



Information on economic trends

November 2020

Summary

According to the available monthly indicators, the third quarter of the year is expected to see a growth in economic activity on a quarterly level, following a sharp decline in the second quarter caused by the pandemic of the new coronavirus and restrictive measures introduced to combat it. Employment continued to grow and the number of unemployed persons continued to fall in September. Despite favourable developments in the labour market, the number of employed and unemployed persons continued to be considerably more unfavourable than in the period before the outbreak of the pandemic. The epidemiological situation deteriorated substantially towards the end of October, which could, should such a situation continue, have a negative impact on the pace of recovery. The overall consumer price inflation rose slightly, from -0.1% in August to 0.0% in September. By contrast, core inflation fell from 1.2% to 0.7% , influenced by a fall in the annual rate of change in the prices of individual food products, clothing and footwear, and catering and accommodation services. The highly expansionary monetary policy continued into October with the banks' free reserves reaching a historical high, supported by a fall in currency in circulation and government kuna deposits with the CNB. The annual growth in total placements of banks accelerated to 3.7% in September, with the growth in placements to non-financial corporations accelerating as a result of the base effect, while the annual growth in household placements slowed down slightly. Following a considerable deficit in the general government budget of HRK 13.2bn in the first half of the year, the monthly data of the Ministry of Finance point to more favourable budgetary developments in the third quarter. The relative indicator of general government debt at the end of July stood at 82.5% of GDP, up 9.7 percentage points from the end of 2019, reflecting among other things the considerable increase in the need to finance the deficit in the same period.

The GDP nowcasting model suggests an increase in economic activity in the third quarter from the previous three months, but this growth will not be sufficient to compensate for the previous month's fall (Figure 1). In the third quarter of 2020, industrial production was up 7.9% from the previous three months, thus returning to its beginning-of-year level. Observed by MIG categories, on a quarterly level, the manufacture of durable consumer goods rose the most, although production rose in all other main industrial groupings. Observed on a monthly level, industrial production in September rose by 1.7% from August (Figures 3 and 4). Real retail trade turnover rose by 1.8% on a monthly level in September, with the average turnover in the July to September period being up 7.4% from the previous three months, although it was still below the level of the beginning of the year (Figure 7). After a considerable recovery in June and a small contraction in July, construction activity held steady at the July level (-0.1%) in August. As a result, the average activity in July and August was up 4.6% from that in the previous three months. Data suggest that the volume of construction works on buildings and civil engineering works rose on a quarterly level. Despite this recovery, the volume of construction works in July and August was on the level of the average volume in the last quarter of 2019 (Figures 5 and 6).

The consumer confidence index improved slightly in October from September, but was below its third quarter average and much below the beginning-of-year level. The monthly growth in consumer optimism in September was the result of better expectations regarding the overall economic situation in Croatia for 12 months compared to the present situation and better expectations regarding the consumption of durable goods over the next year. By contrast, the expectations regarding the financial situation of households for 12 months compared unfavourably with the current situation. Business expectations on a monthly level improved in construction and services, held steady at September level in industry and deteriorated in trade. October business optimism was higher in all activities than that of the previous three-month average but was still much below the levels recorded at the beginning of the year. Optimism declined the most in trade and services (Figure 8).

The dynamics of employment growth in September was equal to that in August, with the number of employed persons rising in most activities, with the exception of accommodation and food service activities. On a quarterly level, employment in

the third quarter was on average 0.9% higher than in the second quarter when it fell by 3.6% (Figure 15). The number of employees for whom employers were paid job preservation support in activities hit by the coronavirus pandemic, fell in the June to August period (more recent data are not unavailable) to 4% of the total number of employed persons (compared to 30% in the March to May period), thus reducing the negative risk of the potential source of newly unemployed persons. The number of employed persons in September was down 2.3% on an annual level. An increased outflow from the register due to employment led to a fall in the number of unemployed persons in September too, with the result that the number of unemployed persons in the third quarter was on average 1.8% lower than the second quarter average. The fall in the number of unemployed persons affected the registered unemployment rate, which fell from 9.9% in August to 9.5% in September (Figure 16). Despite a fall in the number of unemployed persons, unemployment in September was still one-third higher than in the same period of the previous year. As regards wages, the average nominal gross wage grew in September at a similar intensity as in August, with wage growth being widely distributed. The average nominal gross wage in the third quarter was 2% higher than that in the second quarter (Figure 17). On an annual level, the average nominal gross wage in the third quarter was 2.4% higher than in the same period of the previous year, with wages in the public sector rising by 7.5% and those in the private sector by 0.5% . During the same period, owing to an almost complete absence of payments of non-taxable compensations across all activities, net wages increased by non-taxable compensations were almost equal to the average net wage paid.

Consumer prices rose by 0.8% in September from the month before (Table 1). This was mostly due to the seasonal increase in the prices of clothing and footwear, which was less pronounced than in the year before. The rise in consumer prices in September was mitigated the most by a fall in the prices of meat and accommodation services. In addition, the retail prices of refined petroleum products fell slightly in September, mirroring the fall in crude oil prices on the global market driven by the concerns of market participants regarding the negative impacts of epidemiological measures to contain the pandemic on global economic activity. As a result, the average price of a barrel of Brent crude oil stood at USD 41 in September, down by USD 3 from August (Figure 20). The annual rate of change in consumer prices

rose slightly from -0.1% in August to 0.0% in September (Figure 19), mostly as a result of an increase in the annual rate of change in the prices of schoolbooks and some unprocessed food products (fruit and vegetables). By contrast, September saw a smaller contribution of the prices of some food products (meat, bread and milk), clothing and footwear and restaurants and hotels to developments in annual inflation. As a result, the annual rate of core inflation, excluding the prices of agricultural products, energy and administered prices, slowed down from 1.2% in August to 0.7% in September. The annual fall of producer prices in the domestic market accelerated from -2.7% in August to -3.2% in September.

After falling sharply in the second quarter of 2020 (goods exports by 18.0% and goods imports by 24.4% from the previous quarter), foreign trade in goods recorded a noticeable growth in the early third quarter. This is true primarily of goods exports, which rose by 16.7% in July from the previous three months' average (Figure 10), owing to bigger exports of textile industry products, energy products (most notably oil and refined petroleum products) and chemical products. Total goods imports in July were somewhat smaller than goods exports and stood at 12.7% (Figure 11). This can mostly be attributed to the growth in imports of road vehicles (Figure 12), capital goods (particularly telecommunications and sound-recording and reproducing apparatus) and metal and wood industry products. By contrast, the imports of energy products declined due to a noticeable fall in the imports of oil and refined petroleum products. As a result, the foreign trade deficit rose by 5.3% in July from the previous quarter average (Figure 13). If the first available data for August are included, total developments in goods trade in July and August were nevertheless more unfavourable than those in July only, with the growth in goods exports slowing down (10.7%) and that in goods imports accelerating (15.6%) from the previous quarter average. The recovery in foreign trade in goods is also visible if annual rates of change are observed. Following a sharp fall in total goods exports and imports of 15.7% and 15.9% , respectively, in July, from the same period of the previous year, August witnessed a noticeable slowdown in the fall in the goods trade with the exports falling by 3.2% and imports by 9.2% from August 2019.

October saw a further seasonal weakening of the kuna against the euro, fuelled also by the uncertainty regarding the coronavirus pandemic. The daily nominal exchange rate moved within a narrow range of -0.3% to $+0.1\%$ around the average exchange rate of EUR/HRK 7.57 (Figure 22). At the end of October, the exchange rate stood at EUR/HRK 7.57, having risen by 0.3% from end-September or by 1.6% from the same period last year. In addition to weakening against the euro, the kuna also weakened against the yuan renminbi, which resulted in a depreciation of the daily nominal effective exchange rate of the kuna of 0.2% in October from the end of the previous month. A more pronounced depreciation was partly mitigated by the strengthening of the kuna against the Turkish lira, reflecting the strengthening of the euro against that currency in the global foreign exchange market.

The overnight interest rate on the euro area banking market, EONIA, rose slightly in October and stood at -0.47% at the end of the month, while the six-month EURIBOR continued to decline and stood at -0.52% (Figure 25). The risk premiums for European emerging market economies were stable in October (Figure 26). The risk premium for Croatia remained almost unchanged at the level of 76 basis points and continued to record slightly higher values than the peer countries of Central and Eastern Europe, with the exception of Romania, which continued to stand out in terms of the risk premium level.

The highly expansionary monetary policy continued into October with the banks' free reserves reaching a historical high, fuelled by a fall in currency in circulation and government kuna deposits with the CNB. Thus the average daily surplus kuna liquidity of the domestic banking market in October stood at HRK 42.6bn (Figure 55). Amid ample kuna liquidity, there had been no turnover in the domestic interbank overnight market since April, while the turnover in other segments of the money market in October continued to be modest, despite a small increase from the previous month. The overnight interest rates on interbank demand deposit trading and repo transactions fell slightly in October to 0.01% and -0.05% , respectively, while the implicit interest rate on foreign exchange swap trading remained almost unchanged at -0.19% (Figure 28).

Banks' interest rates on new corporate and household loans, which include pure new loans and renegotiated loans, mostly fell or remained almost unchanged in September, while the interest rates on long-term housing loans to households with a currency clause rose slightly as a result of an increase in interest rates on renegotiated loans (Figures 29 and 30). The interest rates on pure new loans mostly show the same developments (Figures 31 to 34), with the interest rate on corporate kuna loans for working capital standing out, having fallen the most. As for deposits, the interest rate on household time deposits in September remained almost the same as in the month before, while the interest rate on corporate time deposits continued to fall slightly and reached its lowest level ever (Figures 35 and 36). In line with the described developments, the spread between the interest rates on new loans and deposits fell to 4.8 percentage points in September, mostly as a result of a fall in interest rates on loans, while the spread between interest rates on loan and deposit balances stood at 4.0 percentage points (Figure 38).

Monetary developments in September were marked by a fall in total liquid assets (M4) of HRK 1.2bn (transaction-based), brought about by a fall in net foreign assets (NFA) of monetary institutions, while net domestic assets (NDA) of the monetary system remained unchanged. The annual growth in M4 in September slowed down from August (Figure 50). As regards the components of total liquid assets, money (M1) fell by HRK 1.6bn from August (Figure 49), mostly as a result of a fall in demand deposits of non-financial corporations but also in currency outside banks, which typically falls in September following the end of the main part of the summer tourist season. At the same time, quasi-money rose by HRK 0.4bn, mostly due to an increase in household foreign currency deposits (Figure 53).

Total placements of monetary institutions to domestic sectors (except the central government) held steady in September relative to August (transaction-based), with placements to non-financial corporations falling and placements to households rising slightly (Figures 42 and 43). Housing loans again accounted for the bulk of placements to the household sector, while general-purpose cash loans held steady, following their predominantly downward trend in the previous few months. If analysed on an annual basis, the growth in total placements and placements to non-financial corporations accelerated slightly to 3.7% (Figure 41) and 4.9% , respectively in September as a result of the base effect, i.e. a somewhat sharper fall in lending to that sector in the same period of the previous year. The annual growth in household loans slowed down slightly to 3.6% in September, driven by a further slowdown in the growth of general-purpose cash loans (from 2.0% to 0.9%), while the growth of housing loans continued to accelerate (from 8.3% to 8.4%), although at a slower pace than in the previous several months. In terms of currency structure, the share of kuna placements in total household placements continued to grow, reaching 55.2% in September (Figure 48).

Gross international reserves did not change much in October and stood at EUR 18.2bn at the end of the month (Figure 57), having dropped by EUR 0.4bn or 2.2% from the end of the previous year. During the same period, net usable reserves shrank by EUR 1.0bn or 5.7% and stood at EUR 16.4bn at the end of October.

The net external debt fell by a sharp EUR 1.9bn in July and August 2020 (Figure 61), driven mostly by government deleveraging following July repayment by the government of USD 1.25bn international bond issued in 2010 and the usual seasonal improvement in the foreign position of banks owing to the foreign exchange inflow during the peak tourist season. However, the improvement in the net foreign position of banks was noticeably smaller than in the same period of the year before, which may be associated with a fall in revenues from tourism this summer. By contrast, the net foreign position of the central bank deteriorated only slightly, driven by withdrawals of the government's and other domestic sectors' foreign currency deposits. At the end of August, gross external debt stood at EUR 41.1bn (Figure 63), having fallen by EUR 0.4bn from the end of the second quarter, the result of domestic sectors deleveraging and, to a lesser extent, the favourable effect of cross-currency changes and other adjustments.

A considerable budget deficit of HRK 13.2bn recorded in the first half of 2020 mirrors primarily the unfavourable outturn in the second quarter when the budget ran a deficit of HRK 9.9bn (in contrast with the surplus of HRK 2.5bn recorded in the same period of the previous year). Such an outturn reflects a sharp fall in revenues and a rise in expenditures in the second quarter from the same period of the previous year. The analysis of cumulative developments in budget revenues in the first half of the year shows that the fall in total revenues of 8.2% was mostly due to revenues from indirect taxes, which fell by 14.9% mostly due to a fall in personal consumption and the implementation of the VAT-related tax cuts. The revenues from the sale of goods and services also made a negative contribution to the fall in total revenues, which is the result of the limited provision of most public services and other government services due to the restrictive epidemiological measures introduced. The fall in revenues from direct taxes was less pronounced (7.0%), largely reflecting the implementation of the measures for alleviating the negative impacts of epidemiological measures on developments in the number of employed persons. Revenues from direct taxes were also

affected by tax write-offs and tax cuts under the fourth round of tax reform. As in the case of taxes, social contributions also witnessed a somewhat smaller effect of the crisis on revenues, which fell by 2.4%, while other revenues, connected with a further relatively successful absorption of EU funds and withdrawal of a part of unused funds from the current financial envelope and their rechanneling to the prevention of the negative effects of the pandemic, fell the least (2.0%). The first half of the year saw a significant annual increase in total expenditures (6.6%). The growth in total expenditures was mostly fuelled by a sharp rise in expenditures for subsidies of 135.7%, reflecting subsidies paid to employers for job preservation. General government investments, employee compensations and social benefits grew at a much slower rate (16.1%, 6.5% and 0.4%, respectively). While the increase in investments reflects the mentioned better absorption of EU funds, the growth in employee compensations is the result of a previously agreed wage increase in health care and education and the 2% increase in the wage base in the public sector from 1 January 2020. The fall in expenditures for interest (12.9%) had the opposite effect on the developments in total expenditures as a result of favourable refinancing of the previously maturing debt, and so did the fall in intermediate consumption (7.7%), as a result of a reallocation of a part of these expenditures under budget review to other expenditure items, and the fall in other expenditures (10.3%).

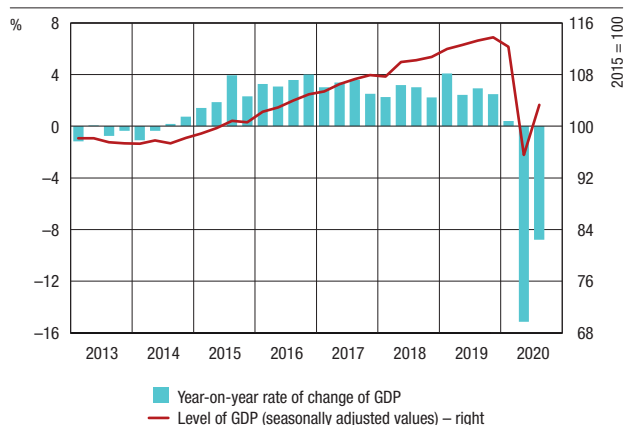
According to the Ministry of Finance¹ data for the third quarter of this year, owing to favourable developments in August, the central government generated a surplus of HRK 1.4bn. Although this is a decline of HRK 6.0bn from the same period of 2019, reflecting a fall in revenues paired with an increase in expenditures, there is a visible recovery from the second quarter when the budget outturn was HRK 15.6bn lower than in the same period the year before.

Towards the end of July, the consolidated general government debt stood at HRK 320.3bn, an increase of HRK 27.3bn from the end of 2019. A sharp rise in the debt mirrors the increased need of the government for budget deficit financing in 2020 as a result of the unfavourable impact of the crisis caused by the pandemic and the measures implemented to combat the crisis.² The government met the increased need for budget deficit financing mostly on the domestic market, at favourable borrowing conditions.

¹ 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.

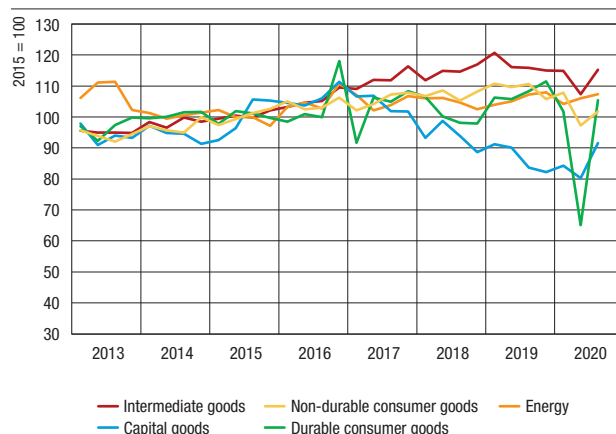
² In addition, data revision due to the reclassification of a series of units from the sector of non-financial corporations into central and local government raised the level of debt from January 2001, with a more considerable spike in the period from 2007 to 2014 being a consequence of the reclassification of the company HŽ Putnički prijevoz.

Figure 1 Quarterly gross domestic product
seasonally adjusted real values



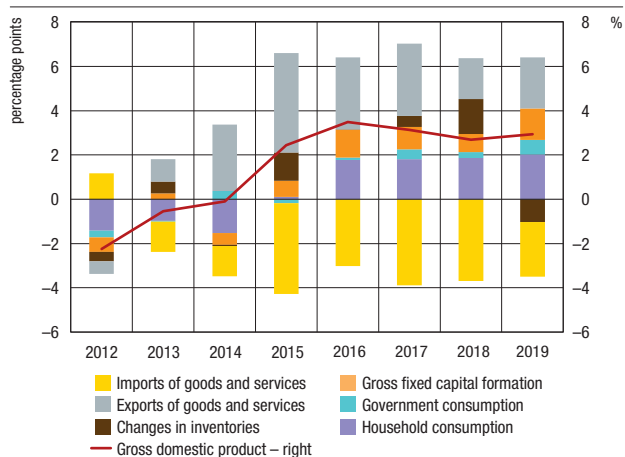
Note: Data for the third quarter of 2020 are estimated using the CNB's monthly indicator of real economic activity, based on data published until 31 October 2020.
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

Figure 4 Industrial production by main industrial groupings
seasonally adjusted indices



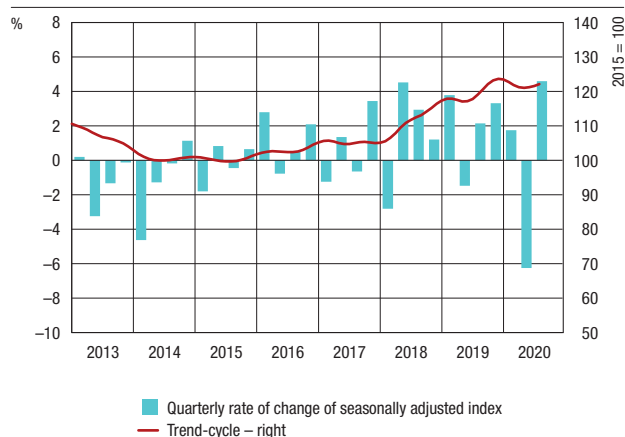
Note: Quarterly data are calculated as the average of monthly data.
Source: CBS data seasonally adjusted by the CNB.

Figure 2 GDP rate of change
contributions by components



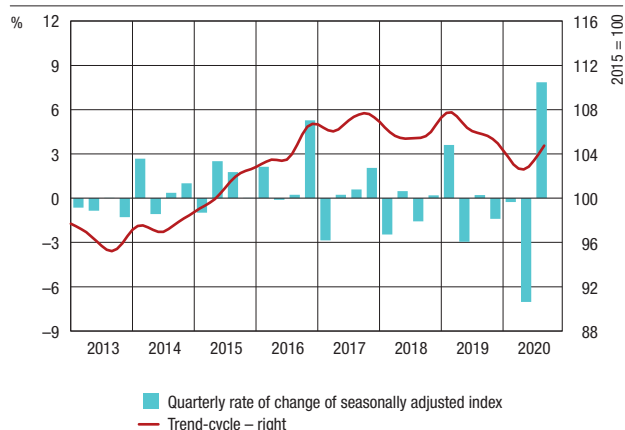
Source: CBS.

Figure 5 Total volume of construction works



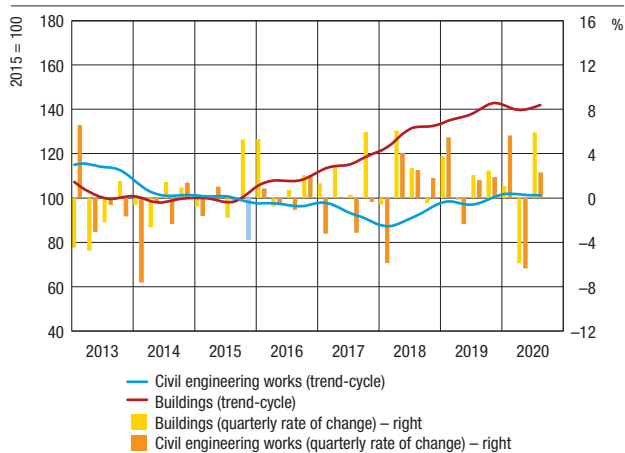
Note: Data for the third quarter of 2020 refers to July and August.
Source: CBS data seasonally adjusted by the CNB.

Figure 3 Industrial production



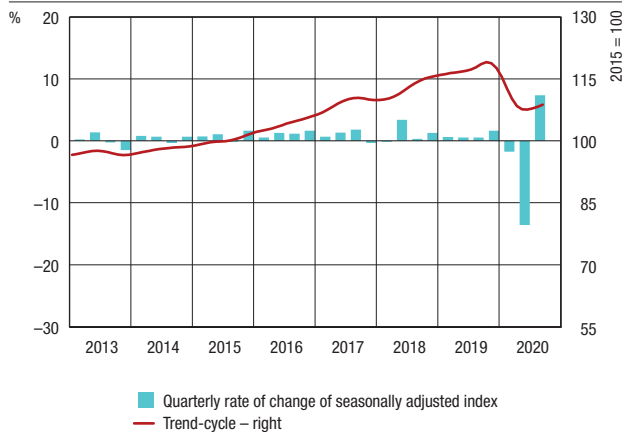
Note: Data for the third quarter of 2020 refers to July and August.
Source: CBS data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



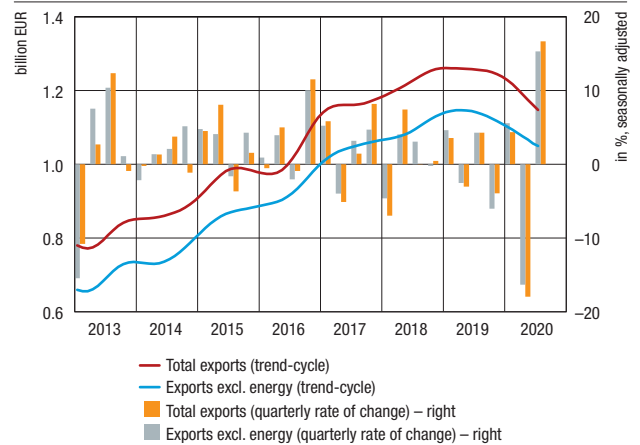
Source: CBS data seasonally adjusted by the CNB.

Figure 7 Real retail trade turnover



Source: CBS data seasonally adjusted by the CNB.

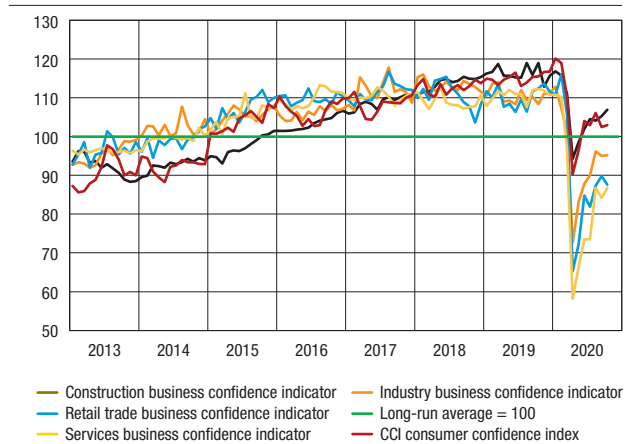
Figure 10 Goods exports (f.o.b.)



Note: Data for the third quarter of 2020 refer to July.

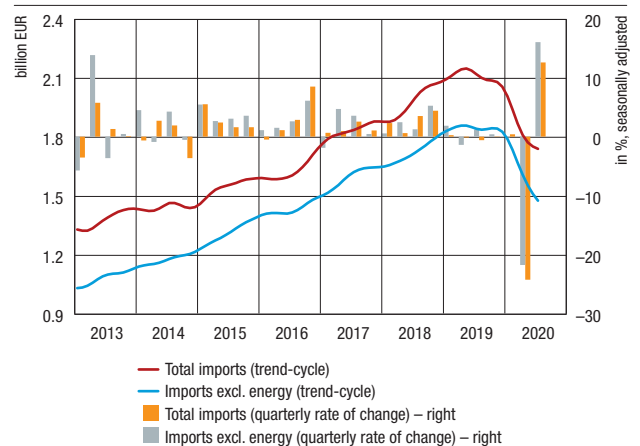
Source: CBS data seasonally adjusted by the CNB.

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



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

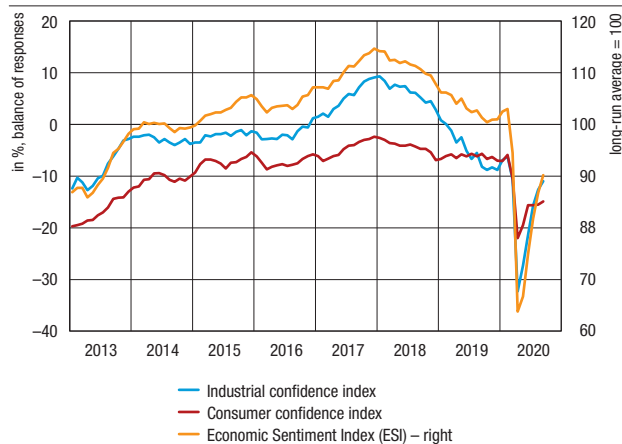
Figure 11 Goods imports (c.i.f.)



Note: Data for the third quarter of 2020 refer to July.

Source: CBS data seasonally adjusted by the CNB.

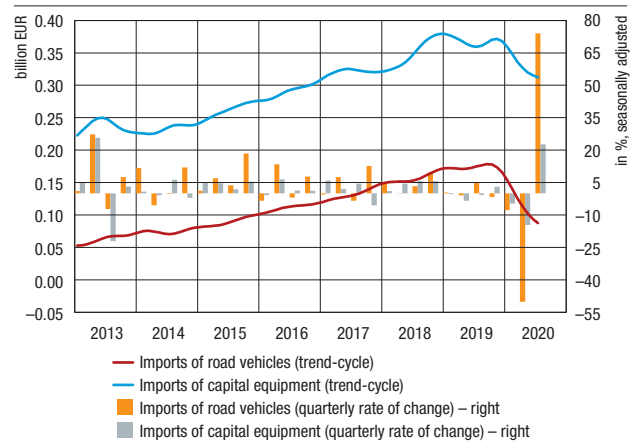
Figure 9 EU confidence indices seasonally adjusted series



Note: Data are up to September 2020.

Source: Eurostat.

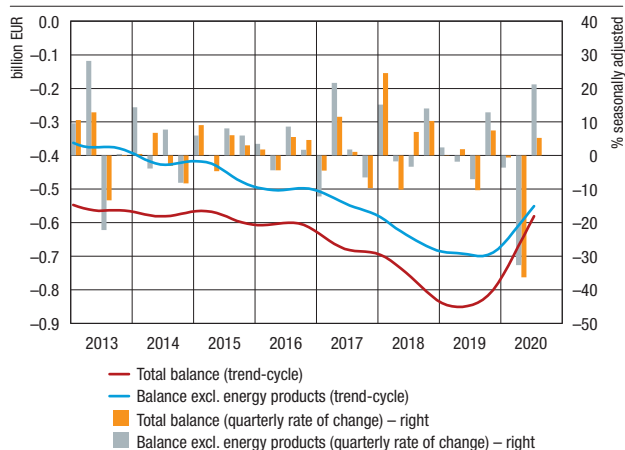
Figure 12 Imports of capital equipment and road vehicles (c.i.f.)



Notes: Imports of capital equipment (SITC divisions 71 – 77). Data for the third quarter of 2020 refer to July.

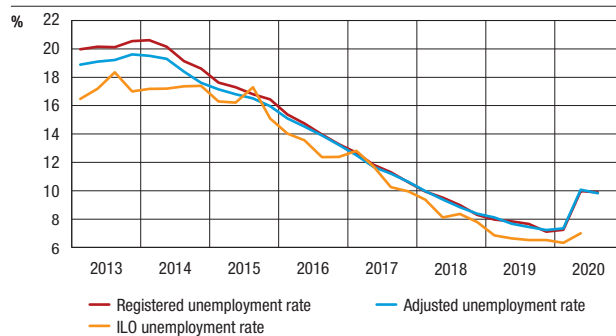
Source: CBS data seasonally adjusted by the CNB.

Figure 13 Trade of goods balance



Note: Data for the third quarter of 2020 refer to July.

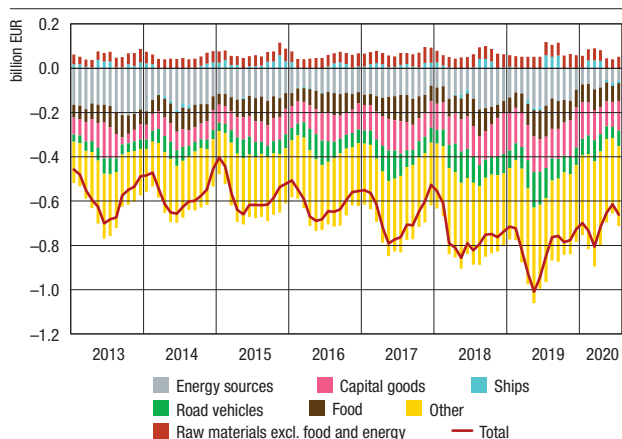
Source: CBS data seasonally adjusted by the CNB.

Figure 16 Unemployment rates
seasonally adjusted data

Notes: Since January 2015, the calculation of the registered unemployed 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).

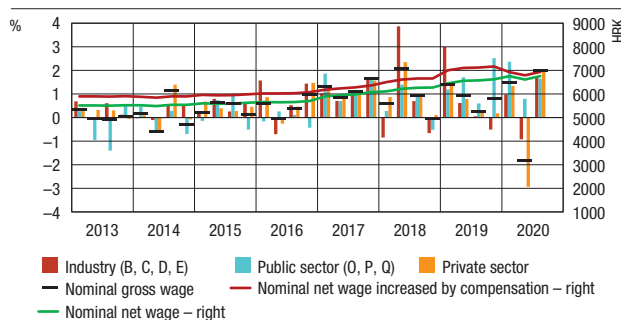
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

Figure 14 Trade in goods balance by product groups



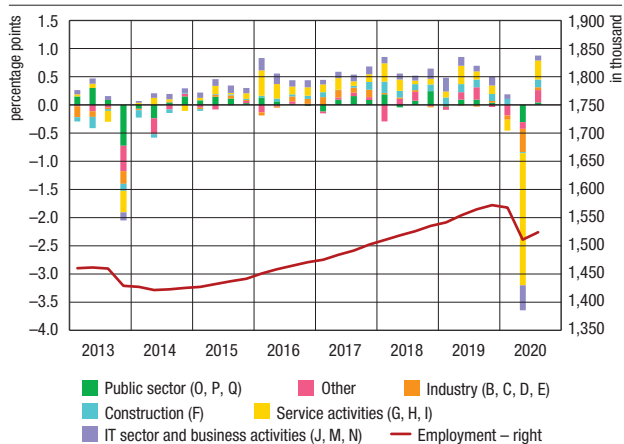
Notes: Series are shown as three-member moving averages of monthly data. Data are up to July 2020.

Source: CBS.

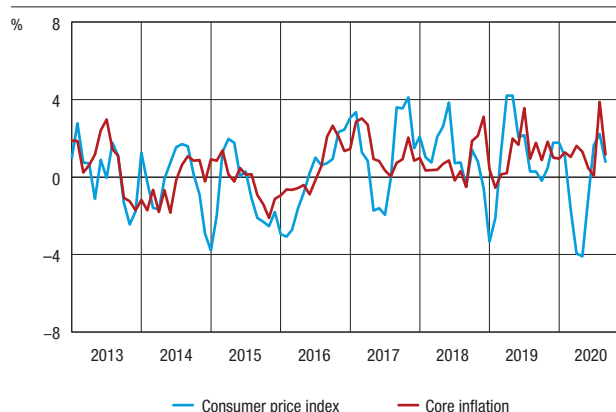
Figure 17 Average nominal gross wage by NCA activities
seasonally adjusted data, quarterly rate of change

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 on average wages paid in February 2020 were reported in full-time equivalent, in contrast with the previous periods, when average wages were calculated by dividing total disbursements by the number of employees who received these disbursements, excluding all those who worked fewer than 80 hours per month. Data on wages in 2019 reported in full-time equivalent were released for analytical purposes. Data on disbursements paid before 2016 are CNB estimates.

Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

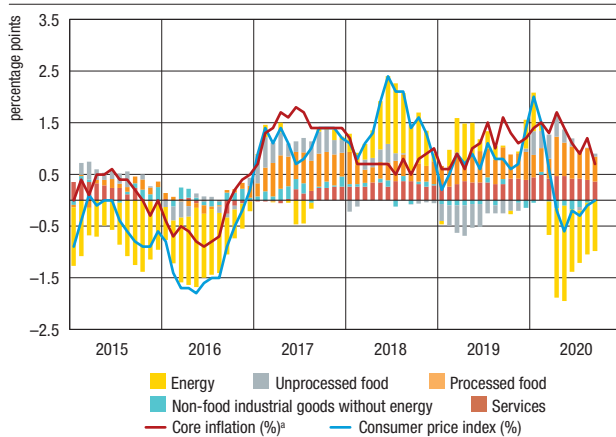
Figure 15 Employment by NCA activities
seasonally adjusted data, contributions to the quarterly rate of change

Source: CPII data seasonally adjusted by the CNB.

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.

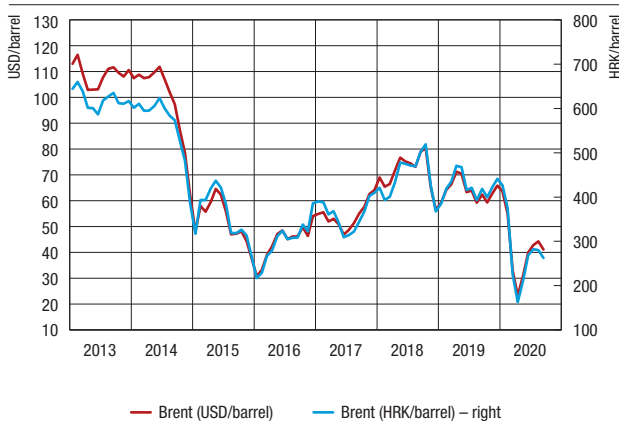
Table 1 Price indicators

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

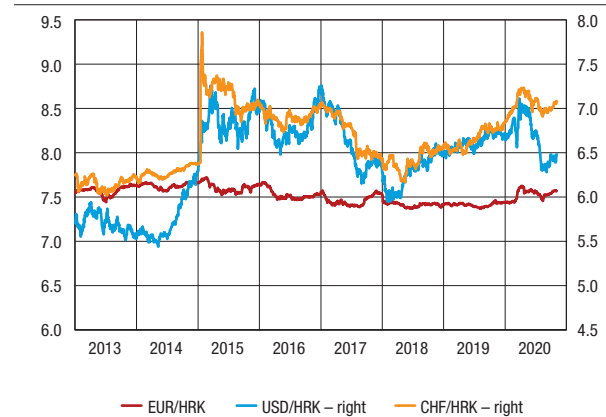
	Year-on-year rates		Month-on-month rates	
	8/20	9/20	9/19	9/20
Consumer price index and its components				
Total index	-0.1	0.0	0.8	0.8
Energy	-5.9	-5.8	-0.5	-0.4
Unprocessed food	0.1	0.7	-1.4	-0.8
Processed food	2.7	2.1	0.2	-0.4
Non-food industrial goods without energy	-0.2	0.0	4.3	4.5
Services	1.5	1.4	-0.2	-0.3
Other price indicators				
Core inflation	1.2	0.7	1.6	1.1
Index of industrial producer prices on the domestic market	-2.7	-3.2	0.5	0.0
Brent crude oil price (USD)	-25.3	-34.1	5.2	-7.2
HWWI index (excl. energy, USD)	13.5	19.2	0.5	5.5

Note: Processed food includes alcoholic beverages and tobacco.

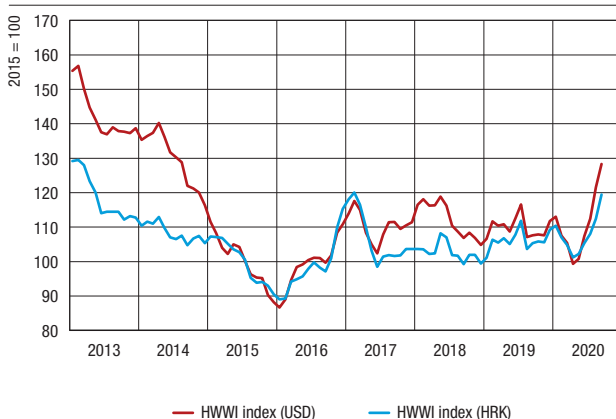
Sources: CBS, Bloomberg and HWWI.

Figure 20 Crude oil prices (Brent)

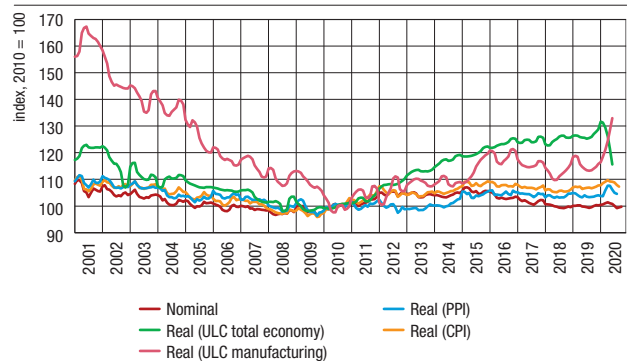
Sources: Bloomberg and CNB calculations.

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

Source: CNB.

Figure 21 HWWI index (excl. energy)

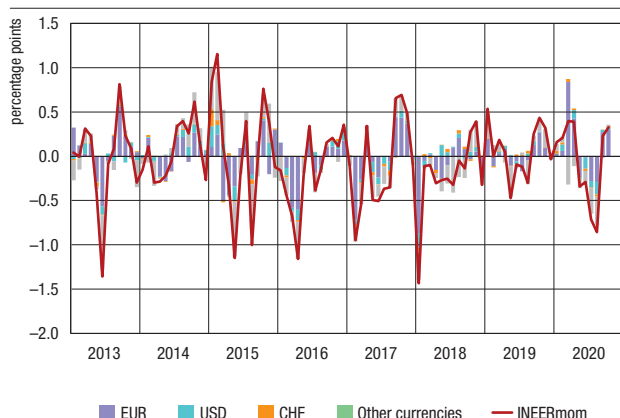
Sources: HWWI and CNB calculations.

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.

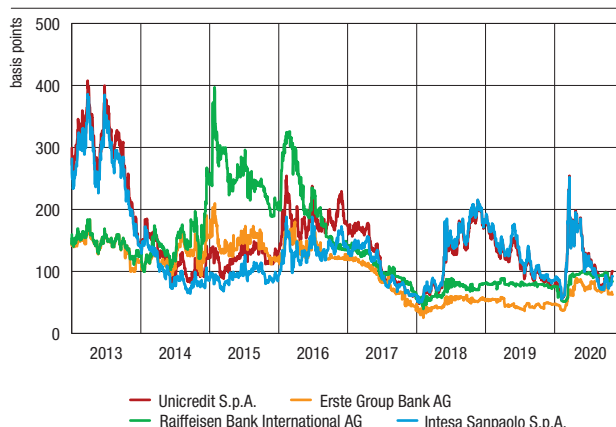
Source: CNB.

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)



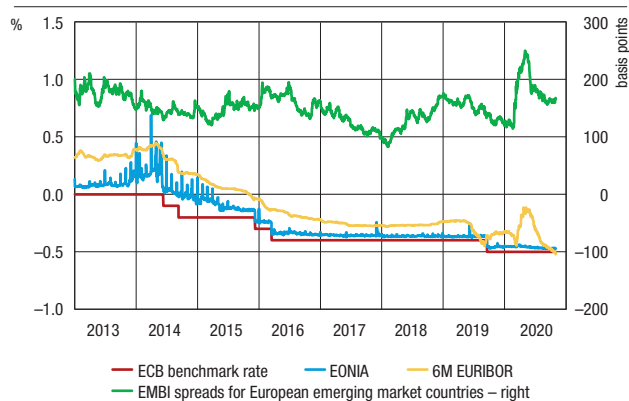
^a Negative values indicate contributions to the appreciation of the INEER.
Source: CNB.

Figure 27 CDS spreads for selected parent banks of domestic banks



Source: S&P Capital IQ.

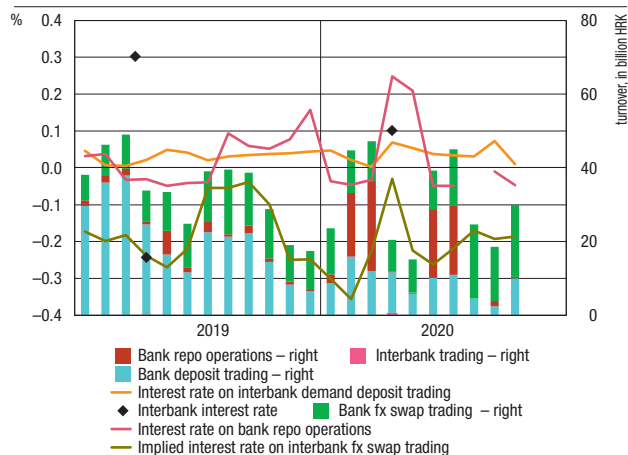
Figure 25 Interest rates on the euro and the average yield spread on bonds of European emerging market countries



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.

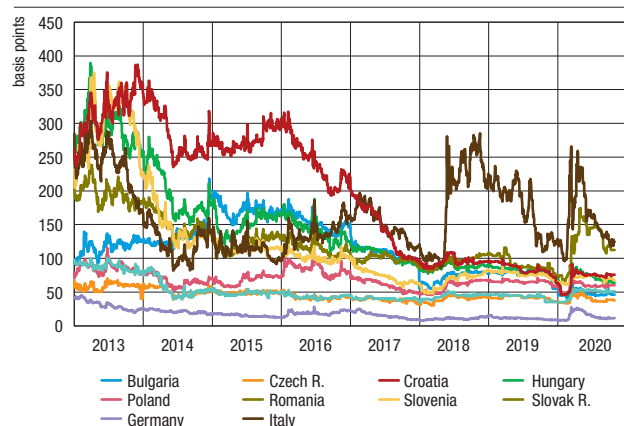
Sources: ECB, Bloomberg and J.P. Morgan.

Figure 28 Overnight interest rates and turnovers



Source: CNB.

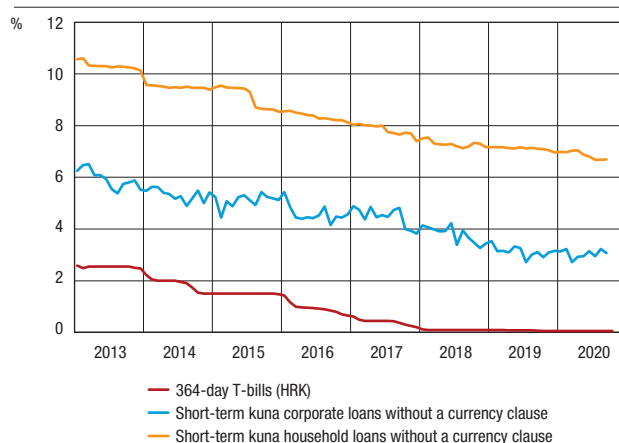
Figure 26 CDS spreads for 5-year government bonds of selected countries



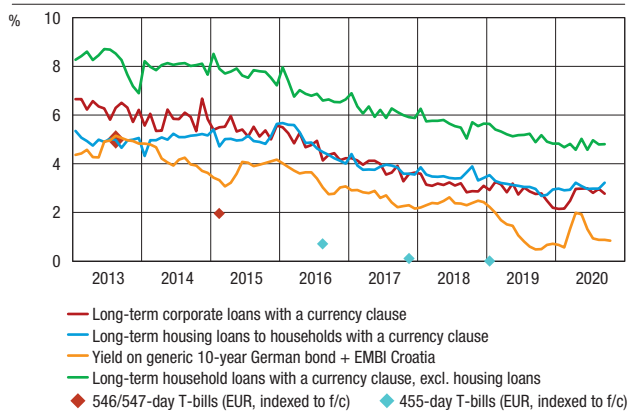
Note: Credit default swaps (CDS) spread is an annual premium that a CDS buyer pays for protection against credit risk associated with the issuer of an instrument.

Source: S&P Capital IQ.

Figure 29 Short-term financing costs in kuna without a currency clause

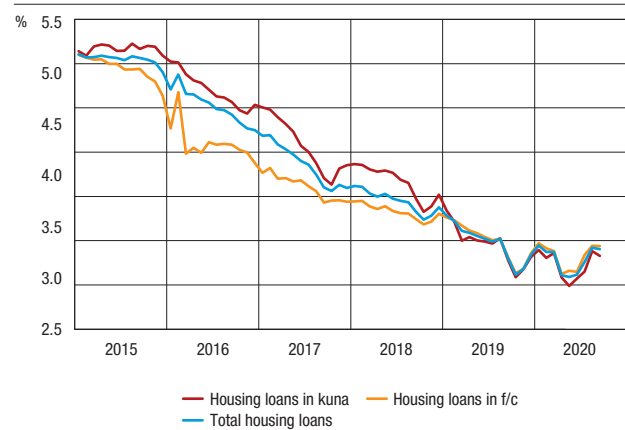


Sources: MoF and CNB.

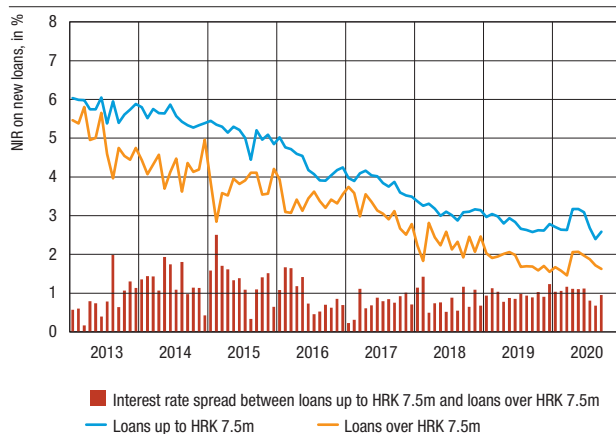
Figure 30 Long-term financing costs in kuna with a currency clause and in foreign currency

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

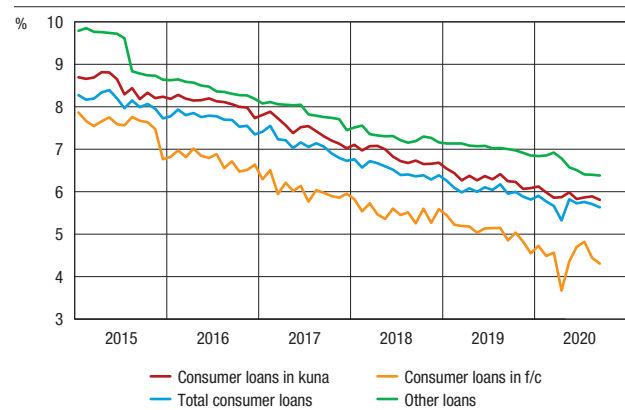
Sources: MoF, Bloomberg and CNB.

Figure 33 Interest rates on pure new housing loans to households

Source: CNB.

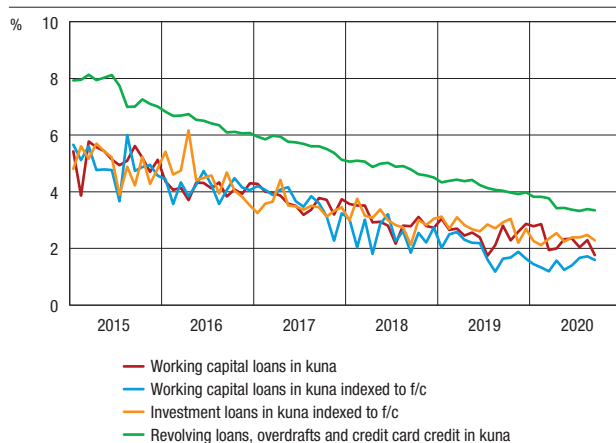
Figure 31 Bank interest rates on loans to non-financial corporations by volume

Source: CNB.

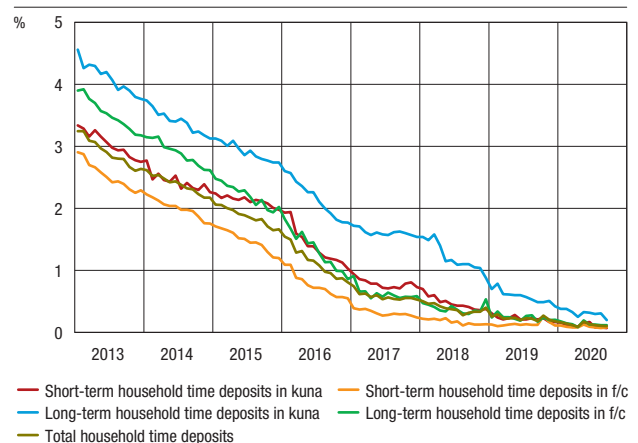
Figure 34 Interest rates on pure new consumer loans and other loans to households

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

Source: CNB.

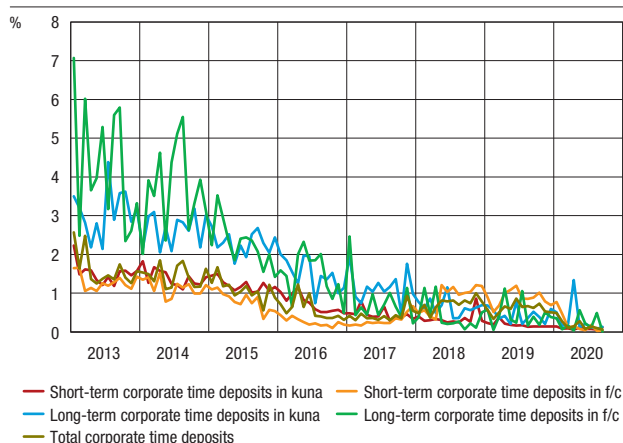
Figure 32 Interest rates on pure new loans to non-financial corporations

Source: CNB.

Figure 35 Interest rates on household time deposits

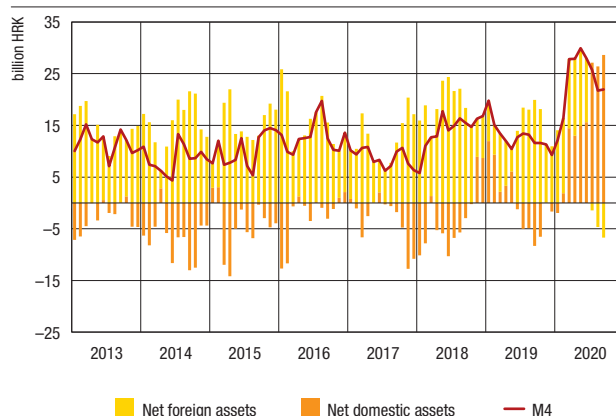
Source: CNB.

Figure 36 Interest rates on corporate time deposits



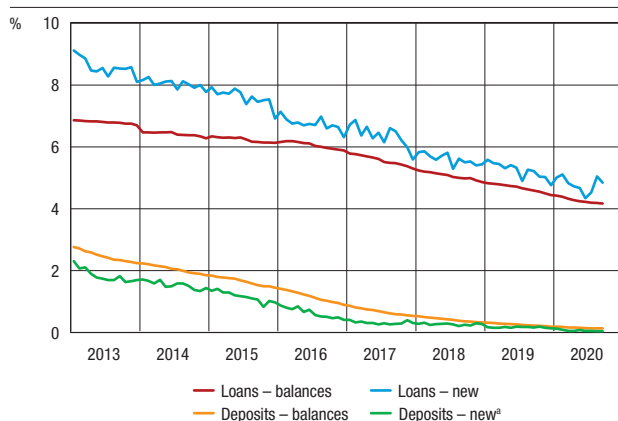
Source: CNB.

Figure 39 Net foreign assets, net domestic assets and total liquid assets (M4) absolute change in the last 12 months



Source: CNB.

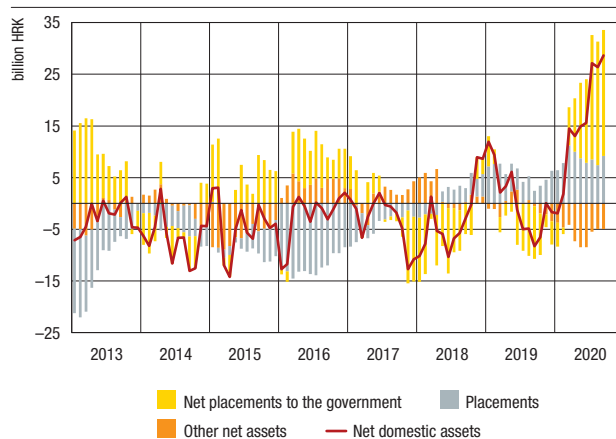
Figure 37 Average interest rates on loans (excl. revolving loans) and deposits



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

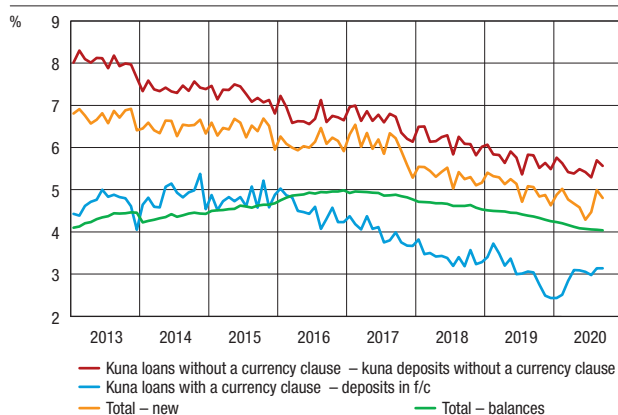
Source: CNB.

Figure 40 Net domestic assets, structure absolute change in the last 12 months



Source: CNB.

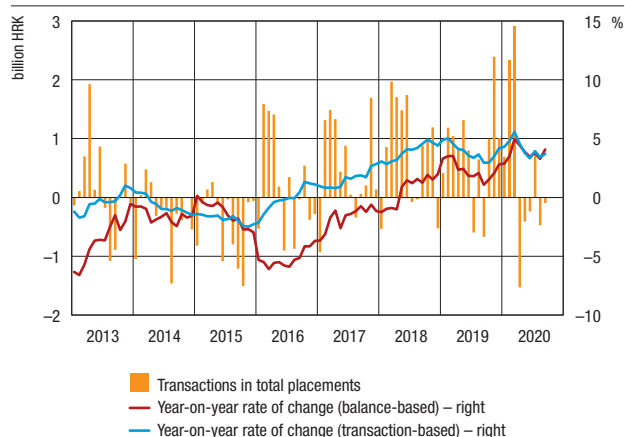
Figure 38 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits



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).

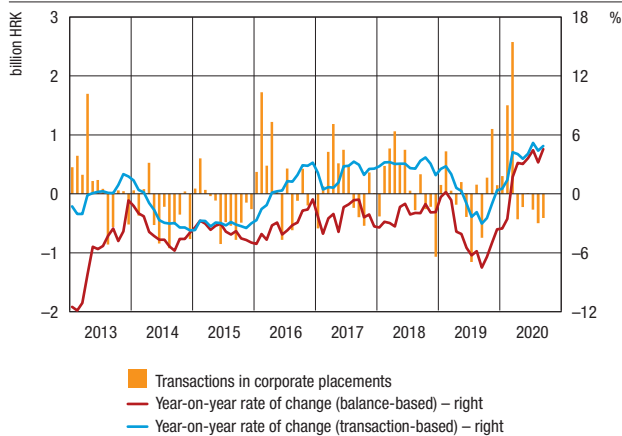
Source: CNB.

Figure 41 Placements



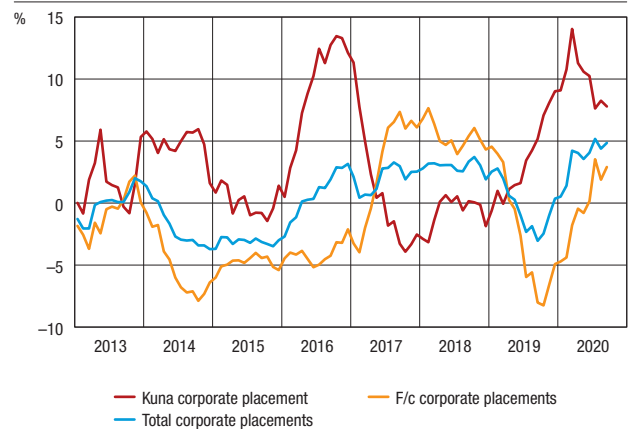
Source: CNB.

Figure 42 Placements to corporates



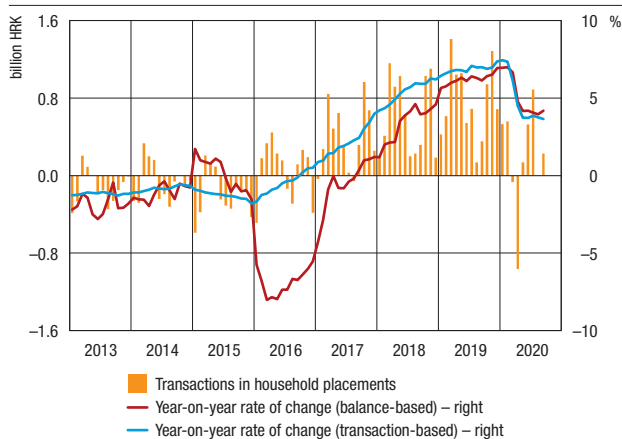
Source: CNB.

Figure 45 Annual rate of change in corporate placements transaction-based



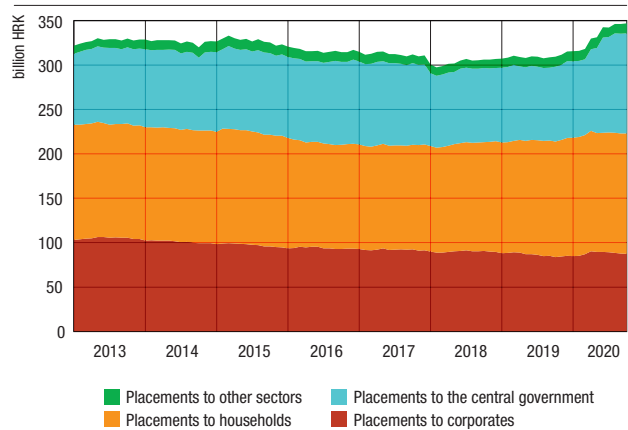
Source: CNB.

Figure 43 Placements to households



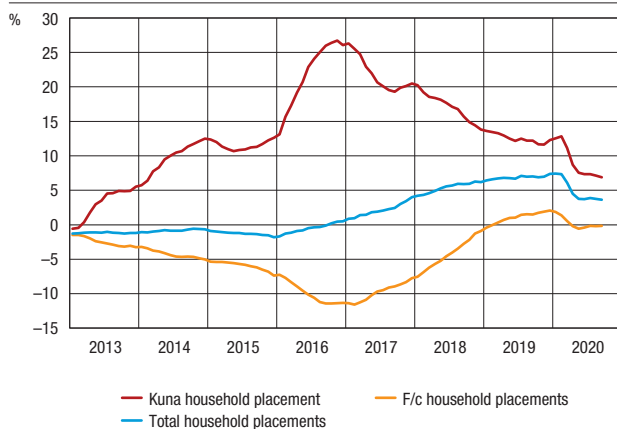
Source: CNB.

Figure 46 Structure of placements of monetary financial institution



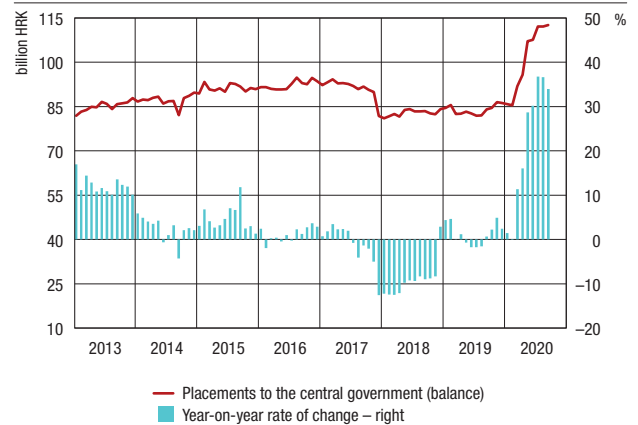
Source: CNB.

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



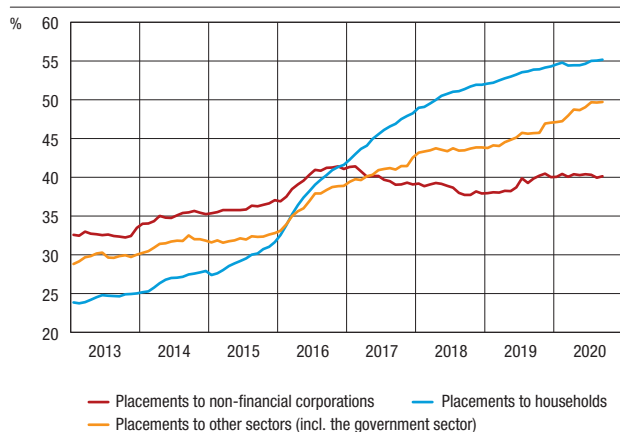
Source: CNB.

Figure 47 Placements of monetary financial institutions to the central government



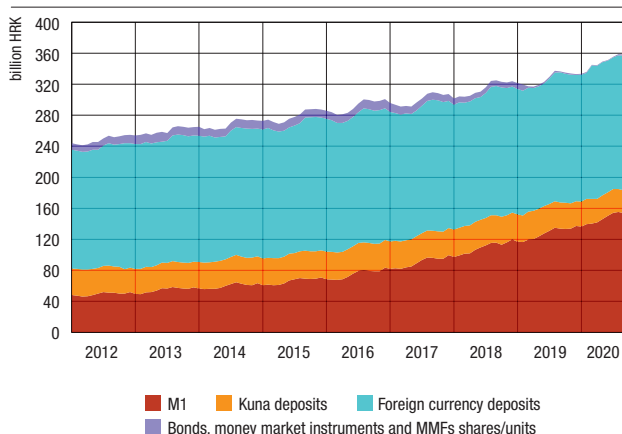
Source: CNB.

Figure 48 Share of kuna placements in total sector placements



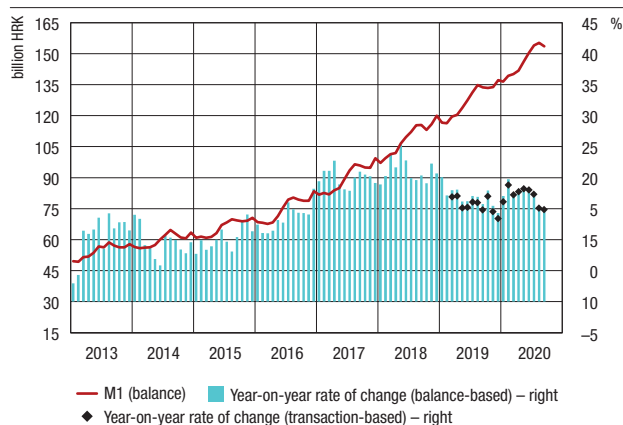
Source: CNB.

Figure 51 Structure of M4 monetary aggregate



Source: CNB.

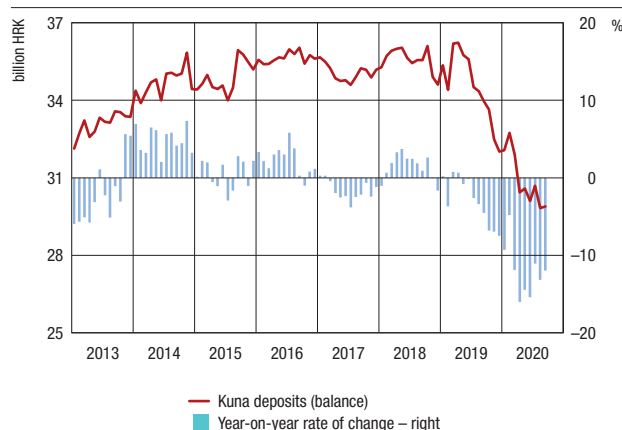
Figure 49 Money (M1)



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

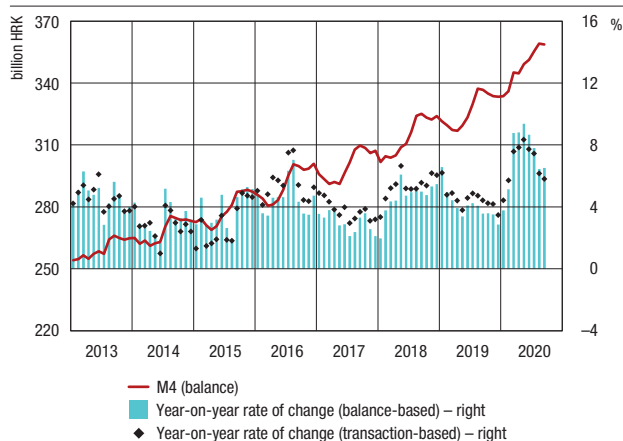
Source: CNB.

Figure 52 Kuna savings and time deposits



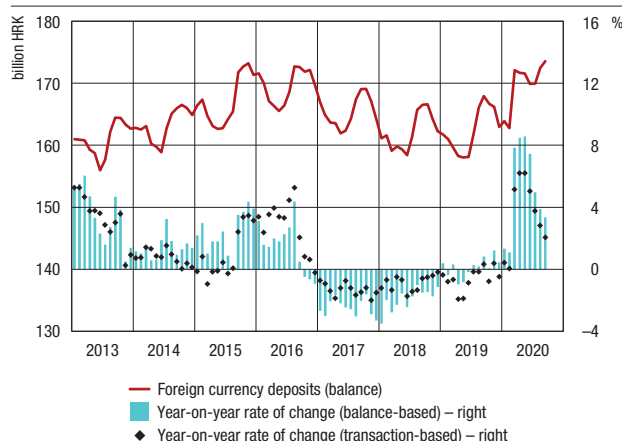
Source: CNB.

Figure 50 Total liquid assets (M4)



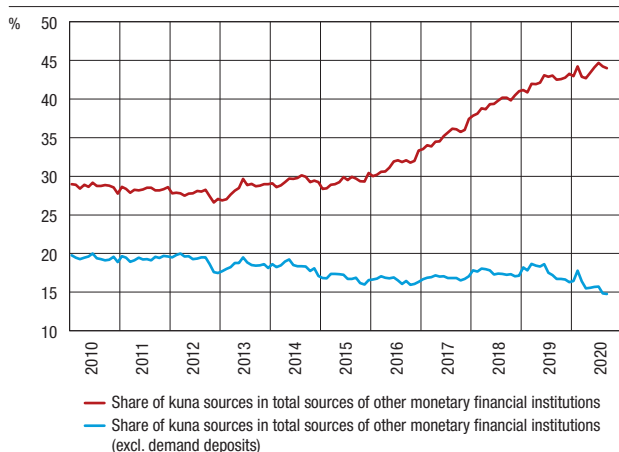
Source: CNB.

Figure 53 Foreign currency deposits



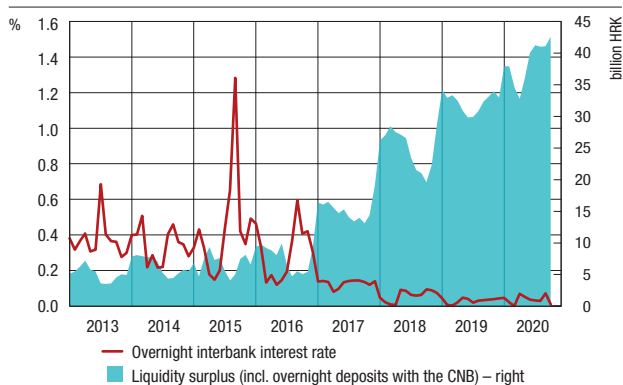
Source: CNB.

Figure 54 Share of kuna sources



Source: CNB.

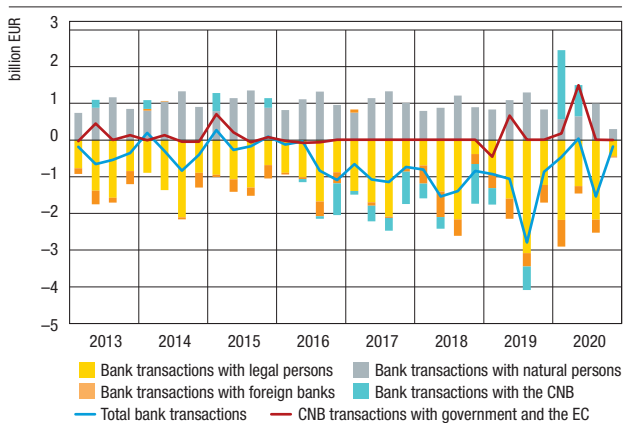
Figure 55 Bank liquidity and overnight interest rate on bank demand deposit trading



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 56 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 fourth quarter of 2020 refer to October.

Source: CNB.

Table 2 Balance of payments

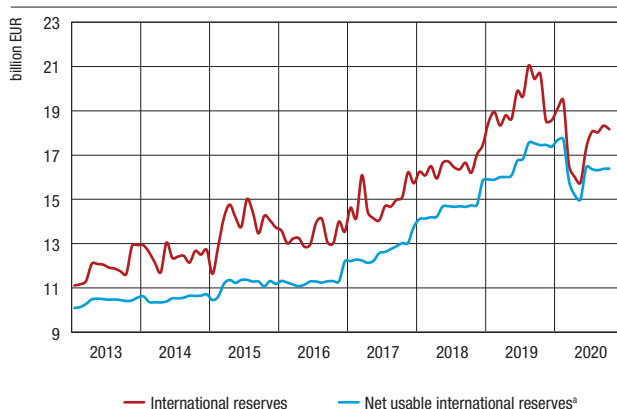
preliminary data, in million EUR

	2019	Q2/2020 ^a	Indices	
			2019/ 2018	Q2/2020 ^a / 2019
Current account	1,482.8	1,807.0	156.3	121.9
Capital account	1,114.8	1,108.0	154.0	99.4
Financial account (excl. reserves)	1,423.8	5,020.1	798.9	352.6
International reserves	989.4	-2,572.3	64.0	-260.0
Net errors and omissions	-184.5	-467.2	-368.7	253.2

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

Source: CNB.

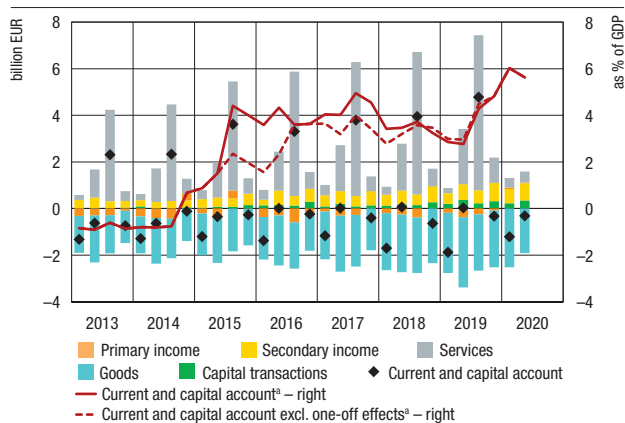
Figure 57 International reserves of the CNB at current rate of exchange



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

Source: CNB.

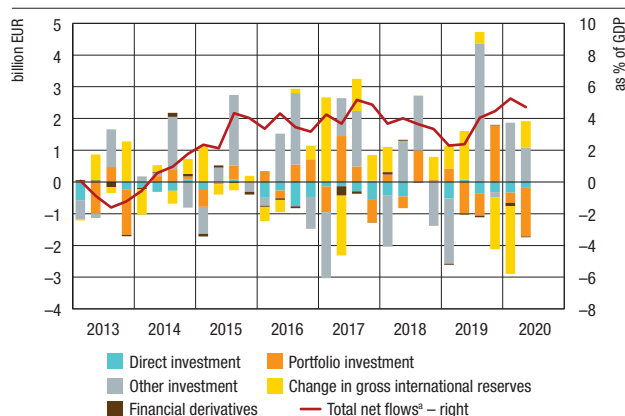
Figure 58 Current and capital account flows

^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 59 Financial account flows by type of investment

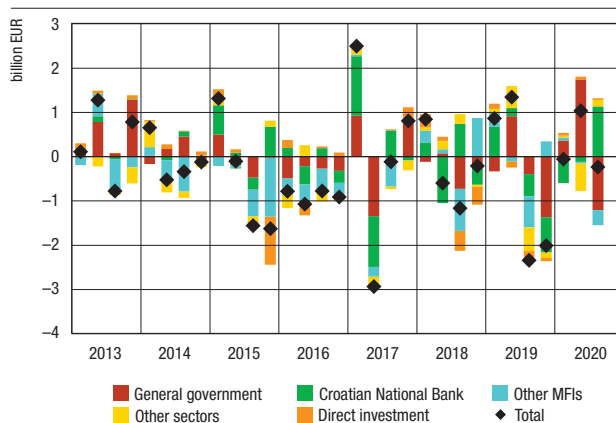


^a Sum of the last four quarters.

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

Source: CNB.

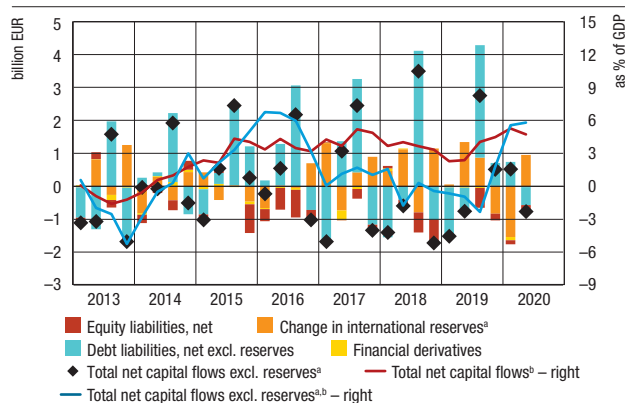
Figure 62 Gross external debt transactions



Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Data for the third quarter of 2020 refer to July and August.

Source: CNB.

Figure 60 Financial account flows by equity to debt ratio

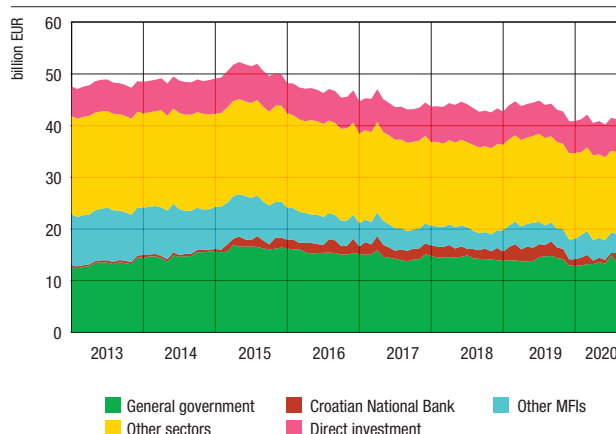


^a The change in gross international reserves is reported net of foreign liabilities of the CNB. ^b Sum of the last four quarters.

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.

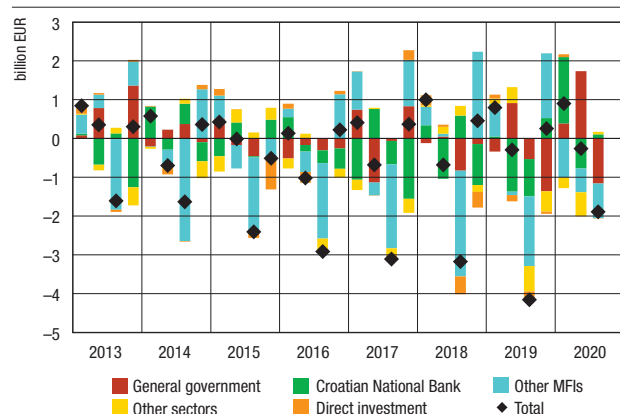
Figure 63 Gross external debt end of period



Note: Data are up to August 2020.

Source: CNB.

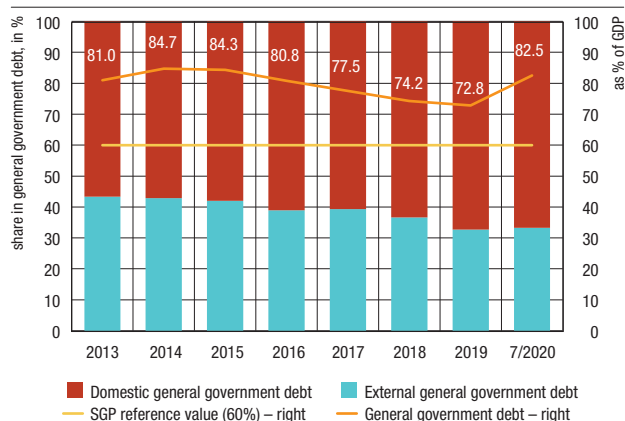
Figure 61 Net external debt transactions



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 third quarter of 2020 refer to July and August.

Source: CNB.

Figure 64 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. – Jun. 2019	Jan. – Jun. 2020
Total revenue	90,667	83,238
Direct taxes	13,141	12,217
Indirect taxes	37,620	32,002
Social contributions	23,382	22,820
Other	16,525	16,198
Total expenditure	90,444	96,392
Social benefits	30,799	30,911
Subsidies	4,190	9,874
Interest	4,393	3,824
Compensation of employees	23,294	24,803
Intermediate consumption	16,006	14,769
Investment	6,285	7,297
Other	5,478	4,914
Net lending (+)/borrowing (–)	223	–13,154

Sources: Eurostat and CBS.

Table 4 Consolidated central government net borrowing

GFS 2001, in million HRK

	Jan. – Dec. 2018	Jan. – Dec. 2019
1 Revenue	148,629	160,186
2 Disposal of non-financial assets	605	1,069
3 Expenditure	142,139	152,827
4 Acquisition of non-financial assets	4,329	5,978
5 Net borrowing (1 + 2 – 3 – 4)	2,767	2,450

Sources: MoF and CNB calculations.

Table 5 General government debt

in million HRK

	July 2019	July 2020
Change in total debt stock	2,469	22,293
Change in domestic debt stock	6,200	16,576
– Securities other than shares, short-term	629	6,066
– Securities other than shares, long-term	9,543	4,607
– Loans	–3,853	8,643
Change in external debt stock	–3,730	5,717
– Securities other than shares, short-term	44	0
– Securities other than shares, long-term	6,473	8,949
– Loans	–2,683	1,856
Memo item:		
Change in total guarantees issued	–329	–438

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
Ø	– average
a, b, c, ...	– indicates a note beneath the table and figure
*	– corrected data
()	– incomplete or insufficiently verified data