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ECONOMIC TRENDS**



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Publishing Department  
Trg hrvatskih velikana 3, 10002 Zagreb  
Phone: +385 1 45 64 555  
Contact phone: +385 1 45 65 006  
Fax: +385 1 45 64 687

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# General information on Croatia

## Economic indicators

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Area (square km)	56,594	56,594	56,594	56,594	56,594	56,594	56,594	56,594	56,594	56,594
Population (million)	4.442	4.440	4.436	4.434	4.429	4.418	4.280	4.268	4.256	4.238
GDP (million HRK, current prices) <sup>a</sup>	270,191	294,437	322,310	347,685	330,966	328,041	332,587	330,456	329,571	328,431
GDP (million EUR, current prices)	36,512	40,208	43,935	48,135	45,093	45,022	44,737	43,959	43,516	43,045
GDP per capita (in EUR)	8,220	9,056	9,904	10,856	10,181	10,191	10,453	10,300	10,225	10,157
GDP – real year-on-year rate of growth (in %)	4.2	4.8	5.2	2.1	-7.4	-1.7	-0.3	-2.2	-1.1	-0.4
Average year-on-year CPI inflation rate	3.3	3.2	2.9	6.1	2.4	1.1	2.3	3.4	2.2	-0.2
Current account balance (million EUR) <sup>b</sup>	-1,892	-2,615	-3,139	-4,228	-2,300	-488	-316	-21	443	364
Current account balance (as % of GDP)	-5.2	-6.5	-7.1	-8.8	-5.1	-1.1	-0.7	0.0	1.0	0.8
Exports of goods and services (as % of GDP)	39.4	39.7	39.0	38.5	34.5	37.8	40.5	41.7	43.1	46.5
Imports of goods and services (as % of GDP)	45.5	46.5	46.3	46.5	38.2	38.1	40.9	41.2	42.7	44.5
External debt (million EUR, end of year) <sup>b</sup>	25,990	29,725	33,721	40,590	45,600	46,908	46,397	45,297	45,958	46,664
External debt (as % of GDP)	71.2	73.9	76.8	84.3	101.1	104.2	103.7	103.0	105.6	108.4
External debt (as % of exports of goods and services)	180.6	186.1	196.6	219.1	292.7	275.8	256.2	247.3	244.9	233.0
External debt service (as % of exports of goods and services) <sup>c</sup>	27.5	41.3	39.5	33.2	52.0	48.5	39.5	42.6	39.9	43.1
Gross international reserves (million EUR, end of year)	7,438	8,725	9,307	9,121	10,376	10,660	11,195	11,236	12,908	12,688
Gross international reserves (in terms of months of imports of goods and services, end of year)	5.4	5.6	5.5	4.9	7.2	7.5	7.3	7.5	8.3	8.0
National currency: kuna (HRK)										
Exchange rate on 31 December (HRK : 1 EUR)	7.3756	7.3451	7.3251	7.3244	7.3062	7.3852	7.5304	7.5456	7.6376	7.6615
Exchange rate on 31 December (HRK : 1 USD)	6.2336	5.5784	4.9855	5.1555	5.0893	5.5683	5.8199	5.7268	5.5490	6.3021
Average exchange rate (HRK : 1 EUR)	7.4000	7.3228	7.3360	7.2232	7.3396	7.2862	7.4342	7.5173	7.5735	7.6300
Average exchange rate (HRK : 1 USD)	5.9500	5.8392	5.3660	4.9344	5.2804	5.5000	5.3435	5.8509	5.7059	5.7493
Consolidated general government net lending (+)/borrowing (-) (million HRK) <sup>d</sup>	-9,878.2	-9,514.7	-7,732.7	-9,467.7	-19,103	-19,353	-25,869	-17,658	-17,651	-18,395
Consolidated general government net lending (+)/borrowing (-) (as % of GDP)	-3.7	-3.2	-2.4	-2.7	-5.8	-5.9	-7.8	-5.3	-5.4	-5.6
General government debt (as % of GDP) <sup>d</sup>	40.7	38.3	37.1	38.9	48.0	57.0	63.7	69.2	80.8	85.1
Unemployment rate (ILO, persons above 15 years of age) <sup>e</sup>	12.7	11.2	9.9	8.5	9.2	11.6	13.7	15.9	17.3	17.3
Employment rate (ILO, persons above 15 years of age) <sup>e</sup>	43.3	43.6	47.6	48.6	48.2	46.5	44.8	43.2	42.1	43.3

<sup>a</sup> The GDP data are presented according to the ESA 2010 methodology, while 2014 values are preliminary and were obtained on the basis of the preliminary annual accounts.

<sup>b</sup> Balance of payments and external debt data are compiled in accordance with the methodology prescribed by the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6) and the new sector classification of institutional units in line with ESA 2010. Balance of payments and external debt data are based on the most recent available balance of payments data up to the third quarter of 2015 and data on the gross external debt position as at the end of October 2015.

<sup>c</sup> Includes principal payments on bonds, long-term trade credits and long-term loans (excluding liabilities to affiliated enterprises), as well as total interest payments net of interest payments on direct investment.

<sup>d</sup> Fiscal data is shown according to the ESA 2010 methodology.

<sup>e</sup> Data for the 2007–2013 period are revised and therefore no longer comparable to data for the 2000–2006 period.

Sources: CBS, MoF and CNB.

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# Information on economic trends



## Summary

Following rapid acceleration in economic activity recovery in the third quarter, the end of the previous year saw a relatively fast growth in industrial production and retail trade and a halt to the fall in construction activity. Such economic developments had a favourable impact on the labour market, further increasing the number of employed persons and decreasing the number of the unemployed. The annual rate of change in consumer prices slowed down in December and stood at  $-0.6\%$ , with the contribution of energy prices to inflation standing at  $-0.9$  percentage point. The monetary policy of the CNB at the end of 2015 and in early 2016 continued to be expansive, with additional easing of the reserve requirement instrument. The easing was seen in the abandonment of the requirement to allocate the foreign exchange component of the reserve requirement with the CNB, now enabling the banks flexibility in the management of these funds by keeping them in liquid foreign currency claims. Monetary developments were again characterised by corporate and household deleveraging and December also saw the beginning of the conversion of loans in Swiss francs, causing the seasonal fall in net foreign assets in the fourth quarter of 2015 to be less pronounced. The banks had anticipated the impact of write-offs of parts of the loans in Swiss francs on their currency position by increasing their foreign assets and deleveraging abroad. As regards public finances, the first nine months were characterised by increased revenues and a simultaneous stagnation in general government expenditures, resulting in a considerable fall in the deficit on an annual level.

After considerable acceleration in economic activity in the third quarter, the available indicators on a monthly level point to further relatively favourable developments in the fourth quarter.<sup>1</sup> Industrial production thus rose by 2.7% in the last quarter of 2015 from the previous three quarters (Figure 3).<sup>2</sup> An analysis by main industrial groupings, showed growth in all categories, but the biggest contribution to total growth was made by increased production of intermediary and capital goods. As regards retail trade, the growth in real turnover noticeable from early 2014 accelerated in October and November. This resulted in a high growth rate of 1.3% compared to the previous three months' average (Figure 9), which is also the highest reported quarterly increase since mid-2013. Favourable developments were also observed in tourism, in which the number of tourist nights in October and November rose 4.7% from the same period of the previous year. In October and November, construction activity did not move from the previous three months' average, (0.00%) overall, with construction works on buildings rising, while other civil engineering works continued to decline (Figures 7 and 8). The seasonally adjusted data on business and consumer expectations point to a further upward trend, which means that favourable economic conditions might continue into early 2016 (Figures 10 and 11).

As regards foreign trade in goods, according to CBS data, exports rose while imports declined slightly from the third quarter average. After falling in the previous quarter, goods exports rose by 3.2% (Figure 13) and were distributed among a number of SITC divisions. Exports excluding ships and oil rose considerably (10.5%), particularly the exports of capital goods (especially electrical machinery, apparatus and appliances and power generating machinery and equipment), oil seeds and fruits, wearing apparel and manufactures of metals. At the same time, the fall in exports of other transport equipment (mostly ships) had an unfavourable impact on developments in total exports, following considerable deliveries in September. A small fall in total goods imports in October (0.2%) is the result of a decline in the imports of ships previously exported for finishing purposes and oil and refined petroleum products. If these categories are excluded, imports rose by 4.4% (Figure 14). This was due to

almost equal increases in the imports of capital equipment and road vehicles (Figure 15) and other goods. As regards capital equipment, the imports of electrical equipment, apparatus and appliances and telecommunications, sound recording and reproduction apparatus rose the most, and with respect to other goods, the imports of scientific and control instruments, coal, coke and briquettes rose the most.

In the fourth quarter of 2015, the labour market was marked by further favourable developments. The number of employed persons (individuals insured with the CPIA) rose from the previous quarter, mostly as a result of an increase in employment in service activities in the public and the private sectors (Figure 17). As the outflows from the CES register in the last quarter of 2015 continued to be larger than the inflows into the register, the number of unemployed persons continued to decline. Net outflows due to employment and other business factors continued to be the main reason for this. As a result, the registered unemployment rate fell to 17.2% in the fourth quarter, continuing its downward trend. By contrast, according to Eurostat estimates, the ILO unemployment rate stood at 16.6% in October and November, rising slightly from the previous quarter (Figure 18). Observed at the entire 2015 level, after falling steadily for six years, employment rose in 2015, while the administrative unemployment rate fell by 2 percentage points (from 19.7% in 2014 to 17.7%). Wages continued to rise both in nominal and real terms in the last quarter, but at a slower rate than in the first three quarters of 2015 (Figure 19).

Consumer prices in December fell by 0.6% from the previous month (Table 1), mostly driven by the seasonal decline in the prices of clothing and footwear, food prices and prices of petroleum products as a result of the drop in the prices of crude oil in the world market. The annual fall in the total index of consumer prices slowed down from  $-0.9\%$  in November to  $-0.6\%$  in December, mostly as a result of developments in the prices of energy on an annual level. The negative contribution of energy prices to the annual inflation rate fell from  $-1.1$  percentage point in November to  $-0.9$  percentage point in December, despite a further fall in the prices of refined petroleum products. This is the result of the effect of the base period, i. e. a more pronounced decrease in the prices of refined petroleum products in December 2014 (Figure 22). The annual rate of core inflation stood at 0.0% in December, in contrast with  $-0.3\%$  in November 2015, due to the developments in the prices of clothing whose annual growth rose from 1.3% in November to 5.1% in December, due to the fact that the seasonal fall in these prices

1 A model estimate of economic growth for the last quarter of 2015 points to stagnation in real GDP from the previous quarter, due to a very high base in the third quarter when growth was greatly driven by exports of tourist services.

2 However, it should be noted that industrial production fell on a monthly level in November and December.

was less pronounced than in the same period of the previous year. Overall, since mid-2015 there has been a trend of declining inflation, largely the result of the spillover of lower crude oil prices on domestic prices. This development in energy prices eased the effect of the strengthening of domestic demand and weakening of the euro (and consequently, the kuna) against major global currencies in 2015 on inflation growth.

The exchange rate of the kuna against the euro was exposed to small depreciation pressures in mid-January 2016, following a period in which it was generally stable in December 2015 and in early January. The nominal exchange rate of the kuna against the euro did not change significantly until the end of the month, standing at EUR/HRK 7.66 at the end of January (Figure 24), an increase of 0.3% from end-December. By contrast, in January, the kuna appreciated slightly against most other currencies of the main foreign trade partners, particularly against the yuan renminbi, the Polish zloty and pound sterling due to the strengthening of the euro against those currencies in the global foreign exchange market. The weakening of the kuna against the euro was not sufficient to offset the effect of the appreciation of the kuna against other currencies, so the index of the nominal effective exchange rate of the kuna fell by 0.3% at the end of January from the end of December (Figure 25).

The continued expansive monetary policy of the ECB, coupled with high banking system liquidity in the euro area, resulted in January 2016 in a further fall in euro benchmark interest rates. The six-month EURIBOR amounted to  $-0.08\%$  at the end of January, while the overnight interest rate EONIA stood at  $-0.24\%$  (Figure 27). Risk premiums for most European emerging market economies have not changed much and the risk premium for Croatia at the end of January 2016 was 6 b. p. lower than at the end of December 2015 and stood at 293 b. p., but still remained much higher than in comparable countries (Figure 28). However, the average costs of financing of the parent banks of the biggest domestic banks rose slightly in January (Figure 29).

The trend of a very slow fall in lending and deposit interest rates of banks continued in October and November 2015, with deposit interest rates falling slightly faster than lending interest rates (Figure 32). Such developments in interest rates are noticeable, irrespective of the segment and currency structure (Figures 33 and 34). In such circumstances, the overall interest rate spread of balances rose slightly and stood at 4.68 percentage points at the end of December (Figure 35).

Monetary developments in the fourth quarter of 2015 were marked by a small fall in net foreign assets (NFA), which, coupled with a slight increase in net domestic assets (NDA), led to a stagnation in the total liquid assets (M4) of the monetary system. The seasonal fall in net foreign assets was smaller than usual due to the effect of the conversion of loans in Swiss francs. That is, the net foreign assets of banks rose as a result of banks' deleveraging with respect to their parent banks and a simultaneous increase in foreign assets due to their currency position adjustment. NFA of the CNB declined during the same period due to the net sale of foreign currency, most notably through a foreign exchange intervention that eased depreciation pressures generated by the process of adjustment of the currency positions of banks and withdrawal of government foreign currency deposits. During the last twelve months, the increase in net foreign assets exceeded the decline in net domestic assets (NDA) of the monetary system (Figure 36) pushing up total liquid assets (M4). Despite stagnation of M4 in the fourth quarter, the growth in the broadest monetary aggregate accelerated on an annual level and stood at 5.0% towards the end of 2015 (Figure 44).

The placements of credit institutions to domestic sectors (not including the government) declined moderately during the last

quarter of 2015 (Figure 38). This was largely due to deleveraging by non-financial corporations (Figure 39) and households (Figure 40). The fall in placements to corporations eased off on an annual level and towards the end of December stood at  $-2.9\%$  (calculated on the basis of transactions), with over one half of the fall being accounted for by state-owned enterprises. As regards household loans, December was marked by the beginning of the process of conversion and partial write-off of loans in Swiss francs. In the last month of 2015, HRK 2.1bn was converted into euro loans and HRK 1.0bn was written off. With the years-long process of household deleveraging continuing, the annual rate of change in placements to this sector reached its lowest level towards the end of 2015 when it stood at  $-1.7\%$ . The annual rate of change in total placements of credit institutions (except the government) stood at  $-2.2\%$  towards the end of December 2015.

The monetary policy of the CNB at the end of 2015 and in early 2016 continued to be expansive, with additional easing of the reserve requirement instrument. The CNB abolished the obligation for banks to allocate the foreign currency component of reserve requirement, enabling them from mid-January 2016 to meet the entire amount of foreign currency requirements by average daily balances of liquid claims. In this way, the banks will be more flexible in managing the amount of approximately EUR 0.5bn, i. e. the amount of the allocated foreign currency component of reserve requirements towards the end of 2015. In November and December 2015, the interest rates on the money market remained low. The weighted interest rate on overnight interbank loans stood at 0.49% towards the end of 2015 (Figure 30). Concurrently, yields on all T-bills remained low (Figure 31).

Net usable reserves rose by EUR 0.5bn (4.4%) in 2015 and stood at EUR 11.2bn at the end of the year. CNB transactions on the domestic foreign exchange market contributed EUR 168m to the growth in net usable reserves, while the remaining part of growth can be ascribed to foreign exchange gains (strengthening of the American dollar) and earnings generated on investment (EUR 73m). Gross international reserves (which also include repo agreements and other foreign currency liabilities, foreign currency reserves and government foreign currency deposits) rose by EUR 1.0bn in 2015 (8.0%) and stood at EUR 13.7bn at the end of December. This growth reflects the investment of a part of reserves in repo agreements, while the amount of government foreign currency deposits with the CNB declined.

After a pronounced fall in the second and the third quarter (by a total of EUR 2.9bn), the net external debt of the domestic sectors shrank further in October and November 2015 by EUR 0.6bn (Figure 54)<sup>3</sup>. This was to a large extent due to an improvement in the net external debt position based on direct investments, particularly to the deleveraging of one private non-monetary financial corporation with respect to its owner. Credit institutions also contributed to the fall in net debt by further reducing their foreign liabilities (particularly in October), after the usual summer deleveraging and, to a lesser extent, by increasing their foreign assets. By contrast, the net external debt of other domestic sectors rose as a result of an increase in liabilities, particularly those of non-financial corporations, to non-affiliated creditors and a slightly smaller decline in foreign assets. In addition, the net foreign position of the central bank worsened as a

<sup>3</sup> The growth in claims and decrease in foreign liabilities were almost equal. The increase in claims of monetary institutions outdid the impact of the fall in assets of other domestic sectors. At the same time, gross external debt declined because there was a perceptible deleveraging on the part of credit institutions and, pursuant to direct debt investments, it outdid the rise in liabilities of the central bank (which was more pronounced than the rise in claims) and of other domestic sectors (Figure 55).

result of the unfavourable effect of the fall in government foreign currency deposits with the CNB and the foreign exchange intervention of the CNB<sup>4</sup>.

The increase in revenue, coupled with a simultaneous stagnation in expenditures of the consolidated general government on an annual level (methodology ESA 2010) marked the first three quarters of 2015 (Table 2). The general government deficit fell by HRK 4.5bn in the first nine months of the previous year from the same period of 2014 (down from HRK 13.5bn to HRK 9.0bn). Favourable developments in revenues were due primarily to indirect taxes and contributions but positive developments were also seen in most other items. The growth of revenue in the third quarter was a little slower than in the first half of the year, which may partly be attributed to the waning of one-off

effects associated with VAT and social contributions. By contrast, the increase in expenditures for intermediary consumption and interest observed in the first nine months of the year was largely offset by the fall in expenditures for social contributions. The available MoF data for the last quarter of the last year suggest that on the entire 2015 level, the general government deficit could be a little smaller than estimated in December (−5.0% of GDP). General government debt stood at HRK 285.2bn or 85.3% of the estimated GDP at the end of November 2015. The almost unchanged share of the debt in GDP from the end of 2014 is mainly the result of partial financing of the deficit by deposits associated with the borrowing in the previous year, and the growth in the estimated nominal GDP.

## Annex 1 Introduction of data on transactions in monetary developments analysis

The statistical data in the consolidated balance sheet of monetary financial institutions are shown on a gross basis<sup>5</sup>, to enable better insight into the dynamics of placements of credit institutions over time. However, there are other factors too, which distort information on the actual developments in placements. The CNB is trying to identify and assess these factors and analyse credit activity without their impact.

In previous monthly information on economic developments, the dynamics of credit aggregates was analysed after excluding

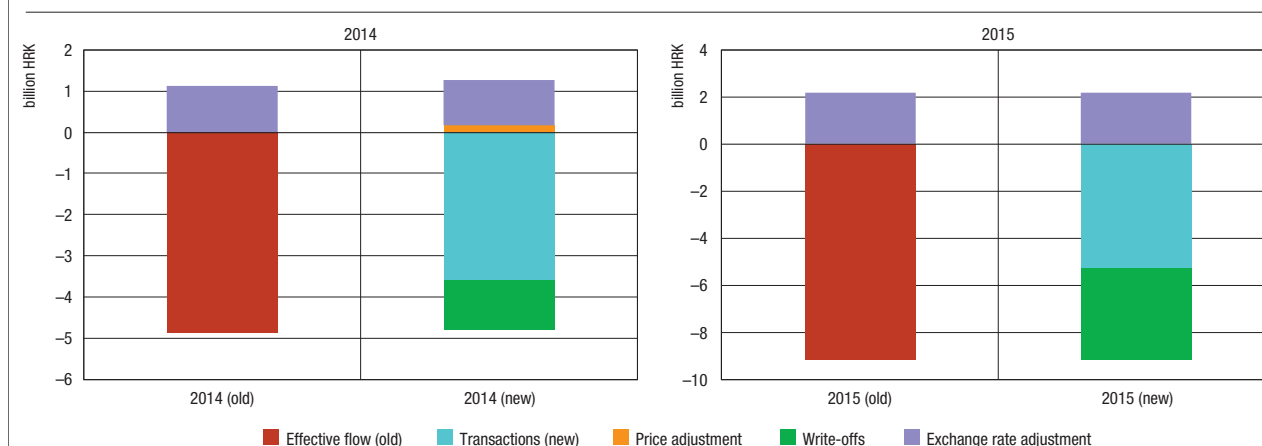
the effects of changes in the exchange rate of the kuna on the balance of aggregates and after excluding the so-called one-off effects, the exclusion of which from the actual change in aggregates was economically warranted. For instance, in addition to the exclusion of the exchange rate, in previous publications, the CNB also analysed the dynamics of placements after excluding the effect of a one-off fall in gross placements caused by the assumption of the debt of shipyards by the Ministry of Finance, the transfer of non-performing placements of one bank to a

Table 1 Example of transaction calculation

Balance – previous month	Transactions	Price adjustments	Write-offs	Exchange rate adjustments	Balance – current month
1	2 = 6 – 1 – 3 – 4 – 5	3	4	5	6
10,000	700	200	–100	200	11,000

Source: CNB.

Figure A Comparison of the analysis of placements according to the old and new methodology

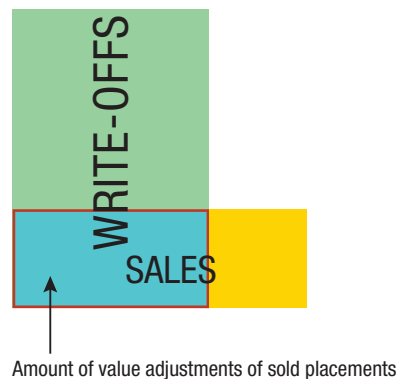


Source: CNB.

4 The banks were sold EUR 268.3m by means of a foreign exchange intervention, however, as foreign exchange transactions are settled two working days after the date of their execution, the transaction made an impact on the balance of reserves in early October.

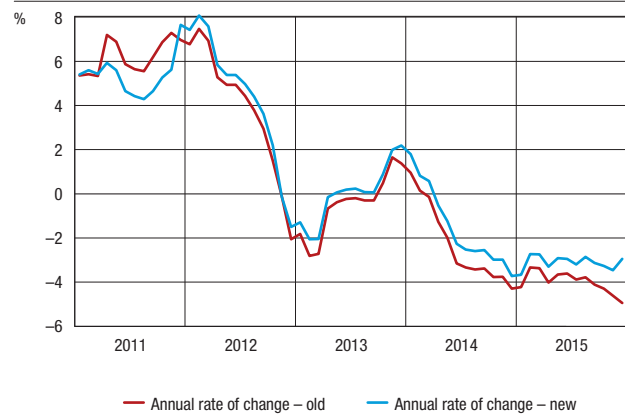
5 Gross basis means that loans shown on the assets side are not reduced by the relevant value adjustments and that loan value adjustments are shown under liabilities as a part of capital accounts.

Figure B Structure of write-off of claims



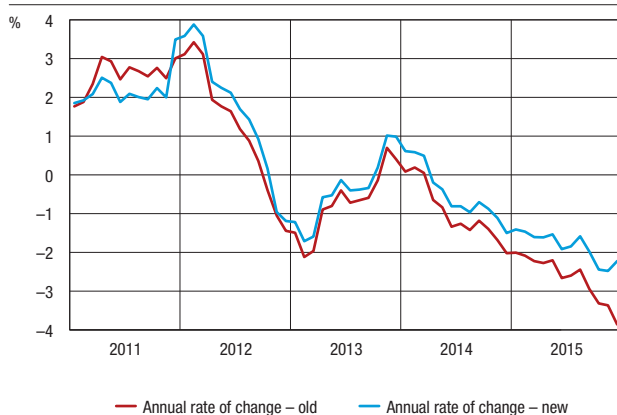
Source: CNB.

Figure D Annual rates of change in corporate placements



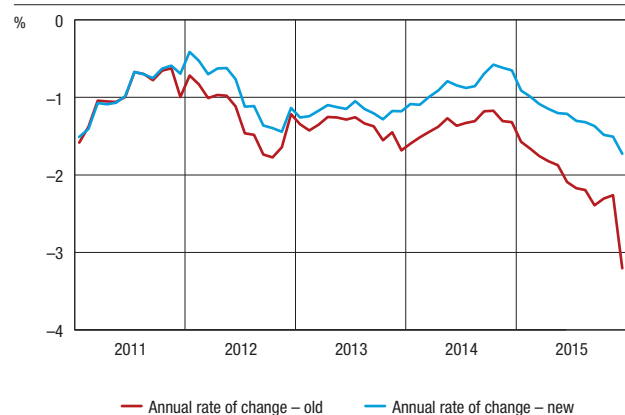
Source: CNB.

Figure C Annual rates of change in total placements



Source: CNB.

Figure E Annual rates of change in household placements household placements



Source: CNB.

non-financial corporation, the bankruptcy of Centar banka and methodological changes in fee accounting. After these corrections were made, the so called effective flow and the effective rate of change in placements were calculated.

Starting from Bulletin No. 221, the dynamics of credit aggregates will be analysed in accordance with the new methodology, which is based on the assessment of transactions. An example of transaction assessment is shown in Table 1. The first and the last column show balances of the credit aggregate at the end of the previous and current month. In between are the columns showing the basis for changes in balances during the month. The sum of the columns "Transactions", "Price adjustments", "Write-offs" and "Exchange rate adjustments" makes up the total change between the balance at the end of the current and the previous month.

There are several methodological and key reasons why it is appropriate at just this moment for the CNB to move to the analysis of the dynamics of developments in credit aggregates based on transactions:

- The CNB has been publishing data on transactions since the beginning of 2015. With the introduction of the statistical

standard ESA 2010, transactions are reported in tables D1: Consolidated balance sheet of other monetary financial institutions and D5: Distribution of loans of other monetary financial institutions by institutional sectors. The data are published for the period starting from January 2011<sup>6</sup>. ("Annex 1 Implementation of the ESA 2010 standard and related improvements in monetary statistics", Bulletin No. 211).

- The exclusion of the impact of price changes on aggregate dynamics, which is particularly relevant for the portfolio of securities shown in monetary statistics on a fair value basis.
- A considerable increase in the amount of write-offs of placements in the previous years, particularly in 2015. Placement write-off means the removal of an irrecoverable placement from a bank's balance sheet, accompanied by a simultaneous removal of the gross value of the claim and the accompanying value adjustment.
- A large loan write-off associated with the conversion of loans

<sup>6</sup> Since data on transactions have only been available since January 2011, data on changes in credit aggregates for the previous periods do not change with the transfer to the new methodology.

in Swiss francs. The effect of the write-off of loans in Swiss francs will be fully excluded from the transactions since the entire reduction in the principal of the gross value of placements which are converted from Swiss francs into the euro will be recorded as under the heading “Write-off”.

The change in placements calculated on the basis of transactions indicates that the fall in placements in the last two years was smaller than estimated on the basis of the old methodology and that this was particularly true in 2015 (Figure A). The effect of the change in the exchange rate of the kuna is equal under the old and the new approach. However, the fall in total placements was overestimated as a result of the fact that write-offs were not excluded from placements flow under the old approach<sup>7</sup>. It should be stressed that outflows also recorded the sale of placements in the amount in which the sold placements were covered by value adjustments. In the first nine months of 2015, the gross amount of sold claims stood at HRK 1.1bn, of which 91% were covered by provisions. In this way, most of the claims sold are shown under write-offs, while the remaining

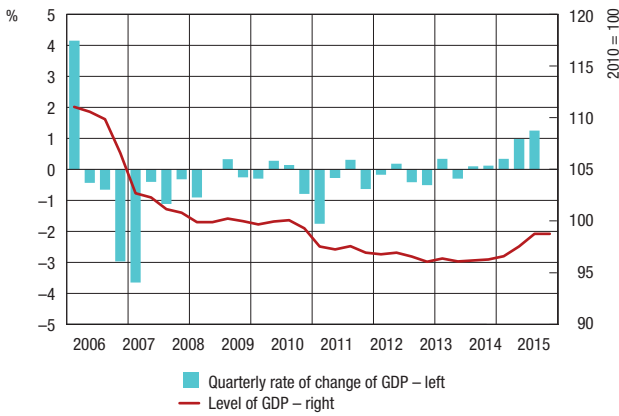
part remains in the transactions (Figure B).

A comparison of the annual dynamics of developments in placements according to the old and the new methodology shown in the figures below shows that there are obvious differences, which increase over time. As is evident, the growth rates over the past few years are more favourable according to transaction-based data and the difference is increasing over time exactly because of the rising amounts of claim write-offs.

In accordance with the new methodology, the relevant data series in Figures 38, 39, 40, 44 and 47 were changed in the Information on economic developments. When the annual rates of change show a change in the balance of monetary or credit aggregates, the note given in the parenthesis “balance-based” and the note given in the parenthesis “transaction-based” indicates that it is an annual rate of change calculated on the basis of transaction data. Where no notes are given in the parenthesis with the annual rate of change, the implication is that it is calculated on the basis of balance.

<sup>7</sup> In 2015, write-offs stood at HRK 3.9bn, of which HRK 1.0bn is associated with the conversion of loans in Swiss francs in December.

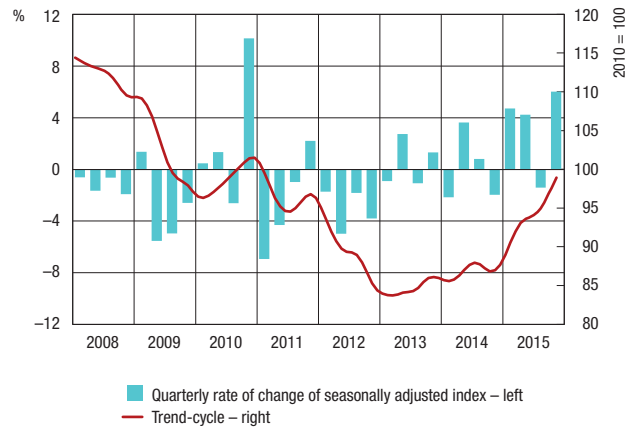
**Figure 1 Quarterly gross domestic product seasonally and calendar adjusted real values**



Note: Data for the fourth quarter of 2015 is the estimate derived using the CNB's Monthly indicator of real economic activity, on the basis of data published until 29 January 2016.

Source: CBS data seasonally adjusted by the CNB.

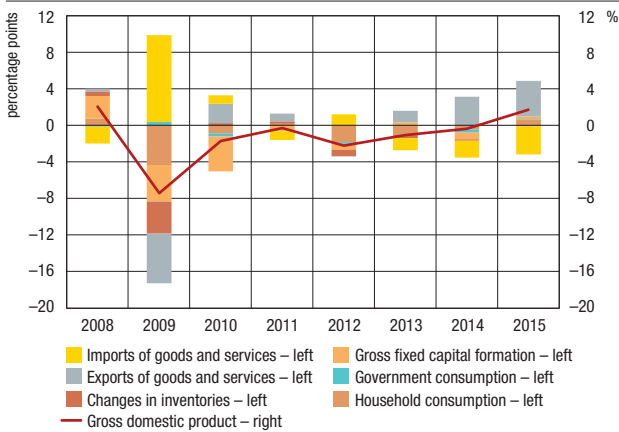
**Figure 4 Real turnover in industry**



Note: Data for the fourth quarter of 2015 refers to October and November.

Source: CBS data seasonally adjusted by the CNB.

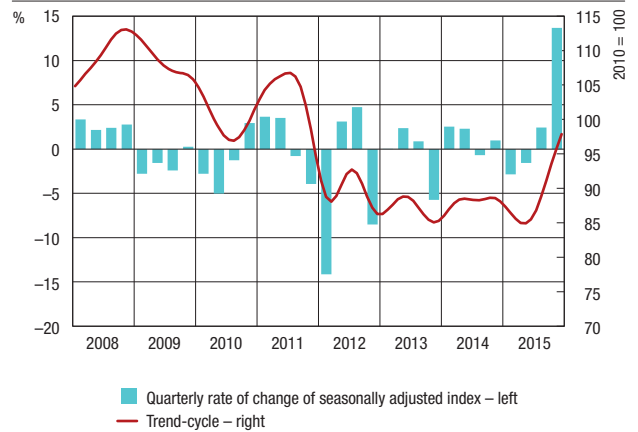
**Figure 2 GDP rate of change contribution by components**



Note: The projection for 2015 refers to the official projection of the CNB from December 2015.

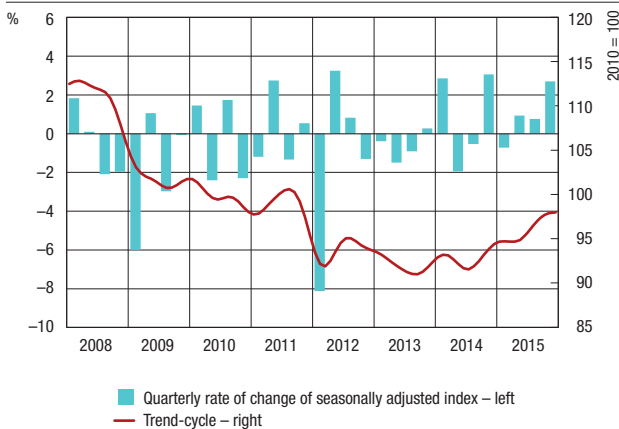
Sources: CBS and CNB calculations.

**Figure 5 Stock of industrial finished products**



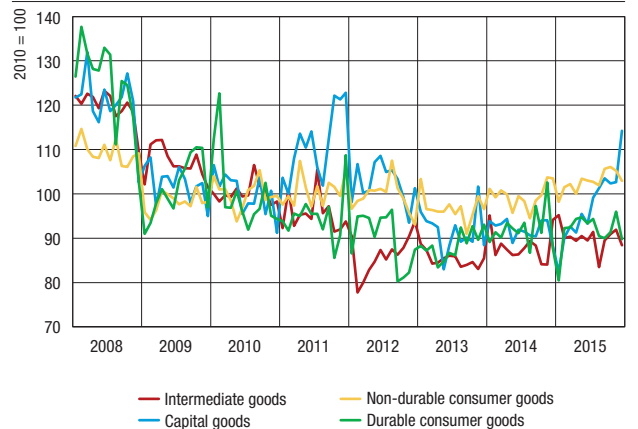
Source: CBS data seasonally adjusted by the CNB.

**Figure 3 Industrial production**



Source: CBS data seasonally adjusted by the CNB.

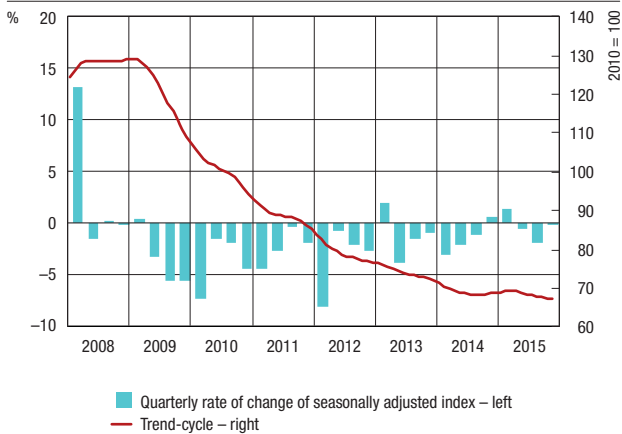
**Figure 6 Industrial production by main industrial groupings seasonally adjusted indices**



Source: CBS data seasonally adjusted by the CNB.

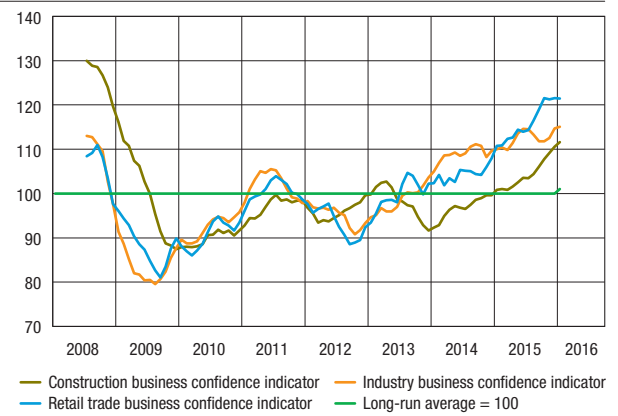


**Figure 7 Total volume of construction works**



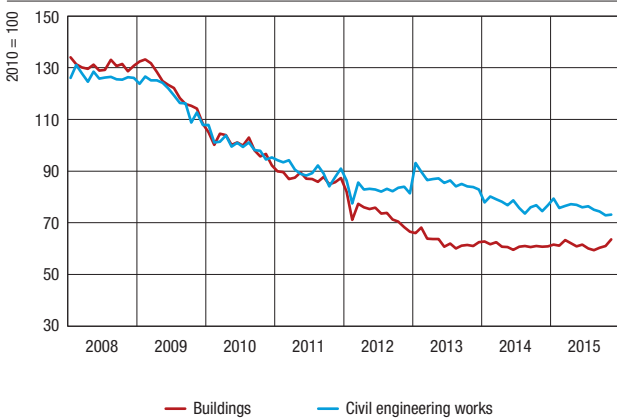
Note: Data for the fourth quarter of 2015 refers to October and November.  
Source: CBS data seasonally adjusted by the CNB.

**Figure 10 Business confidence indicators**  
standardised values, three-member moving averages



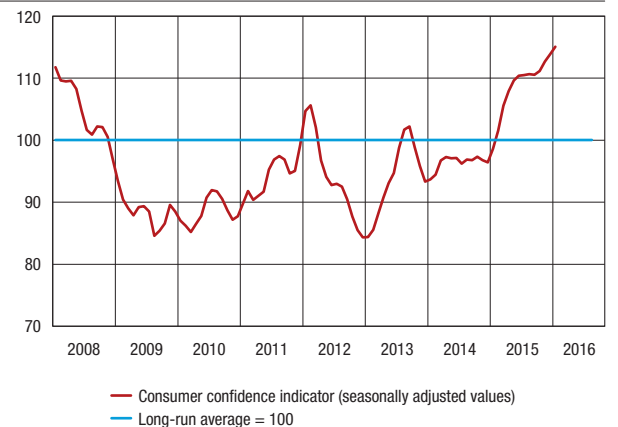
Note: New weights have been applied to the series of business confidence indicators; as of July 2014, the weights are based on total income instead of the number of employees. The Business Confidence Survey has been carried out since May 2008.  
Sources: Ipsos, CNB and EC data seasonally adjusted by the CNB.

**Figure 8 Total volume of construction works by types of constructions**  
seasonally adjusted indices



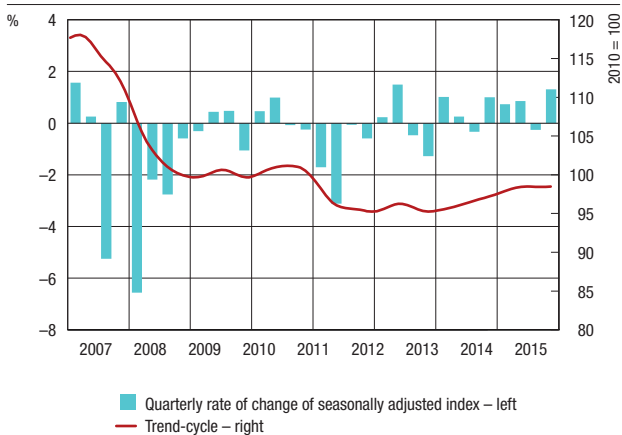
Source: CBS data seasonally adjusted by the CNB.

**Figure 11 Consumer confidence index**  
standardised values, three-member moving averages



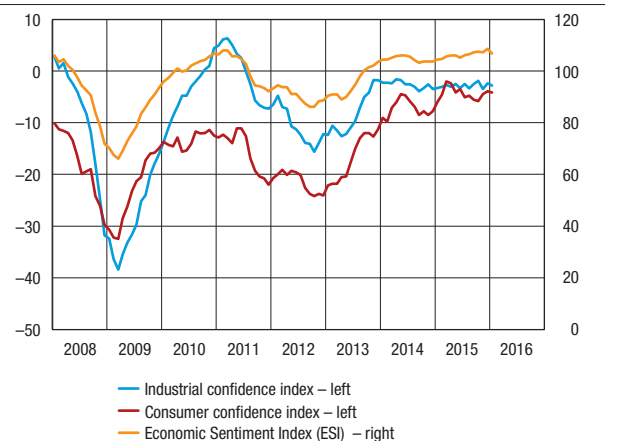
Sources: Ipsos, CNB and EC data seasonally adjusted by the CNB.

**Figure 9 Real retail trade turnover**



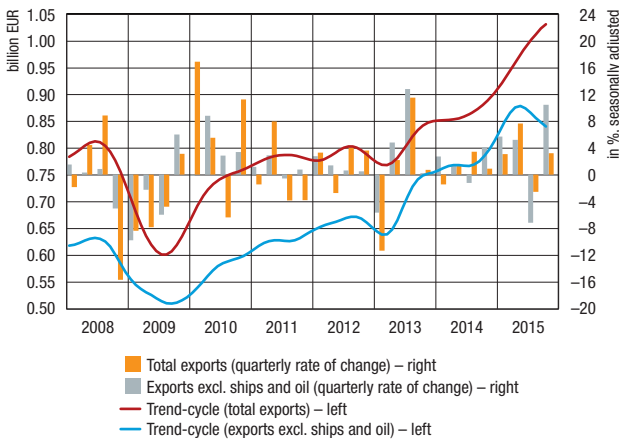
Note: Data for the fourth quarter of 2015 refers to October and November.  
Source: CBS data seasonally adjusted by the CNB.

**Figure 12 EU confidence indices**  
seasonally adjusted indices



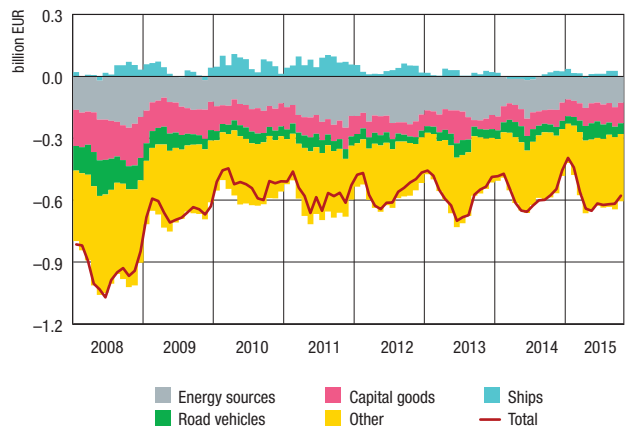
Source: Eurostat.

Figure 13 Goods exports (f.o.b.)



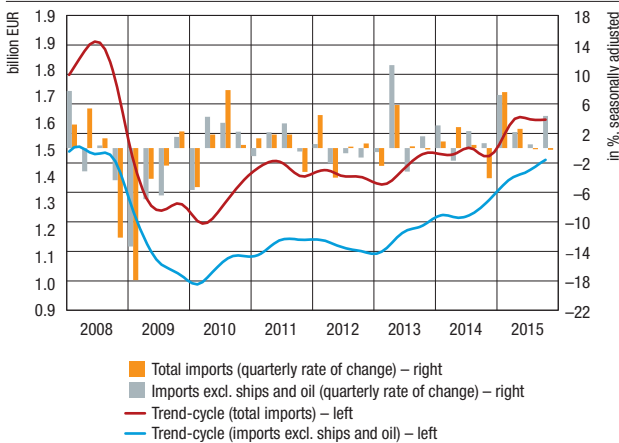
Note: Data for the fourth quarter of 2015 refer to October.  
Source: CBS data seasonally adjusted by the CNB.

Figure 16 Trade in goods balance  
three-member moving averages of monthly data



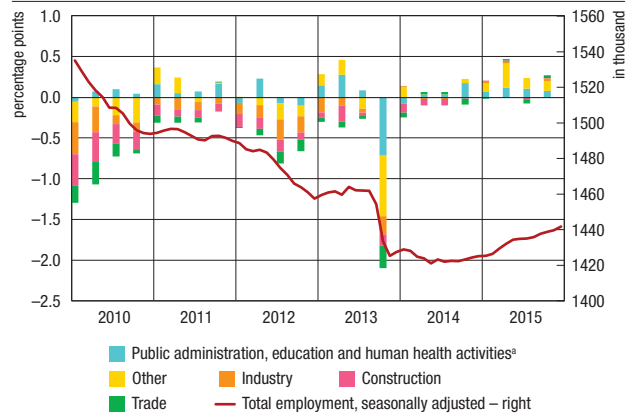
Source: CBS.

Figure 14 Goods imports (c.i.f.)



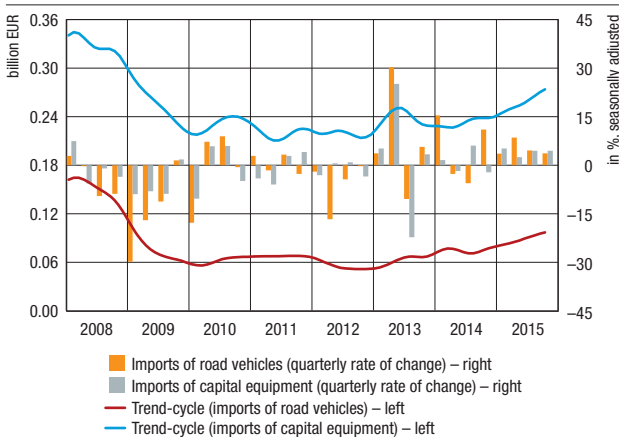
Note: Data for the fourth quarter of 2015 refer to October.  
Source: CBS data seasonally adjusted by the CNB.

Figure 17 Total employment and contribution to employment growth by sector



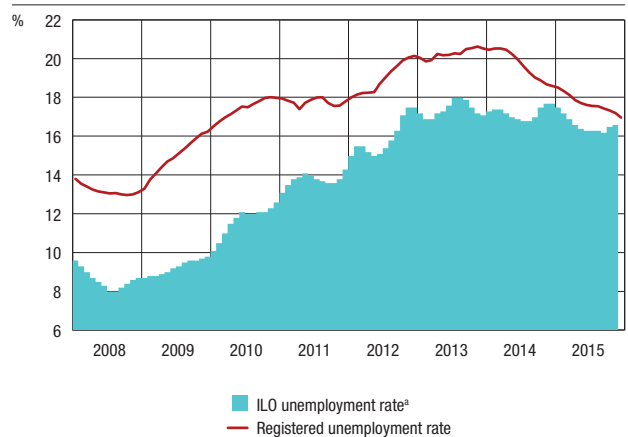
<sup>a</sup> Estimated on the basis of O, P and Q activities according to NCA 2007.  
Note: Around 20,000 insured persons were removed from the CPIA register due to administrative reasons in October 2013.  
Source: CPIA data seasonally adjusted by the CNB.

Figure 15 Imports of capital equipment<sup>a</sup> and road vehicles (c.i.f.)



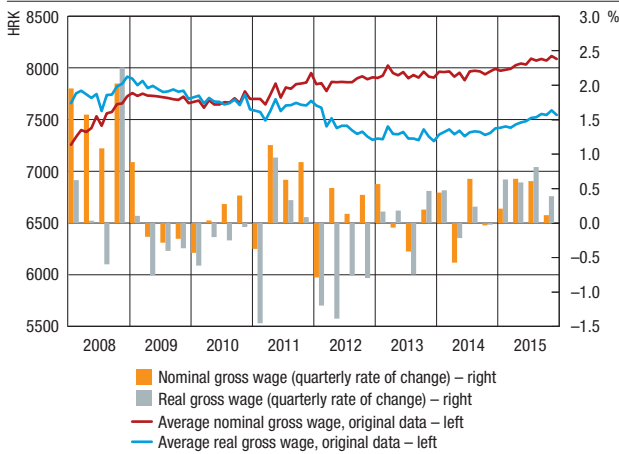
<sup>a</sup> Imports of machinery (SITC divisions 71 - 77).  
Note: Data for the fourth quarter of 2015 refer to October.  
Source: CBS data seasonally adjusted by the CNB.

Figure 18 Registered and ILO unemployment rates  
seasonally adjusted data



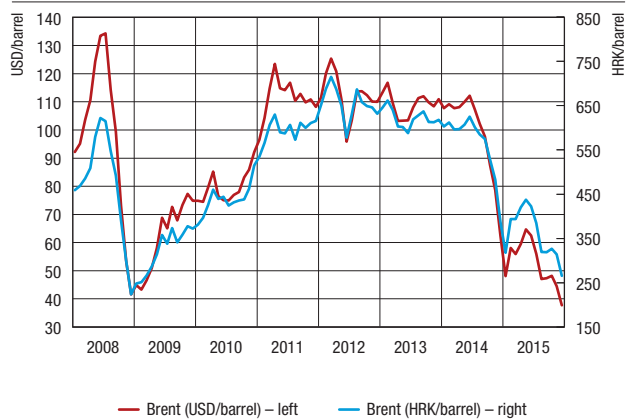
<sup>a</sup> Monthly ILO unemployment rate is Eurostat's estimate.  
Sources: CES and Eurostat data seasonally adjusted by the CNB.

Figure 19 Average gross wages



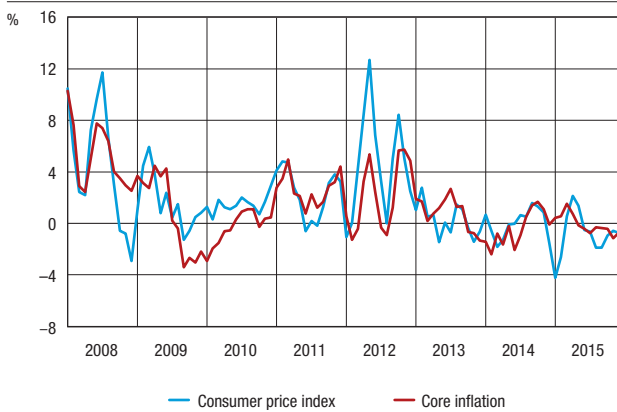
Source: CBS data seasonally adjusted by the CNB.

Figure 22 Crude oil prices (Brent)



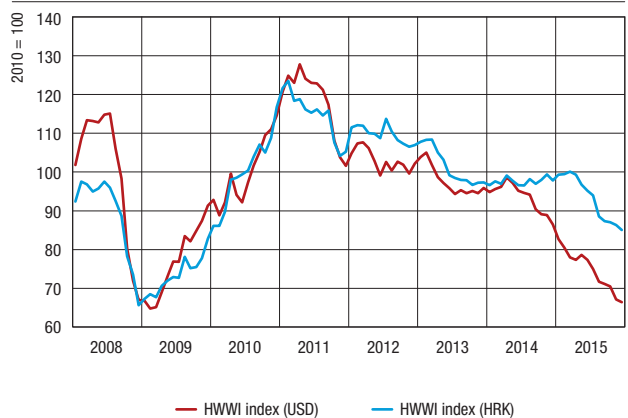
Sources: Bloomberg and CNB calculations.

Figure 20 Consumer price index and core inflation annualised month-on-month rate of change<sup>a</sup>



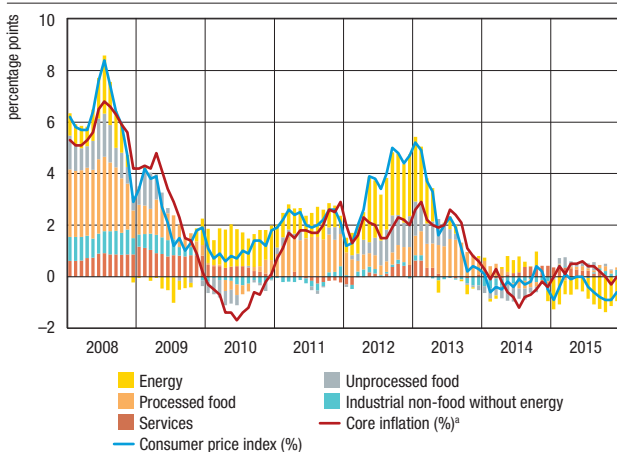
<sup>a</sup> The month-on-month rate of change is calculated based on the quarterly moving average of seasonally adjusted consumer price indices.  
Sources: CBS and CNB calculations.

Figure 23 HWWI index (excl. energy)



Sources: HWWI and CNB calculations.

Figure 21 Year-on-year inflation rates and components' contribution to consumer price inflation



<sup>a</sup> Core inflation does not include agricultural product prices and administrative prices.  
Sources: CBS and CNB calculations.

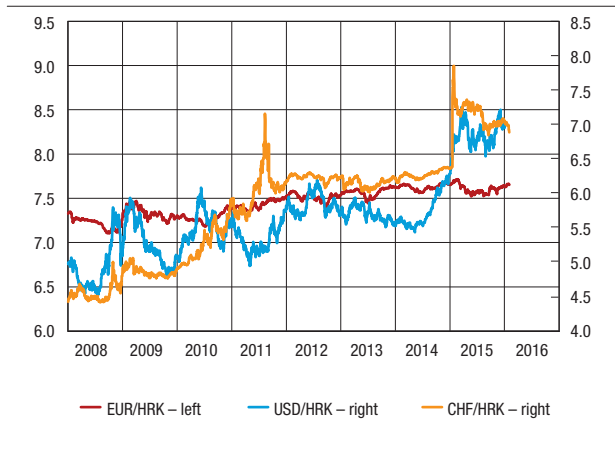
Table 1 Price indicators

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

	Year-on-year rates		Month-on-month rates	
	11/2015	12/2015	12/2014	12/2015
<b>Consumer price index and its components</b>				
Total index	-0.9	-0.6	-0.9	-0.6
Energy	-5.9	-5.0	-1.6	-0.6
Unprocessed food	0.2	-0.1	0.1	-0.3
Processed food (incl. alcoholic drinks and tobacco)	0.6	0.5	-0.4	-0.5
Industrial non-food without energy	0.5	1.1	-2.1	-1.5
Services	-0.1	0.0	0.0	0.1
<b>Other price indicators</b>				
Core inflation	-0.3	0.0	-1.0	-0.7
Index of industrial producer prices on the domestic market	-4.2	-4.4	-1.2	-1.4
Brent crude oil price (USD)	-43.4	-39.5	-20.5	-15.1
HWWI index (excl. energy) <sup>a</sup>	-24.5	-23.2	-2.7	-1.0

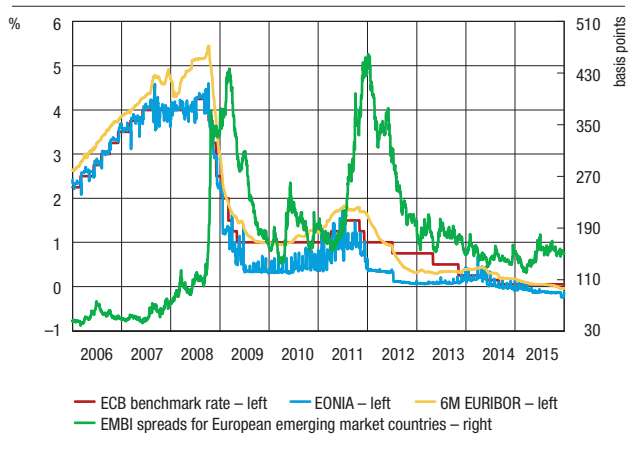
<sup>a</sup> The index is calculated on the basis of raw materials prices expressed in US dollars.  
Sources: CBS, Bloomberg and HWWI.

**Figure 24 Daily nominal exchange rate – HRK vs. EUR, USD and CHF**  
CNB midpoint exchange rate



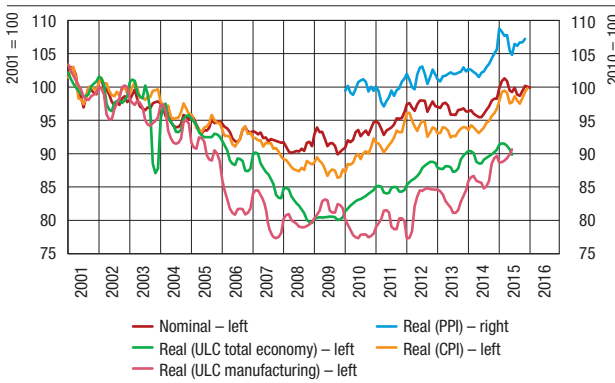
Source: CNB.

**Figure 27 Interest rates on the euro and the average yield spread on bonds of European emerging market countries**



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

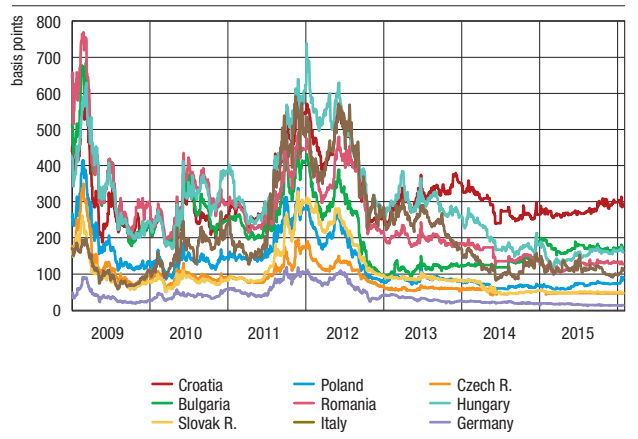
**Figure 25 Nominal and real effective exchange rates of the kuna**



Note: Real effective exchange rate of the kuna deflated by producer prices includes the Croatian index of industrial producer prices on the non-domestic market, which is available from January 2010. 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 denotes an effective appreciation of the kuna.

Source: CNB.

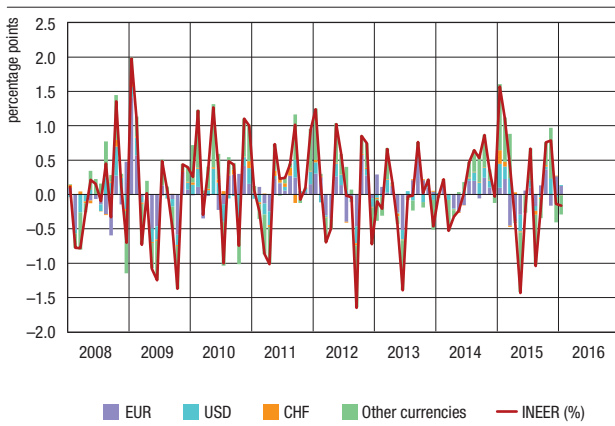
**Figure 28 CDS spreads for 5-year government bonds of selected countries**



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: Bloomberg.

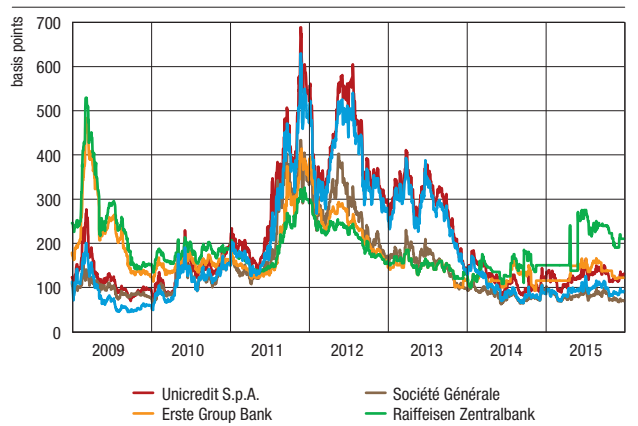
**Figure 26 Contributions<sup>a</sup> of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)**



<sup>a</sup> Negative values denote contributions to the appreciation of the INEER.

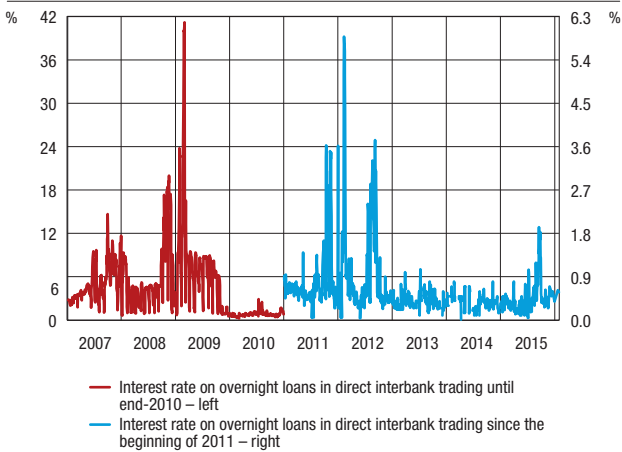
Source: CNB.

**Figure 29 CDS spreads for selected parent banks of domestic banks**



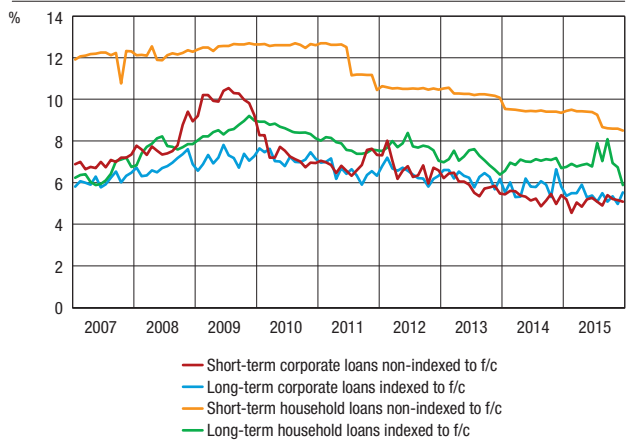
Source: Bloomberg.

**Figure 30 Average interest rate on the money market**  
daily data, on annual basis



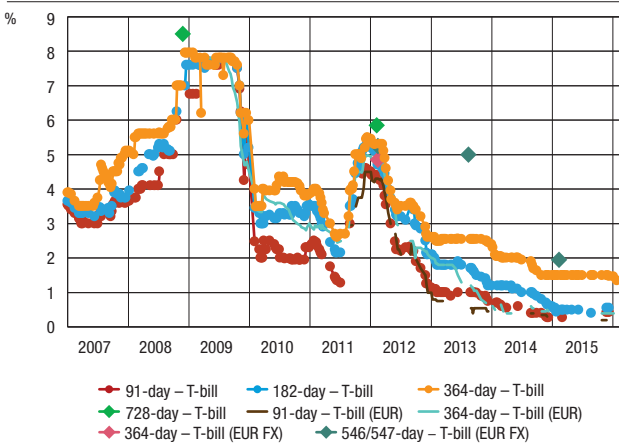
Source: CNB.

**Figure 33 Average interest rates on new kuna loans (excl. revolving loans)**  
on annual basis



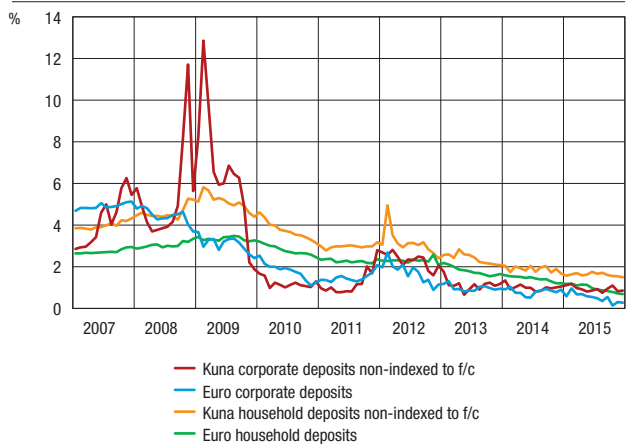
Source: CNB.

**Figure 31 Interest rates on kuna and euro T-bills**  
on auction days



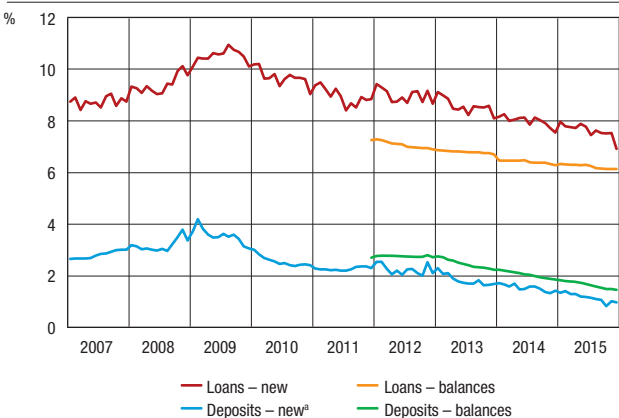
Source: CNB.

**Figure 34 Average interest rates on new time deposits maturing in three months**  
on annual basis



Source: CNB.

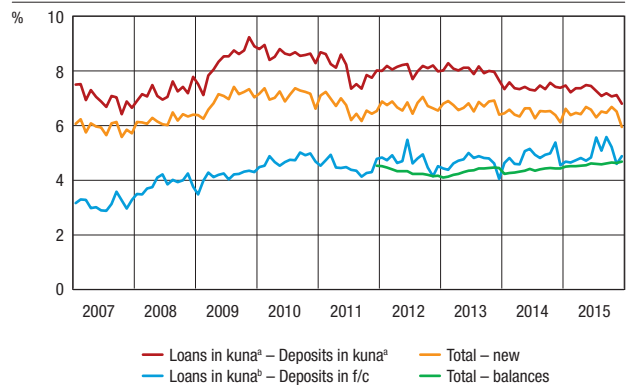
**Figure 32 Average interest rates on loans (excl. revolving loans) and deposits**  
on annual basis



<sup>a</sup> For time deposits, interest rates on newly received deposits are weighted by their balances.

Source: CNB.

**Figure 35 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits**  
on annual basis

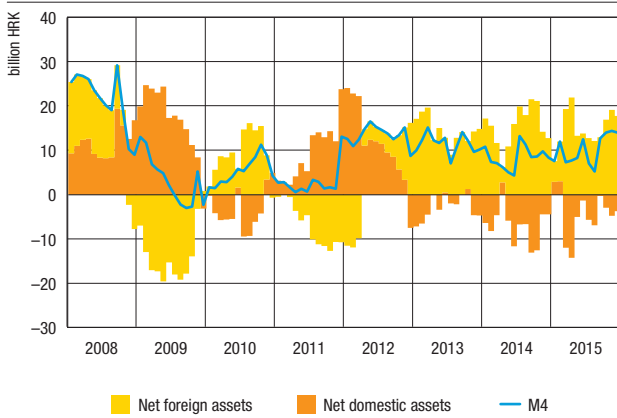


<sup>a</sup> Non-indexed to f/c. <sup>b</sup> Indexed to f/c.

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).

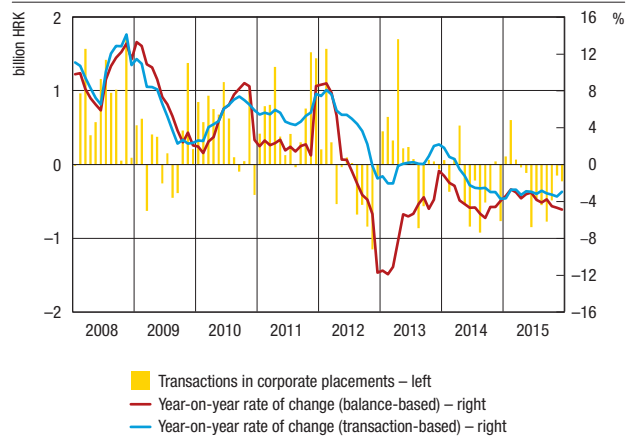
Source: CNB.

**Figure 36 Net foreign assets, net domestic assets and total liquid assets (M4)**  
absolute change in the last 12 months



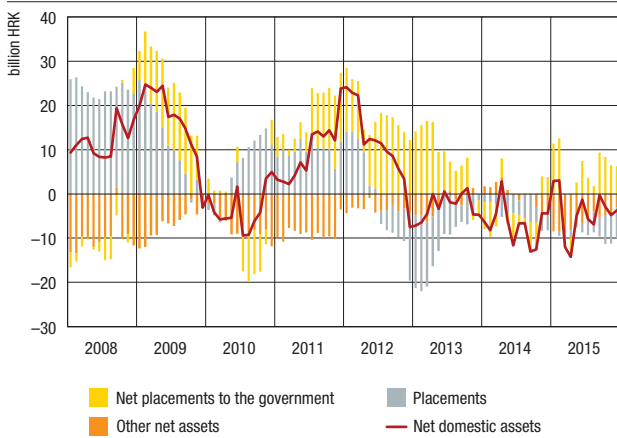
Source: CNB.

**Figure 39 Placements to corporates**



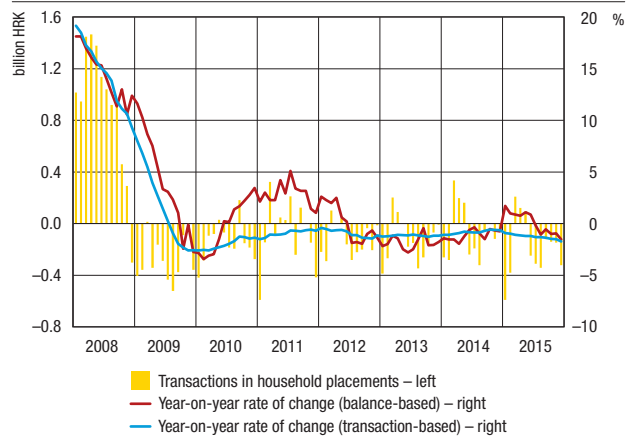
Source: CNB.

**Figure 37 Net domestic assets, structure**  
absolute change in the last 12 months



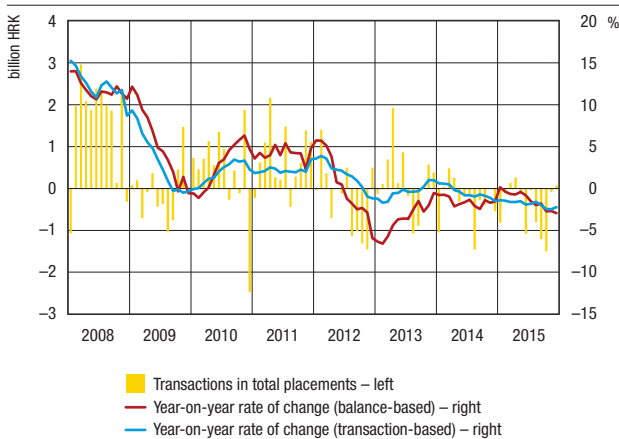
Source: CNB.

**Figure 40 Placements to households**



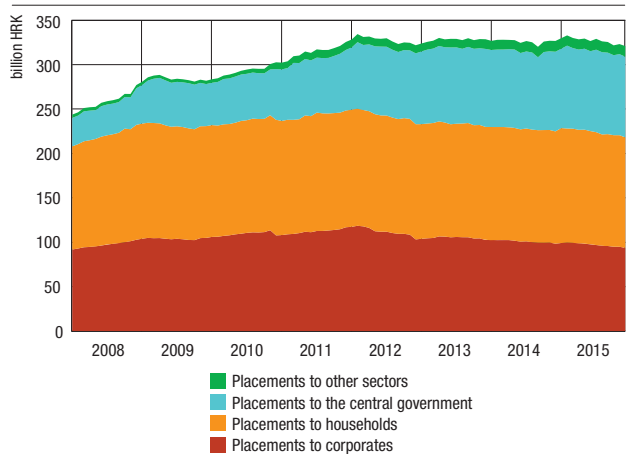
Source: CNB.

**Figure 38 Placements**



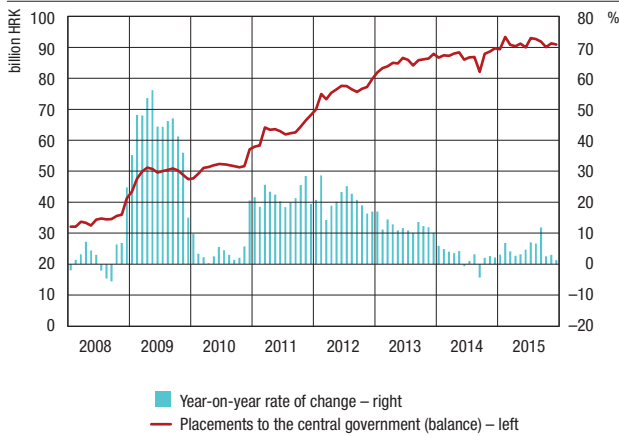
Source: CNB.

**Figure 41 Structure of credit institution placements**



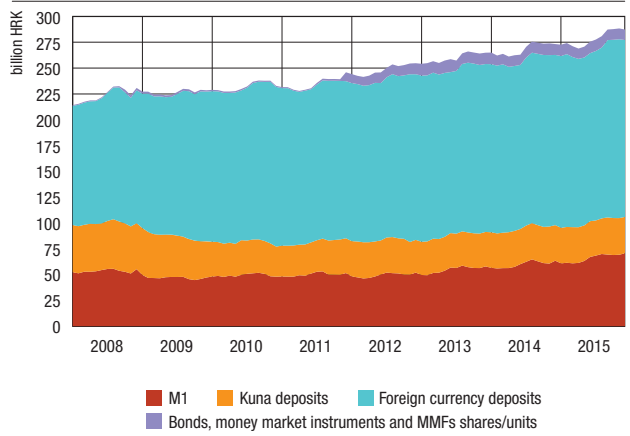
Source: CNB.

**Figure 42 Credit institution and MMF placements to the central government**



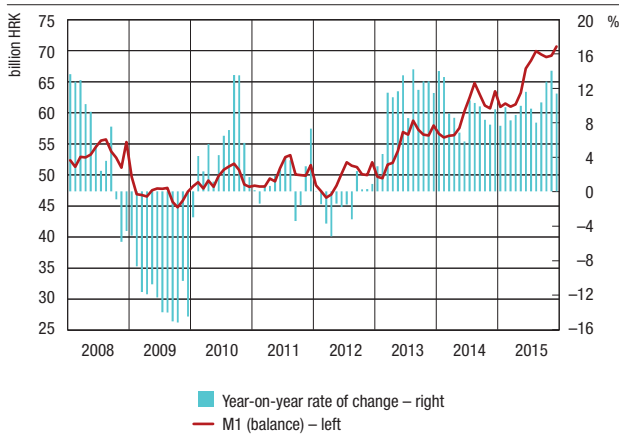
Source: CNB.

**Figure 45 Structure of M4 monetary aggregate**



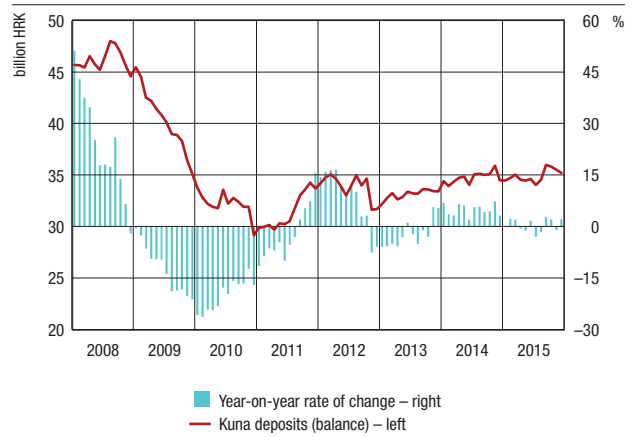
Source: CNB.

**Figure 43 Money (M1)**



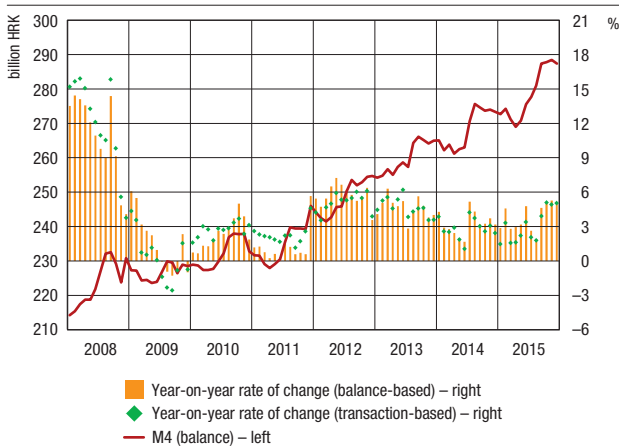
Source: CNB.

**Figure 46 Kuna savings and time deposits**



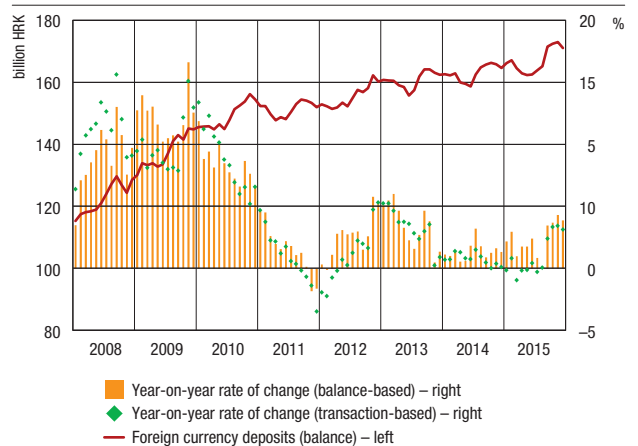
Source: CNB.

**Figure 44 Total liquid assets (M4)**



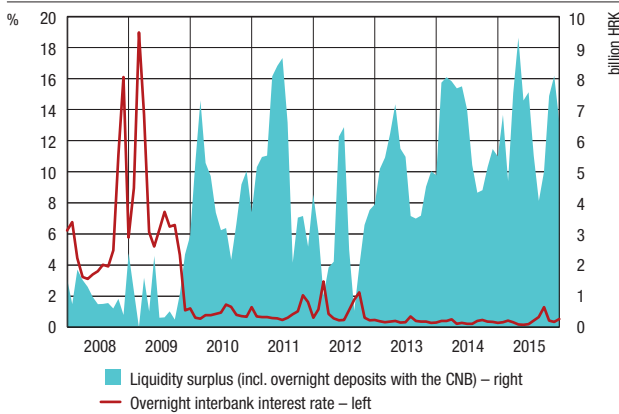
Source: CNB.

**Figure 47 Foreign currency deposits**



Source: CNB.

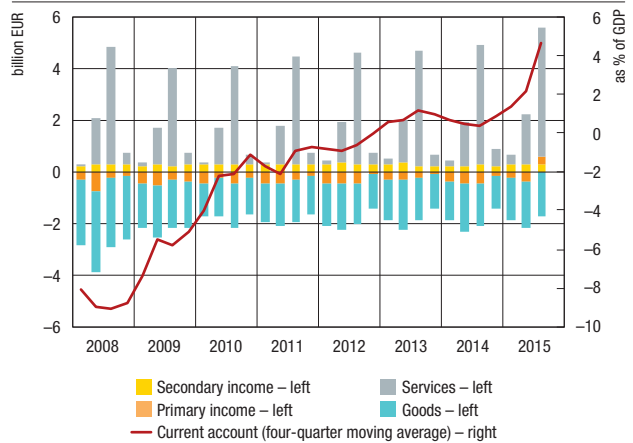
Figure 48 Bank liquidity and overnight interbank interest rate



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.

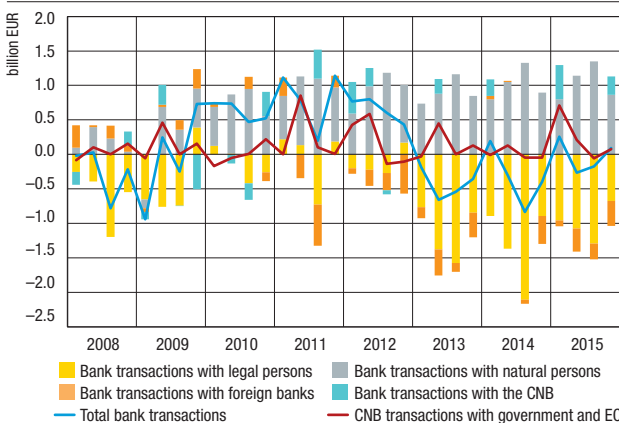
Source: CNB.

Figure 51 Current account flows



Source: CNB.

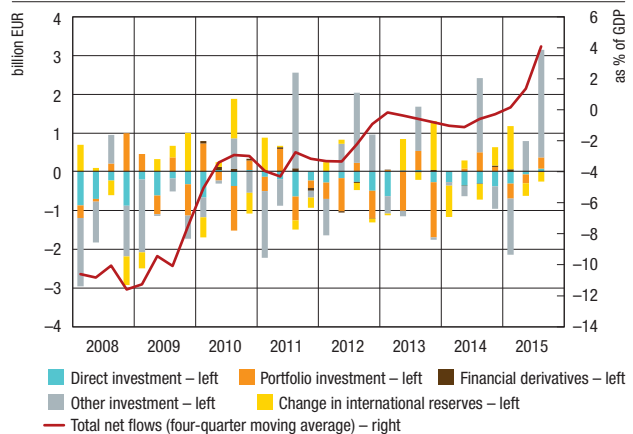
Figure 49 Spot transactions in the foreign exchange market (net turnover)



Note: Positive values denote net purchases and negative values denote net sales. Legal persons include the government.

Source: CNB.

Figure 52 Financial account flows



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

Source: CNB.

Figure 50 International reserves of the CNB at current rate of exchange



<sup>a</sup> NUJR = international reserves – foreign liabilities – reserve requirements in f/c – foreign currency government deposits.

Source: CNB.

Table 2 Balance of payments<sup>a</sup> preliminary data, in million EUR

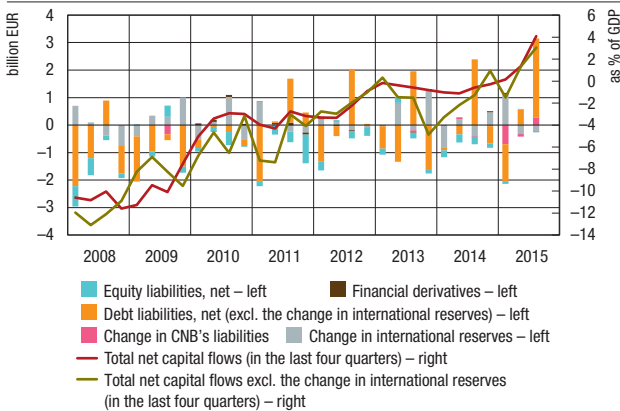
	2014	1–9/2014	1–9/2015	Indices	
				2014 / 2013	1–9/2015 / 1–9/2014
Current account	364.3	958.3	2,645.4	82.3	276.0
Capital account	85.4	42.3	99.6	142.4	235.3
Financial account (excl. reserves)	403.8	1,193.7	1,554.0	–	130.2
International reserves	–529.9	–1,000.3	550.5	–	–
Net errors and omissions	–575.9	–807.2	–640.6	67.2	79.4

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

Source: CNB.



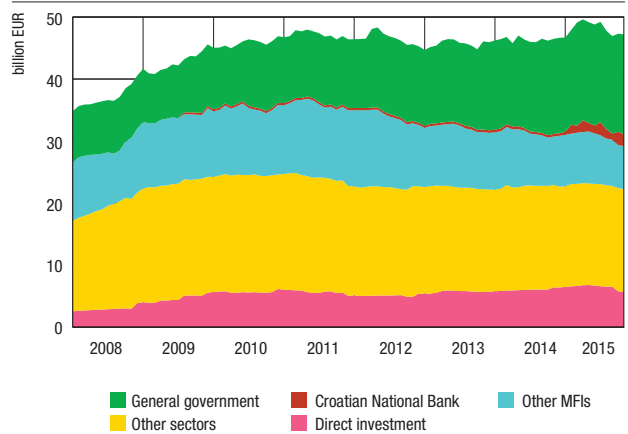
**Figure 53 Financial account flows by types of investments**



Note: A positive value denotes net outflow of equity abroad (including on the basis of the growth in international reserves). Net liabilities represent the difference between the change in assets and the change in liabilities.

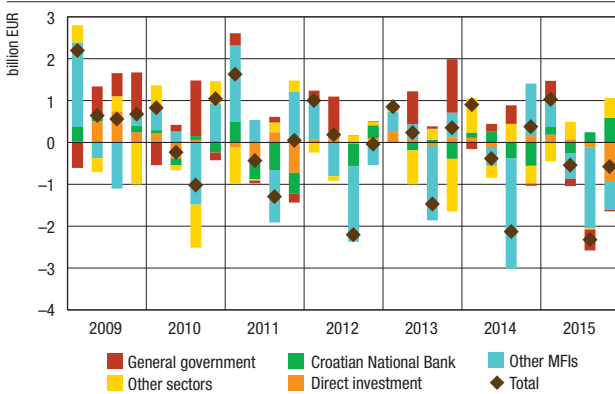
Source: CNB.

**Figure 56 Gross external debt end of period**



Source: CNB.

**Figure 54 Net external debt (NED) transactions<sup>a</sup>**

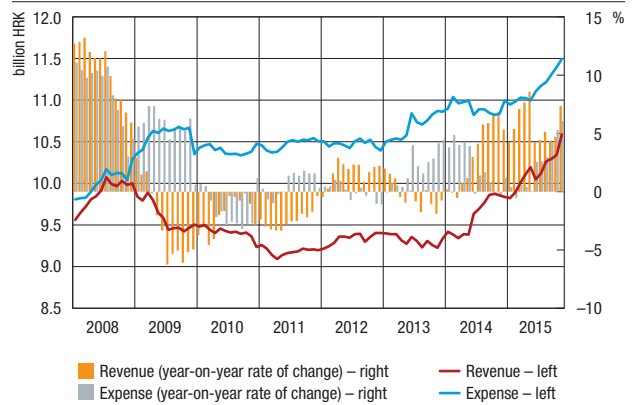


<sup>a</sup> Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Net external debt is calculated as gross external debt stock net of foreign debt claims.

Note: Data for the fourth quarter of 2015 refer to October and November.

Source: CNB.

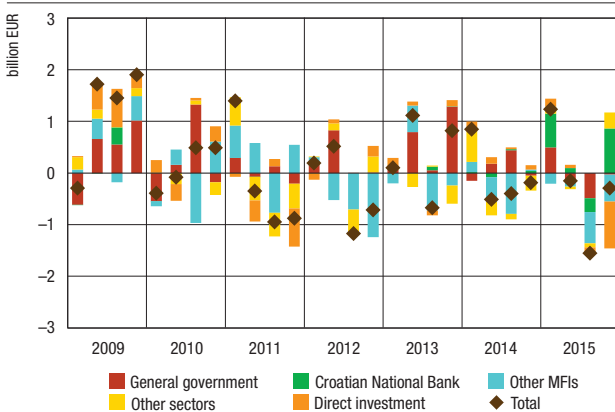
**Figure 57 Consolidated central government revenue and expense<sup>a</sup> GFS 2001**



<sup>a</sup> Trend-values are calculated as 12-month moving averages of original data. Expense includes expenditures for the acquisition of non-financial assets. From January 2008 on, CM is excluded from consolidated central government.

Sources: MoF and CNB calculations.

**Figure 55 Gross external debt (GED) transactions<sup>a</sup>**



<sup>a</sup> Transactions refer to the change in debt excl. cross-currency changes and other adjustments.

Note: Data for the fourth quarter of 2015 refer to October and November.

Source: CNB.

**Table 3 Consolidated general government balance**

ESA 2010, in million HRK

	Jan. – Sep. 2014	Jan. – Sep. 2015
<b>Total revenue</b>	<b>104,423</b>	<b>108,951</b>
Direct taxes	14,043	13,904
Indirect taxes	46,565	49,526
Social contributions	28,751	29,642
Other	15,064	15,880
<b>Total expenditure</b>	<b>117,917</b>	<b>117,924</b>
Social benefits	40,081	39,422
Subsidies	5,483	5,420
Interest	8,467	8,843
Compensation of employees	28,685	28,849
Intermediate consumption	19,569	20,048
Investment	8,982	8,945
Other	6,650	6,396
<b>Net lending (+) / borrowing (-)</b>	<b>-13,494</b>	<b>-8,972</b>

Sources: Eurostat and CBS.

**Table 4 Consolidated central government overall fiscal balance<sup>a</sup>**  
GFS 2001, in million HRK

	Jan. – Nov. 2014	Jan. – Nov. 2015
<b>1 Revenue</b>	107,753	116,733
2 Disposal of non-financial assets	514	448
3 Expense	114,959	119,864
4 Acquisition of non-financial assets	2,896	4,023
<b>5 Net borrowing (1 + 2 – 3 – 4)</b>	<b>-9,587</b>	<b>-6,707</b>
6 Disposal of non-financial assets	514	448
7 Net loans: acquisitions <sup>b</sup>	425	89
8 Shares and other equities: acquisitions	933	565
9 Securities other than shares: acquisitions	0	0
10 Change in arrears <sup>c</sup>	0	0
<b>Overall fiscal balance (5 – 6 – 7 – 8 – 9 – 10)</b>	<b>-11,459</b>	<b>-7,808</b>

<sup>a</sup> For more details on the methodology of the balance calculation, see Box 4 in CNB Bulletin No. 165.

<sup>b</sup> Adjusted for the estimated amount of funds that was raised through the issuance of bonds and reported under Net loans: acquisitions as instructed by the State Audit Office.

<sup>c</sup> Data on the monthly change in arrears are not available to the CNB.

Sources: MoF and CNB calculations.

**Table 5 Financing of consolidated central government overall fiscal balance**  
in million HRK

	Jan. – Nov. 2014	Jan. – Nov. 2015
<b>Overall fiscal balance (GFS 2001)</b>	<b>-11,459</b>	<b>-7,808</b>
<b>Financing</b>	<b>11,459</b>	<b>7,808</b>
Borrowing (net)	7,653	5,376
Domestic	3,010	1,520
Foreign	4,643	3,856
Disposal of non-financial assets, shares and other equity	1,580	475
Change in deposits	-2,226	-1,958

Sources: MoF and CNB calculations.

**Table 6 General government debt**  
in million HRK

	Jan. – Nov. 2014	Jan. – Nov. 2015
Change in total debt stock	10,740	5,648
Change in domestic debt stock	5,581	4,249
– Securities other than shares, short-term	1,446	-4,861
– Securities other than shares, long-term	7,173	9,097
– Loans	-3,022	77
Change in external debt stock	5,159	1,399
– Securities other than shares, short-term	347	-577
– Securities other than shares, long-term	2,324	4,412
– Loans	2,489	-2,436
Memo item:		
Change in total guarantees issued	303	-974

Source: CNB.

## Abbreviations and symbols

### Abbreviations

BIS	– Bank for International Settlements
bn	– billion
b.p.	– basis points
BOP	– balance of payments
c.i.f.	– cost, insurance and freight
CBRD	– Croatian Bank for Reconstruction and Development
CBS	– Central Bureau of Statistics
CCI	– consumer confidence index
CDCC	– Central Depository and Clearing Company Inc.
CDS	– credit default swap
CEE	– Central and Eastern European
CEFTA	– Central European Free Trade Agreement
CEI	– consumer expectations index
CES	– Croatian Employment Service
CM	– Croatian Motorways
CIHI	– Croatian Institute for Health Insurance
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
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
n.e.c.	– not elsewhere classified
OECD	– Organisation for Economic Co-Operation and Development
OG	– Official Gazette
R	– Republic
o/w	– of which
PPI	– producer price index
RTGS	– Real-Time Gross Settlement
Q	– quarterly
RR	– reserve requirement
SDR	– special drawing rights
SITC	– Standard International Trade Classification
VAT	– value added tax
WTO	– World Trade Organization
ZMM	– Zagreb Money Market
ZSE	– Zagreb Stock Exchange
<b>Three-letter currency codes</b>	
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
<b>Two-letter country codes</b>	
BG	– Bulgaria
CZ	– Czech R.
EE	– Estonia
HR	– Croatia
HU	– Hungary
LV	– Latvia
LT	– Lithuania
PL	– Poland
RO	– Romania
SK	– Slovak R.
SI	– Slovenia
<b>Symbols</b>	
–	– 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





