



Information on economic trends

June 2017

Summary

In the first quarter of 2017, real GDP continued to grow at a similar rate as at end-2016, while the data available for April suggest that the current dynamics of real developments were less favourable at the beginning of the second quarter. Consumer prices increased by 0.5% on a monthly level in April, primarily due to the seasonal increase in the prices of clothing and footwear, whereas inflation reached 1.4% on an annual level. The CNB continued its expansionary monetary policy, contributing to the continued recovery of the banks' lending activity. Viewed on an annual level, the increase in placements to non-financial corporations remained at the level recorded in the previous month, while in the household sector, the annual growth in placements picked up owing to the continued increase in kuna lending. Ministry of Finance data on a cash basis suggest that the general government deficit increased in the first quarter of 2017 on an annual level; however, this was largely associated with the payment of subsidies earlier than in 2016.

According to first CBS estimates, real GDP grew by 2.5% on an annual basis in the first quarter of 2017, increasing by 0.6% from the previous quarter (Figure 1). The increase in economic activity was primarily a result of the growth in the exports of goods; however, all components of domestic demand went up as well. The stable upward trend in household consumption, which began in early 2016, thus continued. In addition, investment activity maintained its steady and relatively steep rise, while government consumption increased only slightly in the first three months of 2017 from the end of 2016. Such developments in domestic demand and exports resulted in a noticeably accelerated growth in the imports of goods and services. Observed on an annual level, the GDP growth rate decreased by 0.9 percentage points in the first quarter relative to the preceding quarter as a result of the Easter holidays, a period in which consumption soars, coming later (in 2016 the Easter holidays fell in the first and in 2017 in the second quarter), and the smaller number of working days due to the fact that 2016 was a leap year.

The GDP nowcasting model shows that real economic activity slowed down slightly at the beginning of the second quarter of 2017 from the preceding quarter (Figure 1).¹ Industrial production was down (–1.8%) in April this year from the preceding quarter average. The drop was particularly pronounced in the production of energy, while the production of non-durable consumer goods and capital goods stagnated. On the other hand, the production of durable goods grew (Figures 3 and 4). Observed according to NCA, not only was there a drop in energy supply, but activity slowed down in manufacturing as well, primarily due to the fall in the manufacture of fabricated metal products (except machinery and equipment) and the manufacture of food products and beverages. Furthermore, real retail trade turnover decreased as well for the first time since mid-2014. A substantial fall in consumer confidence was observed in April this year, resulting from poorer expectations regarding the economic and financial situation, which may be associated with the uncertainty around financial issues related to the Agrokor group. Consumer confidence improved slightly in May, but remained significantly lower than in the preceding six months. As regards business confidence, April and May were characterised by relatively unfavourable developments in industry and trade. On the other hand, business optimism in service activities remained at a level near that recorded in the first quarter, while slightly more favourable developments were observed in construction (Figure 8).

The beginning of the second quarter of 2017 was marked by further favourable developments in the labour market. The number of employed persons in April continued to rise at a rate

similar to that in the early months of the year, with the highest growth seen in private sector service activities associated with tourism (accommodation and food service activities and trade); industry contributed less to the trend (Figure 14). Registered unemployment dropped to its lowest level since 1997 in April 2017 (around 200 thousand persons, according to seasonally adjusted data), primarily due to strong outflows from the CES register for other reasons (mainly clearings from the records due to non-compliance with legal provisions and registration cancellation), and, to a smaller extent, thanks to new employment. The continued drop in the number of unemployed persons was reflected in the registered unemployment rate, which fell to 12.8% in April 2017 (Figure 15).² At the same time, the average gross wage continued to grow, although at a slower rate than in early 2017, when it rose substantially (Figure 16). Real wages grew slower than nominal wages due to the current rise in consumer prices.

Consumer prices rose in April by 0.5% from March (Table 1), primarily due to the seasonal increase in the prices of clothing and footwear, which was sharper than in 2016. Prices of numerous food products and non-alcoholic beverages went up as well, as did hotel and restaurant services. The increase in prices was partially offset by the drop in the prices of telecommunication services and refined petroleum products due to the lower prices of crude oil on the global market. The price of Brent crude oil per barrel dropped from USD 52.7 at end-March to USD 50.9 at end April as a result of increases in crude oil production and reserves in the USA. The annual consumer price inflation rate grew to 1.4% in April, up from 1.1% in March. The rise was mainly a result of trends seen in the prices of energy (Figure 18), brought about by the waning of the effect of the administrative cut in the prices of natural gas in April 2016. The annual contribution of prices of non-food industrial goods without energy (clothing and footwear) and prices of unprocessed food (mostly meat) trended up as well. Core inflation also picked up, climbing from 1.4% in March to 1.7% in April, primarily driven by the above mentioned increase in the prices of clothing and footwear and food products (meat, milk).

Following a surge in late 2016, the dynamics of trade in goods slowed down significantly at the beginning of 2017. In spite of that, total exports of goods increased by 4.1% in the first quarter relative to the average of the preceding quarter (Figure 10) owing to the exports of the narrow aggregate, excluding oil and refined petroleum products and ships (4.2%). Particularly noteworthy was the rise in the exports of electricity, medical and pharmaceutical products (imported earlier for finishing or distribution to the markets of third countries), other chemical

1 For details, see Kunovac, D., and B. Špalat: *Nowcasting GDP Using Available Monthly Indicators* (WP-59, October 2014).

2 The adjusted unemployment rate, which uses the data on the number of persons insured with the CPIA instead of the data from the JOPPD form in the calculation, also continued to decrease and stood at 12% in April 2017.

products and metal industry products. At the same time, the growth in the total imports of goods was slower (0.7%) as a consequence of a decline in the imports of oil and refined petroleum products and ships (Figure 11). On the other hand, the increase in the imports of other goods (1.4%) was mainly affected by capital goods (notably machinery specialised for particular industries and metal working machinery), electricity and metal industry products, whereas the imports of medical and pharmaceutical products trended down.

The nominal exchange rate of the kuna against the euro appreciated in May against the backdrop of an increased supply of foreign exchange on the domestic foreign exchange market. At the end of the month it stood at EUR/HRK 7.42, down by 0.7% from the end of April (Figure 21). The kuna strengthened against most other major trading partners' currencies in May, resulting in an appreciation of the nominal effective exchange rate of 1.0% compared with the end of April. In addition to the aforementioned appreciation of the exchange rate of the kuna against the euro, this was primarily a result of the appreciation of the kuna against the yuan renminbi and the US dollar, reflecting the strengthening of the euro against these currencies 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 the increase in the risk aversion of investors on financial markets and the rise of uncertainty associated with the US economic policy.

Short-term interest rates in the euro area money market remained in negative territory in May, influenced by the ECB's expansionary monetary policy and abundant banking system liquidity. The overnight interest rate, EONIA, stood at -0.35% , while the six-month EURIBOR stood at -0.25% (Figure 24). The risk premiums for European emerging market economies decreased slightly from the end of 2016. Apart from that of Bulgaria, the risk premium for Croatia saw the most substantial decline (57 basis points), standing at 163 basis points at the end of May. Despite the drop, it remained the highest among peer countries (Figure 25).

Owing to the CNB's expansionary monetary policy, surplus liquidity of the domestic banking system was high in May, totaling HRK 14.7bn. Although lower than in the period from January to April, surplus liquidity was still twice as high as in the same period last year. At the same time, the average weighted interest rate in interbank trade on the overnight market stood at 0.05% (Figure 54), whereas the interest rate on one-year kuna T-bills without a currency clause remained at 0.45% (Figure 28).

Interest rates on new business volume of loans grew slightly in April 2017 for almost all types of loans to non-financial corporations, but continued to decline for household loans (Figures 28 and 29). A rise in interest rates was recorded in most original new corporate loans as well (Figure 31). Interest rates on household and corporate time deposits continued to drop (Figures 34 and 35). As a result of the developments described above, the spread between interest rates on new loans and deposits increased to 6.43 percentage points in April (from 6 percentage points in March), while the gap between interest rate spreads on loans and deposits remained almost the same as in the previous month, i.e. slightly below five percentage points (Figure 37).

Monetary developments in April were marked by a rise in net domestic assets (NDA) of the monetary system, which exceeded the drop in net foreign assets (NFA), leading to a moderate growth in total liquid assets (M4). Developments in the balance sheets of monetary institutions were strongly affected by the drop in foreign currency government deposits with the CNB in April. Specifically, the foreign currency inflow from a foreign bond issued in March was used to settle the foreign bond liability

that matured at the end of April, which resulted in the reduction of NFA and an increase in NDA due to a rise in net claims on the central government. The growth in M4 continued on an annual level, although at a rate slower than in the preceding part of the year, ending April at 3.8% (exchange rate changes excluded, Figure 49). In the structure of M4, the growth was mostly driven by an increase in money (M1), which continued to grow rapidly on an annual basis, reaching 22.7% at the end of April (Figure 48). This was due equally to household and non-financial corporation demand deposits. On the other hand, the slowdown in M4 growth primarily originated from a drop in foreign currency deposits, which intensified on an annual basis during the first four months of 2017, reaching -1.9% at the end of April (exchange rate changes excluded, Figure 52).

Credit institutions' placements to domestic sectors (except the government) rose by 0.6% in April (transaction-based) owing mainly to an increase in placements to non-financial corporations. The increase in placements on an annual basis was similar to that recorded in the earlier part of the year, standing at 0.8% at end-April (Figure 40). Observed on an annual basis, placements to non-financial corporations grew at the same rate as in the previous month, ending April at 0.7% (Figure 41), while the growth in household placements accelerated to 1.6% (Figure 42). The trend of a surge in kuna placements to households continued, accompanied by simultaneous deleveraging in foreign currency (Figure 43), causing the share of kuna placements to households in total placements to the sector to reach 44.1% at the end of April (Figure 47). On the other hand, the nominal stock of placements at the end of April 2017 shrank by 1.1% on an annual basis, which may primarily be attributed to the sale of banks' non-performing placements. As for lending to the government, bank placements to the central government increased by 2.3% at the end of April 2017 relative to the same month of the previous year (Figure 46).

Gross international reserves of the CNB amounted to EUR 14.1bn at the end of May, down by EUR 0.3bn from the previous month, mainly as a result of a drop in agreed foreign repo transactions (Figure 56). On the other hand, net usable reserves increased moderately in May, reaching EUR 12.2bn, up by 0.2% from the end of 2016.

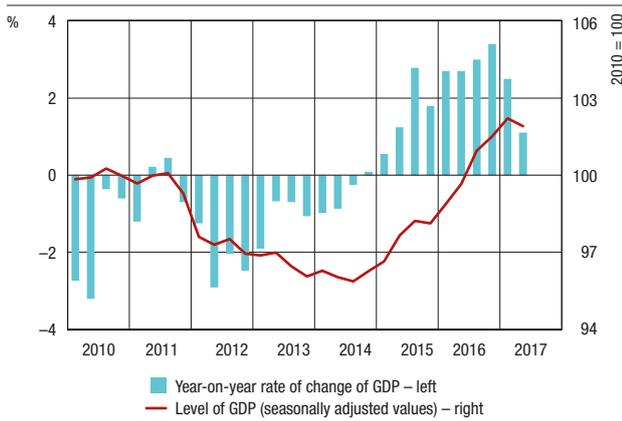
Following stagnation at the end of 2016, net external debt of domestic sectors increased by EUR 0.8bn in the first quarter of 2017 (Figure 60). This was mostly brought about by banks, the net external position of which deteriorated by EUR 0.9bn, significantly more than in the same period in 2016, primarily as a result of a decline in foreign assets. Furthermore, central government external debt increased by EUR 0.7bn in the first quarter; however, the increase was only temporary as the bond which had been issued on the international market in March was primarily intended to refinance the bond maturing in April. The depositing of funds generated with the CNB contributed to a temporary sharp increase in international reserves at the end of the first quarter, thus significantly improving the net external position of the central bank (by EUR 1.1bn). The total gross external debt of the Republic of Croatia increased substantially in the first quarter (by EUR 2.4bn), which was not only a result of the aforementioned borrowing of the central government, but also of the investment of a part of central bank's international reserves in reverse repos (Figure 61).

Preliminary MoF consolidated general government data, on a cash basis, suggest that the deficit widened in the first quarter of 2017 relative to the same period last year, reflecting a growth in expenditures faster than that in revenues (Table 4). It is necessary to note that temporary financing was in force in the first quarter of 2016 and that changes occurred in payment

dynamics with regard to particular expenditure items in 2017. As regards revenues, the first quarter saw year-on-year growth in the main categories of revenues, with social contributions, supported by favourable labour market developments, and VAT providing a particularly positive contribution. Revenues from income tax shrank due to implemented tax changes, and other revenues went slightly down as well, mostly as a result of a drop in revenues from the sale of goods and services on the market. On the other hand, the rise in budget expenditures in the first three months of 2017 was strongly affected by the payment of

state budget subsidies, which began much earlier this year than in 2016. Growth was seen in most major expenditure categories as well, with the exception of social benefits, which stagnated. In contrast, the slow decrease in expenditures for interest continued as a result of more favourable financing conditions in 2016 and less of a need for borrowing. As for government debt, the latest available data show that the general government debt totalled HRK 288.5bn at the end of February, dropping slightly from the end of last year because of, among other things, kuna exchange rate appreciation (Table 5).

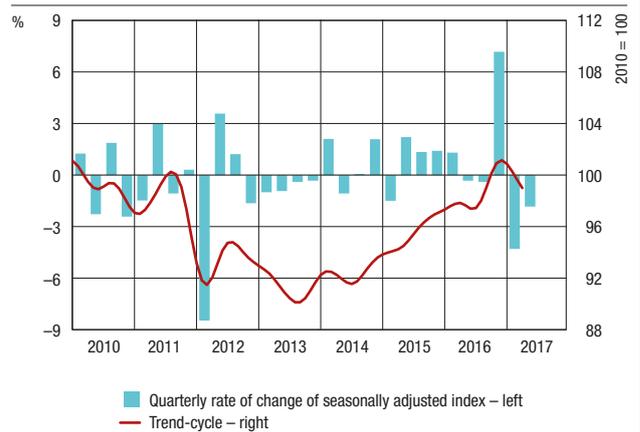
Figure 1 Quarterly gross domestic product
seasonally adjusted real values



Note: Data for the second quarter of 2017 is the estimate derived using the CNB's Monthly indicator of real economic activity, on the basis of data published until 31 May 2017.

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

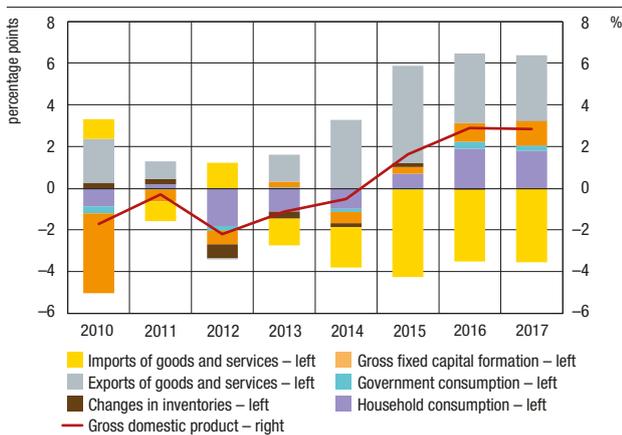
Figure 3 Industrial production



Note: Data for the second quarter of 2017 refers to April.

Source: CBS data seasonally adjusted by the CNB.

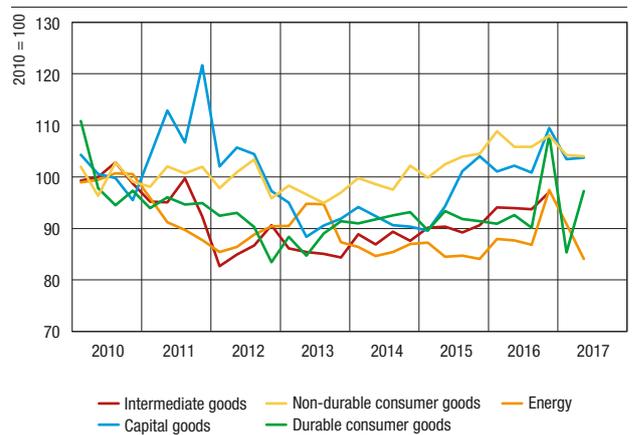
Figure 2 GDP rate of change
contribution by components



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

Source: CBS.

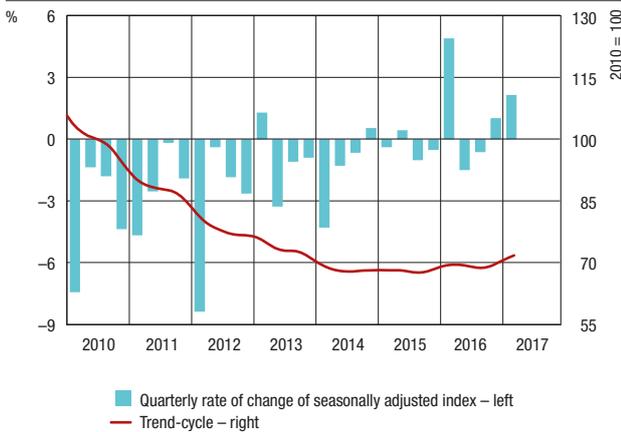
Figure 4 Industrial production by main industrial groupings
seasonally adjusted indices



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

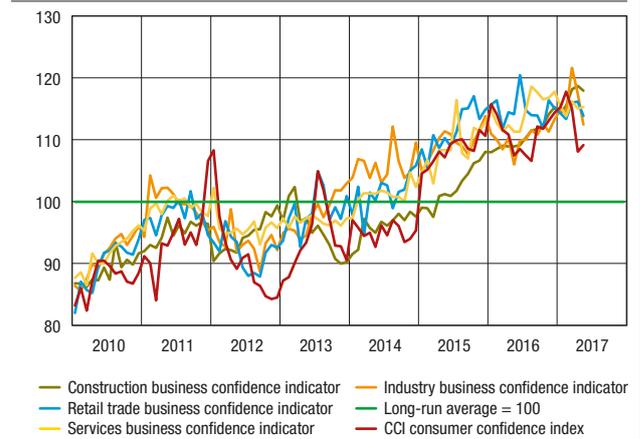
Source: CBS data seasonally adjusted by the CNB.

Figure 5 Total volume of construction works



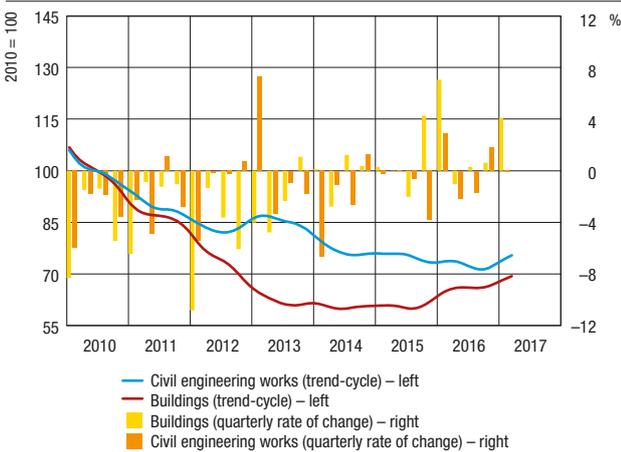
Source: CBS data seasonally adjusted by the CNB.

Figure 8 Business confidence indicators
standardised and seasonally adjusted values



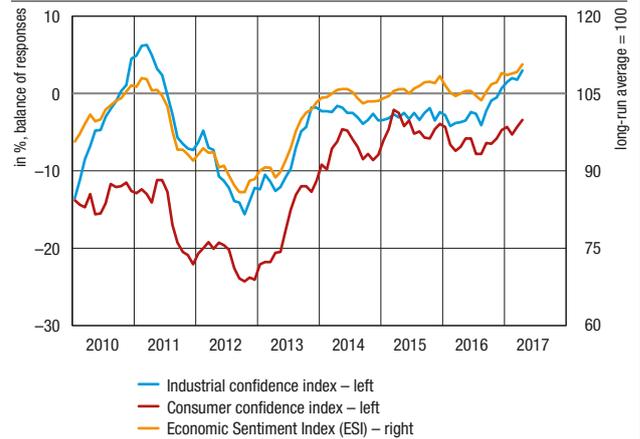
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



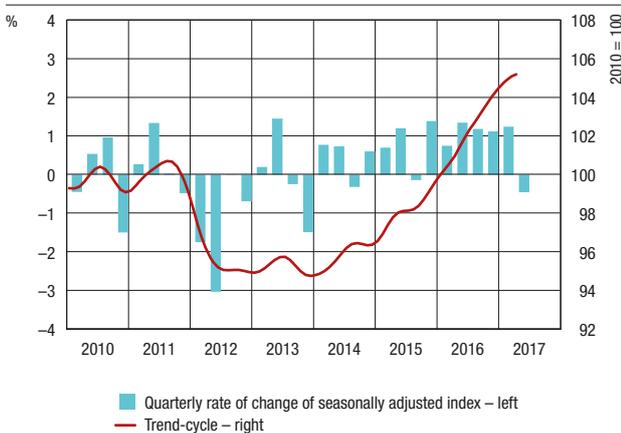
Source: CBS data seasonally adjusted by the CNB.

Figure 9 EU confidence indices
seasonally adjusted series



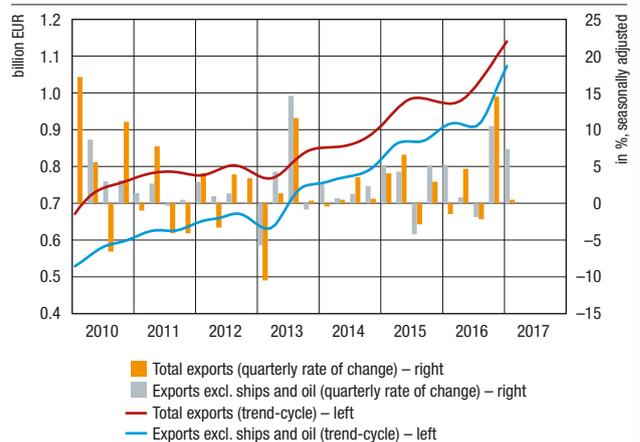
Source: Eurostat.

Figure 7 Real retail trade turnover



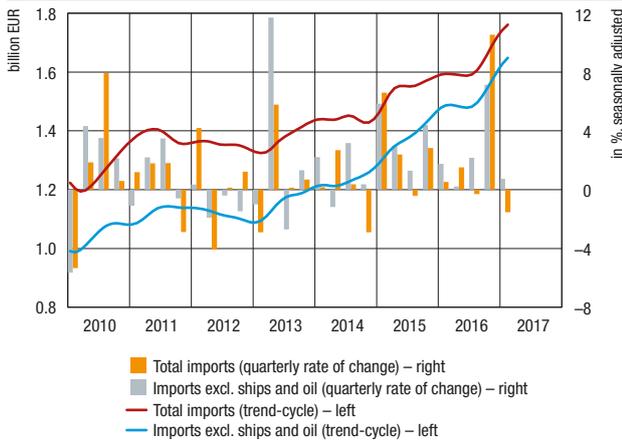
Note: Data for the second quarter of 2017 refers to April.
Source: CBS data seasonally adjusted by the CNB.

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



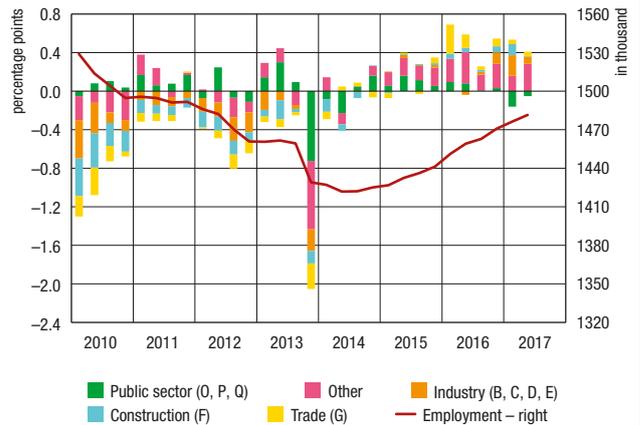
Source: CBS data seasonally adjusted by the CNB.

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



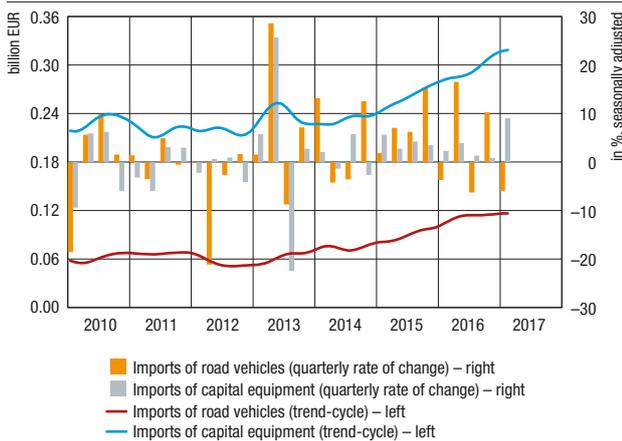
Source: CBS data seasonally adjusted by the CNB.

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



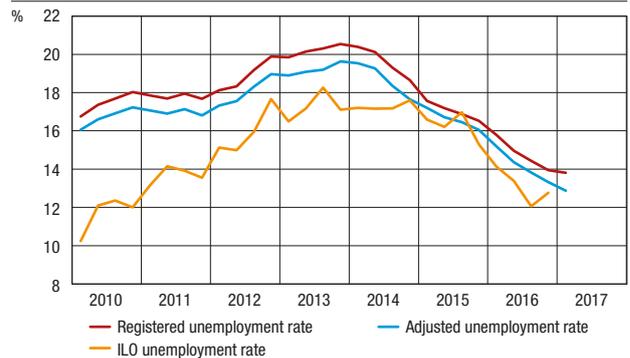
Note: Data for the second quarter of 2017 refer to April.
Source: CPIA data seasonally adjusted by the CNB.

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



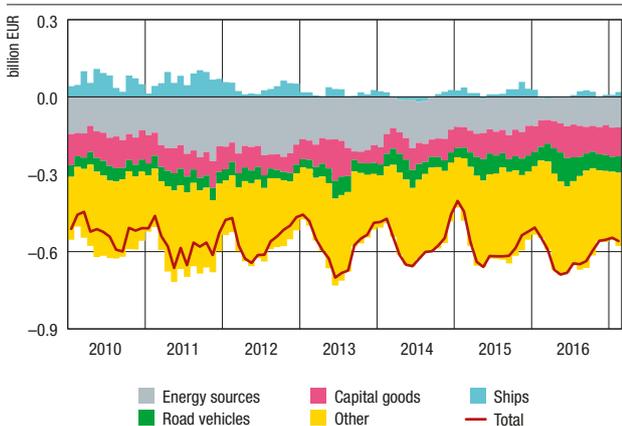
Note: Imports of capital equipment (SITC divisions 71 - 77).
Source: CBS data seasonally adjusted by the CNB.

Figure 15 Unemployment rates
seasonally adjusted data



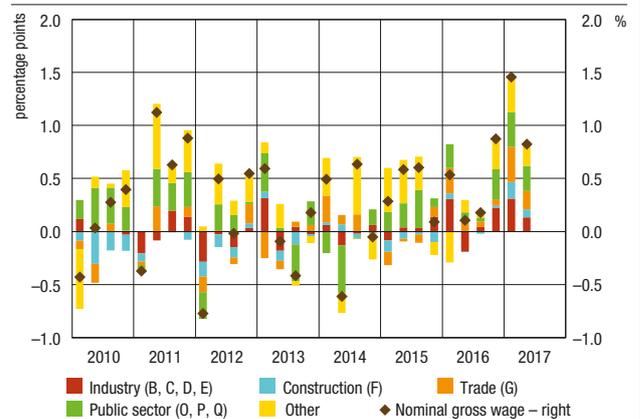
Note: Since January 2015, the calculation of the registered unemployed rate has been made using the data on employed persons from the JOPPD form. The adjusted unemployment rate is the CNB estimate and is calculated as the share of the number of registered unemployed persons in the working age population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

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



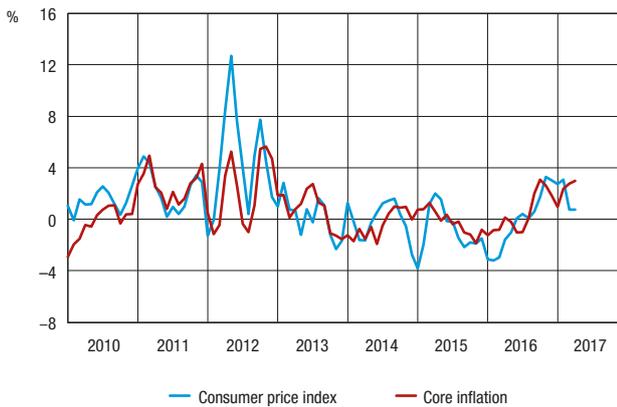
Note: Series are shown as three-member moving averages of monthly data.
Source: CBS.

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



Note: 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 second quarter of 2017 refer to April.
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

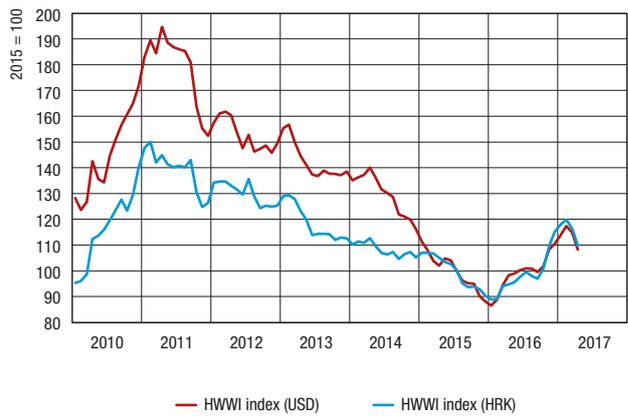
Figure 17 Consumer price index and core inflation
annualised month-on-month rate of change^a



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

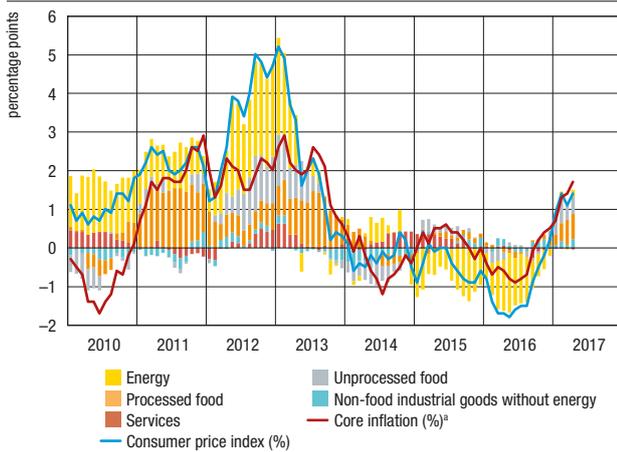
Sources: CBS and CNB calculations.

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

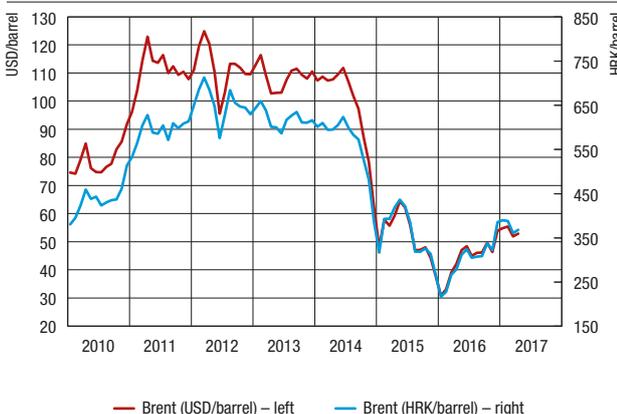
year-on-year and month-on-month rates of change

	Year-on-year rates		Month-on-month rates	
	3/17	4/17	4/16	4/17
Consumer price index and its components				
Total index	1.1	1.4	0.3	0.5
Energy	-0.1	1.1	-0.9	-0.2
Unprocessed food	4.2	4.8	-2.4	0.9
Processed food	2.8	2.8	0.1	0.3
Non-food industrial goods without energy	0.3	0.9	3.0	1.4
Services	-0.1	-0.2	-0.1	0.0
Other price indicators				
Core inflation	1.4	1.7	1.0	0.7
Index of industrial producer prices on the domestic market	1.1	3.0	-0.3	0.4
Brent crude oil price (USD)	33.0	25.4	-6.4	1.9
HWWI index (excl. energy, USD)	21.6	10.2	-2.2	-5.7

Note: Processed food includes alcoholic beverages and tobacco.

Sources: CBS, Bloomberg and HWWI.

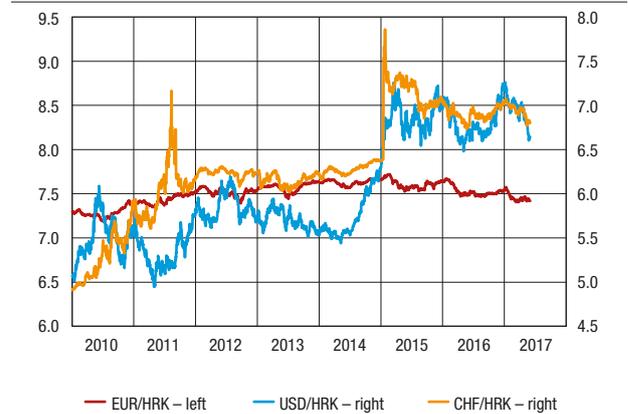
Figure 19 Crude oil prices (Brent)



Sources: Bloomberg and CNB calculations.

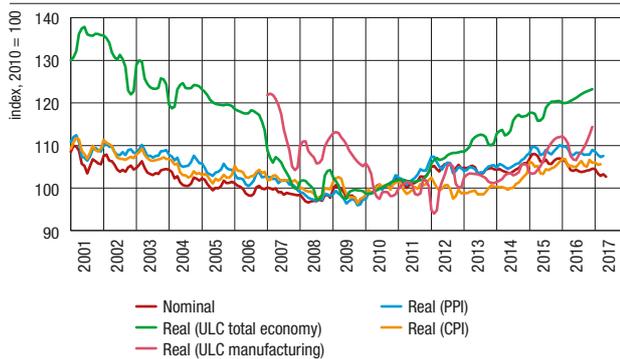
Figure 21 Daily nominal exchange rate – HRK vs. EUR, USD and CHF

CNB midpoint exchange rate



Source: CNB.

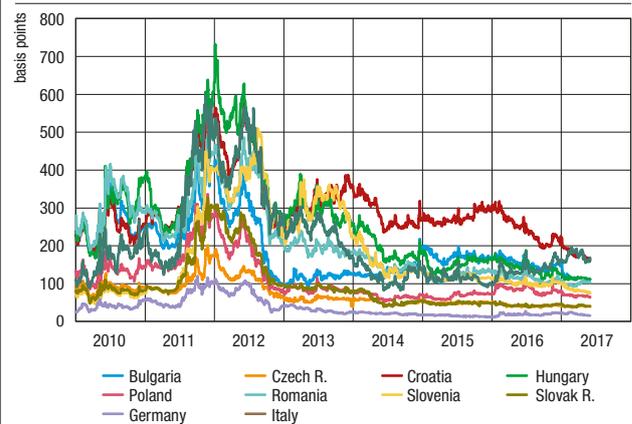
Figure 22 Nominal and real effective exchange rates of the kuna



Note: 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.

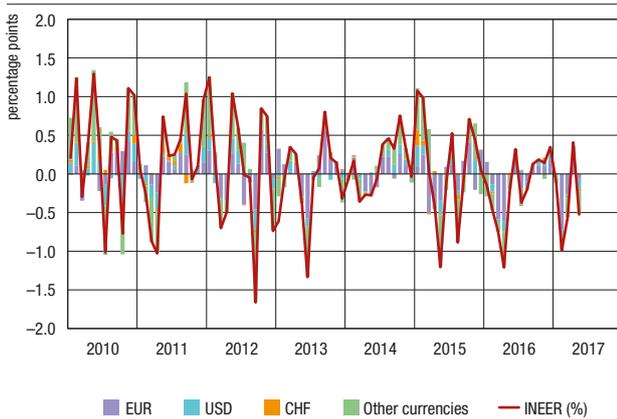
Figure 25 CDS spreads for 5-year government bonds of selected countries



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.

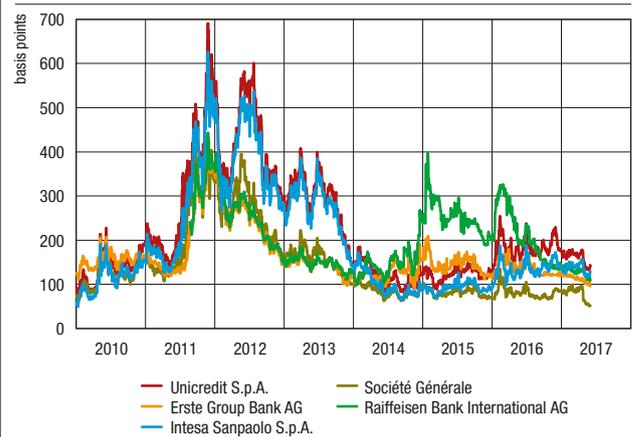
Figure 23 Contributions^a of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)



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

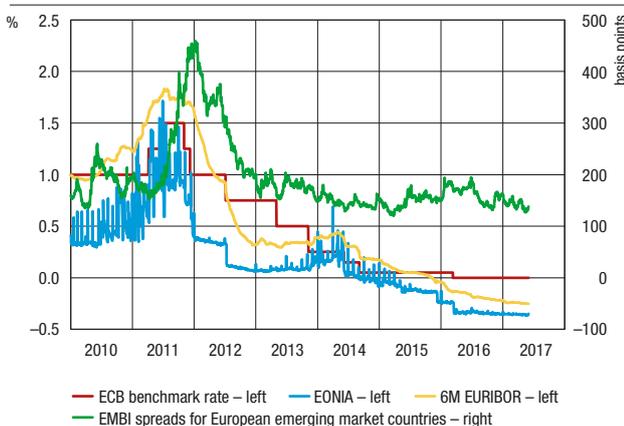
Source: CNB.

Figure 26 CDS spreads for selected parent banks of domestic banks



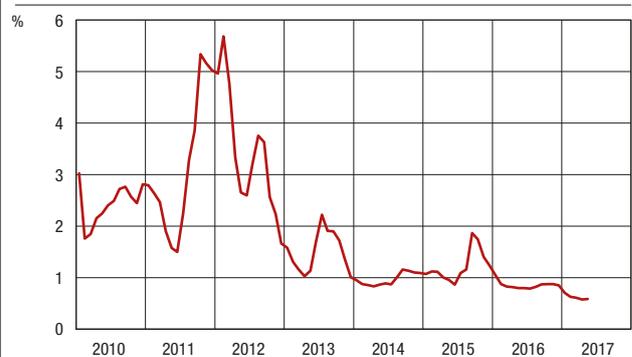
Source: S&P Capital IQ.

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



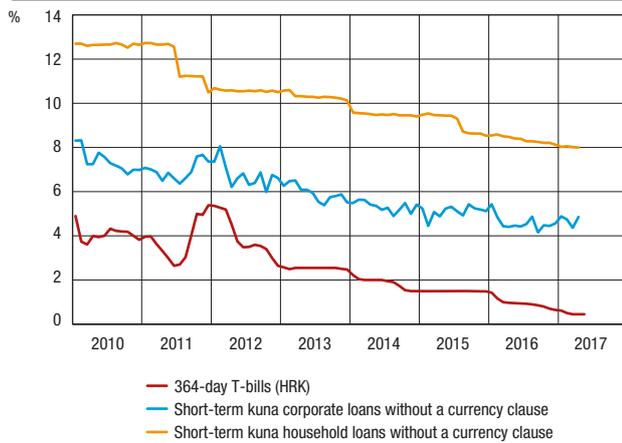
Sources: ECB, Bloomberg and J. P. Morgan.

Figure 27 Interest rates quoted on the interbank market (3-month ZIBOR) monthly averages of simple daily averages of bank quotations



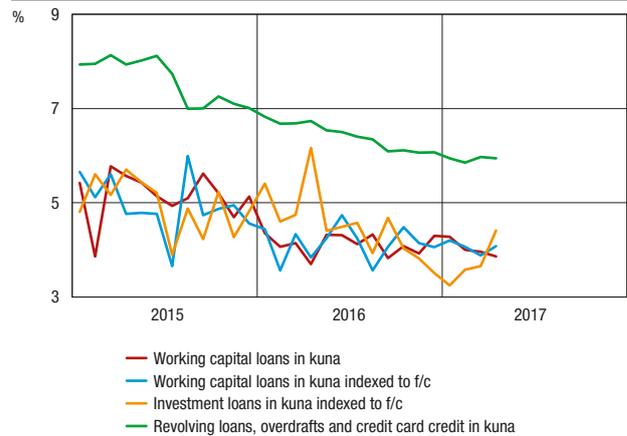
Source: CNB.

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



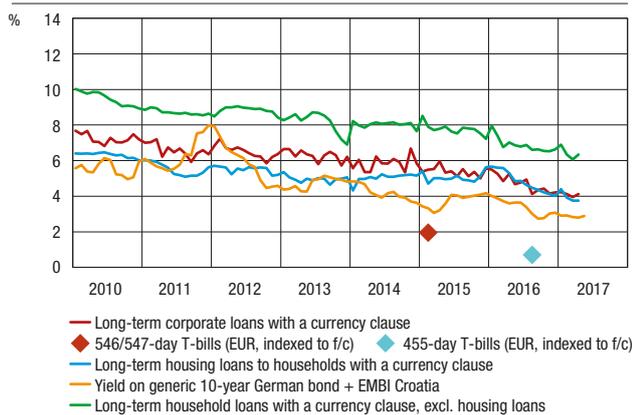
Sources: MoF and CNB.

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



Source: CNB.

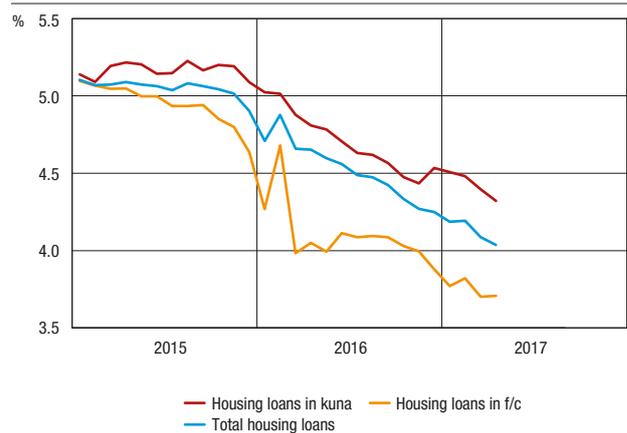
Figure 29 Long-term financing costs in kuna with a currency clause and in foreign currency



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.

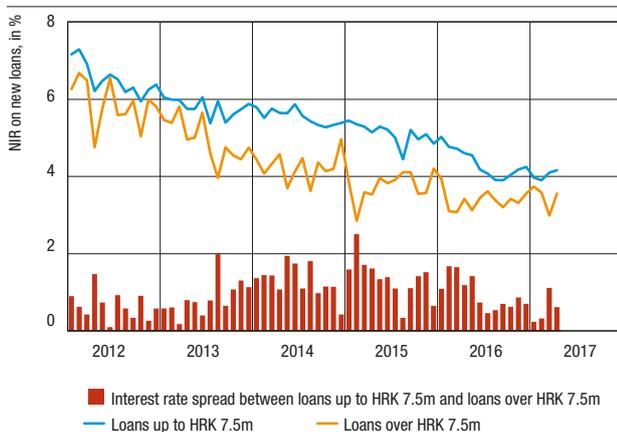
Sources: MoF, Bloomberg and CNB.

Figure 32 Interest rates on original new housing loans to households



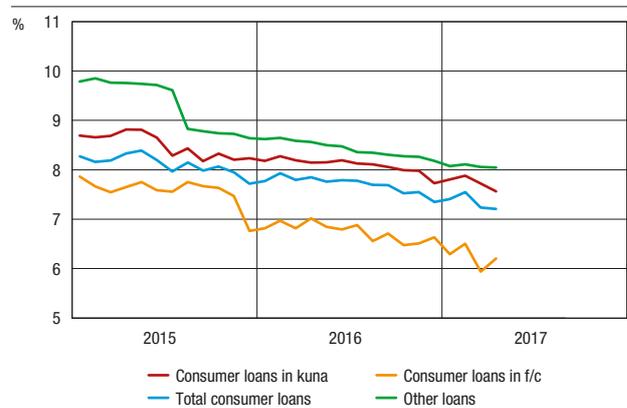
Source: CNB.

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



Source: CNB.

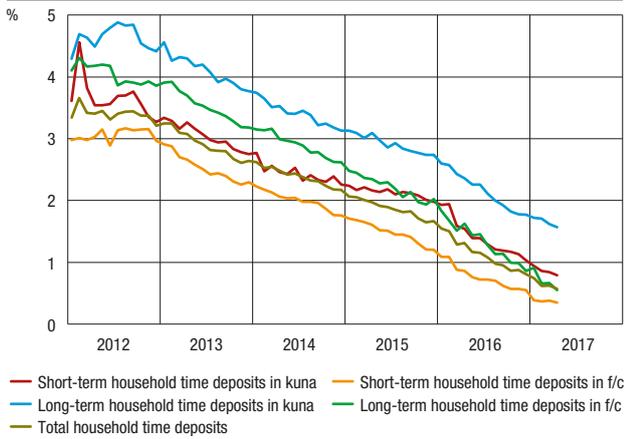
Figure 33 Interest rates on original new consumer and other loans to households



Note: 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.

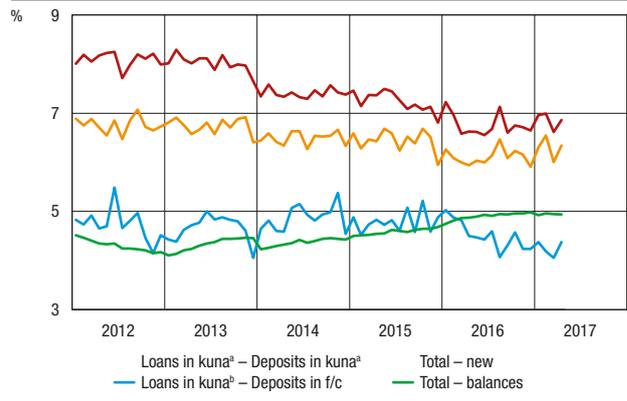
Source: CNB.

Figure 34 Interest rates on household time deposits



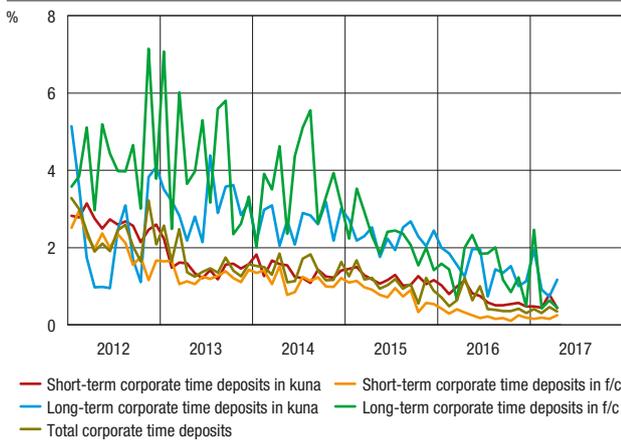
Source: CNB.

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



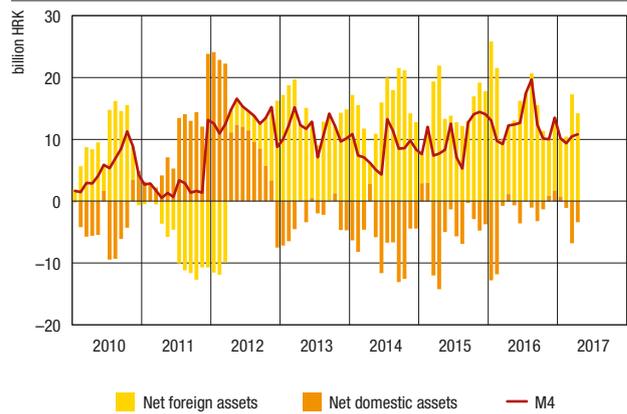
^a Non-indexed to f/c. ^b Indexed to f/c.
Note: Spread between average interest rates on loans and average interest rates on deposits should be differentiated from net interest margin (the ratio of the difference between interest income and interest expenses to total assets of credit institutions).
Source: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

Figure 35 Interest rates on corporate time deposits



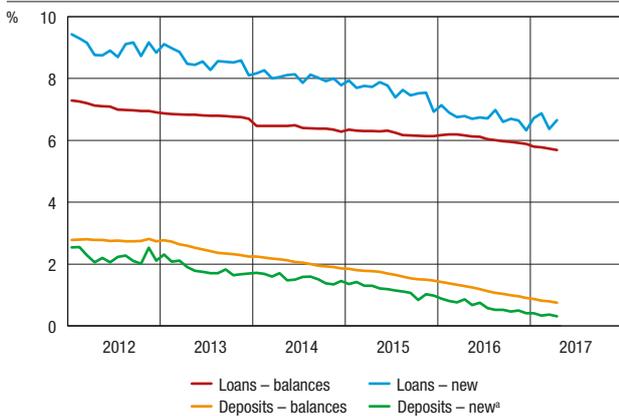
Source: CNB.

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



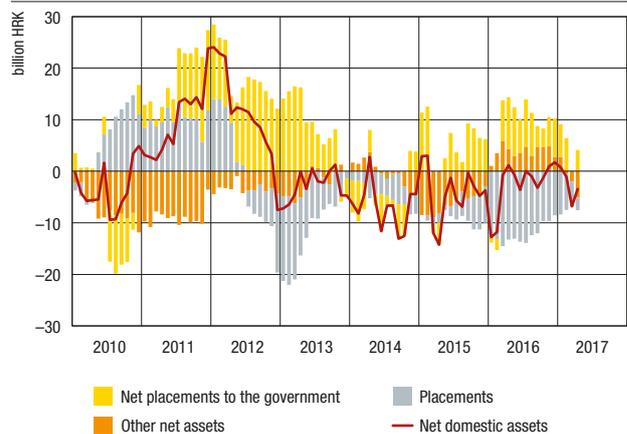
Source: CNB.

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



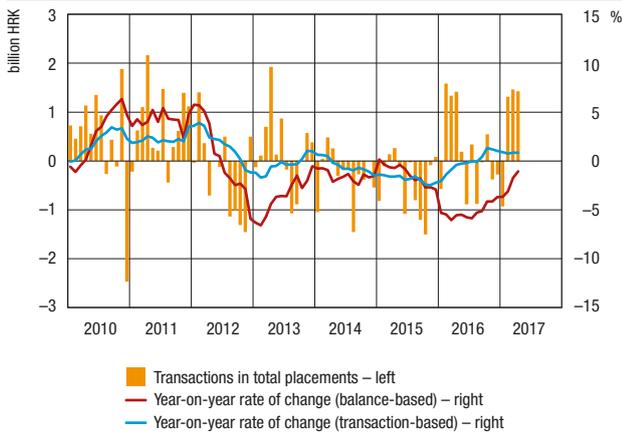
^a For time deposits, interest rates on newly received deposits are weighted by their balances.
Source: CNB.

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



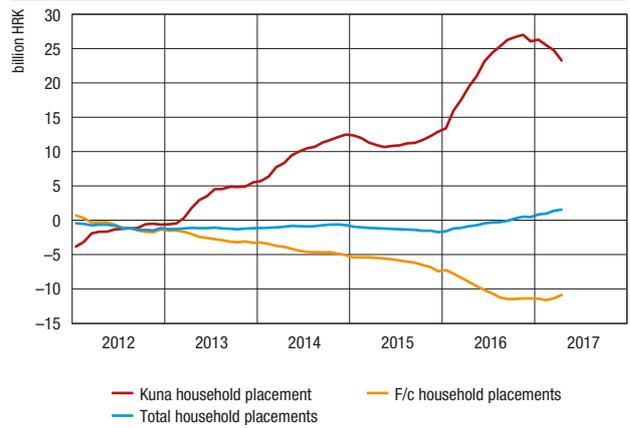
Source: CNB.

Figure 40 Placements



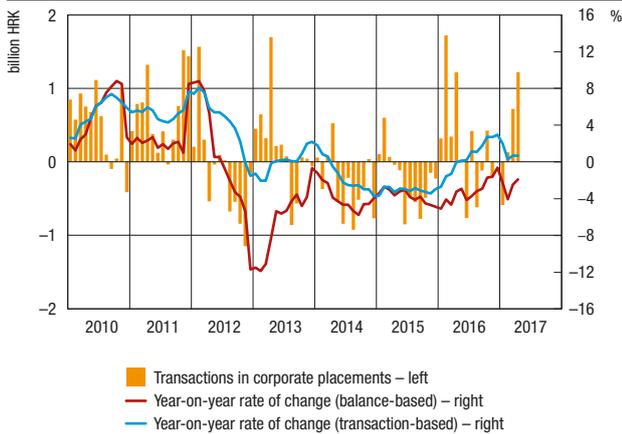
Source: CNB.

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



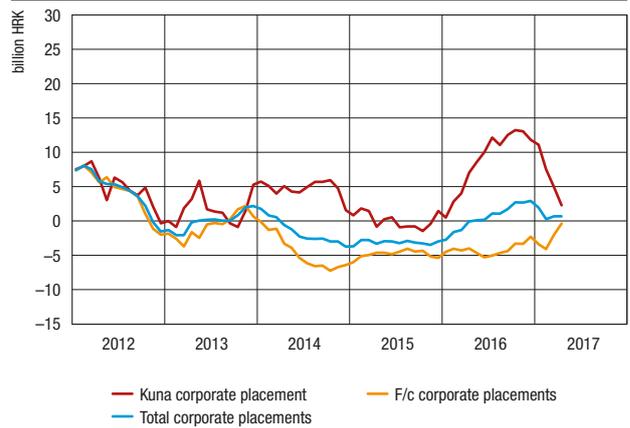
Source: CNB.

Figure 41 Placements to corporates



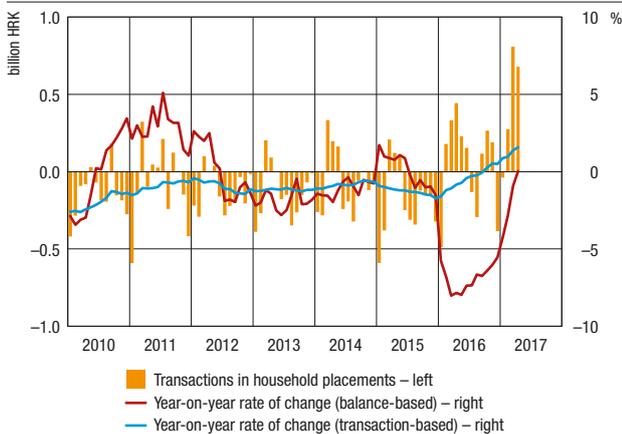
Source: CNB.

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



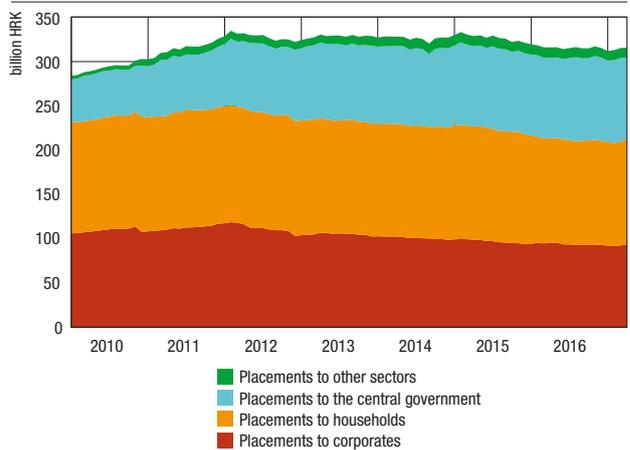
Source: CNB.

Figure 42 Placements to households



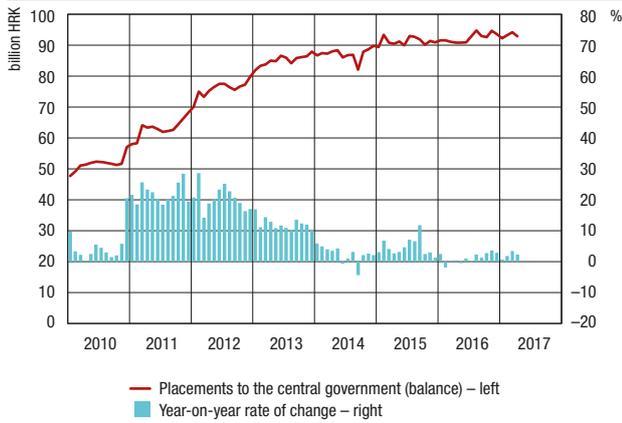
Source: CNB.

Figure 45 Structure of credit institution placements



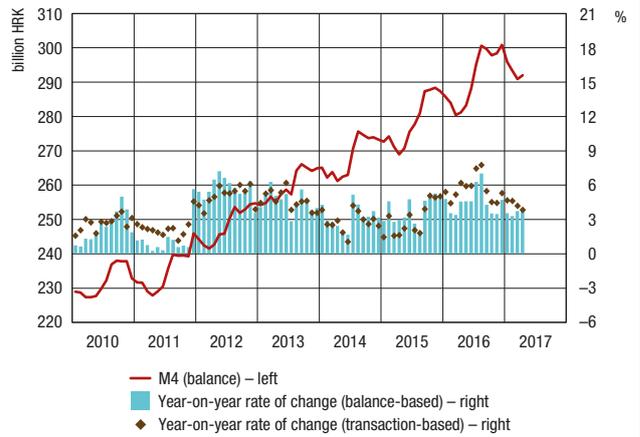
Source: CNB.

Figure 46 Credit institution and MMF placements to the central government



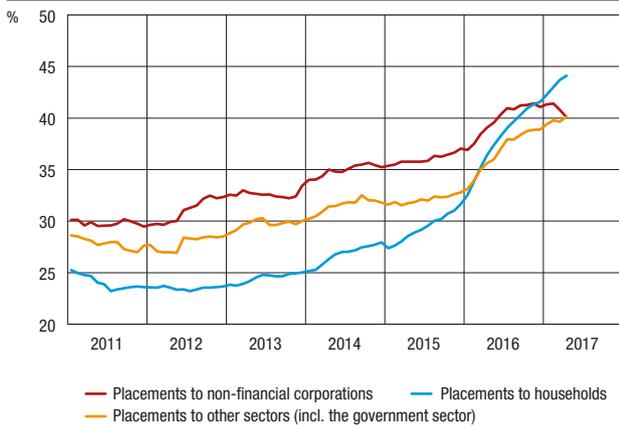
Source: CNB.

Figure 49 Total liquid assets (M4)



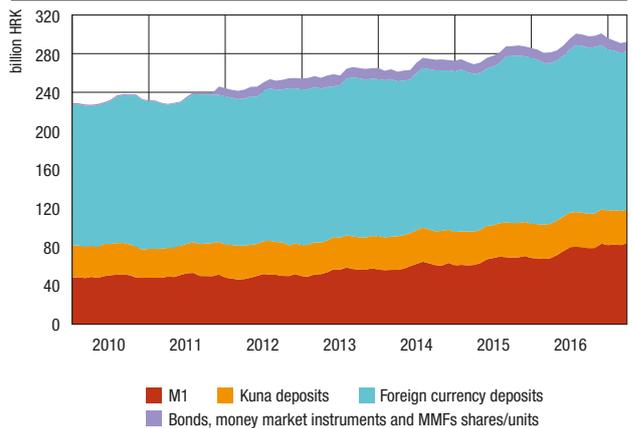
Source: CNB.

Figure 47 Share of kuna placements in total sector placements



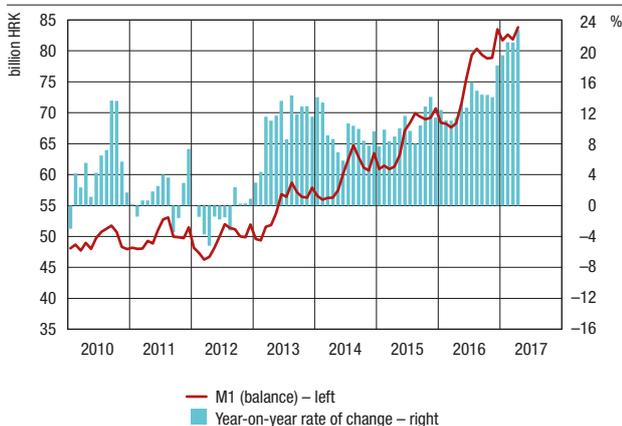
Source: CNB.

Figure 50 Structure of M4 monetary aggregate



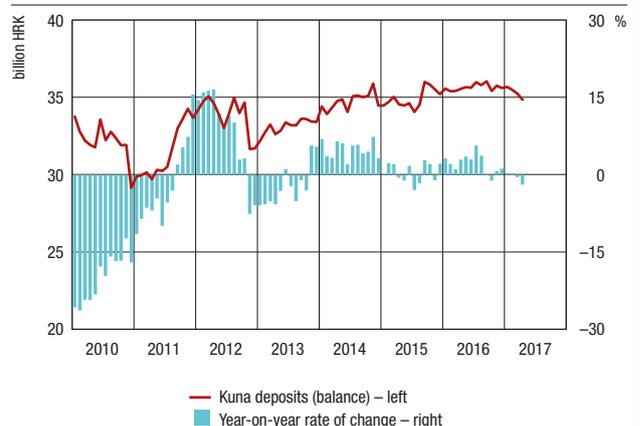
Source: CNB.

Figure 48 Money (M1)



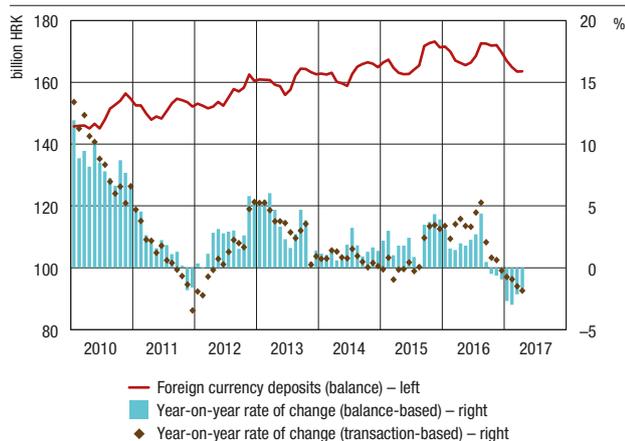
Source: CNB.

Figure 51 Kuna savings and time deposits



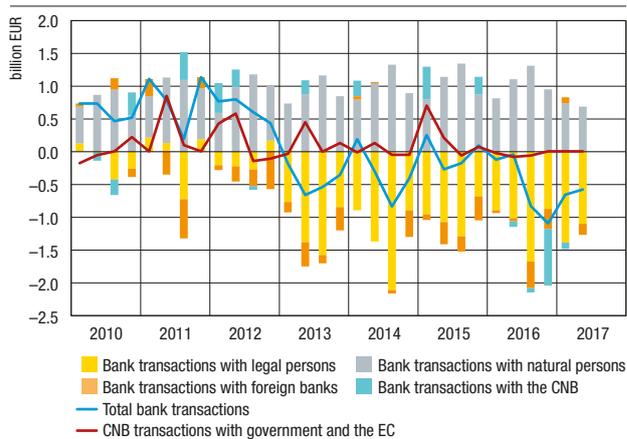
Source: CNB.

Figure 52 Foreign currency deposits



Source: CNB.

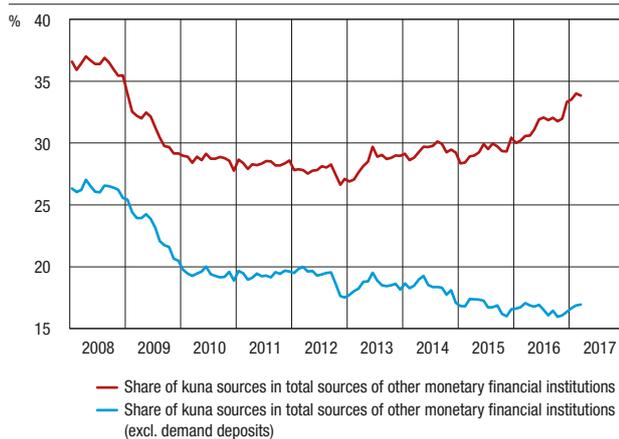
Figure 55 Spot transactions in the foreign exchange market (net turnover)



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

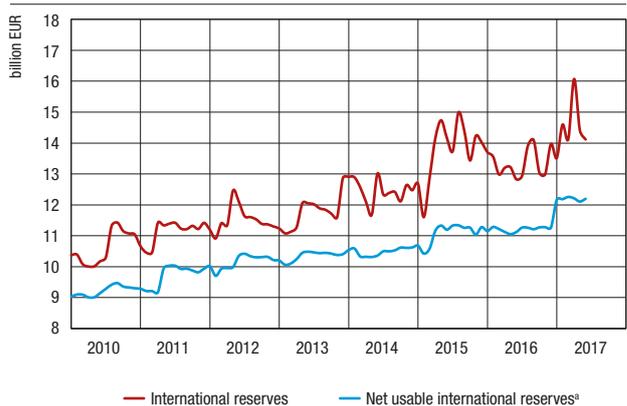
Source: CNB.

Figure 53 Share of kuna sources



Source: CNB.

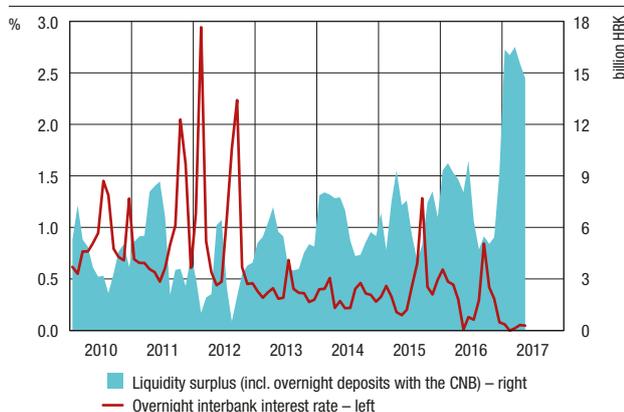
Figure 56 International reserves of the CNB at current rate of exchange



^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.

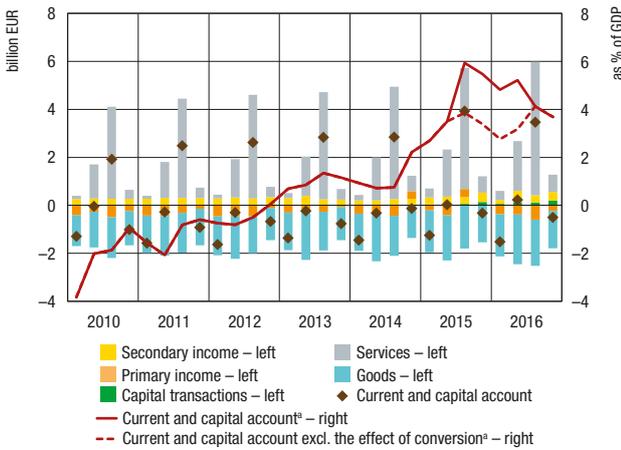
Table 2 Balance of payments^a
preliminary data, in million EUR

	2015	2016	Indices	
			2015/ 2014	2016/ 2015
Current account	2,098.8	1,168.8	236.6	55.7
Capital account	307.7	515.0	437.9	167.4
Financial account (excl. reserves)	1,113.7	1,419.8	113.2	127.5
International reserves	745.3	-264.7	-	-
Net errors and omissions	-547.5	-528.7	108.7	96.6

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

Source: CNB.

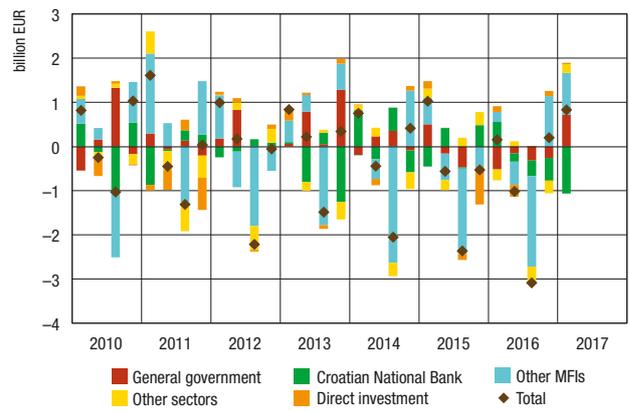
Figure 57 Current and capital account flows



^a Sum of the last four quarters.

Source: CNB.

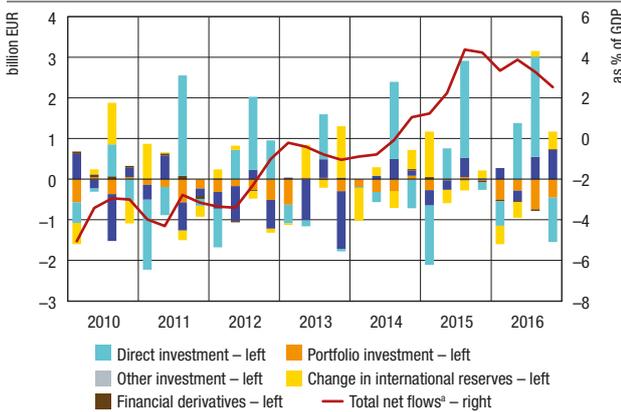
Figure 60 Net external debt transactions



Note: 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

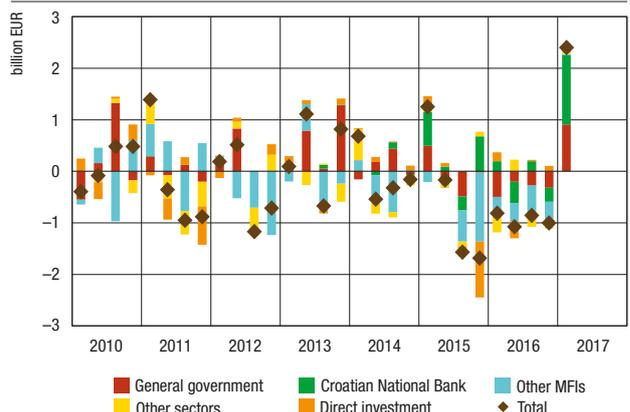


^a Sum of the last four quarters.

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

Source: CNB.

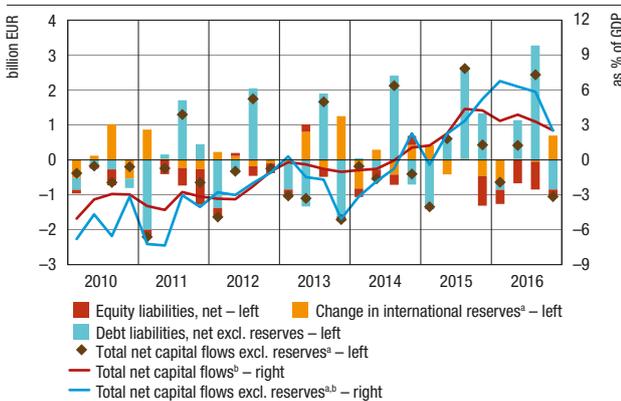
Figure 61 Gross external debt transactions



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



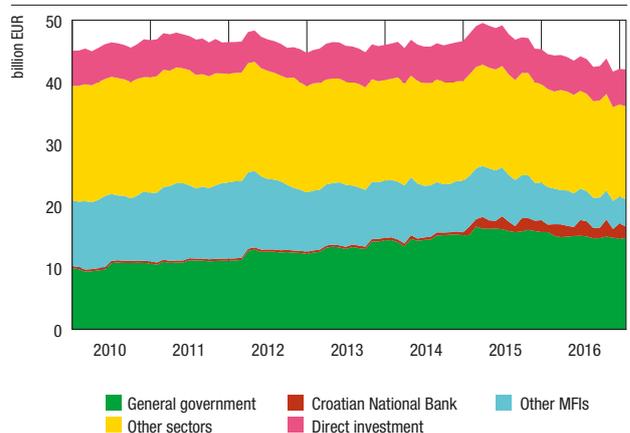
^a The change in gross international reserves is reported net of the liabilities of the CNB.

^b Sum of the last four quarters.

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

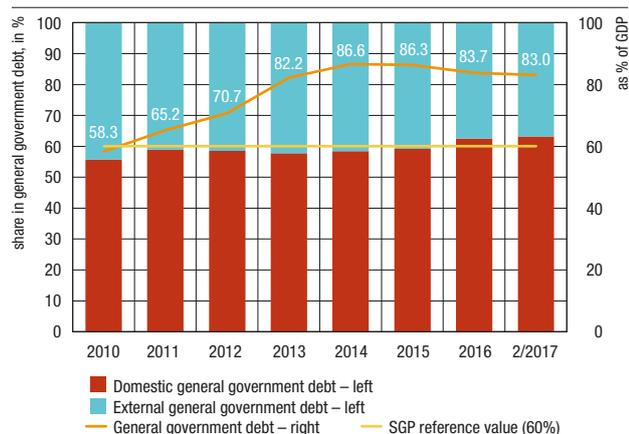
Source: CNB.

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. – Dec. 2015	Jan. – Dec. 2016
Total revenue	150,891	163,258
Direct taxes	19,969	21,739
Indirect taxes	65,482	69,589
Social contributions	39,778	40,807
Other	25,662	31,122
Total expenditure	162,237	166,015
Social benefits	55,896	55,942
Subsidies	5,916	5,386
Interest	11,925	11,162
Compensation of employees	40,099	41,106
Intermediate consumption	26,967	27,478
Investment	10,297	10,913
Other	11,138	14,029
Net lending (+)/borrowing (-)	-11,346	-2,757

Sources: Eurostat and CBS.

Table 4 Consolidated central government net borrowing

GFS 2001, in million HRK

	Jan. – Mar. 2016	Jan. – Mar. 2017
1 Revenue	34,932	35,755
2 Disposal of non-financial assets	215	358
3 Expenditure	35,369	36,862
4 Acquisition of non-financial assets	1,369	1,449
5 Net borrowing (1 + 2 – 3 – 4)	-1,590	-2,198

Sources: MoF and CNB calculations.

Table 5 General government debt

in million HRK

	Jan. – Feb. 2016	Jan. – Feb. 2017
Change in total debt stock	42	-620
Change in domestic debt stock	1,192	1,706
– Securities other than shares, short-term	1,282	510
– Securities other than shares, long-term	752	2,117
– Loans	-841	-921
Change in external debt stock	-1,150	-2,326
– Securities other than shares, short-term	94	151
– Securities other than shares, long-term	-1,152	-1,373
– Loans	-92	-1,104
Memo item:		
Change in total guarantees issued	-96	-50

Source: CNB.

