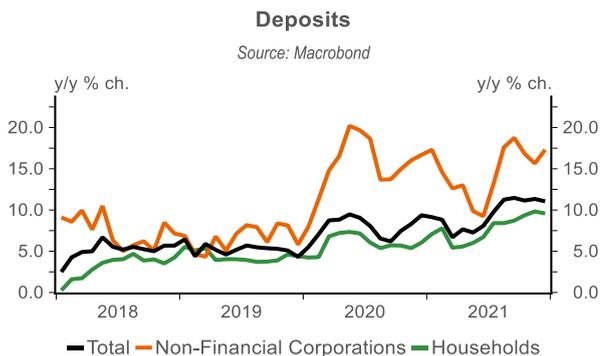
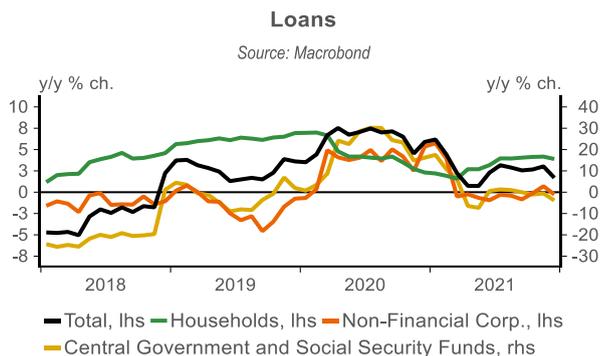
Source: Macrobond



Economic Sentiment Indicator (ESI)

Source: Macrobond





RESEARCH OFFICE

Ivana Jović
Ana Lokin
Ivan Odrčić

TREASURY

Eugen Bulat

TRANSLATION

Ana Biloš
Jelena Marinović

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