

WEEKLY ANALYSIS

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Exponential rise of currency savings

Private sector loans in August recorded 9.7% growth y-o-y. Non-financial corporation crediting retained its upward trend (+16.9%), powered by growth of energy product and raw material prices, as well as certain strong growth of reference interest rates. Working capital loans and investment loans increased by 19.9%, i.e., 17.2% annually, and other loans strongly increased to 12.9%. Growth is still present in enterprises of all sizes (micro 14.6%; small 8.1%; medium 9.2%; large 24.6%), and it is interesting that all loan types in all enterprise size categories took a positive turn, pointing to widespread credit demand and the liveliness of business activities of enterprises. Households continue to record stable growth in crediting (+5.3%), with cash loans mildly increasing to 3.0%, and the effect of subsidies to housing loan growth gradually fading (+9.5%). Data on interest rates for new business show that, although borrowing conditions are still favourable, August brings growth of average interest rates due to the tightening of monetary policy. Increase for loans with currency clause reached 0.6 p.p. m-o-m, and it is primarily the result of higher interest rates for consumer and other household loans (cash loans).

Deposits increased in late August by 13.1% annually (demand deposits +15.2%, HRK savings -15.2%, currency savings +16.5%), and private sector deposits continue their acceleration (+13.8%) owing to tourism revenues, growth in loans to enterprises and cash inflow to banks due to the date of entering the eurozone approaching. The CNB thus noted in the Comments on monetary developments for August 2022 that in August “currency outside credit institutions recorded the sharpest monthly decrease since the introduction of the kuna as the national currency”. If we observe household deposit trends, we can see they were higher by 10.5% y-o-y with a continuation of robust growth of sight deposits and a strong decline of savings in HRK, while currency savings, after a brief sharp decline in March (outbreak of war in Ukraine and uncertainty over Sberbank), recorded strong growth in July and August m-o-m by which interannual growth rate reached 9.9% in late August. In the first nine months currency savings thus increased by 9.7 billion kuna, exceeding its growth for the entire 2021 by 6.4%. Deposits of non-financial corporations, although recording a somewhat milder interannual growth of 21.7% in August, also achieved record-high levels of currency savings (+47.3%). Share of currency in total savings thus continued to grow (to 88%), expected as 01 January 2023 is approaching.

In September scenario we forecasted that loan and deposit growth from this year’s high rates will gradually weaken in 2023. Slower GDP growth in the next year, weakening of inflationary pressures and expectations that the ECB will continue raising key interest rates by the end of Q1 will pressure credit demand downwards, while the abating of the effect of joining the eurozone and extended period of higher inflation reducing disposable incomes will result in more moderate deposit growth.



Weekly overview

- Statistical data published last week covered data on retail trade and industrial production in August. Both indicators recorded m-o-m decline in activity, with retail trade turnover in real terms reduced by 1% compared to July, while industrial production recorded a decline of 0.8%. Retail trade thus recorded its first y-o-y decline (-0.2%) since January 2021, while year-on-year growth of industrial production slowed down to only 0.6%, which is the lowest growth rate recorded since December 2020. Data on 1.3% y-o-y decline of manufacturing industry is concerning, especially regarding 10.1% decline of production of intermediary and 3.8% decline of production of durable consumer goods.
- Last week EUR/HRK exchange rate recorded only slight changes and was 7.5255 on Friday, up by 0.1% w-o-w. Kuna appreciated against the dollar by 0.3% so the exchange rate was reduced to 7.6822 kuna to the dollar.
- Excess liquidity was reduced to 85 billion kuna last week, interest rates continued stagnating, and, as usual, there were no placements at the regular repo auction.
- ZSE turnover in last week was down by 33.0% w-o-w and amounted to 237 million kuna, with bond turnover decreasing to 90 million kuna (-41.3%) and share turnover to 145 million kuna (-27.7%). Uncertainty resulted in continuation of Crobex decline, down by 3.2% w-o-w to 1,906.3 points. All the most important indices, like week before, closed in red on Friday; CROBEXindustry -3.1% (to 977.9 points), CROBEXnutris -3.4% (to 690.2 points), CROBEXtourist -3.1% (to 3,233.4 points). Crobis deepened its weekly decline to -0.8% (to 97.3 points).

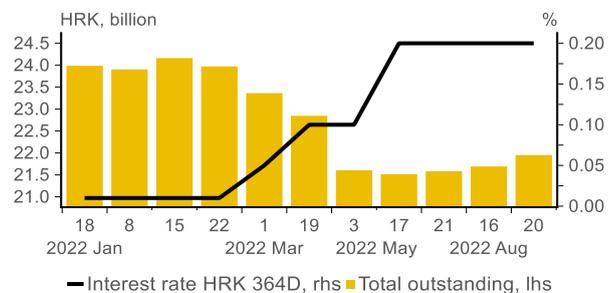
EUR/HRK and USD/HRK

Source: Macrobond



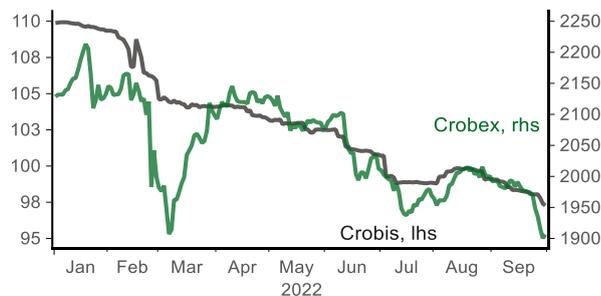
T-bills

Source: MoF



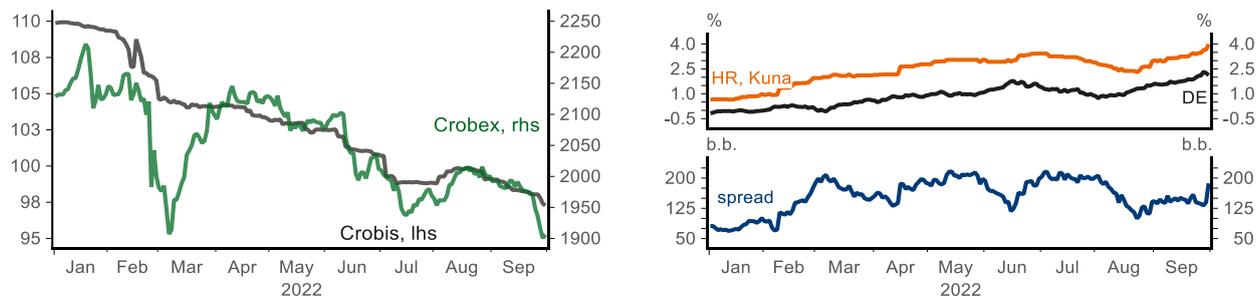
Crobex/Crobis

Source: Macrobond



10Y Government bond yield

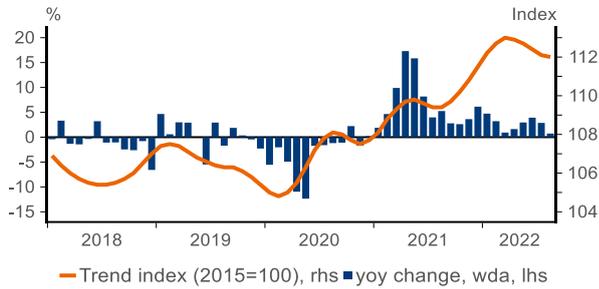
Source: Macrobond, Reuters



Statistics

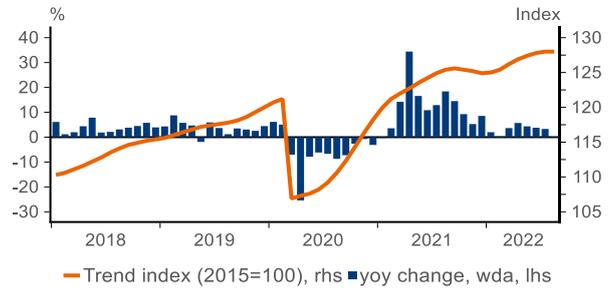
Industrial production

Source: Macrobond



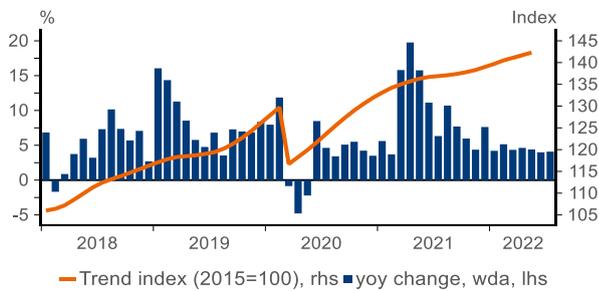
Retail trade, real

Source: Macrobond



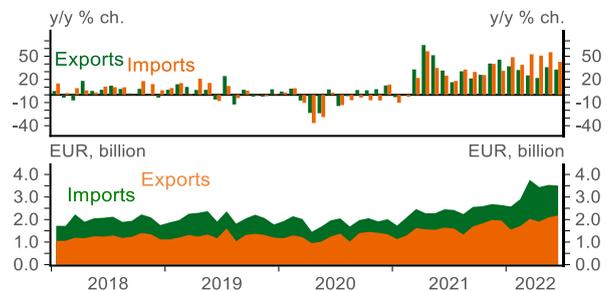
Construction works

Source: Macrobond



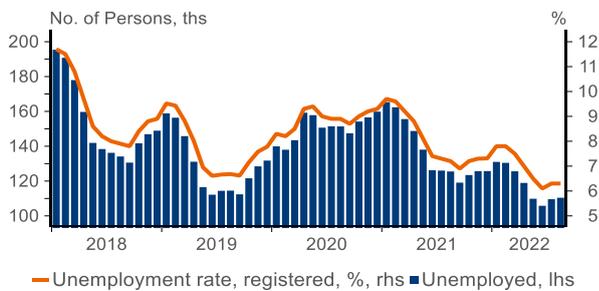
Goods exports and imports

Source: Macrobond



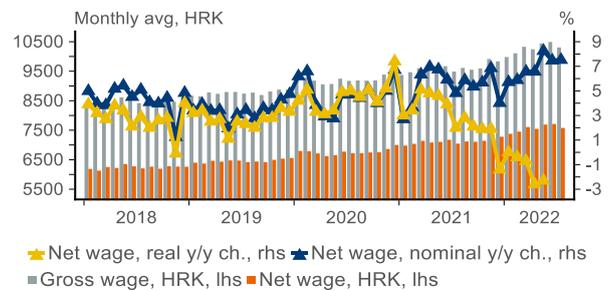
Unemployment

Source: Macrobond



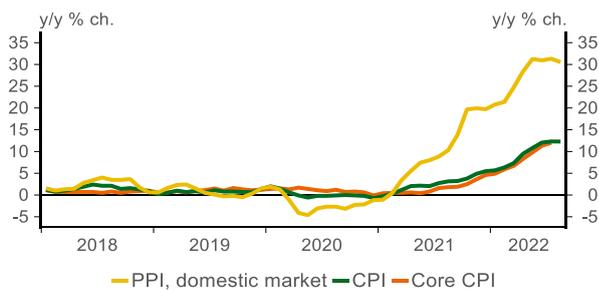
Wages

Source: Macrobond, CBS



Prices

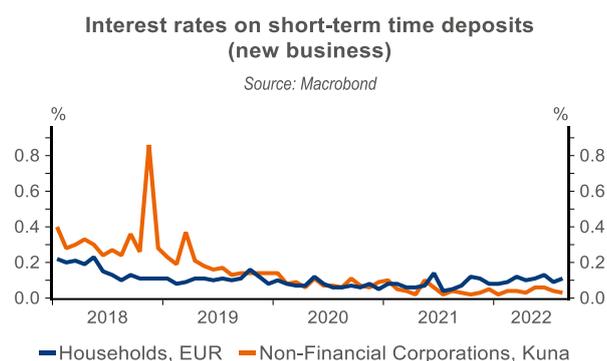
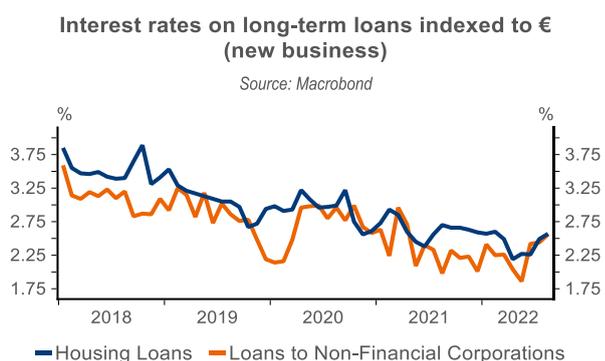
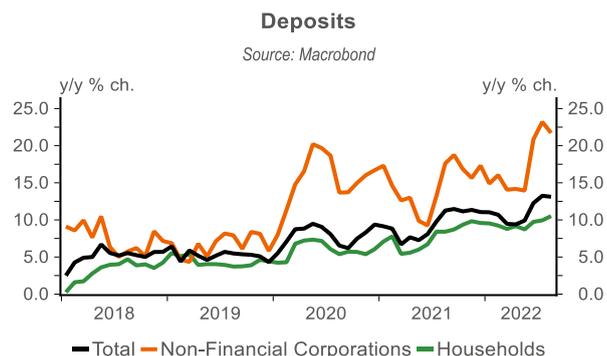
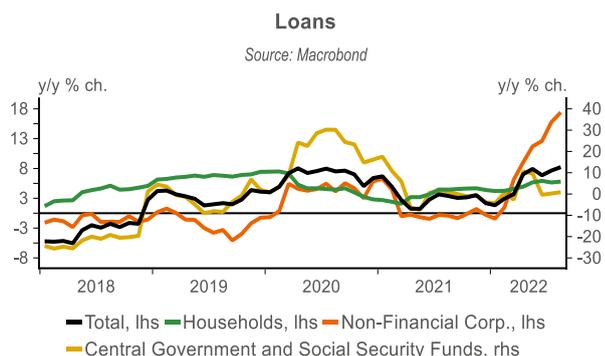
Source: Macrobond



Economic Sentiment Indicator (ESI)

Source: Macrobond





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