



Information on economic trends

October 2020

Summary

An assessment of economic activity for the third quarter indicates its partial recovery after a strong contraction in the second quarter caused by the coronavirus pandemic and the restrictive measures introduced to contain it. The monthly rise in employment and the decline in the number of the unemployed continued in July and August. Although the average values of these indicators recovered from the second quarter, they continue to be noticeably less favourable than in the period before the outbreak of the pandemic. The annual total inflation rate remained in negative territory (−0.1%) in August due to a considerable contribution from the prices of energy, while core inflation stood at 1.2%. The current and capital account of the balance of payments deteriorated in the second quarter following a noticeable decrease in the net exports of services, primarily caused by the strong fall in revenues from tourism. Domestic financial system liquidity remained high under the impact of the CNB's highly expansionary monetary policy. The annual growth of total placements slowed down in August, reflecting a slowdown in the growth of placements to corporates and to a lesser degree also to households. The central government deficit increased by some HRK 2.9bn in July on an annual level. The general government debt stood at 85.3% of GDP, up 12.1 percentage points from the end of 2019, primarily reflecting the considerable increase in the need to finance the deficit in the same period.

Industrial production went down by 1.1% in August from July. A breakdown by main industrial groupings indicates a strong contraction of capital goods on a monthly level. The production of energy decreased as well, while the production of intermediate goods remained at the July level. On the other hand, the production of durable and non-durable consumer goods increased. The average industrial production in July and August neared the levels seen at the beginning of the year which means that it fully recovered from the strong fall in the second quarter caused by unfavourable results in April and May due to the introduction of restrictive measures (Figures 3 and 4). Real retail trade turnover decreased by 1.1% in August from July, which was probably to some extent a reflection of the weaker tourist consumption due to the deteriorating epidemiological situation in Croatia in the second half of the month. Nevertheless, the average retail trade turnover increased in July and August from the previous quarter. However, in contrast to the situation in industry, this did not suffice to make up for the fall in the second quarter (Figure 7). Retail trade trends in peer countries suggest that this gap in relation to developments at the beginning of the year was most likely the consequence of lower consumption by foreign tourists and not so much of personal consumption by residents. The volume of construction works was 2.0% lower in July than in June when it registered a strong increase on a monthly level. Construction decreased due to a 2% fall in the volume of civil engineering works, while works on buildings remained at the June level. Observed on a quarterly level, the volume of construction works was 5.5% higher in July than the average in the second quarter, thus nearing the level from the beginning of the current year (Figures 5 and 6). According to the data available, the GDP nowcasting model also suggests a rise in third quarter economic activity from the previous three months. However, it will remain lower than in the third quarter of 2019, due to weaker recovery in service sectors (Figure 1).

Consumer expectations were lower in September from the previous month, probably reflecting the deterioration in the epidemiological situation in Croatia in the second half of August. The decrease in consumer optimism on a monthly level was mostly due to expectations surrounding the overall economic situation in Croatia in the next 12 months compared to the situation today. Other components of the index worsened too. The results of the Business Confidence Survey for September 2020 indicate that business expectations improved in trade and construction but stagnated in industry. On the other hand, expectations in the services industry deteriorated. Both consumer and business optimism improved in the third quarter from the second quarter but remained well below the level from the first

quarter of this year (Figure 8).

Favourable developments in the labour market continued in August, although they were less pronounced than in July. The growth in employment continued in August and was widely distributed, although most pronounced in accommodation and food service activities (Figure 15). On a quarterly level, employment was 0.6% higher in July and August, on average, than in the second quarter. Despite growing from July, the number of employed persons was down 2.6% in August on an annual level. It should be noted that in June and July 2020 the number of workers covered by the government's protective measures aimed at activities hit by the coronavirus crisis significantly reduced, thus accounting for 4% of the overall number of employed persons (relative to 30% during the lockdown), which reduced the negative risk of a potential source of newly unemployed persons. An increased outflow from the register of unemployed persons due to employment led to the reduction in unemployment in August. As a result, the number of unemployed persons in July and August of 2020 was 2.1% lower than the second quarter average. The decrease in the number of the unemployed also affected registered unemployment, which decreased from 10.2% in July to 9.9% in August, according to the seasonally adjusted data (Figure 16). Despite the decline in the number of unemployed persons in July and August, at the end of August unemployment was up one third on the same period the year before. The latest available data from the Labour Force Survey suggest an increase in the ILO unemployment rate to 7% of the labour force in the second quarter of 2020 (from 6.3% in the first quarter). As regards wages, the average nominal gross wage grew in August at a similar intensity as over the previous months, with wage growth being widely distributed. The average nominal gross wage was 2.7% higher in August than in the same period last year (seasonally adjusted data), with public sector wages rising 7.8% and those in the private sector by 0.8%. In addition, smaller payments of non-taxable income recorded in June and July continued in August, as a result of which wages increased by non-taxable compensations were almost equal to the net average wage paid. The average nominal gross wage was 1.5% higher in July and August than in the second quarter (Figure 17).

Consumer prices decreased by 0.1% in August from the previous month (Table 1). The seasonal fall in the prices of clothing and footwear and to a lesser extent, air transport, petroleum products and some food products (fruit, milk, cheese and eggs) made the biggest contribution to this decrease. In contrast, some unprocessed food products (meat and vegetables) made a slight positive contribution to developments in consumer prices. The price of a barrel of Brent crude oil stood at some USD 44 in

August, rising slightly from July. However, due to the appreciation of the kuna against the US dollar in August from July there was a mild fall in the prices of crude oil expressed in the domestic currency. The annual fall in consumer prices slowed down from -0.3% in July to -0.1% in August (Figure 18). This was a consequence of the increase in the contribution of unprocessed and processed food products and industrial products to the annual inflation. Core inflation, which excludes the prices of agricultural products, energy and administered prices, accelerated from 0.9% in July to 1.2% in August. The annual fall in producer prices on the domestic market in August remained unchanged from July, totalling -2.7% . If energy is excluded, the annual rate of change in producer prices slowed down from 0.2% in July to 0.0% in August.

The current and capital account of the balance of payments ran a deficit of EUR 0.3bn in the second quarter of 2020, which was a considerable worsening from the balanced balance recorded in the same period of the previous year (Figure 58). This was a consequence of the strong fall in net services exports, especially revenues from tourism (by 84.5%) because the spring lockdown following the coronavirus outbreak almost fully stopped any kind of activity in tourism or arrival of foreign guests. The negative impact of the strong fall in net services exports was mitigated by the improvement of the balance in all other sub-accounts, especially by the reduction of the deficit in foreign trade, which resulted from a much more pronounced contraction in imports (by 27.0%) than in exports (by 17.5%). The balance in the primary income account improved noticeably from the same period of the previous year due to the poorer business results of banks and foreign-owned domestic enterprises, i.e. smaller expenditures on direct equity investments. The edging up of the surplus in the secondary income and capital transaction accounts was a consequence of further increase in net income from transactions with the EU budget, which exceeded the decrease in net income from personal transfers. Due to exceptionally favourable developments in the first quarter and the fall in the nominal GDP in the second quarter, if the last four quarters are reviewed, the surplus in the balance of payments current and capital accounts in the period up to the end of June 2020 totalled 5.6% of GDP, which was 0.8 percentage points more than in the whole of 2019.

The end of the main tourist season and the tightening of epidemiological measures in the outbound markets caused the nominal exchange rate of the kuna against the euro to weaken in September. At the end of the month, the exchange rate was EUR/HRK 7.54, depreciating 0.3% from the end of August (Figure 22). In addition to weakening against the euro, the kuna also weakened against yuan renminbi and the US dollar, which resulted in the depreciation of the daily nominal effective exchange rate of 0.1% in September from the end of the previous month. The strengthening of the kuna against most other currencies included in the basket for the calculation of the effective exchange rate of the kuna worked in the opposite direction, which was a consequence of the euro strengthening against these currencies in the world's foreign exchange market.

Short-term interest rate on the European money market remained in negative territory in September. The overnight interest rate on the euro area banking market, EONIA, fell slightly to -0.49% at the end of the month, while the six-month EURIBOR continued to decrease, reaching -0.48% at the end of September, thus registering slightly lower values than in the wake of the outbreak of the pandemic (Figure 25). Risk premiums for European emerging market economies saw no significant changes in September (Figure 26). The risk premium for Croatia rose only slightly, ending September at 76 basis points and, excluding

Romania, remained slightly higher than for CEE peer countries.

Influenced by the CNB's highly expansionary monetary policy, banks' free reserves remained close to the highest levels ever recorded. The average daily surplus of kuna liquidity of the domestic banking market thus reached HRK 41.1bn in September, which is almost equal to the values recorded in the previous three months (Figure 55). Amid these conditions there was no turnover on the domestic interbank overnight market in September, while turnover in other money market segments was rather modest. The overnight interest rate on interbank demand deposit trading increased slightly, reaching 0.07% in September, while the implicit interest rate on foreign exchange swap trading decreased slightly to -0.19% (Figure 28).

In August, bank interest rates on new corporate and household loans, which include pure new loans and renegotiated loans, mostly either fell or remained unchanged (Figures 29 and 30). As regards interest rates on pure new corporate loans, interest rates on working capital loans in kuna increased the most, while for households interest rates on housing loans increased the most. As for deposits, interest rates on household time deposits registered levels similar to those in the month before, while those on corporate time deposits decreased slightly (Figures 35 and 36). The spread between interest rates on new loans and deposits continued to rise and reached 5.1 percentage points in August, due equally to the growth of interest rates on loans and to the continued change in the structure of loans granted, i.e. an increase in the share of kuna loans carrying a higher interest rate (Figure 38). At the same time, the spread between interest rates on loan and deposit balances remained almost unchanged in August, at 4.1 percentage points.

Monetary developments in August were marked by a seasonal increase in net foreign assets (NFA) of credit institutions and a decrease in net domestic assets (NDA) of the monetary system, so total liquid assets (M4) increased by HRK 3.1bn or 0.9% (transaction-based). The fall in NDA was mostly due to the decrease in net claims on the central government, i.e. a rise in central government deposits with the CNB and the commercial banks. Despite a monthly increase in M4 and money, their annual growth slowed down in August to 6.2% and 15.1% , respectively, transaction-based (Figure 49 and 50), mirroring a slower growth in net foreign assets than in August of the previous year. Smaller revenues from tourism in August this year compared to the same month of the previous year resulted in a smaller inflow of foreign currency into the banks and a smaller increase in foreign currency deposits (Figure 53) and demand deposits.

Total placements of monetary institutions to domestic sectors (excluding the central government) fell by HRK 0.5bn in August (transaction-based), mostly as a result of the fall in placements to non-financial corporations, primarily those in trade and manufacturing. At the same time, placements to households stagnated relative to July, with the monthly growth in housing loans slowing down 0.4% , while general-purpose cash loans fell by 0.2% . When observed on an annual level, the growth in total placements slowed down to 3.4% (Figure 41), mostly reflecting a slowdown in loans to corporations from 5.2% in July to 4.4% in August (Figure 42). As regards households, the annual growth of placements to this sector slowed down slightly, from 3.9% in July to 3.7% in August (Figure 43), influenced by a slowdown in the growth of general-purpose cash loans (from 2.8% to 2.0%), while the growth in housing loans continued to accelerate (from 8.0% to 8.3%), under the influence of borrowing for the purpose of reconstructing housing units damaged in the earthquake. The share of kuna placements in total placements to households increased negligibly in August to 55.1% (Figure 48).

Gross international reserves increased in September by EUR 0.3bn or 1.6%, totalling EUR 18.3bn at the end of the month (Figure 57). The increase was mostly a result of the higher number of repurchase agreements. In relation to the end of the previous year, gross international reserves decreased by EUR 0.2bn or 1.3%. During the same period, net usable reserves shrank by EUR 1.0bn or 5.8% and stood at EUR 16.4bn at the end of September.

The balance of payments financial account registered a net outflow of capital in the second quarter of 2020, totalling EUR 0.2bn, as a consequence of the strong growth in the CNB's international reserves. If the change in international reserves is excluded, there was a net inflow of capital of EUR 0.8bn (Figure 60), resulting from the growth of net debt, and to a smaller extent, of equity liabilities of domestic sectors. As for net debt liabilities (primarily loans and bonds), they were reduced by banks and other domestic sectors (especially non-financial corporations). However, these developments coincided with a pronounced growth of the government's net debt liabilities (Figure 61). Namely, in June the government issued new bonds worth EUR 2.0bn in the international market, intended to cover the July repayment of the USD 1.25bn worth of bonds issued in 2010 and in part to finance the counter-crisis measures aimed at mitigating the negative impacts of the coronavirus pandemic. The government sold the majority of funds raised to the central bank, which increased its international reserves in the second quarter. As mentioned earlier, net equity liabilities (primarily shares, holdings and reinvested earnings) also grew in the

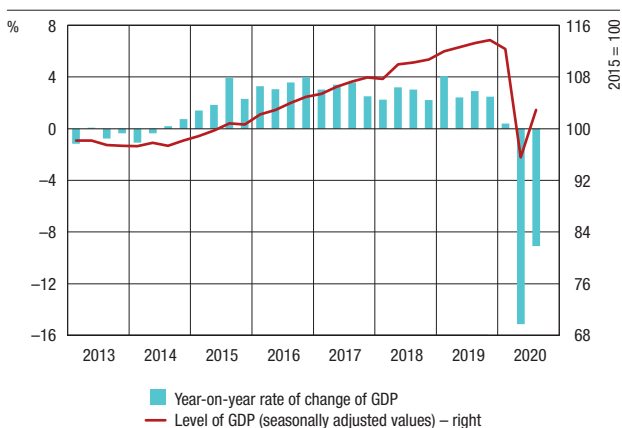
second quarter 2020, with the majority of investments in Croatia being realised from reinvested earnings in the manufacture of pharmaceutical products, finance and telecommunications. July developments were marked by the reduction in the overall net external debt (Figure 61), primarily as a result in the reduction of the government's foreign liabilities.

According to the Draft Semi-annual Budget Execution Report, prepared in line with the national methodology, in the first half of 2020, the state budget deficit totalled HRK 16.7bn and was noticeably higher than in the same period last year, while the general government budget deficit was HRK 17.9bn or some HRK 19bn more than in the same period last year.

According to MoF data¹ for July and August of this year, the central government realised a surplus of some HRK 1.9bn thanks to the favourable outturn in August. Although this is a deterioration of some HRK 2.5bn from the same period in 2019 and reflects a growth of expenditures paired with a shortfall in revenues, there is a visible recovery from the second quarter when the budget outturn was some HRK 15.6bn lower than in the same period the year before.

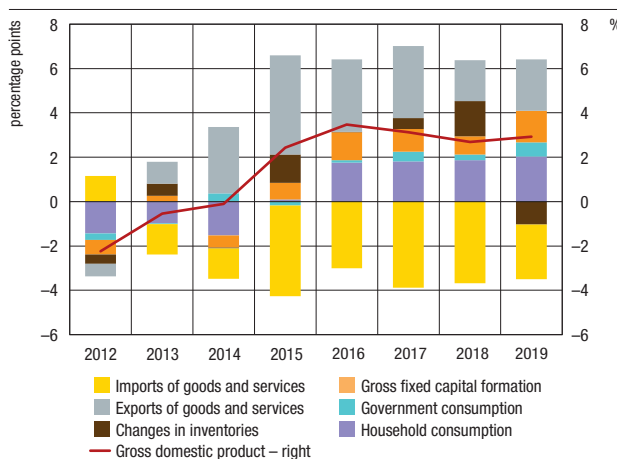
At the end of June, general government debt stood at HRK 329.6bn, HRK 36.7bn more than at the end of 2019. This rise reflects increased government needs for financing due to a considerable negative impact of the pandemic and the counter-crisis measures on the budget balance.² The government met these increased needs for financing mainly in the domestic market under favourable borrowing conditions.

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 30 September 2020.
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

Figure 2 GDP rate of change
contributions by components

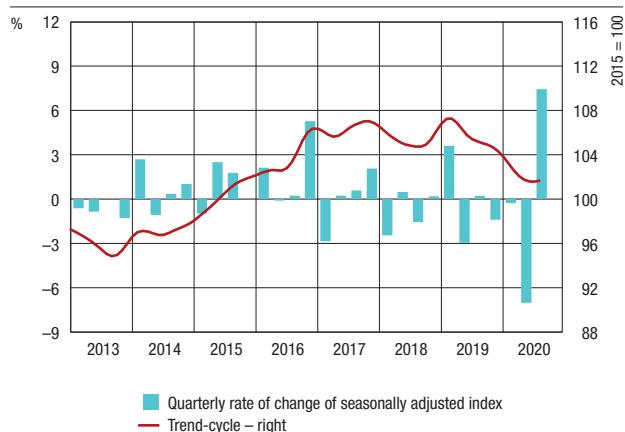


Source: CBS.

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.

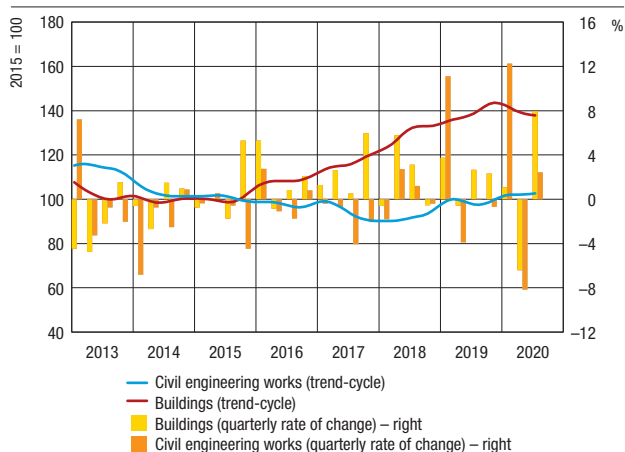
² In addition, data revision due to the reclassification of a series of units from the sector of non-financial corporations into central and local government raised the level of debt from January 2001, with a more considerable spike in the period from 2007 to 2014 being a consequence of the reclassification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

Figure 3 Industrial production



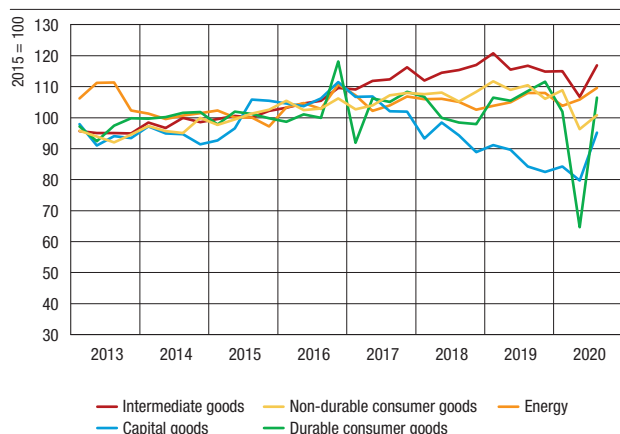
Note: Data for the third quarter of 2020 refers to July and August.
Source: CBS data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



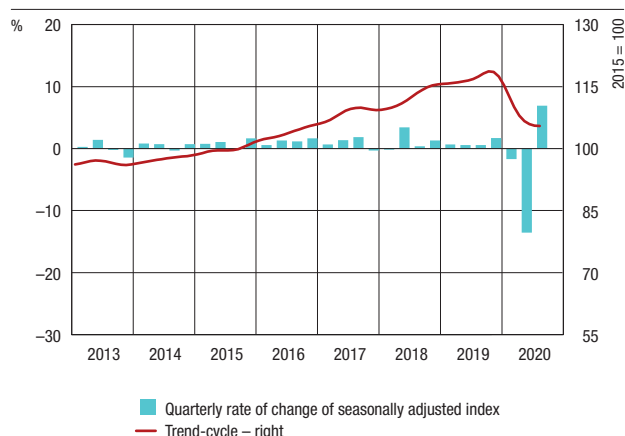
Source: CBS data seasonally adjusted by the CNB.

Figure 4 Industrial production by main industrial groupings seasonally adjusted indices



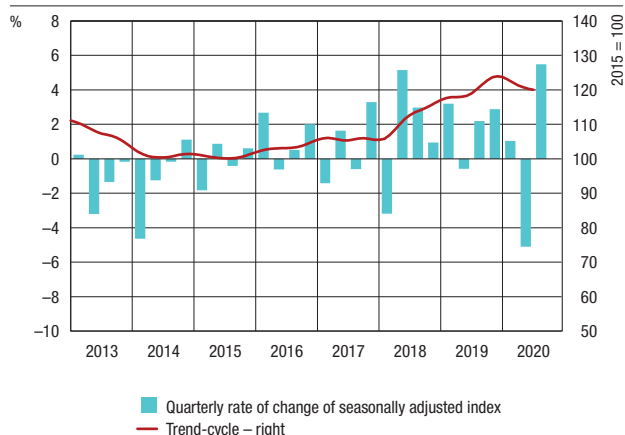
Note: Quarterly data are calculated as the average of monthly data.
Source: CBS data seasonally adjusted by the CNB.

Figure 7 Real retail trade turnover



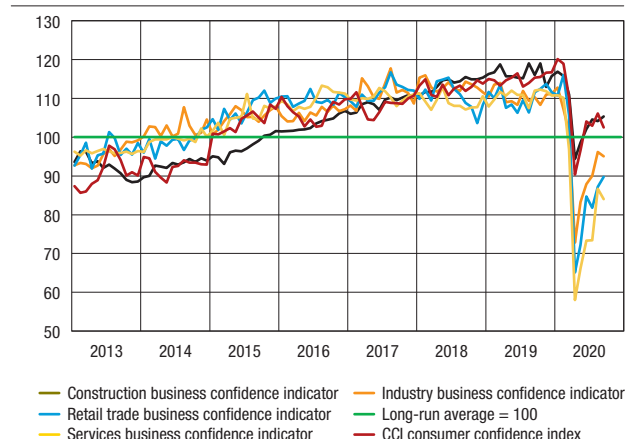
Note: Data for the third quarter of 2020 refers to July and August.
Source: CBS data seasonally adjusted by the CNB.

Figure 5 Total volume of construction works



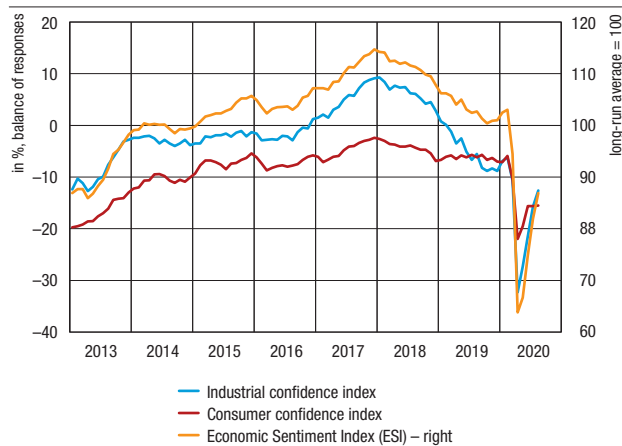
Note: Data for the third quarter of 2020 refers to July.
Source: CBS data seasonally adjusted by the CNB.

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



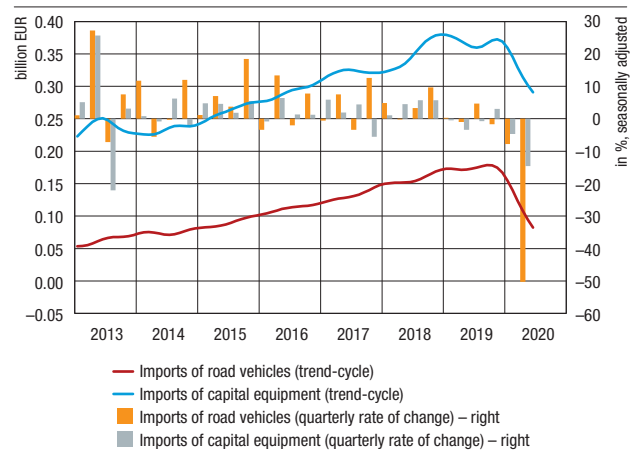
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

Figure 9 EU confidence indices
seasonally adjusted series



Source: Eurostat.

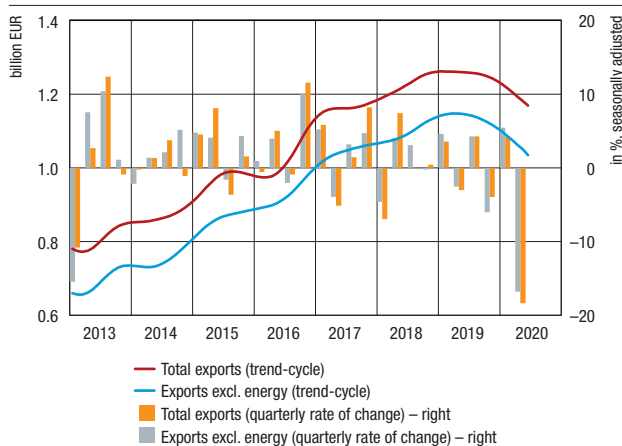
Figure 12 Imports of capital equipment and road vehicles (c.i.f.)



Note: Imports of capital equipment (SITC divisions 71 – 77).

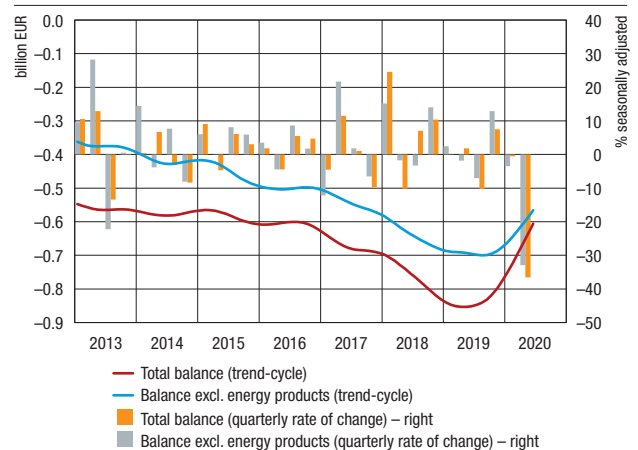
Source: CBS data seasonally adjusted by the CNB.

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



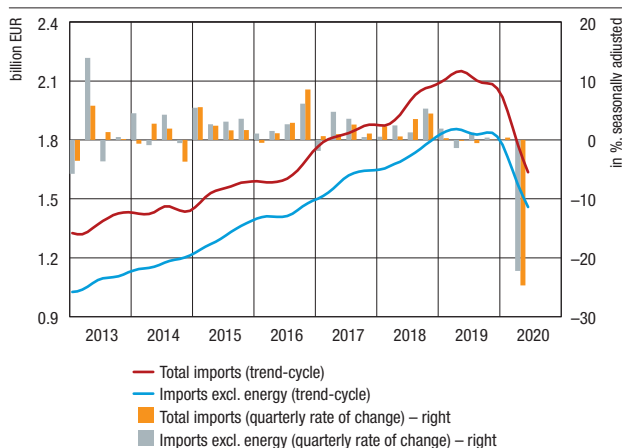
Source: CBS data seasonally adjusted by the CNB.

Figure 13 Trade of goods balance



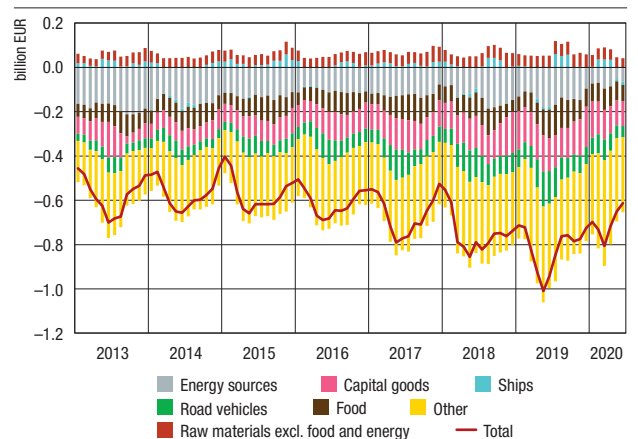
Source: CBS.

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



Source: CBS data seasonally adjusted by the CNB.

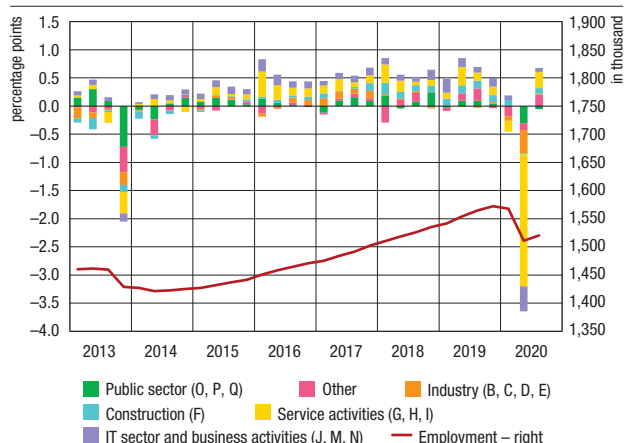
Figure 14 Trade in goods balance by product groups



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

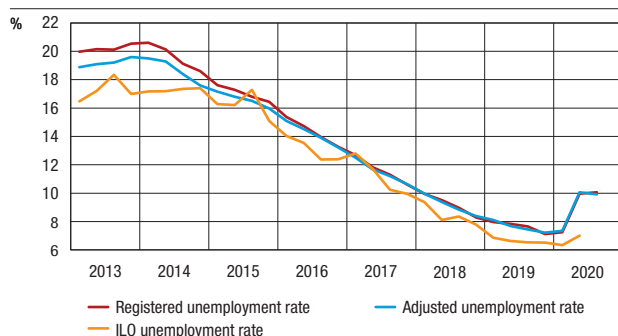
Source: CBS.

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



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

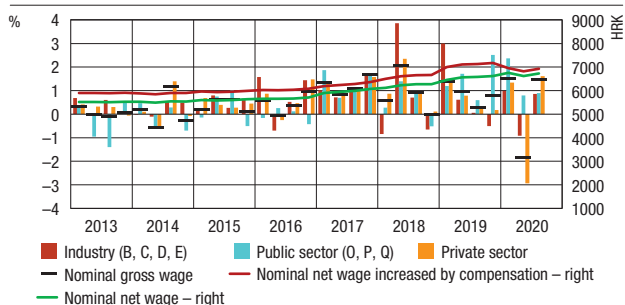
Figure 16 Unemployment rates
seasonally adjusted data



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). Data for the third quarter of 2020 refer to July and August.

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

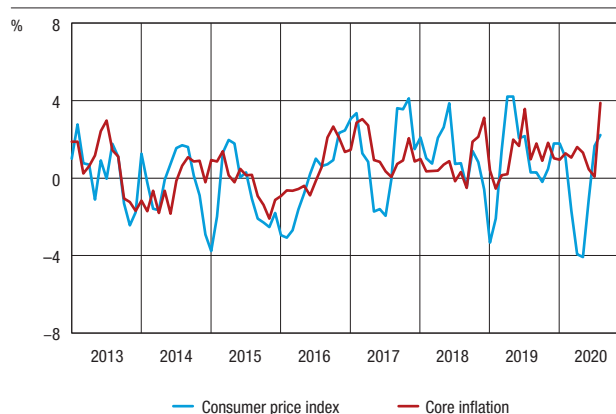
Figure 17 Average nominal gross wage by NCA activities
seasonally adjusted data, quarterly rate of change



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. Data for the third quarter of 2020 refer to July and August.

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

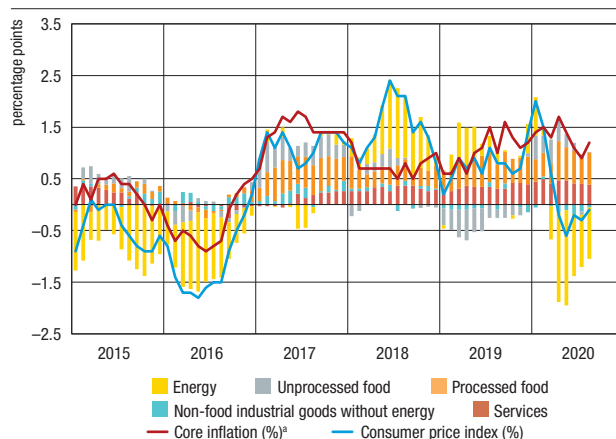
Figure 18 Consumer price index and core inflation
annualised month-on-month rate of change^a



^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.

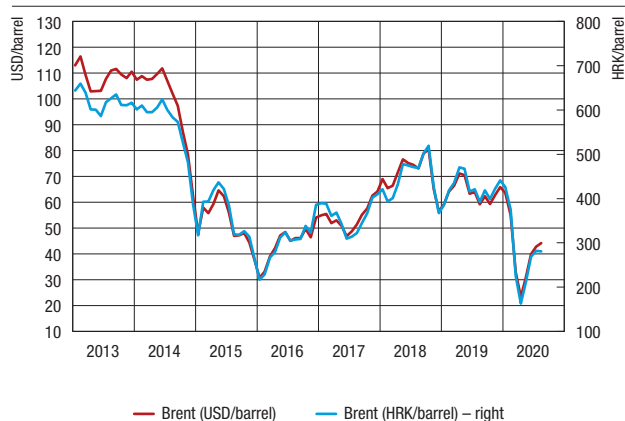
Table 1 Price indicators
year-on-year and month-on-month rates of change

	Year-on-year rates		Month-on-month rates	
	7/20	8/20	8/19	8/20
Consumer price index and its components				
Total index	-0.3	-0.1	-0.3	-0.1
Energy	-6.0	-5.9	-0.4	-0.3
Unprocessed food	-0.8	0.1	-0.1	0.7
Processed food	2.4	2.7	-0.1	0.2
Non-food industrial goods without energy	-0.5	-0.2	-1.0	-0.7
Services	1.6	1.5	0.0	-0.1
Other price indicators				
Core inflation	0.9	1.2	-0.4	-0.1
Index of industrial producer prices on the domestic market	-2.7	-2.7	-0.3	-0.3
Brent crude oil price (USD)	-33.1	-25.3	-7.4	3.4
HWWI index (excl. energy, USD)	-3.6	13.5	-8.1	8.2

Note: Processed food includes alcoholic beverages and tobacco.

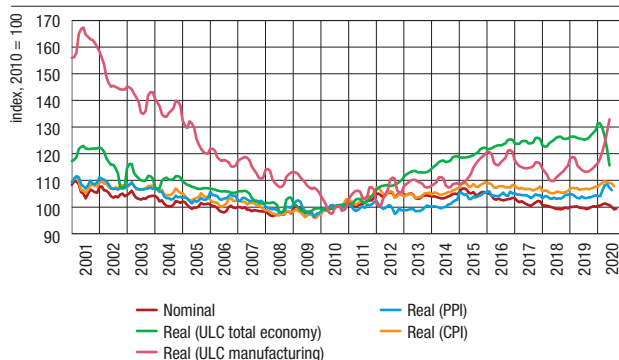
Sources: CBS, Bloomberg and HWWI.

Figure 20 Crude oil prices (Brent)



Sources: Bloomberg and CNB calculations.

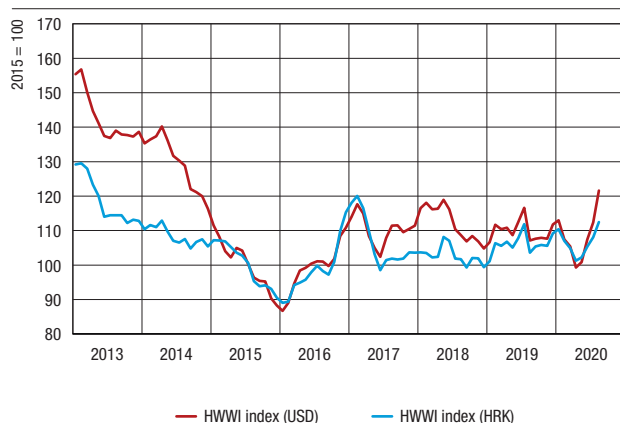
Figure 23 Nominal and real effective exchange rates of the kuna



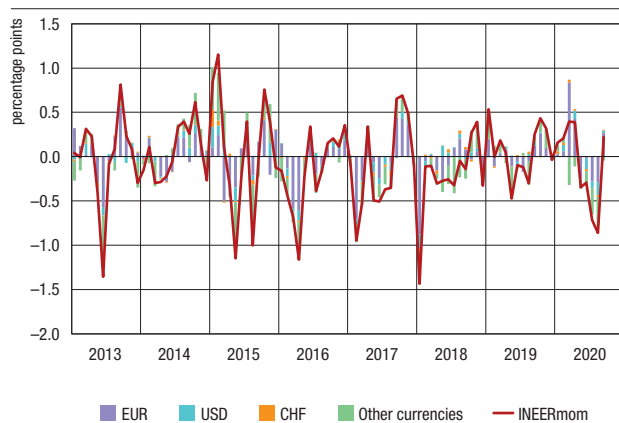
Notes: The real effective exchange rate of the kuna deflated by producer prices includes the Croatian index of industrial producer prices on the total market. The unit labour cost is calculated as the ratio between compensation per employee and labour productivity (defined as GDP per person employed), 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 21 HWWI index (excl. energy)



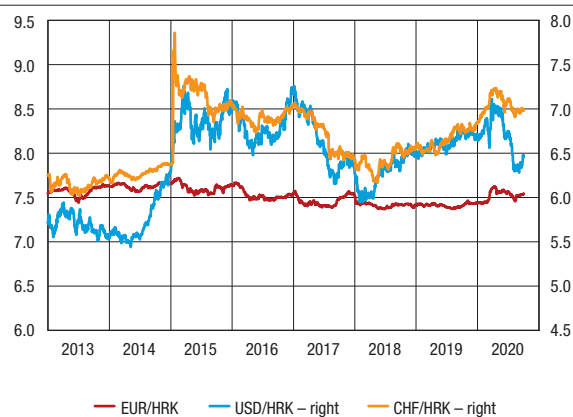
Sources: HWWI and CNB calculations.

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.

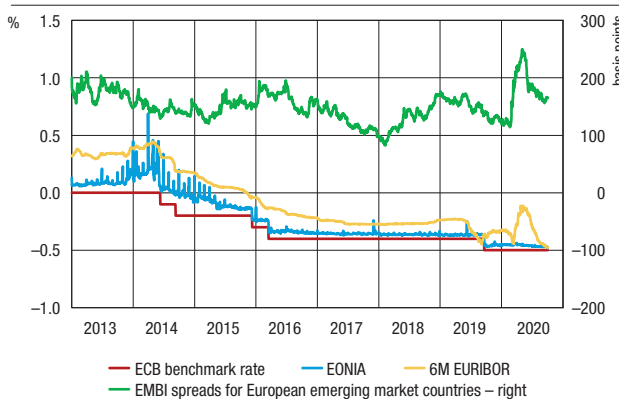
Figure 22 Daily nominal exchange rate – HRK vs. EUR, USD and CHF

CNB midpoint exchange rate



Source: CNB.

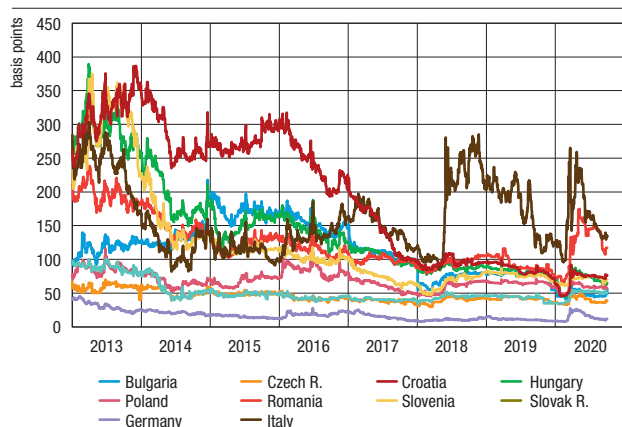
Figure 25 Interest rates on the euro and the average yield spread on bonds of European emerging market countries



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.

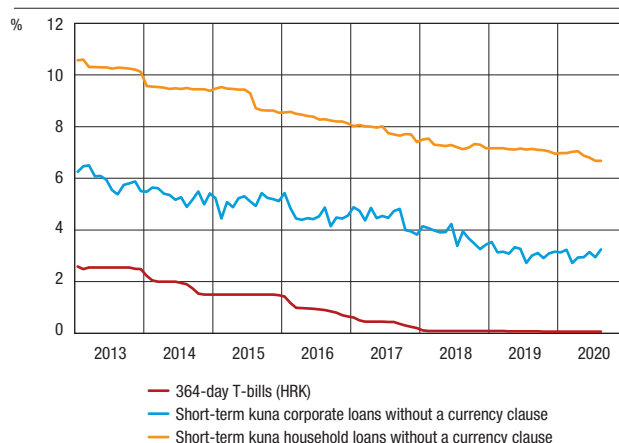
Figure 26 CDS spreads for 5-year government bonds of selected countries



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.

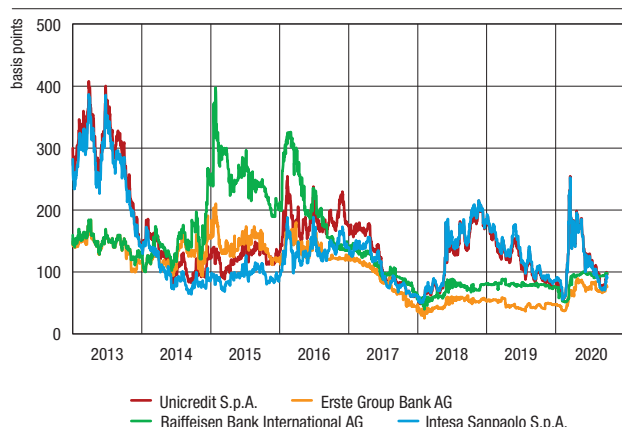
Source: S&P Capital IQ.

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



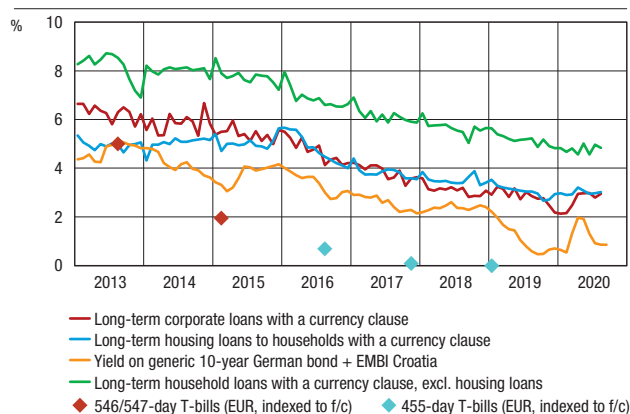
Sources: MoF and CNB.

Figure 27 CDS spreads for selected parent banks of domestic banks



Source: S&P Capital IQ.

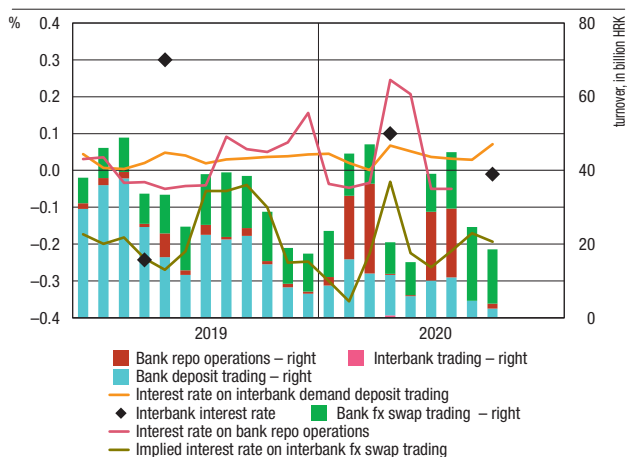
Figure 30 Long-term financing costs in kuna with a currency clause and in foreign currency



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.

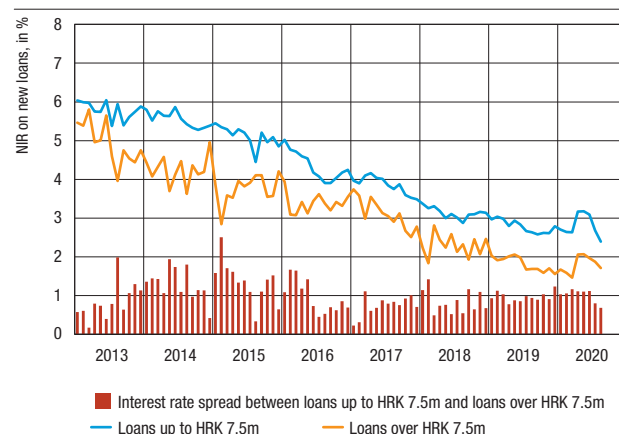
Sources: MoF, Bloomberg and CNB.

Figure 28 Overnight interest rates and turnovers

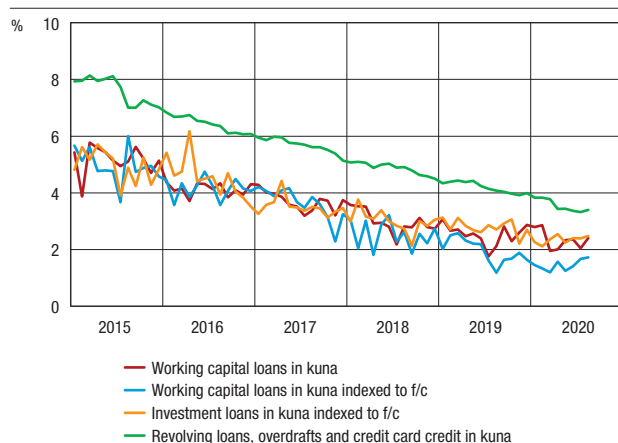


Source: CNB.

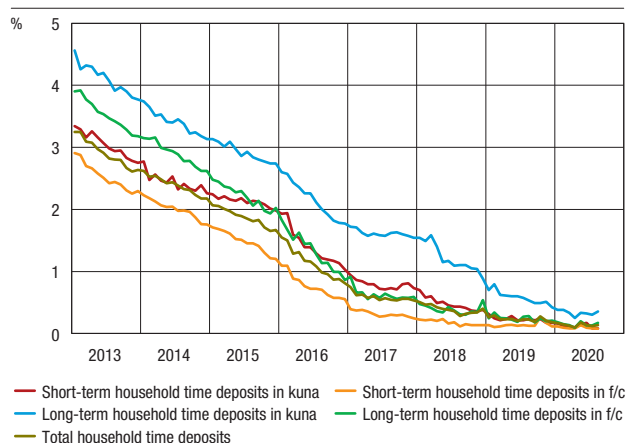
Figure 31 Bank interest rates on loans to non-financial corporations by volume



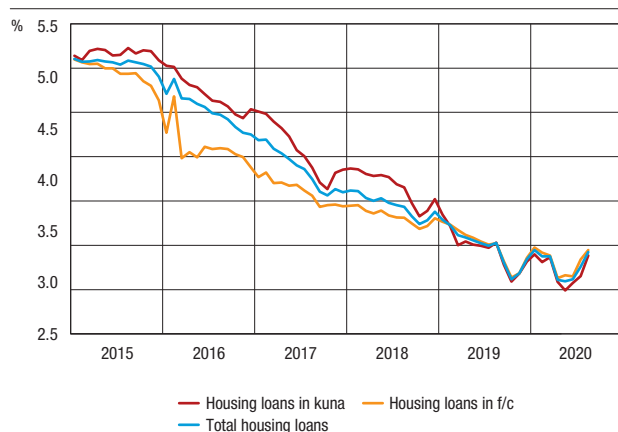
Source: CNB.

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

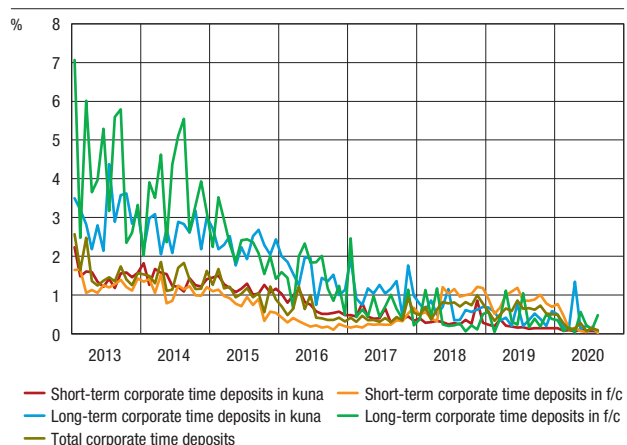
Source: CNB.

Figure 35 Interest rates on household time deposits

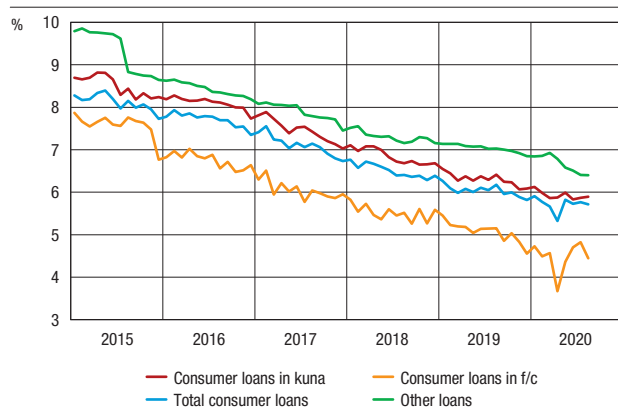
Source: CNB.

Figure 33 Interest rates on pure new housing loans to households

Source: CNB.

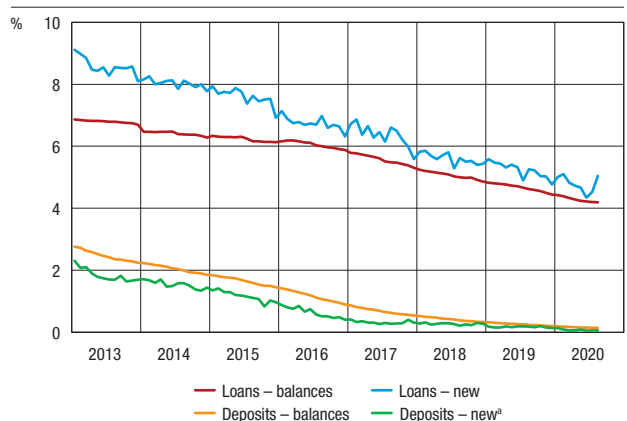
Figure 36 Interest rates on corporate time deposits

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.

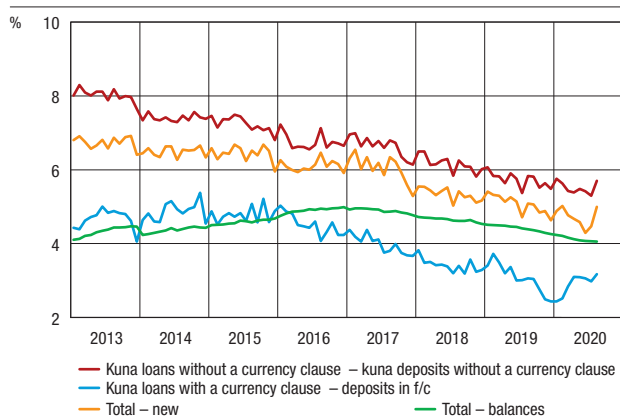
Source: CNB.

Figure 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.

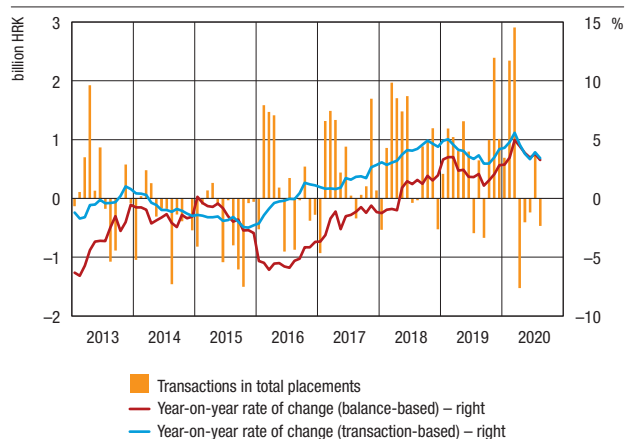
Figure 38 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits



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).

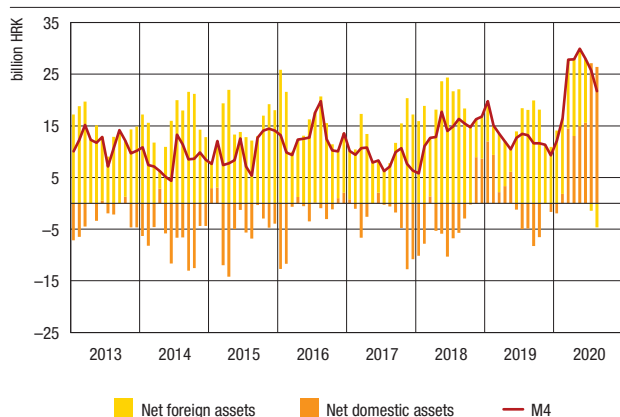
Source: CNB.

Figure 41 Placements



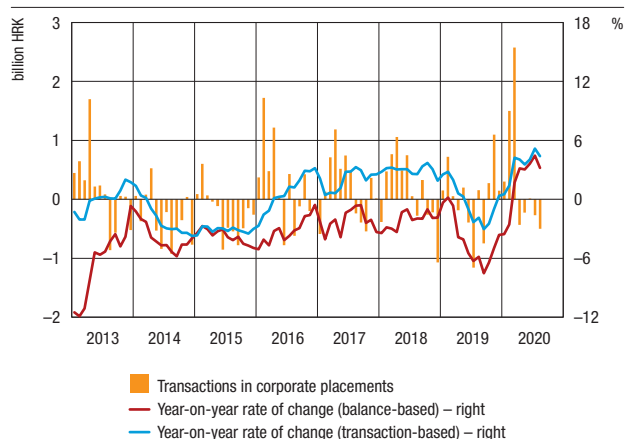
Source: CNB.

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



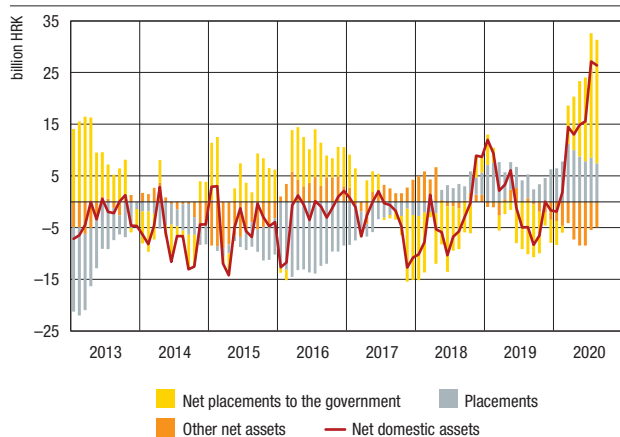
Source: CNB.

Figure 42 Placements to corporates



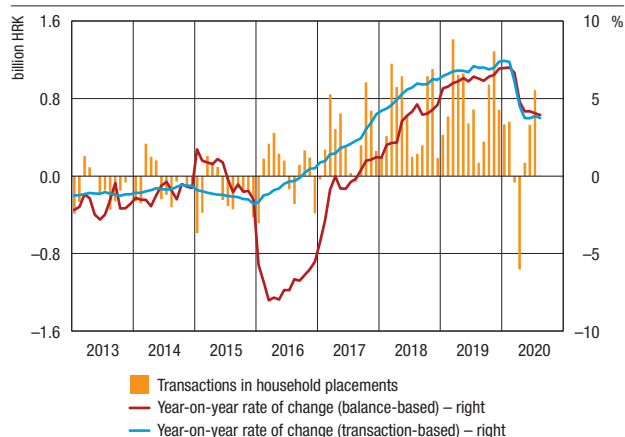
Source: CNB.

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

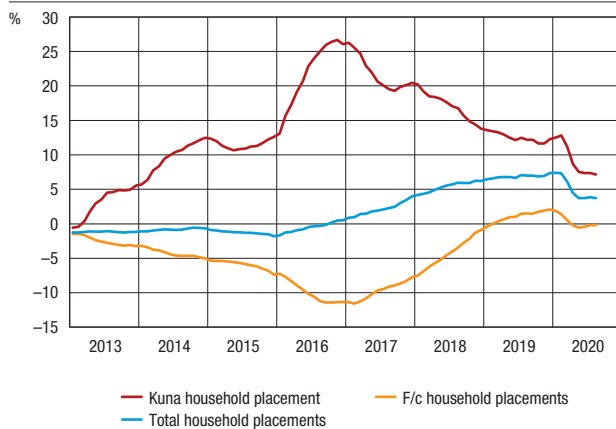


Source: CNB.

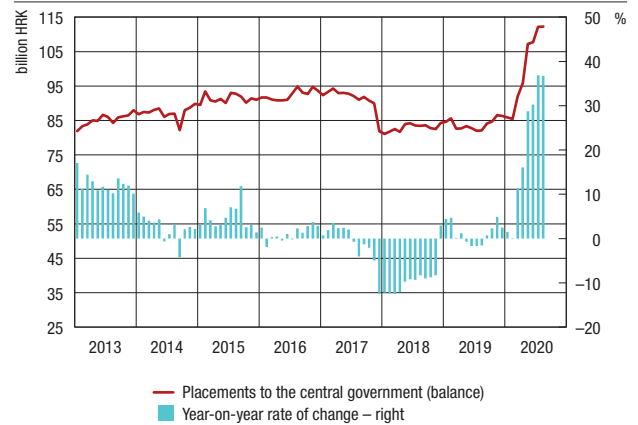
Figure 43 Placements to households



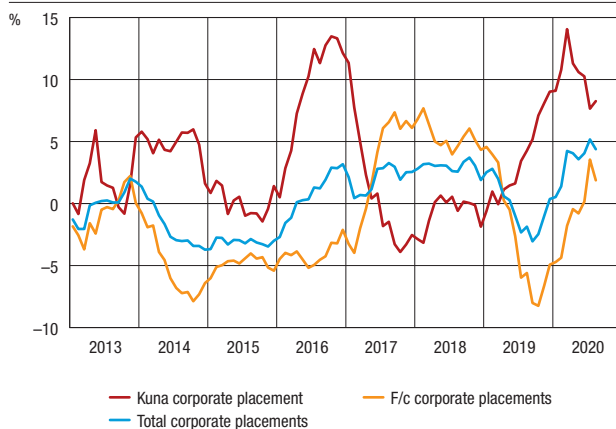
Source: CNB.

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

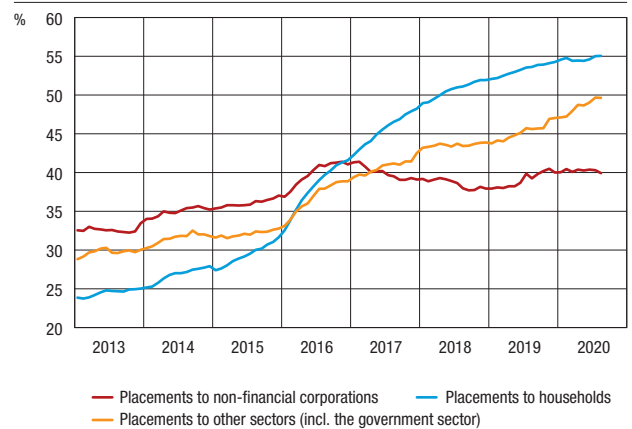
Source: CNB.

Figure 47 Placements of monetary financial institutions to the central government

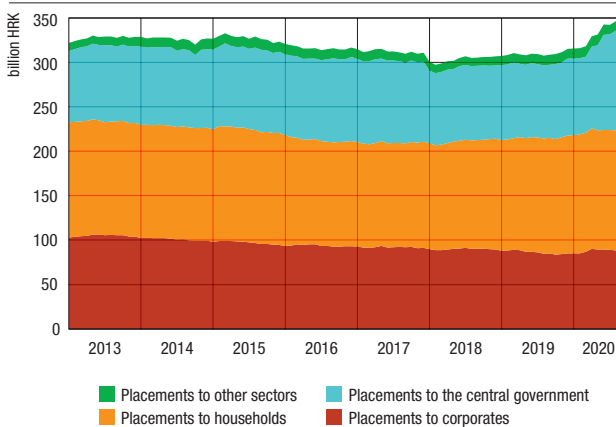
Source: CNB.

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

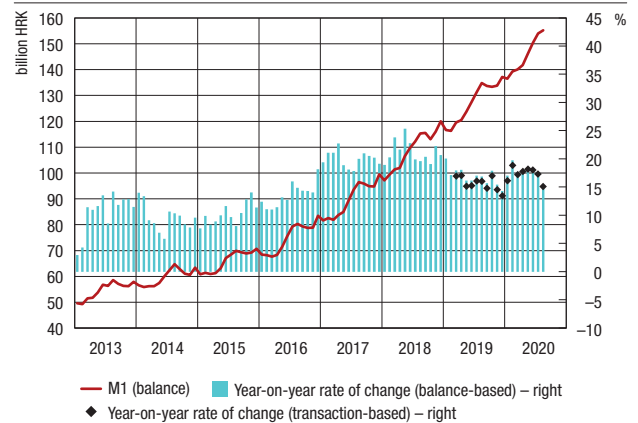
Source: CNB.

Figure 48 Share of kuna placements in total sector placements

Source: CNB.

Figure 46 Structure of placements of monetary financial institution

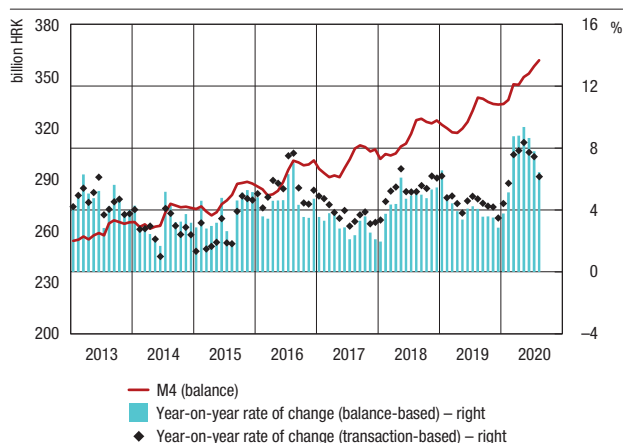
Source: CNB.

Figure 49 Money (M1)

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

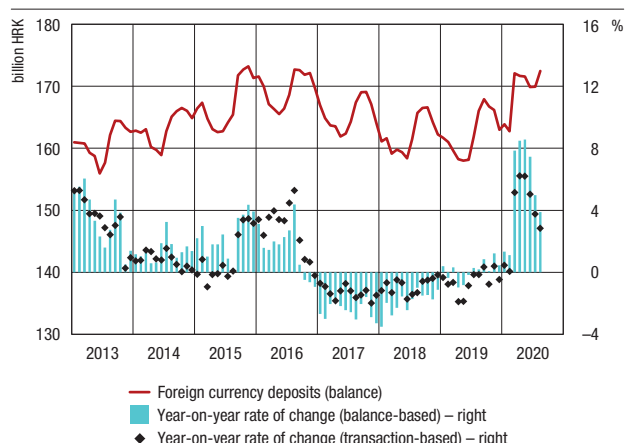
Source: CNB.

Figure 50 Total liquid assets (M4)



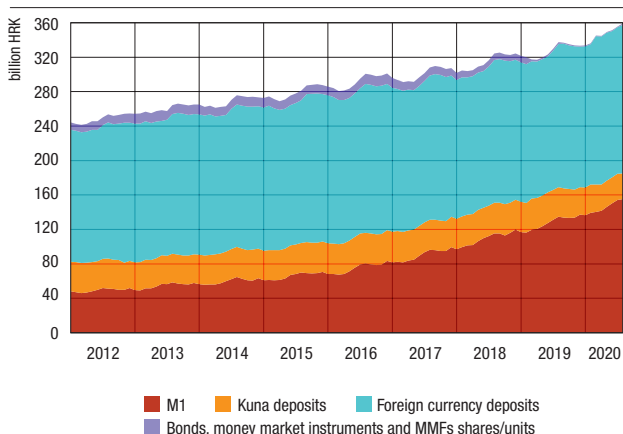
Source: CNB.

Figure 53 Foreign currency deposits



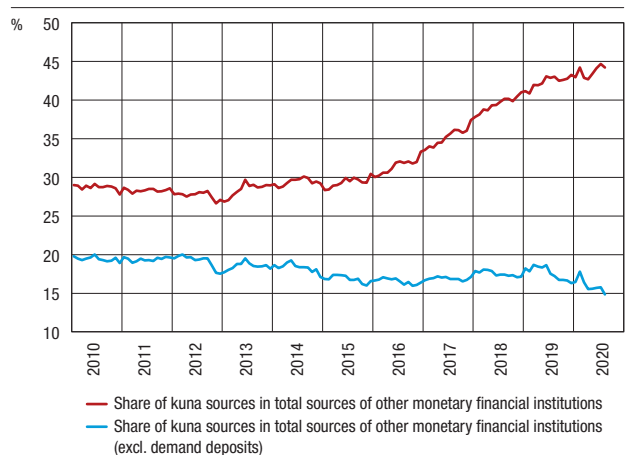
Source: CNB.

Figure 51 Structure of M4 monetary aggregate



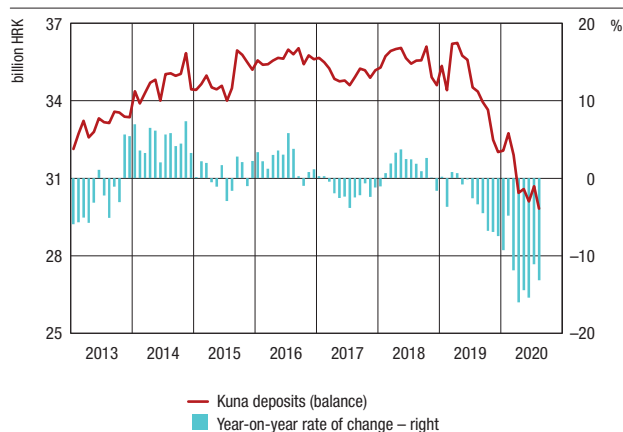
Source: CNB.

Figure 54 Share of kuna sources



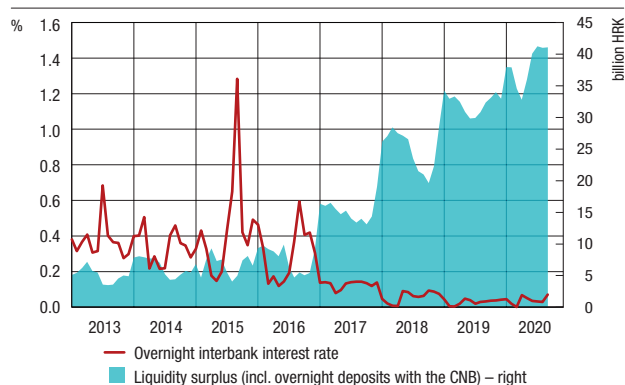
Source: CNB.

Figure 52 Kuna savings and time deposits



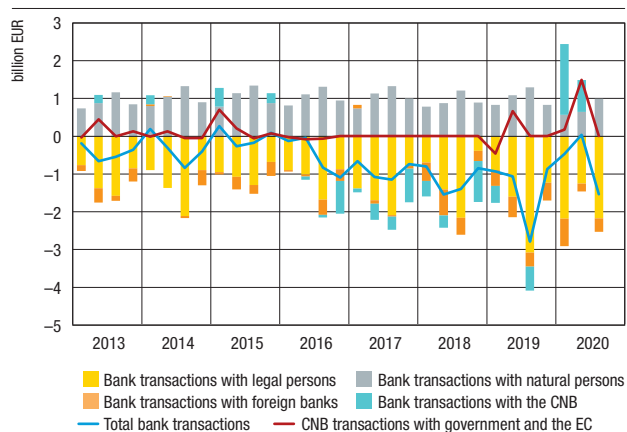
Source: CNB.

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

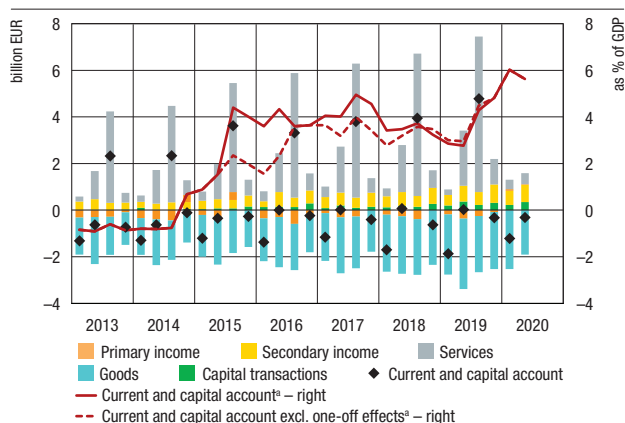


Notes: Liquidity surplus is the difference between the balance in bank settlement accounts with the CNB and the amount that banks are required to hold in their accounts after the calculation of reserve requirements. The overnight interest rate until the end of 2015 refers to the overnight interbank interest 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.
Source: CNB.

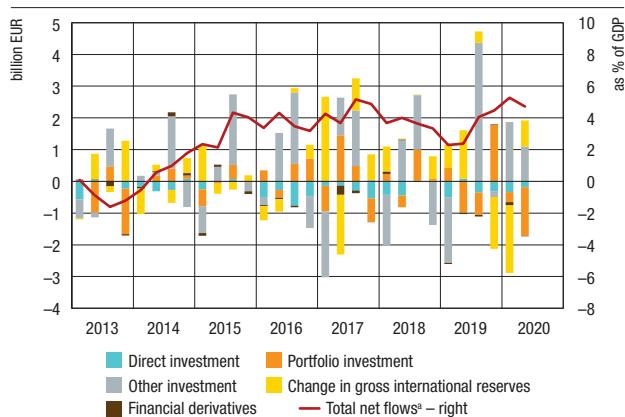
Figure 58 Current and capital account flows

^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.

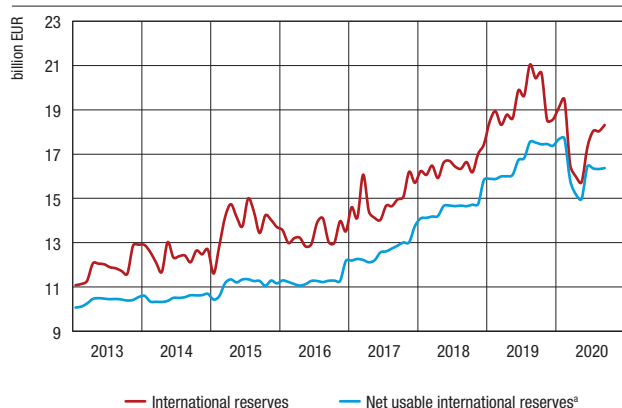
Table 2 Balance of payments
preliminary data, in million EUR

	2019	Q2/2020 ^a	Indices	
			2019/ 2018	Q2/2020/ 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

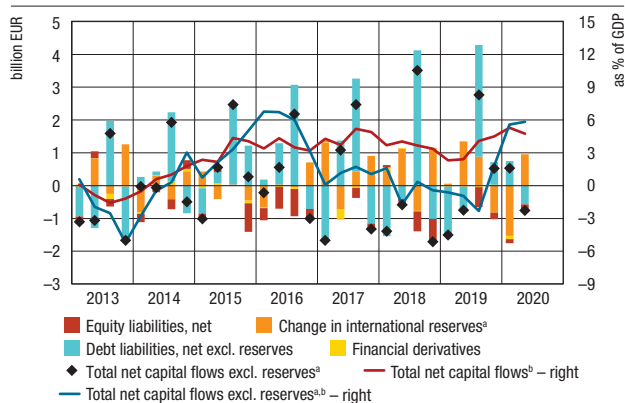
^a Refers to the sum of the last four quarters.
Source: CNB.

Figure 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.

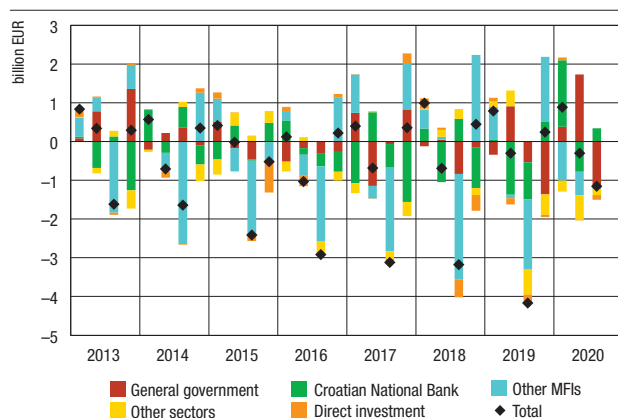
Figure 57 International reserves of the CNB at current rate of exchange

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

Figure 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.

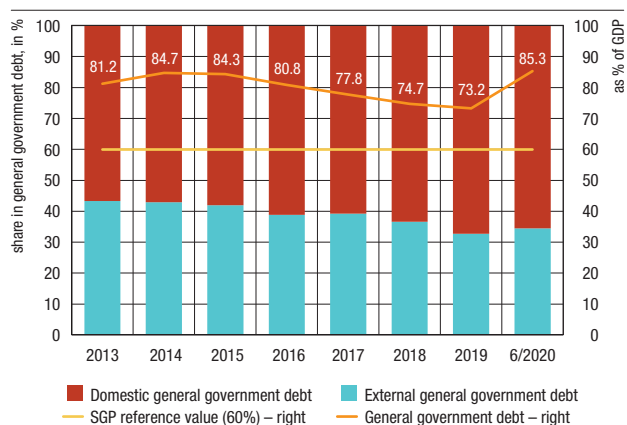
Figure 61 Net external debt transactions



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.

Source: CNB.

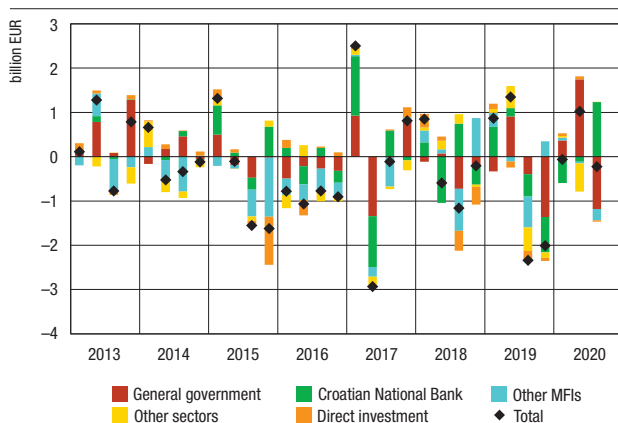
Figure 64 General government debt



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

Source: CNB.

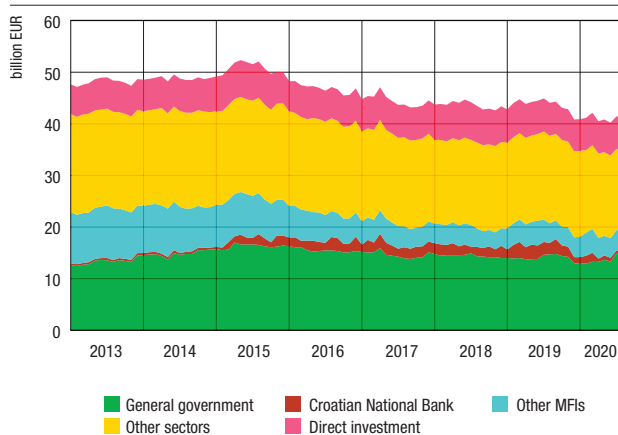
Figure 62 Gross external debt transactions



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.

Source: CNB.

Figure 63 Gross external debt end of period



Note: Data are up to July 2020.

Source: CNB.

Table 3 Consolidated general government balance

ESA 2010, in million HRK

	Jan.–Mar. 2019	Jan.–Mar. 2020
Total revenue	41,857	41,930
Direct taxes	6,322	6,016
Indirect taxes	16,407	16,324
Social contributions	11,406	11,943
Other	7,722	7,647
Total expenditure	43,809	45,642
Social benefits	15,249	15,416
Subsidies	2,279	2,223
Interest	2,210	1,962
Compensation of employees	11,156	12,161
Intermediate consumption	7,352	7,859
Investment	3,137	3,410
Other	2,427	2,611
Net lending (+)/borrowing (-)	-1,952	-3,712

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

	June 2019	June 2020
Change in total debt stock	4,689	24,920
Change in domestic debt stock	7,545	18,616
– Securities other than shares, short-term	632	6,139
– Securities other than shares, long-term	10,011	5,941
– Loans	–2,991	9,252
Change in external debt stock	–2,856	6,304
– Securities other than shares, short-term	44	0
– Securities other than shares, long-term	6,242	15,582
– Loans	–2,858	2,477
Memo item:		
Change in total guarantees issued	–349	78

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