

WEEKLY ANALYSIS

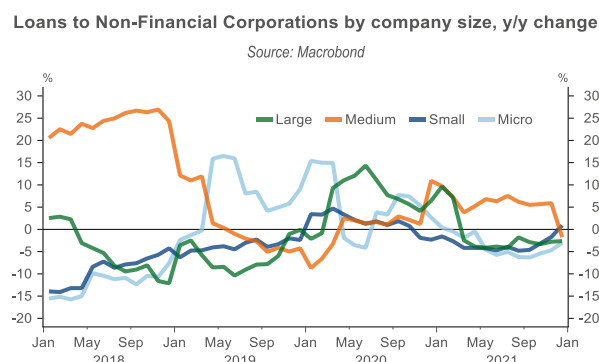
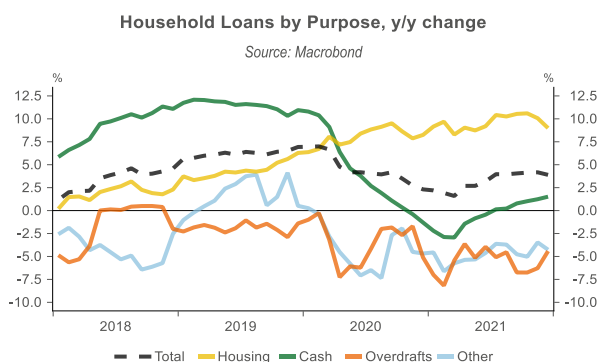
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Credit growth decelerated in December

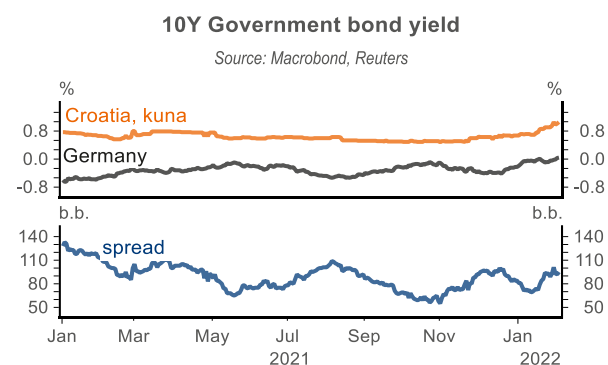
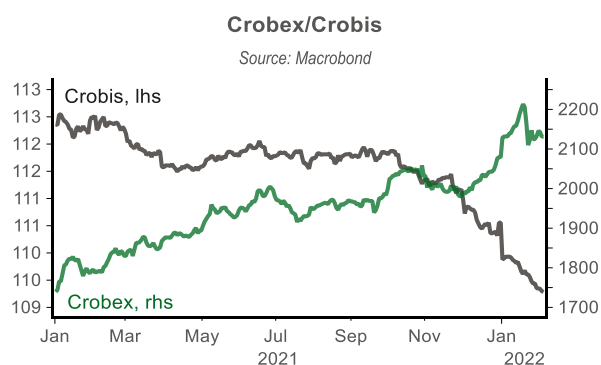
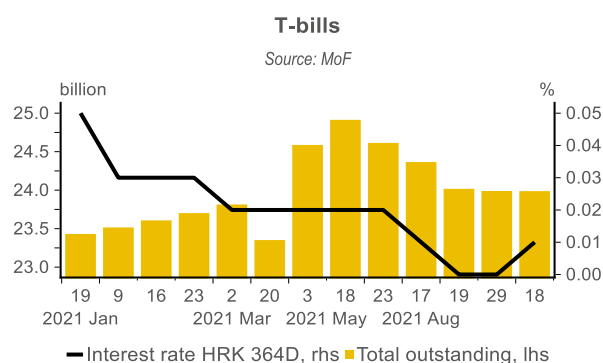
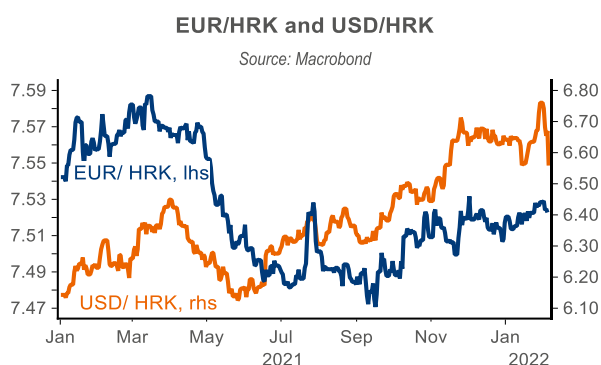
The last month of last year brought a noticeable slowdown in the y-o-y growth of loans due to strong decrease of loans placed to the central government accompanied by slower growth in loans to the private sector. Total loans thus saw the end of December up by 1.7% y-o-y, with the central government declining by 3.9% (-2.5% m-o-m) and the private sector growing by 2.3%, in line with our expectations. Loans to households were slightly lower in December than the month before (-0.2%) leading to a decrease in the y-o-y growth rate to 3.9% (according to transaction data, the cumulative growth rate was 4.5% y-o-y). Housing loans slowed the growth to 9.0% y-o-y, cash loans continued to accelerate and rose by 1.5%, while the decline in all other types of loans remained at high -5.0%. This year we see a positive trend maintained in cash loans with consumer optimism growing, while for housing loans we expect a slowdown due to lower subsidy volumes. Loans to non-financial corporations plunged again in December, by 0.3% y-o-y (according to transactions, there was a growth of 1.0%), however this decline was caused only by *the base effect*, i.e. a leap in loans in December 2020 (the CNB states that this concerned a refinancing of foreign debt with domestic banks). On a monthly basis, corporate loans increased by 1.5%, resulting in their continuous m-o-m growth in the fourth quarter. While in y-o-y terms working capital loans and investment loans in December still remained in the red (-2.9%, i.e. -2.0%), although at a level much lower than in November, they grew m-o-m by 2.1% and 1.6% respectively, with investment loans thus growing m-o-m for the third month in a row. The good news is that, in terms of company size, all four categories of enterprises achieved m-o-m loan growth in December (micro 0.7%, small 2.3%, medium-sized 1.0%, large 1.2%). This in y-o-y terms eased the decline in micro and large enterprises (to -3.0% and -2.6%), with growth in small enterprises (0.9%), but reversed the trend in the medium-sized ones (-1.8%). Our expectations for this year are optimistic about corporate lending and we expect its momentum, particularly regarding investment loans.

Deposits in December exceeded our forecast rising by 11.1% y-o-y (11.7% private sector), mainly due to a significant acceleration in the growth of non-financial corporations of 17.3%. At the same time, household deposits slowed slightly to 9.6% y-o-y, with FX savings continuing to strengthen (6.6%) and HRK savings declining sharply (-5.6%). HRK household savings have narrowed by HRK 4.1bn in the last 3 years, since it has been steadily declining, and over the same period FX savings have grown by HRK 11.6bn (initially due to the outbreak of the pandemic and outflows from investment funds, later due to an increased propensity to save and a closer date of joining the euro area). For this year, we anticipate slower growth in deposits since citizens' caution decreases as the situation stabilizes, while more vibrant investment activity should bring about a reduction in the accumulation of liquidity of non-financial corporations. On the other hand, a driver for deposit growth will come from cash inflows into banks due to accession to the euro area.



Weekly overview

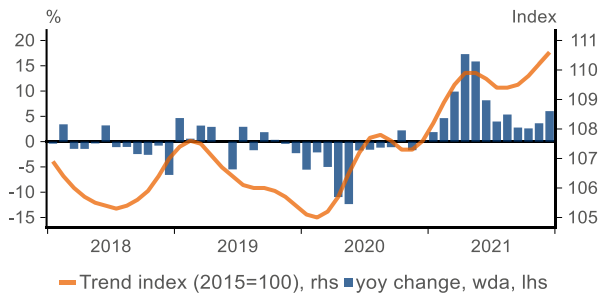
- On Friday, the EUR/HRK mid-point exchange rate was down by 0.1% w-o-w amounting to HRK 7.5181 per euro. At the same time, the HRK appreciated a high 3.0% against the dollar, to HRK 6.5585 per dollar.
- Excess liquidity dropped to HRK 75bn, interest rates were mostly still, and there was no interest shown at the CNB's repo auction. On Tuesday, the MF issued a bond of €1bn due in 2030 with a currency clause and a yield to maturity of 1.39%. This week, HRK 1.9bn of treasury bills are due, so an auction planned in the amount of HRK 1.6bn has been announced.
- The Crobex Index closed last Friday at 2,131.85 points, up by 0.3% w-o-w, while Crobis was simultaneously down by 0.1% or 109.28 points. As for sectoral indices, CROBEXtourist recorded an increase of 1.1% w-o-w (to 3,653.08 points), while CROBEXconstruct and CROBEXindustry fell by 3.8% and 4.4% respectively (457.53 and 1,233.04). Total ZSE turnover in the last week amounted to HRK 655.6 million, which represents an increase of 3.7 times w-o-w, owing to 3.8 times higher turnover in bonds (to HRK 498.5 million) and 3.4 times higher turnover in shares (HRK 157.1 million).



Statistics

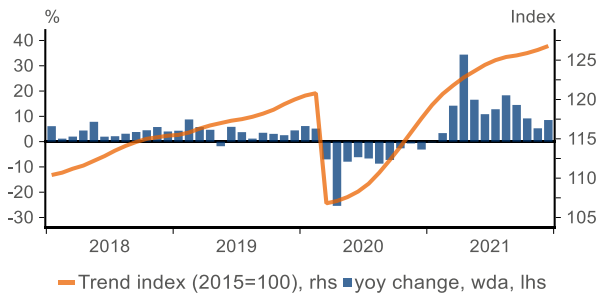
Industrial production

Source: Macrobond



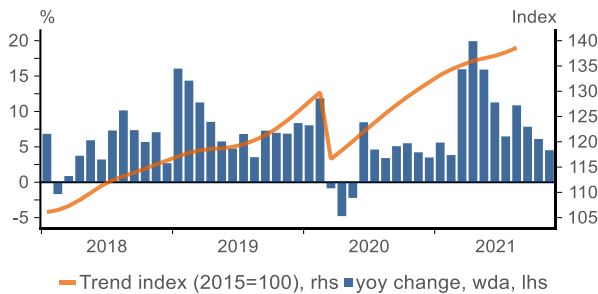
Retail trade, real

Source: Macrobond



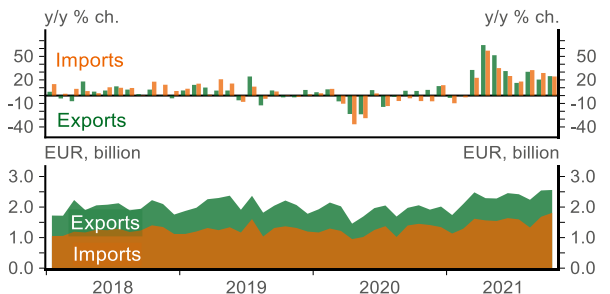
Construction works

Source: Macrobond



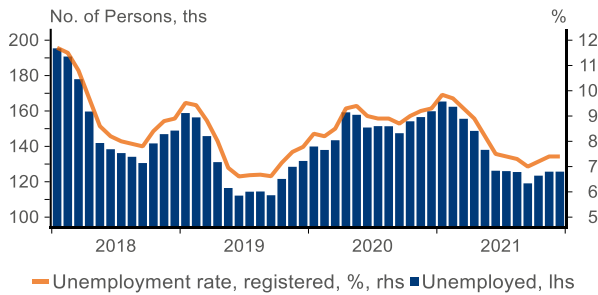
Goods exports and imports

Source: Macrobond



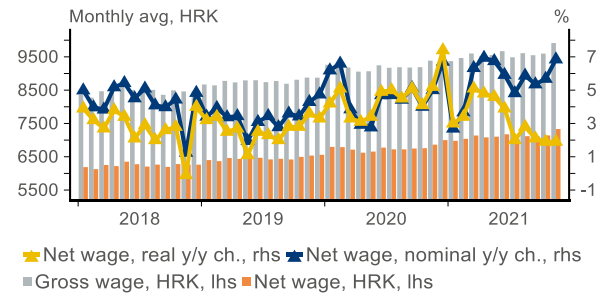
Unemployment

Source: Macrobond



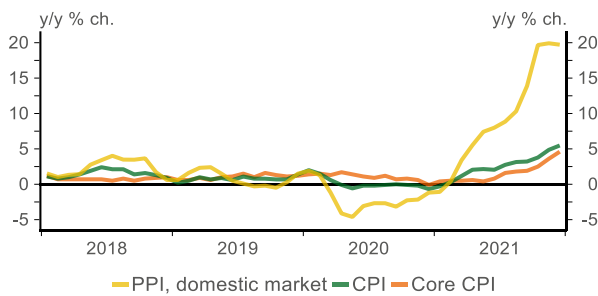
Wages

Source: Macrobond, CBS



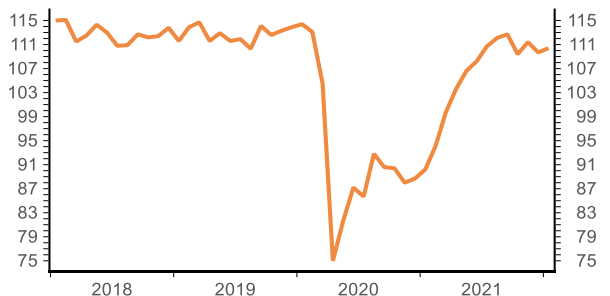
Prices

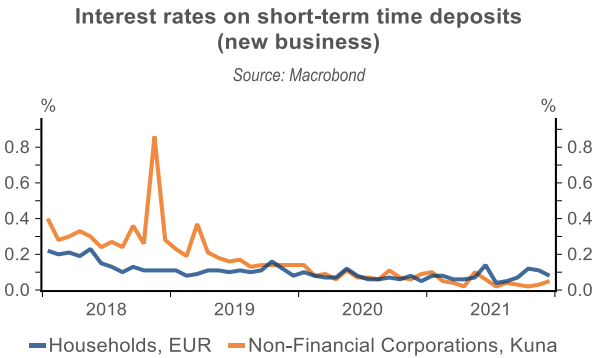
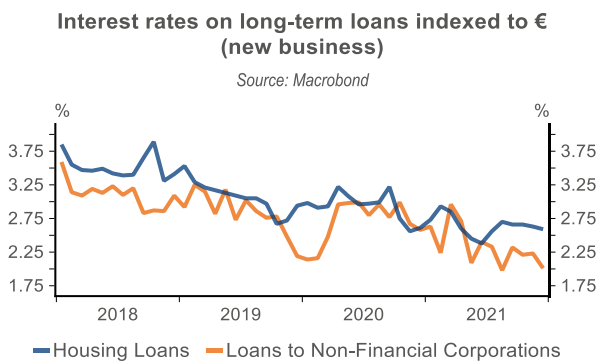
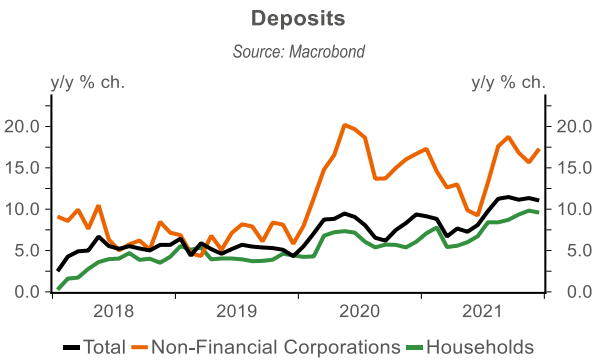
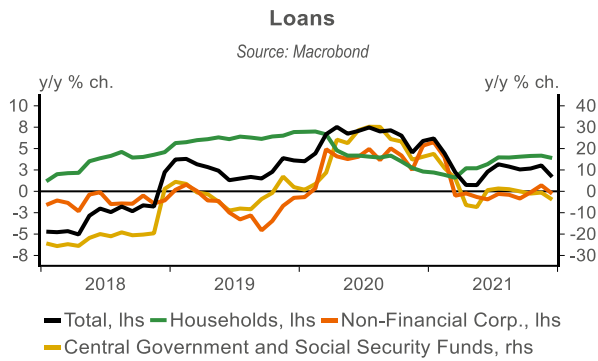
Source: Macrobond



Economic Sentiment Indicator (ESI)

Source: Macrobond





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