Information on economic trends

February 2021

Summary

A slow-down in economic activity at a quarterly level can be expected in the last three months of 2020 due to the deterioration in the epidemiological situation and the introduction of stricter epidemiological measures. In the same period employment continued to grow and unemployment to decrease, aided by Government subsidies aimed at preserving employment. However, employment and unemployment data remain less favourable than in the period before the outbreak of the pandemic. The annual fall in consumer prices increased to –0.7% in December, from –0.2% in November, as a consequence of the decline in the contribution of food products (largely due to the base period effect). Monetary policy remained highly expansive at the turn of the year, so banks' free reserves reached a record high, largely thanks to the repurchase of foreign exchange from the government in the total amount of nearly HRK 10bn and to a smaller extent to a foreign exchange intervention. Total placements of credit institutions rose by HRK 4.1bn or 1.8% in December 2020 (based on transactions), with more than a half of the monthly increase in placements being accounted for by corporate placements or, rather, one large transaction in December. In the same month, placements to households continued trending upwards, spurred by the increase in housing loans due to the housing loans subsidy programme, while general purpose cash loans continued declining under the impact of uncertainties of the crisis caused by the pandemic. Fiscal data for the third quarter of 2020 (under the ESA methodology) point to a recovery of budget indicators from the second quarter.

Although the epidemiological situation seriously deteriorated in the fourth quarter, leading to the introduction of stricter epidemiological measures, the GDP nowcasting model suggests a possible increase in economic activity on a quarterly basis, but at a weaker intensity than in the previous quarter (Figure 1). Industrial production increased in the fourth quarter of 2020 at a significantly more modest quarterly dynamics (0.8%) than in the third quarter when it strongly recovered (7.9%) following the strong contraction of the second quarter (–7.2%) caused by the outbreak of the pandemic and the introduction of strict epidemiological measures. Observed by MIG categories, on a quarterly level, the manufacturing of intermediate goods and non-durable consumer goods went up the most, while the production of energy, capital goods and durable consumer goods decreased. Observed on a monthly level, industrial production increased by 0.6% in December after falling by 2.6% in November and rising by 1.8% in October (Figures 3 and 4). The real retail trade turnover rose by 5.9% in the last quarter of 2020 from the previous three months thus nearing the level from the beginning of the year. Observed on a monthly level, retail trade turnover went down by 0.8% in December, following three months of uninterrupted growth (Figure 7). The real volume of construction works in October and November was 3.0% higher than the average of the previous quarter indicating that activity in construction had returned to the level prior to the outbreak of the coronavirus pandemic. The data indicate an increase in the volume of construction works on buildings (1.5%) and civil engineering works (3.3%) on a quarterly level (Figures 5 and 6). The volume of construction works in November retained the level from October, when its monthly growth totalled 1.3%.

Data from the consumer confidence survey suggest a deterioration in household optimism in the last quarter of 2020 from the July to September period, the deterioration in expectations on a quarterly level being primarily a consequence of the decrease in consumer optimism in December. Nevertheless, consumer optimism improved at the beginning of 2021, the index rising in January both on a monthly and on a quarterly level. This was primarily due to improved expectations regarding the financial situation of households for 12 months compared to the current situation. Business optimism in the last three months of 2020 was higher across all activities than the average in the third quarter but was still much below the levels recorded at the beginning of the year. A recovery in expectations of business entities continued at the beginning of 2021, resulting in the January index for all activities being above the average for the last quarter of the previous year. Observed on a monthly level, expectations increased in all activities except trade (Figure 8).

Relatively favourable current developments in the labour market continued at the end of 2020 after exceptionally unfavourable developments in the period from March to May. The number of employed persons intensified in October 2020, with similar dynamics continuing through November. In December, however, this growth slowed down. At the end of December 2020, the number of employed persons neared the level registered in 2019, after attaining 2018 levels in the period from April to September. On a quarterly basis, employment in the fourth quarter 2020 was 2% higher than the average in the previous three months, with the greatest increase recorded in the accommodation and food service activities (Figure 15).[1] The number of employees for whom employers were paid job preservation support in activities hit by the coronavirus pandemic increased in October to 6.4% of the total number of persons employed (compared to 4% during the summer months), which reflects an increase in the risk of the situation in the labour market deteriorating. A further increase in the scope of beneficiaries is expected again in November. The number of unemployed persons continued decreasing at an accelerated rate in October and November 2020 as a result of increased outflow from the register due to employment. However, this fall slowed down in December. The gradual decrease in the number of unemployed persons was reflected in the registered unemployment rate, which declined from 9.5% in September to 8.9% in December 2020 (Figure 16). Nevertheless, total unemployment was almost 30 thousand stronger at the end of December 2020 than in the same month of the previous year, while the unemployment rate was 1.8 percentage points higher. The average nominal gross wage grew negligibly in October 2020 from the previous month, while in November this growth slightly increased, similar dynamics continuing through December. On a quarterly level, the average nominal gross wage grew by 1.1% in the fourth quarter from the previous quarter (Figure 17). As a result of these developments, the average nominal gross wage at the end of 2020 was 3.1% higher than in the same period of the previous year. Wages in the public sector grew by 5.3% and in the private sector by 2.0%. During the same period, owing to an almost complete absence of payments of non-taxable compensations across

1 The seasonal adjustment of macroeconomic series was made difficult due to a weaker tourist season, which is especially visible in those series heavily dependent on tourism, such as the accommodation and food service activity. As a results, the number of persons employed in the accommodation and food service activity grew strongly in the fourth quarter of 2020, according to the seasonally adjusted data.

all activities, net wages increased by non-taxable compensations were almost equal to the average net wage paid.

Consumer prices went down by 0.6% in December 2020 from the month before (Table 1).[2] This was mostly due to the seasonal decrease in the prices of clothing and footwear and to a lesser extent to the decrease in the prices of bakery and confectionery products, telecommunication services and solid fuels. The decline in the index of consumer prices was partly counteracted mitigated by the increase in prices of petroleum products, which mirrored the increase in crude oil prices on the global market. As a result, the price of a barrel of Brent crude oil was USD 51, up 8.5% from the price at the end of November and back at the level registered at the beginning of March (Figure 20). The growth in the prices of crude oil on global markets registered in the last two months of 2020 followed the upturn in global financial markets due to favourable news related to the deployment of a coronavirus vaccine by several manufacturers. In addition, the growth in the prices of crude oil was spurred by the December agreement of OPEC+ countries on a lower-than-expected gradual increase in the production of crude oil starting from January 2021 and by the reduction in the US crude oil stocks. The annual fall in consumer prices increased to –0.7% in December, from –0.2% in November (Figure 18), primarily due to the decrease in the contribution of unprocessed and processed food products (Figure 19). The annual rate of core inflation also decreased in December, to –0.1%, from 0.6% in November, mainly for the same reasons as total inflation, i.e. because of the decrease in the annual rate of change in the prices of some food products (primarily meat, due to the negative effect of the base period, that is, strong growth of these prices in December 2019). The average annual inflation rate of consumer prices slowed down to 0.1% in the whole of 2020, from 0.8% in 2019, which was, to the largest extent, a consequence of the decrease in the annual rate of change in the prices of energy. During the same period, the average annual rate of core inflation in 2020 remained unchanged at 1.0%.

Foreign trade in goods continued to grow early in the fourth quarter, at a slower pace, however, than over the summer months, when foreign trade in goods strongly recovered from the contraction caused by the outbreak of the pandemic and the introduction of strict epidemiological measures. Goods exports thus increased by 8.4% in October from the average in the previous three months (Figure 10), primarily thanks to greater exports of capital goods (machinery specialised for particular industries and electrical machinery, apparatus and appliances), chemical products and electricity. During the same period, goods imports increased by 4.9% (Figure 11), largely due to the contribution of higher imports of road vehicles (Figure 12), metal and textile industry products and food products. As a result of the stronger growth of exports than of imports, the foreign trade deficit went down by 2.9% (Figure 13). If initial data for November are taken into consideration, the growth of total exports of goods in October and November held steady at 8.3% compared to the average for the previous quarter, while the growth of imports slowed down to 4.3%, with the deficit reducing by 4.6%. Viewed cumulatively over 12 months, total exports of goods decreased by 3.0% in November while goods imports went down by 9.8%.

The appreciation of the nominal exchange rate of the kuna against the euro that started in November continued throughout December. In order to mitigate the excessive strengthening of the kuna and aiming to preserve the stability of the exchange rate, the CNB intervened in the foreign exchange market in the middle of the month by purchasing foreign currency from banks in the amount of EUR 130m. At the turn of the year, the nominal exchange rate of the kuna against the euro started to depreciate slightly. At the end of January 2021, it was EUR/HRK 7.56, the same as at the end of November 2020 and up 1.5% from the end of January last year (Figure 22). Although the kuna strengthened against the euro, the US dollar and the yuan renminbi in December, showing an appreciation of the nominal effective exchange rate of 0.5% since the end of November, in January the kuna weakened against these same currencies, and by the end of the month the nominal effective exchange rate had returned to the level of the end of November 2020.

The overnight interest rate on the euro area banking market, EONIA, did not change much at the end of 2020 and at the beginning of 2021, standing at –0.48% at the end of January (Figure 25). In the same period, the six-month EURIBOR continued to decline slightly and stood at –0.53% at the end of January. Risk premiums for European emerging market economies were stable at the turn of the year (Figure 26), with the exception of Romania and Poland, whose risk premiums decreased slightly. The risk premium for Croatia remained almost unchanged at 76 basis points at the end of January and continued to record slightly higher values than the peer countries of Central and Eastern Europe, with the exception of Romania.

The highly expansionary monetary policy continued at the turn of the year so banks' free reserves reached their historical high, aided predominantly by the repurchase of foreign currency from the government in December, totalling almost HRK 10bn, and to a lesser extent by the foreign exchange intervention, totalling nearly HRK 1bn. The average daily surplus kuna liquidity of the domestic banking market thus stood at HRK 59.9bn in January (Figure 55), compared to HRK 40.3bn in the previous year. Amid ample kuna liquidity, there had been no turnover in the domestic interbank overnight market since April last year. With regard to other segments of the money market, the implicit interest rate on foreign exchange swap trading decreased in January to its record low of –0.44% (Figure 28), while overnight interest rates on interbank demand deposit trading and repo transactions remained almost unchanged at –0.02% and –0.05% respectively. The interest rate on one-year kuna T-bills of the Ministry of Finance slowed down slightly to 0.05% in January, after holding steady at the level of 0.06% since October 2019.

Banks' interest rates on new corporate loans, which include pure new loans and renegotiated loans, mostly registered similar or only slightly higher levels at the end of 2020 than those seen at the beginning of the year before the outbreak of the pandemic, while in the same period interest rates on new loans to households were mostly lower (Figures 29 and 30). Influenced by the housing loans subsidy programme, the fall in interest rates on pure new housing loans, which ranged around 2.4% in the last quarter of 2020, was particularly prominent. Interest rates on pure new corporate loans in December mostly grew (Figure 32), but still remained lower or equal to those at the beginning of the year, with the exception of the interest rate on working capital loans in kuna indexed to a foreign currency, which registered a higher level. As for deposits, the interest rates on corporate and household time deposits remained almost unchanged in December (Figures 35 and 36). Despite the December growth, the spread between the interest rates on new loans and deposits was lower at the end of the year than at its beginning, totalling

2 As a result of faster spreading of the pandemic, cafes, restaurants and gyms were closed for business in December so the CBS, since it was unable to record prices directly in the field, had to impute the prices of services in these facilities by employing the last available price. The share of imputed prices in the structure of the ICP in December 2020 was 3.9%, much below that in April, when it reached 17.6%.

4.43 basis points, while the spread between interest rates on loan and deposit balances decreased to 3.95 percentage points, that is, fell below 4 percentage points for the first time (Figure 38).

Monetary developments in December were marked by an increase in total liquid assets (M4) of HRK 2.7bn or 0.7% (transaction-based), aided by the rise in net domestic assets (NDA), which was partially mitigated by the decrease in net foreign assets (NFA) of the monetary system under the influence of the seasonal widening of the deficit in foreign trade of goods and services. The fall in the NFA of the monetary system was a result of the decrease in the NFA of credit institutions, while the NFA of the CNB strongly increased mainly due to the inflow of funds from the EU funds which resulted in the increase of the government's foreign currency deposits with the CNB, as well as in the sale of foreign currency to the CNB, and also due to inflows to the foreign currency deposits of credit institutions with the CNB (these deposits representing bank assets in the TARGET2 system) and the CNB's foreign exchange intervention. In comparison to 2019, the growth of total liquid assets accelerated strongly in 2020, from 3.5% to 9.1% (Figure 50%). The structure of monetary growth also changed noticeably, with the contribution of NDA growth increasing and the significance of NFA decreasing. Faster growth in net domestic assets was primarily spurred by the strong increase in net claims on the central government due to the CNB's repurchase of government securities in the secondary market. Broken down by the components, the annual growth in money (M1) accelerated from 13.4% in 2019 to 17.0% in 2020 (Figure 49) due to stronger growth in demand deposits which reached 18.9% in 2020 (14.4% in 2019). After three years of uninterrupted decline, quasi-money started registering positive rates of change in 2020, its growth accelerating from –2.4% in 2019 to 3.6% in 2020 (transaction-based), primarily due to the increase in foreign currency deposits (Figure 53).

Total placements of monetary institutions to domestic sectors (excluding the central government) stood at HRK 238.5bn at the end of December 2020, up HRK4.1bn (1.8% based on transactions) from the end of November. More than a half of the monthly increase was accounted for by corporate loans, i.e. one large transaction registered in December. Placements to households continued to grow during the month in question (HRK 0.2bn), with housing loans increasing by HRK 1.0bn, mirroring the effects of the government's housing loans subsidy programme, while general-purpose cash loans continued to decrease. On an annual level, the growth of total placements slowed down slightly, to 3.9% in 2020, from 4.2% in 2019 (Figure 41). Broken down by sector, the greatest rise (HRK 4.8bn) was recorded by corporate placements, as reflected in the acceleration of the annual transaction-based growth from 0.4% in 2019 to 5.6% in 2020 (Figure 42). The growth of placements to households slowed down significantly in 2020: after having grown by 7.4% in 2019, last year household loans went up by only 2.1%. (Figure 43). The rise in housing loans was especially strong (HRK 4.3bn), with their growth even accelerating in 2020 (from 6.4% to 7.5%) under the influence of the housing loan subsidy programme of the Government of the RC. On the other side, general-purpose cash loans decreased by HRK 0.7bn or 1.4% from the end of the previous year due to uncertainties surrounding the crisis caused by the COVID-19 pandemic after having grown by 11.5% in 2019. In terms of the currency structure, the share of kuna placements in total household placements in December 2020 was 55.0% (Figure 48), which means that its years-long upward trend was halted.

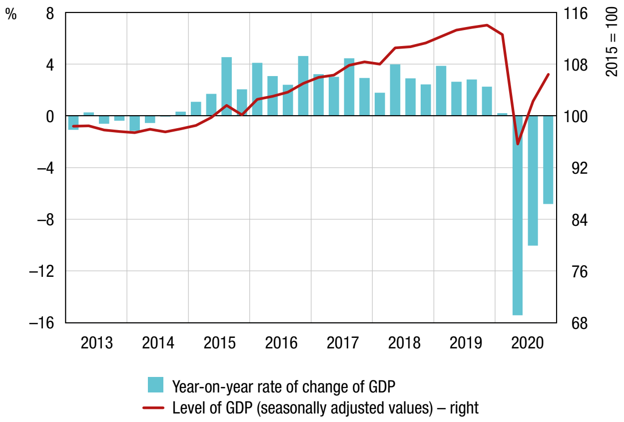
Gross international reserves increased by EUR 0.8bn or 4.2% in January 2021 from the end of 2020, which was predominantly a consequence of the inflow to the foreign exchange account of the government with the CNB and greater volume of contracted repo transactions, ending the month at EUR 19.7bn (Figure 57). Net usable reserves did not change much in January and ended the month at EUR 17.7bn, the same level as at the end of January 2019.

The net external debt slightly increased in October and November 2020, by EUR 0.1bn (Figure 61). This was mainly the result of the growth in net foreign claims of credit institutions, primarily due to the decrease in their assets following the usual seasonal improvement in their foreign position during the summer months. In addition, government debt noticeably increased as a consequence of long-term borrowing within the framework of the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). The funds obtained on this basis were deposited by the government with the CNB as a foreign exchange deposit, and this was the main factor behind the growth in international reserves, i.e. of the improvement in net foreign exchange position of the central bank. In addition, net foreign liabilities of other domestic sectors to affiliated creditors decreased. At the end of November 2020, gross external debt stood at EUR 41.2bn, down EUR 0.1bn on the end of the third quarter (Figure 63).

The third quarter data presented according to the ESA methodology indicate a better budget outturn than that of the previous quarter with a still noticeable influence of the epidemiological crisis on developments in budget revenues and expenditures. General government deficit totalled HRK 3.9bn in the period from July to September 2020, while the same period in 2019 boasted a surplus of HRK 3.9bn. Such an outturn reflects a growth in total expenditures paired with a simultaneous decrease in revenues. Total general government revenues went down by 8.6% in the period from July to September. Revenues from VAT strongly contributed to this fall, marked by the fall in personal consumption and the exports of tourist services. At the same time, total expenditures increased by 7.4%, primarily due to other current expenditures, expenditures for subsidies paid to employers for job preservation, the growth of employee compensations and public investments. Budget developments were also impacted by the withdrawal of funds from EU funds (however, this did not directly affect the budget balance).

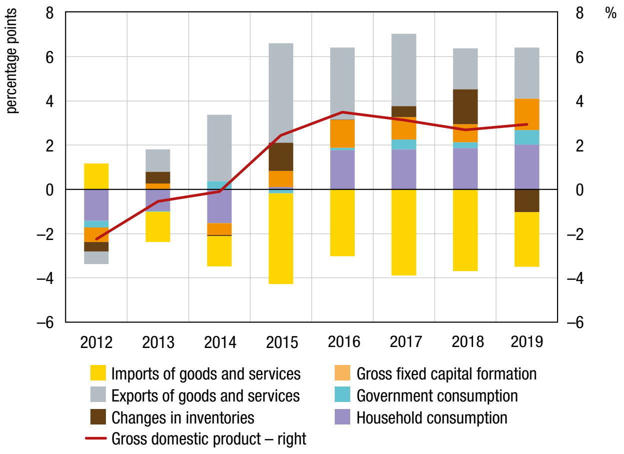
According to the Ministry of Finance data for November 2020, the consolidated central government generated a surplus of HRK 1.1bn, primarily due to the effect of a bank holiday at the end of October, which resulted in a portion of budget revenues being transferred to November. When the budget balance in October and November is observed in comparison to the same period last year, its level remained similar but with noticeable simultaneous growth in both revenues and expenditures. At the end of October, the consolidated general government debt totalled HRK 325.9bn, which was an increase of HRK 33bn from the end of 2019. The rise in debt mirrors the increased need of the government for budget deficit financing as a result of the unfavourable impact of the crisis caused by the coronavirus pandemic and the measures implemented to mitigate it. The financing needs were predominantly satisfied in the domestic market. As for the relative indicator of public debt, the growth of the nominal amount of debt and the simultaneous fall in economic activity pushed the share of public debt in GDP significantly up, from 72.8% of GDP in 2019, to 86.6%.

Figure 1 Quarterly gross domestic product
seasonally adjusted real values



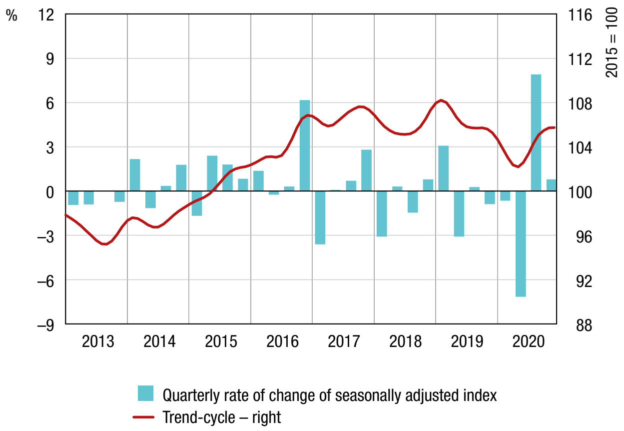
Note: Data for the fourth quarter of 2020 are estimated using the CNB's monthly indicator of real economic activity, based on data published until 29 January 2021.
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

Figure 2 GDP rate of change
contributions by components



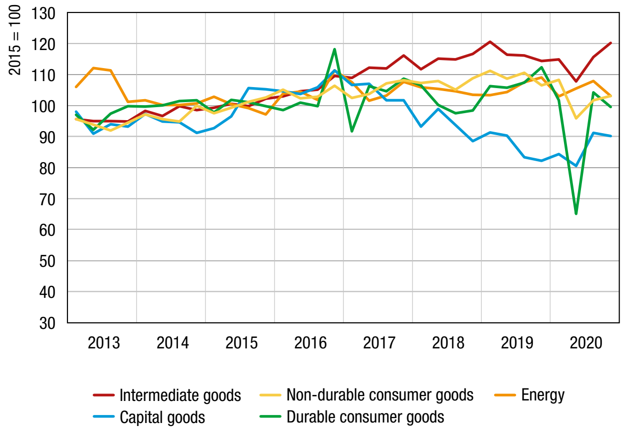
Source: CBS.

Figure 3 Industrial production



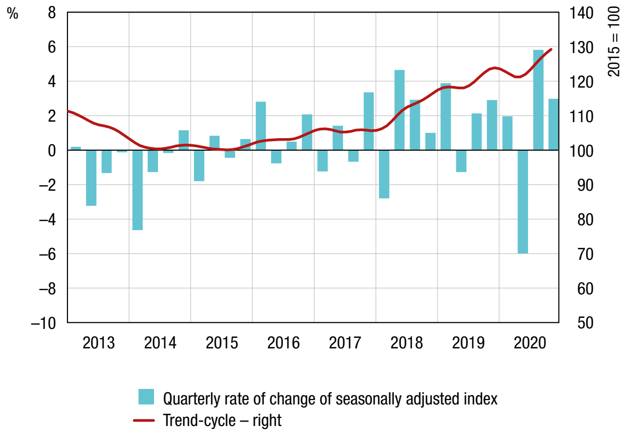
Source: CBS data seasonally adjusted by the CNB.

Figure 4 Industrial production by main industrial groupings
seasonally adjusted indices



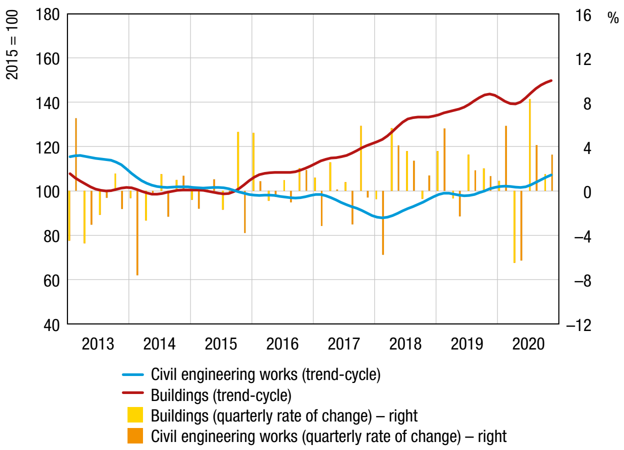
Note: Quarterly data are calculated as the average of monthly data.
Source: CBS data seasonally adjusted by the CNB.

Figure 5 Total volume of construction works



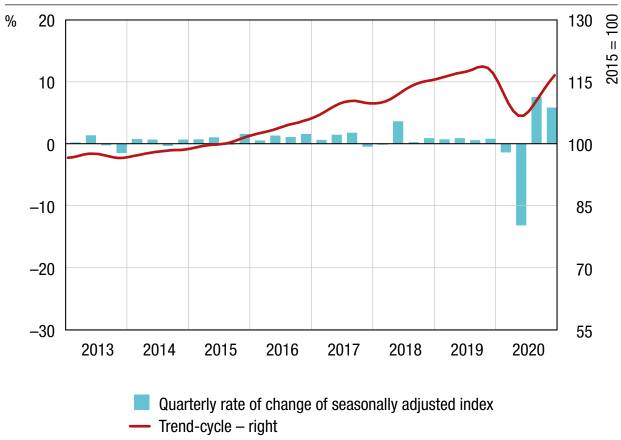
Note: Data for the fourth quarter of 2020 refers to October and November.
Source: CBS data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



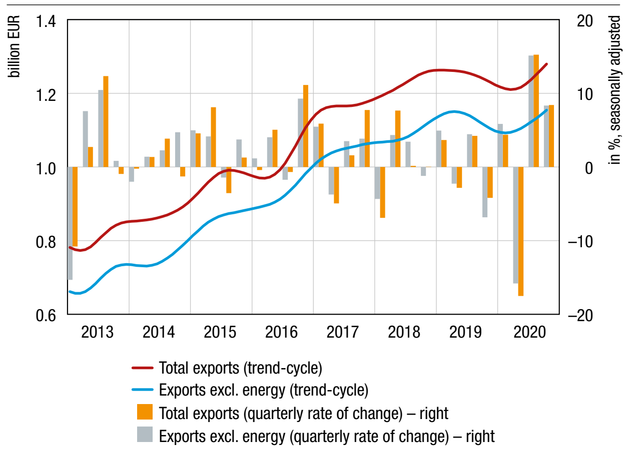
Source: CBS data seasonally adjusted by the CNB.

Figure 7 Real retail trade turnover



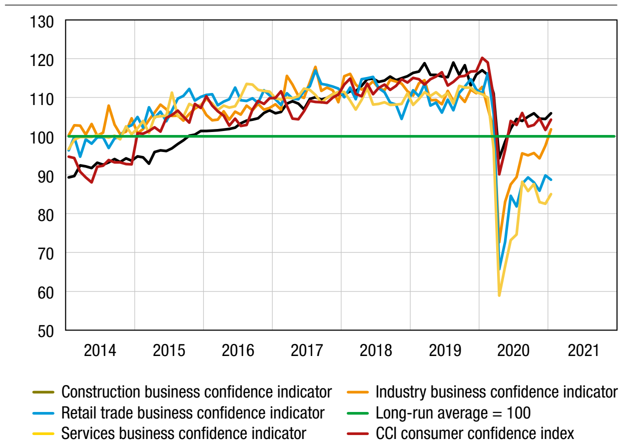
Source: CBS data seasonally adjusted by the CNB.

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



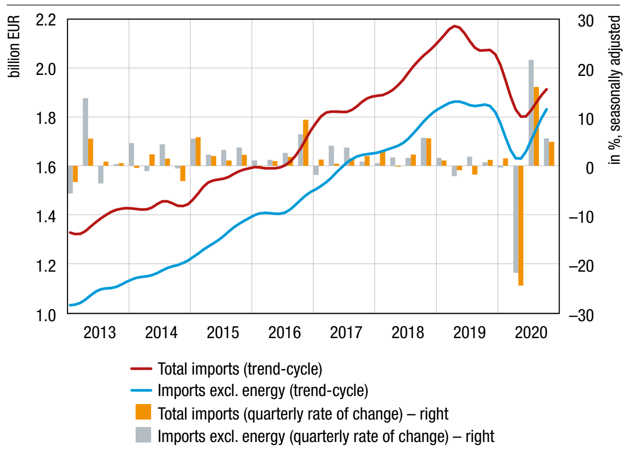
Note: Data for the fourth quarter of 2020 refer to October.
Source: CBS data seasonally adjusted by the CNB.

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



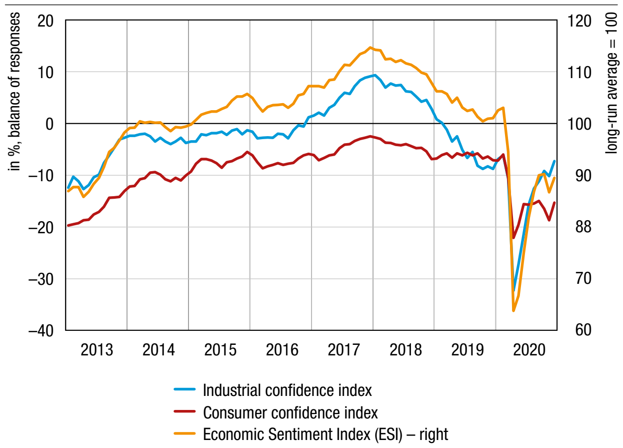
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

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



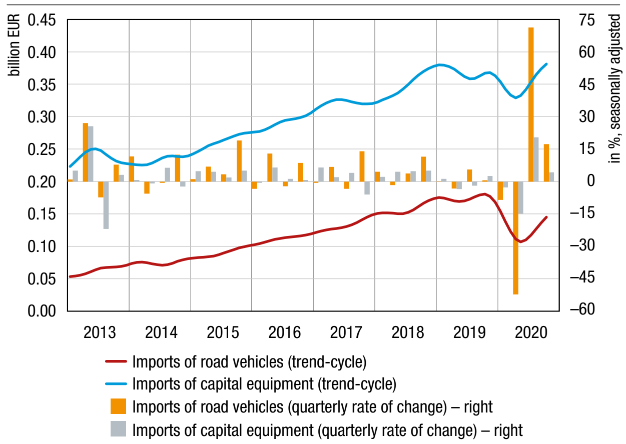
Note: Data for the fourth quarter of 2020 refer to October.
Source: CBS data seasonally adjusted by the CNB.

Figure 9 EU confidence indices
seasonally adjusted series



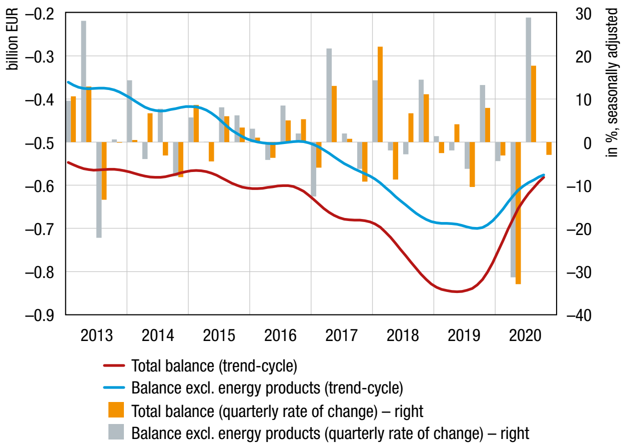
Note: Data are up to December 2020.
Source: Eurostat.

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



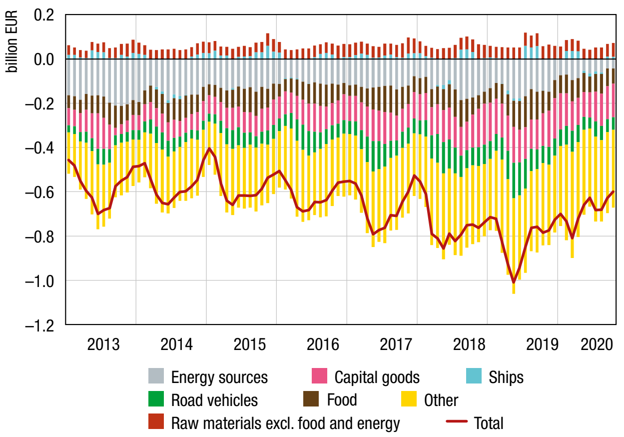
Notes: Imports of capital equipment (SITC divisions 71 – 77). Data for the fourth quarter of 2020 refer to October.
Source: CBS data seasonally adjusted by the CNB.

Figure 13 Trade of goods balance



Note: Data for the fourth quarter of 2020 refer to October.
Source: CBS data seasonally adjusted by the CNB.

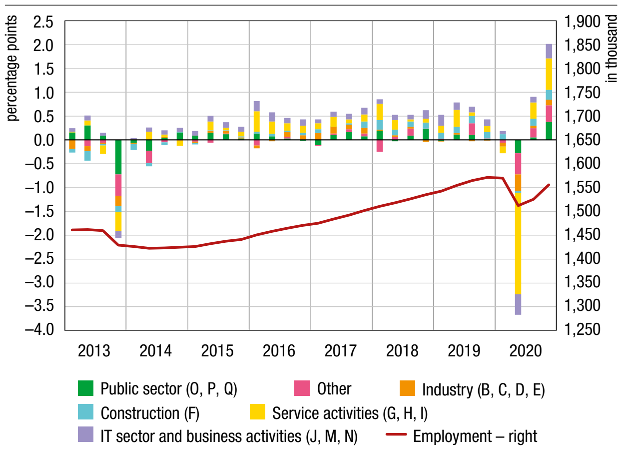
Figure 14 Trade in goods balance by product groups



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

Figure 15 Employment by NCA activities

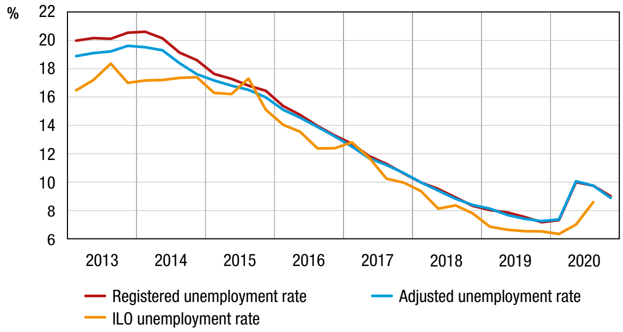
seasonally adjusted data, contributions to the quarterly rate of change



Source: CPII data seasonally adjusted by the CNB.

Figure 16 Unemployment rates

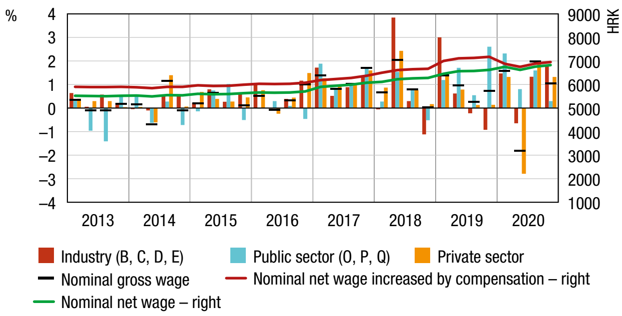
seasonally adjusted data



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 17 Average nominal gross wage by NCA activities

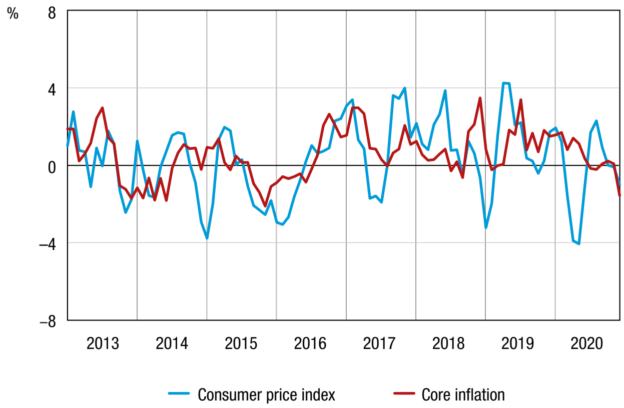
seasonally adjusted data, quarterly rate of change



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).

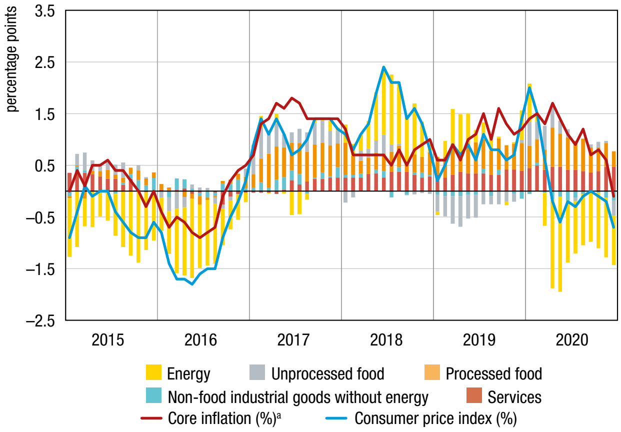
Figure 18 Consumer price index and core inflation

annualised month-on-month rate of change[a]



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

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



[a] Core inflation does not include agricultural product prices, energy prices and administered prices.
Sources: CBS and CNB calculations.

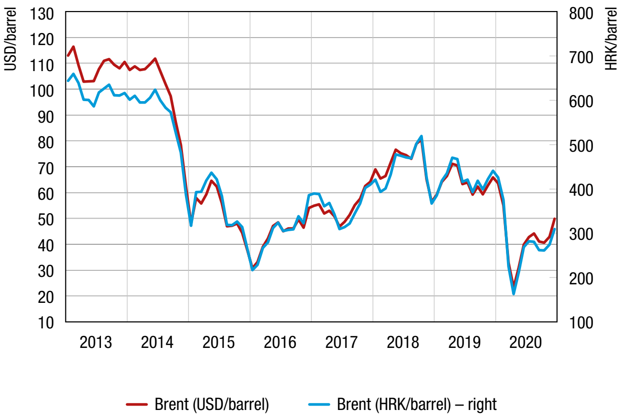
Table 1 Price indicators

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

	Year-on-year rates		Month-on-month rates	
	11/20	12/20	12/19	12/20
Consumer price index and its components				
Total index	–0.2	–0.7	–0.1	–0.6
Energy	–6.8	–5.7	0.3	1.4
Unprocessed food	0.5	–3.5	3.2	–0.8
Processed food	2.0	1.3	0.2	–0.5
Non-food industrial goods without energy	–0.5	–0.7	–2.3	–2.4
Services	1.8	1.8	0.1	0.0
Other price indicators				
Core inflation	0.6	–0.1	–0.5	–1.2
Index of industrial producer prices on the domestic market	–2.3	–1.2	0.0	1.0
Brent crude oil price (USD)	–31.6	–24.3	5.0	16.1
HWWI index (excl. energy, USD)	20.9	28.3	3.9	10.2

Note: Processed food includes alcoholic beverages and tobacco.
Sources: CBS, Bloomberg and HWWI.

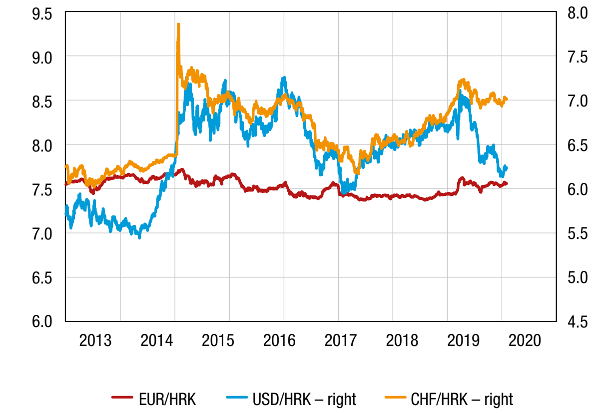
Figure 20 Crude oil prices (Brent)



Sources: Bloomberg and CNB calculations.

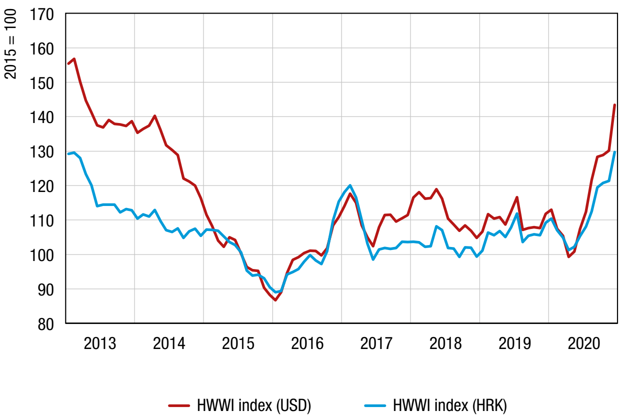
Figure 22 Daily nominal exchange rate – HRK vs. EUR, USD and CHF

CNB midpoint exchange rate



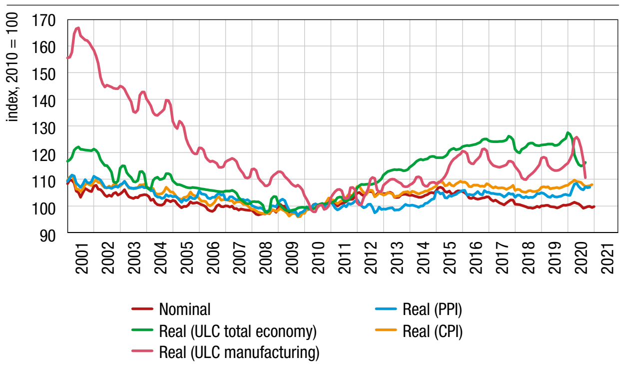
Source: CNB.

Figure 21 HWWI index (excl. energy)



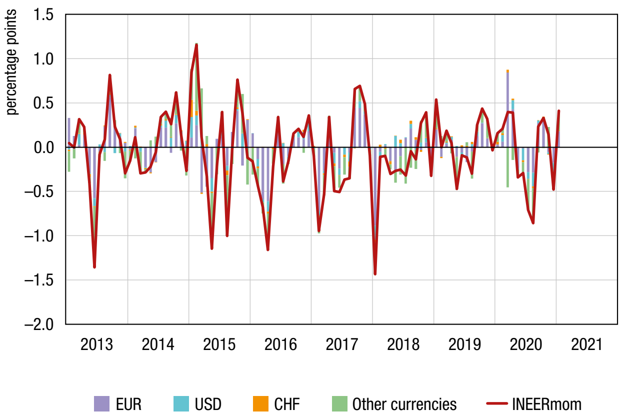
Sources: HWWI and CNB calculations.

Figure 23 Nominal and real effective exchange rates of the kuna



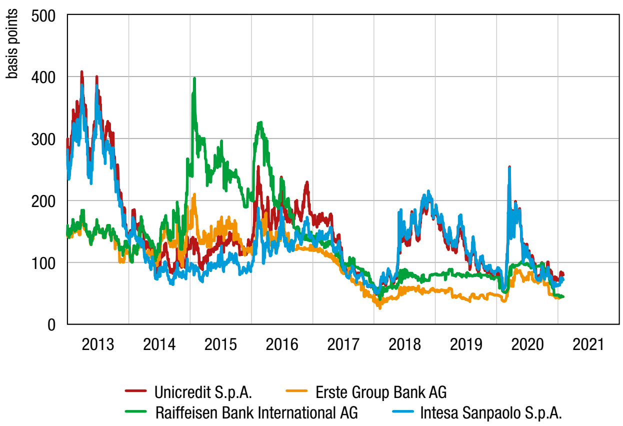
Notes: The real effective exchange rate of the kuna deflated by producer prices includes the Croatian index of industrial producer prices on the total market. The unit labour cost is calculated as the ratio between compensation per employee and labour productivity (defined as GDP per person employed),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



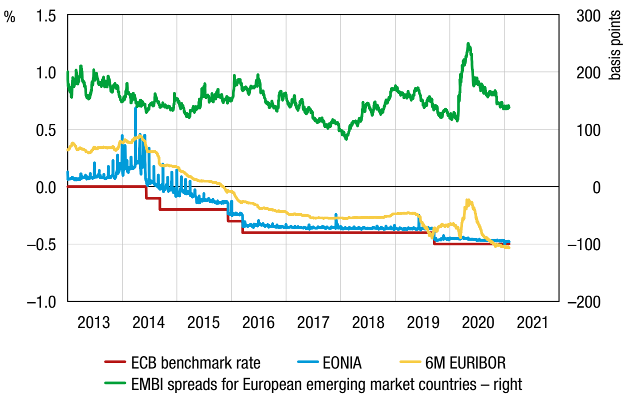
[a] Negative values indicate contributions to the appreciation of the INEER.
Source: CNB.

Figure 27 CDS spreads for selected parent banks of domestic banks



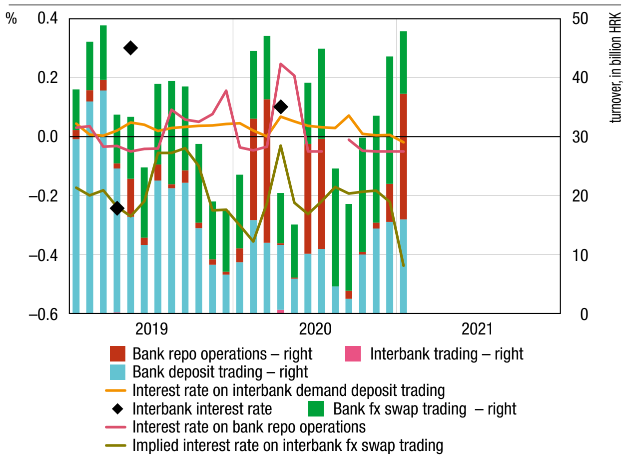
Source: S&P Capital IQ.

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



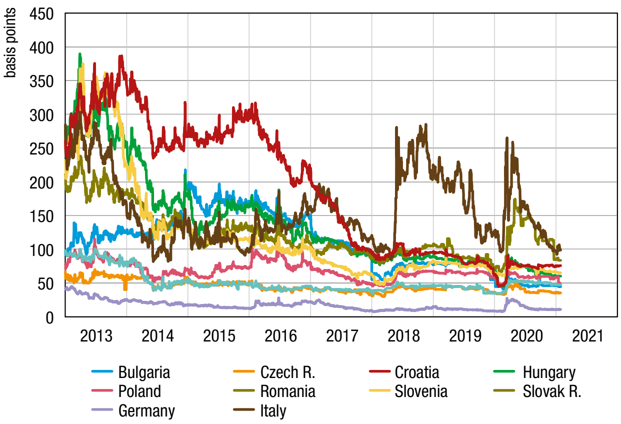
Note: EMBI, or the Emerging Market Bond Index, shows the spread between yields on government securities of emerging market economies, Croatia included, and risk-free securities issued by developed countries.
Sources: ECB, Bloomberg and J.P. Morgan.

Figure 28 Overnight interest rates and turnovers



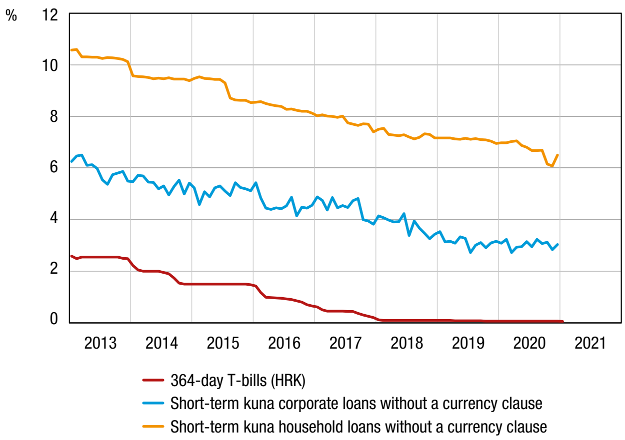
Source: CNB.

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



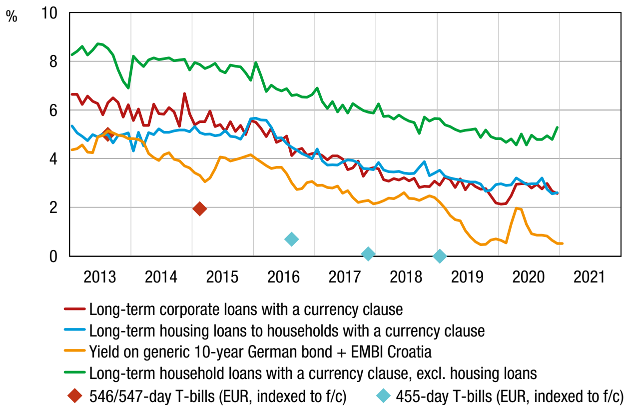
Note: Credit default swaps (CDS) spread is an annual premium that a CDS buyer pays for protection against credit risk associated with the issuer of an instrument.
Source: S&P Capital IQ.

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



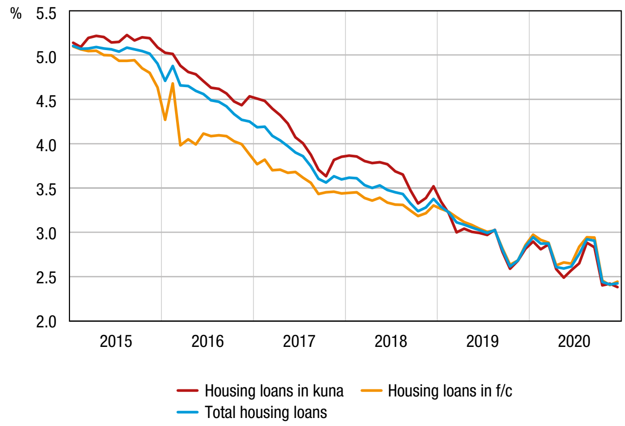
Sources: MoF and CNB.

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



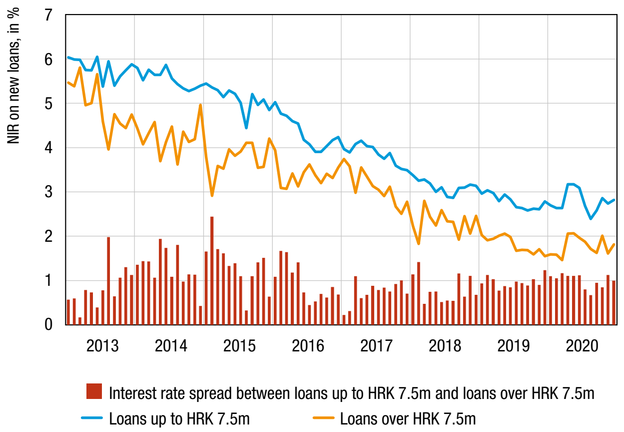
Note: EMBI, or the Emerging Market Bond Index, issued by developed countries, shows the spread between yields on government securities of emerging market economies, Croatia included, and risk-free securities of developed countries.
Sources: MoF, Bloomberg and CNB.

Figure 33 Interest rates on pure new housing loans to households



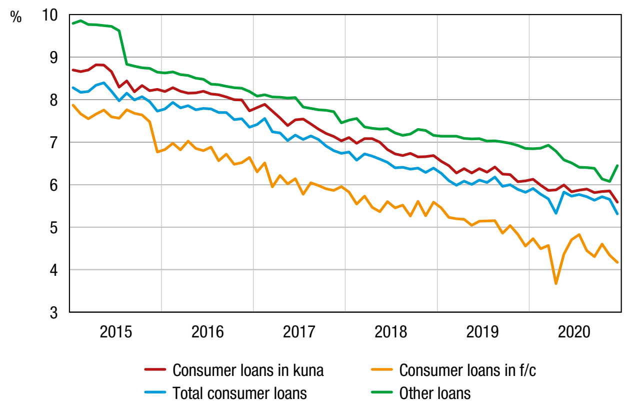
Source: CNB.

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



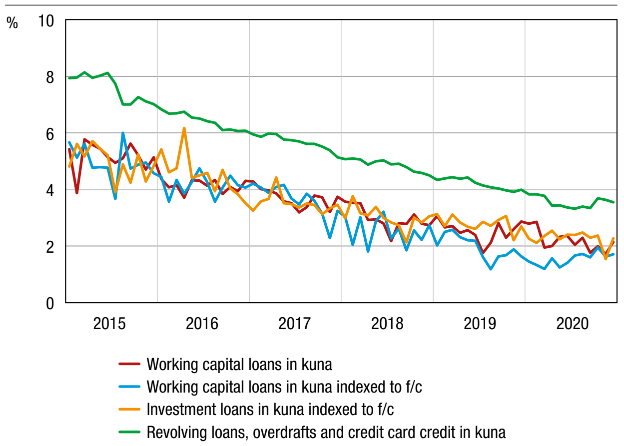
Source: CNB.

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



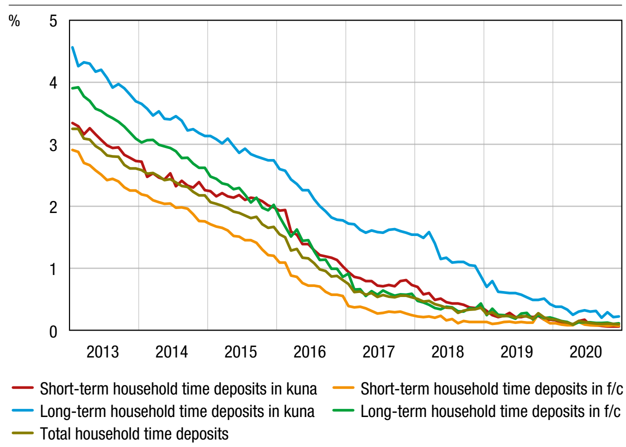
Note: Consumer loans include total loans to households excl. housing and other loans. Other loans to households (denominated almost exclusively in kuna) include credit card loans, overdrafts, revolving loans and receivables on charge cards.
Source: CNB.

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



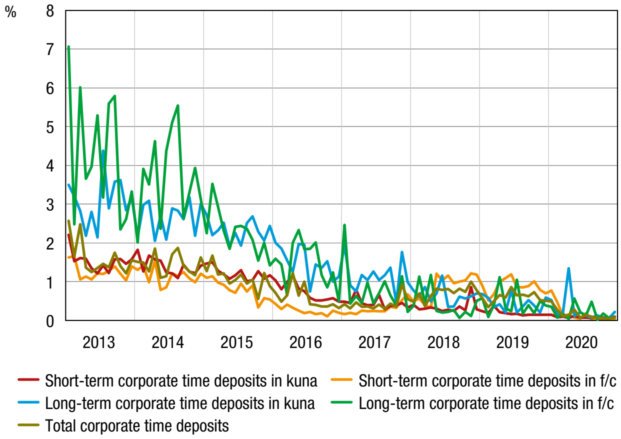
Source: CNB.

Figure 35 Interest rates on household time deposits



Source: CNB.

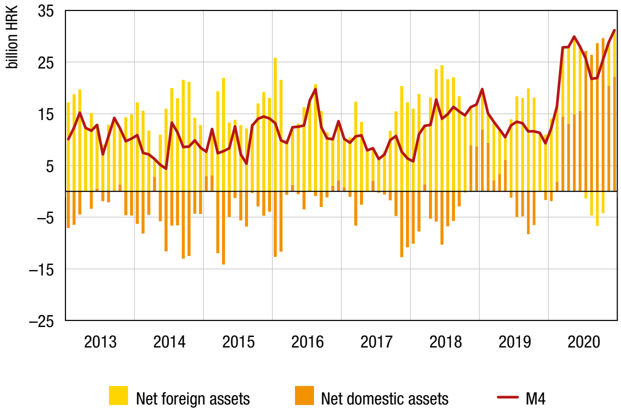
Figure 36 Interest rates on corporate time deposits



Source: CNB.

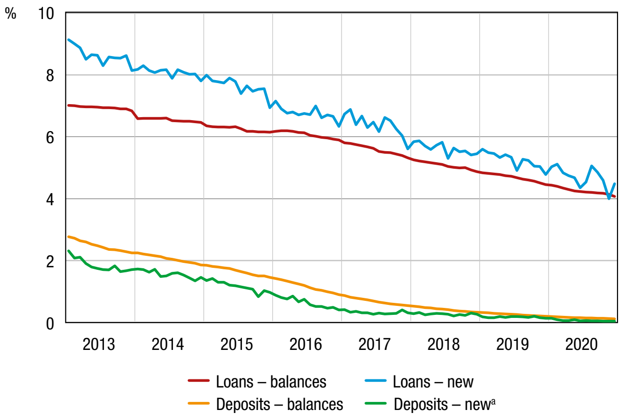
Figure 39 Net foreign assets, net domestic assets and total liquid assets (M4)

absolute change in the last 12 months



Source: CNB.

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

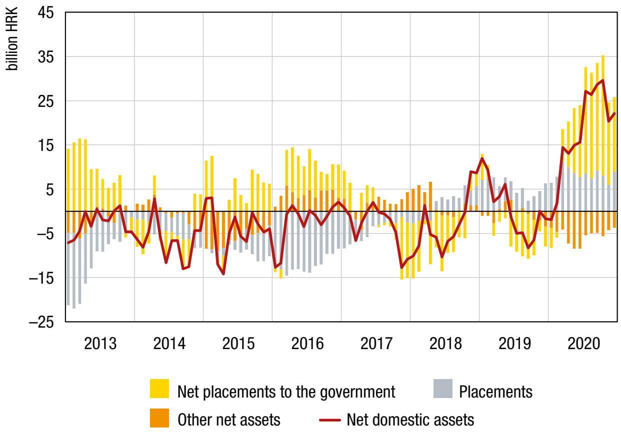


[a] For time deposits, interest rates on newly received deposits are weighted by their balances.

Source: CNB.

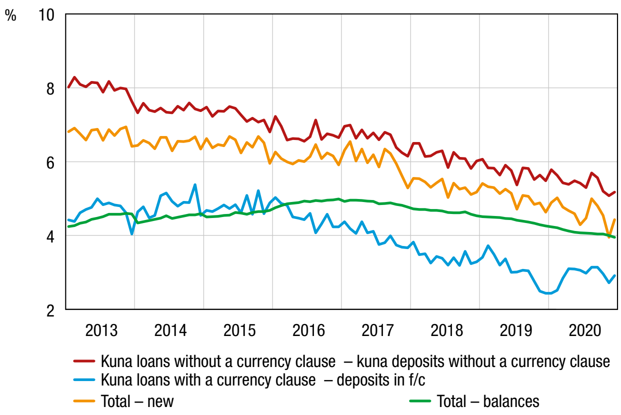
Figure 40 Net domestic assets, structure

absolute change in the last 12 months



Source: CNB.

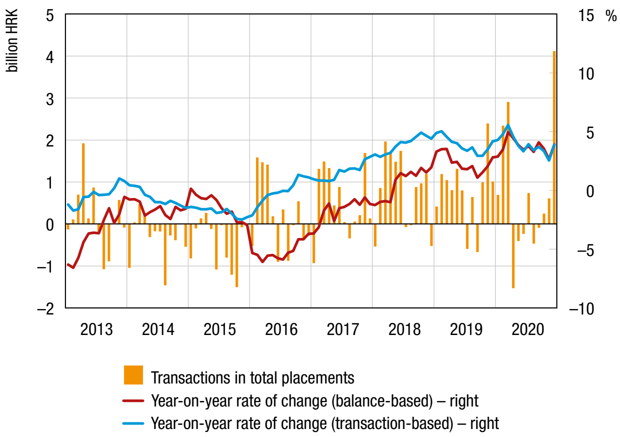
Figure 38 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits



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).

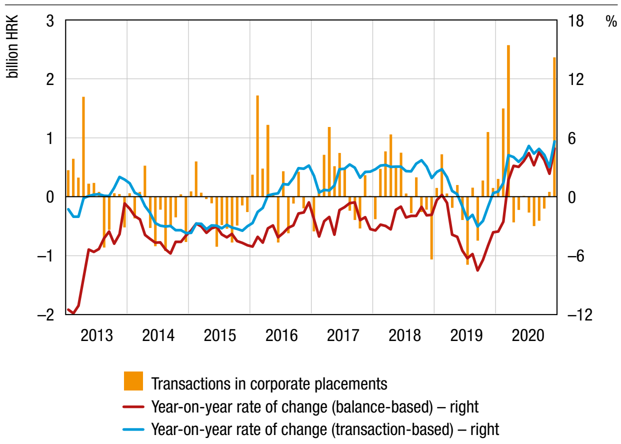
Source: CNB.

Figure 41 Placements



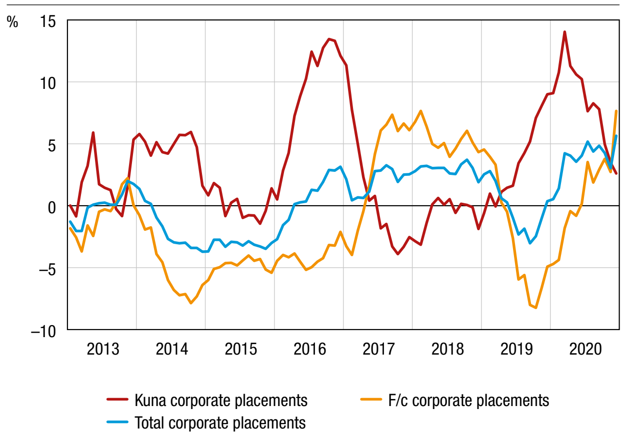
Source: CNB.

Figure 42 Placements to corporates



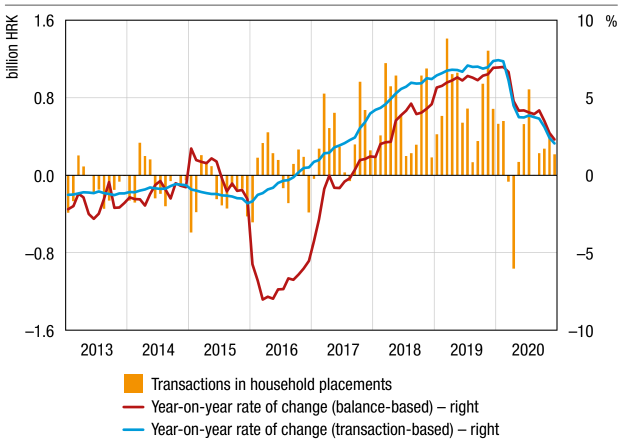
Source: CNB.

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



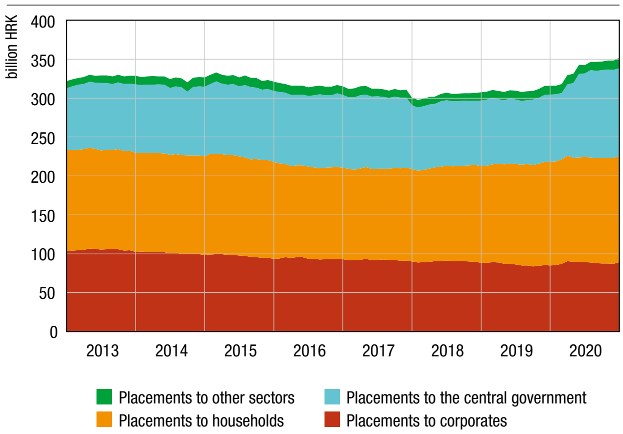
Source: CNB.

Figure 43 Placements to households



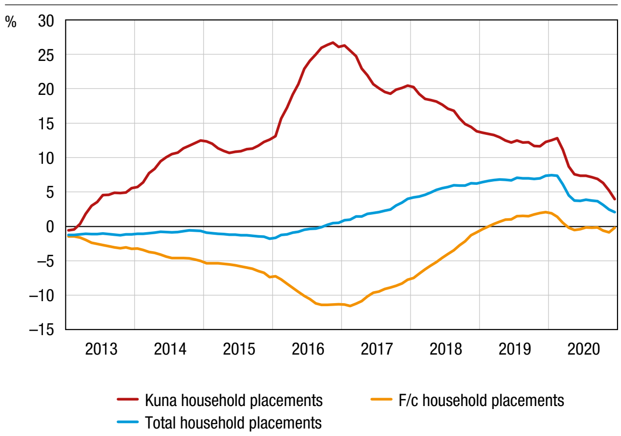
Source: CNB.

Figure 46 Structure of placements of monetary financial institutions



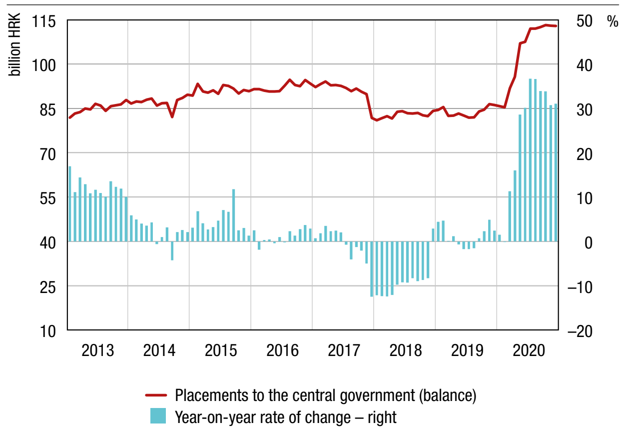
Source: CNB.

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



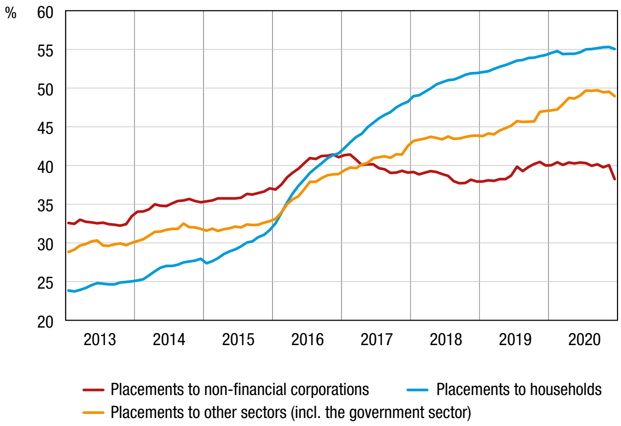
Source: CNB.

Figure 47 Placements of monetary financial institutions to the central government



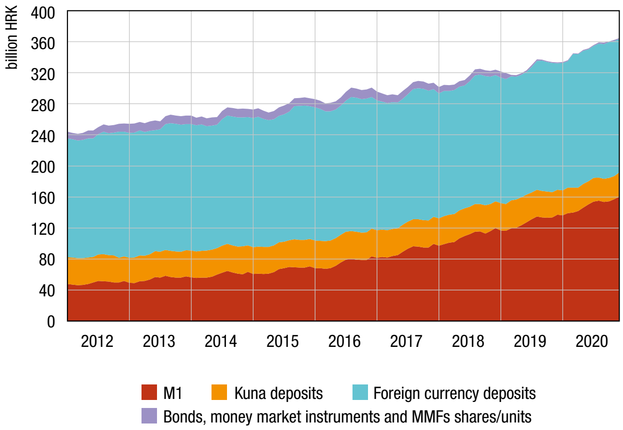
Source: CNB.

Figure 48 Share of kuna placements in total sector placements



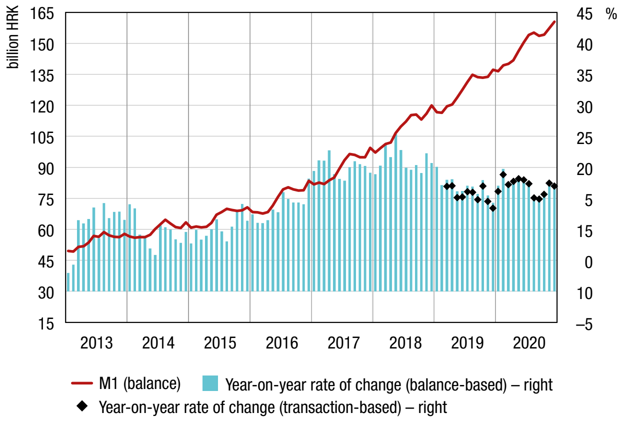
Source: CNB.

Figure 51 Structure of M4 monetary aggregate



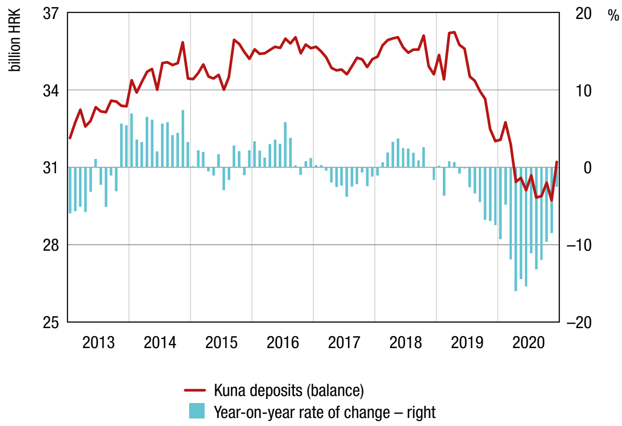
Source: CNB.

Figure 49 Money (M1)



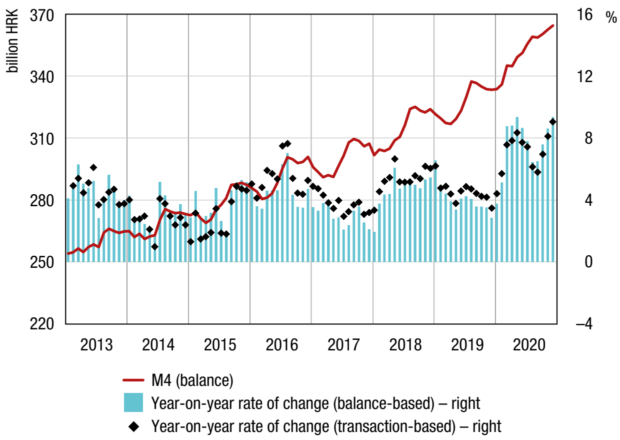
Note: From March 2019, the growth rate (transaction-based) excludes the effect of the reclassification of money market funds.
Source: CNB.

Figure 52 Kuna savings and time deposits



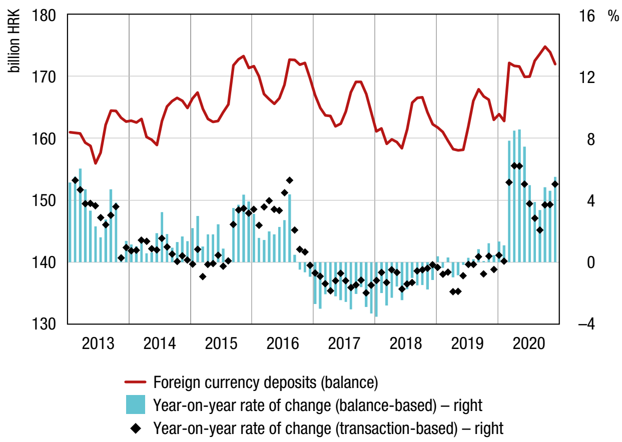
Source: CNB.

Figure 50 Total liquid assets (M4)



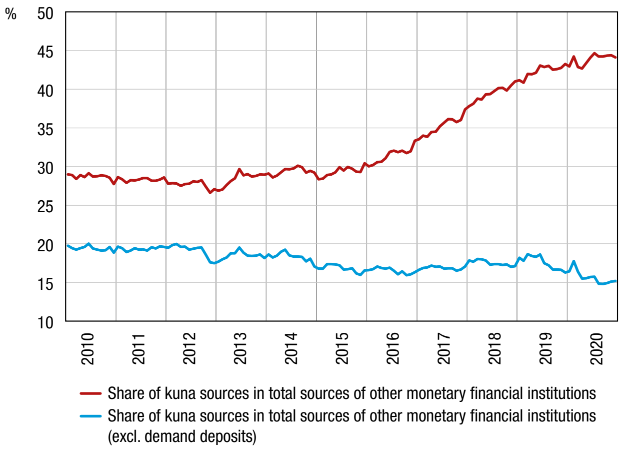
Source: CNB.

Figure 53 Foreign currency deposits



Source: CNB.

Figure 54 Share of kuna sources



Source: CNB.

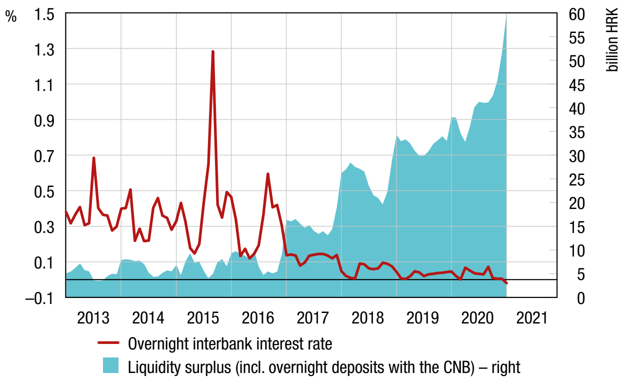
Table 2 Balance of payments

preliminary data, in million EUR

	2019	Q3/2020[a]	Indices	
			2019/ 2018	Q3/2020[a]/ 2019
Current account	1,512.1	–745.6	160.0	–49.3
Capital account	1,114.5	1,152.5	154.0	103.4
Financial account (excl. reserves)	1,430.0	1,754.8	754.7	122.7
International reserves	989.4	–1,822.9	64.0	–184.2
Net errors and omissions	–207.2	–474.9	–316.3	229.3

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

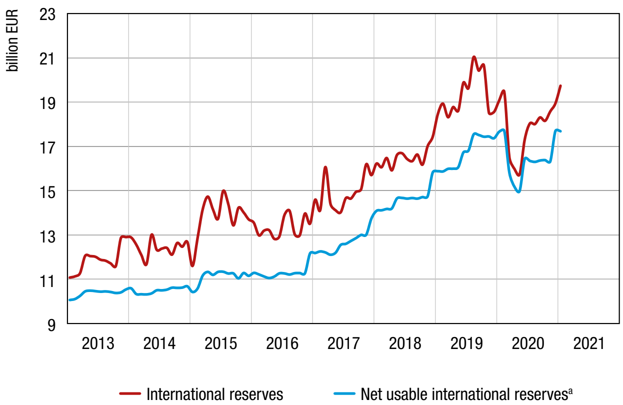
Figure 55 Bank liquidity and overnight interest rate on bank demand deposit trading



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.

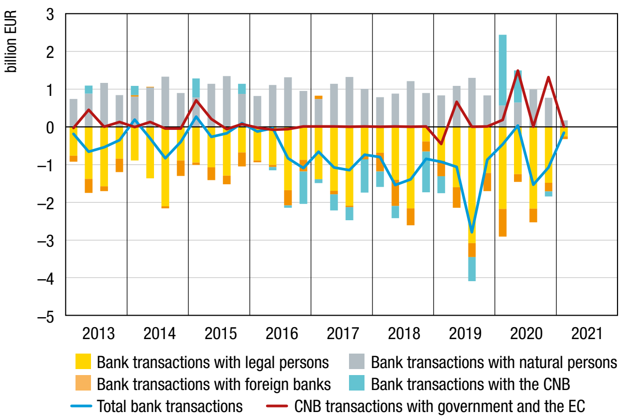
Figure 57 International reserves of the CNB

at current rate of exchange



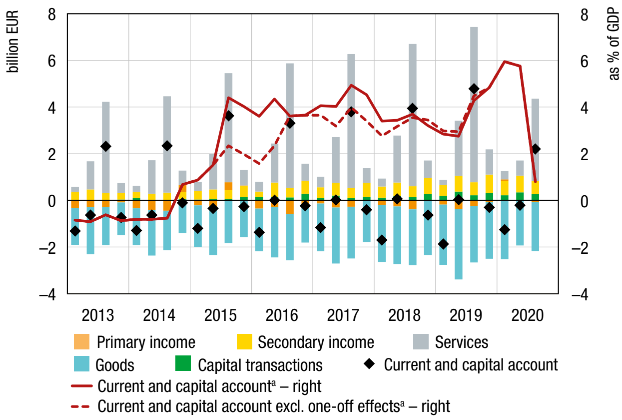
[a] NUIR = international reserves – foreign liabilities – reserve requirements in f/c – foreign currency government deposits.
Source: CNB.

Figure 56 Spot transactions in the foreign exchange market (net turnover)



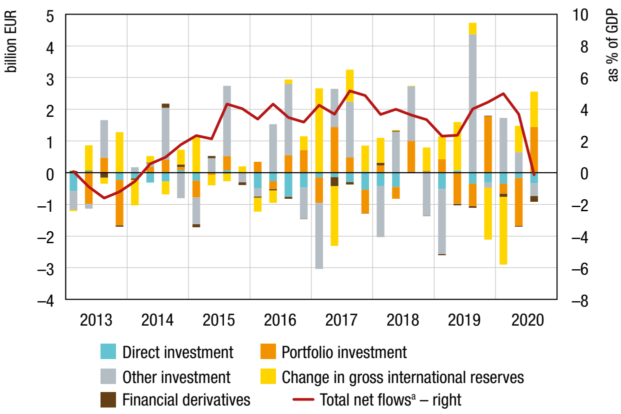
Notes: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government. Data for the first quarter of 2021 refer to January.
Source: CNB.

Figure 58 Current and capital account flows



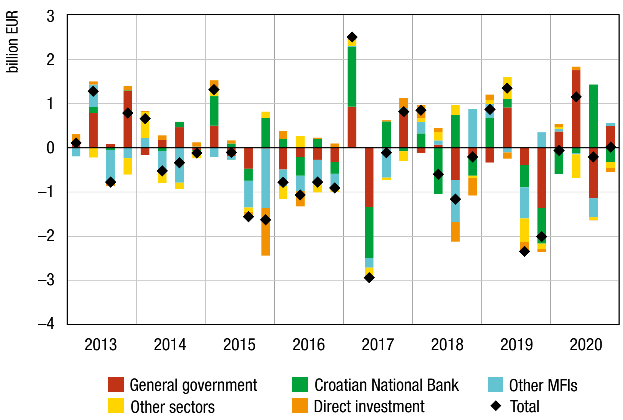
[a] Sum of the last four quarters.
Note: One-off effects include conversion of CHF-linked loans in 2015 and bank provisions for loans to the Agrokor Group in 2017 and 2018.
Source: CNB.

Figure 59 Financial account flows by type of investment



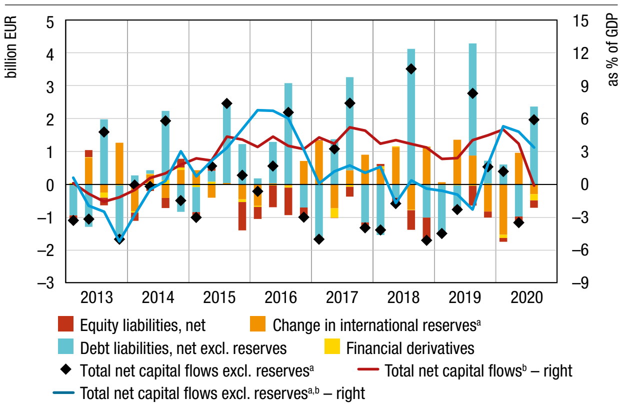
[a] Sum of the last four quarters.
Note: A positive value indicates net outflow of equity abroad (including on the basis of the growth in international reserves).
Source: CNB.

Figure 62 Gross external debt transactions



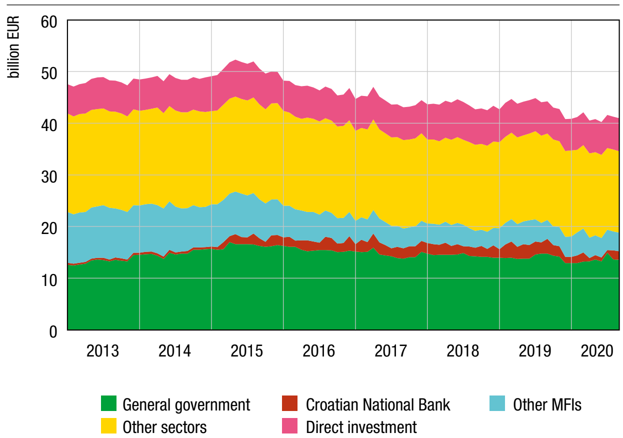
Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Data for the fourth quarter of 2020 refer to October and November.
Source: CNB.

Figure 60 Financial account flows by equity to debt ratio



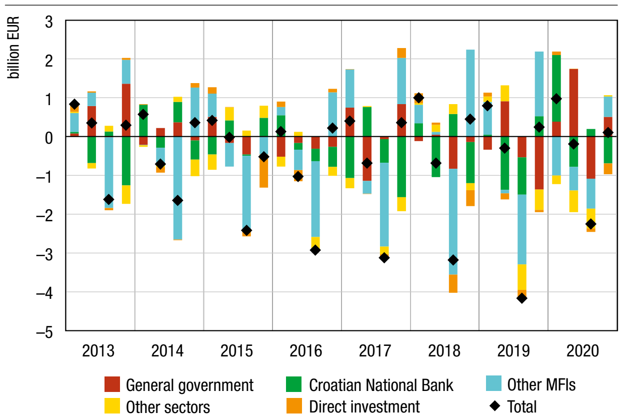
[a] The change in gross international reserves is reported net of foreign liabilities of the CNB. [b] Sum of the last four quarters.
Notes: A positive value indicates net outflow of equity abroad. Net flows represent the difference between the change in assets and the change in liabilities.
Source: CNB.

Figure 63 Gross external debt
end of period



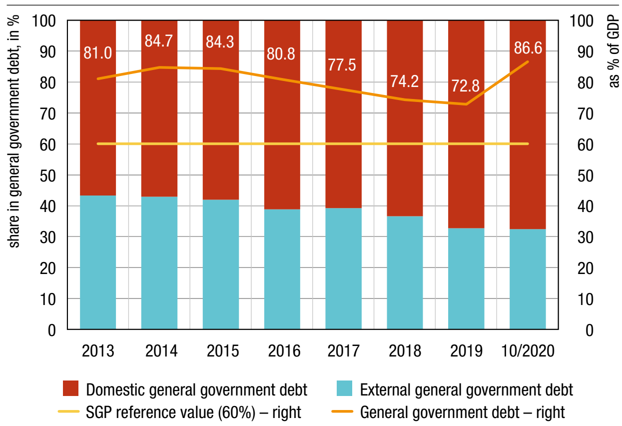
Note: Data are up to November 2020.
Source: CNB.

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 fourth quarter of 2020 refer to October and November.
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.–Sep. 2019	Jan.–Sep. 2020
Total revenue	**140,659**	**128,026**
Direct taxes	18,631	18,191
Indirect taxes	61,583	51,719
Social contributions	35,366	33,342
Other	25,080	24,774
Total expenditure	**136,584**	**146,673**
Social benefits	46,276	46,926
Subsidies	5,131	12,806
Interest	6,613	5,655
Compensation of employees	34,976	36,941
Intermediate consumption	24,357	22,844
Investment	10,943	12,428
Other	8,287	9,073
Net lending (+)/borrowing (–)	**4,075**	**–18,647**

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

	Oct. 2019	Oct. 2020
Change in total debt stock	9,440	28,730
Change in domestic debt stock	10,866	22,951
– Securities other than shares, short-term	667	5,816
– Securities other than shares, long-term	11,614	10,864
– Loans	–1,261	8,733
Change in external debt stock	–1,426	5,779
– Securities other than shares, short-term	–5	0
– Securities other than shares, long-term	5,969	8,999
– Loans	–5,305	1,543
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
∅ – average
a, b, c,... – indicates a note beneath the table and figure
* – corrected data
( ) – incomplete or insufficiently verified data