



Information on economic trends

September 2017

Summary

In the second quarter of 2017, real GDP growth picked up on both a quarterly and an annual basis, while available data for July indicate that the growth steadily accelerated in the third quarter as well. Both the increase in employment and the decline in unemployment continued into the second quarter. Consumer prices were 0.7% lower in July than in June thanks to the seasonal decrease in prices, as they were in July 2016. The annual overall inflation rate edged up from 0.7% in June to 0.8% in July due to the stronger annual increase in prices of food products. The CNB continued its expansionary monetary policy, easing appreciation pressures by foreign exchange interventions. Credit activities directed at corporates and households steadily picked up steam, accompanied by the continued increase in kuna loans to households. The net external debt of domestic sectors shrank noticeably in the second quarter, offsetting the rise in gross and net external debt in the first three months of the current year. In the first three months of 2017, the general government deficit dropped significantly on an annual basis, while Ministry of Finance data on a cash basis suggest that favourable developments were continuing in the second quarter.

Real GDP grew by 0.8% from the first to the second quarter of 2017 (Figure 1), while its annual growth rate edged up from 2.5% to 2.8% in the same period¹. The quarterly GDP increase was entirely due to the upturn in domestic demand, above all personal and government consumption. Exports of goods and services decreased owing to the fall in goods exports, which was in contrast with the upsurge in the previous two quarters. The negative contribution of exports to real GDP trends was mitigated by the rise in exports of services, in particular in the tourist industry. Imports of goods and services also shrank thanks to stagnant imports of goods and the strong fall in services imports.

The GDP nowcasting model shows that the pace of the growth in real economic activity picked up early in the third quarter (Figure 1)². The July increase in retail trade turnover from the preceding quarter average was noticeably higher than in the past (Figure 7), while industrial production levelled off at the second quarter average (Figure 3). Consumer optimism steadily recovered in July and August, remaining at a high level, after having fallen sharply in April due to problems in the Agrokor group. At the same time, almost all business confidence indicators recorded favourable trends. Optimism in industry and trade rose sharply in July and August compared with the previous quarter average. Favourable developments were also seen in construction, while optimism in service activities held steady (Figure 8).

The second quarter and the beginning of the third quarter of 2017 were marked by further favourable developments in the labour market. Employment growth gained momentum from the beginning of the year to the second quarter, mostly due to the increase in the number of persons employed in private sector service activities associated with tourism, the public sector and industry. Employment continued to go up in July, albeit at a much slower pace (Figure 14). Having fallen to its lowest level since 1997 in April 2017, unemployment continued to drop in May and June due to strong outflows from the CES register (thanks to new employment and clearings from the records due to non-compliance with legal provisions and failure to report regularly). The downward trend in unemployment lost pace from the second quarter to the early third quarter. As a result of such trends, the registered unemployment rate went down from the average of 12.3% of the labour force in the second quarter to 12.1% in July 2017 (Figure 15). The upward trend of the average nominal gross wage lost steam from the beginning of the year to the second quarter of 2017, while the rise in real gross wages picked up slightly (Figure 16). Nominal and real gross wages steadily grew in July, albeit at an even slower pace.

Consumer prices dipped by 0.7% from June to July (Table 1), largely on account of the seasonal decrease in clothing and footwear prices, and prices of vegetables. In addition, the downward trend in retail prices of refined petroleum products that started in March continued in July (Figure 19), with prices of telecommunication services following suit. In contrast, the strongest positive contribution to overall monthly inflation came from the rise in prices of processed food products (milk in particular), and the seasonal increase in prices of accommodation services and package holidays. The annual overall inflation rate edged up from 0.7% in June to 0.8% in July, largely due to the faster annual increase in prices of unprocessed and processed food products, which added 0.9 percentage points to inflation. The annual growth in retail prices of refined petroleum products lost steam gradually, falling from 17% in February to below 1% in June and July, thus becoming insufficient to offset the negative contribution of the January drop in electricity prices to annual inflation. Therefore, energy was the only main component of inflation that provided a negative contribution to inflation, of -0.5 percentage points in July. Core inflation edged down, from 1.8% in June to 1.7% in July, largely due to the faster annual drop in prices of telecommunication services.

Foreign trade developments in the second quarter of 2017 were marked by the contraction of exports and a marginal expansion of imports. Total exports of goods were 5.2% lower in the second quarter of 2017 than the first quarter average (Figure 10). In addition to unfavourable trends in exports of other transport equipment (mostly ships), oil and refined petroleum products, exports of other goods also fell noticeably, with lower exports of electricity and medical and pharmaceutical products standing out. In contrast, total imports of goods grew slightly (by 0.6%) in the second quarter of 2017 compared with the first quarter average (Figure 11). Among other things, this was the outcome of stronger imports of road vehicles (Figure 12), food products, clothing and footwear and other manufactured articles. On the other hand, energy imports decreased.

Appreciation pressures on the exchange rate of the kuna against the euro began in June and continued in July and the first half of August, largely due to mounting seasonal foreign currency inflows. Having intervened twice in the foreign exchange market in June in an effort to dampen excessive strengthening of the kuna, the central bank intervened again on 21 July and 17 August by purchasing a total of EUR 227.5m from banks. The exchange rate became stable after the last intervention and depreciated marginally in late August. The end-August exchange rate was at EUR/HRK 7.41 and was almost the same as

¹ The increase in real GVA was perceptibly smaller (2.2%), which suggests that the GDP growth was strongly influenced by higher indirect taxes reduced by subsidies. In ideal circumstances, the impact of this item on GDP should be only nominal and not real. As it is very difficult to calculate correctly the deflator for indirect taxes and subsidies, the real impact also appears in the statistical practice.

² For details, see Kunovac, D., and B. Špalat: *Nowcasting GDP Using Available Monthly Indicators* (WP-39, October 2014).

at end-June. The kuna strengthened against most other major trading partners' currencies, so that the nominal effective kuna exchange rate index was 0.6% lower at the end of August than at the end of June. This was primarily a result of the appreciation of the kuna against the US dollar, the yuan renminbi and the pound sterling, mostly reflecting the strengthening of the euro on the global foreign exchange market. The weakening of the exchange rate of the US dollar against the euro was, for the most part, affected by expectations regarding the slower pace of the monetary policy tightening in the US and more favourable prospects for the euro area economy.

Short-term interest rates on the European money market remained in negative territory in July and August, which was the effect of the expansionary monetary policy of the European Central Bank and high euro area banking sector liquidity. The six-month EURIBOR stood at -0.27% at the end of August, while the overnight interest rate for the euro area, EONIA, stood at -0.35% (Figure 24). The risk premiums for European emerging market economies went down steadily in July and August. Croatia recorded the sharpest decrease, of 110 basis points from the beginning of the year. Notwithstanding the noticeable improvement, the risk premium for Croatia, of around 110 basis points at end-August, remained the highest in the group of CEE countries (Figure 25).

There was no interbank trade on the domestic overnight market in July and August, while the quoted overnight interest rate (ZIBOR) nearly held steady, being 0.37% in August (Figure 27). The large surplus liquidity of the domestic banking system also remained unchanged (HRK 13.4bn in August), regardless of the seasonal growth of currency in circulation during the tourist season (Figure 54). After holding steady at 0.45% over the preceding six months, the interest rate on one-year kuna T-bills without a currency clause dipped to 0.40% at the last auction in late August (Figure 28), while that on one-year euro T-bills dropped to only 0.01% .

The interest rates on new bank loans, which include original new loans and renegotiated loans, fell in July for all groups of loans to non-financial corporations and households, with the exception of interest rates on f/c indexed housing loans, which went up slightly (Figures 28, 29, and 30). Lower interest rates were also applied to most original new corporate loans and original new housing loans to households (Figures 31 and 32). In contrast, interest rates on household and corporate time deposits edged up slightly in July, mostly due to the rise in interest rates on long-term foreign currency deposits (Figures 34 and 35), so that the spread between interest rates on new loans and deposits dipped to 5.85 percentage points in July, while the gap between interest rate spreads on loans and deposits fell to 4.86 basis points (Figure 37).

Monetary developments in July 2017 were marked by a strong seasonal upsurge in the net foreign assets (NFA) of the monetary system, which was reflected in a jump in total liquid assets (M4) (Figure 38). Total liquid assets stood at HRK 301.4bn at end-July, growing by 1.7% from the end of June. This was predominantly driven by the seasonal increase in money (M1), of 4.7% , during the peak tourist season. Quasi-money, the second M4 component, increased by 0.4% in July thanks to the seasonal growth in foreign currency deposits of non-financial corporations. The annual growth of the broadest monetary aggregate M4 slowed down in July to 3.1% (excluding the effects of exchange rate changes) (Figure 49), primarily due to the acceleration of the annual decline of kuna

non-monetary deposits (Figure 51). In contrast, money (M1) continued to record two-digit annual growth rates (17.9% at end-July, Figure 48).

After five consecutive months of growth, total placements of monetary institutions to domestic sectors (excluding the government) remained virtually unchanged in July, while their annual growth rate declined modestly, to 1.7% calculated on the basis of transactions (Figure 40). The annual growth of placements to non-financial corporations and households accelerated to 2.8% (Figure 41) and 2.3% (Figure 42), respectively, while placements to other financial institutions recorded an annual fall of 18.5% . In terms of currency structure, kuna placements to households steadily increased (Figure 43), their share in total placements to this sector reaching 46.1% at the end of July (Figure 47). With respect to nominal placements, they stood at HRK 219.2bn at end-July, 1.4% down from the end of the same month last year. The nominal decrease was the result of the sale of non-performing placements and, to some extent, of the strengthening of the kuna against the euro, which diminished the kuna equivalent of placements indexed to the euro. As for lending to the government, bank placements to the central government dropped by 0.8% from the end of July 2016 to the end of July 2017 (Figure 46).

Having grown in July, gross international reserves remained almost unchanged in August, standing at EUR 14.7bn (Figure 56). Gross reserves decreased mainly due to the drop in agreed repo transactions at the end of the month, while the positive contribution came from a foreign exchange intervention. At the same time, net usable reserves went up only slightly (by 1.0%), standing at EUR 12.7bn at the end of August.

The net external debt of domestic sectors shrank in the second quarter of 2017 by EUR 1.3bn (Figure 60), after growing by EUR 1.0bn in the first quarter. The strong quarterly changes were for the most part due to the refinancing of government bonds (the MoF issued EUR 1.25bn worth of eurobonds in March and repaid EUR 1.4bn worth of US-dollar bonds in April).³ The refinancing of government bonds also influenced the net foreign position of the central bank, although in the opposite direction, as the raised funds were temporarily deposited with the international reserves of the CNB. Following the deterioration in the first quarter, the net foreign positions of non-financial corporations and banks improved in the second quarter by EUR 0.5bn and EUR 0.3bn respectively. The overall gross external debt of Croatia also exhibited large quarterly changes, falling by as much as EUR 3.0bn in the second quarter, which largely offset the upsurge in the first three months (Figure 61).

The consolidated general government deficit (ESA 2010) was cut to HRK 2.1bn in the first quarter of 2017, as much as HRK 1.7bn less than in the same period a year ago. The sharp decrease in the deficit was the outcome of the decrease in total expenditures, of HRK 1.9bn relative to the first quarter of 2016. Broken down by category, the expenditure reduction was almost entirely due to the fall in other current expenditures. The deficit reduction in the first quarter of 2017 would have been even sharper without the parallel decline in total revenues. The crucial impact on the reduction in tax revenues was made by indirect tax revenues, which decreased by around HRK 1.0bn in the first quarter largely on account of lower VAT revenues, with an increase being recorded in most other categories. It should be noted that the drop in VAT revenues was the result of the delayed VAT payments to the budget and not of their lower collection. The first quarter growth in general

3 The government reduced its net external debt by EUR 0.4bn from the beginning of the year, due also to the purchase of some of the newly issued eurobonds by domestic investors.

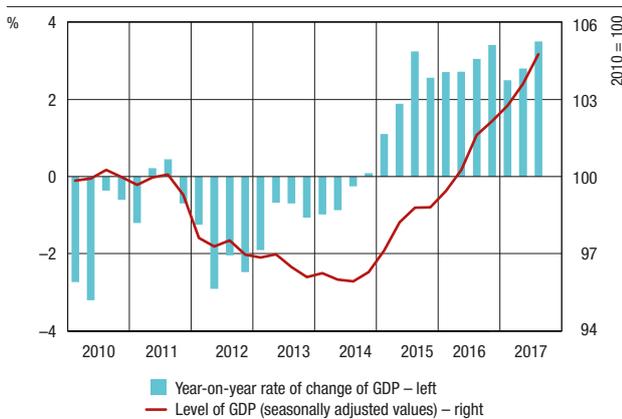
government debt (adjusted by movements in deposits and exchange rate differences) was larger than the recorded deficit, which is probably due to the borrowing needs associated with payments of trade credits.

According to the monthly MoF data for April and May 2017, consolidated central government revenues grew noticeably faster than expenditures on an annual basis. As regards the revenue side, relatively favourable trends were seen in most categories, with the exception of income tax revenues, which were still affected by the tax reform, and excise tax revenues, which dropped mostly due to the noticeably lower revenues from excise duties on tobacco products. As regards the expenditure side, other expenditures grew significantly, in particular capital

expenditures, general government grants and expenditures for the use of goods and services. Expenditures for employee compensation also went up, due to the rise in wages of civil servants and government employees. In contrast, expenditures for interest went down steadily, while expenditures for subsidies, which grew sharply on an annual level in the first quarter, dropped in April and May, probably as a result of the change in the payment dynamics.

As regards trends in the general government debt, after a temporary sharp rise in the debt in March 2017, when foreign bonds were issued to settle second quarter liabilities, it decreased in April and May. At the end of May, public debt stood at HRK 290.3bn, coming close to the levels recorded in late 2016.

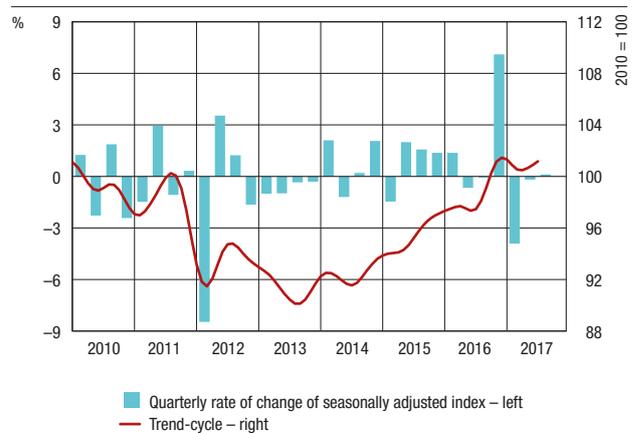
Figure 1 Quarterly gross domestic product
seasonally adjusted real values



Note: Data for the third quarter of 2017 are estimated with the use of the CNB's monthly indicator of real economic activity, on the basis of data published until 1 September 2017.

Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

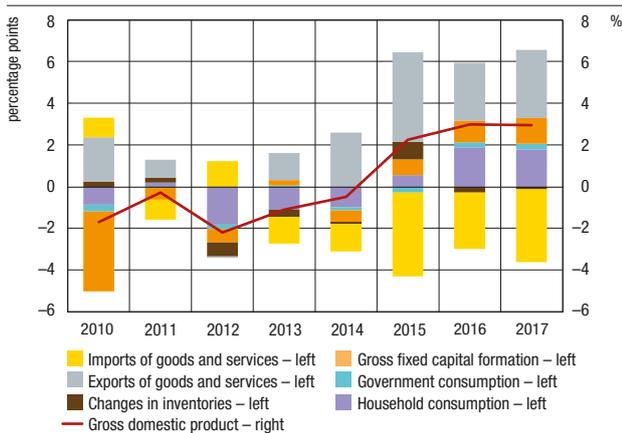
Figure 3 Industrial production



Note: Data for the third quarter of 2017 refers to July.

Source: CBS data seasonally adjusted by the CNB.

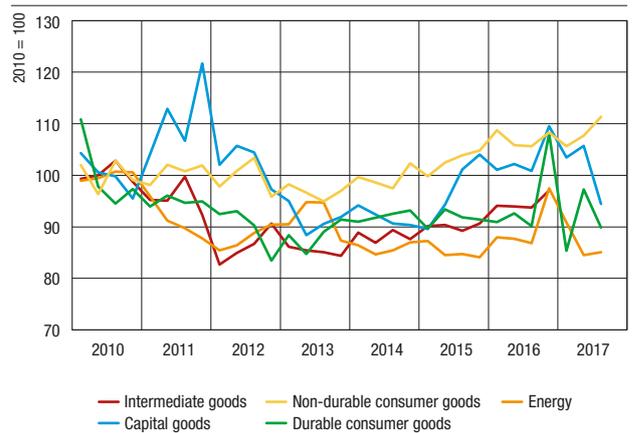
Figure 2 GDP rate of change
contribution by components



Note: The projection for 2017 refers to the official projection of the CNB from July 2017.

Source: CBS.

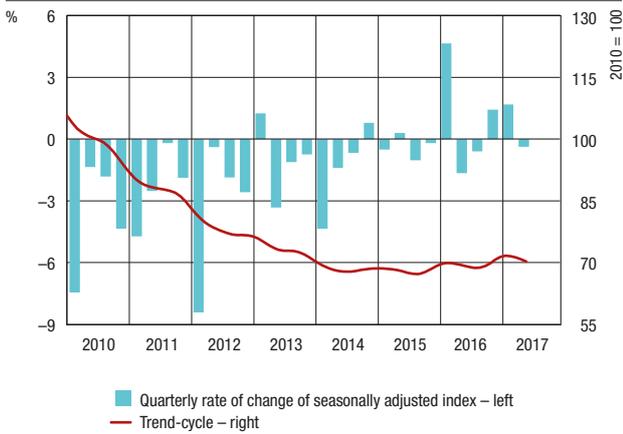
Figure 4 Industrial production by main industrial groupings
seasonally adjusted indices



Note: Quarterly data are calculated as the average of monthly data.

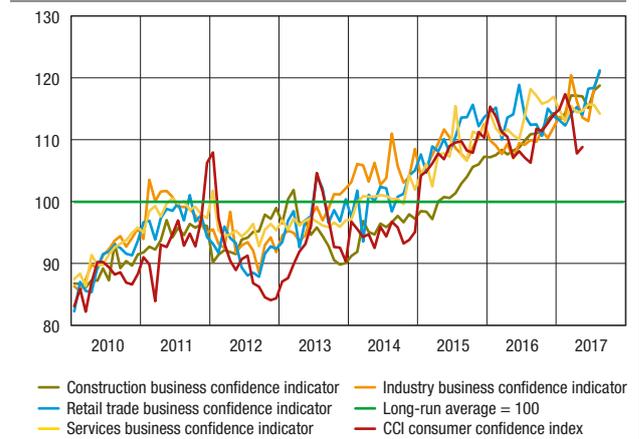
Source: CBS data seasonally adjusted by the CNB.

Figure 5 Total volume of construction works



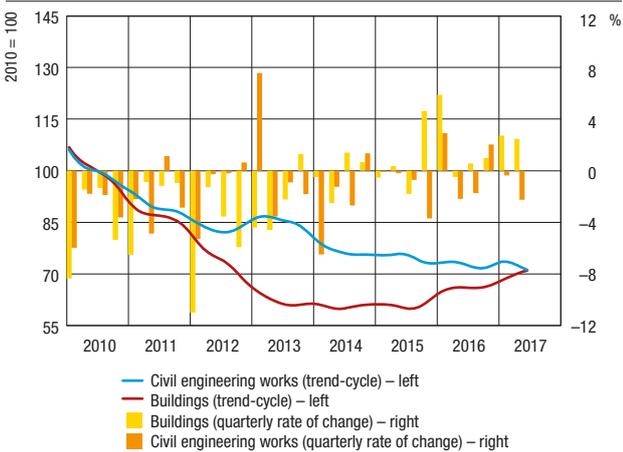
Source: CBS data seasonally adjusted by the CNB.

Figure 8 Business confidence indicators
standardised and seasonally adjusted values



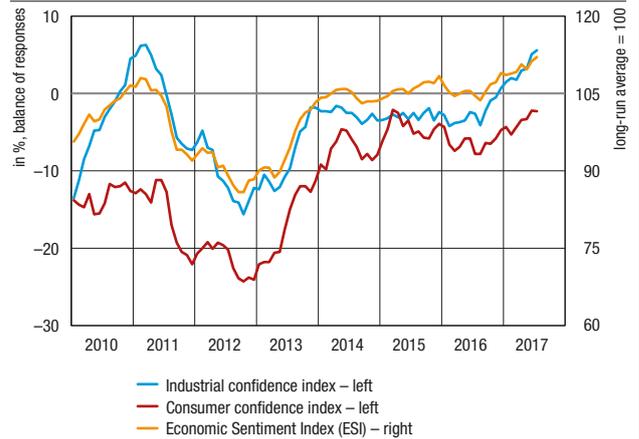
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



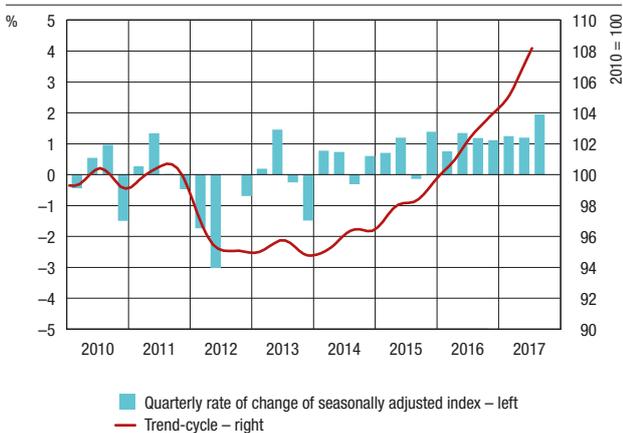
Source: CBS data seasonally adjusted by the CNB.

Figure 9 EU confidence indices
seasonally adjusted series



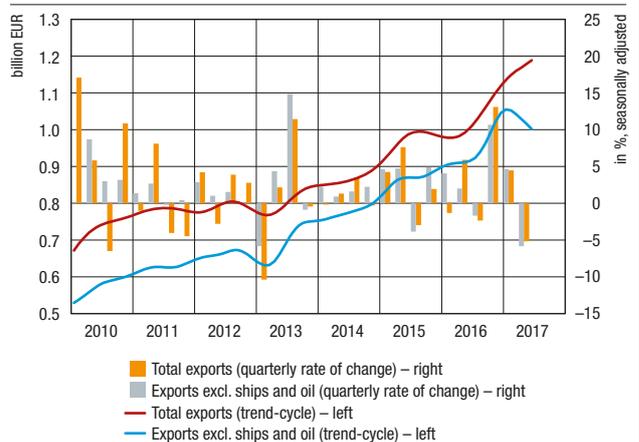
Source: Eurostat.

Figure 7 Real retail trade turnover



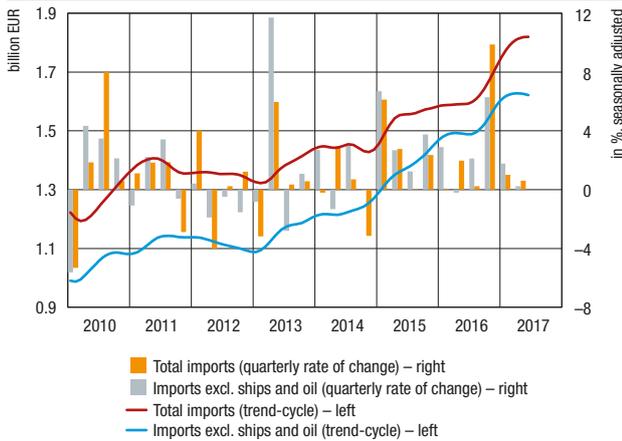
Note: Data for the third quarter of 2017 refers to July.
Source: CBS data seasonally adjusted by the CNB.

Figure 10 Goods exports (f.o.b.)



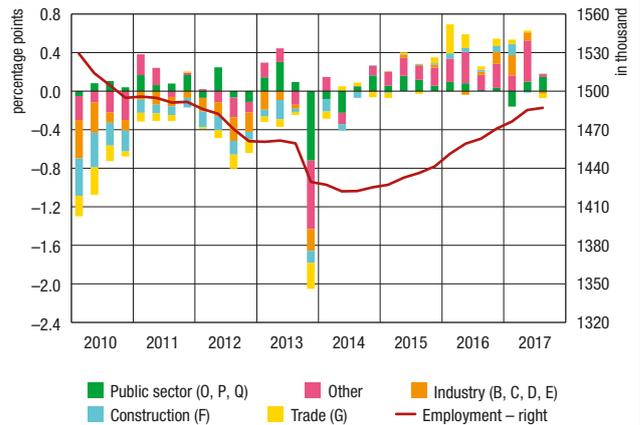
Source: CBS data seasonally adjusted by the CNB.

Figure 11 Goods imports (c.i.f.)



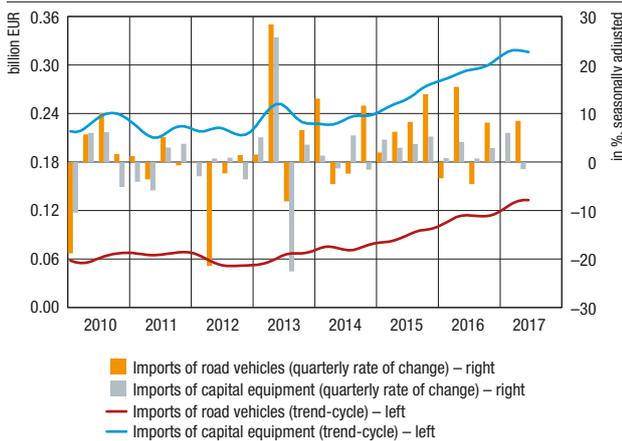
Source: CBS data seasonally adjusted by the CNB.

Figure 14 Employment by NCA activities
seasonally adjusted data, contributions to the quarterly rate of change



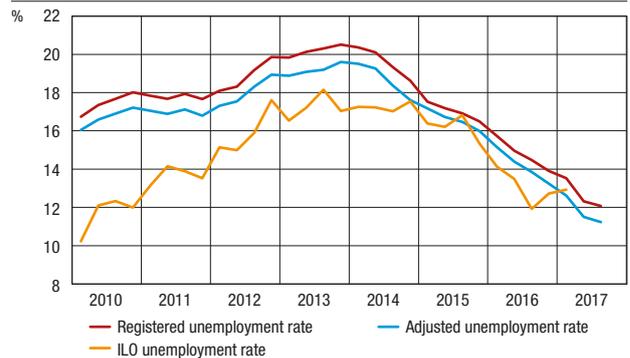
Note: Data for the third quarter of 2017 refer to July.
Source: CPIA data seasonally adjusted by the CNB.

Figure 12 Imports of capital equipment and road vehicles (c.i.f.)



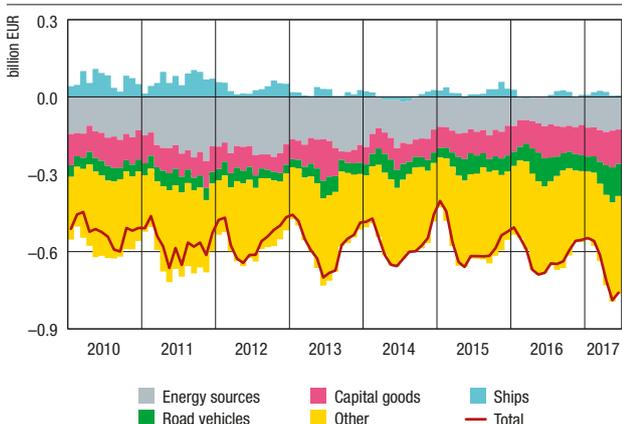
Note: Imports of capital equipment (SITC divisions 71 – 77).
Source: CBS data seasonally adjusted by the CNB.

Figure 15 Unemployment rates
seasonally adjusted data



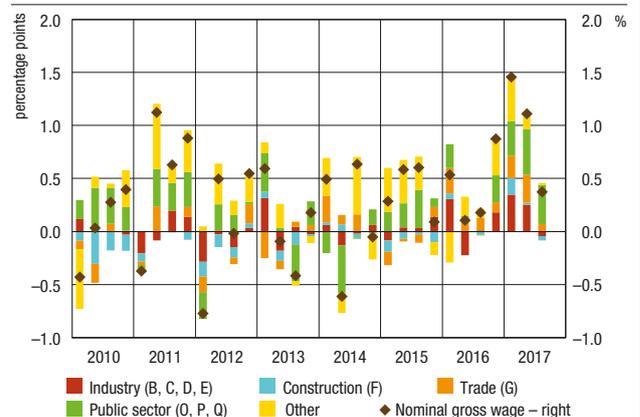
Notes: Since January 2015, the calculation of the registered unemployed rate has been made using the data on employed persons from the JOPPD form. The adjusted unemployment rate is the CNB estimate and is calculated as the share of the number of registered unemployed persons in the working age population (unemployed persons and persons insured with the CPIA). Data for the third quarter of 2017 refer to July.
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

Figure 13 Trade in goods balance
three-member moving averages of monthly data



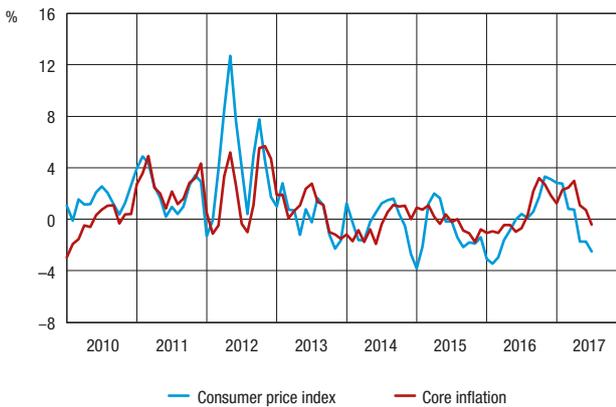
Source: CBS.

Figure 16 Average nominal gross wage by NCA activities
seasonally adjusted data, contributions to the quarterly rate of change



Notes: Data on the average nominal gross wage by activity refer to data from the RAD-1 form, and from January 2016 to data from the JOPPD form. Data for the third quarter of 2017 refer to July.
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

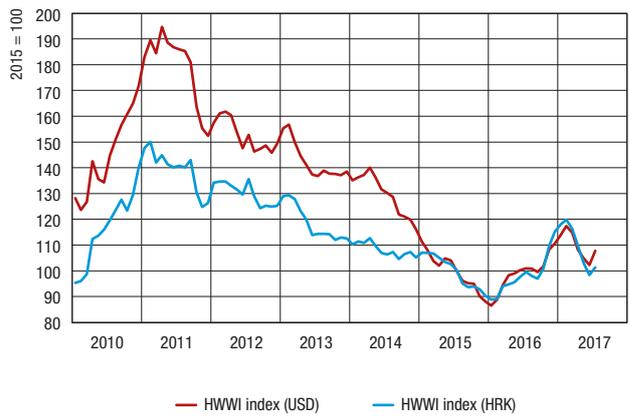
Figure 17 Consumer price index and core inflation
annualised month-on-month rate of change^a



^a The month-on-month rate of change is calculated based on the quarterly moving average of seasonally adjusted consumer price indices.

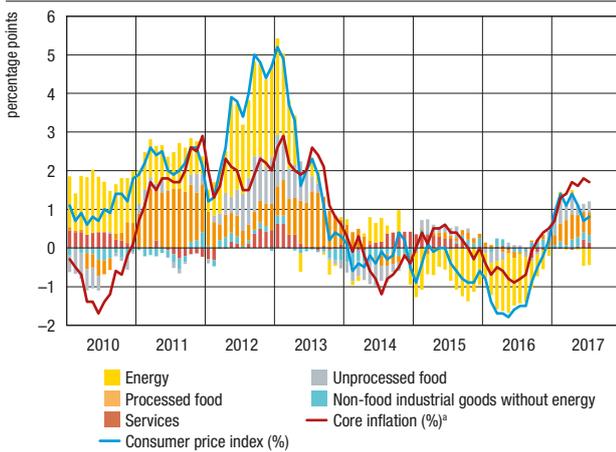
Sources: CBS and CNB calculations.

Figure 20 HWWI index (excl. energy)



Sources: HWWI and CNB calculations.

Figure 18 Year-on-year inflation rates and components' contribution to consumer price inflation



^a Core inflation does not include agricultural product prices and administrative prices.

Sources: CBS and CNB calculations.

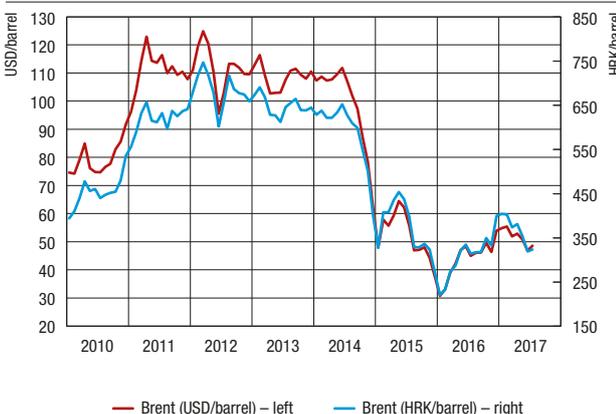
Table 1 Price indicators
year-on-year and month-on-month rates of change

	Year-on-year rates		Month-on-month rates	
	6/17	7/17	7/16	7/17
Consumer price index and its components				
Total index	0.7	0.8	-0.7	-0.7
Energy	-2.8	-2.7	-0.7	-0.6
Unprocessed food	2.2	3.0	-1.4	-0.6
Processed food	2.3	2.6	0.3	0.5
Non-food industrial goods without energy	0.8	0.8	-2.7	-2.8
Services	0.8	0.5	0.4	0.1
Other price indicators				
Core inflation	1.8	1.7	-0.7	-0.8
Index of industrial producer prices on the domestic market	0.4	1.1	-0.7	0.1
Brent crude oil price (USD)	-3.3	8.0	-7.0	3.8
HWWI index (excl. energy, USD)	2.0	6.7	0.7	5.4

Note: Processed food includes alcoholic beverages and tobacco.

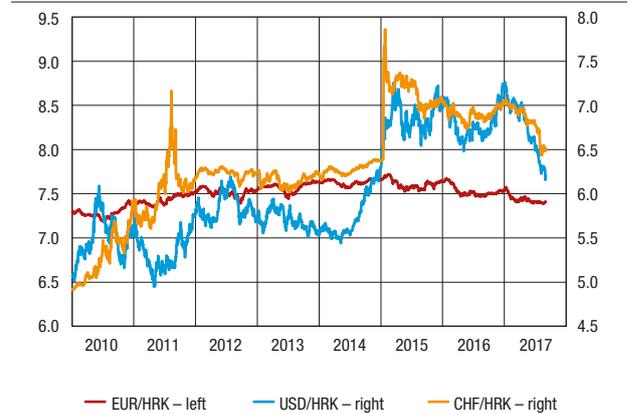
Sources: CBS, Bloomberg and HWWI.

Figure 19 Crude oil prices (Brent)



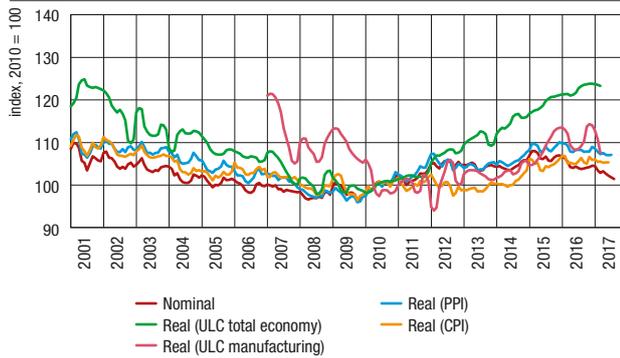
Sources: Bloomberg and CNB calculations.

Figure 21 Daily nominal exchange rate – HRK vs. EUR, USD and CHF
CNB midpoint exchange rate



Source: CNB.

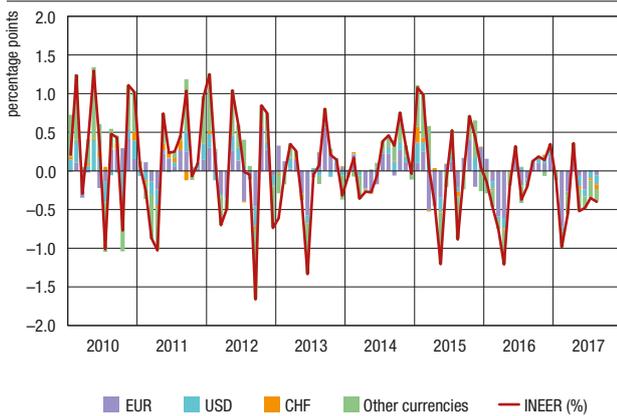
Figure 22 Nominal and real effective exchange rates of the kuna



Notes: The real effective exchange rate of the kuna deflated by producer prices includes the Croatian index of industrial producer prices on the total market. The unit labour cost is calculated as the ratio between compensation per employee and labour productivity (defined as GDP per person employed), while the real effective exchange rate of the kuna deflated by unit labour costs is the result of the interpolation of quarterly values. A fall in the index indicates an effective appreciation of the kuna.

Source: CNB.

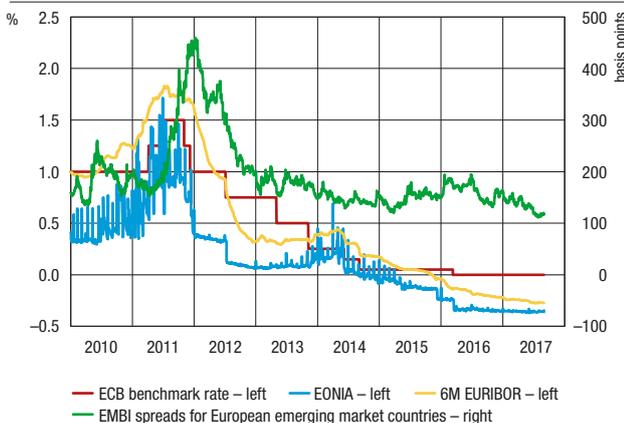
Figure 23 Contributions^a of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)



^a Negative values indicate contributions to the appreciation of the INEER.

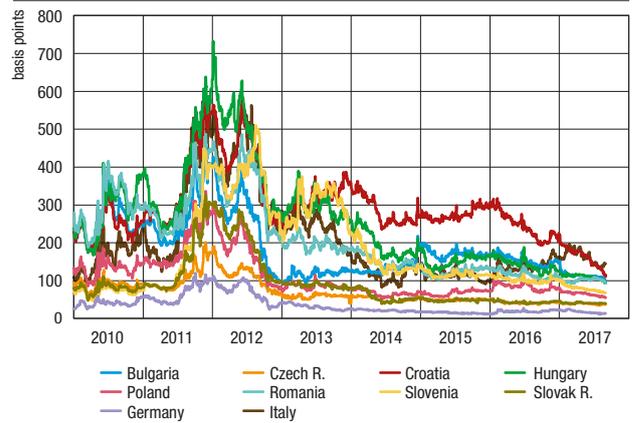
Source: CNB.

Figure 24 Interest rates on the euro and the average yield spread on bonds of European emerging market countries



Sources: ECB, Bloomberg and J. P. Morgan.

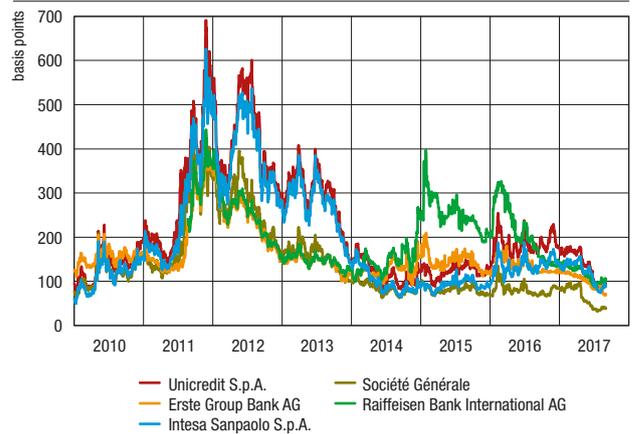
Figure 25 CDS spreads for 5-year government bonds of selected countries



Note: Credit default swaps (CDS) spread is an annual premium that a CDS buyer pays for protection against credit risk associated with an issuer of an instrument.

Source: S&P Capital IQ.

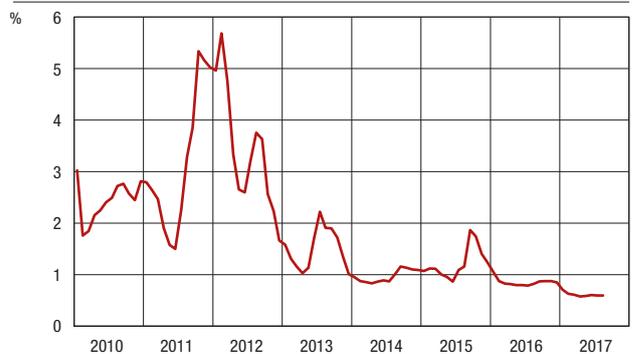
Figure 26 CDS spreads for selected parent banks of domestic banks



Source: S&P Capital IQ.

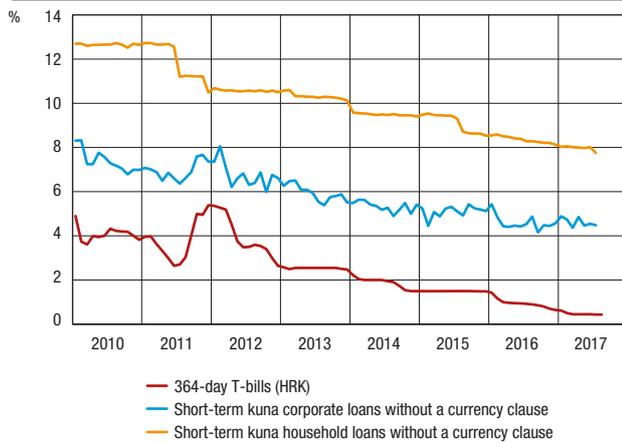
Figure 27 Interest rates quoted on the interbank market (3-month ZIBOR)

monthly averages of simple daily averages of bank quotations



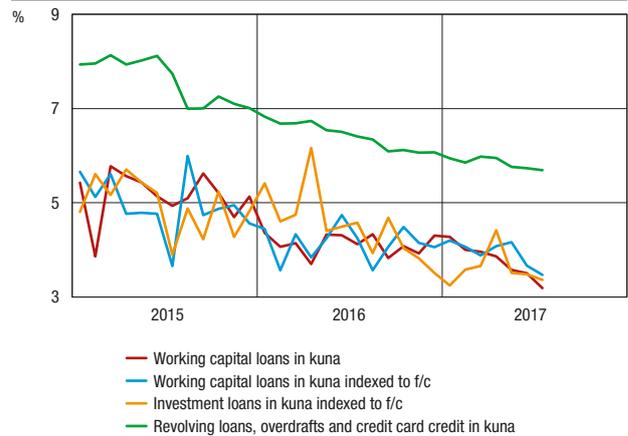
Source: CNB.

Figure 28 Short-term financing costs in kuna without a currency clause



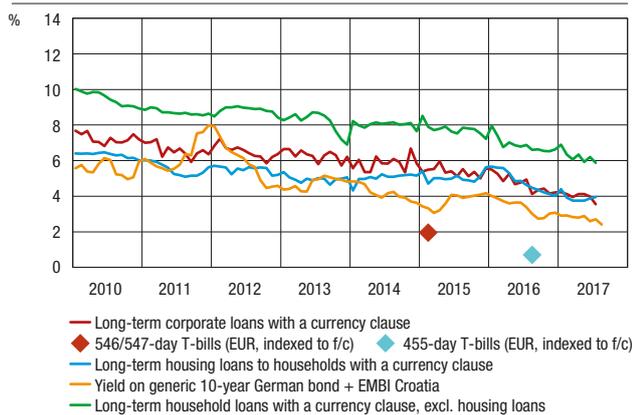
Sources: MoF and CNB.

Figure 31 Interest rates on original new loans to non-financial corporations



Source: CNB.

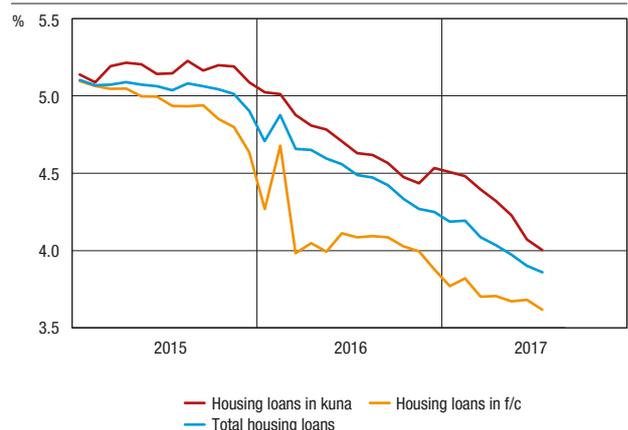
Figure 29 Long-term financing costs in kuna with a currency clause and in foreign currency



Note: EMBI, or the Emerging Market Bond Index, shows the spread between yields on government securities of emerging market economies, Croatia included, and risk-free securities issued by developed countries.

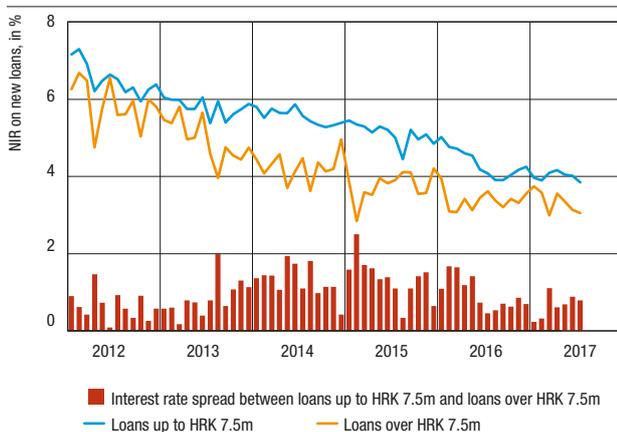
Sources: MoF, Bloomberg and CNB.

Figure 32 Interest rates on original new housing loans to households



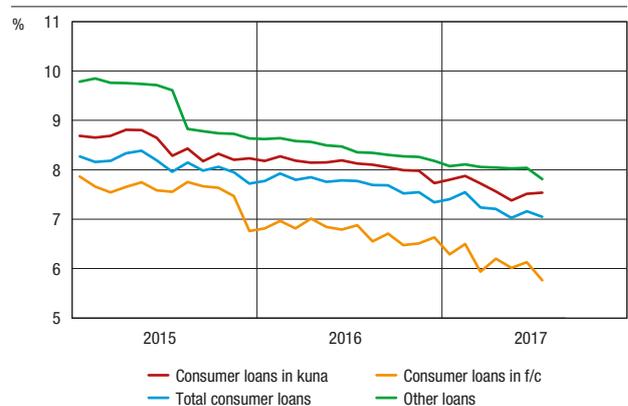
Source: CNB.

Figure 30 Bank interest rates on loans to non-financial corporations by volume



Source: CNB.

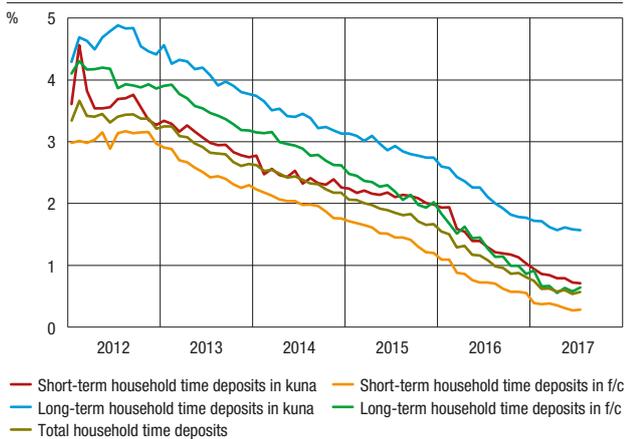
Figure 33 Interest rates on original new consumer and other loans to households



Notes: Consumer loans include total loans to households excl. housing and other loans. Other loans to households (denominated almost exclusively in kuna) include credit card loans, overdrafts, revolving loans and receivables on charge cards.

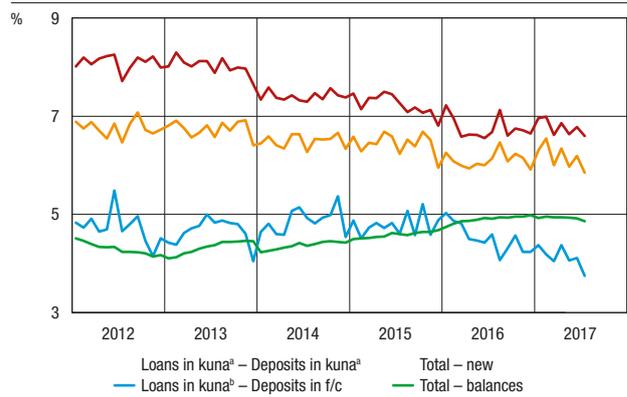
Source: CNB.

Figure 34 Interest rates on household time deposits



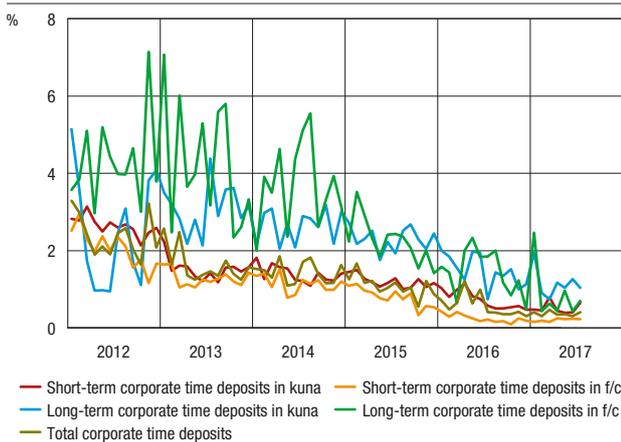
Source: CNB.

Figure 37 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits



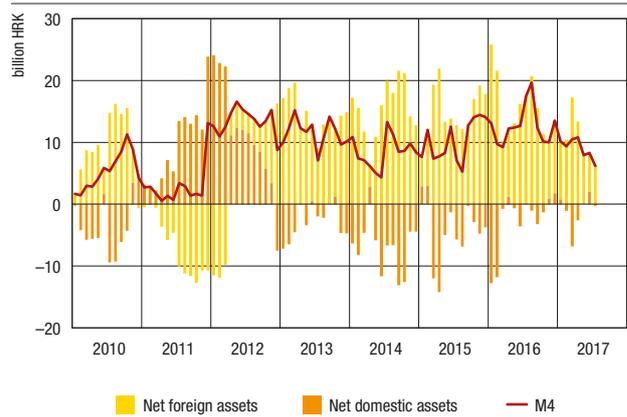
^a Non-indexed to f/c. ^b Indexed to f/c.
Note: Spread between average interest rates on loans and average interest rates on deposits should be differentiated from net interest margin (the ratio of the difference between interest income and interest expenses to total assets of credit institutions).
Source: CNB.

Figure 35 Interest rates on corporate time deposits



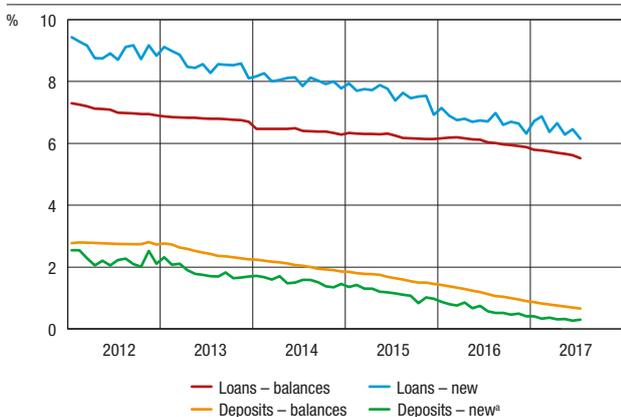
Source: CNB.

Figure 38 Net foreign assets, net domestic assets and total liquid assets (M4) absolute change in the last 12 months



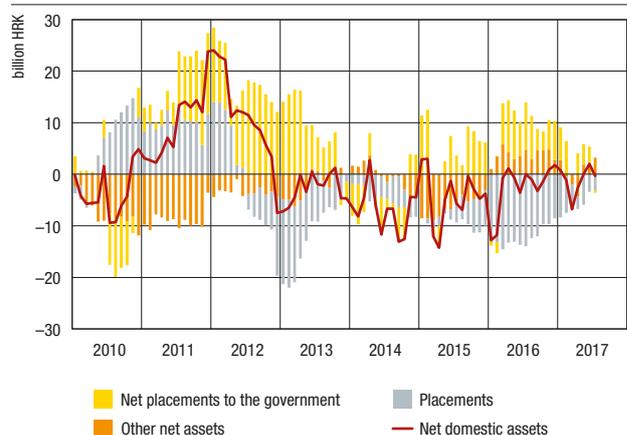
Source: CNB.

Figure 36 Average interest rates on loans (excl. revolving loans) and deposits



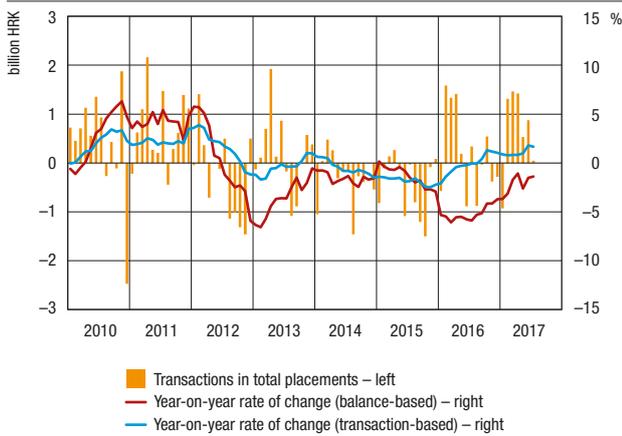
^a For time deposits, interest rates on newly received deposits are weighted by their balances.
Source: CNB.

Figure 39 Net domestic assets, structure absolute change in the last 12 months



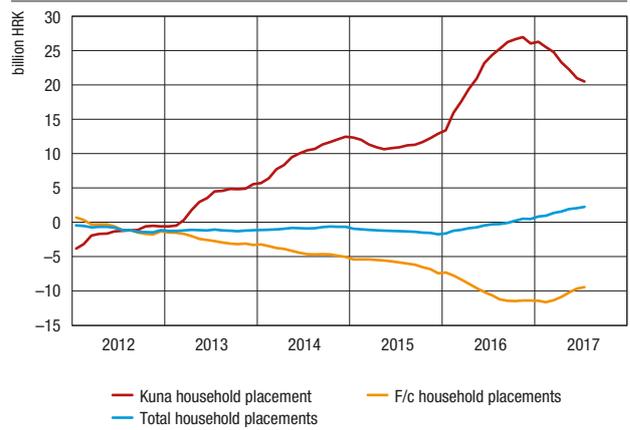
Source: CNB.

Figure 40 Placements



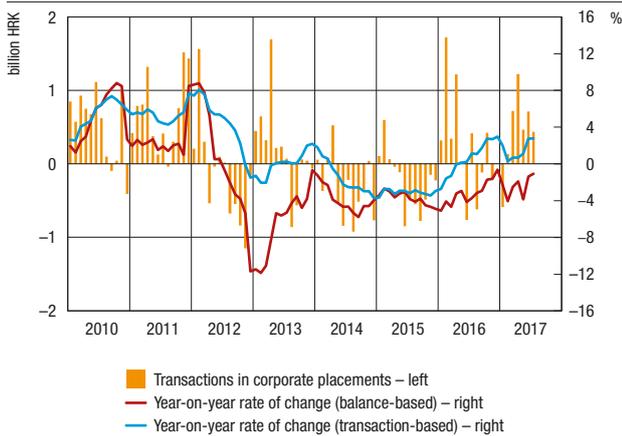
Source: CNB.

Figure 43 Annual rate of change in household placements transaction-based



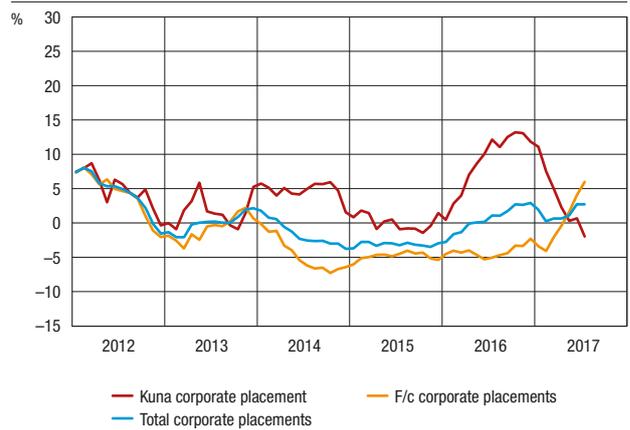
Source: CNB.

Figure 41 Placements to corporates



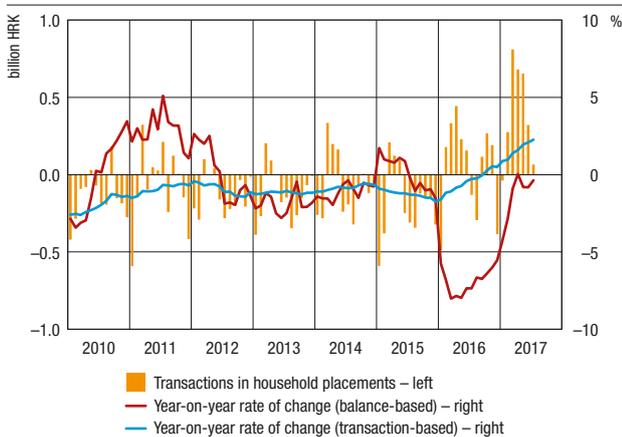
Source: CNB.

Figure 44 Annual rate of change in corporate placements transaction-based



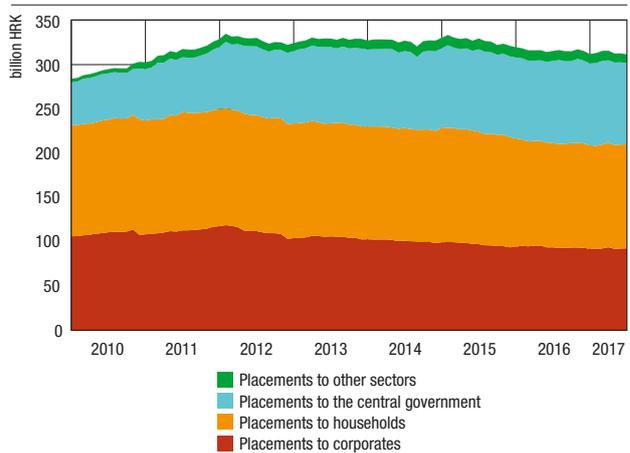
Source: CNB.

Figure 42 Placements to households



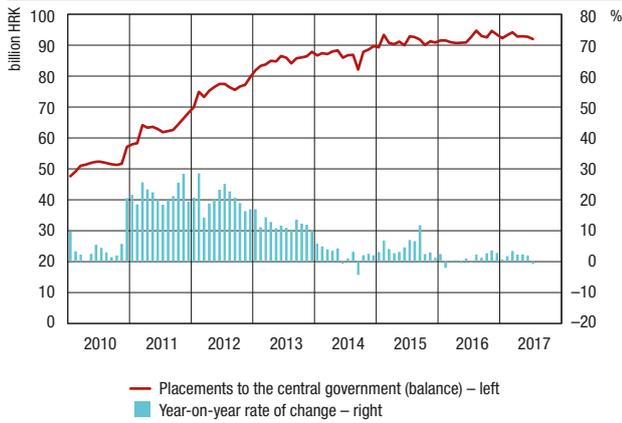
Source: CNB.

Figure 45 Structure of credit institution placements



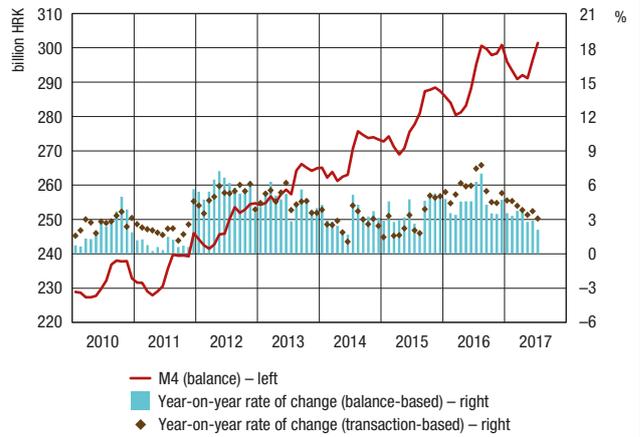
Source: CNB.

Figure 46 Credit institution and MMF placements to the central government



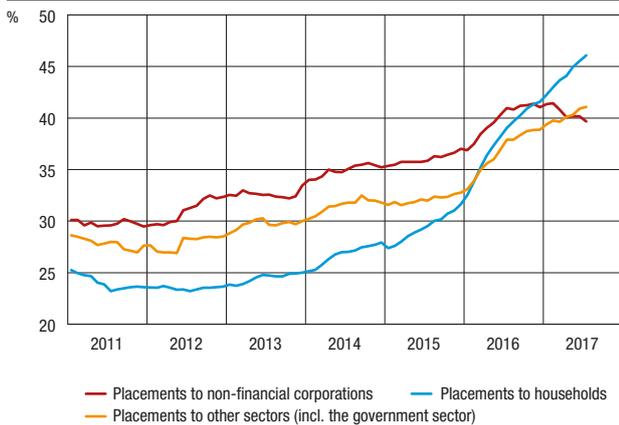
Source: CNB.

Figure 49 Total liquid assets (M4)



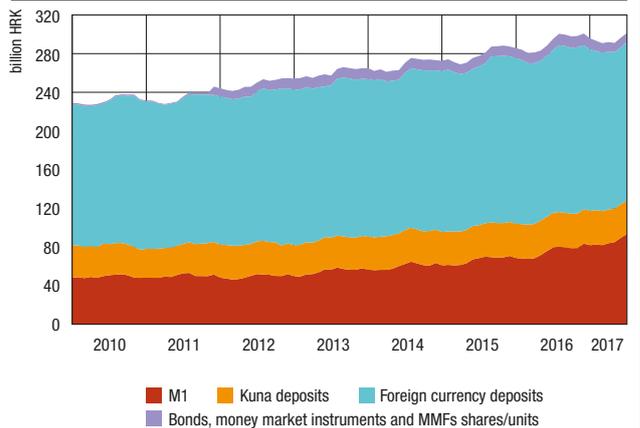
Source: CNB.

Figure 47 Share of kuna placements in total sector placements



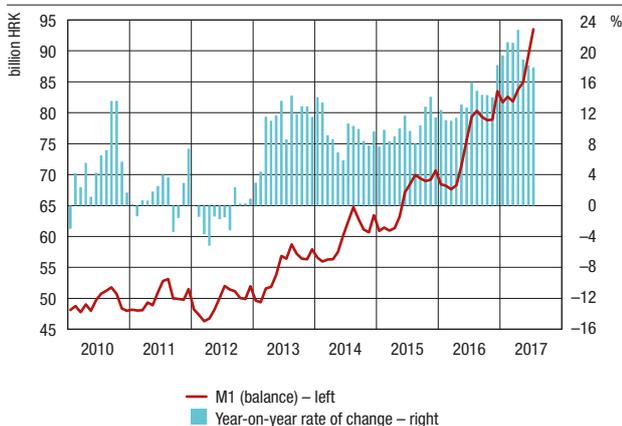
Source: CNB.

Figure 50 Structure of M4 monetary aggregate



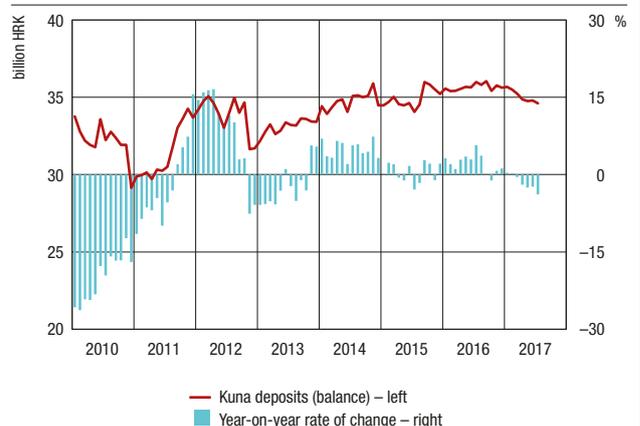
Source: CNB.

Figure 48 Money (M1)



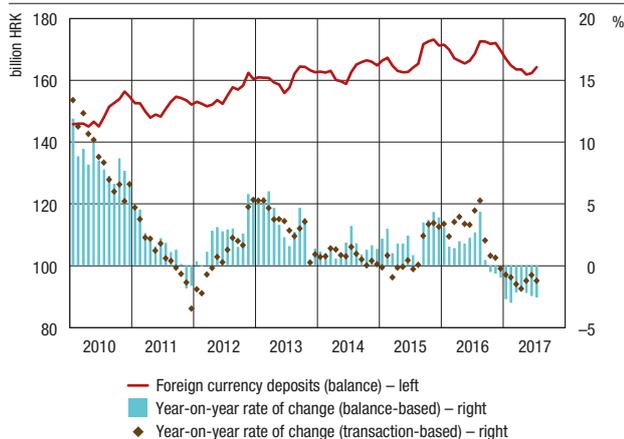
Source: CNB.

Figure 51 Kuna savings and time deposits



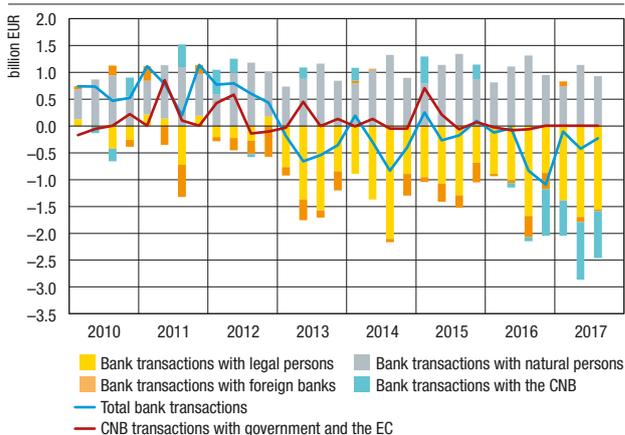
Source: CNB.

Figure 52 Foreign currency deposits



Source: CNB.

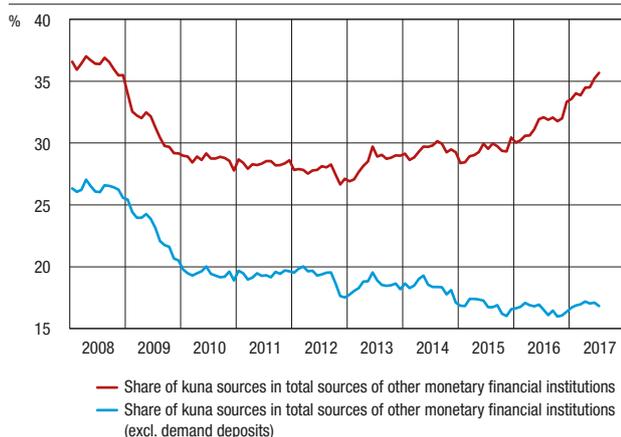
Figure 55 Spot transactions in the foreign exchange market (net turnover)



Notes: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government. Data up to August 2017.

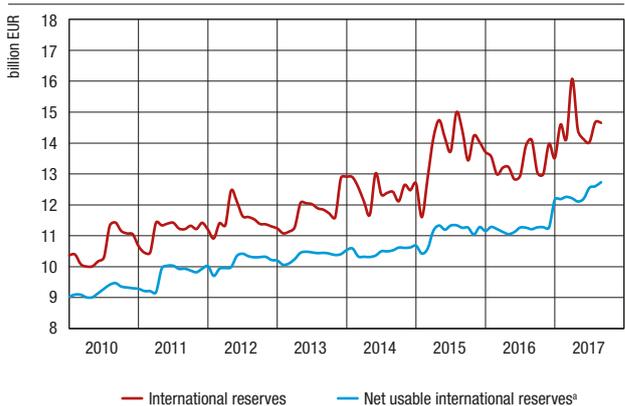
Source: CNB.

Figure 53 Share of kuna sources



Source: CNB.

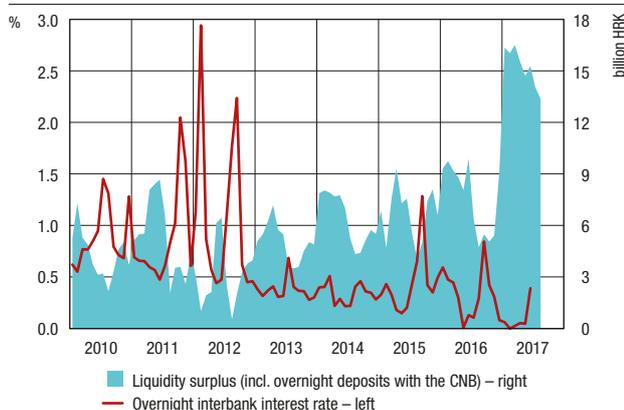
Figure 56 International reserves of the CNB at current rate of exchange



^a NUIR = international reserves – foreign liabilities – reserve requirements in f/c – foreign currency government deposits.

Source: CNB.

Figure 54 Bank liquidity and overnight interbank interest rate



Note: Liquidity surplus is the difference between the balance in bank settlement accounts with the CNB and the amount that banks are required to hold in their accounts after the calculation of reserve requirements.

Source: CNB.

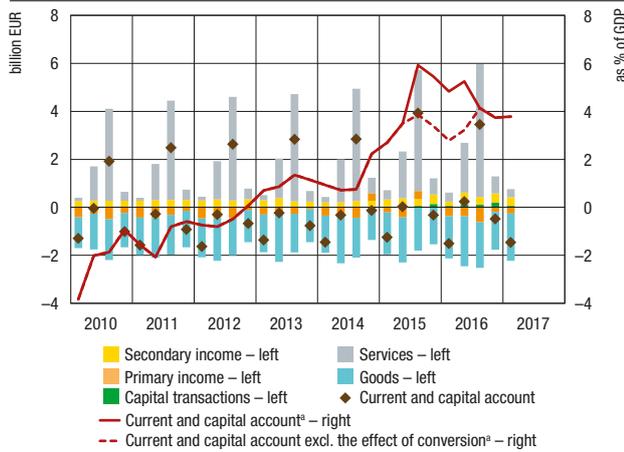
Table 2 Balance of payments^a preliminary data, in million EUR

	2016	Q1/2016	Q1/2017	Indices	
				2016/2015	Q1/2017/Q1/2016
Current account	1,198.0	-1,568.8	-1,527.6	57.0	97.4
Capital account	521.4	64.9	61.0	169.4	94.1
Financial account (excl. reserves)	1,385.2	-858.4	-3,686.2	125.5	429.4
International reserves	-264.7	-447.7	2653.8	-	-
Net errors and omissions	-598.9	197.8	434.1	106.7	219.5

^a In line with the 6th edition of the Balance of Payments and International Investment Position Manual (BPM6).

Source: CNB.

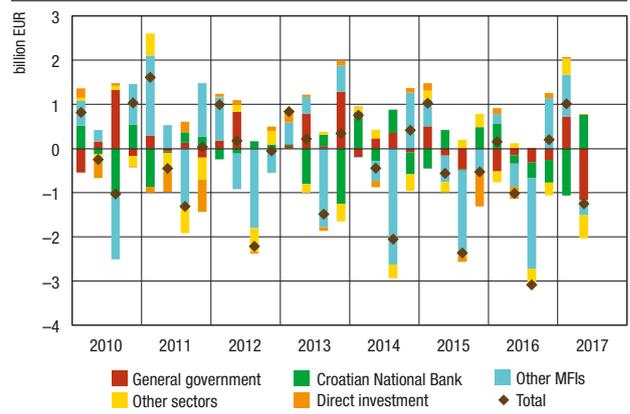
Figure 57 Current and capital account flows



^a Sum of the last four quarters.

Source: CNB.

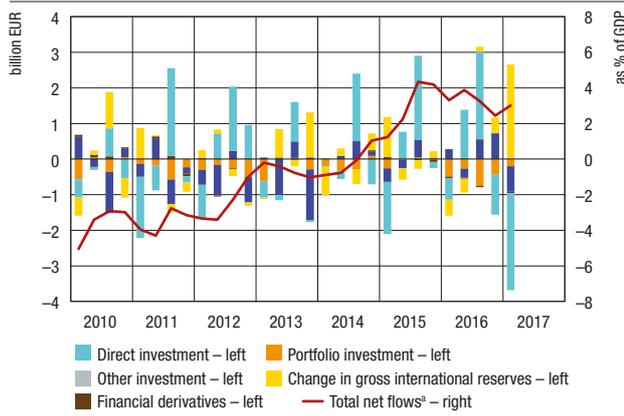
Figure 60 Net external debt transactions



Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Net external debt is calculated as gross external debt stock net of foreign debt claims.

Source: CNB.

Figure 58 Financial account flows by type of investment

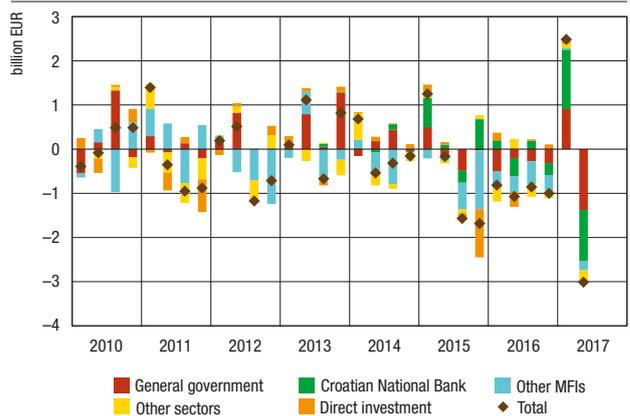


^a Sum of the last four quarters.

Note: A positive value indicates net outflow of equity abroad (including on the basis of the growth in international reserves).

Source: CNB.

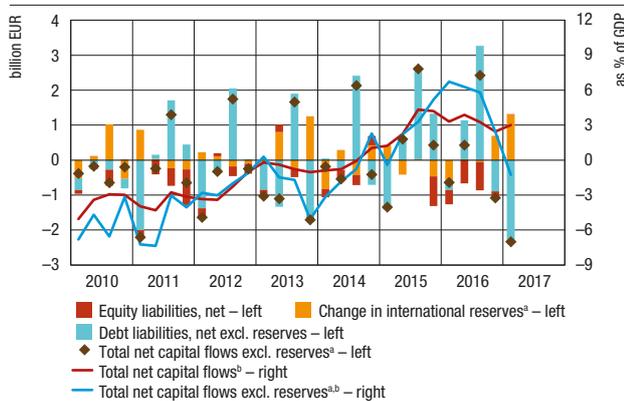
Figure 61 Gross external debt transactions



Note: Transactions refer to the change in debt excl. cross-currency changes and other adjustments.

Source: CNB.

Figure 59 Financial account flows by capital structure



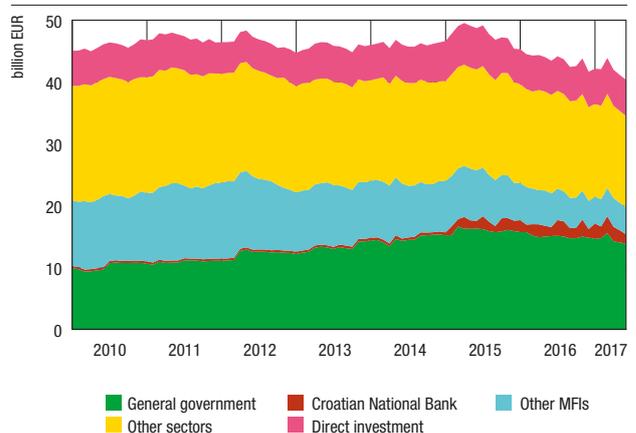
^a The change in gross international reserves is reported net of the liabilities of the CNB.

^b Sum of the last four quarters.

Notes: A positive value indicates net outflow of equity abroad. Net flows represent the difference between the change in assets and the change in liabilities.

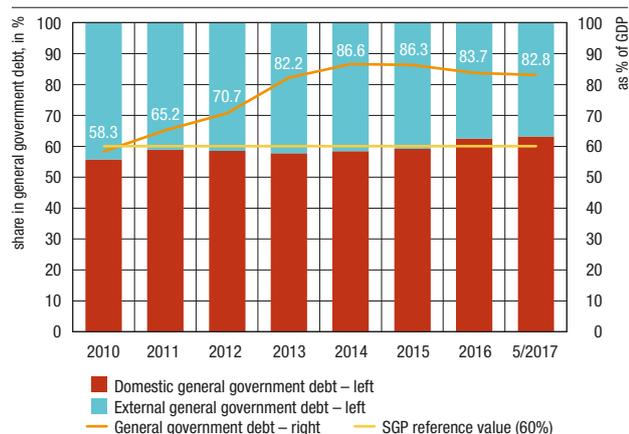
Source: CNB.

Figure 62 Gross external debt end of period



Source: CNB.

Figure 63 General government debt



Note: Nominal GDP for the last four available quarters was used for the calculation of the relative indicator.

Source: CNB.

Table 3 Consolidated general government balance

ESA 2010, in million HRK

	Jan. – Mar. 2016	Jan. – Mar. 2017
Total revenue	35,552	35,357
Direct taxes	5,398	5,297
Indirect taxes	14,349	13,329
Social contributions	9,810	10,164
Other	5,994	6,566
Total expenditure	39,404	37,464
Social benefits	14,003	14,011
Subsidies	891	911
Interest	2,916	2,659
Compensation of employees	9,760	9,707
Intermediate consumption	5,837	5,965
Investment	2,361	2,341
Other	3,636	1,870
Net lending (+)/borrowing (-)	-3,852	-2,108

Sources: Eurostat and CBS.

Table 4 Consolidated central government net borrowing

GFS 2001, in million HRK

	Jan. – May 2016	Jan. – May 2017
1 Revenue	52,950	54,706
2 Disposal of non-financial assets	144	278
3 Expenditure	54,127	55,661
4 Acquisition of non-financial assets	1,416	1,306
5 Net borrowing (1 + 2 – 3 – 4)	-2,448	-1,983

Sources: MoF and CNB calculations.

Table 5 General government debt

in million HRK

	Jan. – May 2016	Jan. – May 2017
Change in total debt stock	-4,512	1,246
Change in domestic debt stock	2,706	4,412
– Securities other than shares, short-term	-210	611
– Securities other than shares, long-term	5,844	4,111
– Loans	-2,932	-283
Change in external debt stock	-7,218	-3,166
– Securities other than shares, short-term	-40	148
– Securities other than shares, long-term	-4,551	-3,327
– Loans	-2,627	13
Memo item:		
Change in total guarantees issued	93	19

Source: CNB.

Abbreviations and symbols

Abbreviations

BIS	– Bank for International Settlements	n.e.c.	– not elsewhere classified
bn	– billion	OECD	– Organisation for Economic Co-Operation and Development
b.p.	– basis points	OG	– Official Gazette
BOP	– balance of payments	R	– Republic
c.i.f.	– cost, insurance and freight	o/w	– of which
CBRD	– Croatian Bank for Reconstruction and Development	PPI	– producer price index
CBS	– Central Bureau of Statistics	RTGS	– Real-Time Gross Settlement
CCI	– consumer confidence index	Q	– quarterly
CDCC	– Central Depository and Clearing Company Inc.	RR	– reserve requirement
CDS	– credit default swap	SDR	– special drawing rights
CEE	– Central and Eastern European	SITC	– Standard International Trade Classification
CEFTA	– Central European Free Trade Agreement	SGP	– Stability and Growth Pact
CEI	– consumer expectations index	VAT	– value added tax
CES	– Croatian Employment Service	WTO	– World Trade Organization
CM	– Croatian Motorways	ZMM	– Zagreb Money Market
CIHI	– Croatian Institute for Health Insurance	ZSE	– Zagreb Stock Exchange
CLVPS	– Croatian Large Value Payment System		
CNB	– Croatian National Bank		
CPF	– Croatian Privatisation Fund		
CPI	– consumer price index		
CPIA	– Croatian Pension Insurance Administration		
CR	– Croatian Roads		
CSI	– consumer sentiment index		
DAB	– State Agency for Deposit Insurance and Bank Resolution		
dep.	– deposit		
DVP	– delivery versus payment		
EC	– European Commission		
ECB	– European Central Bank		
EFTA	– European Free Trade Association		
EMU	– Economic and Monetary Union		
ESI	– economic sentiment index		
EU	– European Union		
excl.	– excluding		
f/c	– foreign currency		
FDI	– foreign direct investment		
Fed	– Federal Reserve System		
FINA	– Financial Agency		
FISIM	– financial intermediation services indirectly measured		
f.o.b.	– free on board		
GDP	– gross domestic product		
GVA	– gross value added		
HANFA	– Croatian Financial Services Supervisory Agency		
HICP	– harmonised index of consumer prices		
ILO	– International Labour Organization		
IMF	– International Monetary Fund		
incl.	– including		
IPO	– initial public offering		
m	– million		
MIGs	– main industrial groupings		
MM	– monthly maturity		
MoF	– Ministry of Finance		
NCA	– National Classification of Activities		
NCB	– national central bank		
NCS	– National Clearing System		

Three-letter currency codes

ATS	– Austrian schilling
CHF	– Swiss franc
CNY	– Yuan Renminbi
DEM	– German mark
EUR	– euro
FRF	– French franc
GBP	– pound sterling
HRK	– Croatian kuna
ITL	– Italian lira
JPY	– Japanese yen
USD	– US dollar

Two-letter country codes

BG	– Bulgaria
CZ	– Czech R.
EE	– Estonia
HR	– Croatia
HU	– Hungary
LV	– Latvia
LT	– Lithuania
PL	– Poland
RO	– Romania
SK	– Slovak R.
SI	– Slovenia

Symbols

–	– no entry
....	– data not available
0	– value is less than 0.5 of the unit of measure being used
∅	– average
a, b, c, ...	– indicates a note beneath the table and figure
*	– corrected data
()	– incomplete or insufficiently verified data