



Information on economic trends

February 2022

Summary

The last quarter of 2021 saw a further growth in economic activity, albeit slower than in the preceding part of the year. Industrial production rose, while real retail trade turnover and construction activity held steady at the level recorded in the third quarter of the year. The fourth quarter of 2021 saw a further rise in employment and a decline in the number of unemployed persons, resulting in a more favourable performance of these two indicators at the end of the year than before the outbreak of the pandemic. Wage growth also continued to accelerate. The annual rate of consumer price inflation accelerated in December 2021 to 5.5% (up from 4.8% in November), mostly fuelled by higher food prices, which, along with energy prices, are increasingly affecting the level of overall inflation. Further pursuit of the accommodative monetary policy continues to lead to a further fall in interest rates. However, visible changes in expectations can be observed in the financial markets so that even with zero interest rates on the money market there is a visible small increase in government bond yields. The annual growth in bank placements stood at 3.9% at the end of 2021, the same as at the end of 2020. The growth in household placements more than doubled, rising from 2.1% in December 2020 to 4.5% in December 2021, mostly as a result of a fast growth in housing loans and, to a lesser extent, recovery in general-purpose cash loans. By contrast, the growth in placements to non-financial corporations slowed down from 5.6% to 2.3% during that period. Ministry of Finance data point to a deterioration in public finance developments in the fourth quarter of 2021 from the same period of the year before. Nevertheless, the central government deficit in 2021 was much smaller than that in 2020, primarily because of a strong recovery in tax revenues.

Even though economic activity growth might slow down on a quarterly level, the GDP nowcasting model points to a two-digit annual rate of growth in the fourth quarter of 2021. (Figure 1). The monthly data show a visible increase in industrial production of 1.2% from the previous quarter, following a decline in two quarters (Figure 3). The manufacture of capital goods rose the most, followed by the manufacture of durable and non-durable consumer goods, while the production of intermediate goods and energy held steady (Figure 4). In the fourth quarter of 2021, the real retail trade turnover held steady at the previous three months' level, having stagnated for the first time after growing for five consecutive quarters. On a monthly level, December saw an increase of 1.4%, following a monthly fall in October and November of 0.9% and 0.4%, respectively. The real construction activity held steady in October and November of 2021 at its average level in the previous three months, with the volume of construction works rising (0.8%), and the volume of civil engineering works falling (1.9%). On a monthly level, the volume of construction works continued to fall for a third consecutive month in November (Figure 6).

The consumer confidence index fell in January 2022 from December 2021, continuing its downward trend present since the middle of last year. As regards business expectations, January saw a further trend of recovery on a monthly level in the optimism of business entities in construction, industry and services, while the expectations in trade deteriorated. Business expectations indices thus came close to their pre-pandemic levels (Figure 8).

Despite a worsening of the epidemiological situation and a much smaller scope of subsidised workers, employment in October and November 2021, according to seasonally adjusted data, continued to rise at a similar pace as in the summer months until December when the number of employed persons held steady. When observed on an overall fourth quarter level, employment rose by 0.7% from the previous three months. In December 2021, employment was up by 26 thousand or 1.7% from December 2019, and by 35 thousand or 2.3% from December 2020 (Figure 15). The rise in demand for labour can also be seen in the fast growth of the job vacancy rate (Figure 16). The number of unemployed persons in the fourth quarter of 2021

continued to fall at a pace similar to that in the previous three months, having fallen for the first time below the numbers seen in the same period of 2019. In December 2021, the registered unemployment rate fell to 7.0% of the labour force and the ILO unemployment rate, according to the last available data for the third quarter of 2021, fell to 7.2%.

The average nominal gross wage continued to rise for the sixth consecutive quarter, its growth accelerating towards the end of the year and resulting in the fourth quarter in a rise of 1.5% from the previous quarter (Figure 17). In the fourth quarter of 2021, the nominal gross wage rose by 4.7% from the fourth quarter of 2020. The nominal net wage rose even faster (6%) owing to a tax burden reduction but its purchasing power rose by only 1.1% as a result of consumer price growth. Although the recent wage growth relates primarily to the private sector, wages in the public sector grew faster in the last three years.

The annual rate of inflation rose to 5.5%, from 4.8% in November (Figure 19). The rise in inflation is also suggested by the dynamics of inflation indicators (Figure 18). Food products (including beverages and tobacco) made the biggest contribution (2.4 percentage points) to the annual rate of inflation in December, replacing energy as the biggest contributor to the annual rate of inflation in the previous nine months. The growth in the prices of almost all subcomponents of food accelerated, which is largely attributable to the spillover of the increase in the prices of food raw materials and energy in the global market and the positive effect of the base period, i.e. the fall in these prices towards the end of 2020. The contribution of industrial products to overall inflation rose in December, mostly fuelled by the increase in the annual rate of change in the prices of clothing and footwear (on account of seasonal fall being less pronounced than in December 2020) and vehicles. The contribution of the prices of services also rose slightly, mostly driven by acceleration in the annual growth in the prices of telecommunication services. By contrast, energy was the only component whose contribution to inflation shrank in December, which reflects the effect of the base period, i.e. the increase in the prices of refined petroleum products in December 2020.¹ The annual rate of core inflation (excluding the prices of agricultural products and

¹ The average price of a barrel of Brent crude oil increased in January 2022 by approximately 15% from the month before, which led to an increase in the prices of refined petroleum products on the domestic market.

energy and administrative prices) rose from 3.6% in November to 4.6% in December (Table 1), with the annual growth in the prices of goods reaching 5.4%, while the inflation of the prices of services remained relatively low (2.3%). Stronger spillover of the increase in the prices of energy and raw materials in the global markets on the prices of goods partly suggests that the increase in the demand for goods outpaces the increase in the demand for services in the pandemic. In addition, since mid-2021 there has been a noticeable increase in the spillover of the increase in the prices of energy and other raw materials and the prices of intermediate goods (such as semiconductors), due to supply chain bottlenecks, on producer and consumer prices of goods. On the entire 2021 level, the average annual consumer price inflation accelerated to 2.6% (from 0.1% in 2020) and 2.7%, respectively, according to the HICP, slightly exceeding the average annual rate of inflation in the euro area (2.6%).

The fourth quarter of 2021 saw a noticeable increase in foreign trade in goods, in particular goods exports, which rose by 15.7% in October and November from the previous three months' average (Figure 10). Export performance benefited from a pronounced rise in energy exports (particularly electricity and oil and refined petroleum products), followed by textile industry products and capital goods. At the same time, total goods imports rose by 7.5% (Figure 11), mostly as a result of greater imports of natural and manufactured gas, metal and textile industry products and capital goods (Figure 12). By contrast, the imports of oil and refined petroleum products shrank noticeably. With exports growth outperforming imports growth, the total foreign trade deficit narrowed by 6.8% (Figure 13), in contrast with the deficit widening by 8.5%, if the trade in energy is excluded. If the first aggregated data for December are also taken into account, the growth in total goods exports and imports accelerated additionally. Thus, compared with the previous quarter average, the total goods exports in the fourth quarter was up by 16.6% and total good imports by 8.0%, while the narrowing of the total deficit was more pronounced than in October and November alone and stood at 9.8%.

At the end of January, the nominal exchange rate of the kuna against the euro stood at EUR/HRK 7.53 (Figure 23), having depreciated by 0.2% from the end of 2021. By contrast, the daily nominal exchange rate was down by 0.4% from the end of January of the previous year. After remaining almost unchanged at the end of December from the end of November, the nominal effective exchange rate of the kuna depreciated by 0.6% in January. In addition to weakening against the euro, the January depreciation of the nominal effective exchange rate was also the result of the weakening of the kuna against most other major trading partners' currencies.

Short-term interest rates on the European money market did not change much in December 2021 and January 2022. At the end of January, the euro short-term rate €STR² remained almost unchanged at -0.58%, while the six-month EURIBOR rose only slightly, to -0.51% (Figure 25) during the same period. By contrast, the yields on US and German ten-year government bonds rose. Amid rising inflation the expectation of monetary policy tightening increased yields on long-term government bonds of peer countries in November and December, particularly in Poland, Hungary and Romania. Risk premiums for European emerging market economies were stable at the turn of the year (Figure 26), with the exception of Poland and Croatia, whose

risk premiums fell slightly. The risk premium for Croatia stood at 73 basis points at the end of January, and, with the exception of Romania, continued to record slightly higher values than that in peer CEE countries.

Banks' free reserves reached record highs. Thus the average daily surplus kuna liquidity of the domestic banking system stood at HRK 76.9bn in January (Figure 59), having risen from HRK 65.9bn in the previous year. Amid such ample kuna liquidity, there has been no turnover in the domestic interbank overnight market since April 2020. With regard to other segments of the overnight money market, the implicit interest rate derived from banks' foreign exchange swap trading rose in January to 0.09% (Figure 28), while the interest rate on interbank demand deposit trading fell slightly, to -0.01%. There were no overnight repo transactions of banks in this market. The interest rate on one-year kuna T-bills of the Ministry of Finance rose only slightly in January, to 0.01% from 0.00% in November of the previous year. The yields on long-term Croatian government bonds rose slightly in November and December with the yield on the ten-year eurobond at the end of the year standing at 1.18% and that on the eight-year kuna bond at 0.38%. In early February, the government issued an eight-year bond on the domestic capital market worth EUR 1bn, with a currency clause and a yield of 1.39%. In December last year, the market yield on the eleven-year government bond with a currency clause stood at 1.05%, suggesting rising financing costs at the beginning of this year.

The interest rate on pure new corporate loans fell in December by 49 basis points to its record low of 1.30% (Figure 32). The noticeable monthly fall was mostly driven by a fall in the interest rate on loans to large enterprises and the exceptionally large amount of pure new loans to large enterprises. In 2021 as a whole, corporate financing costs fell by 87 basis points (Figure 33), mostly fuelled by a fall in the interest rates on loans for working capital and loans to large enterprises. As regards households, the interest rate on pure new loans to this sector fell by 22 basis points in December and stood at 3.94% (Figure 36), mostly driven by a fall of 9 basis points in the share of general-purpose cash loans in total financing, which have relatively higher interest rates (Figure 38), as well as the fall in interest rates on most household loans. On an annual level, household financing costs rose by 31 basis points (Figure 37) as a result of the financing structure (48 basis points), most notably the absence of subsidised housing loans in December 2021. As housing loans bear the lowest interest rates of all major types of household financing, the months with large amounts of granted housing loans feature a fall in the total interest rates on pure new loans granted to this sector. In contrast with the impact of the structure of financing, the interest rates on household loans mainly fell. As regards deposits, the interest rates on household and corporate time deposits remained almost unchanged in December (Figures 39 and 40). In line with the described trends, the spread between interest rates on total new loans and deposits narrowed considerably to 3.3 percentage points, while the spread on their balance narrowed only slightly, to 3.6 percentage points (Figure 42).

Monetary developments in December were marked by an increase in total liquid assets (M4) of HRK 1.8bn (0.4% transaction-based), brought about by an increase in net domestic assets (NDA), while net foreign assets (NFA) of the monetary system decreased. As regards the structure of NDA, placements

2 Since 3 January 2022, the overnight interest rate for the euro area, EONIA, has been replaced by €STR, a new euro short-term benchmark interest rate that reflects the wholesale euro unsecured overnight borrowing costs of banks located in the euro area. See: <https://www.hnb.hr/-/-str-nova-referentna-kamatna-stop-a-europske-sredisnje-banke>.

to non-financial corporations rose the most, followed by a less pronounced rise in net claims on the central government (Figure 44). The net foreign assets of the monetary system witnessed their usual seasonal decline in December and a change in their structure. Thus, a sharp increase in domestic banks' deposits in TARGET2 and in central government foreign currency deposits with the CNB fuelled a significant increase in the NFA of the CNB, and reduced the NFA of credit institutions. The growth in total liquid assets in 2021 accelerated to 10.4% from 9.1% at the end of 2020 (Figure 54), mirroring a strong acceleration in NFA growth and a considerable slowdown in NDA growth on an annual level. The acceleration in NFA growth was driven by an increase in the current and capital account surplus, while the slowdown in NDA growth was influenced by lower financing needs of the central government with monetary institutions. The annual growth in money (M1) also accelerated and stood at a very high level (18.0% in 2021, 17.0% in 2020, Figure 53). The growth rate of quasi-money also accelerated from 3.6% to 4.4% on an annual level, mostly driven by a growth in household and corporate foreign currency deposits.

Total placements of monetary institutions to domestic sectors (except the central government) also rose in December by HRK 2.8bn or 1.1% (transaction-based) from November. The growth in placements on a monthly level was primarily the result of growth in placements to non-financial corporations, which stood at HRK 2.5bn (2.8%), of which HRK 1.1bn is accounted for by investments in bonds, and to a small increase in placements to other domestic sectors (HRK 0.4bn). In December 2021, placements to households fell for the first time since April 2020, by a slight HRK 0.1bn (0.1%), which can be associated with a fall in overdraft balances (HRK 0.3bn) and general-purpose cash loans (HRK 0.1bn), while housing loans continued to rise (HRK 0.3bn). On an annual level, total placements grew by 3.9%, equalling their growth rate at the end of 2020 (Figure 45). Observed by sectors, in 2021 household placements rose the most (HRK 6.1bn), with their growth rate more than doubling, rising from 2.1% at the end of 2020 to 4.5% at the end of 2021. (Figure 47). Particularly strong was the growth in housing loans (HRK 5.7bn), which accelerated from 7.5% to 9.2% and to a lesser extent in general-purpose cash loans, which, after falling by 1.3% in 2020, rose by HRK 1.2bn in 2021, their growth rate reaching 2.3%. Placements to non-financial corporations rose by HRK 2.0bn in 2021, their growth decelerating on an annual level from 5.6% in 2020 to 2.3% in 2021 (Figure 46), with the elevated growth rate in 2020 being due to the foreign debt refinancing by non-financial corporations with domestic credit institutions.

In January, gross international reserves went up EUR 0.6bn or 2.3% from the end of 2021 and stood at EUR 25.6bn at the end of the month (Figure 61). Net usable reserves remained almost unchanged during the same period and stood at EUR 20.9bn at the end of January. Net usable reserves rose by EUR 3.2bn or 18.4% from January 2021.

Following a very sharp fall in the third quarter, net foreign

liabilities of domestic sectors rose noticeably, by EUR 0.5bn in October and November of 2021 (Figure 65). This was mostly due to a deterioration in the net foreign position of credit institutions, primarily as a result of the usual decline in foreign assets accumulated during the peak tourist season in summer. This was also due, although to a much lesser extent, to a deterioration in the net external position of the central bank.³ By contrast, net foreign liabilities of other domestic sectors, including those based on direct investments, fell considerably in October and November owing to rising claims, while government net liabilities fell slightly. The total gross international debt stood at EUR 44.5bn at the end of November, having risen by EUR 0.2bn from the end of the third quarter (Figure 67).

According to the ESA 2010 methodology, the data available for the third quarter of 2021 point to a continuation of the favourable budgetary performance seen in the preceding part of the year. Thus, in the first nine months of 2021, the general government budget deficit stood at HRK 6.2bn, a decrease of HRK 13.4bn from the same period of 2020. The sharp fall in the first three quarters of 2021 mostly mirrors a relatively fast and strong recovery in economic activity and the resulting increase in tax revenues (including revenues from social contributions). The total general government revenues rose by 15.4%, mostly fuelled by revenues from indirect taxes following recovery in personal consumption and tourist services exports. Revenues from direct taxes made a small negative contribution to developments in total revenues, partly reflecting the impact of the fifth round of tax changes, mostly associated with income taxation. The total general government expenditures rose by 4.3%, mostly owing to expenditures on employees and largely mirroring the increase in the wage base in the public and government sectors and expenditures on social benefits. By contrast, expenditures on subsidies fell sharply as a result of a fall in job preservation support paid and so did expenditures on interest as a result of favourable financing conditions in the capital market.

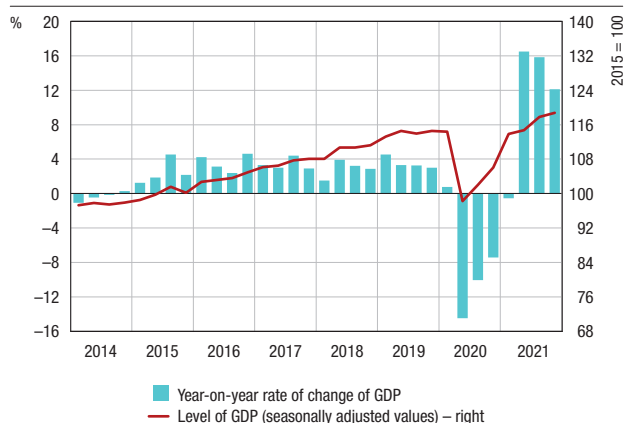
Ministry of Finance data⁴ for the last quarter of 2021 suggest a considerable deterioration in the balance towards the end of last year. On the central government level, the deficit stood at HRK 11.1bn while that in the same period of 2020 stood at HRK 7.2bn and these developments reflect a faster growth of expenditures than of revenues (+16.8% and +10.8%, respectively). However, if data on the entire 2021 level are observed, the balance improved considerably as a result of the favourable developments in the first three quarters of 2021, with the central government deficit standing at HRK 14.0bn (3.2% of the estimated GDP in 2021), having narrowed by some HRK 8.6bn (2% of the estimated GDP) from the deficit recorded in 2020.

At the end of October, the consolidated general government debt stood at HRK 344.4bn, having risen by HRK 14.1bn from the end of 2020. As for the relative indicator of public debt at the end of October, the sharp growth in economic activity led to a considerable decrease in the public debt to GDP ratio, which fell to 79.7% of the estimated GDP from the 87.3% of GDP at the end of 2020.

3 In the previous quarter the government foreign exchange account with the CNB received large payments (European Commission's pre-financing payment for the implementation of the National Recovery and Resilience Plan and inflows from other EU funds), but in November the government withdrew an even larger amount of foreign exchange from its account with the CNB (and sold the bulk of the amount to the CNB).

4 The budget balance and total revenues and expenditures refer to monthly data for the central government, state government and social security sub-sectors, the publication of which by the Ministry of Finance before the end of the following calendar month is required under Council Directive 2011/85/EU. The published data refer to general government units according to the scope of the ESA 2010 statistical methodology, except for data for the local government, which are published on a quarterly basis. Individual income and expenditure items are based on the data on the state budget according to the national budgetary chart of accounts methodology.

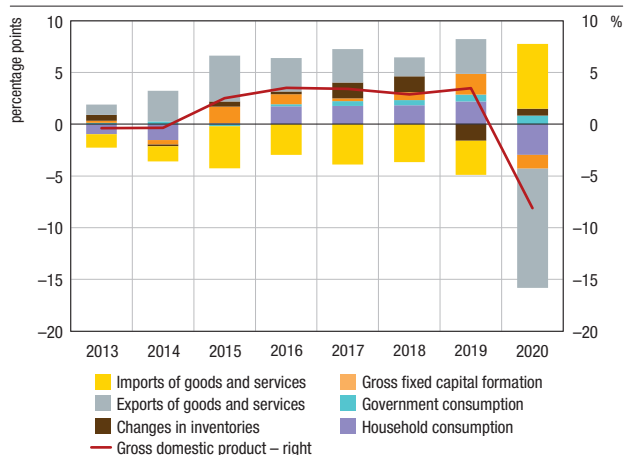
Figure 1 Quarterly gross domestic product
seasonally adjusted real values



Note: Data for the fourth quarter of 2021 refers to the CNB's monthly indicator of real economic activity, estimated on the basis of data published until 31 January 2022.

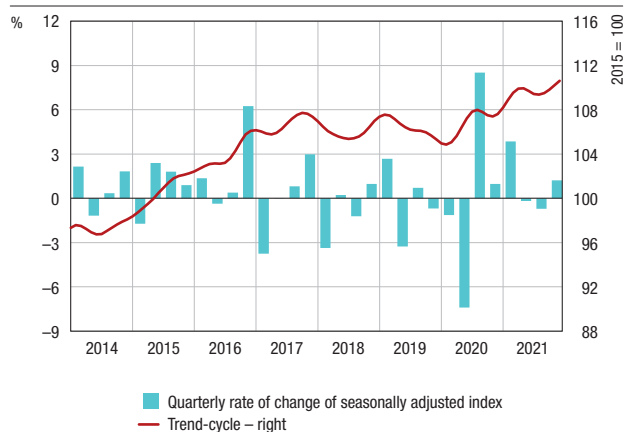
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

Figure 2 GDP rate of change
contributions by components



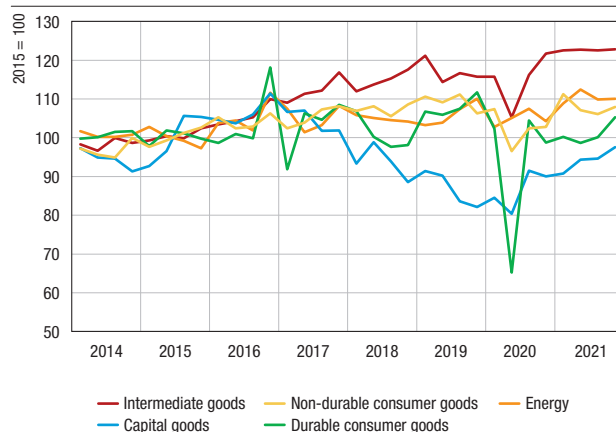
Source: CBS.

Figure 3 Industrial production



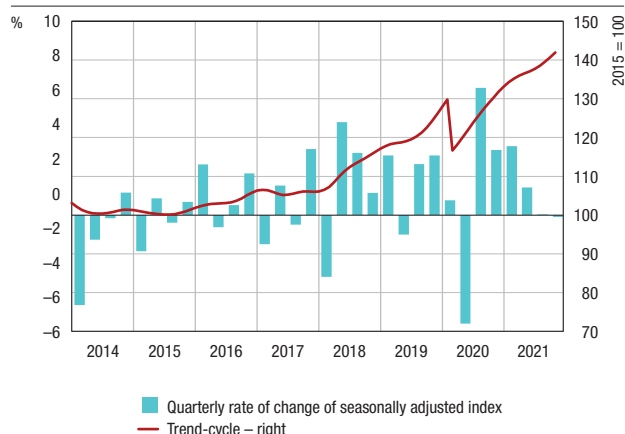
Source: CBS data seasonally adjusted by the CNB.

Figure 4 Industrial production by main industrial groupings
seasonally adjusted indices



Source: CBS data seasonally adjusted by the CNB.

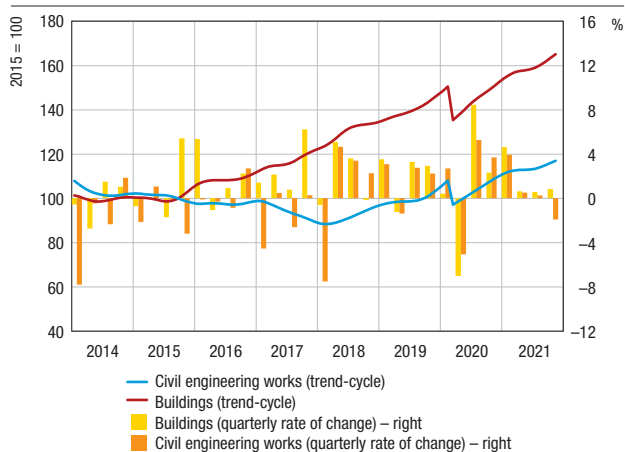
Figure 5 Total volume of construction works



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

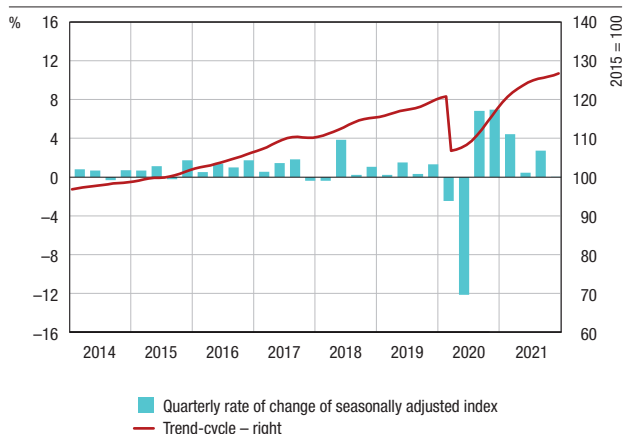
Source: CBS data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



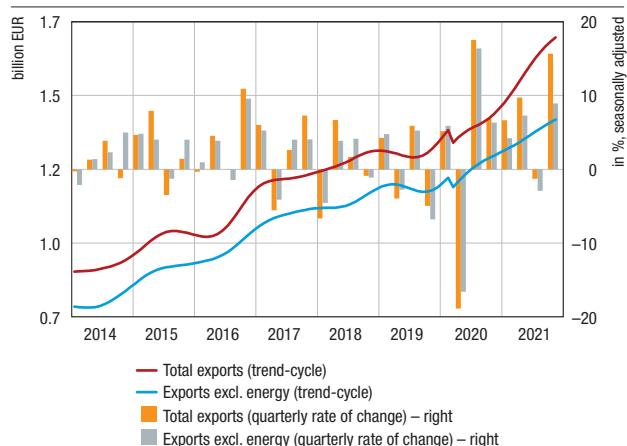
Source: CBS data seasonally adjusted by the CNB.

Figure 7 Real retail trade turnover



Source: CBS data seasonally adjusted by the CNB.

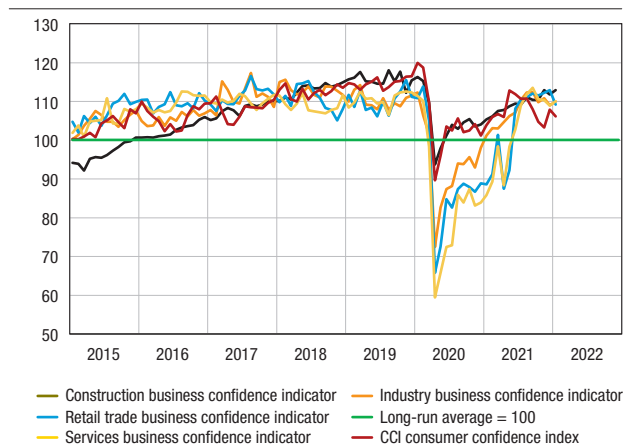
Figure 10 Goods exports (f.o.b.)



Note: Data for the fourth quarter of 2021 refer to October and November.

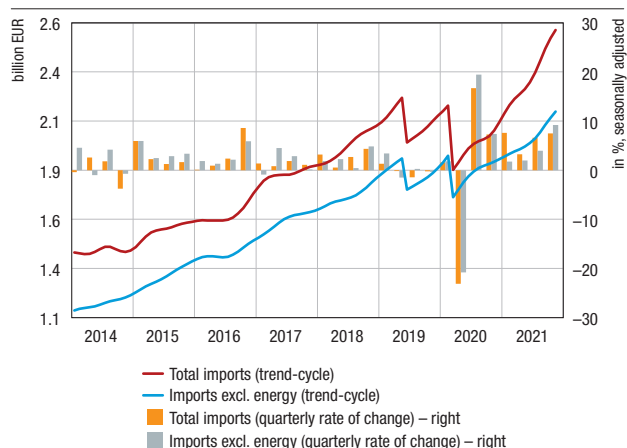
Source: CBS data seasonally adjusted by the CNB.

Figure 8 Consumer and business confidence indicators standardised and seasonally adjusted values



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

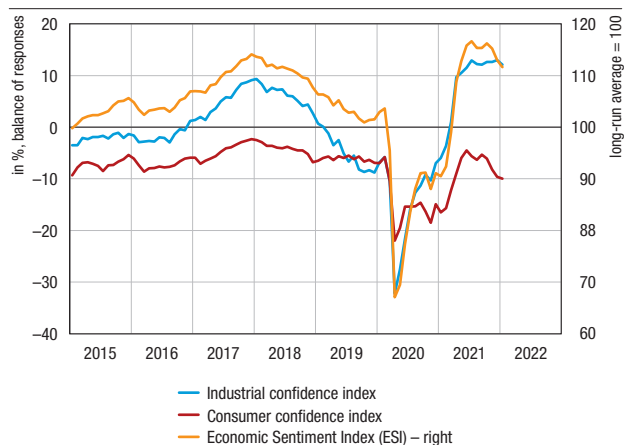
Figure 11 Goods imports (c.i.f.)



Note: Data for the fourth quarter of 2021 refer to October and November.

Source: CBS data seasonally adjusted by the CNB.

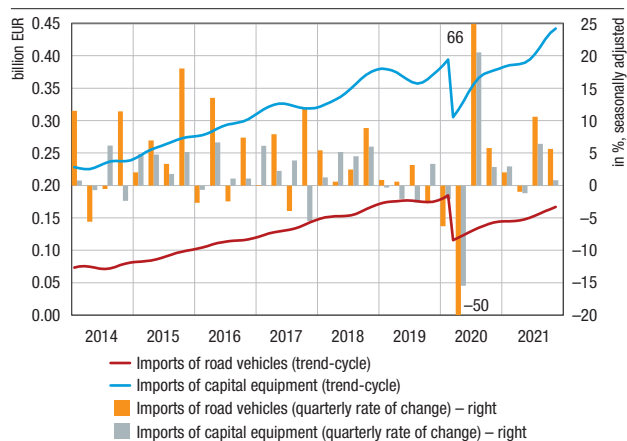
Figure 9 EU confidence indices seasonally adjusted series



Note: Data are up to January 2022.

Source: Eurostat.

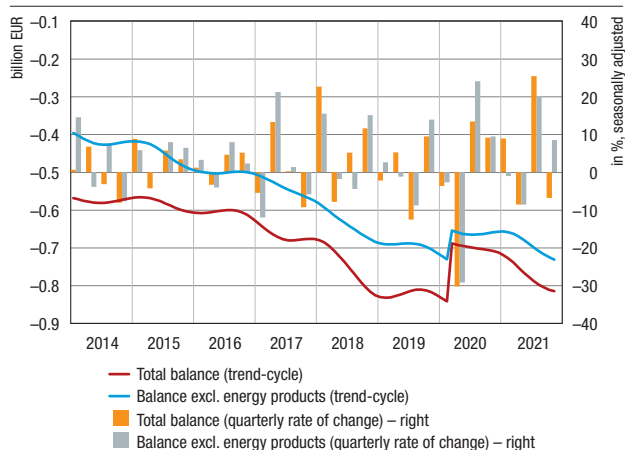
Figure 12 Imports of capital equipment and road vehicles (c.i.f.)



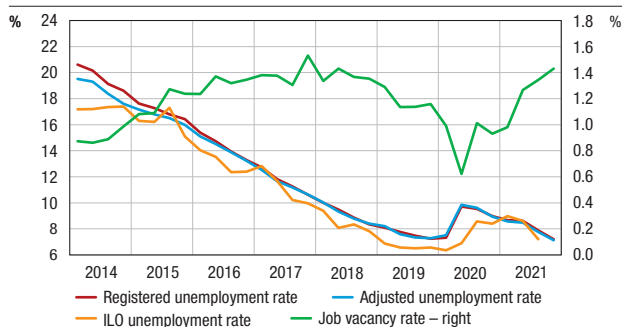
Notes: Imports of capital equipment (SITC divisions 71 – 77). Data for the fourth quarter refer to October and November.

Source: CBS data seasonally adjusted by the CNB.

Figure 13 Trade of goods balance

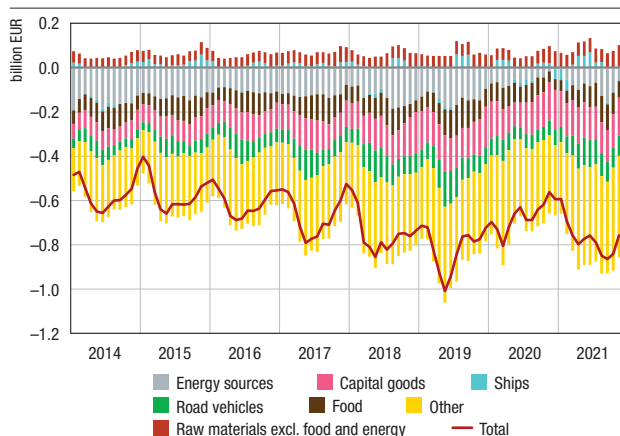


Note: Data for the fourth quarter of 2021 refer to October and November.
Source: CBS data seasonally adjusted by the CNB.

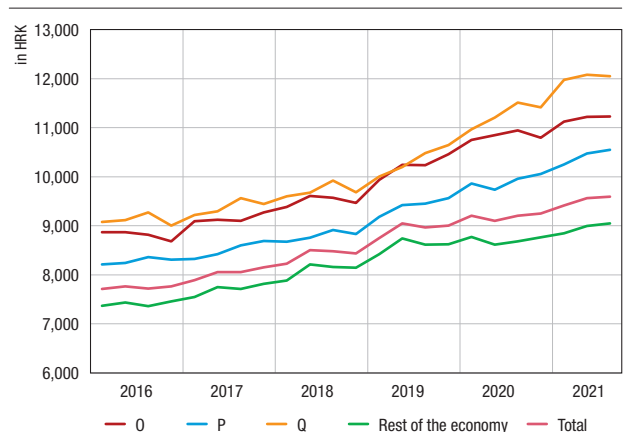
Figure 16 Unemployment rates
seasonally adjusted data and job vacancy rate

Notes: Since January 2015, the calculation of the registered unemployment rate has used the data on employed persons from the JOPPD form. Data on the number of employed persons have been revised backwards for the period from January 2016 to December 2019. 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 CPII). The job vacancy rate is calculated as the share of total posts that are vacant in the total demand for labour (total number of persons insured with the CPII and vacant posts).
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

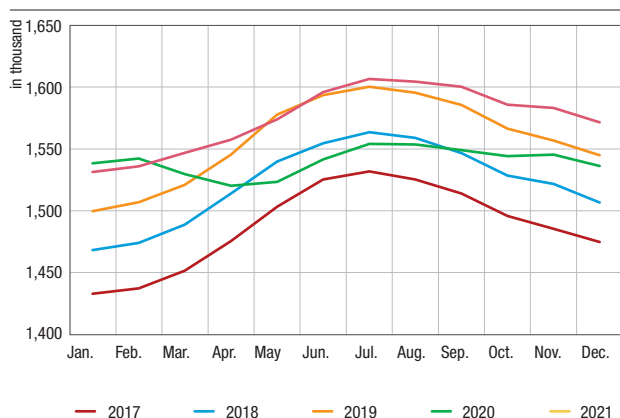
Figure 14 Trade in goods balance by product groups



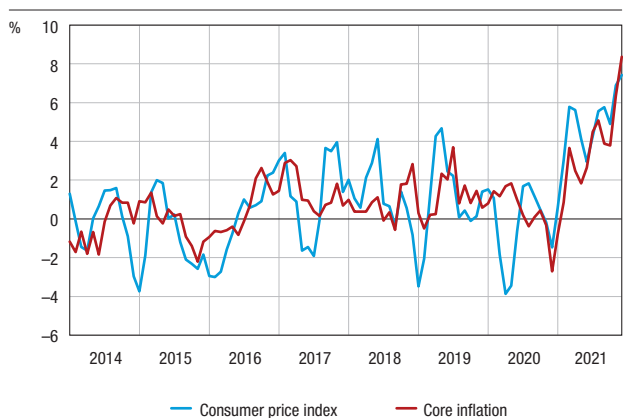
Notes: Series are shown as three-member moving averages of monthly data. Data are up to November 2021.
Source: CBS.

Figure 17 Average nominal gross wage by NCA activities
original data

Note: O – Public administration and compulsory social security, P – Education, Q – Human health.
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

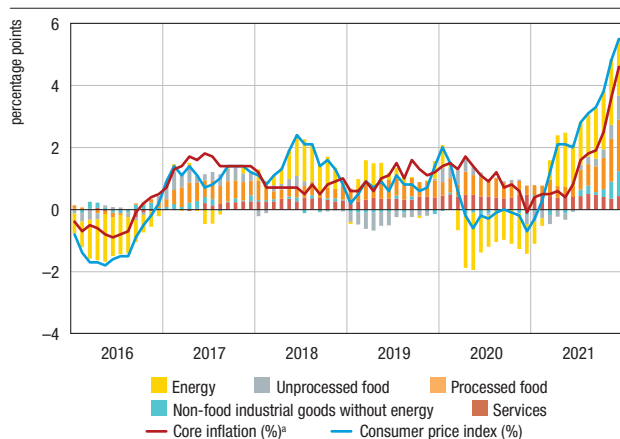
Figure 15 Employment
original data

Source: CPII.

Figure 18 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 19 Year-on-year inflation rate and contributions of components to consumer price inflation



^a Core inflation does not include agricultural product prices, energy prices and administered prices.

Sources: CBS and CNB calculations.

Table 1 Price indicators

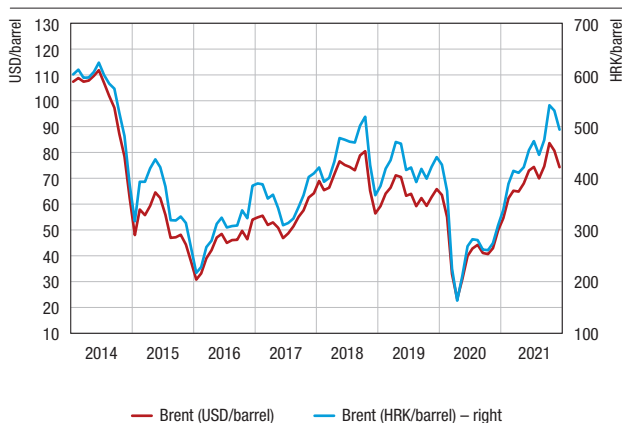
year-on-year and month-on-month rates of change

	Year-on-year rates		Month-on-month rates	
	11/21	12/21	12/20	12/21
Consumer price index and its components				
Total index	4.8	5.5	-0.6	0.0
Energy	12.8	11.0	1.4	-0.2
Unprocessed food	5.3	9.0	-0.8	2.7
Processed food	5.8	7.0	-0.5	0.7
Non-food industrial goods without energy	2.1	3.1	-2.4	-1.5
Services	1.4	1.7	0.0	0.3
Other price indicators				
Core inflation	3.6	4.6	-1.2	-0.1
Index of industrial producer prices on the domestic market	19.8	19.6	1.0	0.8
Brent crude oil price (USD)	88.1	49.0	16.1	-8.0
HWWI index (excl. energy, USD)	28.7	22.7	7.8	2.7

Note: Processed food includes alcoholic beverages and tobacco.

Sources: CBS, Bloomberg and HWWI.

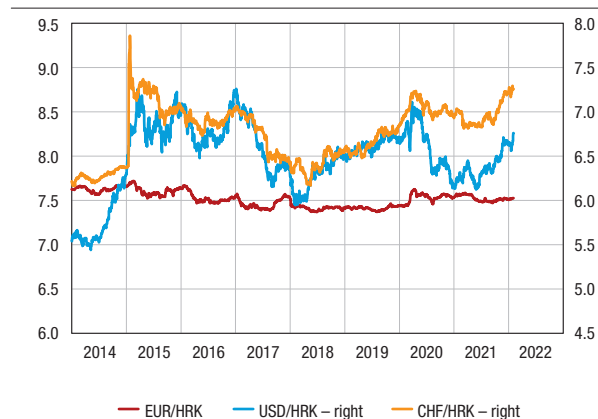
Figure 20 Crude oil prices (Brent)



Sources: Bloomberg and CNB calculations.

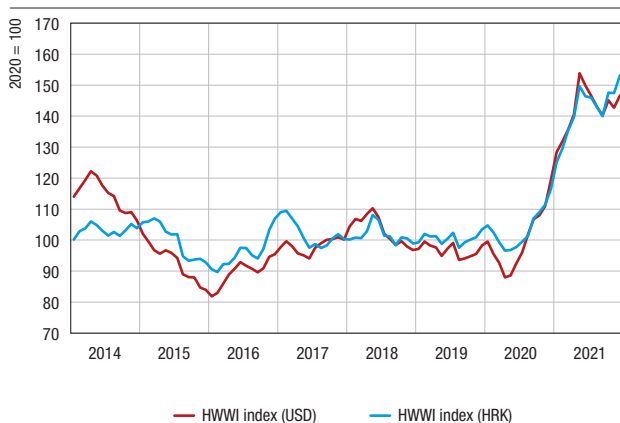
Figure 22 Daily nominal exchange rate – HRK vs. EUR, USD and CHF

CNB midpoint exchange rate



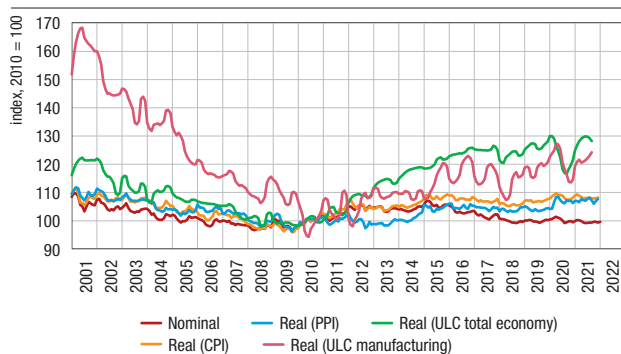
Source: CNB.

Figure 21 HWWI index (excl. energy)



Sources: HWWI and CNB calculations.

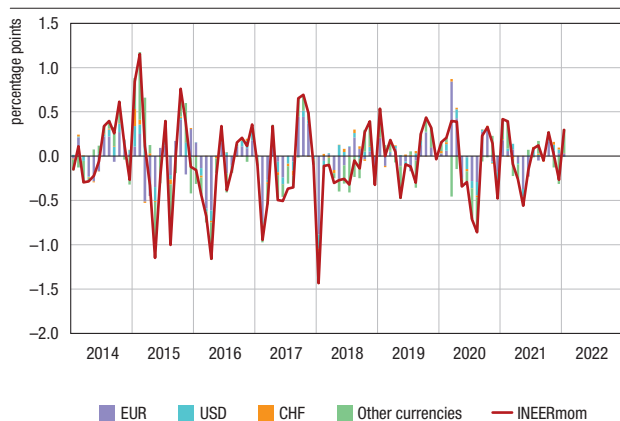
Figure 23 Nominal and real effective exchange rates of the kuna



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

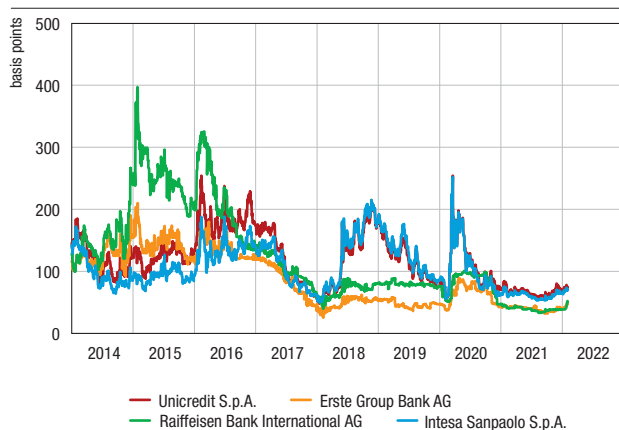
Source: CNB.

Figure 24 Contributions^a of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)



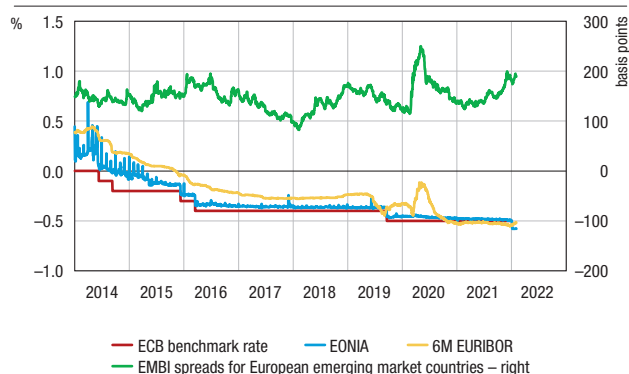
^a Negative values indicate contributions to the appreciation of the INEER.
Source: CNB.

Figure 27 CDS spreads for selected parent banks of domestic banks



Source: S&P Capital IQ.

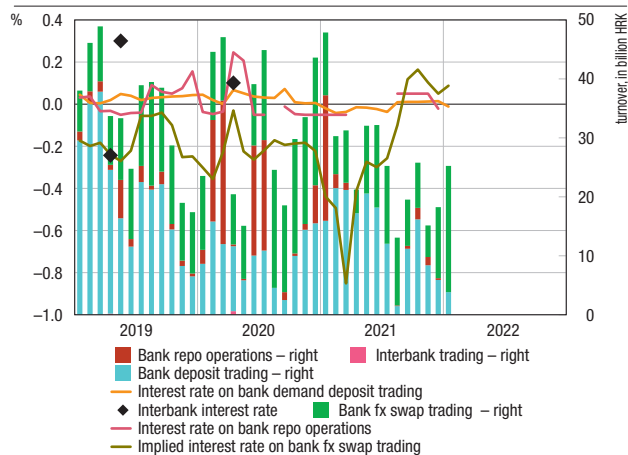
Figure 25 Interest rates on the euro and the average yield spread on bonds of European emerging market countries



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. Since the start of 2022, the EONIA has been replaced by €STR.

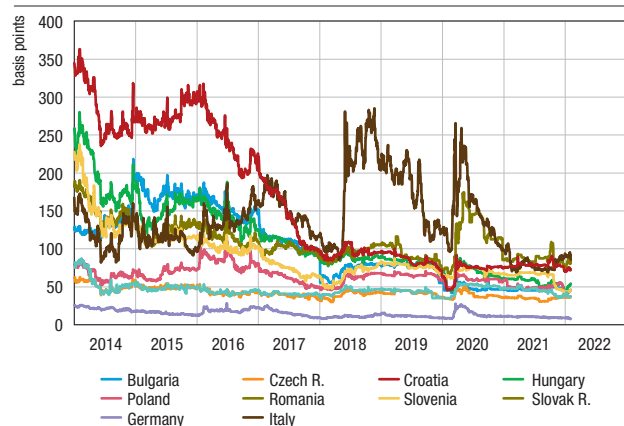
Sources: ECB, Bloomberg and J.P. Morgan.

Figure 28 Overnight interest rates and turnovers



Source: CNB.

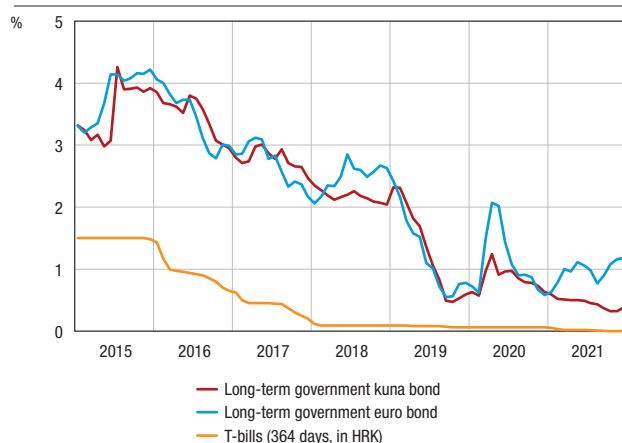
Figure 26 CDS spreads for 5-year government bonds of selected countries



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

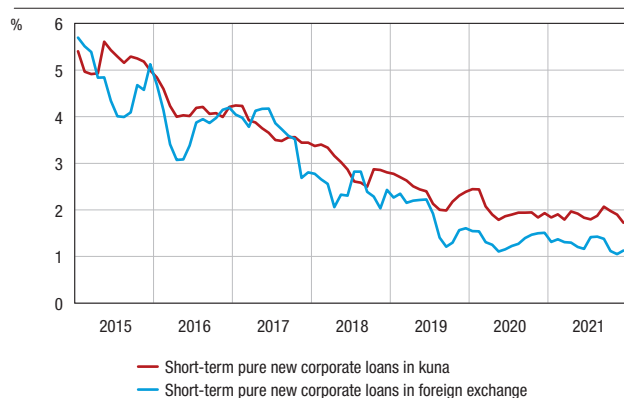
Source: S&P Capital IQ.

Figure 29 Yields on T-bills and bonds of the Republic of Croatia



Source: CNB.

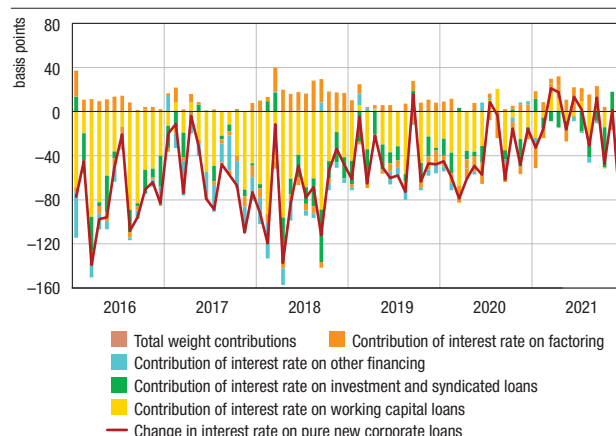
Figure 30 Short-term financing costs



Note: Quarterly weighted moving averages. Foreign currency loans also include kuna loans with a currency clause. Interest rates on short-term pure new household loans are not shown because they account for a very small share of total pure new household loans.

Sources: MoF and CNB.

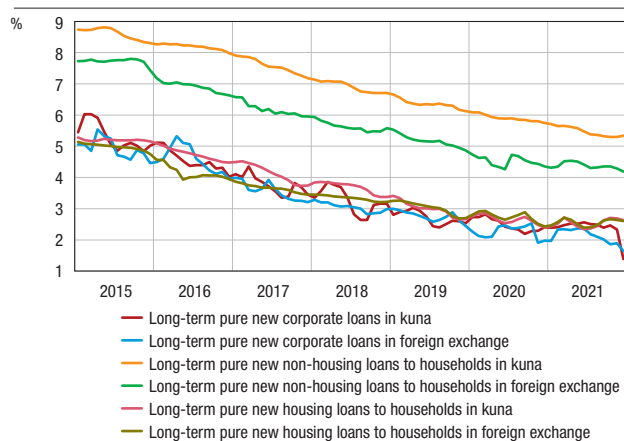
Figure 33 Contributions to the annual change in the interest rate on pure new corporate loans



Note: Calculated by applying the Bennet index, according to which total contribution is divided into interest rate effect and weight effect.

Source: CNB.

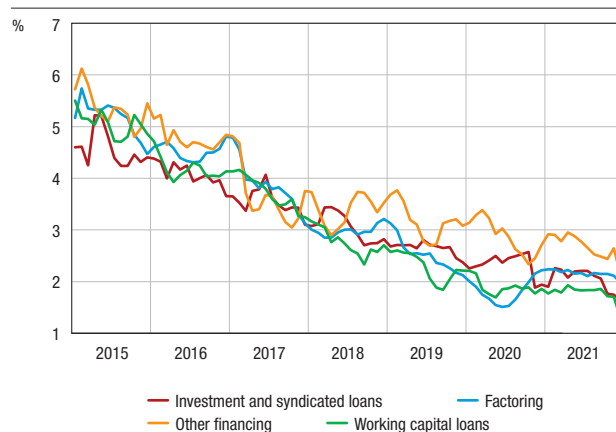
Figure 31 Long-term financing costs



Note: Quarterly weighted moving averages. Loans in foreign exchange include loans in kuna with a currency clause.

Source: CNB.

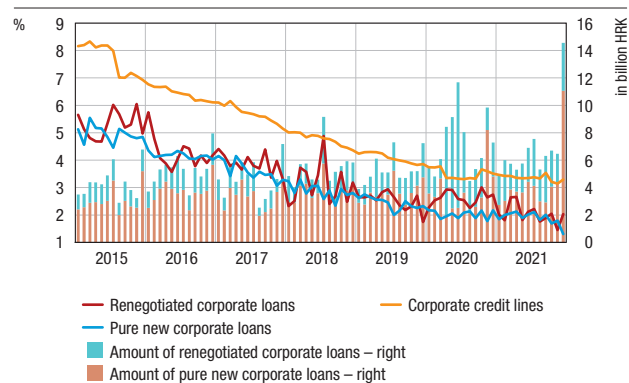
Figure 34 Interest rates on pure new corporate loans by purpose



Note: Quarterly weighted moving averages.

Source: CNB.

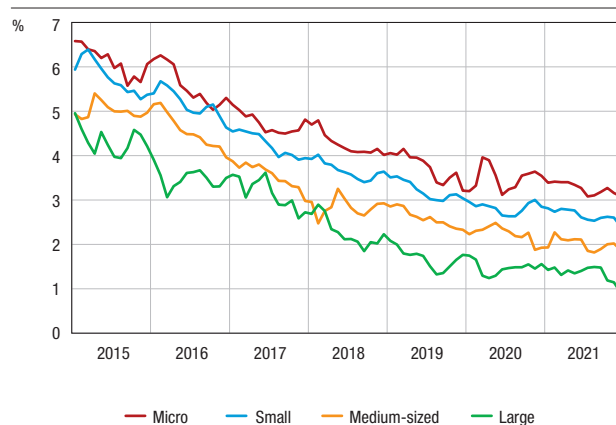
Figure 32 Interest rates and amount of corporate loans



Note: Data on pure new loans are not available for credit card loans, overdrafts, revolving loans and receivables on charge cards since their new business volume (for other instruments, this includes both pure new loans and renegotiated loans) is equal to balances and thus included in the credit line category).

Source: CNB.

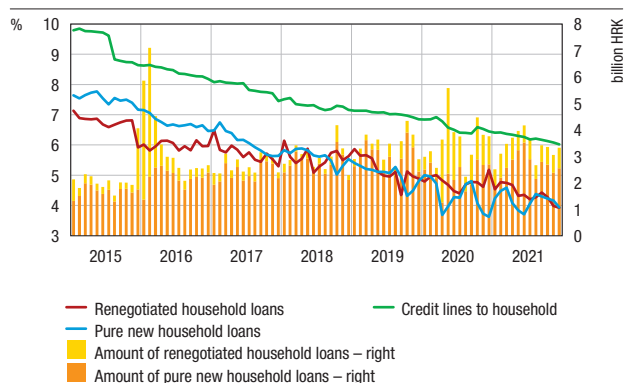
Figure 35 Interest rates on pure new loans by corporate size



Note: Quarterly weighted moving averages.

Source: CNB.

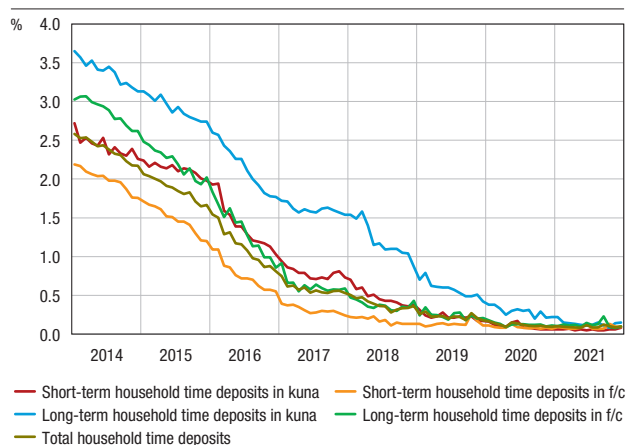
Figure 36 Interest rates and amount of household loans



Note: Data on pure new loans are not available for credit card loans, overdrafts, revolving loans and receivables on charge cards since their new business volume (for other instruments, this includes both pure new loans and renegotiated loans) is equal to balances and thus included in the credit line category).

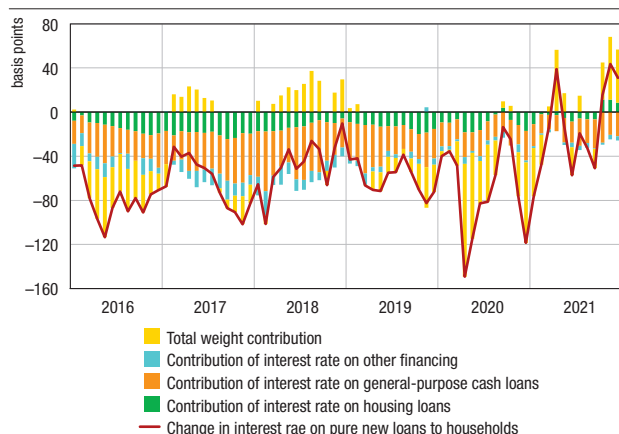
Source: CNB.

Figure 39 Interest rates on household time deposits



Source: CNB.

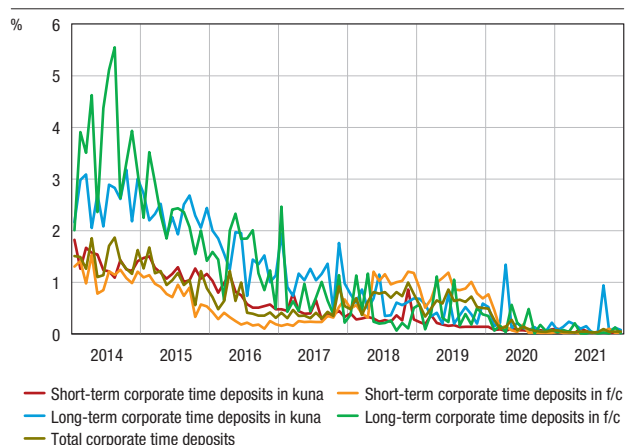
Figure 37 Contributions to the annual change in the interest rate on pure new household loans



Note: Calculated by applying the Bennet index, according to which total contribution is divided into interest rate effect and weight effect.

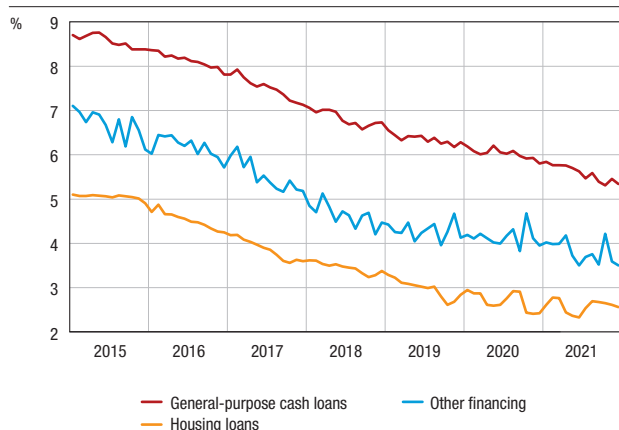
Source: CNB.

Figure 40 Interest rates on corporate time deposits



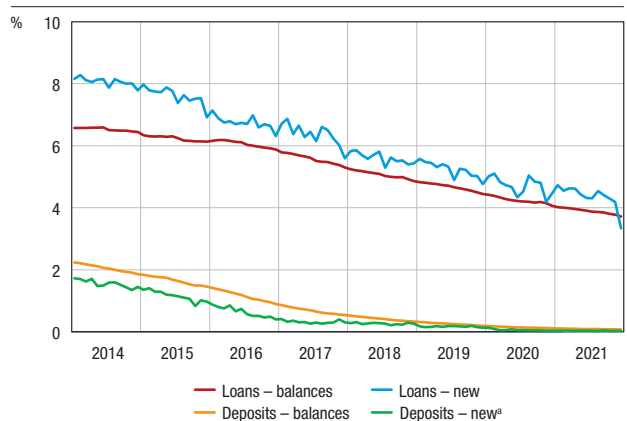
Source: CNB.

Figure 38 Interest rates on pure new household loans by purpose



Source: CNB.

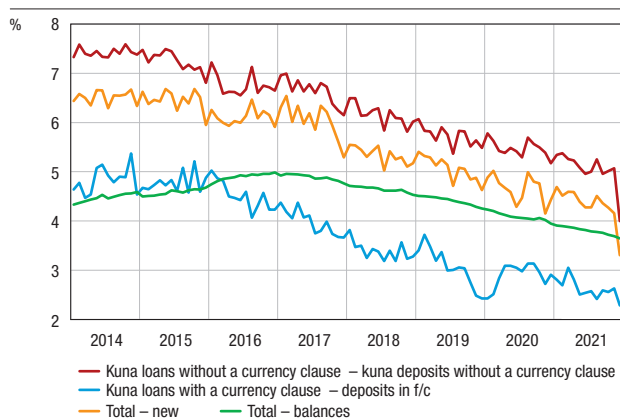
Figure 41 Average interest rates on loans (excl. revolving loans) and deposits



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

Source: CNB.

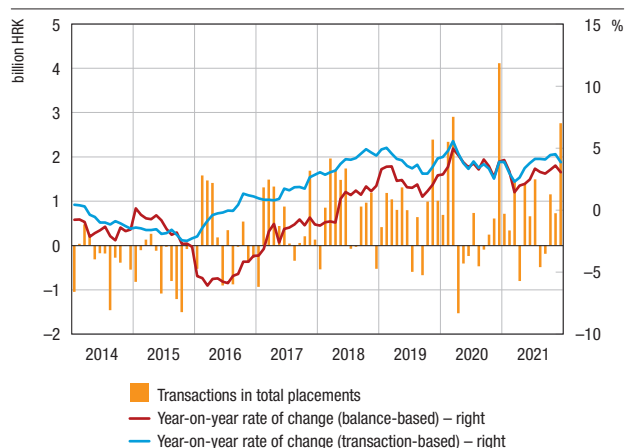
Figure 42 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits



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).

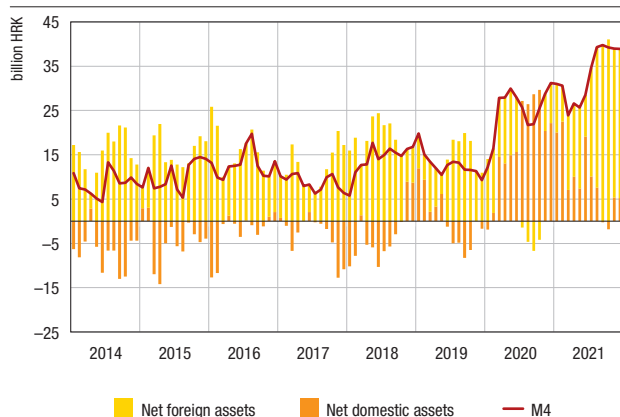
Source: CNB.

Figure 45 Placements



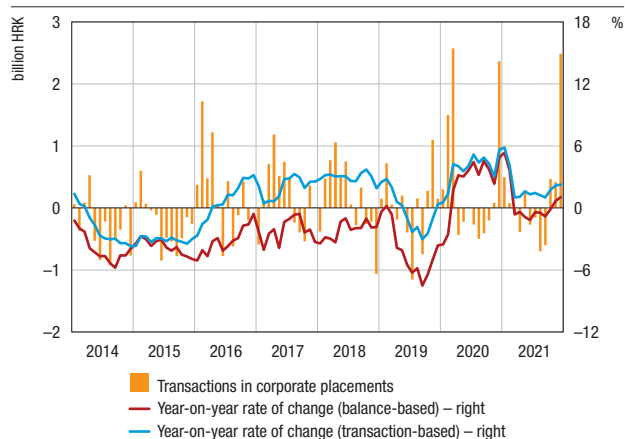
Source: CNB.

Figure 43 Net foreign assets, net domestic assets and total liquid assets (M4) absolute change in the last 12 months



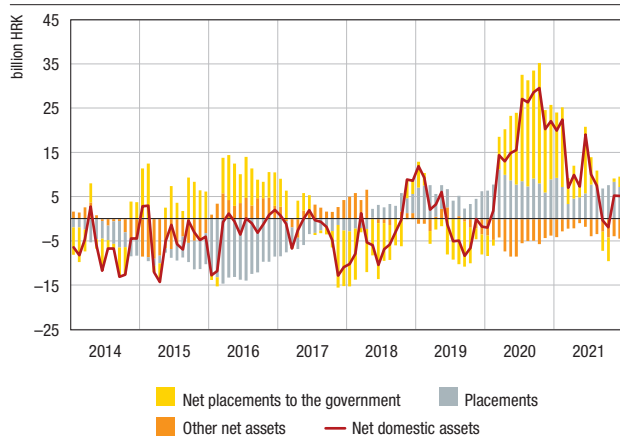
Source: CNB.

Figure 46 Placements to corporates



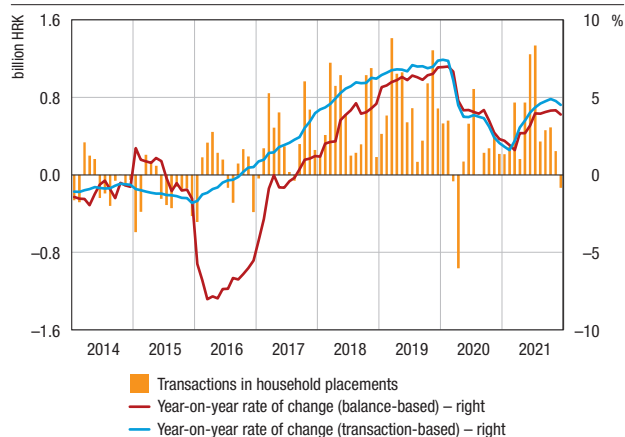
Source: CNB.

Figure 44 Net domestic assets, structure absolute change in the last 12 months



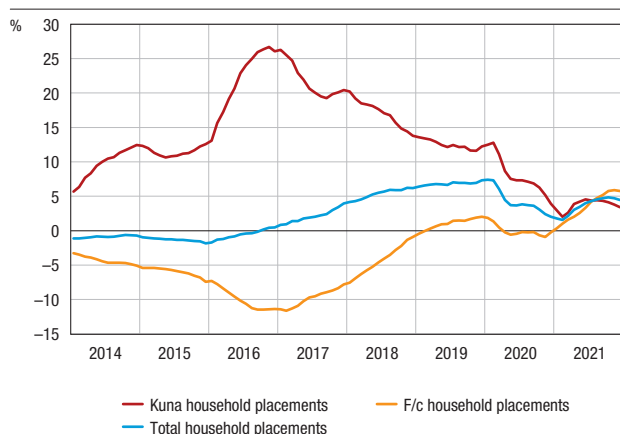
Source: CNB.

Figure 47 Placements to households



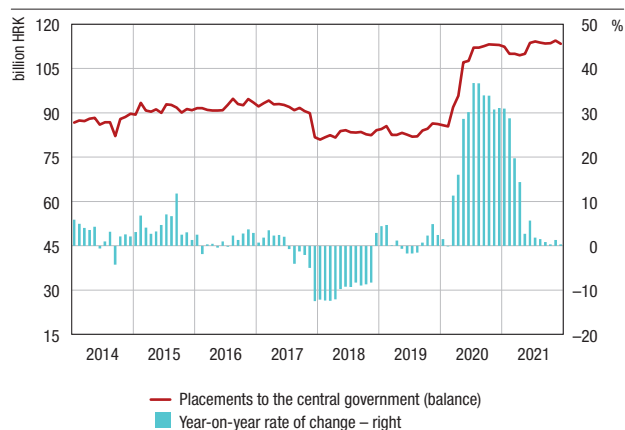
Source: CNB.

Figure 48 Annual rate of change in household placements transaction-based



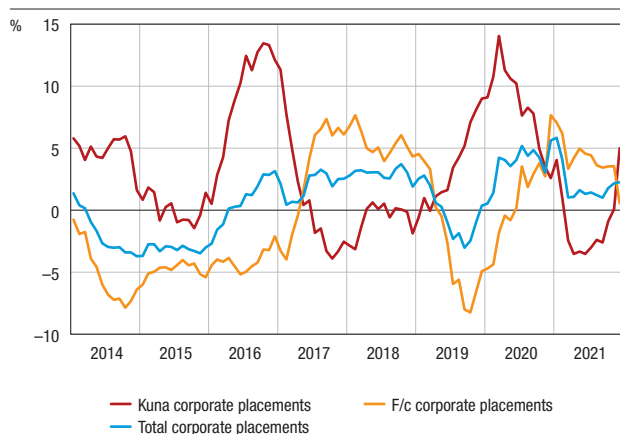
Source: CNB.

Figure 51 Placements of monetary financial institutions to the central government



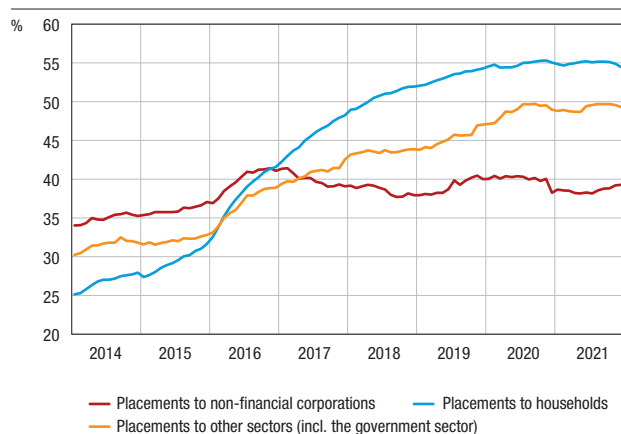
Source: CNB.

Figure 49 Annual rate of change in corporate placements transaction-based



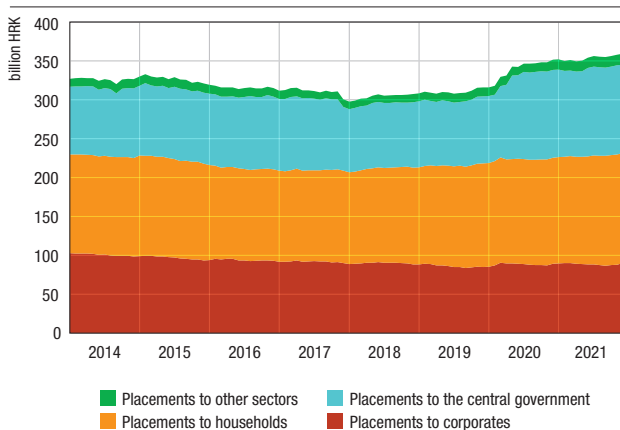
Source: CNB.

Figure 52 Share of kuna placements in total sector placements



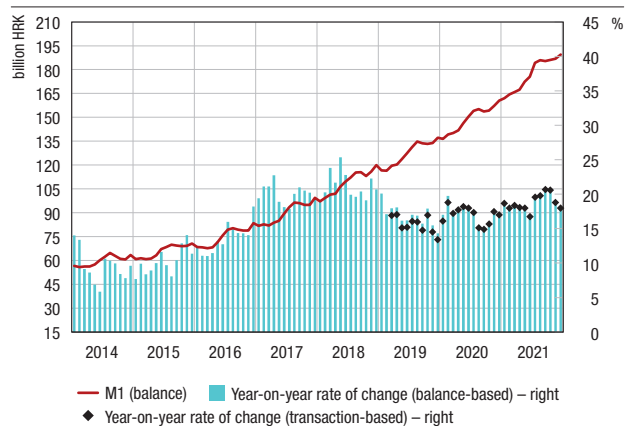
Source: CNB.

Figure 50 Structure of placements of monetary financial institutions



Source: CNB.

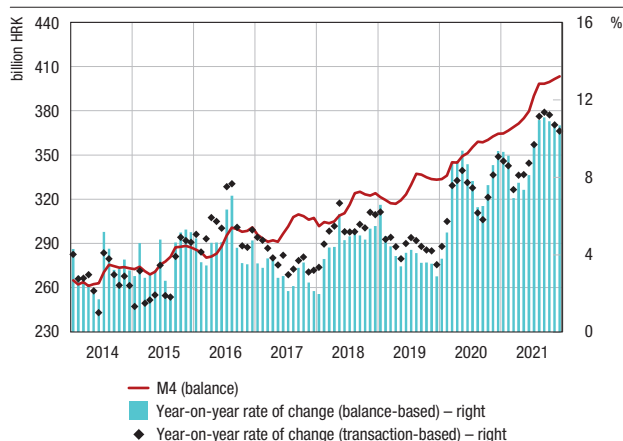
Figure 53 Money (M1)



Note: From March 2019, the growth rate (transaction-based) excludes the effect of the reclassification of money market funds.

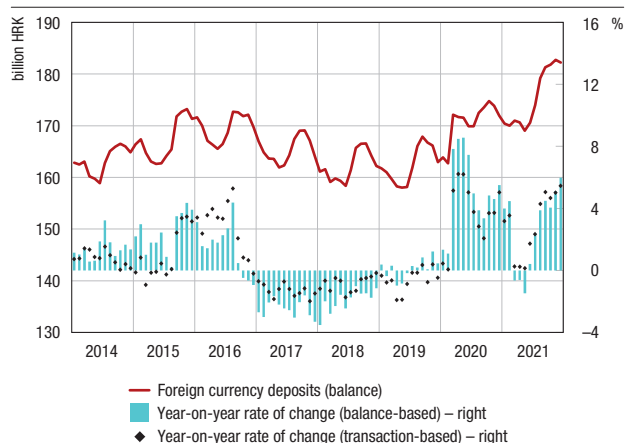
Source: CNB.

Figure 54 Total liquid assets (M4)



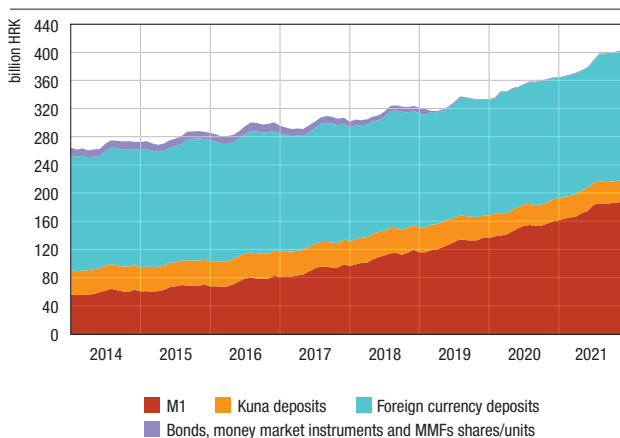
Source: CNB.

Figure 57 Foreign currency deposits



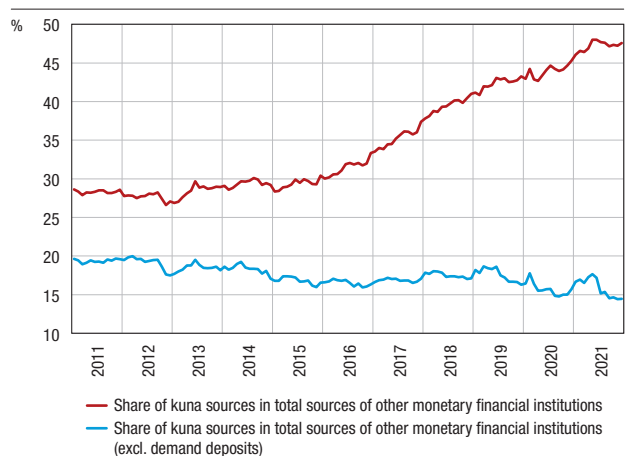
Source: CNB.

Figure 55 Structure of M4 monetary aggregate



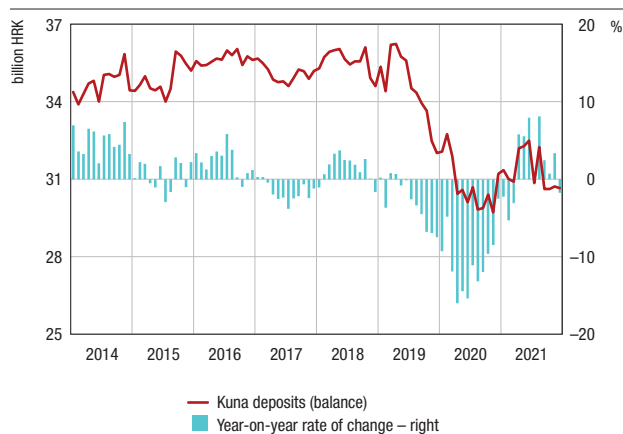
Source: CNB.

Figure 58 Share of kuna sources



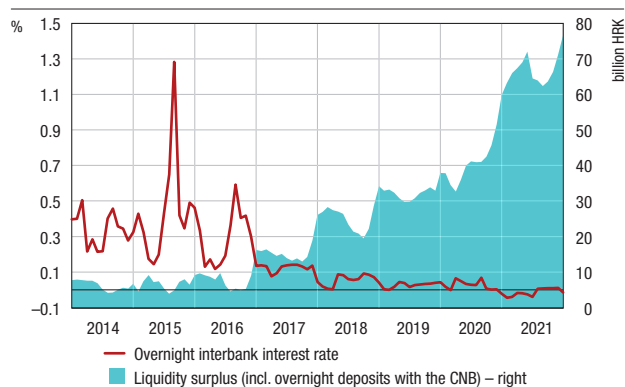
Source: CNB.

Figure 56 Kuna savings and time deposits



Source: CNB.

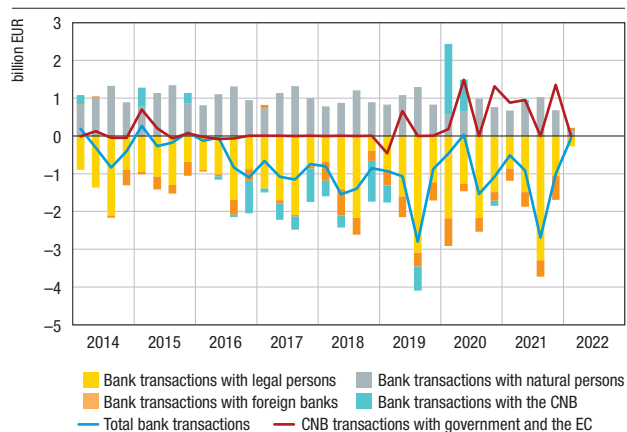
Figure 59 Bank liquidity and overnight interest rate on bank demand deposit trading



Notes: 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. The overnight interest rate until the end of 2015 refers to the overnight interbank interest rate and as of the beginning of 2016 to the overnight interest rate on bank demand deposit trading.

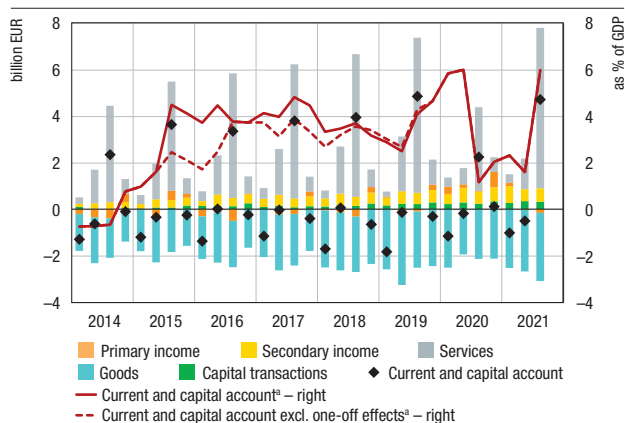
Source: CNB.

Figure 60 Spot transactions in the foreign exchange market (net turnover)



Notes: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government. Data for the first quarter of January 2022.
Source: CNB.

Figure 62 Current and capital account flows



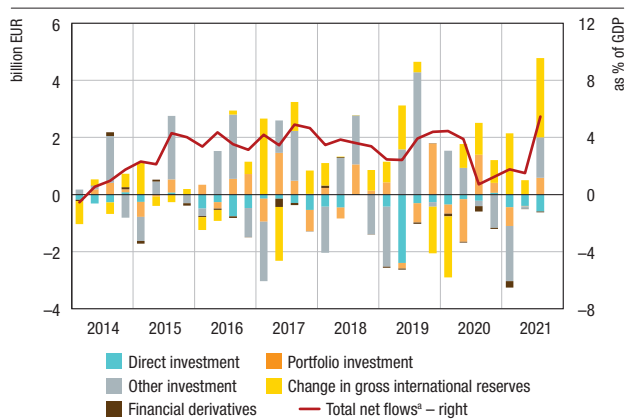
^a Sum of the last four quarters.
Note: One-off effects include conversion of CHF-linked loans in 2015 and bank provisions for loans to the Agrokor Group in 2017 and 2018.
Source: CNB.

Figure 61 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 63 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.

Table 2 Balance of payments

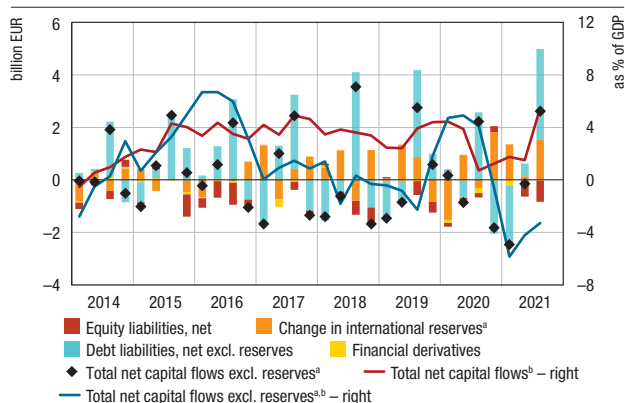
preliminary data, in million EUR

	2020	Q3/2021 ^a	Indices	
			2020/ 2019	Q3/2021/ 2020
Current account	-56.5	2,035.5	-	-
Capital account	1,074.4	1,272.1	120.8	118.4
Financial account (excl. reserves)	19.9	-3,180.3	1.4	-
International reserves	603.2	6,214.1	60.9	1,030.1
Net errors and omissions	-394.8	-273.7	294.2	69.3

^a Refers to the sum of the last four quarters.

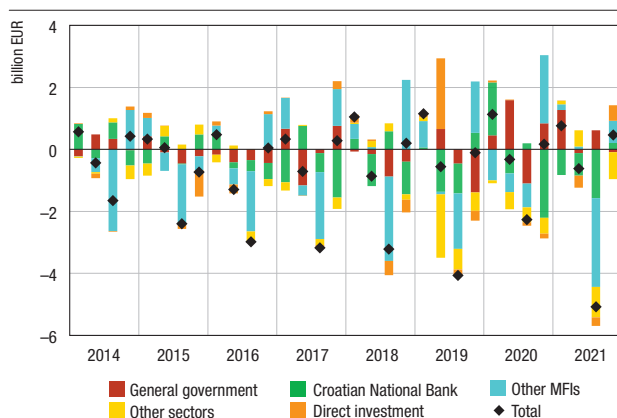
Source: CNB.

Figure 64 Financial account flows by equity to debt ratio



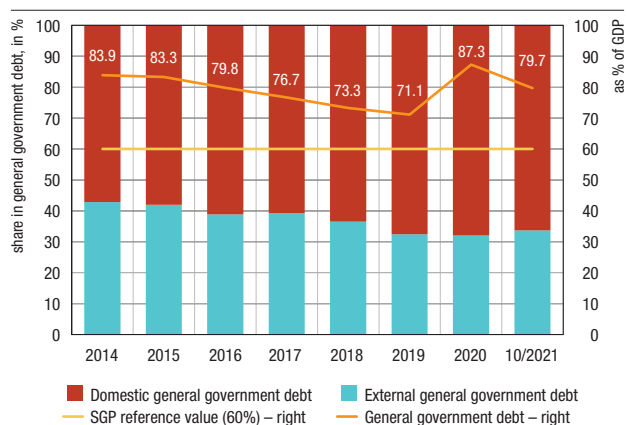
^a The change in gross international reserves is reported net of foreign liabilities of the CNB. ^b Sum of the last four quarters.
Notes: A positive value indicates net outflow of equity abroad. Net flows represent the difference between the change in assets and the change in liabilities.
Source: CNB.

Figure 65 Net external debt transactions



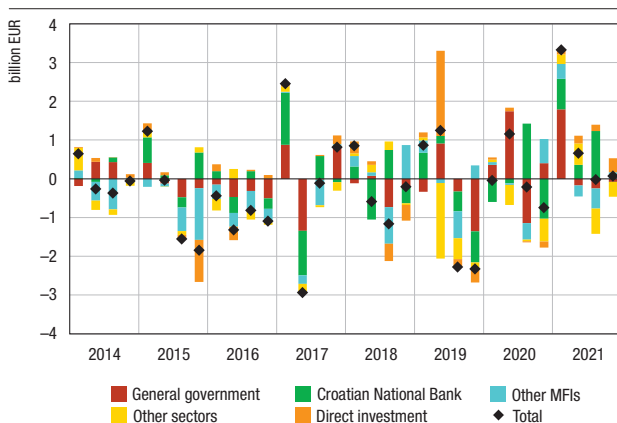
Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Net external debt is calculated as the gross external debt stock net of foreign debt claims. Data for the fourth quarter of 2021 refer to October and November.
Source: CNB.

Figure 68 General government debt



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

Figure 66 Gross external debt transactions

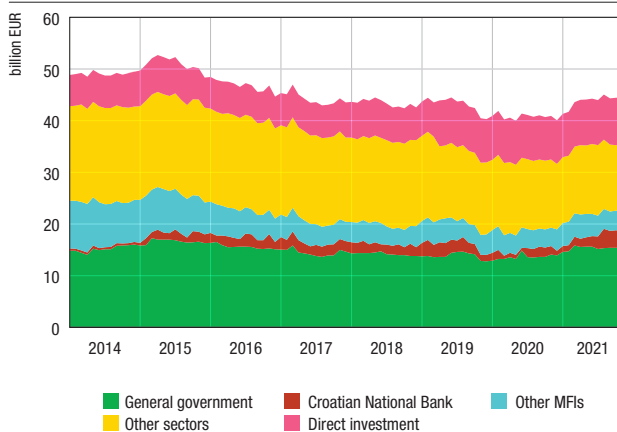


Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Data for the fourth quarter of 2021 refer to October and November.
Source: CNB.

Table 3 Consolidated general government balance
ESA 2010, in million HRK

	Jan.–Sep. 2020	Jan.–Sep. 2021
Total revenue	128,753	148,581
Direct taxes	17,752	16,426
Indirect taxes	51,498	62,969
Social contributions	33,348	36,918
Other	26,155	32,268
Total expenditure	148,317	154,757
Social benefits	47,549	49,897
Subsidies	11,254	8,690
Interest	5,614	5,171
Compensation of employees	37,149	39,652
Intermediate consumption	23,112	24,285
Investment	12,785	14,324
Other	10,854	12,738
Net lending (+)/borrowing (-)	-19,563	-6,176

Sources: Eurostat and CBS.

Figure 67 Gross external debt
end of period

Note: Data are up to November 2021.
Source: CNB.

Table 4 State budget

according to the national budgetary chart of accounts methodology, in million HRK

	Jan.–Sep. 2020	Jan.–Sep. 2021
1 Revenue	119,155	138,600
2 Disposal of non-financial assets	464	355
3 Expenditure	134,238	144,464
4 Acquisition of non-financial assets	3,714	6,318
5 Net lending (+)/borrowing (-) (1+2-3-4)	-18,333	-11,827

Sources: MoF and CNB calculations.

Table 5 General government debt

in million HRK

	Oct. 2020	Oct. 2021
Change in total debt stock	33.382	14.132
Change in domestic debt stock	22.555	3.880
– Cash and deposits	68	13
– Securities other than shares, short-term	5.600	–1.973
– Securities other than shares, long-term	10.676	5.354
– Short-term loans	2.098	–283
– Long-term loans	6.476	674
Change in external debt stock	10.828	10.252
– Cash and deposits	0	0
– Securities other than shares, short-term	114	1.366
– Securities other than shares, long-term	9.171	4.225
– Short-term loans	0	–179
– Long-term loans	1.543	4.839
Memo item:		
Change in total guarantees issued	1.814	1.827

Note: Change in the domestic debt of general government = (change in individual categories – consolidation elements).

Source: CNB.