

## NUMBER 816, APRIL 17, 2023

### Bond issuance melted down household deposits

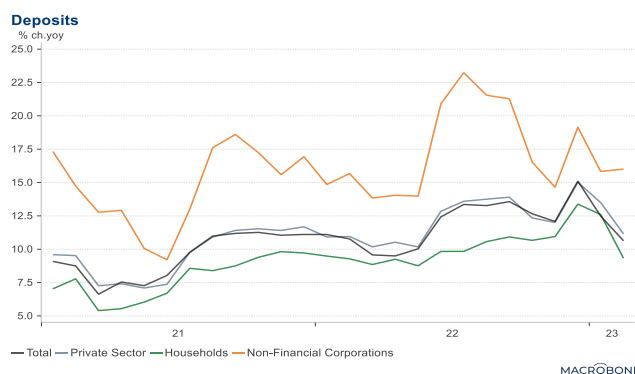
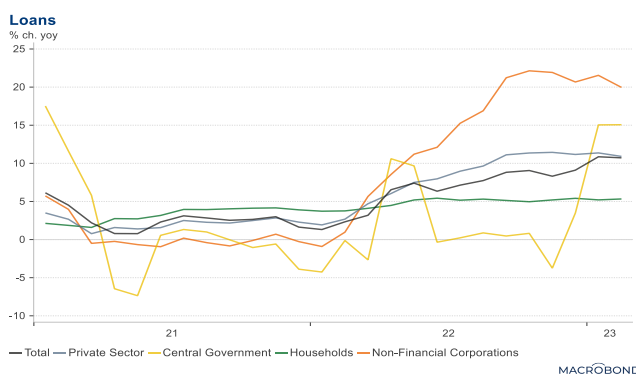
- According to data from the central bank, interannual loan growth deaccelerated only slightly in February, reaching 10.7%. Loans to the central government recorded a marginally stronger growth (15.1%), while loans to the private sector weakened to 10.9%. The latter was caused by a slowdown of the pace of loans to non-financial corporations to 20.0%, due to significantly lower working capital loan growth (15.6%) due to the base effect. Namely, this loan type, as well as investment loans and loans for other purposes, recorded growth m-o-m, and the CNB states that, per data on transactions, the growth mostly refers to manufacturing, construction and accommodation and food service activities. If we look at the trends in the last few months, we see a slowdown of corporate loan growth, which was expected due to calming of energy prices, and in the upcoming period we expect that such trend will intensify. Data on loan trends according to enterprise size show that loans to all enterprise sizes recorded a milder increase in February than the month before (micro 16.6%, small 7.4%, medium 3.4%, large 39.4%), while a more detailed insight per loan types revealed that stable growth of investment loans (16.2% y-o-y) is the result of acceleration of growth of investment loans for large enterprises (to 23.4%).
- Simultaneously, household loans retained their interannual growth rate of approx. 5% that they have been recording for the last ten months (5.3%). Housing loans, whose dynamic is mostly linked to subsidies' cycles, slowed down in February to 9.7%, cash loans accelerated to 2.3% and the decline of all others stagnated at -1.4%. Considering that the banks announced tightening of household loan standards in the Bank lending survey in the first quarter of this year, and that we do not expect they will relax them in the upcoming months, with a visible slowdown of economic activity, our estimation is that the growth of household loans will follow the trends in their environment and will weaken.
- Interest rate for newly approved private sector loans was, on average, up by 40 bps m-o-m in February and was 4.2%. Overall rate was elevated by corporate loan interest rates which recorded a 50 bps increase, with long-term loan interest rates recording a strong jump of 80 bps to 4.7%, and for short-term loans a mild increase of 10 bps to 3.0%. In household loans, average housing loan rate recorded growth of 30 bps to 3.2%, and for consumer and other loans of 10 bps to 5.4%.

**Slowdown of lending to non-financial corporations**

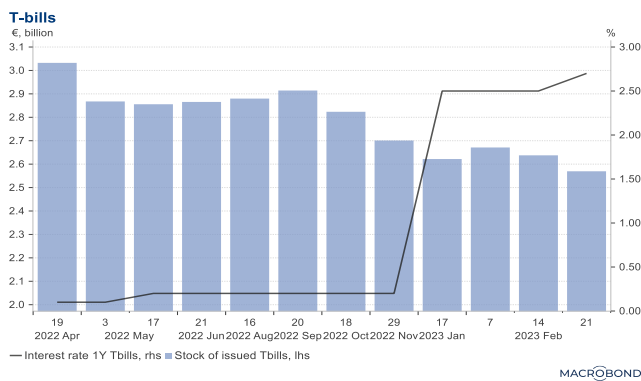
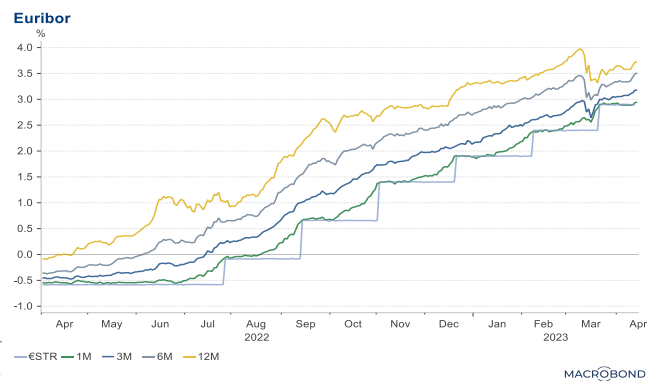
**Lending to households stable**

- Deposits in February m-o-m have been melting for a second month in a row, and by that also the excess of banks' liquidity, due to the decline of deposits to both non-financial corporations and households, thus reducing growth rate to 10.6% y-o-y (private sector 11.2%). While this is usual seasonal occurrence for non-financial corporations, it is a strong decline in February for households (775 mil. euros) mostly due to government bond subscription. Thus, interannual retail term deposit growth rate declined from 13.4% in December to 12.6% in January and 9.3% in February. Observed by maturity, dominant household overnight deposits (75% of total) in February thus slowed down to 18.7%, while decline of deposits with agreed maturity deepened to -11.9%. By the end of year, we see a continuation of decrease of deposit growth considering that we expect a reduction of the liquidity cushion for non-financial corporations, while household deposits in the banks are being increasingly threatened by assets under management with higher yields, although growth of interest rate for time deposits is also present. Interest rate for total newly agreed time deposits thus on average increased in February by 50 bps m-o-m, to 1.5%, with the rate on retail time deposits increasing by 90 bps to 1.1%, and for corporate time deposits by 40 bps to 1.7%.

**Household deposits declined in February by 775 million euros**



- Data on strong deacceleration of inflation in the U.S. in March surprised the markets, so the dollar weakened notably to the euro. At the end of the week the exchange rate was 1.1057 dollar to the euro, i.e., up by 1.3% w-o-w.
- Euribor continues to grow, so in the past week it increased from 10 to 20 bps w-o-w. On Friday, 3M Euribor was 3.2%, and 6M 3.5%. This week 285 mil. euros of T-bills are due, so announced auction has been planned in the amount of 200 million euros.
- The end of previous week brought a somewhat better performance of stocks, so on Friday Crobex was up by 0.1% w-o-w, i.e., at 2,255.8 points. The most important sector indices' trends were colourful (CROBEXindustry +4.9% to 1,370.8, CROBEXnutris -0.5% to 800.3, CROBEXtourist +1.1% to 4,136.5). Crobis kept its positive trend by increasing by 0.3% w-o-w to 94.6 points.



## LEGAL DISCLAIMER

This publication is issued by PRIVREDNA BANKA ZAGREB-DIONIČKO DRUŠTVO, Zagreb, Radnička 50 (hereinafter: PBZ) and aimed at clients of the PBZ Group. This publication is intended for information purposes only and may not in any way be considered an offer or invitation to purchase any property or rights mentioned in it. The informative nature of this publication means that it may not serve as a substitute for the personal judgment and assessment of any reader or anyone who receives this publication. The information, opinions, analyses, conclusions, forecasts and projections given here are founded on publicly available data whose accuracy PBZ relies on but cannot guarantee. Accordingly, all the opinions, attitudes, conclusions, forecasts and projections given in this publication are subject to changes, which depend on changes to the data as published by the source used. PBZ allows further utilization of the data given in this publication on the condition that the publication is indicated as the source. All the property mentioned in this publication and whose movement is the subject of comment may from time to time be the subject of trade or positions taken by PBZ.

## ECONOMIC RESEARCH

Ivana Jović  
Ana Lokin

## TRANSLATION

Ana Biloš  
Jelena Marinović

[www.pbz.hr](http://www.pbz.hr)