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# Information on economic trends

November 2022



## Summary

The latest high-frequency indicators suggest a possible decline in economic activity in the third quarter from the previous quarter and a considerable slowdown in economic growth on an annual level. Industrial production, real retail trade turnover and construction fell on a quarterly level and the consumer confidence index steadily kept below the long-term average. The quarterly growth in nominal gross wages slowed down in the July to September period, and real net wages continued to decline. Employment continued to rise, although this was not accompanied by any significant fall in the unemployment rate. Inflation in September rose to 12.8%, with accelerated growth in all major components, except food, the annual price growth of which slowed down slightly, influenced also by price caps on a number of essential food products. The tightening of financing conditions started to spill over slowly to growth in the interest rates of banks on loans to households and corporates in Croatia, although they remained at relatively low levels. The growth in total placements of monetary institutions to domestic sectors (except the central government) continued to accelerate on an annual level as a result of growth in placements to non-financial corporations, particularly in the energy sector. At the same time, household placement growth slowed down only slightly on an annual level. Developments in tax revenues in 2022 outperformed previous expectations of the Government of the RC. As a result, the government adopted a budget balance in October, slashing the planned consolidated general government deficit to 1.5% of GDP from the previously expected 2.7% of GDP. It also presented and adopted the Draft budgetary plan of the Republic of Croatia, which envisages an increase in the general government deficit to 2.3% of GDP in 2023.

The GDP nowcasting model points to a sharp slowdown in economic activity growth in the third quarter on an annual level as a result of the expected fall on a quarterly level (Figure 1). In the third quarter, industrial production was down 1.0% from the previous quarter, growing in September from the previous month, after having fallen in July and August (Figures 3 and 4). The fall in industrial production on a quarterly level reflects a fall in the production of intermediate products and durable and non-durable consumer goods, while the production of capital goods held steady. Of the main industrial groupings, only the production of energy grew from the previous quarter. Observed according to NCA, lower production in the July to September period than in the previous three months was seen in manufacturing. By contrast, mining and quarrying and production in the activities of electricity, gas, steam and air conditioning supply rose on a quarterly level (Figure 7). The real retail trade turnover fell by 0.3% in the third quarter from the previous quarter. Trade held steady in September at the level of August, when it fell by 1.0%. The real volume of construction works was up 0.7% from the previous month, insufficient, however, to offset the monthly fall of 2.5% in July. Thus, compared to the average performance in the April to June period, it fell by 1.9%. Civil engineering works, mostly associated with construction activity in the public sector fell by 4.7% on a quarterly level, while the upward trend in the volume of construction works on buildings that started in mid-2020 continued (0.5%) (Figures 5 and 6).

The Consumer Confidence Survey shows a small improvement in household expectations in October from September. This is the third consecutive month of growing consumer optimism, though it is still below the long-term average. Growing household optimism reflects a more confident assessment of the current financial situation of households as well as more favourable expectations regarding a change in the financial situation of households and the overall economic situation in Croatia. By contrast, expectations regarding the consumption of durable products deteriorated. As regards business optimism, the expectations in industry improved for the second consecutive month in October. The expectations in trade and services activities returned to the August level, after falling sharply in September, while those in construction deteriorated slightly. Compared to the average level in the third quarter, optimism in industry improved greatly in October, having risen also in the services activity, while the confidence index of business entities in construction and trade deteriorated slightly. In the past year, the levels

of business confidence held steady above the long-term average (Figure 8). In contrast to Croatia, in the EU business and consumer expectations continued to fall sharply (Figure 9).

In the third quarter, total employment rose by 0.5% from the previous quarter, when employment growth was only a little faster and stood at 0.6%. This dynamics is in line with the further trend of a gradual deceleration in employment growth that started in the second part of the previous year. Employment in the IT sector made the biggest contribution to total employment growth, followed by the contribution of tourism-related service activities, while the number of employed persons in the public sector fell. On an annual level, the number of employed persons in the third quarter of 2022 was up 2.4% from the same period of the previous year (Figure 15).

In the third quarter, the unemployment rate stood at 6.8% of the labour force, only a little below that of 6.9% in the April to June period. The job vacancy rate held steady at the previous quarter's level and amounted to 1.27% (Figure 16). The absence of any very sharp fall in the unemployment rate, despite employment growth, can largely be explained by higher employment of third-country workers (from non-EU countries) and increased employment of retirees on a half-time basis.

In the third quarter, the growth in nominal gross wages slowed down to 1.7% on a quarterly level, down from 2.7% in the previous three months. In contrast with the previous four quarters, public sector wages grew somewhat faster than those in the rest of the economy (Figure 17). Real net wages continued to fall at a relatively fast rate (1.1% in the third quarter and 1.6% in the previous quarter) for the fifth consecutive quarter.

After the annual consumer price inflation in August remained unchanged from July (12.3% measured by the consumer price index), it picked up again in September to 12.8% (Figure 19). This was mostly the result of the acceleration in the annual growth of the prices of industrial products (particularly clothing and footwear, products for personal care and books) and to a lesser extent services (particularly hotel and restaurant services and insurance services) and energy. A larger contribution of energy prices to overall inflation was due to a considerable increase in the prices of solid fuels, largely offset by the fall in the prices of refined petroleum products, which reflects the fall in the prices of Brent crude oil on the global market of 8.6% from August (Figure 20). At the same time, the annual growth in food prices slowed down, partly as a result of a price cap on nine essential food products introduced by the Government of the

RC in September. Core inflation, the calculation of which excludes the prices of energy, agricultural products and administered prices, also accelerated, from 13.2% in August to 14.0% in September (Table 1). Unlike inflation measured by the national index, the inflation measured by the harmonised index of consumer prices (HICP) remained unchanged in September from August, standing at 12.6%, 2.7 percentage points higher than the rate of inflation in the euro area. At the same time, the core inflation rate (measured by the HICP excluding energy, food, alcoholic beverages and tobacco) in Croatia accelerated slightly from 9.5% in August to 9.8% in September, exceeding that in the euro area by 5 percentage points (4.8%). The annual growth rate of energy prices stood at 18.5%, 22 percentage points below that in the euro area and was lower than the annual growth rate of any of the euro area countries. Price caps alleviated the intensity of the spillover of higher prices of energy products to energy prices in Croatia. The annual growth of producer prices on the domestic market shrank in September to 30.2% from 30.5% in August, mainly as a result of a slowdown in the growth of energy prices, while the annual price growth excluding energy accelerated to 11.5% from 11.0%.

The start of the third quarter of 2022 saw fast growth in the foreign goods trade. After growing 9.2% in the second quarter, goods exports grew 9.4% in July and August from the previous quarter's average (Figure 10). According to more detailed data available only up to July, export growth is mostly due to greater exports of energy products, particularly electricity. Energy products excluded, goods exports performance was also driven by greater exports of other goods, most notably medical and pharmaceutical products, other transport equipment (mostly ships), textile industry products and food products. Goods imports rose by 9.2% in July and August, up from 10.1% in the previous quarter (Figure 11), which, according to more detailed data for July is also the result of larger imports of energy (primarily oil and refined petroleum products and natural and manufactured gas). In line with the described movements of goods exports and imports, the foreign trade deficit widened by 15.3% in July and August from the previous quarter's average (Figure 13).

In October, the daily nominal exchange rate of the kuna against the euro moved within a narrow range of  $\pm 0.1\%$  around the average exchange rate of EUR/HRK 7.53 (Figure 22) and the same exchange rate was seen at the end of the month. Having appreciated slightly in October, the nominal effective exchange rate of the kuna at the end of the month was down 0.2% from the end of September<sup>1</sup>. This was due to the strengthening of the kuna against the yuan renminbi, which mirrors the weakening of this currency in the international foreign exchange market.

The ECB continued to tighten monetary policy, raising the key interest rates by 75 basis points towards the end of October with the aim of bringing inflation back to the 2% medium-term target. This ECB decision that entered into force in early November, coupled with expectations of a further increase in key interest rates, had an impact on short-term interest rates on the European money market, prompting a rise in the overnight interest rate €STR of 76 basis points from end-September, which reached 1.40% at the beginning of November (Figure 26). The six-month EURIBOR continued to rise gradually, reaching 2.1% at the end of October, up 2.7 percentage points from the end of the previous year, and its highest level since 2009. The slower growth in yields on government bonds in the euro area than in short-term interest rates was driven by concerns of growing risks of recession and an energy crisis (Figure 25). The yields on Croatian long-term government bonds also rose (Figure 30) with yields on seven-year kuna bonds reaching 4.02%

in October, up 84 basis points from September. The increase was also seen in the risk premiums of peer CEE countries, especially of Romania and Hungary (Figure 27). The risk premium for Croatia rose to 121 basis points but still remained lower than that for Romania, Hungary, Bulgaria and Poland.

The overnight interest rate on banks' demand deposits trading fell slightly in October to 0.01% (Figure 29), and the implicit interest rate on banks' trading in currency swap agreements fell to 0.22%, in the environment of a 0% interest rate on banks' deposits with the CNB, regular weekly open market operations offered by the CNB at a fixed interest rate of 0.05% and high primary liquidity. Such developments in the domestic money market kept the interest rate on one-year kuna T-bills of the Ministry of Finance at a very low level, which amounted to 0.20% (Figure 30) in October. In contrast, at the October auction, the Ministry of Finance rejected all bids made by financial institutions for euro T-bills on account of high interest rates.

The tightening of financing conditions started to spill over slowly to interest rates of banks in Croatia although they remained at relatively low levels. The interest rate on pure new corporate loans rose in September by 27 basis points to 2.28% (Figure 34), mostly fuelled by the growth in interest rates on the loans to large enterprises (Figure 37) that account for the bulk of pure new loans. The cost of corporate financing on an annual level was also up by 27 basis points (Figure 35), mostly reflecting the positive annual contribution of interest rates on loans to large enterprises (45 basis points), while the total contribution of the structure of financing was negative (–26 basis points) as a result of a noticeable increase in the share of financing of large enterprises, which generally borrow at the lowest interest rates. In regard to households, the interest rate on pure new loans to that sector rose by 26 basis points to 4.36% in September (Figure 38), mostly reflecting the fall in the share of housing loans in total financing that are granted at relatively lower interest rates (Figure 40), and to a lesser extent the increase in interest rates. On an annual level, the costs of household financing were up 6 basis points (Figure 39) mirroring the increase in the interest rates on general-purpose cash loans and on other non-housing financing (15 basis points). With respect to deposits, the interest rate on household time deposits fell slightly, while the interest rate on corporate deposits continued to rise, reaching levels considerably higher than in the preceding part of the year (Figures 41 and 42). The higher level of interest rates on corporate time deposits is the result of short-term deposits in the US dollar and Hungarian forint made by several large enterprises at a much higher interest rate than the average interest rate on deposits of other enterprises, which are predominantly in euro and kuna. The spread between interest rates on total new loans and deposits decreased to 3.0 percentage points in September, while the spread between interest rates on the balance of total loans and deposits remained almost unchanged at 3.4 percentage points (Figure 44).

Monetary developments in September were marked by a fall in total liquid assets (M4) of HRK 2.2bn or 0.5% (transaction-based), with the net foreign assets (NFA) falling and net domestic assets (NDA) rising slightly (Figure 45). Money (M1) shrank by HRK 2.5bn from August due to a fall in currency outside credit institutions. In addition to the usual fall in currency in September following the completion of the tourist season, the fall in currency and a rise in foreign currency deposits can also be attributed to the approaching introduction of the euro

1 The exchange rate of the Russian rouble was fixed until further notice at the level of the last available ECB reference rate on 1 March, thus excluding the effect of this currency's pronounced volatility in the international foreign exchange market on effective exchange rates of the kuna.

the effects of which have been felt for several months now. The growth in household and corporate foreign currency deposits in September was more pronounced than the fall in kuna deposits of the domestic sectors, with quasi-money rising slightly from August (Figures 58 and 59). Foreign currency deposits thus continued to trend upwards, growing considerably also on an annual level, while the annual increase in funds in transaction accounts held steady at a level slightly below the peak recorded in the previous few years when the funds in the savings and time accounts shrank at the expense of those in transaction accounts. As a result, the growth in M1 on an annual level continued to slow down faster, reaching 8.5% in September based on transactions (Figure 55), while the growth in M4 in September slowed down only slightly, to 9.3% (Figure 56).

Total placements of monetary institutions to domestic sectors (except the central government) rose by HRK 2.8bn or 1.1% (transaction-based) in September, with their annual growth rate accelerating further, reaching 10.7% in September (Figure 47). The monthly growth in placements can fully be accounted for by loans as the prevailing item of placements. Broken down by sectors, placements to non-financial corporations, particularly in the energy sector, rose sharply (HRK 2.7bn). The rising prices of energy are increasing the need for working capital of these enterprises, spurring growth in loan demand. The growth of corporate placements on an annual level accelerated noticeably to 21.9%, up from 18.0% in August (Figure 48). As for households, loans to that sector rose slightly in September from the month before (HRK 0.3bn), with their annual rate of change slowing down only slightly to 5.5%, from 5.6% in August (Figure 49). Broken down by instruments, housing loans continued to rise (HRK 0.4bn), while general-purpose cash loans shrank (HRK 0.1bn). On an annual level, the growth of housing loans held steady at 9.4%, while the growth of general-purpose cash loans slowed down from 3.8% to 3.1%.

In October, gross international reserves rose by EUR 0.6bn or 2.4% from September and stood at EUR 26.9bn at the end of the month (Figure 63). The growth in reserves is the result of a higher volume of repo agreements. At the end of October, net usable reserves stood at EUR 20.8bn, the same as at the end of September. Gross international reserves rose by EUR 2.4bn or 9.8% and net reserves by EUR 1.2bn or 6.1% from the same period of the year before.

The net external debt slumped by EUR 3.0bn in July and

August of 2022 (Figure 67). This can be almost fully attributed to the seasonal improvement in the foreign position of banks, i.e. a perceptible increase in foreign assets due to foreign exchange inflows during the peak tourist season. The net debt position of the government also improved, albeit to a lesser extent, while the net debt liabilities of other domestic sectors (including their net liabilities to affiliated creditors) rose slightly. The net debt position of the central bank remained almost unchanged. The stock of gross external debt stood at EUR 46.6bn at the end of August (Figure 63), having fallen slightly from the end of the second quarter.

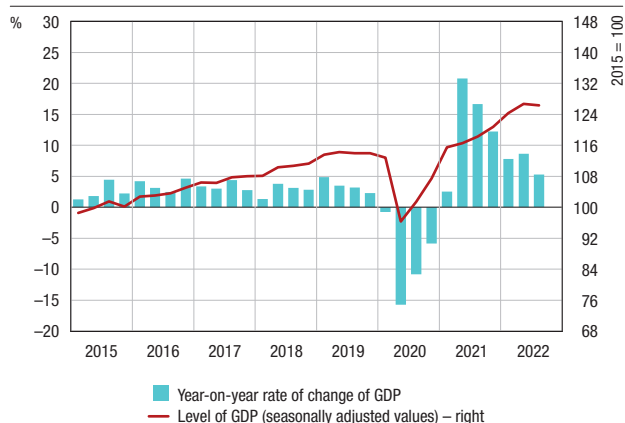
In the first half of 2022, the consolidated general government ran a surplus of HRK 2.0bn (ESA 2010), a visible improvement of approximately HRK 11.0bn from the deficit of HRK 9.0bn in the same period of the year before. This is the result of a sharp rise in total revenues (11.0%) and a small fall in total expenditures (0.7%) on an annual level. The fall in expenditures can be linked primarily to the cancellation of the job preservation support provided to enterprises to alleviate the effects of the pandemic, and to lower investment, to a certain extent associated with a poorer implementation of EU-funded projects.

The consolidated general government debt totalled HRK 343.7bn at the end of July, having risen by HRK 0.5bn from the balance at the end of 2021 (Table 5), while the public debt to GDP ratio decreased to 73.3% from 78.4% at the end of 2021, mirroring nominal GDP growth (Figure 70).

On 19 October, the Government of the RC presented the Draft amendments to the State budget of the Republic of Croatia and financial plans of extra-budgetary users for 2022, slashing the planned general government deficit for the current year to 1.5% of GDP, from the earlier 2.7% of GDP, which reflects a better than anticipated tax revenue collection, mainly VAT and profit tax revenues. Even though the total planned expenditures for 2022 remain unchanged, expenditures financed from general revenues and receipts rose considerably, mostly due to measures for alleviating price growth and one-off outlays associated with the arbitration award in the INA-MOL case. The use of EU funds was cut by approximately HRK 5.5bn, of which HRK 1.7bn is related to expenditures for post-earthquake reconstruction. The Government of the RC also adopted the Draft budgetary plan for the next year, basing it on the expectation of a considerable slowdown in economic activity growth in 2023 and of the general government deficit rising to 2.3% of GDP.

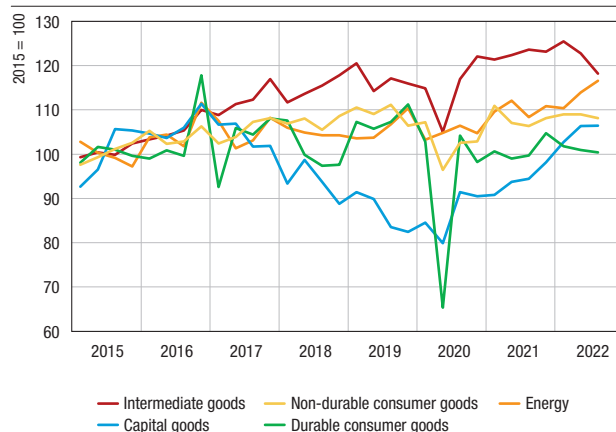


**Figure 1 Quarterly gross domestic product**  
seasonally adjusted real values



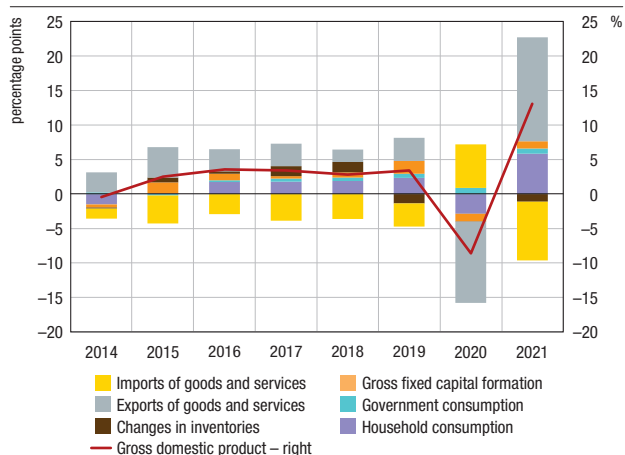
Note: Data for the third quarter of 2022 refers to the CNB's monthly indicator of real economic activity, estimated on the basis of data published until 31 October 2022.  
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

**Figure 4 Industrial production by main industrial groupings**  
seasonally adjusted indices



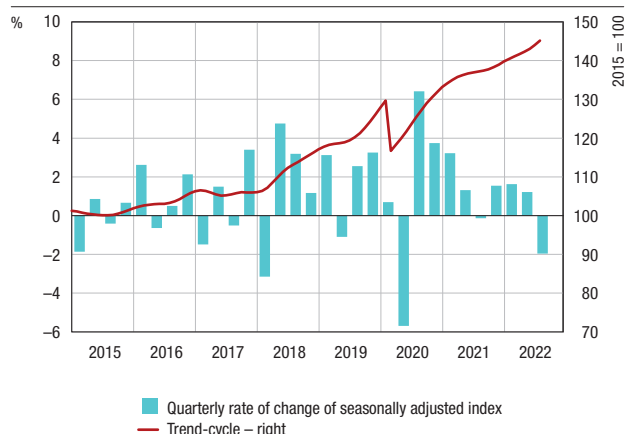
Source: CBS data seasonally adjusted by the CNB.

**Figure 2 GDP rate of change**  
contributions by components



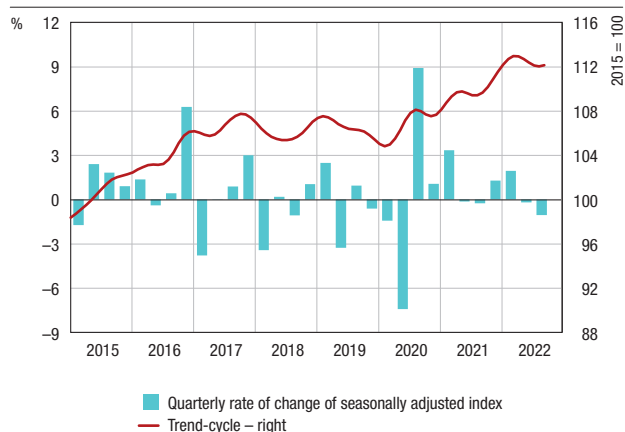
Source: CBS.

**Figure 5 Total volume of construction works**



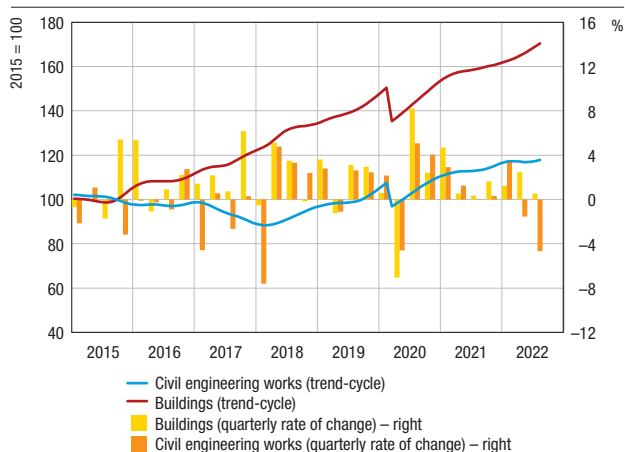
Note: Data for the third quarter of 2022 refers to July and August.  
Source: CBS data seasonally adjusted by the CNB.

**Figure 3 Industrial production**



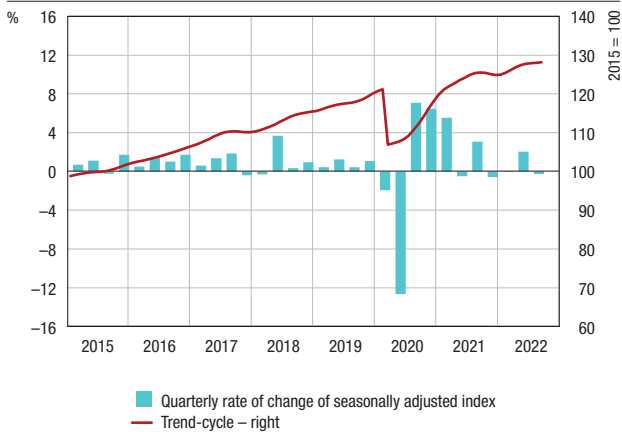
Source: CBS data seasonally adjusted by the CNB.

**Figure 6 Buildings and civil engineering works**



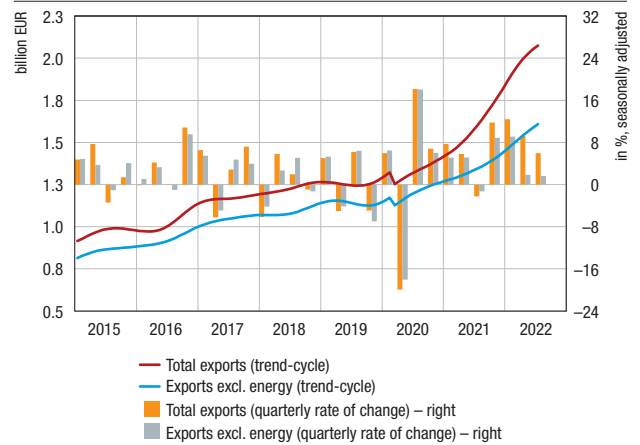
Source: CBS data seasonally adjusted by the CNB.

Figure 7 Real retail trade turnover



Source: CBS data seasonally adjusted by the CNB.

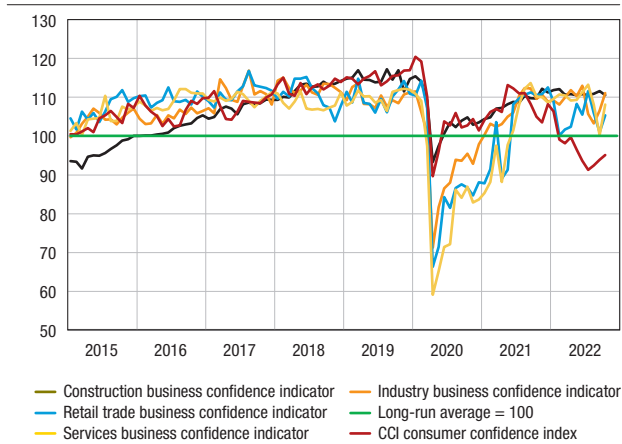
Figure 10 Goods exports (f.o.b.)



Note: Data for the third quarter of 2022 refer to July.

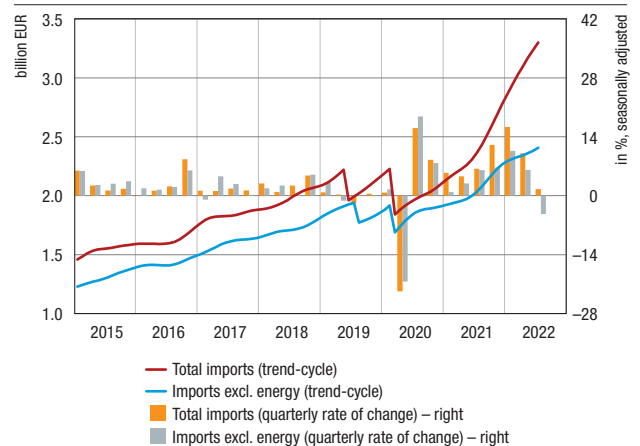
Source: CBS data seasonally adjusted by the CNB.

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



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

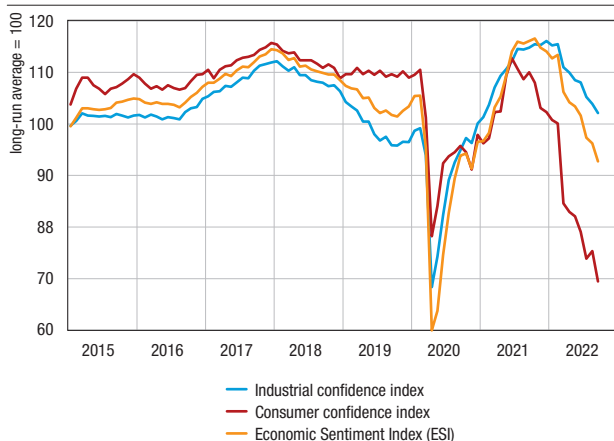
Figure 11 Goods imports (c.i.f.)



Note: Data for the third quarter of 2022 refer to July.

Source: CBS data seasonally adjusted by the CNB.

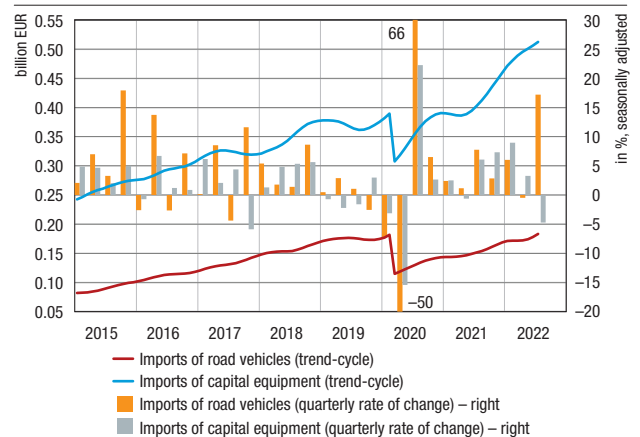
Figure 9 EU confidence indices seasonally adjusted series



Note: Data are up to September 2022.

Sources: Eurostat and CNB calculations.

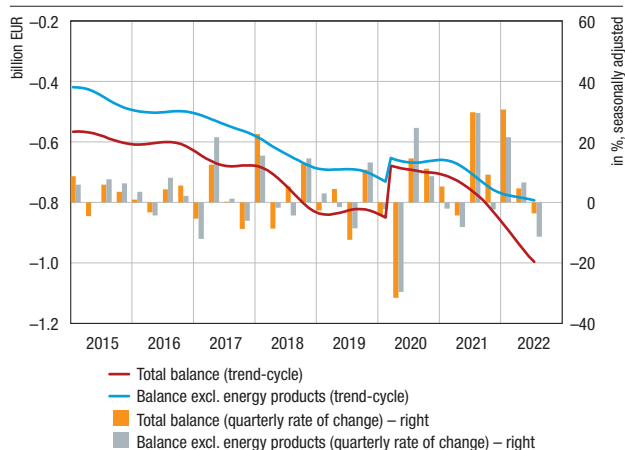
Figure 12 Imports of capital equipment and road vehicles (c.i.f.)



Notes: Imports of capital equipment (SITC divisions 71 – 77). Data for the third quarter of 2022 refer to July.

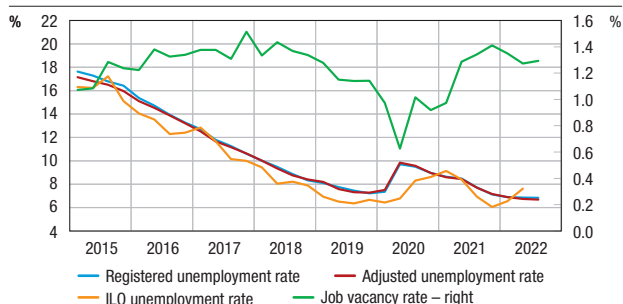
Source: CBS data seasonally adjusted by the CNB.

Figure 13 Trade of goods balance



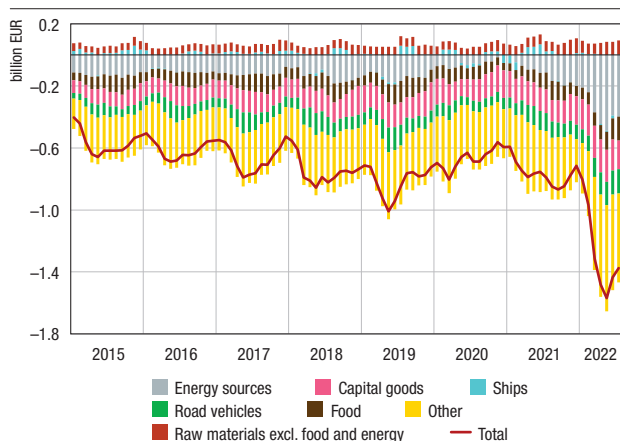
Note: Data for the third quarter of 2022 refer to July.  
Source: CBS data seasonally adjusted by the CNB.

Figure 16 Unemployment and job vacancy rates seasonally adjusted data



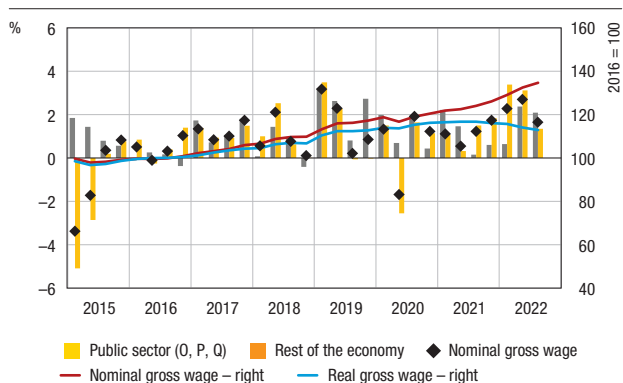
Notes: Since January 2015, the calculation of the registered unemployment rate has used the data on employed persons from the JOPPD form. Data on the number of employed persons have been revised backwards for the period from January 2016 to December 2019. The adjusted unemployment rate is the CNB estimate and is calculated as the share of the number of registered unemployed persons in the working age population (unemployed persons and persons insured with the CPII). The job vacancy rate is calculated as the share of total posts that are vacant in the total demand for labour (the sum of the number of persons insured with the CPII and vacant posts). Data for the third quarter of 2022 refer to July and August.  
Sources: CBS, CES and CNB calculations (seasonally adjusted by the CNB).

Figure 14 Trade in goods balance by product groups



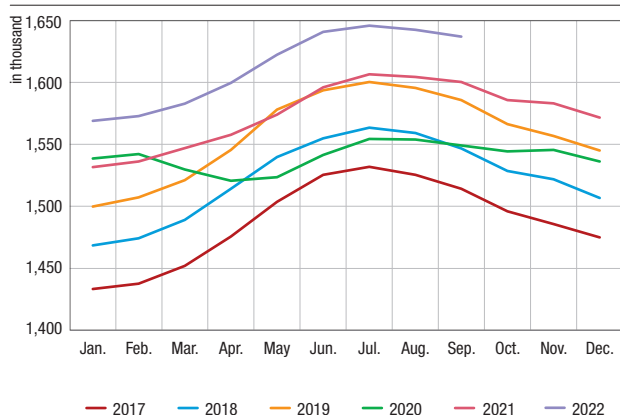
Notes: Series are shown as three-member moving averages of monthly data. Data are up to July 2022.  
Source: CBS.

Figure 17 Average nominal and real gross wage by NCA activities seasonally adjusted data

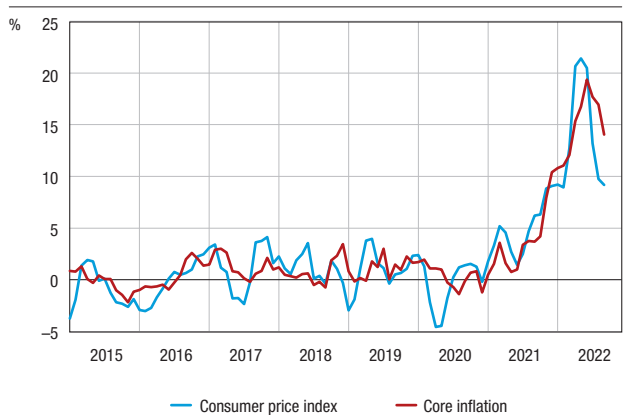


Notes: Data on the average nominal gross wage by activity refer to data from the RAD-1 form, and from January 2016 to data from the JOPPD form. Data on average wages paid in February 2020 were reported in full-time equivalent. Data on wages in 2019 reported in full-time equivalent were released for analytical purposes.  
Sources: CBS and CNB calculations.

Figure 15 Employment original data



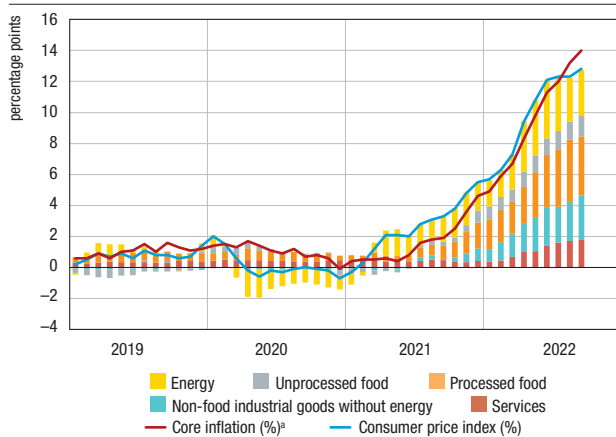
Source: CPII.

Figure 18 Consumer price index and core inflation annualised month-on-month rate of change<sup>a</sup>

<sup>a</sup> 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**



<sup>a</sup> Core inflation does not include agricultural product prices, energy prices and administered prices.

Sources: CBS and CNB calculations.

**Table 1 Price indicators**

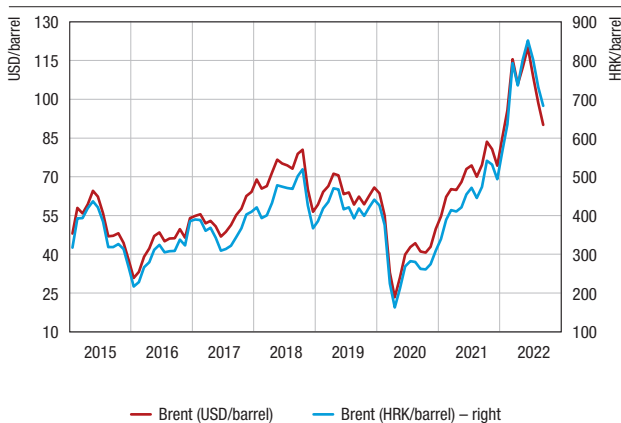
year-on-year and month-on-month rates of change

	Year-on-year rates		Month-on-month rates	
	8/22	9/22	9/21	9/22
<b>Consumer price index and its components</b>				
Total index	12.3	12.8	1.0	1.5
Energy	16.8	17.7	1.0	1.8
Unprocessed food	13.8	16.0	-0.6	1.3
Processed food	17.8	16.8	0.2	-0.7
Non-food industrial goods without energy	9.7	10.9	3.8	4.9
Services	6.5	6.9	-0.5	-0.1
<b>Other price indicators</b>				
Core inflation	13.2	14.0	1.2	1.9
Index of industrial producer prices on the domestic market	30.5	30.2	3.2	3.0
Brent crude oil price (USD)	40.8	20.9	6.5	-8.6
HWWI index (excl. energy, USD)	-1.3	-2.9	-1.9	-3.5

Note: Processed food includes alcoholic beverages and tobacco.

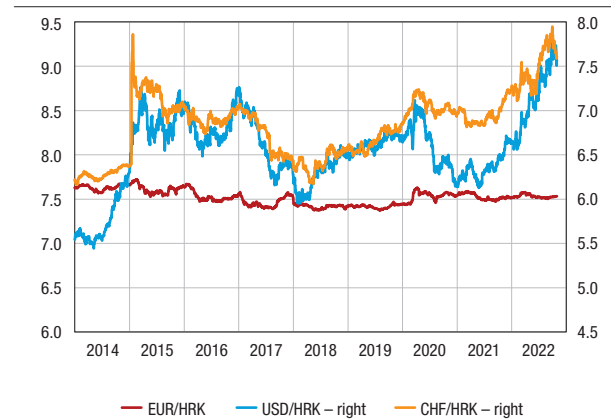
Sources: CBS, Bloomberg and HWWI.

**Figure 20 Crude oil prices (Brent)**



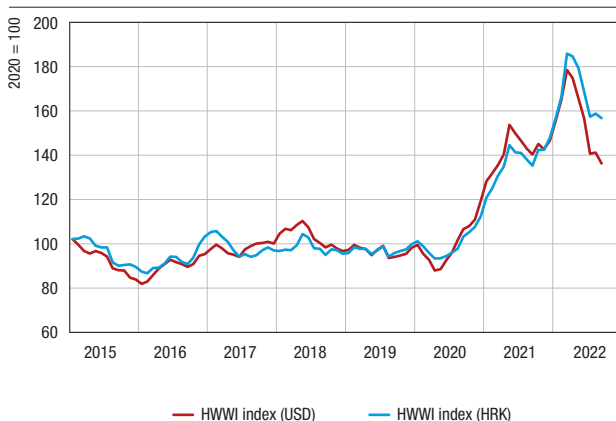
Sources: Bloomberg and CNB calculations.

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



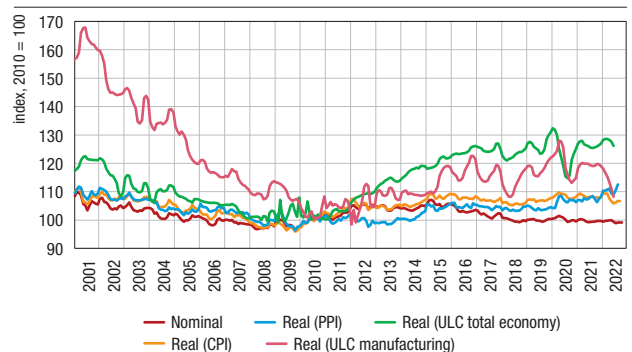
Source: CNB.

**Figure 21 HWWI index (excl. energy)**



Sources: HWWI and CNB calculations.

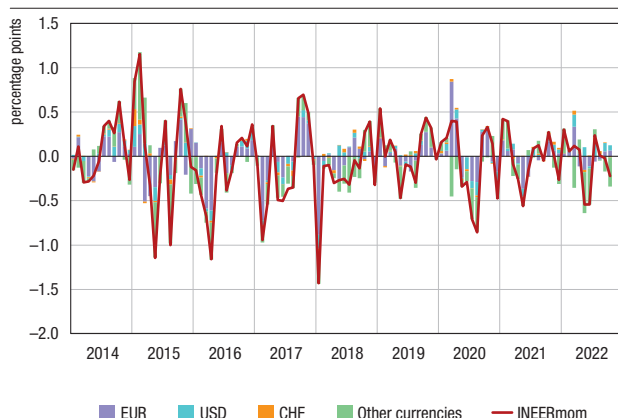
**Figure 23 Nominal and real effective exchange rates of the kuna**



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

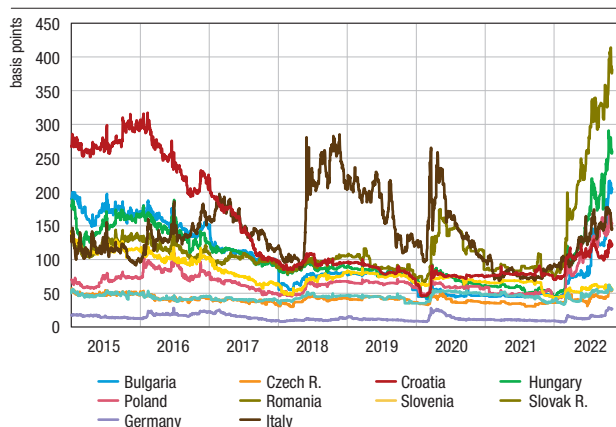
Source: CNB.

**Figure 24 Contributions<sup>a</sup> of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)**



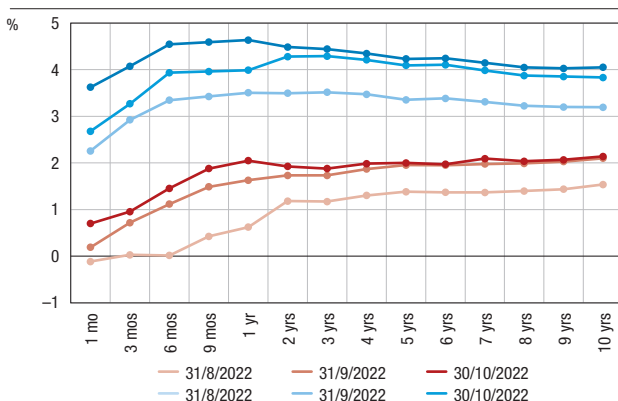
<sup>a</sup> Negative values indicate contributions to the appreciation of the INEER.  
Source: CNB.

**Figure 27 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.

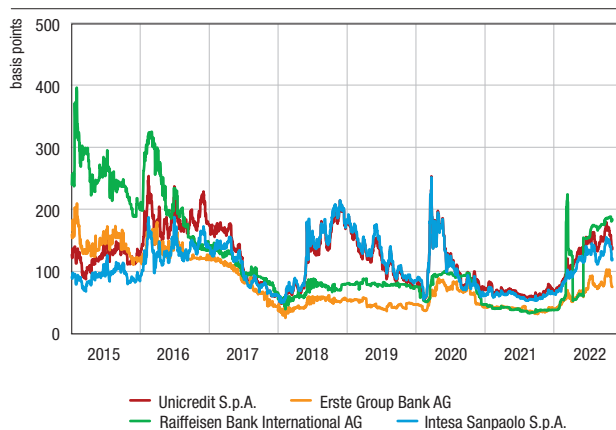
**Figure 25 Yields to maturity on US government and German government bonds**



Notes: Blue denotes yields on US bonds and red yields on German bonds. The first four labels on the individual dates refer to monthly yields and the remaining ones refer to annual yields. The yields on US government bonds with a remaining maturity of nine months are interpolated.

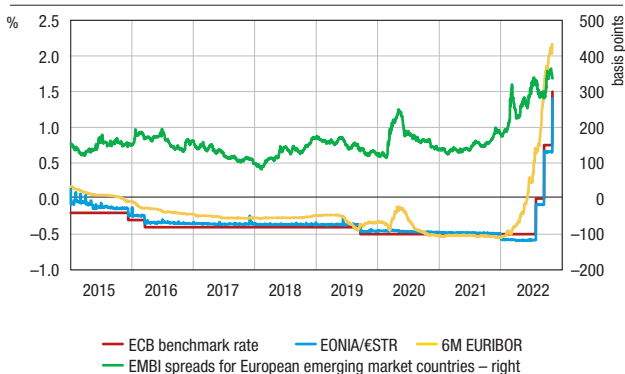
Source: Bloomberg.

**Figure 28 CDS spreads for selected parent banks of domestic banks**



Source: S&P Capital IQ.

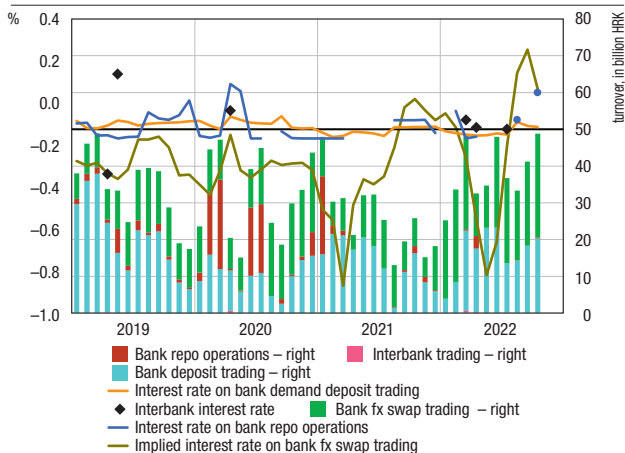
**Figure 26 Interest rates on the euro and the average yield spread on bonds of European emerging market countries**



Notes: EMBI, or the Emerging Market Bond Index, shows the spread between yields on government securities of emerging market economies, Croatia included, and risk-free securities issued by developed countries. Since the start of 2022, the EONIA has been replaced by €STR.

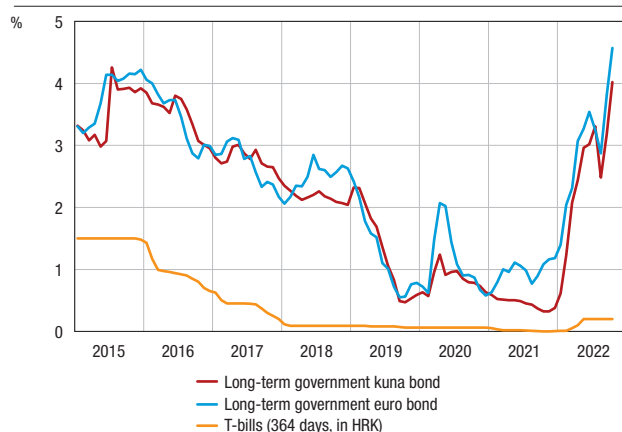
Sources: ECB, Bloomberg and J.P. Morgan.

**Figure 29 Overnight interest rates and turnovers**



Source: CNB.

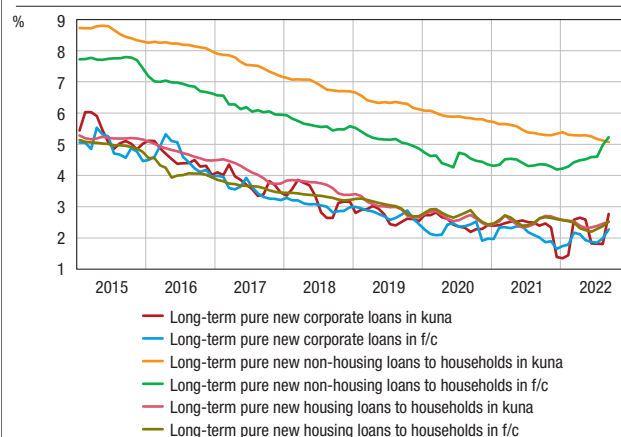
Figure 30 Yields on T-bills and bonds of the Republic of Croatia



Note: Yields on long-term bonds refer to bonds with a remaining maturity of ten years, i.e. to bonds of the most similar maturity.

Source: CNB.

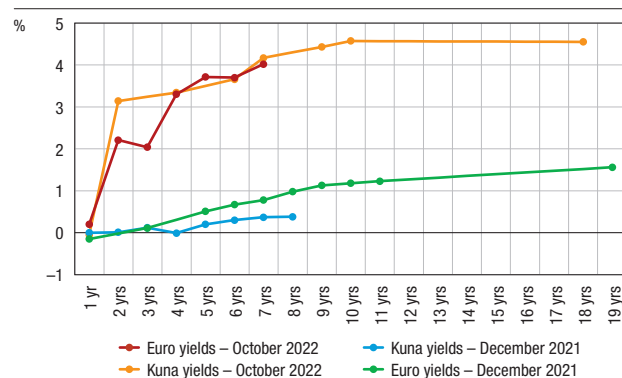
Figure 33 Long-term financing costs



Notes: Quarterly weighted moving averages. Foreign currency loans also include kuna loans with a currency clause.

Source: CNB.

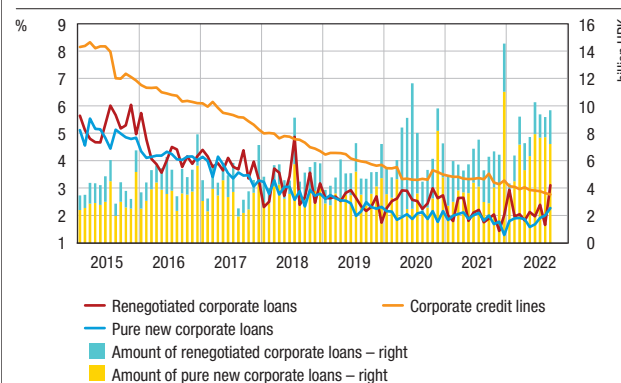
Figure 31 Yields to maturity on RC bonds



Notes: The dots show the achieved yields, while other values have been interpolated. Data for a one-year yield refer to the achieved interest rate on one-year T-bills without a currency clause and with a currency clause in the euro. The yield on one-year T-bills without a currency clause at end-2021 refers to November. The yield on one-year T-bills with a currency clause in euro refers to October 2021 and May 2022.

Source: CNB.

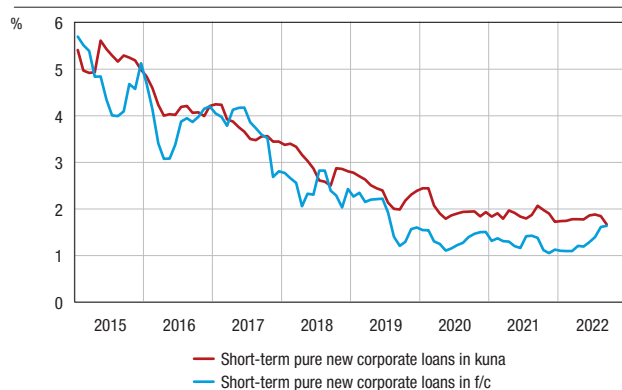
Figure 34 Interest rates and amount of corporate loans



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

Source: CNB.

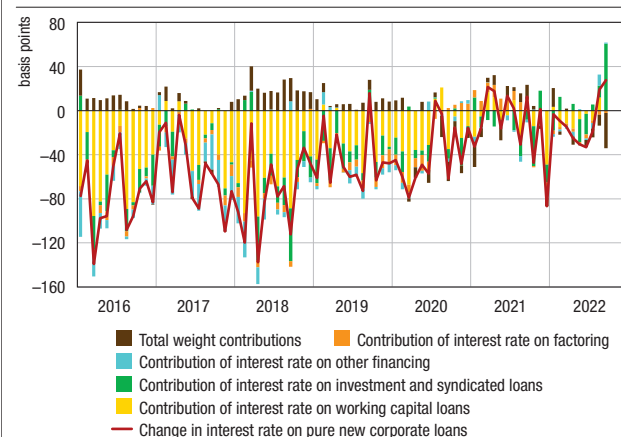
Figure 32 Short-term financing costs



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

Source: CNB.

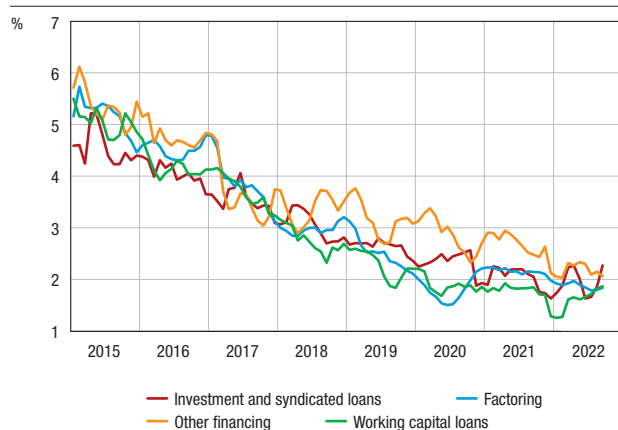
Figure 35 Contributions to the annual change in the interest rate on pure new corporate loans



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

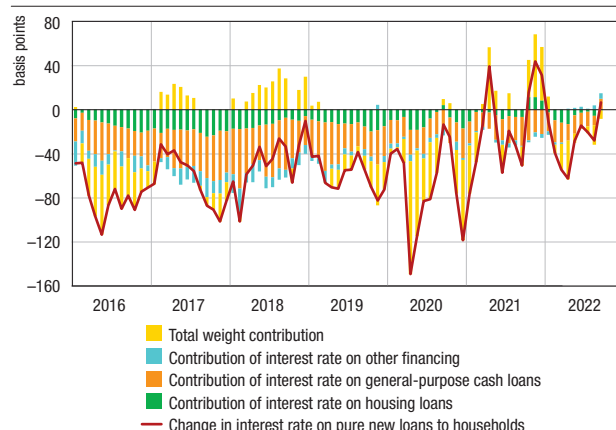
Source: CNB.

**Figure 36 Interest rates on pure new corporate loans by purpose**



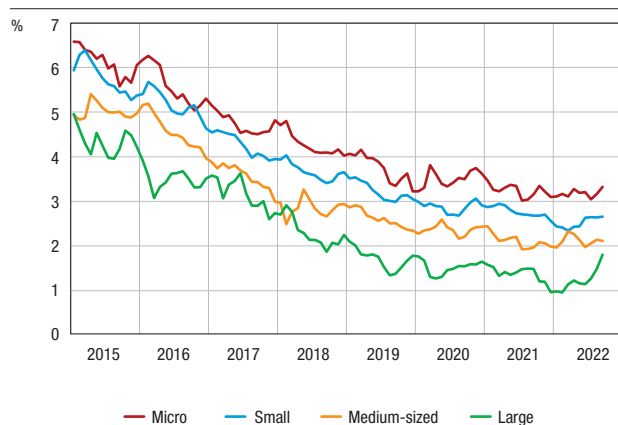
Note: Quarterly weighted moving averages.  
Source: CNB.

**Figure 39 Contributions to the annual change in the interest rate on pure new household loans**



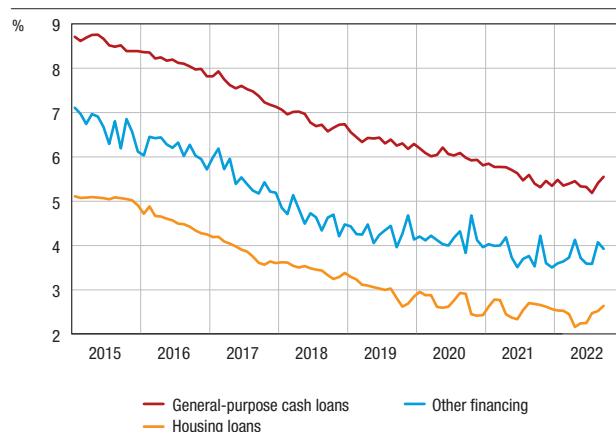
Note: Calculated by applying the Bennet index, according to which total contribution is divided into interest rate effect and weight effect.  
Source: CNB.

**Figure 37 Interest rates on pure new loans by corporate size**



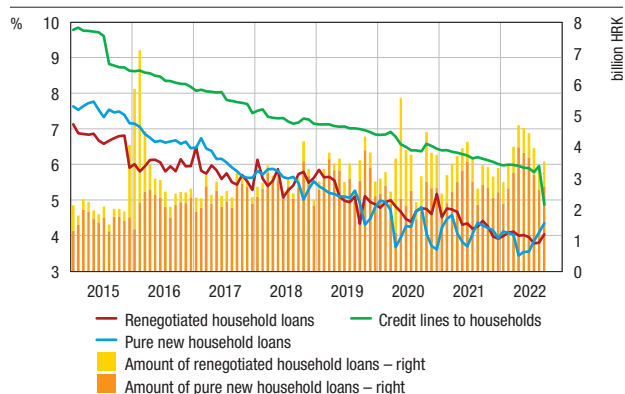
Note: Quarterly weighted moving averages.  
Source: CNB.

**Figure 40 Interest rates on pure new household loans by purpose**



Source: CNB.

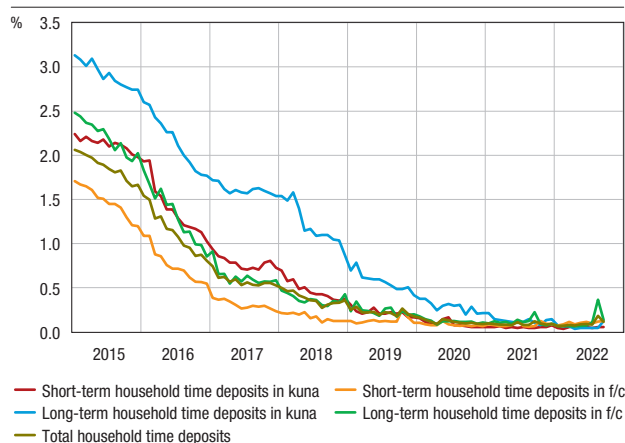
**Figure 38 Interest rates and amount of household loans**



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

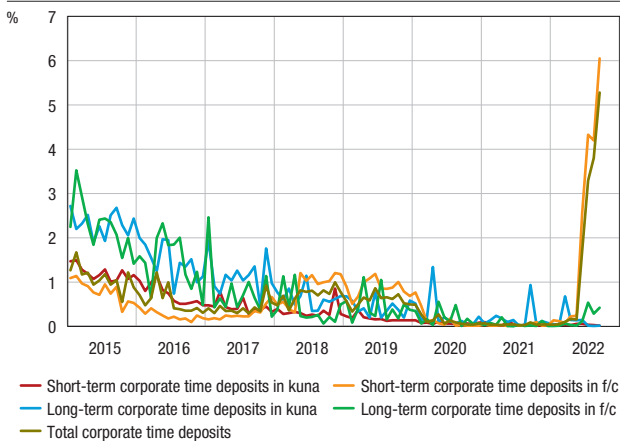
Source: CNB.

**Figure 41 Interest rates on household time deposits**



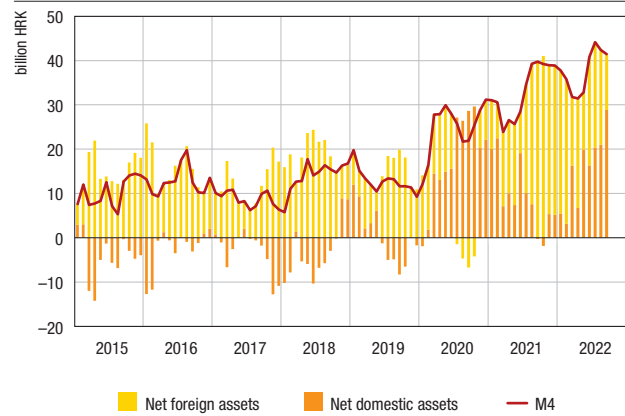
Source: CNB.

Figure 42 Interest rates on corporate time deposits



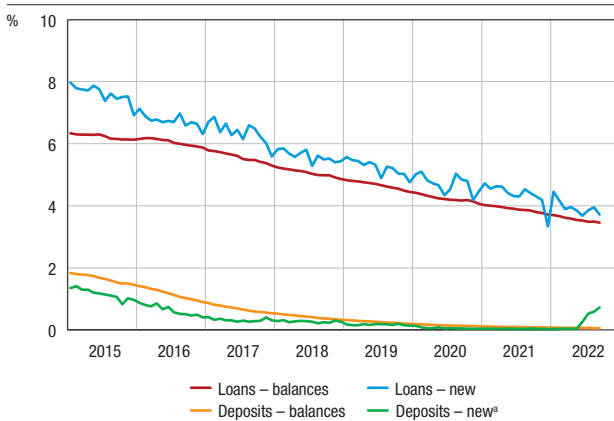
Source: CNB.

Figure 45 Net foreign assets, net domestic assets and total liquid assets (M4) absolute change in the last 12 months



Source: CNB.

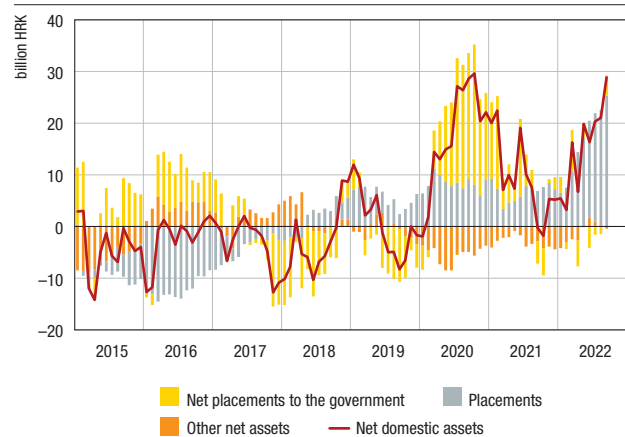
Figure 43 Average interest rates on loans (excl. revolving loans) and deposits



<sup>a</sup> For time deposits, interest rates on newly received deposits are weighted by their balances.

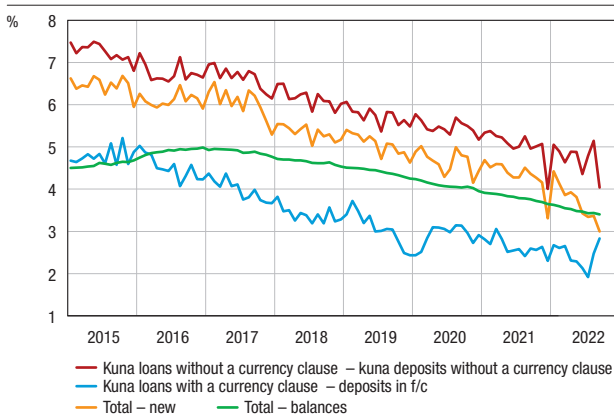
Source: CNB.

Figure 46 Net domestic assets, structure absolute change in the last 12 months



Source: CNB.

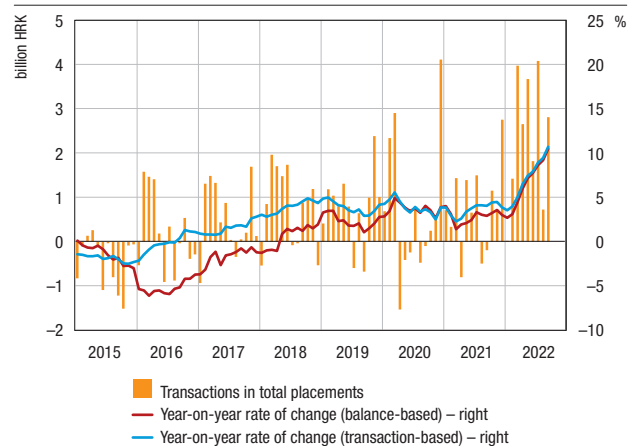
Figure 44 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits



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).

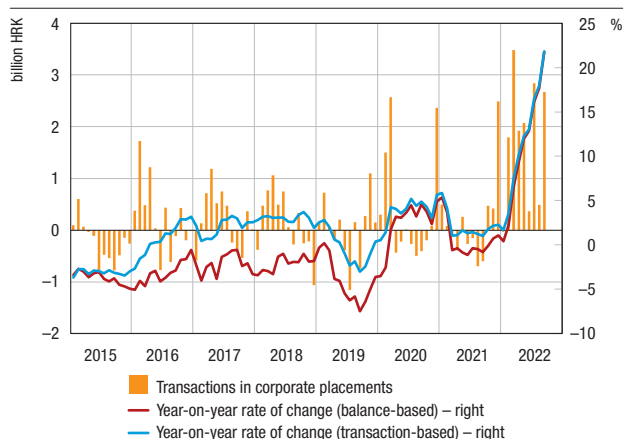
Source: CNB.

Figure 47 Placements



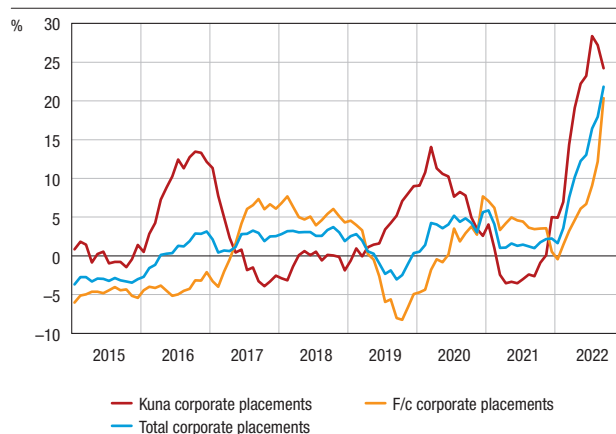
Source: CNB.

Figure 48 Placements to corporates



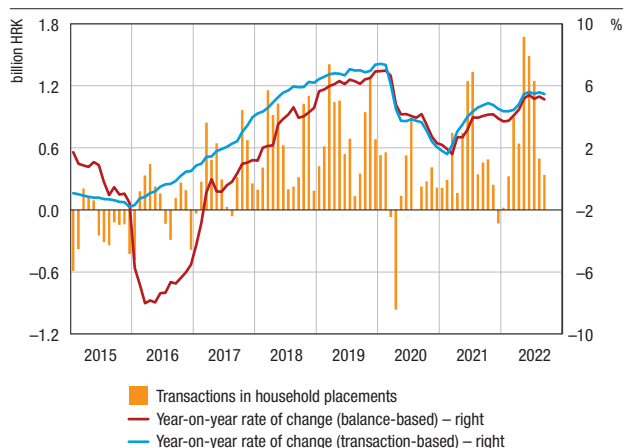
Source: CNB.

Figure 51 Annual rate of change in corporate placements transaction-based



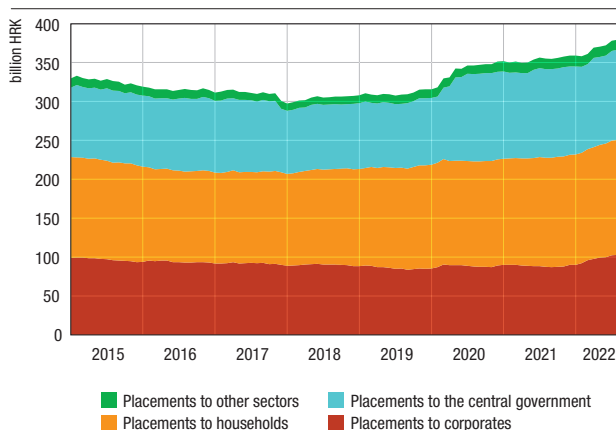
Source: CNB.

Figure 49 Placements to households



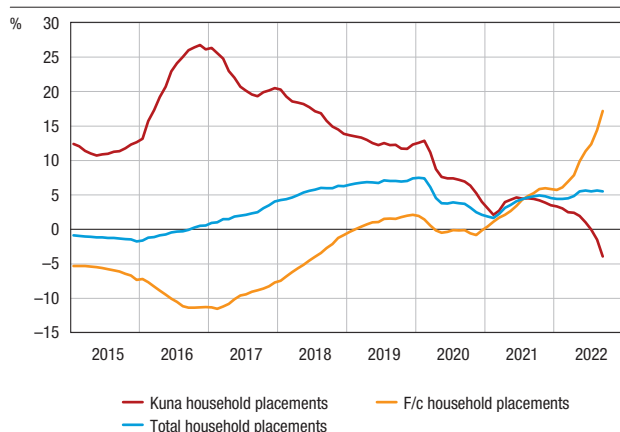
Source: CNB.

Figure 52 Structure of placements of monetary financial institutions



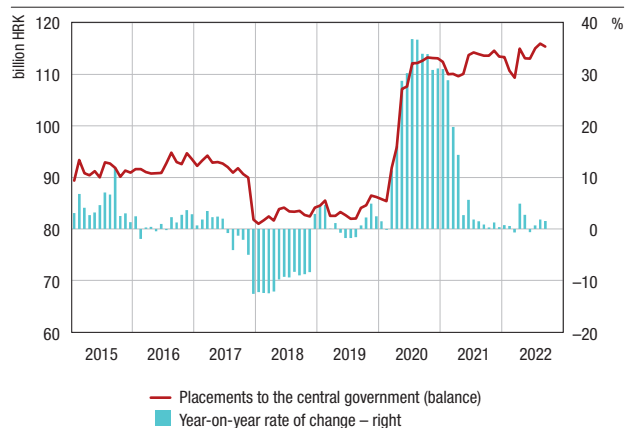
Source: CNB.

Figure 50 Annual rate of change in household placements transaction-based



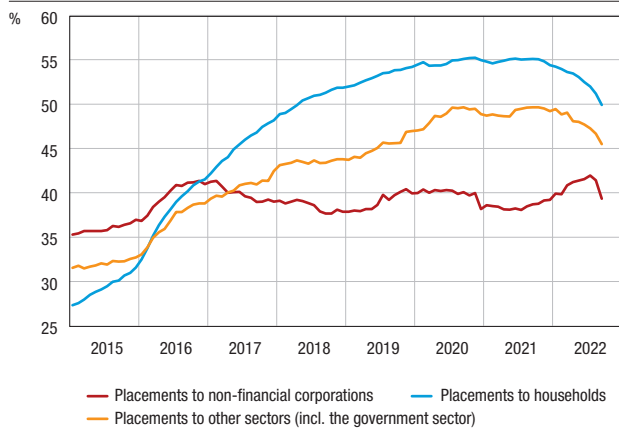
Source: CNB.

Figure 53 Placements of monetary financial institutions to the central government

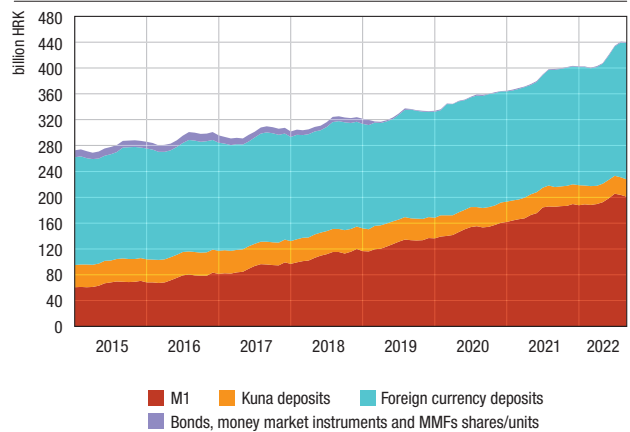


Source: CNB.

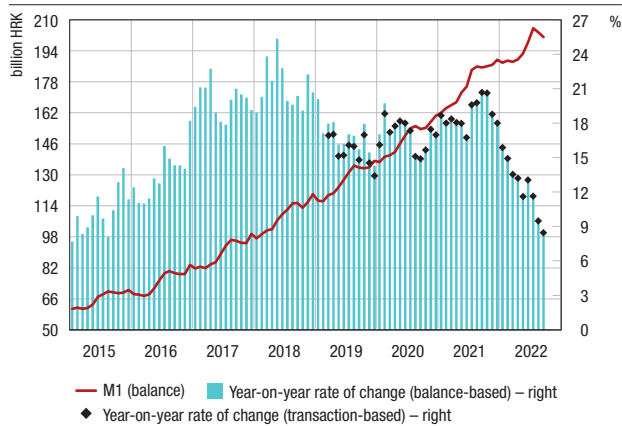


**Figure 54 Share of kuna placements in total sector placements**

Source: CNB.

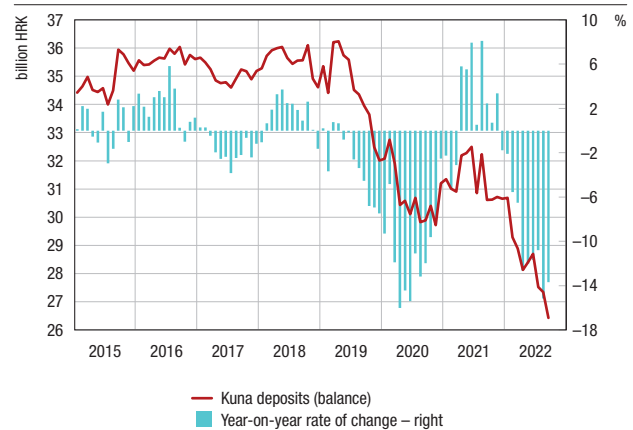
**Figure 57 Structure of M4 monetary aggregate**

Source: CNB.

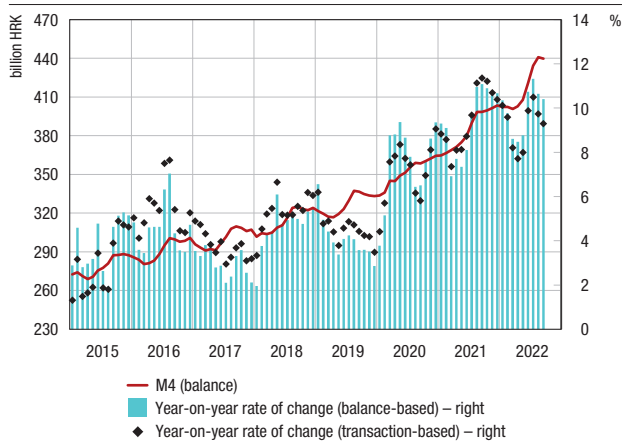
**Figure 55 Money (M1)**

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

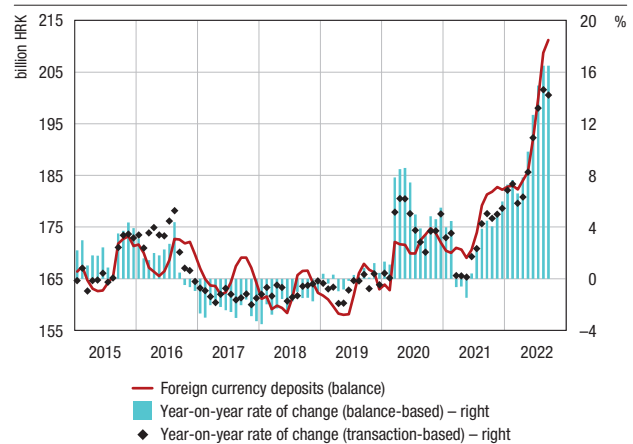
Source: CNB.

**Figure 58 Kuna savings and time deposits**

Source: CNB.

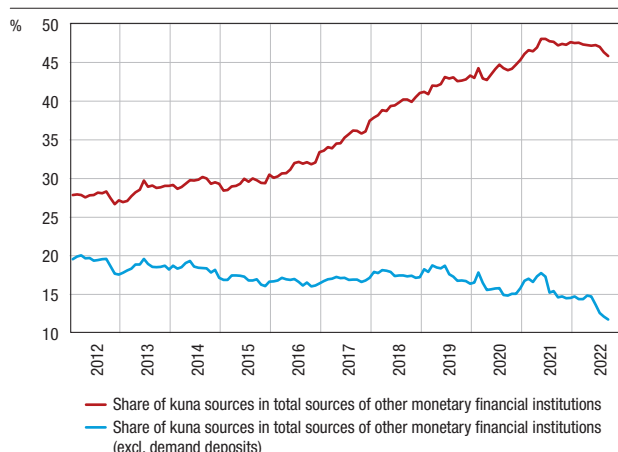
**Figure 56 Total liquid assets (M4)**

Source: CNB.

**Figure 59 Foreign currency deposits**

Source: CNB.

Figure 60 Share of kuna sources



Source: CNB.

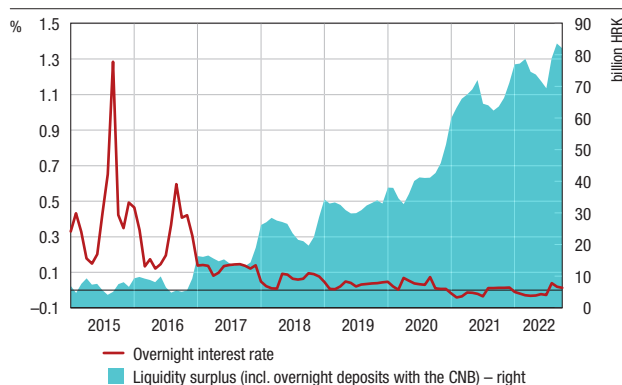
Figure 63 International reserves of the CNB at current rate of exchange



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

Source: CNB.

Figure 61 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.

Table 2 Balance of payments

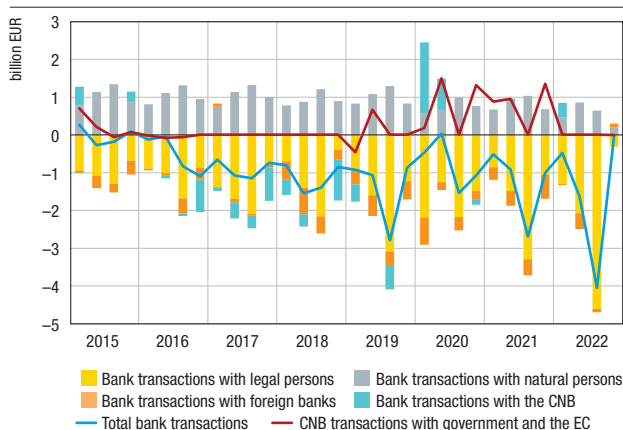
preliminary data, in million EUR

	2021	Q2/2022*	Indices	
			2021/ 2020	Q2/2022*/ 2021
Current account	1,807.2	145.4	–	8.0
Capital account	1,368.0	1,375.2	127.3	100.5
Financial account (excl. reserves)	–1,204.1	–685.0	–	56.9
International reserves	6,030.7	3,641.4	999.7	60.4
Net errors and omissions	–988.3	–420.7	347.0	42.6

\* Refers to the sum of the last four quarters.

Source: CNB.

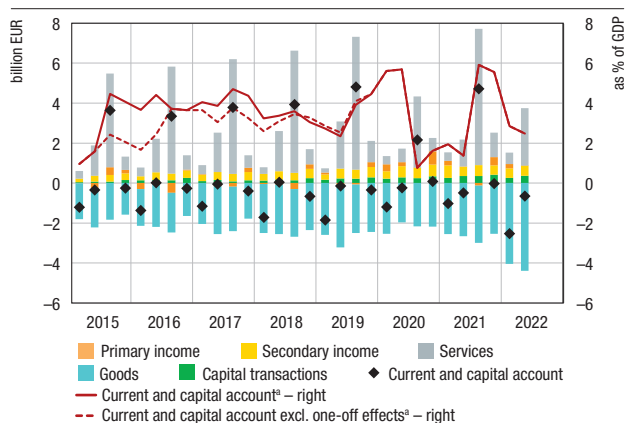
Figure 62 Spot transactions in the foreign exchange market (net turnover)



Notes: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government. Data for the fourth quarter refer to October.

Source: CNB.

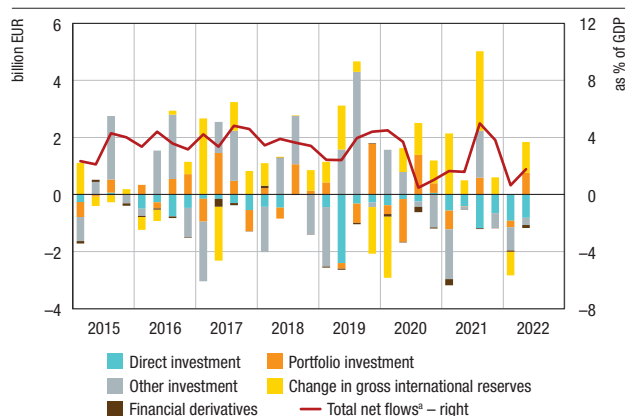
Figure 64 Current and capital account flows

<sup>a</sup> 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 65 Financial account flows by type of investment

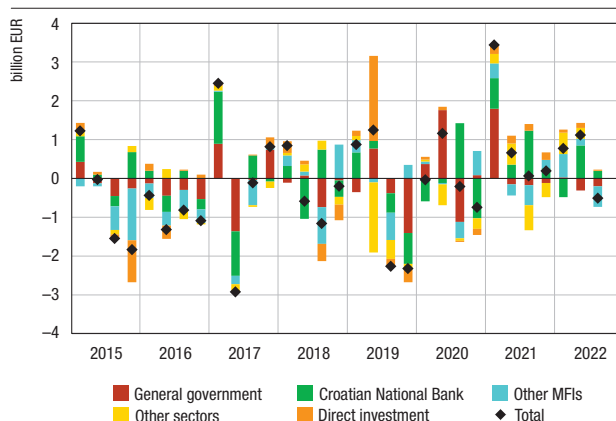


<sup>a</sup> Sum of the last four quarters.

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

Source: CNB.

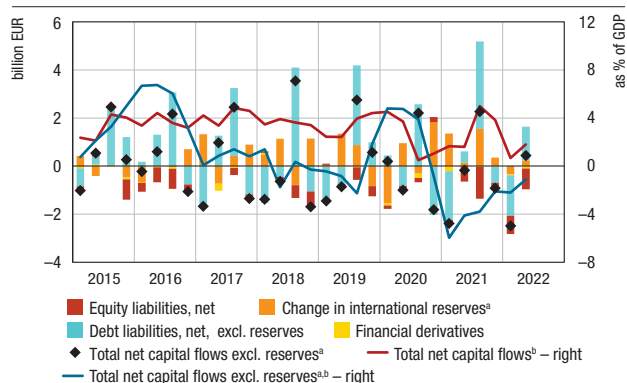
Figure 68 Gross external debt transactions



Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Data for the third quarter of 2022 refer to July and August.

Source: CNB.

Figure 66 Financial account flows by equity to debt ratio



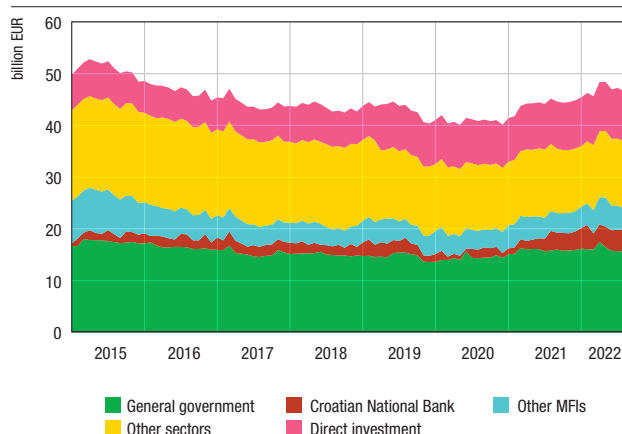
<sup>a</sup> The change in gross international reserves is reported net of foreign liabilities of the CNB.

<sup>b</sup> 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.

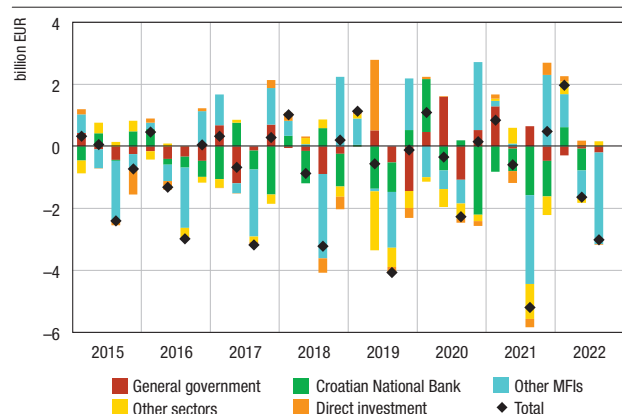
Figure 69 Gross external debt end of period



Note: Data are up to August 2022.

Source: CNB.

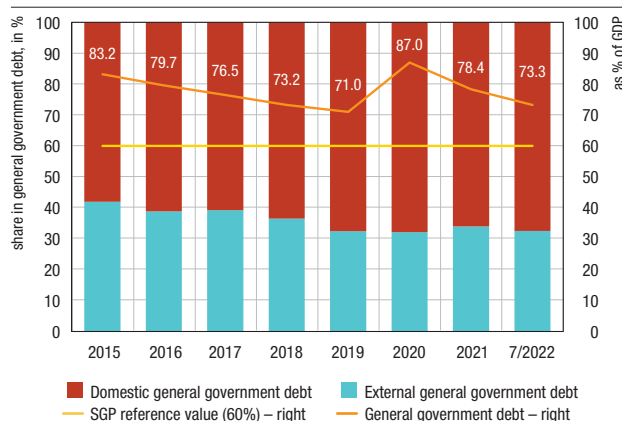
Figure 67 Net external debt transactions



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 2022 refer to July and August.

Source: CNB.

Figure 70 General government debt



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

Source: CNB.

**Table 3 Consolidated general government balance**

ESA 2010, in million HRK

	Jan. – Jun. 2021	Jan. – Jun. 2022
<b>Total revenue</b>	<b>93,781</b>	<b>104,107</b>
Direct taxes	11,437	14,768
Indirect taxes	37,062	42,552
Social contributions	23,596	26,800
Other	21,685	19,986
<b>Total expenditure</b>	<b>102,778</b>	<b>102,090</b>
Social benefits	33,452	34,290
Subsidies	6,487	3,663
Interest	3,475	3,250
Compensation of employees	26,611	27,519
Intermediate consumption	16,249	17,233
Investment	9,402	7,916
Other	7,103	8,220
<b>Net lending (+)/borrowing (-)</b>	<b>-8,998</b>	<b>2,017</b>

Sources: Eurostat and CBS.

**Table 4 State budget**

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

	Jan. – Jun. 2021	Jan. – Jun. 2022
1 Revenue	73,937	75,399
2 Disposal of non-financial assets	179	524
3 Expenditure	81,882	78,937
4 Acquisition of non-financial assets	2,079	3,121
<b>5 Net lending (+) /borrowing (-) (1+2-3-4)</b>	<b>-9,846</b>	<b>-6,135</b>

Sources: MoF and CNB calculations.

**Table 5 General government debt**

in million HRK

	Jul. 2021	Jul. 2022
<b>Change in total debt stock</b>	<b>14,633</b>	<b>489</b>
<b>Change in domestic debt stock</b>	<b>4,902</b>	<b>5,380</b>
– Currency and deposits	32	10
– Securities other than shares, short-term	-1,485	-390
– Securities other than shares, long-term	4,896	4,409
– Short-term loans	-287	-951
– Long-term loans	1,649	1,931
<b>Change in external debt stock</b>	<b>9,731</b>	<b>-4,891</b>
– Currency and deposits	0	0
– Securities other than shares, short-term	1,486	-1,429
– Securities other than shares, long-term	4,503	-2,552
– Short-term loans	-29	101
– Long-term loans	3,771	-1,012
Memo item:		
Change in total guarantees issued	1,571	217

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

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
TRY	– Turkish lira
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