



Information on economic trends

September 2018

Summary

In the second quarter of 2018, economic growth accelerated at both the quarterly and the annual level, reflecting favourable developments in most GDP components. The available high-frequency indicators suggest that the rise in real GDP might slow down slightly in the third quarter. In the second and at the beginning of the third quarter, favourable developments continued in the labour market, although at a slower pace than in early 2018. The annual consumer price inflation rate dropped from 2.4% in June to 2.1% in July, primarily on account of a significant decrease in the prices of clothing and vegetables. The CNB continued to pursue an expansionary monetary policy, maintaining very high levels of liquidity in the domestic financial market. Lending to households continued to grow in July, while the rise in corporate placements slowed down slightly on an annual basis. The net external debt of domestic sectors declined by EUR 1.0bn in the second quarter of 2018. In the first quarter of 2018, the general government budget deficit equalled that recorded in the same period last year (HRK 1.6bn), while MoF data suggest that in the second quarter revenues grew faster than expenditures on an annual basis.

In the second quarter, real GDP grew by 1.1% from the preceding three months (Figure 1), while its annual growth accelerated from the 2.5% recorded in early 2018 to 2.9%. Government consumption and exports of goods and services picked up at the quarterly level, while imports of goods and services saw a decline. Personal consumption continued to grow at a similar pace as at the beginning of the year, whereas investments stagnated. Observed at an annual level, domestic consumption continued to drive GDP upwards, while net foreign demand contributed positively to overall economic growth, following unfavourable developments seen in the previous two quarters.

Drawing on the currently available data (Figure 1), the GDP nowcasting model points to a slowdown in the growth of economic activity in the third quarter of the current year.¹ Data on the volume of industrial production for July 2018 indicate a decrease from the preceding quarter's average. This fall was observed in all MIG components on a quarterly basis except in the production of energy. Observed according to NCA, the largest quarterly drop in production was recorded in manufacturing, the most significant activity in terms of share, with more detailed data suggesting that such developments are primarily the result of a fall in the production of fabricated metal products except machinery and equipment, food products and chemicals. Real retail trade turnover also dropped in July from the average of the previous quarter (Figure 7). The findings of the Business Confidence Survey and the Consumer Confidence Survey for July and August show that business optimism in trade and services deteriorated from the preceding quarter, mainly due to more unfavourable expectations regarding demand in the following three months, while business expectations in construction and industry remained at the levels recorded in the preceding quarter. However, consumer confidence improved over the same period relative to the average of the preceding quarter, primarily owing to improved expectations regarding the financial situations of households and the overall economic situation in Croatia in 12 months compared with the current situation (Figure 8).

The second quarter and the beginning of the third quarter of 2018 were marked by further favourable developments in the labour market, although not as pronounced as at the beginning of the year. The rise in employment decelerated in the second quarter as a result of a slower increase in the number of employed persons in all activities except private sector activities associated with tourism, which saw a surge in employment. In July, the number of employed persons stagnated at the level recorded in the preceding quarter. The decline in the number of unemployed persons also slowed down in the second quarter as the inflows into the CES register from employment increased from the preceding quarter and the employment from the register dropped,

resulting in an increase in the net inflows into the CES register from employment and other business activities. On the other hand, removals from the CES register due to non-compliance with legal provisions and failure to report regularly continued. In July, the drop in the number of unemployed persons accelerated as a result of both new employment and outflows from the CES register on account of non-compliance with legal provisions and failure to report regularly. Registered unemployment fell from 10.0% in the second quarter to 9.7% in July (Figure 15). As regards wages, in the second quarter of 2018, average nominal and real gross wages picked up from the first quarter (Figure 16). Nominal and real gross wages continued to grow in July, albeit at a slower pace.

Following a stagnation in June, consumer prices fell by 0.9% in July from June (Table 1). The seasonal decrease in clothing and footwear prices and the prices of vegetables, mostly more pronounced than in the same period the year before, contributed the most to the fall in consumer prices. In addition, after three months of growth, retail prices of refined petroleum products fell in July as a result of a decrease in the prices of crude oil on the global market (Figure 19). The price of a barrel of Brent crude oil dropped from USD 79 at end-June to USD 70 in mid-August, mainly under the influence of growing concern over the global economic outlook and the demand for oil caused by rising protectionist measures in trade. On the other hand, the overall monthly decline in consumer prices was mitigated by a rise in the prices of services, in particular by the seasonal increase in the prices of accommodation and the prices of refuse collection and insurance connected with transport. The annual overall inflation rate dropped from 2.4% in June to 2.1% in July (Figure 18), primarily on account of the aforementioned substantial decrease in the prices of clothing and vegetables. The annual core inflation rate dropped to 0.5% in July after stagnating at 0.7% over the previous five months. The annual rate of change of industrial producer prices on the domestic market (excluding energy) increased slightly, from -0.1% in June to 0.1% in July, as a result of, among other things, an increase in the prices in the manufacture of metals and the manufacture of wearing apparel and a slowdown in the decrease of prices in the manufacture of food products.

Although there had been a considerable fall in early 2018, the second quarter of 2018 saw a rise of 7.1% in the total exports of goods relative to the preceding quarter's average (Figure 10) owing to a rise in energy exports (notably oil and refined petroleum products), as well as in the exports of other goods. The increase in the exports of the narrow aggregate excluding energy products (of 3.1%) was affected by the stronger exports of medical and pharmaceutical products, scientific and control

¹ See Kunovac, D., and B. Špalat: *Nowcasting GDP Using Available Monthly Indicators* (WP-39, October 2014).

instruments, road vehicles and food products. In contrast, total imports of goods went down slightly in the second quarter, by 0.4% relative to the average of the preceding quarter (Figure 11) in consequence of a sharp fall in the imports of energy products (in particular of oil and refined petroleum products). At the same time, the growth in the imports of the narrow aggregate excluding energy (of 1.2%) was driven by the increase in the imports of textile industry products, other transport equipment and food products.

Against the backdrop of increased demand of legal persons for foreign exchange on the domestic foreign exchange market, the exchange rate of the kuna against the euro depreciated slightly in July and August. At the end of August, the exchange rate stood at EUR/HRK 7.45, having depreciated by 0.6% from the end of June (Figure 21). The kuna weakened against most of the other currencies of Croatia's main trading partners, but the index of the nominal effective kuna exchange rate was at approximately the same level at end-August as it had been at end-June. The weakening of the kuna against the majority of foreign currencies was offset primarily by the substantial strengthening of the kuna against the Turkish lira, reflecting the strong depreciation of the Turkish lira on the global foreign exchange market.

On the European money market, short-term interest rates remained in negative territory in July and August. The overnight interbank interest rate for the euro area, EONIA, ended August at -0.34%, while the six-month EURIBOR dropped to -0.27% (Figure 24). Risk premiums for most European emerging market economies saw no significant change in July and August. The risk premium for Croatia dropped by 14 basis points in July, as a result of, among other things, the decision of Fitch Ratings to upgrade Croatia's outlook from stable to positive in early July, maintaining Croatia's credit rating at BB+ for long-term borrowing. The risk premium for Croatia did not change significantly in August, ending the month at 97 basis points (Figure 25).

The turnover on the domestic interbank overnight market was negligible in July, with the achieved interest rate of 0.00%, while there was no turnover in August. At the same time, the interest rate on one-year kuna T-bills without a currency clause remained unchanged at the level of 0.09% (Figure 28). In addition, one-year euro T-bills were placed with an interest rate of 0.00%. Low interest rates on the domestic interbank market were a result of the domestic financial system's abundant surplus liquidity, which totalled HRK 21.5bn in August (Figure 54).

Interest rates on new business volume of banks dropped for almost all types of bank loans to non-financial corporations and households in July 2018 (Figures 28, 29 and 30). In corporate loans, interest rates on kuna loans for working capital with a currency clause granted for the first time saw the most substantial decline (Figure 31), while in household loans, interest rates on renegotiated housing loans with a currency clause decreased the most (Figure 32), along with the interest rates on consumer loans in kuna (Figure 33). Interest rates on household and corporate time deposits remained virtually unchanged in July (Figures 34 and 35). The spread between interest rates on new loans and deposits fell to 4.97 percentage points, while the gap between interest rate spreads on loans and deposits dropped to 4.62 percentage points (Figure 37).

Monetary developments in July 2018 were marked by a seasonal upsurge in the net foreign assets (NFA) of the monetary system, which was reflected in a jump in total liquid assets (M4) of HRK 5.8bn or 1.9% (Figure 49). The increase in net foreign assets (NFA) of the monetary system was brought about by an increase in net foreign assets of credit institutions, while the net foreign assets of the CNB decreased in July due to the withdrawal of funds from the government's foreign currency deposit

with the CNB for the purpose of foreign bond repayment. Net domestic assets (NDA) of the monetary system saw a slight increase in July as a result of the aforementioned decrease in the central government's foreign currency deposit, which was partly offset by an increase in the government's kuna deposit following the issue of a kuna bond in the first half of July. The annual rise in total liquid assets (M4) in July 2018 remained at the level recorded in June, standing at 5.2%, excluding the effects of exchange rate changes. As regards the components of total liquid assets, the annual growth in money (M1) slowed down somewhat to 19.9% (Figure 48), while the annual fall in quasi-money decelerated from 3.0% to 1.8%.

Total placements of monetary institutions to domestic sectors (excluding the government) stagnated in July (transaction-based), standing at HRK 221.8bn at the month's end, with their annual growth rate, unchanged from the preceding month, at 4.1% (Figure 40). Annual growth in household placements continued to pick up, reaching 5.7% at the end of July (Figure 42). General-purpose cash loans continued to contribute the most to the growth with an annual growth rate of 10.9% (transaction-based). As regards the currency structure, kuna placements to households continued to trend upwards, in line with their trend over the years, while foreign currency placements dropped on an annual level (Figure 43). The annual growth in corporate placements slowed down to 2.6% (Figure 41) at the end of July, with an increase seen in lending to all activities except construction and agriculture. As for the nominal stock of total placements, their annual growth stood at 1.2% at end-July and was significantly slower than the transaction-based growth, primarily as a result of the sale of non-performing placements.

Following a decline in July brought about by the withdrawal of government funds from the foreign currency deposit with the CNB for the repayment of a foreign bond, gross international reserves decreased slightly in August as well, dropping to EUR 16.3bn (Figure 56). The decrease in August was predominantly driven by a lower level of agreed repo transactions. Compared with the end of 2017, gross reserves grew by EUR 0.6bn or 4.0%. At the same time, net usable reserves increased by EUR 0.9bn or 6.8% from the end of 2017, totalling EUR 14.7bn at the month's end.

After a rise in the first quarter, net external debt of domestic sectors decreased by EUR 1.0bn in the second quarter of 2018 (Figure 60). This was mainly a consequence of an improvement in the central bank's net external position (by EUR 1.0bn) thanks to the purchase of foreign exchange from banks and the temporary depositing of funds generated through the new issue of government bonds. Specifically, the central government issued bonds worth EUR 750m on the international market in June in order to refinance the bonds maturing in the third quarter. Since the bond was partly subscribed also by domestic investors, and because the government repaid a part of its liabilities arising from long-term loans, the increase in the central government's net external debt was only EUR 0.1bn. At the same time, there were no substantial changes in the net external debt of commercial banks and other domestic sectors. At the end of June, total gross external debt stood at EUR 40.1bn (Figure 62), down by EUR 0.5bn from the end of the first quarter. A more significant drop in debt was partly neutralised by unfavourable exchange rate changes caused by the weakening of the exchange rate of the euro against the US dollar.

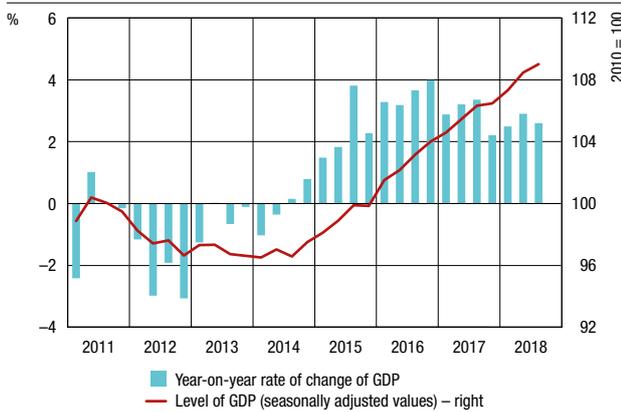
The consolidated general government deficit (ESA 2010) totalled HRK 1.6bn in the first quarter of 2018, almost unchanged from the same period the year before. Such developments reflect equal increases in total revenues and in total expenditures relative to the first quarter of 2017. Revenues rose by HRK 654.6m

and expenditures by HRK 643.0m. Broken down by categories, indirect taxes and social contributions provided a particularly positive contribution on the revenue side, supported by favourable developments in economic activities. On the other hand, the increase on the expenditure side was mainly due to growing other current expenditures and expenses on employees. According to MoF data² for the second quarter of the current year, the

central government ran a surplus of HRK 3.3bn, compared with HRK 2.5bn in the same period last year. The surplus increase reflects a faster growth in revenues than in expenditures.

As regards the trends in the general government debt, at the end of May, it stood at HRK 278.9bn, down by HRK 4.4bn from the end of 2017 (Table 5), largely due to the appreciation of the exchange rate of the kuna vis-à-vis the euro.

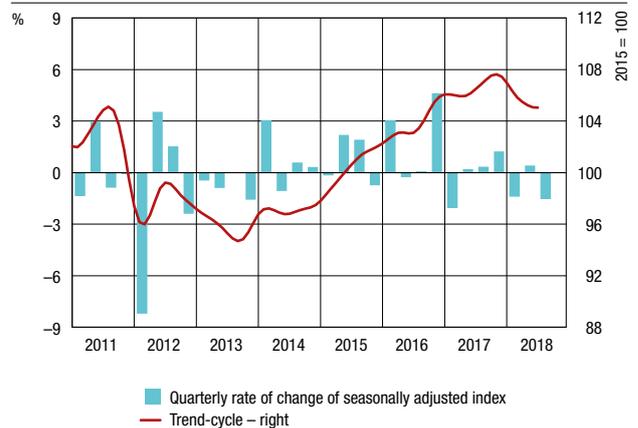
Figure 1 Quarterly gross domestic product
seasonally adjusted real values



Note: Data for the third quarter of 2018 are estimated with the use of the CNB's monthly indicator of real economic activity, on the basis of data published until 6 September 2018.

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

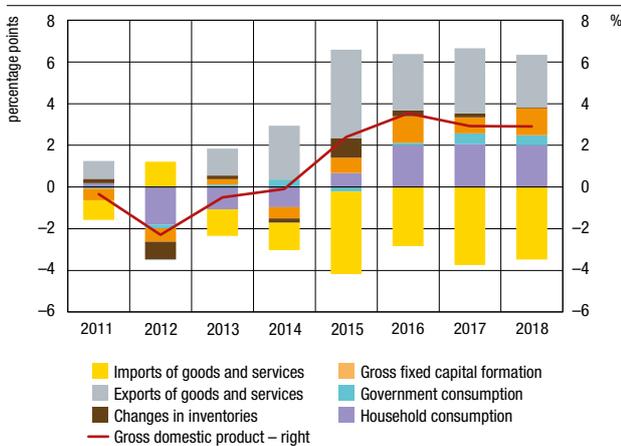
Figure 3 Industrial production



Note: Data for the third quarter of 2018 refers to July.

Source: CBS data seasonally adjusted by the CNB.

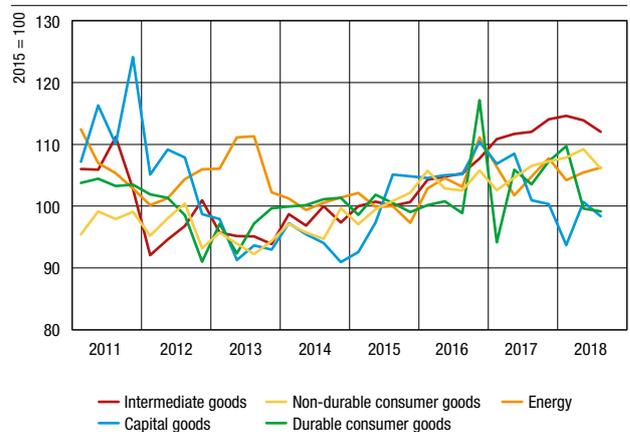
Figure 2 GDP rate of change
contributions by components



Note: The projection for 2018 refers to the official projection of the CNB from July 2018.

Source: CBS.

Figure 4 Industrial production by main industrial groupings
seasonally adjusted indices

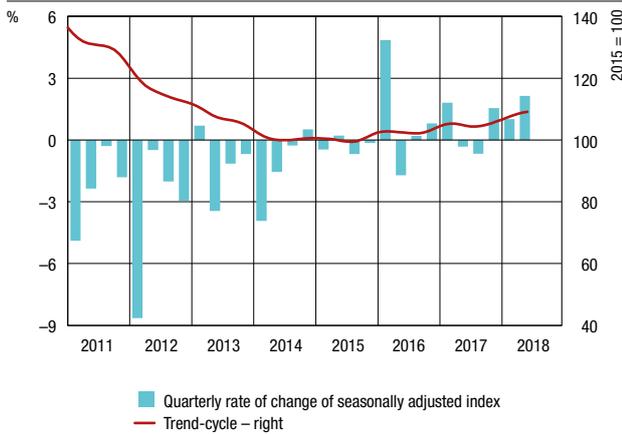


Note: Quarterly data are calculated as the average of monthly data.

Source: CBS data seasonally adjusted by the CNB.

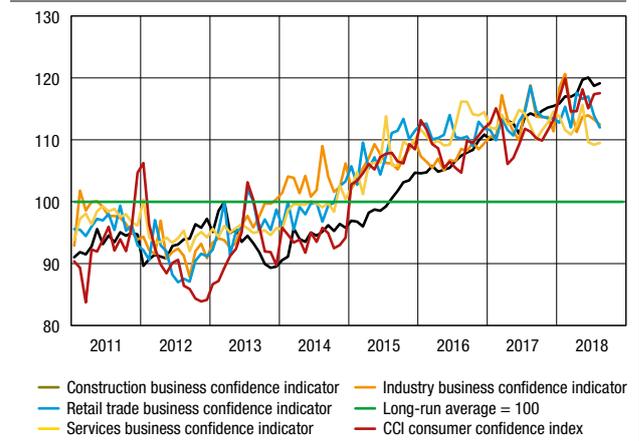
2 Monthly data for central government, state government and social security sub-sectors which, pursuant to Council Directive 2011/85/EU, have to be published before the end of the following calendar month. The published data refer to general government units according to the scope of the ESA 2010 statistical methodology, except for data for the local government, which are published on a quarterly basis.

Figure 5 Total volume of construction works



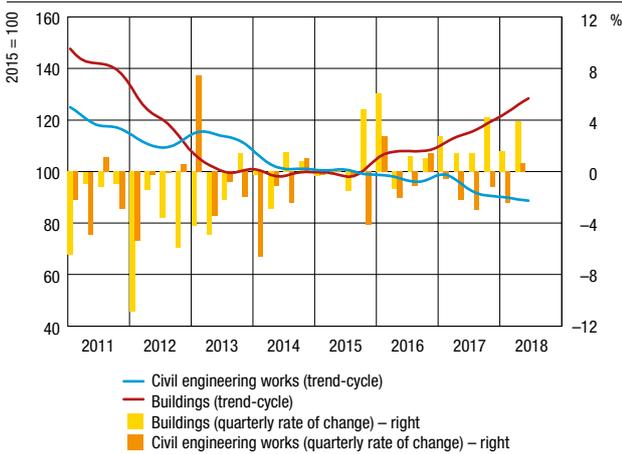
Source: CBS data seasonally adjusted by the CNB.

Figure 8 Business confidence indicators standardised and seasonally adjusted values



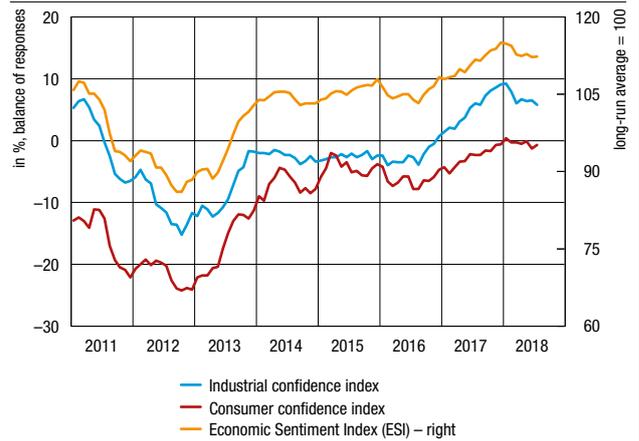
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



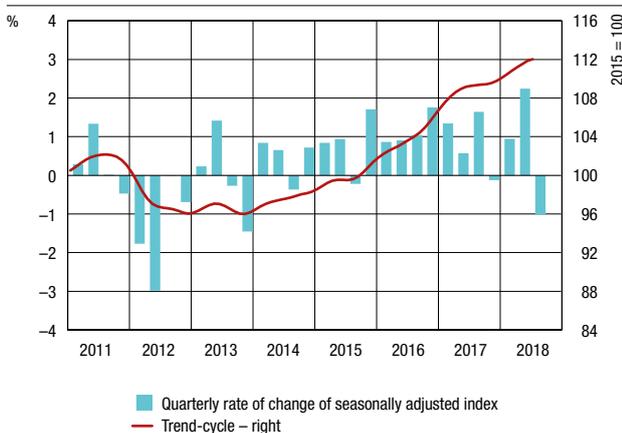
Source: CBS data seasonally adjusted by the CNB.

Figure 9 EU confidence indices seasonally adjusted series



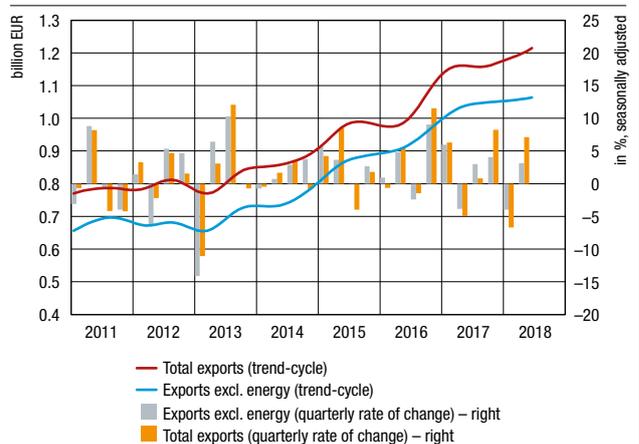
Note: Data are up to July 2018.
Source: Eurostat.

Figure 7 Real retail trade turnover



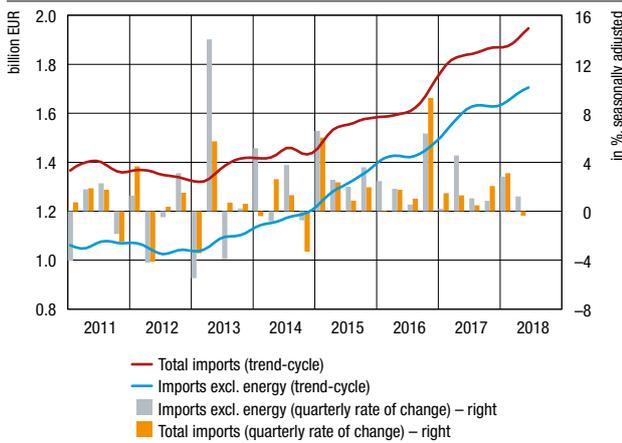
Note: Data for the third quarter of 2018 refers to July.
Source: CBS data seasonally adjusted by the CNB.

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



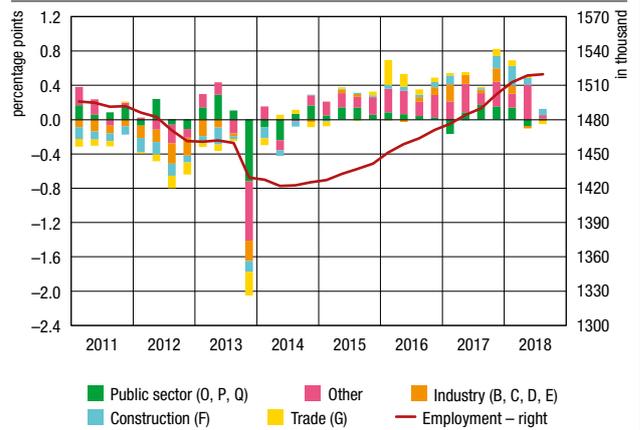
Source: CBS data seasonally adjusted by the CNB.

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



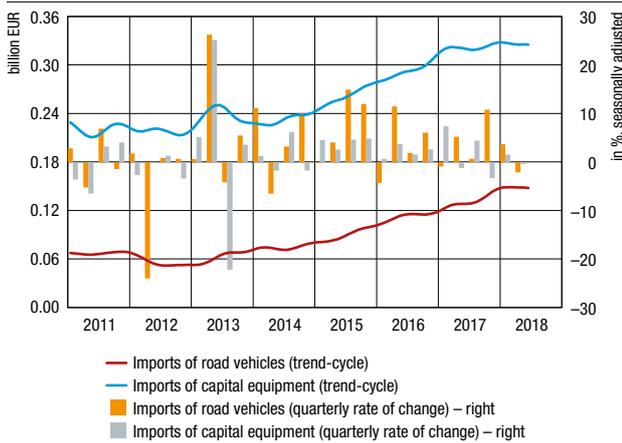
Source: CBS data seasonally adjusted by the CNB.

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



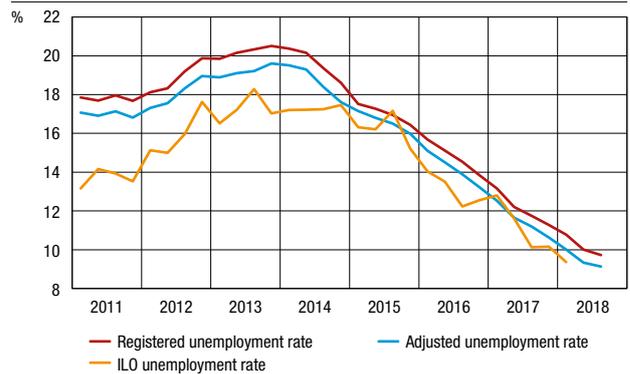
Note: Data for the third quarter of 2018 refer to July.
Source: CPII data seasonally adjusted by the CNB.

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



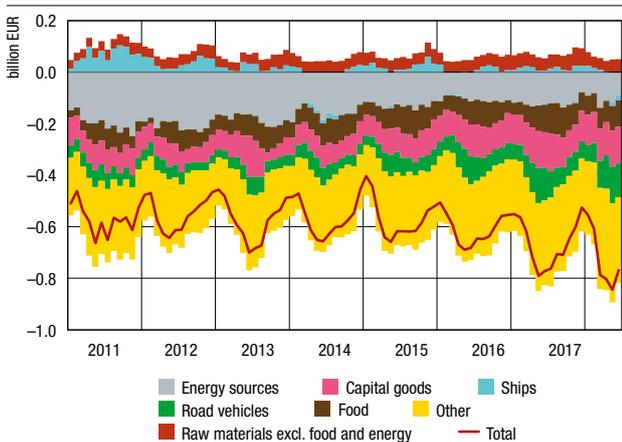
Notes: Imports of capital equipment (SITC divisions 71 – 77).
Source: CBS data seasonally adjusted by the CNB.

Figure 15 Unemployment rates seasonally adjusted data



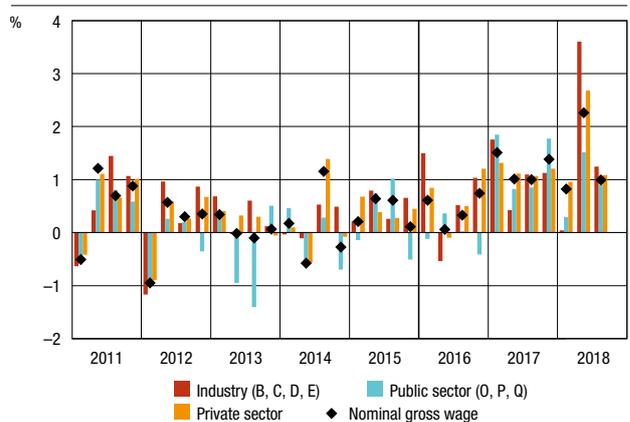
Notes: Since January 2015, the calculation of the registered unemployed rate has been made using the data on employed persons from the JOPPD form. The adjusted unemployment rate is the CNB estimate and is calculated as the share of the number of registered unemployed persons in the working age population (unemployed persons and persons insured with the CPII). The most recent data available refers to July 2018.
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

Figure 13 Trade in goods balance



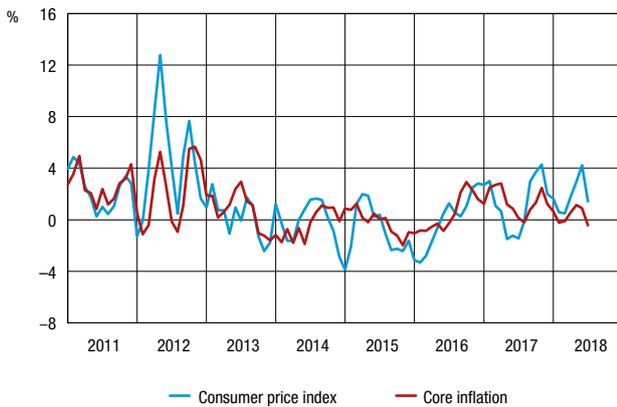
Note: Series are shown as three-member moving averages of monthly data.
Source: CBS.

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



Notes: Data on the average nominal gross wage by activity refer to data from the RAD-1 form, and from January 2016 to data from the JOPPD form. Data for the third quarter of 2018 refer to July.
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

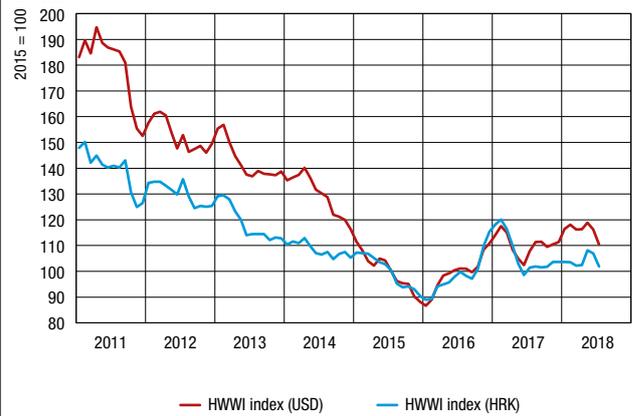
Figure 17 Consumer price index and core inflation
annualised month-on-month rate of change^a



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

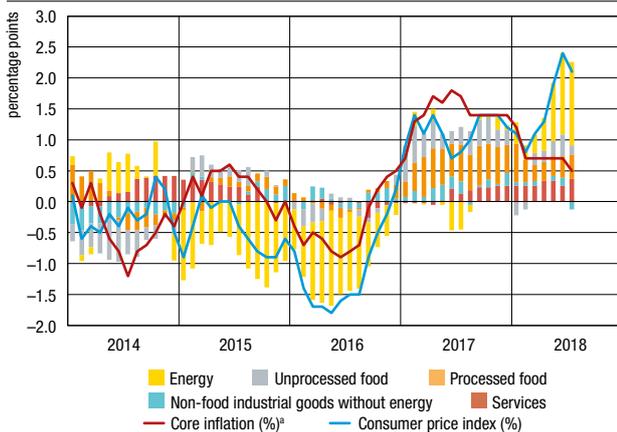
Sources: CBS and CNB calculations.

Figure 20 HWWI index (excl. energy)



Sources: HWWI and CNB calculations.

Figure 18 Year-on-year inflation 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

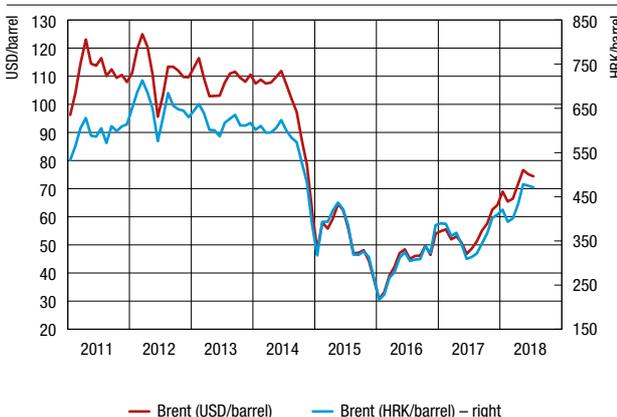
year-on-year and month-on-month rates of change

	Year-on-year rates		Month-on-month rates	
	6/18	7/18	7/17	7/18
Consumer price index and its components				
Total index	2.4	2.1	-0.7	-0.9
Energy	7.9	8.1	-0.6	-0.5
Unprocessed food	3.8	1.6	-0.6	-2.7
Processed food	1.5	1.7	0.5	0.6
Non-food industrial goods without energy	0.5	-0.5	-2.8	-3.7
Services	1.0	1.4	0.1	0.6
Other price indicators				
Core inflation	0.7	0.5	-0.8	-1.0
Index of industrial producer prices on the domestic market	3.4	4.0	0.1	0.7
Brent crude oil price (USD)	60.3	52.9	3.8	-1.0
HWWI index (excl. energy, USD)	13.5	2.3	5.4	-5.0

Note: Processed food includes alcoholic beverages and tobacco.

Sources: CBS, Bloomberg and HWWI.

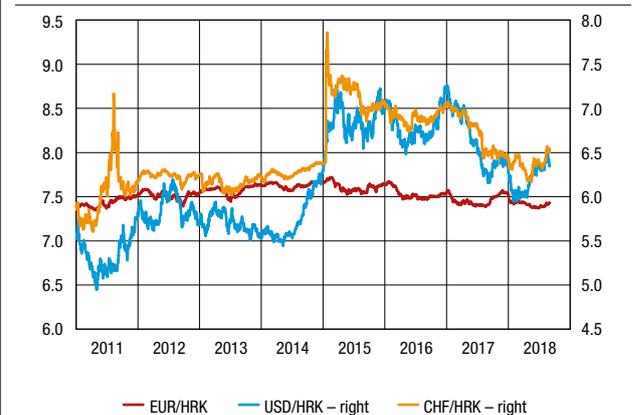
Figure 19 Crude oil prices (Brent)



Sources: Bloomberg and CNB calculations.

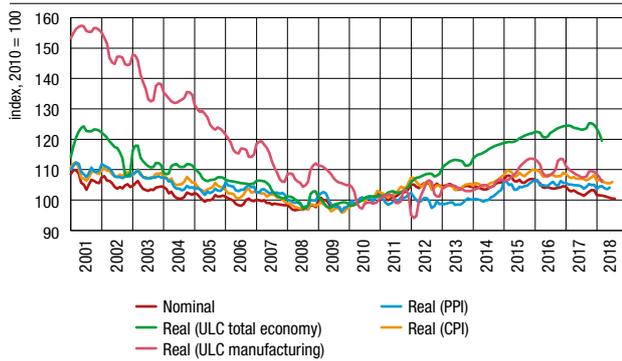
Figure 21 Daily nominal exchange rate – HRK vs. EUR, USD and CHF

CNB midpoint exchange rate



Source: CNB.

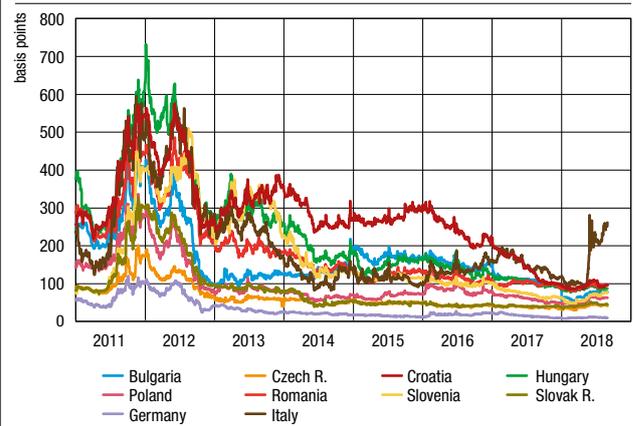
Figure 22 Nominal and real effective exchange rates of the kuna



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

Source: CNB.

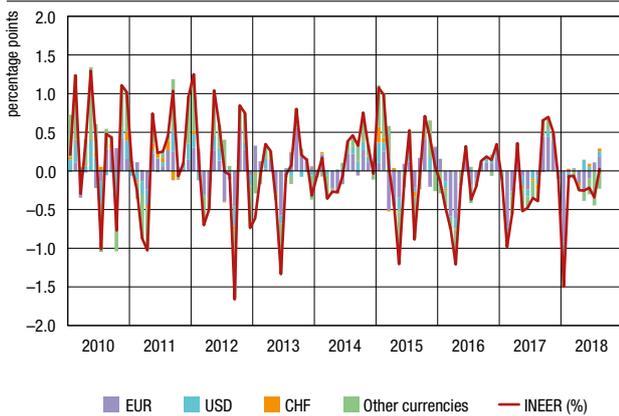
Figure 25 CDS spreads for 5-year government bonds of selected countries



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

Source: S&P Capital IQ.

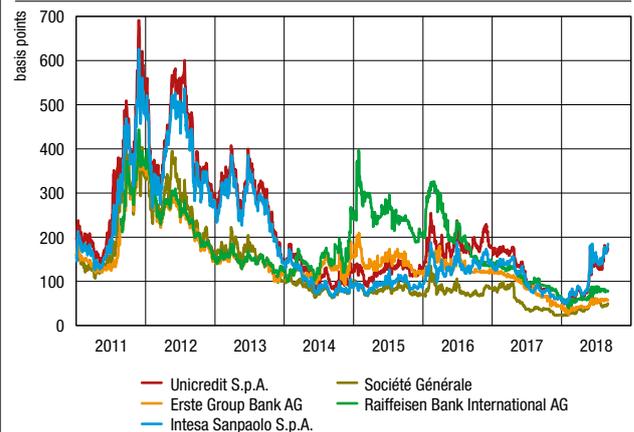
Figure 23 Contributions^a of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)



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

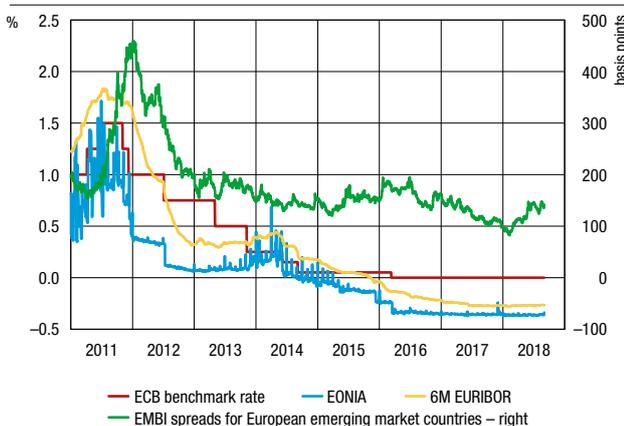
Source: CNB.

Figure 26 CDS spreads for selected parent banks of domestic banks



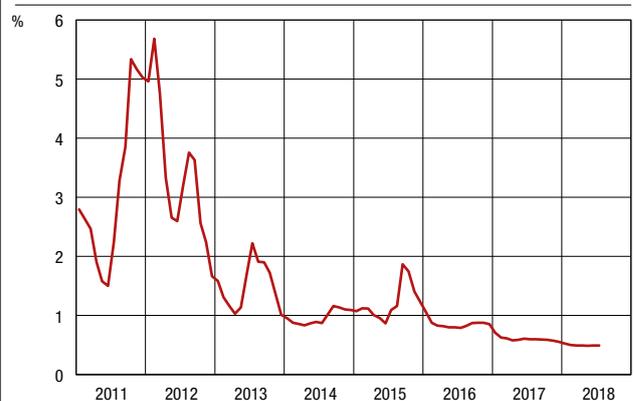
Source: S&P Capital IQ.

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



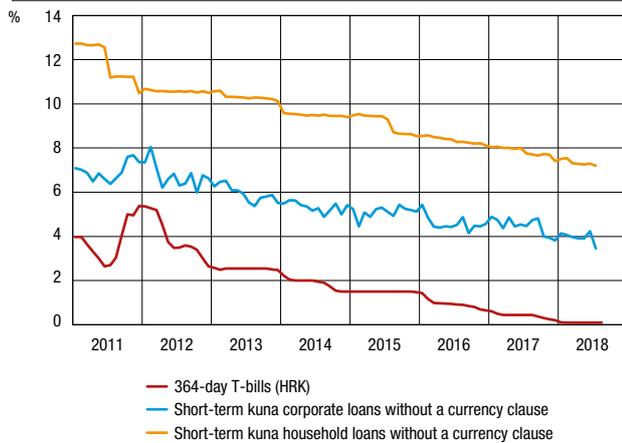
Sources: ECB, Bloomberg and J. P. Morgan.

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



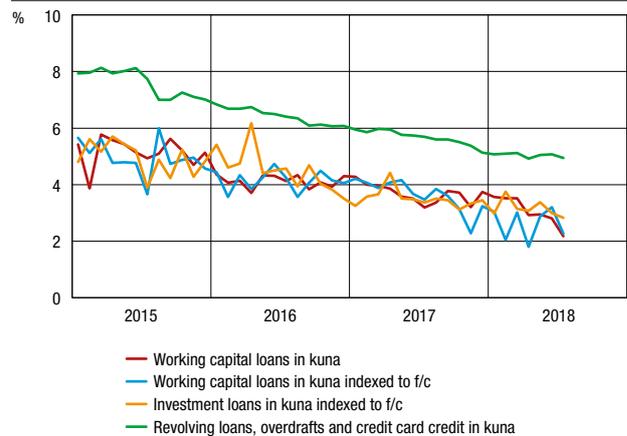
Source: CNB.

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



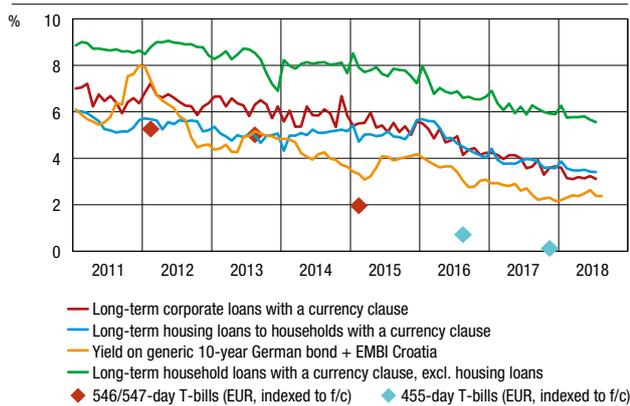
Sources: MoF and CNB.

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



Source: CNB.

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



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

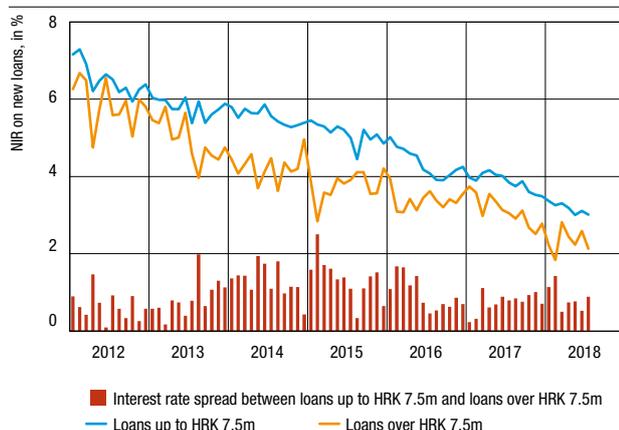
Sources: MoF, Bloomberg and CNB.

Figure 32 Interest rates on original new housing loans to households



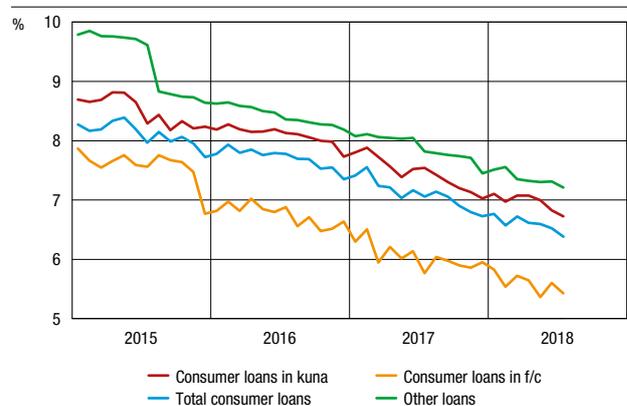
Source: CNB.

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



Source: CNB.

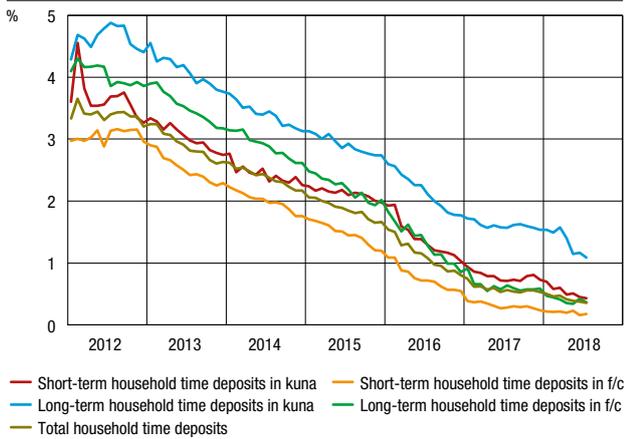
Figure 33 Interest rates on original new consumer and other loans to households



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

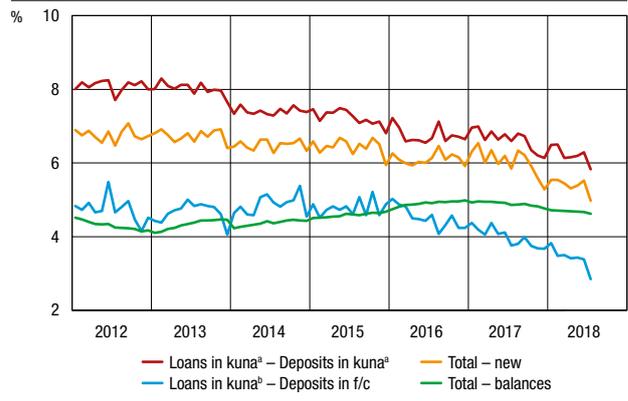
Source: CNB.

Figure 34 Interest rates on household time deposits



Source: CNB.

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

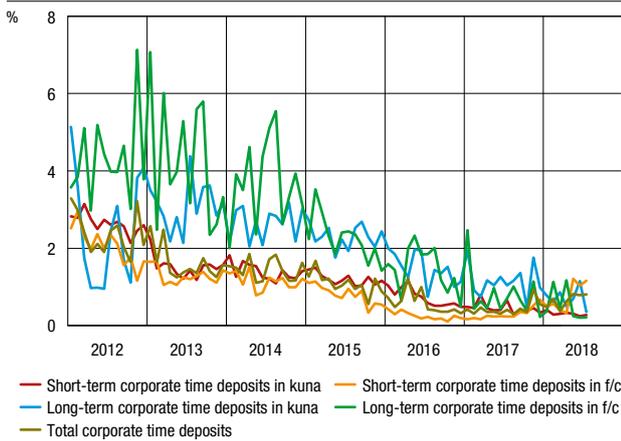


^a Non-indexed to f/c. ^b Indexed to f/c.

Note: Spread between average interest rates on loans and average interest rates on deposits should be differentiated from net interest margin (the ratio of the difference between interest income and interest expenses to total assets of credit institutions).

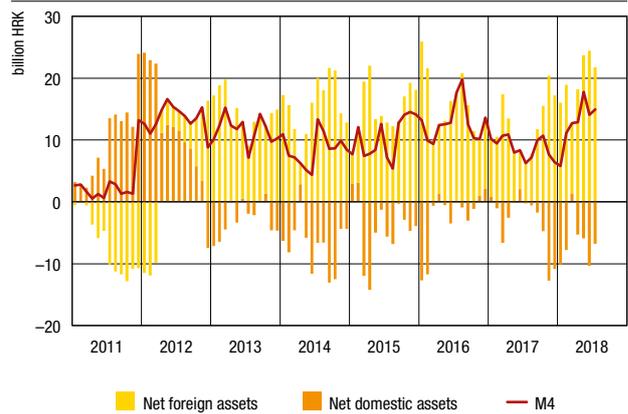
Source: CNB.

Figure 35 Interest rates on corporate time deposits



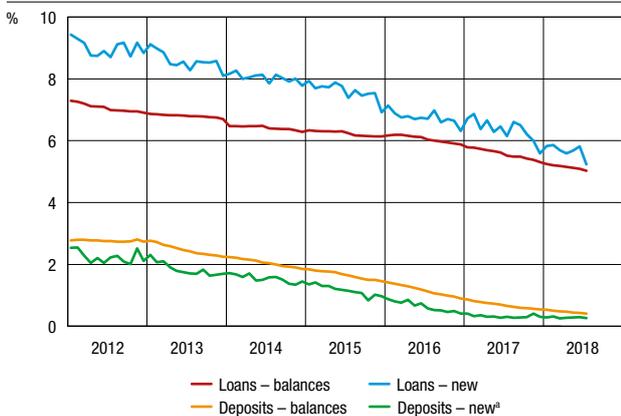
Source: CNB.

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



Source: CNB.

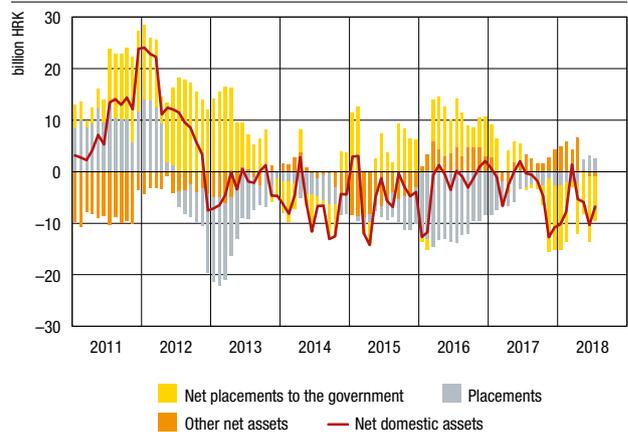
Figure 36 Average interest rates on loans (excl. revolving loans) and deposits



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

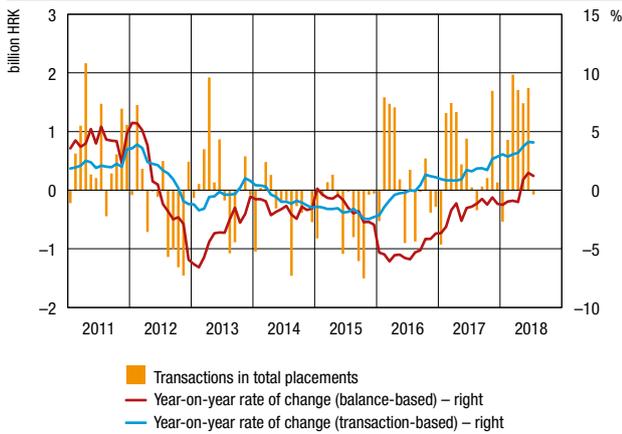
Source: CNB.

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



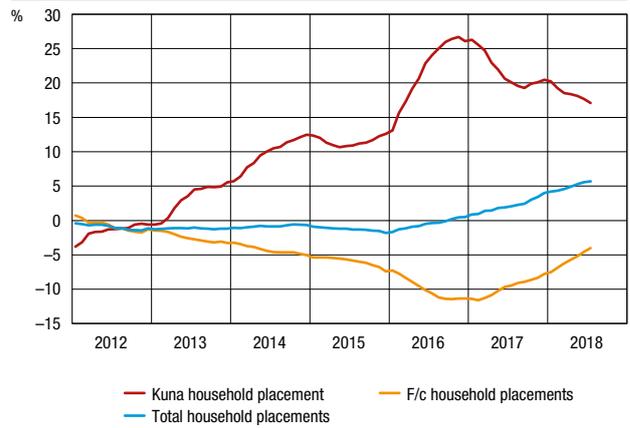
Source: CNB.

Figure 40 Placements



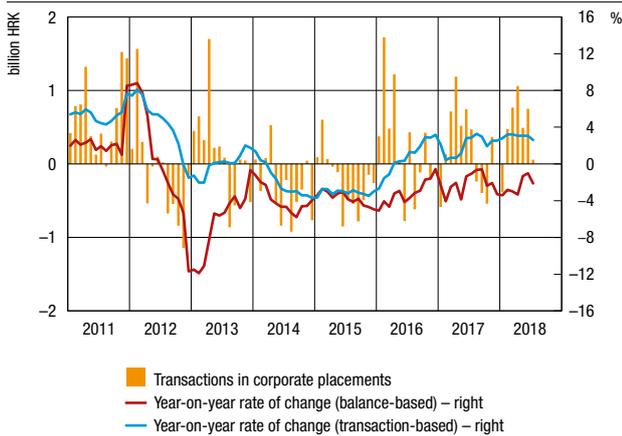
Source: CNB.

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



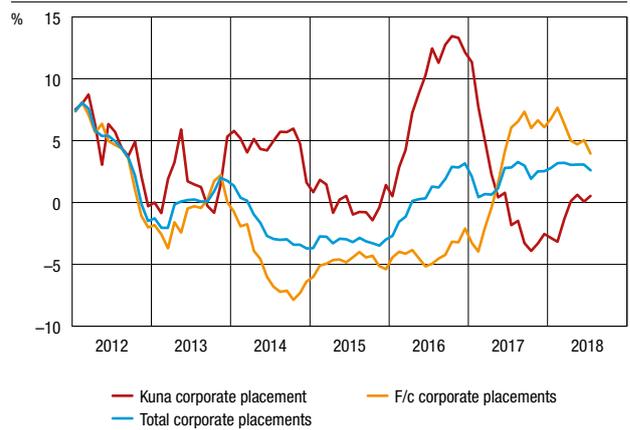
Source: CNB.

Figure 41 Placements to corporates



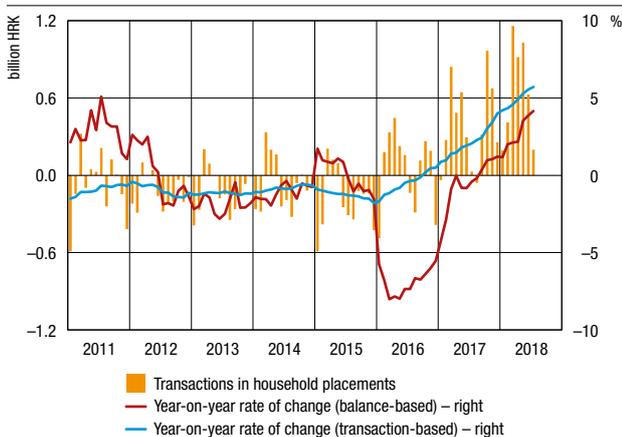
Source: CNB.

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



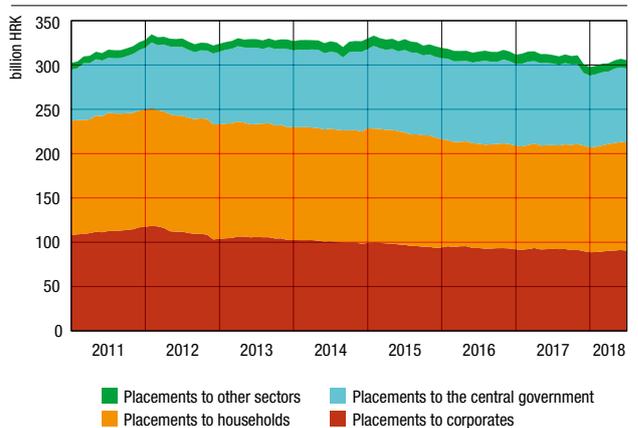
Source: CNB.

Figure 42 Placements to households



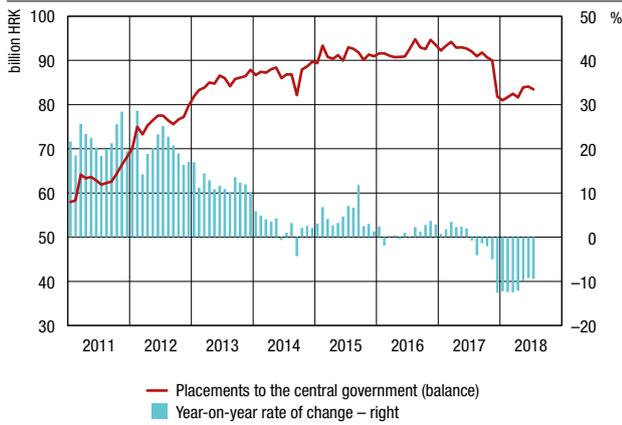
Source: CNB.

Figure 45 Structure of credit institution placements



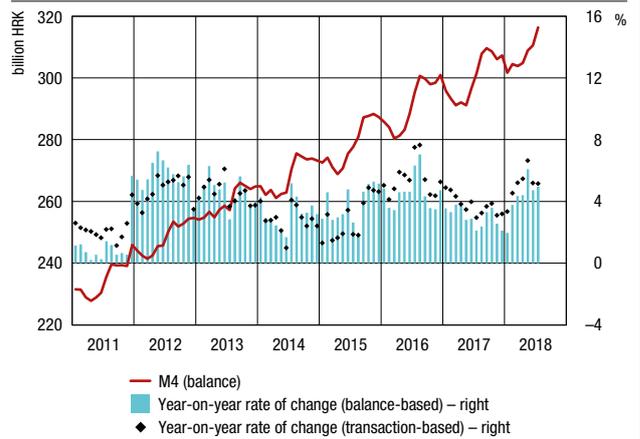
Source: CNB.

Figure 46 Credit institution and MMF placements to the central government



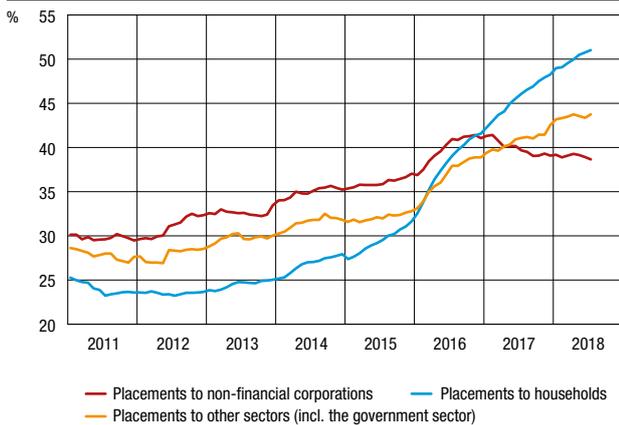
Source: CNB.

Figure 49 Total liquid assets (M4)



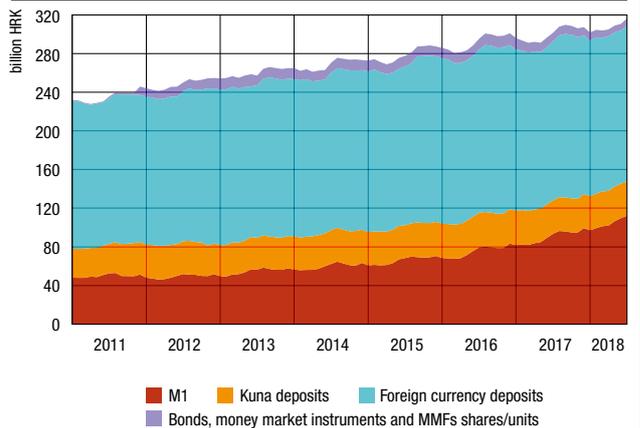
Source: CNB.

Figure 47 Share of kuna placements in total sector placements



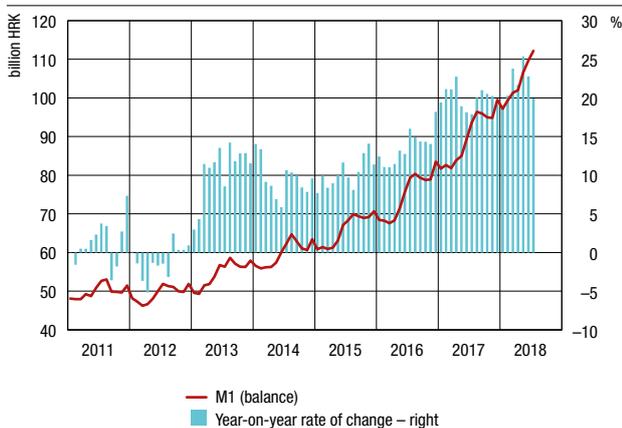
Source: CNB.

Figure 50 Structure of M4 monetary aggregate



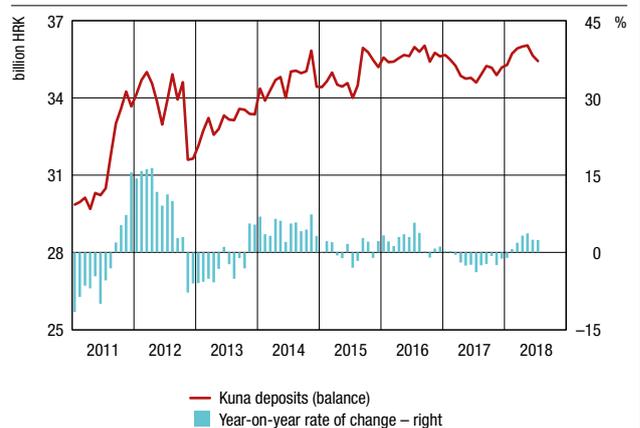
Source: CNB.

Figure 48 Money (M1)



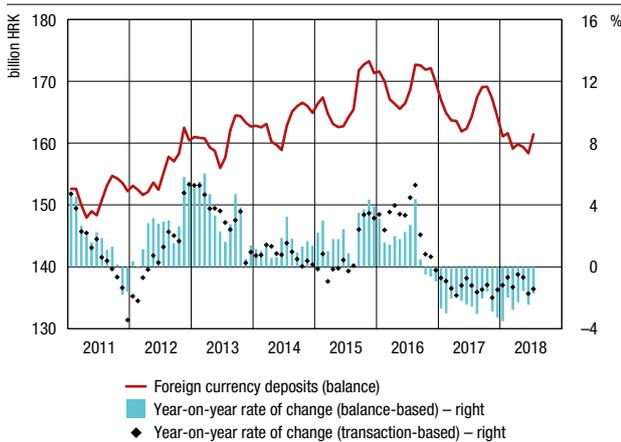
Source: CNB.

Figure 51 Kuna savings and time deposits



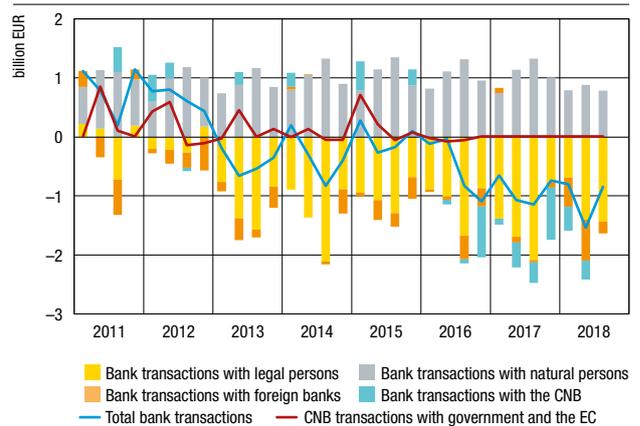
Source: CNB.

Figure 52 Foreign currency deposits



Source: CNB.

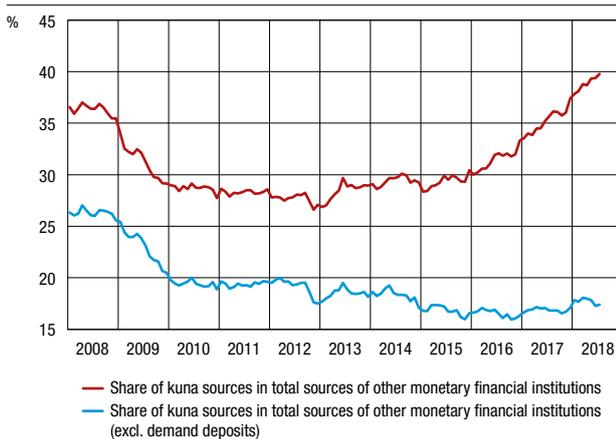
Figure 55 Spot transactions in the foreign exchange market (net turnover)



Notes: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government. Data for the second quarter of 2018 are up to 25 May.

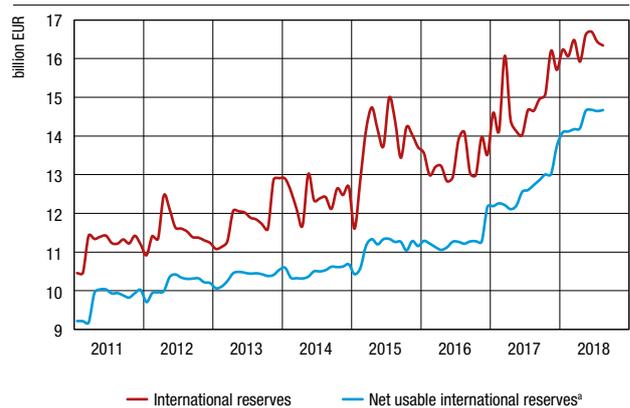
Source: CNB.

Figure 53 Share of kuna sources



Source: CNB.

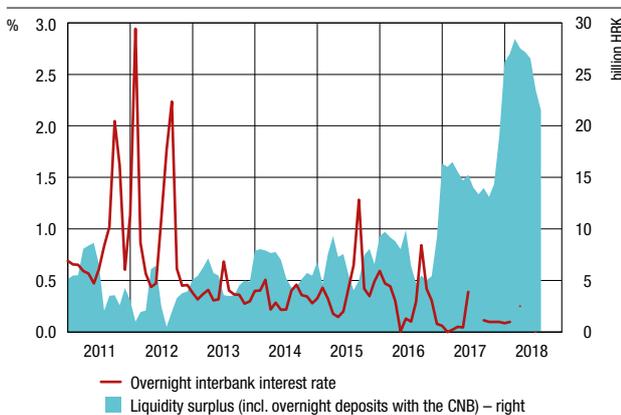
Figure 56 International reserves of the CNB at current rate of exchange



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

Source: CNB.

Figure 54 Bank liquidity and overnight interbank interest rate



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

Source: CNB.

Table 2 Balance of payments preliminary data, in million EUR

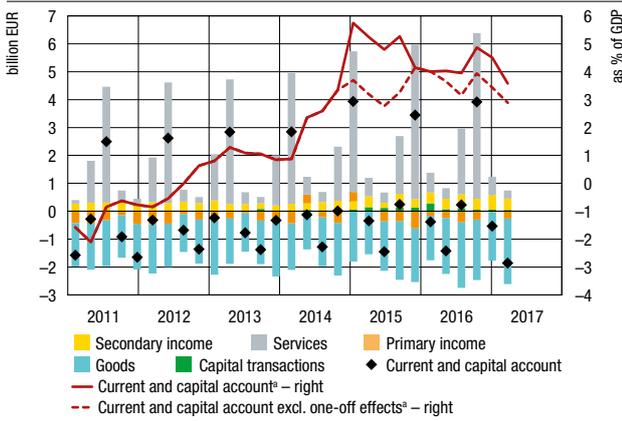
	2017	Q1/2018 ^a	Indices	
			2017/2016	Q1/2018 ^a /2017
Current account	1,901.5	1,488.0	157.9	78.3
Capital account	308.3	284.7	46.2	92.3
Financial account (excl. reserves)	-786.1	895.3	-	-
International reserves	2593.1	725.1	-	28.0
Net errors and omissions	-402.9	-152.3	83.5	37.8

^a Sum of the last four quarters.

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

Source: CNB.

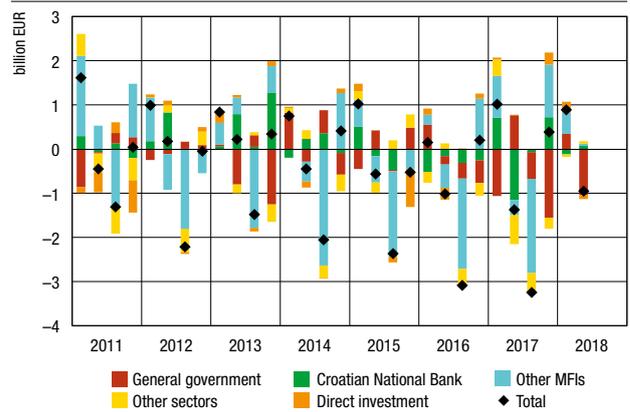
Figure 57 Current and capital account flows



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

Source: CNB.

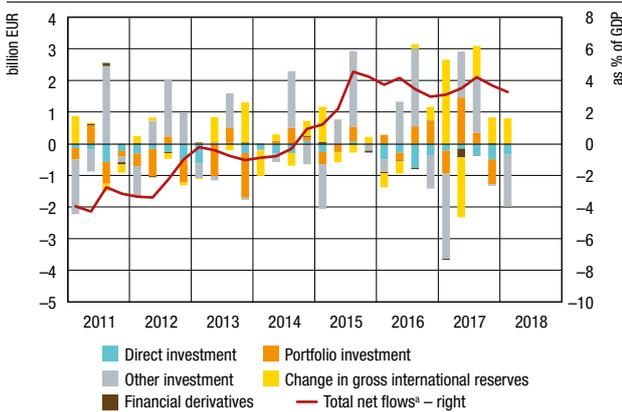
Figure 60 Net external debt transactions



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

Source: CNB.

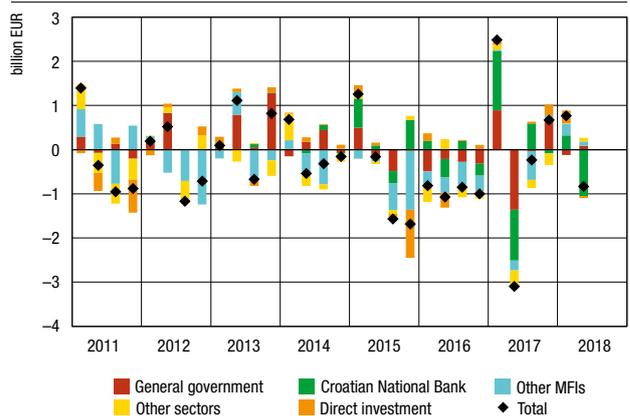
Figure 58 Financial account flows by type of investment



^a Sum of the last four quarters.
 Note: A positive value indicates net outflow of equity abroad (including on the basis of the growth in international reserves).

Source: CNB.

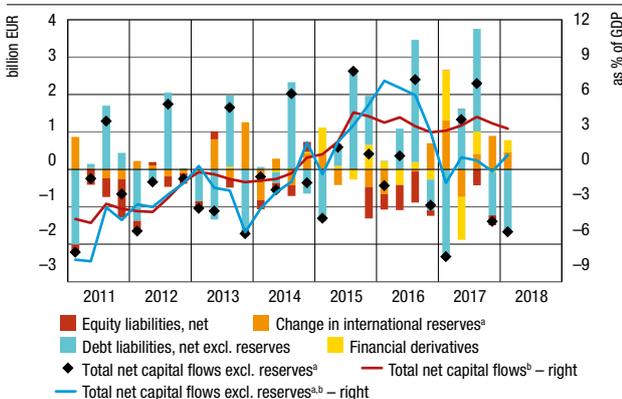
Figure 61 Gross external debt transactions



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

Source: CNB.

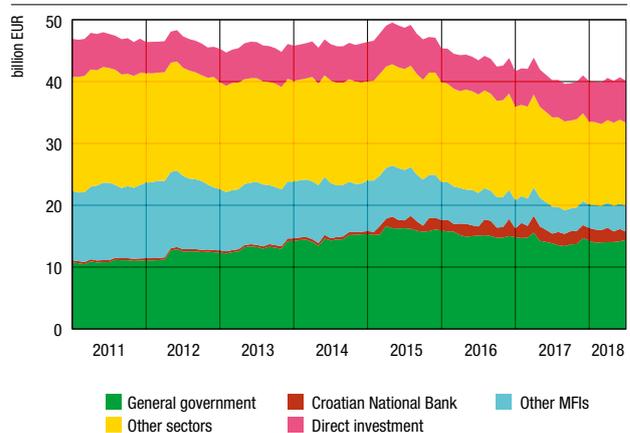
Figure 59 Financial account flows by capital structure



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

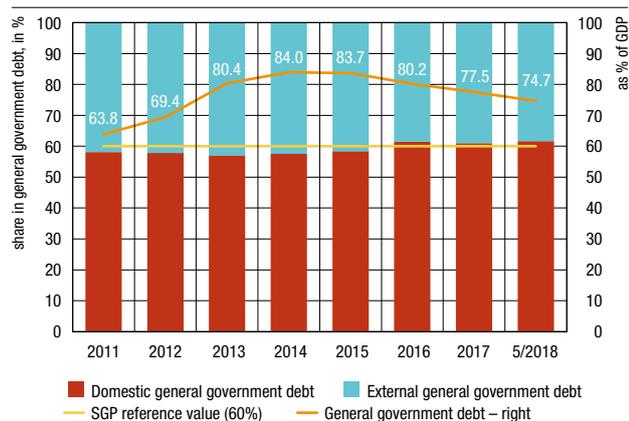
Figure 62 Gross external debt end of period



Note: Data are up to end-June 2018.

Source: CNB.

Figure 63 General government debt



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

Source: CNB.

Table 3 Consolidated general government balance

ESA 2010, in million HRK

	Jan. – Mar. 2017	Jan. – Mar. 2018
Total revenue	37,877	38,531
Direct taxes	5,627	5,733
Indirect taxes	14,399	15,100
Social contributions	10,316	11,012
Other	7,536	6,686
Total expenditure	39,496	40,139
Social benefits	14,235	14,521
Subsidies	1,972	1,828
Interest	2,341	2,284
Compensation of employees	9,759	10,360
Intermediate consumption	6,288	6,221
Investment	2,714	1,740
Other	2,188	3,185
Net lending (+)/borrowing (-)	-1,619	-1,608

Sources: Eurostat and CBS.

Table 4 Consolidated central government net borrowing

GFS 2001, in million HRK

	Jan. – Apr. 2017	Jan. – Apr. 2018
1 Revenue	42,702	45,379
2 Disposal of non-financial assets	243	189
3 Expenditure	43,849	44,846
4 Acquisition of non-financial assets	1,045	908
5 Net borrowing (1 + 2 – 3 – 4)	-1,949	-186

Sources: MoF and CNB calculations.

Table 5 General government debt

in million HRK

	Jan. – May 2017	Jan. – May 2018
Change in total debt stock	1,423	-4,377
Change in domestic debt stock	4,653	-661
– Securities other than shares, short-term	901	123
– Securities other than shares, long-term	4,066	-1,444
– Loans	-288	686
Change in external debt stock	-3,230	-3,716
– Securities other than shares, short-term	147	-127
– Securities other than shares, long-term	-3,278	-734
– Loans	-99	-2,855
Memo item:		
Change in total guarantees issued	-226	-333

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	– Croatian 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
CHIF	– Croatian Health Insurance Fund
CLVPS	– Croatian Large Value Payment System
CM	– Croatian Motorways
CNB	– Croatian National Bank
CPF	– Croatian Privatisation Fund
CPI	– consumer price index
CPII	– Croatian Pension Insurance Institute
CR	– Croatian Roads
CSI	– consumer sentiment index
DAB	– State Agency for Deposit Insurance and Bank Resolution
dep.	– deposit
DVP	– delivery versus payment
EC	– European Commission
ECB	– European Central Bank
EFTA	– European Free Trade Association
EMU	– Economic and Monetary Union
ESI	– economic sentiment index
EU	– European Union
excl.	– excluding
f/c	– foreign currency
FDI	– foreign direct investment
Fed	– Federal Reserve System
FINA	– Financial Agency
FISIM	– financial intermediation services indirectly measured
f.o.b.	– free on board
GDP	– gross domestic product
GVA	– gross value added
HANFA	– Croatian Financial Services Supervisory Agency
HICP	– harmonised index of consumer prices
ILO	– International Labour Organization
IMF	– International Monetary Fund
incl.	– including
IPO	– initial public offering
m	– million
MIGs	– main industrial groupings
MM	– monthly maturity
MoF	– Ministry of Finance
NCA	– National Classification of Activities
NCB	– national central bank
NCS	– National Clearing System

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
SGP	– Stability and Growth Pact
VAT	– value added tax
WTO	– World Trade Organization
ZMM	– Zagreb Money Market
ZSE	– Zagreb Stock Exchange

Three-letter currency codes

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

Two-letter country codes

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

Symbols

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