

WEEKLY ANALYSIS

Number 779, May 23, 2022

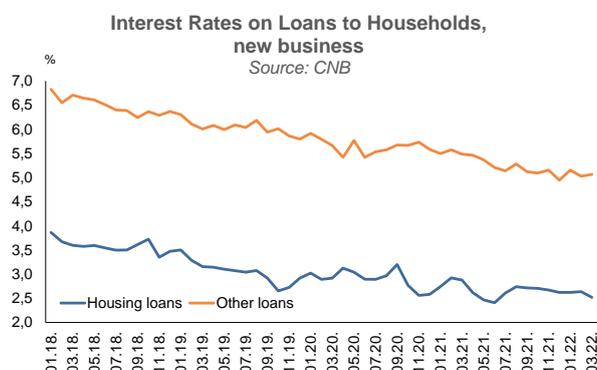
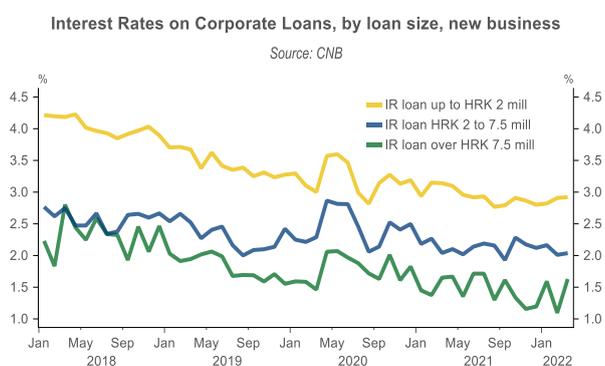
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Interest rates in anticipation of the ECB's move

The economy's recovery from the pandemic continued in the first three months of the year, but rising prices and the outbreak of war in Ukraine again brought uncertainty to markets that also affected the movement of interest rates on loans. In the first quarter of this year, interest rates thus continued to fall or stagnated compared to the average of the whole of 2021, but a quarter-on-quarter comparison indicates more pronounced stagnation or growth. In the first three months, the average interest rate on newly placed corporate loans compared to the average of the previous year was thus down by 10 b.p. on loans to small enterprises (up to HRK 2 million) and medium-sized enterprises (HRK 2 to 7.5 million) amounting to 2.9% and 2.1%, respectively. At the same time, the average interest rate on loans to large enterprises (above HRK 7.5 million) stagnated at 1.5%. The comparison of the first quarter of 2022 with the last quarter of 2021 gives a somewhat different picture revealing a stagnation of interest rate on loans to small enterprises, a drop of 10 b.p. on loans to medium-sized ones and a growth of 20 b.p. in loans to large enterprises. In the case of interest rates on loans to households, they decreased in the first quarter by an average of 10 b.p. on housing loans and 20 b.p. on loans for other purposes compared to the average of 2021 (to 2.6 and 5.1% respectively). If we also analyse changes on a quarterly basis here, we will see that the average interest rate on housing loans dropped by 10 b.p. compared to the last quarter of last year, while other loans remained unchanged.

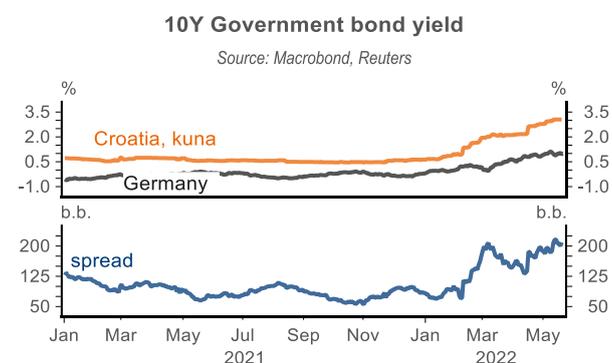
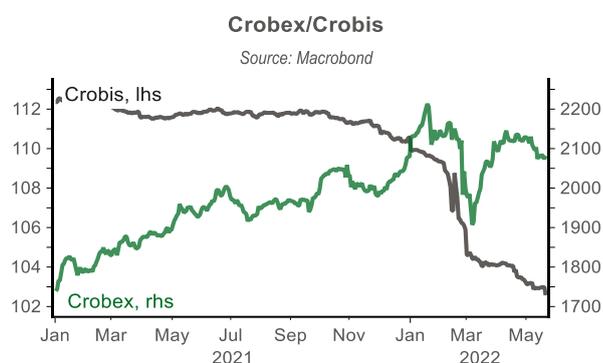
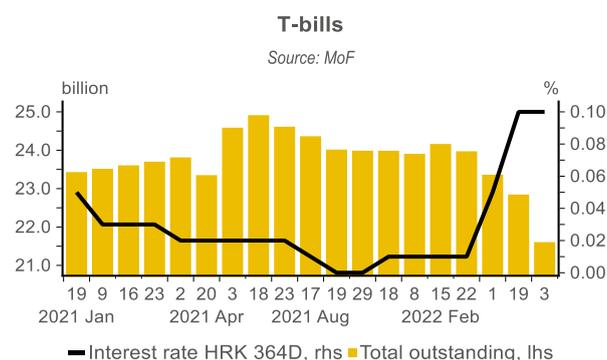
Against a backdrop of strong liquidity surpluses, interest rates on time deposits continued to stagnate or fall slightly. Interest rates on time deposits in the first quarter, compared to the 2021 average, fell by 1 b.p. on HRK term deposits (to 0.06%), i.e., stagnated at 0.08% on FX term deposits. Compared to the last quarter of last year, both HRK and FX time deposits carry unchanged interest rate. The interest rate on household time deposits thus averaged 0.06% on HRK and 0.08% on FX in the first three months, and on corporate time deposits it was 0.06% on HRK and 0.07% on FX.

It is quite certain that in the period ahead, the European Central Bank will raise key interest rates due to growing inflationary pressures, which its leaders are now openly announcing. Interest rates in the eurozone money market, especially over longer term, have already risen noticeably since February to the present day and the 12-month Euribor has been positive for the past four weeks. As a result, the variable part of the interest rate on loans will increase, but Croatia's accession to the eurozone will continue to put pressure on banks' interest margins.



Weekly overview

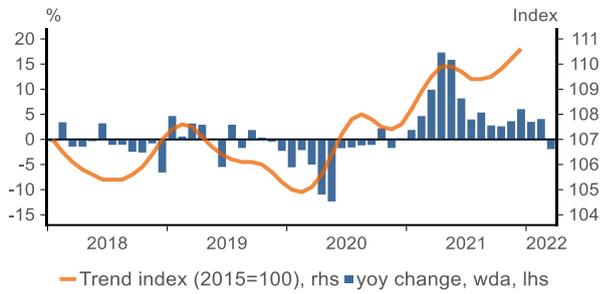
- Behind us is a bit livelier week in which in the interbank market volumes were slightly higher than usual, as well as corporate activity in the domestic FX market. The mid-point exchange rate at the end of the week was slightly up by 0.1% w-o-w at HRK 7.5365 per euro. Against the dollar, the kuna increased by 1.9% to HRK 7.1167 per dollar. This week we expect trading in the range of 7.50 to 7.55 kuna per euro.
- Excess liquidity rose to reach HRK 76 billion, interest rates stagnated on a weekly basis, and there was no demand at the CNB repo auction. Last week, HRK 880 million and EUR 11 million of MoF T-bills were due, and HRK 845 million and EUR 11 million were subscribed at the auction, so the government debt in T-bills decreased to HRK 21.5 billion. HRK 300 million of 6-month HRK T-bills were subscribed with 0.05% (5 b.p. more than the earlier issue), HRK 545 million of 1Y HRK T-bills with 0.20% (10 b.p. more) and EUR 11 million of 1Y EUR T-bills at -0.05% (5 b.p. more). The next maturity of T-bills is on June 23.
- The Crobex Index stagnated on a weekly basis at 2,081.62 points last Friday, while Crobis was simultaneously down by 0.3% (102.57). As for sector indices, CROBEXconstruct recorded an increase of 1.5% w-o-w (to 445.60 points), while CROBEXindustry and CROBEXtourist fell by 4.4% and 0.5% respectively (1,188.74 and 3,559.95). Total ZSE turnover in the last week reached HRK 113.5 million, down by 32.0% w-o-w, owing to a 33.0% lower turnover in bonds (reaching HRK 84.1 million) and a 29.0% lower turnover in shares (HRK 29.5 million).



Statistics

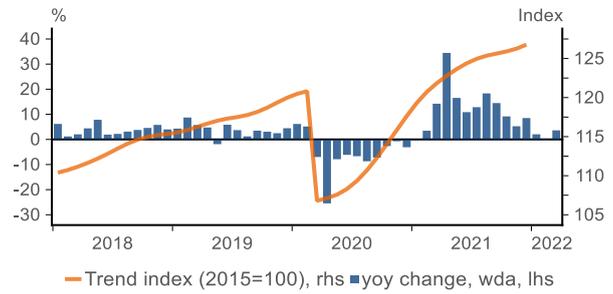
Industrial production

Source: Macrobond



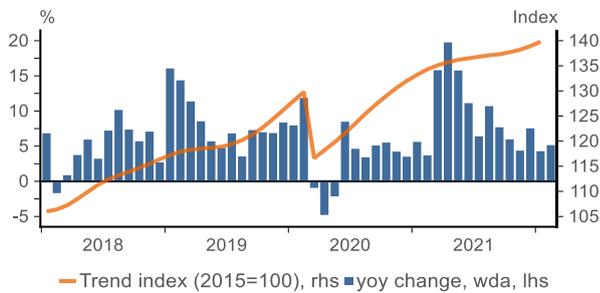
Retail trade, real

Source: Macrobond



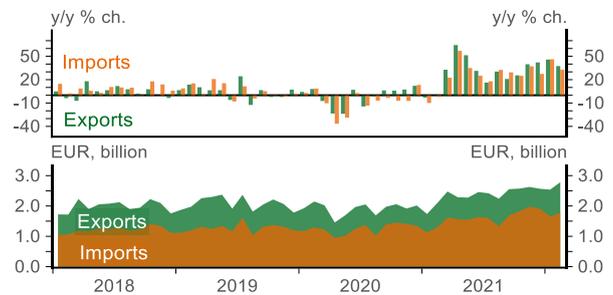
Construction works

Source: Macrobond



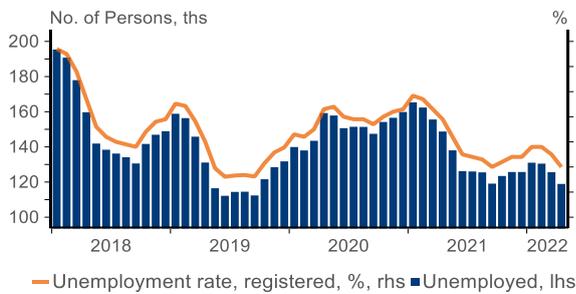
Goods exports and imports

Source: Macrobond



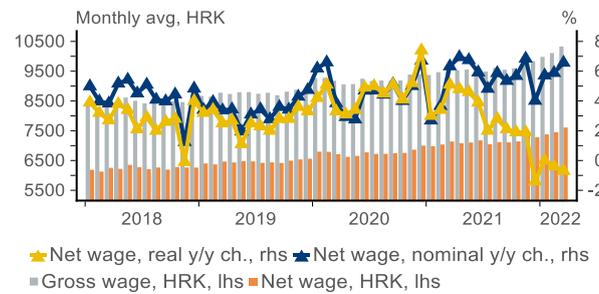
Unemployment

Source: Macrobond



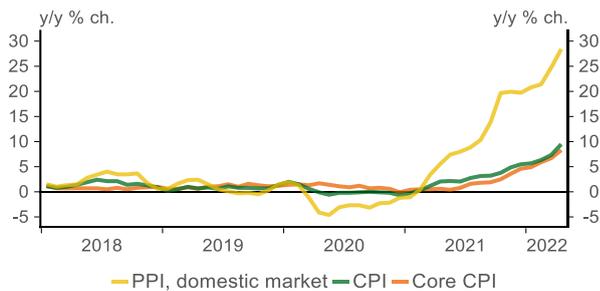
Wages

Source: Macrobond, CBS



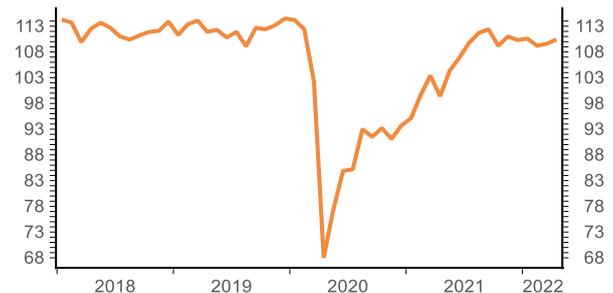
Prices

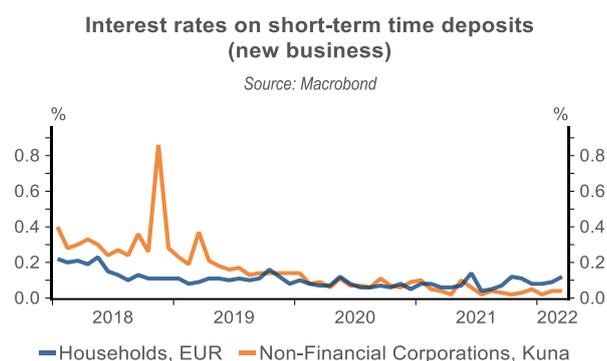
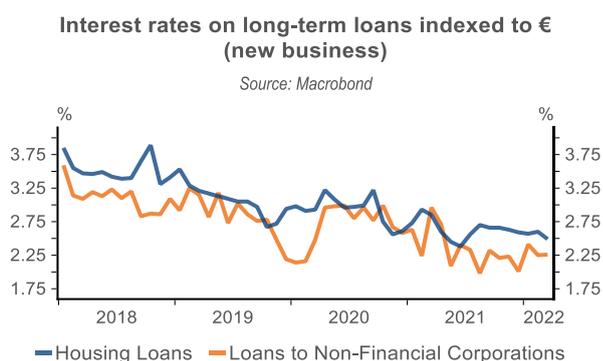
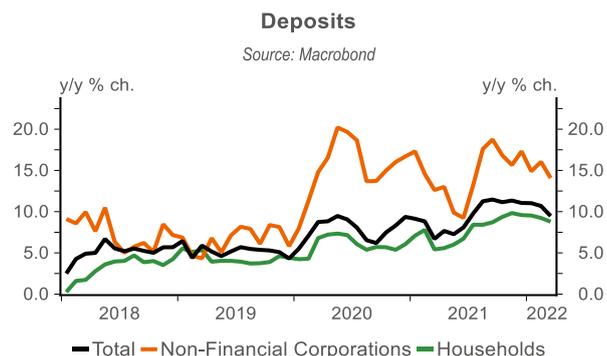
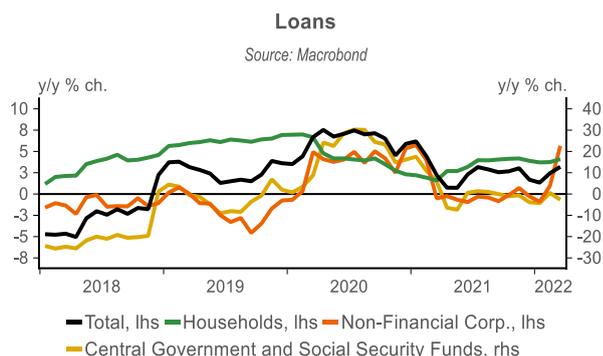
Source: Macrobond



Economic Sentiment Indicator (ESI)

Source: Macrobond





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