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# Information on economic trends

September 2020



## Summary

The first results of the CBS show that in the second quarter of 2020 real gross domestic product fell by 14.9% from the previous quarter as a result of the coronavirus pandemic and the restrictive measures introduced to contain it, while the available data for the third quarter suggest only a partial recovery in economic activity. June and July of 2020 saw an increase in the number of employed persons and a fall in unemployment, reflecting the unlocking of the economy and the later than usual beginning of the season. However, the values of these indicators continue to be considerably more unfavourable than in the pre-pandemic period. The annual consumer price inflation rate dropped to -0.3% in July (from -0.2% in June), primarily due to a fall in the prices of unprocessed food products (most notably vegetables and meat). The expectations regarding the strengthening of the kuna as a result of better than expected tourist indicators led to an appreciation of the exchange rate of the kuna against the euro in July and first half of August, after which the exchange rate started depreciating slightly due to epidemiological measures tightening in outbound markets. Influenced by the CNB's expansionary monetary policy and also fuelled by CNB's purchase of government securities towards the end of June, the liquidity of the domestic financial system reached a historic high. The growth in total placements of monetary institutions in July was mostly due to household lending strengthening, mostly driven by the government housing loans subsidy programme and to a lesser extent by borrowing for the purpose of renovation of housing units damaged in the earthquake. The general government deficit, according to the ESA methodology was somewhat bigger in the first quarter of 2020 than in the same period of the previous year, while the Ministry of Finance data suggest a considerable widening of the deficit in the second quarter.

The first results of the CBS suggest a record fall in real GDP in the second quarter of 2020. Economic activity fell by 15.1% on an annual level or 14.9% on a quarterly level, a much bigger fall than that projected by the CNB in June this year. The fall in the total gross domestic product is the result of a fall in foreign demand, most notably services exports, and domestic demand. As regards the components of domestic demand on an annual level, investment fell the most, followed by personal consumption. By contrast, government consumption rose slightly. Goods and services imports fell visibly from the same period of the previous year but less than total exports so that the contribution of net foreign demand to economic growth was negative. The difference between the actual developments and CNB June projections can mostly be explained by developments in foreign demand. The total contribution of net foreign demand was more negative than expected, mostly as a result of a much smaller fall in total imports. The contribution of the fall in domestic demand was also somewhat bigger than projected.

The GDP nowcasting model, mostly based on July data, currently suggests a possible growth in GDP in the third quarter from the second quarter although it will remain much slower than in the same period of the previous year (Figure 1). The fact that economic activity bottomed in the second quarter is also supported by developments in individual activities. In July, industrial production rose by 5.6% on a monthly level and was 1.3% higher than in February and its pre-pandemic level. The production of the majority of the main industrial groupings in July was above the levels prior to the introduction of containment measures, with the exception of durable and non-durable consumer goods (Figures 3 and 4). According to seasonally adjusted data, real retail trade turnover fell in July (0.9%), after recovering in May and June. This fall probably mirrors the greater importance of tourist consumption in trade in July, which despite a partial recovery, continues to be subdued as compared to the domestic component of consumption (Figure 7). The volume of construction works continued to recover in June, having risen by 10.9% from the previous month, with the figures for both construction works on buildings and civil engineering works rising (12.3% and 6.2%, respectively). The volume index of construction works thus came closer to this year's February levels. (Figures 5 and 6).

In July and August, consumer and business expectations in all activities were more favourable than their average in the second quarter of this year but were still much below the levels before the outbreak of the pandemic. The results of the August 2020 Consumer Confidence Survey suggest higher consumer expectations than

in the previous month, following a slight worsening of the index in July. The rise in consumer optimism on a monthly level was mostly due to improved expectations regarding the overall economic situation in Croatia in the next 12 months compared to the situation today. The expectations regarding the financial situation of households in the next 12 months also improved when compared to the situation today and the assessment of the financial situation in the household today compared to the situation 12 months ago. By contrast, the expectations regarding spending on durable consumer goods in the following 12 months worsened. The results of the Business Confidence Survey for August 2020 suggest that business expectations improved in most activities. The recovery in business confidence that started in May this year continued, after a sharp deterioration in the expectations of businesses in April in response to the coronavirus pandemic. The biggest growth in optimism in August was seen in the services segment and it was only in construction that expectations worsened. It should be noted that the surveys on the expectations of consumers and business entities were conducted in the first half of August when the epidemiological situation was much more favourable than at the end of that month.

Favourable developments in the labour market in June and July 2020 reflect the effect of unlocking of the economy and probably also the later beginning of the season than usual. Total employment thus rose in June and even more in July, following a sharp fall in the number of employed persons in the previous three months at the time when restrictive measures to contain the pandemic were in force. The number of employed persons rose during that period in most activities of the private sector, except in transportation and storage activities. Employment grew the most in accommodation and food service activities (Figure 15). Despite favourable recent developments, employment in July fell by 2.9% from the same month of the previous year. An increased outflow from the register due to employment led to a fall in registered unemployment in June and July and to a lesser extent in August. The fall in unemployment led to a fall in registered unemployment from 10.4% in May to 10.2% in June and July, according to the seasonally adjusted data (Figure 16). Despite this recovery, the number of unemployed persons was up 32.1% at the end of August from the same period of the previous year. As regards wages, following their decline in April and May, the average gross wage grew in June and, though at a slower rate, in July, with wage growth being widely distributed. On an annual level (seasonally adjusted data), the average nominal gross wage rose 1.3% in July from the same period of the previous year, with public sector wages rising by 5.7% and those in the private sector falling

by 0.4%.<sup>1</sup> In addition, smaller payments of non-taxable income were recorded, particularly in June and July 2020, as a result of which wages increased for non-taxable compensations were almost equal to the net average wage paid (Figure 17).

Consumer prices fell by 0.5% in July from the previous month (Table 1). The seasonal fall in the prices of clothing and footwear (which was less pronounced than in the year before) and, to a lesser extent, some food products (vegetables and meat) and used motor vehicles made the biggest contribution to this fall. A more pronounced fall in consumer prices mitigated the growth in retail prices of refined petroleum products, which reflects the growth in crude oil prices on the global market. The average price of a barrel of Brent crude oil thus stood at USD 43 in July, a 7% increase from the average June price. The growth in oil prices was the result of a further relaxation of the restrictive measures introduced to contain the pandemic and the resulting rise in oil demand, cuts in production of major global producers and a fall in crude oil reserves in the USA. The seasonal growth in the prices of tourism-related services (accommodation, package holidays and passenger air transport) made a positive contribution to developments in consumer prices. The annual fall in consumer prices accelerated from -0.2% in June to -0.3% in July, with the fall in the contributions of individual food products (primarily vegetables and meat), motor vehicles and non-durable household goods being offset by increased contribution of refined petroleum products and clothing and footwear to inflation. Core inflation, which excludes prices of agricultural products and energy and administered prices, slowed down from 1.1% in June to 0.9% in July. The annual fall in producer prices on the domestic market slowed down from -3.1% in June to -2.7% in July, mostly as a result of the increased contribution of refined petroleum products. The annual growth rate of non-energy producer prices slowed down from 0.4% in June to 0.2% in July.

Following growth at the beginning of the year, the dynamics of foreign trade in goods slowed down sharply in April and May. Total goods exports in April and May thus shrank by one quarter from the previous three months' average (Figure 10), mostly as a result of smaller exports of energy products (most notably oil and refined petroleum products as a result of a fall in export prices), other transport equipment (mostly ships), textile industry products and capital goods. By contrast, the exports of medical and pharmaceutical products rose. At the same time, total goods imports fell even more, by almost one third (Figure 11). The imports of road vehicles (Figure 12), energy products (mostly oil and refined petroleum products), capital goods (particularly electrical machinery, apparatus and appliances and telecommunication apparatus), and food products fell the most. In accordance with the described developments in goods exports and imports and the fact that the absolute value of imports exceeds the value of exports, the foreign trade deficit improved considerably, having fallen by 45.8% (Figure 13). The first data for June suggest that goods trade started recovering towards the end of the second quarter. In the whole of the second quarter, exports fell by 18.7%, imports by 25.4% and the deficit by 37.8%, which is a smaller contraction than that in April and May.

The nominal exchange rate of the kuna against the euro appreciated in July and in the first half of August, spurred by the expectations of a kuna strengthening as a result of better than expected indicators in tourism. Such expectations changed in mid-August as a result of epidemiological measures tightening in the outbound markets, with the result that the exchange rate started to depreciate slightly. At the end of August the exchange rate stood at EUR/HRK 7.52, having appreciated by 0.5% from the exchange rate at the end

of June (Figure 22)<sup>2</sup>. In addition to the euro, the kuna also strengthened against most other currencies included in the basket for the calculation of the effective exchange rate of the kuna, particularly the yuan renminbi, the Turkish lira and the American dollar. As a result, the nominal effective exchange rate of the kuna at the end of August fell by 1.2% from the end of June.

On the European money market, short-term interest rates remained in negative territory in July and August. The overnight interest rate on euro area banking market, EONIA, fell slightly to -0.47% at the end of August, while the fall in the six-month EURIBOR, which started towards the end of May, continued and at end-August amounted to -0.45%, having returned to the level of immediately before the outbreak of the pandemic (Figure 25). Risk premiums for European emerging market economies saw no significant changes in July and August (Figure 26). At the end of August, the risk premium for Croatia was 74 basis points and, excluding Romania, remained slightly higher than that for CEE peers.

Influenced by the CNB's highly expansionary monetary policy, banks' free reserves reached a historic high. The average daily surplus of kuna liquidity of the domestic banking market thus reached HRK 41.2bn in July, falling slightly to HRK 41.0bn in August (Figure 55). This was due to the CNB's purchase of government securities in two fine-tuning operations towards the end of June worth nominally HRK 4.1bn, which had an effect on liquidity of HRK 4.4bn in early July. In the conditions of ample surplus liquidity, there was no turnover on the domestic interbank overnight market in July and August, and August also recorded an absence of bank repo transactions. Turnover in other money market segments was rather modest, with the overnight interest rate on interbank demand deposit trading continuing to fall slightly, reaching 0.03% in August, while the imputed interest rate on foreign exchange swap trading rose only slightly but remained innegative territory (Figure 28). At the same time, the interest rate on one-year kuna T-bills without a currency clause remained unchanged at the level of 0.06% (Figure 29).

Bank interest rates on new corporate and household loans, which include pure new loans and renegotiated loans, mostly either fell or held steady in July (Figures 29, 30 and 31). However, interest rates on pure new housing loans rose slightly (Figure 33). The interest rates on household time deposits did not change significantly in July, while those on corporate time deposits rose slightly (Figures 35 and 36). The spread between interest rates on new loans and deposits rose slightly to 4.5 percentage points at the end of July as a result of changes in the structure of loans granted, i.e. an increase in the share of kuna loans carrying a higher interest rate and a decrease in the share of foreign currency loans and loans with a currency clause carrying a lower interest rate (Figure 38). At the same time, the trend of fall in the spread between interest rates on loan and deposit balances stabilised, with the spread remaining almost unchanged at 4.1 percentage points at the end of July.

Monetary developments in July 2020 were marked by a sharp increase in net domestic assets (NDA) of the monetary system, whereas net foreign assets (NFA) shrank, which resulted in a rise of HRK 6.3bn or 1.8% (transaction-based) in total liquid assets. The increase in NDA was mostly due to CNB's purchase of government securities nominally worth HRK 4.1bn, which increased monetary institutions' net claims on the central government. The annual growth in M4 slowed down slightly to 7.4%, transaction-based, from the end of the previous month (Figure 50). The growth in money (M1) slowed down to 17.3% (Figure 49) and quasi-money to 0.9% (transaction-based).

Total placements of monetary institutions to domestic sectors

<sup>1</sup> According to original data, the average nominal gross wage in July 2020 rose by 2.5% from the same month of the previous year, with wages in the public sector rising by 5.7% and those in the private sector by 1.4%.

<sup>2</sup> In July 2020, Croatia entered the Exchange Rate Mechanism II, with the central rate of the kuna being set at 1 euro = 7.5345 and the standard fluctuation band at  $\pm 15\%$  around this rate.

(excluding the central government) rose by HRK 0.7bn in July (transaction-based), mostly as a result of growth in household placements but also as a result of growth in placements to other financial institutions, while placements to corporates fell. Housing loans rose by HRK 0.7bn or 1.2% in July, driven mostly by a government housing loans subsidy programme and, to a lesser extent, borrowing for the purpose of renovation of housing units damaged in the earthquake. General-purpose cash loans held steady during that period. Observed at an annual level, the growth in total placements accelerated towards the end of July to 3.9% (Figure 41). This acceleration is the result of the base effect of the sale of receivables associated with the Agrokor Group in July last year, which increased the annual growth rate of placements to non-financial corporations from 4.1% in June to 5.2% in July (Figure 42). As regards households, after stagnating in the previous two months, the annual growth in household placements accelerated slightly in July to 3.9% (Figure 43). The growth in housing loans accelerated from 7.1% in June to 8.0% in July, while general-purpose cash loans continued to slow down on an annual level (from 3.8% in June to 2.8% in July). The share of kuna placements in total household placements rose slightly to 55.0% in July (Figure 48).

Gross international reserves stood at EUR 18.0bn at the end of August (Figure 57), having declined by EUR 0.5bn or 2.9% from the end of the previous year. During the same period, net usable reserves shrank by EUR 1.0bn or 0.6% and stood at EUR 16.3bn at the end of August.

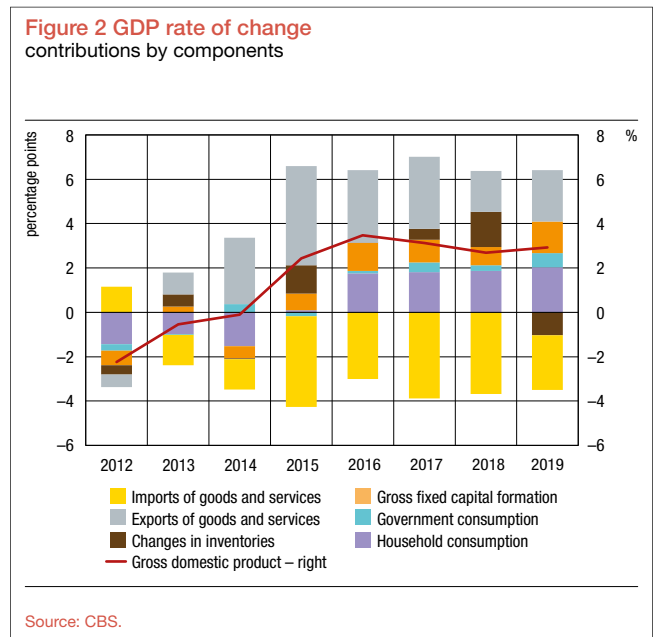
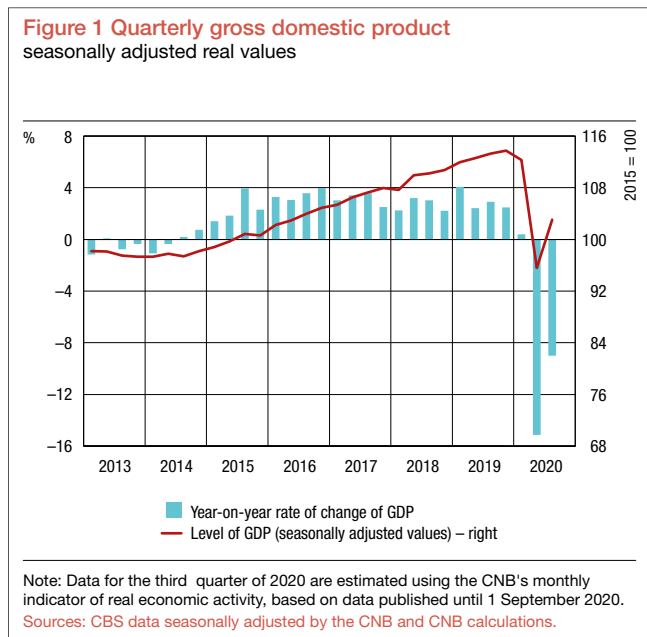
After a rise in the first quarter, net external debt decreased by EUR 0.3bn in the second quarter of 2020 since the growth in net foreign liabilities of the central government was offset by an improvement in the net external position of other domestic sectors (Figure 60). In June, the government issued new bonds worth EUR 2.0bn on the international market, some of which is intended to cover the July repayment of the USD 1.25bn worth of bonds issued in 2010 and in part to finance the counter-crisis measures aimed at mitigating the negative impacts of the coronavirus pandemic. At the same

time, the foreign assets of monetary institutions rose while private and public non-financial corporations and other financial institutions reduced their foreign liabilities. Total gross external debt stood at EUR 41.3bn at the end of June (Figure 62), an increase of EUR 0.8bn from the end of the first quarter.

The consolidated general government deficit (ESA 2010) totalled HRK 3.7bn in the first quarter of 2020, having risen by HRK 1.8bn from the same period of the previous year. Such developments mostly mirror the increase in total expenditures and the stagnation in total revenues relative to the first quarter of 2019. Observed by categories, the growth in total expenditures was mostly due to compensation of employees, largely reflecting the first round of increases in the wage base in the public sector of 2% and the last year's wage increases in health care and education. Expenditures for intermediate consumption, investments and capital transfers also contributed to growth in total expenditures, but to a much lesser extent.

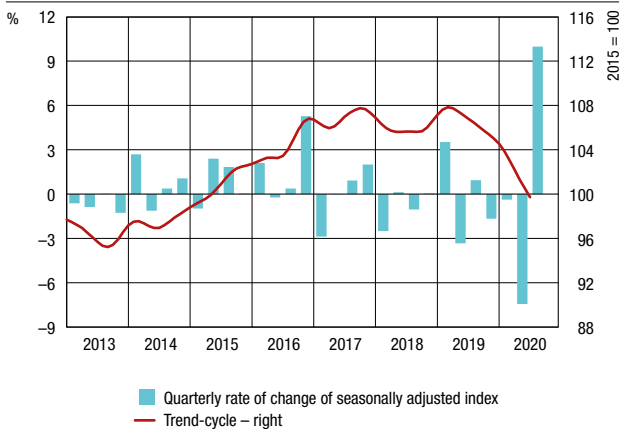
According to MoF data<sup>3</sup> for the second quarter of this year, the central government ran a deficit of HRK 12.2bn, which is a worsening of the central government balance of HRK 15.6bn from the same period of 2019. Thus far the biggest deficit of the central government on a quarterly level was the result of an exceptional shortfall in revenues of HRK 9.2bn and a sharp rise in expenditures of HRK 6.4bn as a result of the economic crisis caused by the pandemic and anti-pandemic measures. Central government balance was negative in July too and stood at HRK -1.1bn.

As regards the trends in the general government debt, at the end of May, it stood at HRK 315.0bn, having risen by HRK 22.0bn from the end of 2019 (Table 5). This was due to increased government needs for financing due to a considerable negative impact of the pandemic and the restrictive epidemiological measures on economic activity and budget revenues, and to increased expenditures for the implementation of the measures to mitigate the negative economic effects of the pandemic. The government met these increased needs for financing mainly in the domestic market.



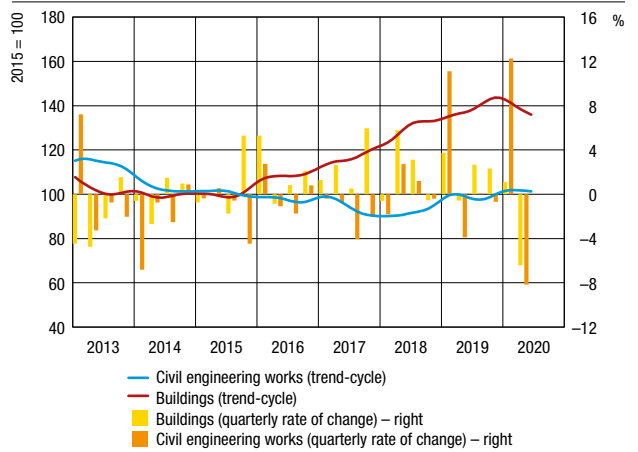
<sup>3</sup> Monthly data for central government, state government and social security sub-sectors which, pursuant to Council Directive 2011/85/EU, have to be published before the end of the following calendar month. The published data refer to general government units according to the scope of the ESA 2010 statistical methodology, except for data for the local government, which are published on a quarterly basis.

Figure 3 Industrial production



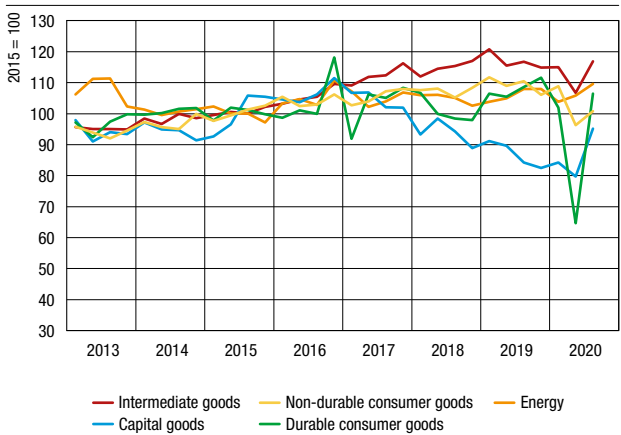
Note: Data for the third quarter of 2020 refers to July.  
Source: CBS data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



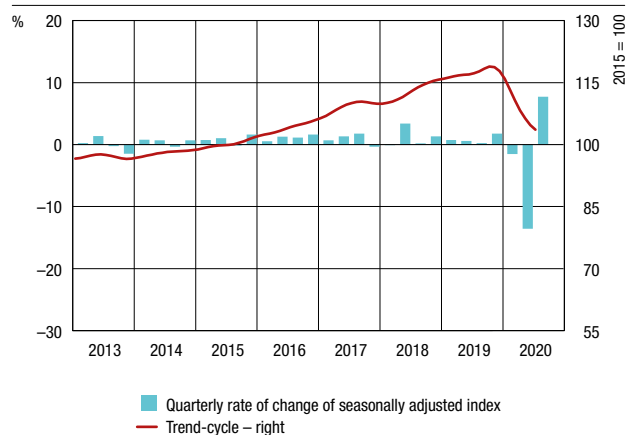
Source: CBS data seasonally adjusted by the CNB.

Figure 4 Industrial production by main industrial groupings seasonally adjusted indices



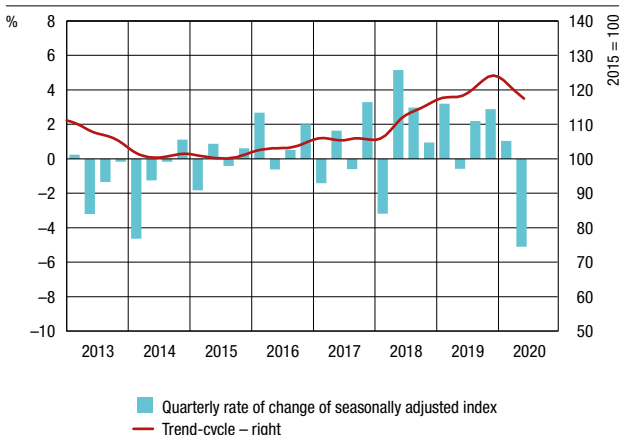
Note: Quarterly data are calculated as the average of monthly data.  
Source: CBS data seasonally adjusted by the CNB.

Figure 7 Real retail trade turnover



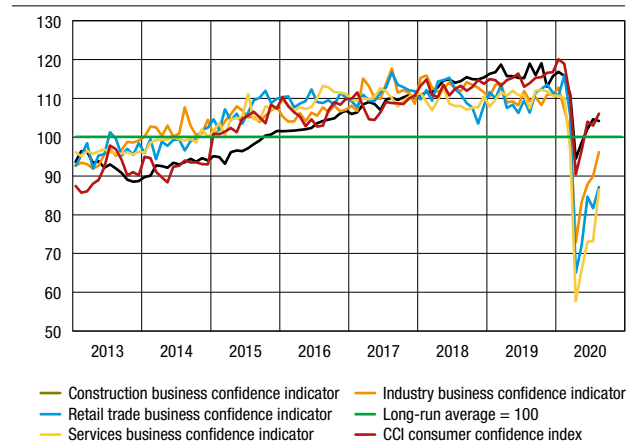
Note: Data for the third quarter of 2020 refers to July.  
Source: CBS data seasonally adjusted by the CNB.

Figure 5 Total volume of construction works



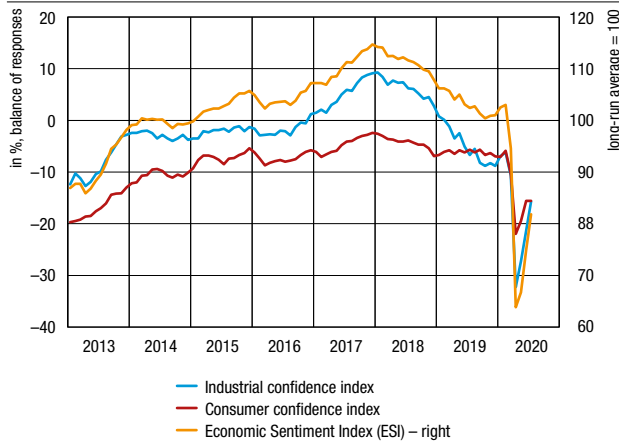
Source: CBS data seasonally adjusted by the CNB.

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



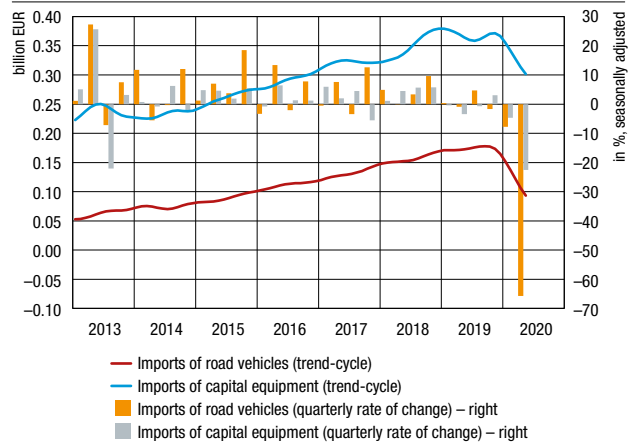
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

**Figure 9 EU confidence indices**  
seasonally adjusted series



Source: Eurostat.

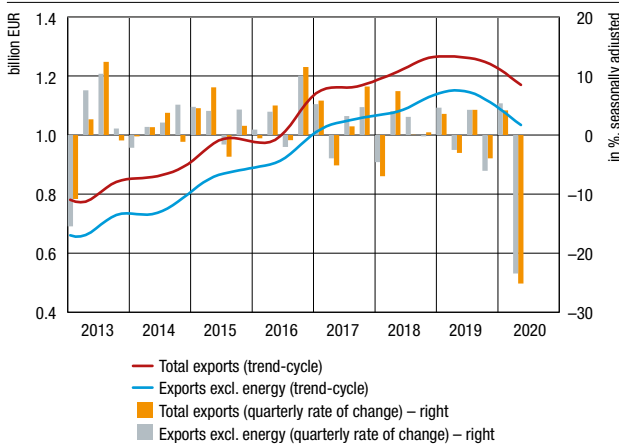
**Figure 12 Imports of capital equipment and road vehicles (c.i.f.)**



Notes: Imports of capital equipment (SITC divisions 71 – 77). Data for the second quarter of 2020 refer to April and May.

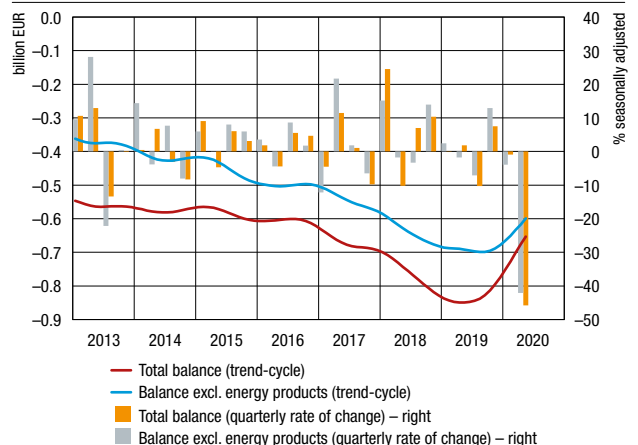
Source: CBS data seasonally adjusted by the CNB.

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



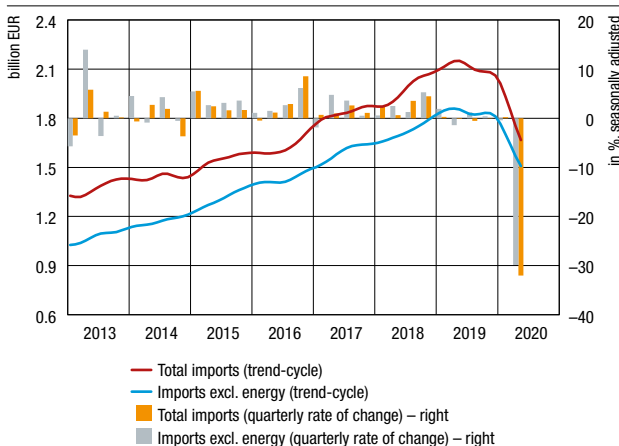
Note: Data for the second quarter of 2020 refer to April and May.  
Source: CBS data seasonally adjusted by the CNB.

**Figure 13 Trade of goods balance**



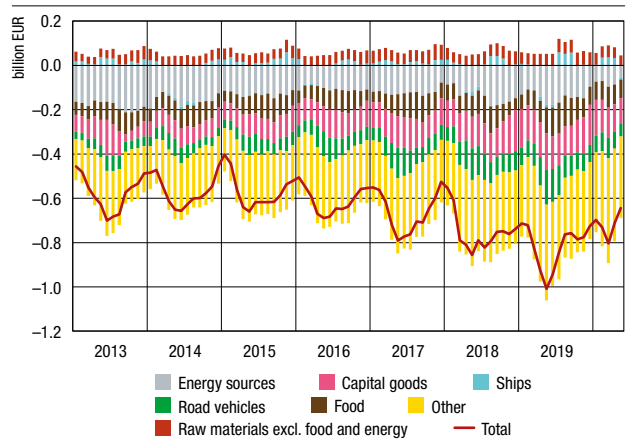
Note: Data for the second quarter of 2020 refer to April and May.  
Source: CBS.

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



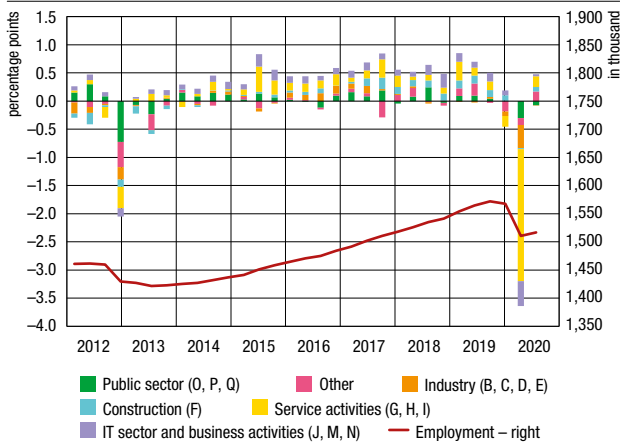
Note: Data for the second quarter of 2020 refer to April and May.  
Source: CBS data seasonally adjusted by the CNB.

**Figure 14 Trade in goods balance by product groups**



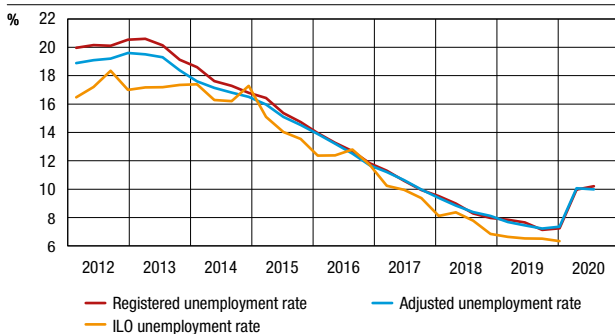
Notes: Series are shown as three-member moving averages of monthly data. Data are up to May 2020.  
Source: CBS.

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



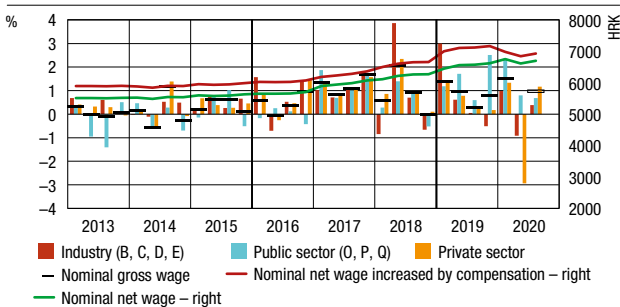
Note: Data for the third quarter of 2020 refer to July.  
Source: CPII data seasonally adjusted by the CNB.

**Figure 16 Unemployment rates**  
seasonally adjusted data



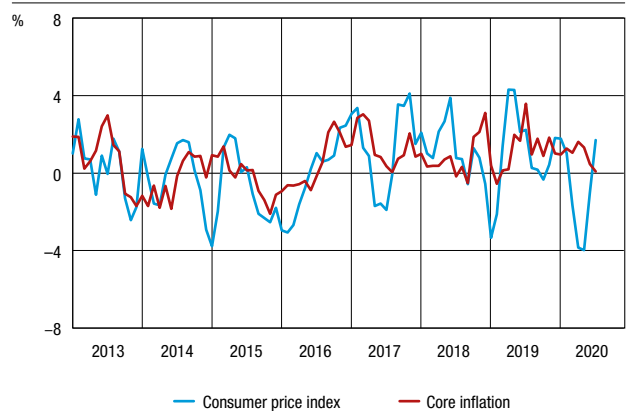
Notes: Since January 2015, the calculation of the registered unemployed rate has used the data on employed persons from the JOPPD form. Data on the number of employed persons have been revised backwards for the period from January 2016 to December 2019. The adjusted unemployment rate is the CNB estimate and is calculated as the share of the number of registered unemployed persons in the working age population (unemployed persons and persons insured with the CPII). Data for the third quarter of 2020 refer to July.  
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

**Figure 17 Average nominal gross and net wage**  
seasonally adjusted data, quarterly rate of change



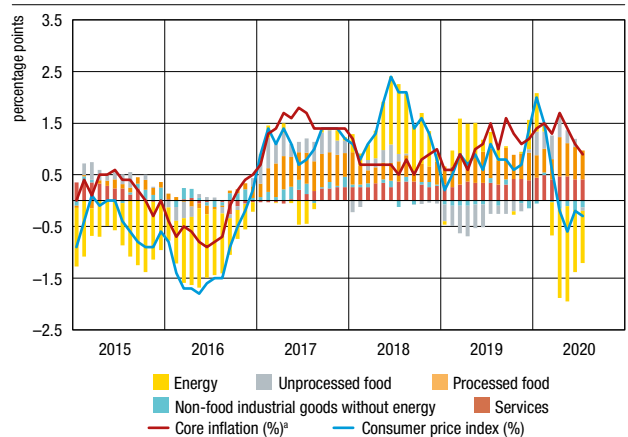
Notes: Data on the average nominal gross wage by activity refer to data from the RAD-1 form, and from January 2016 to data from the JOPPD form. Data on average wages paid in February 2020 were reported in full-time equivalent, in contrast with the previous periods, when average wages were calculated by dividing total disbursements by the number of employees who received these disbursements, excluding all those who worked fewer than 80 hours per month. Data on wages in 2019 reported in full-time equivalent were released for analytical purposes. Data on disbursements paid before 2016 are CNB estimates. Data for the third quarter of 2020 refer to July.  
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<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.

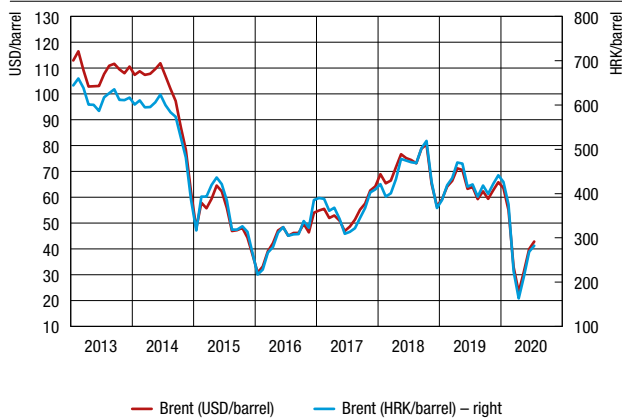
**Table 1 Price indicators**  
year-on-year and month-on-month rates of change

	Year-on-year rates		Month-on-month rates	
	6/20	7/20	7/19	7/20
<b>Consumer price index and its components</b>				
Total index	-0.2	-0.3	-0.5	-0.5
Energy	-7.1	-6.0	0.1	1.3
Unprocessed food	1.9	-0.8	-0.6	-3.2
Processed food	2.7	2.4	0.4	0.2
Non-food industrial goods without energy	-0.7	-0.5	-3.0	-2.7
Services	1.6	1.6	0.7	0.7
<b>Other price indicators</b>				
Core inflation	1.1	0.9	-0.6	-0.8
Index of industrial producer prices of the domestic market	-3.1	-2.7	0.3	0.7
Brent crude oil price (USD)	-36.9	-33.1	1.1	7.2
HWWI index (excl. energy, USD)	-4.5	-3.6	3.6	4.7

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

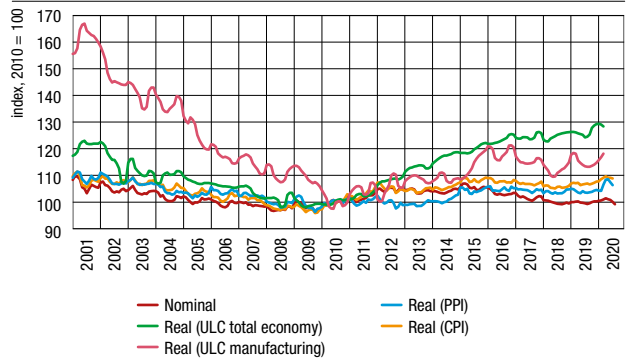


Figure 20 Crude oil prices (Brent)



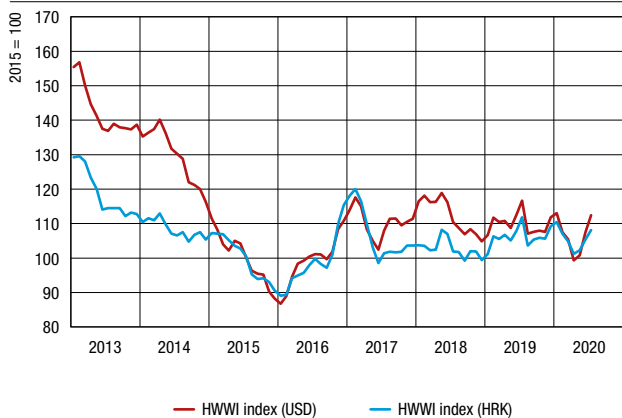
Sources: Bloomberg and CNB calculations.

Figure 23 Nominal and real effective exchange rates of the kuna



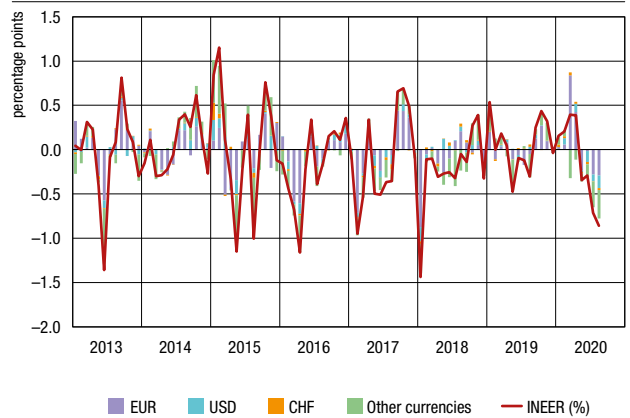
Notes: The real effective exchange rate of the kuna deflated by producer prices includes the Croatian index of industrial producer prices on the total market. The unit labour cost is calculated as the ratio between compensation per employee and labour productivity (defined as GDP per person employed),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

Figure 21 HWWI index (excl. energy)



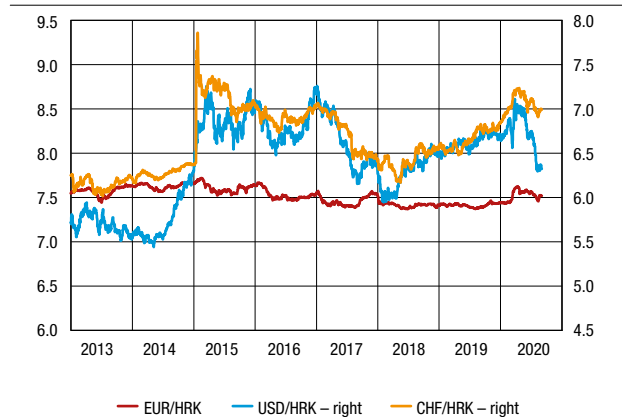
Sources: HWWI and CNB calculations.

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



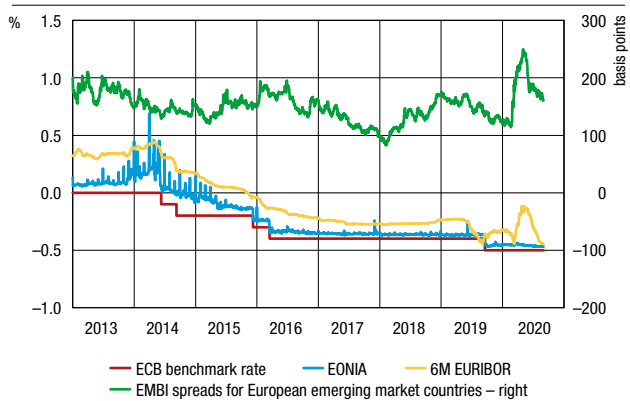
<sup>a</sup> Negative values indicate contributions to the appreciation of the INEER.  
Source: CNB.

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



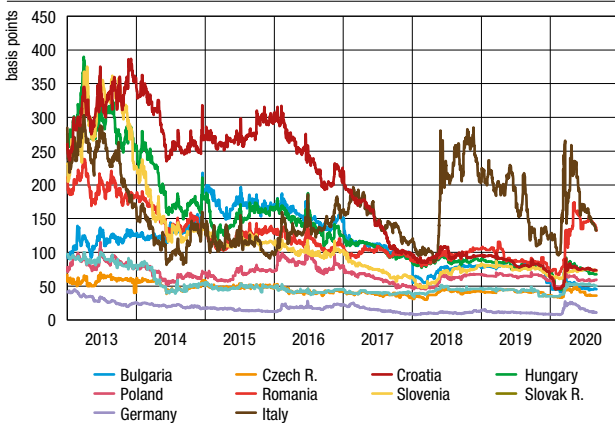
Source: CNB.

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



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

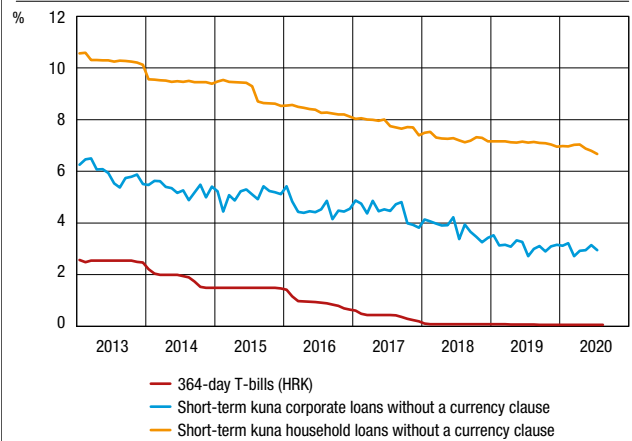
Figure 26 CDS spreads for 5-year government bonds of selected countries



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

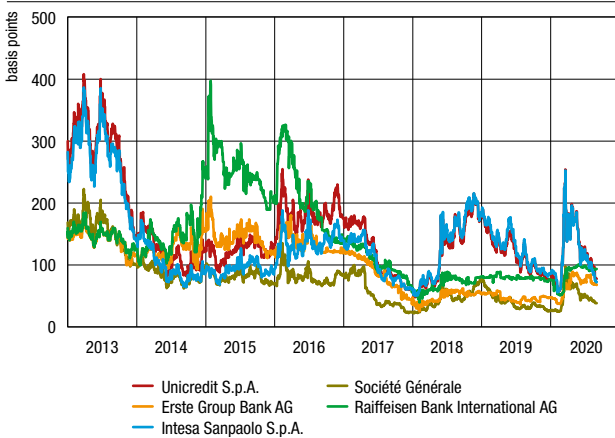
Source: S&P Capital IQ.

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



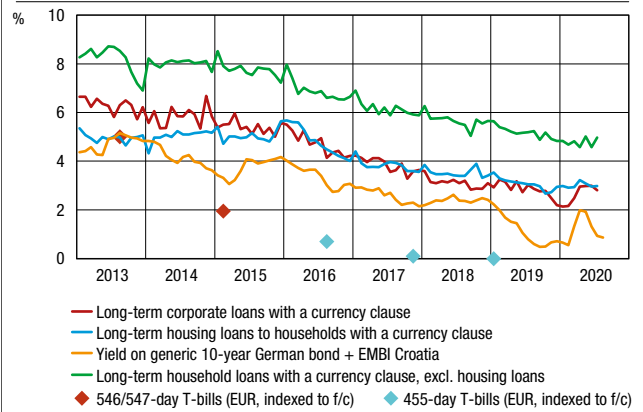
Sources: MoF and CNB.

Figure 27 CDS spreads for selected parent banks of domestic banks



Source: S&P Capital IQ.

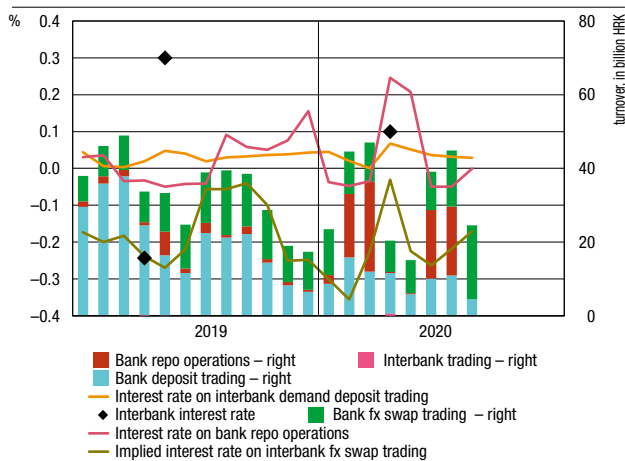
Figure 30 Long-term financing costs in kuna with a currency clause and in foreign currency



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

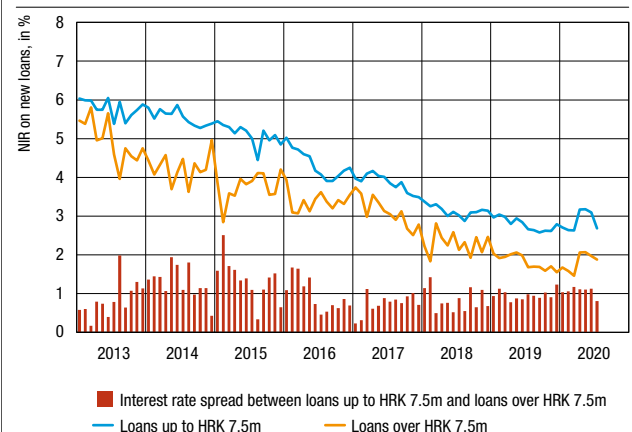
Sources: MoF, Bloomberg and CNB.

Figure 28 Overnight interest rates and turnovers



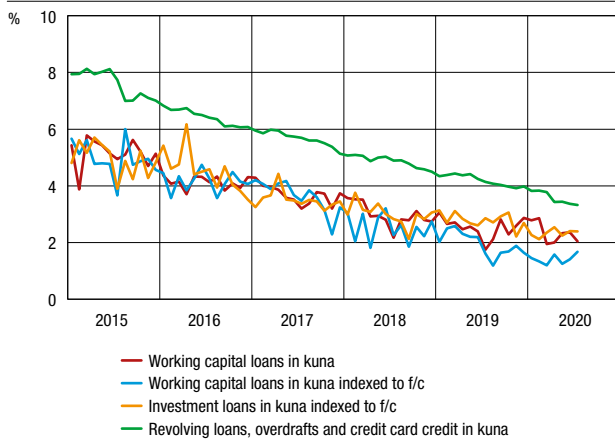
Source: CNB.

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



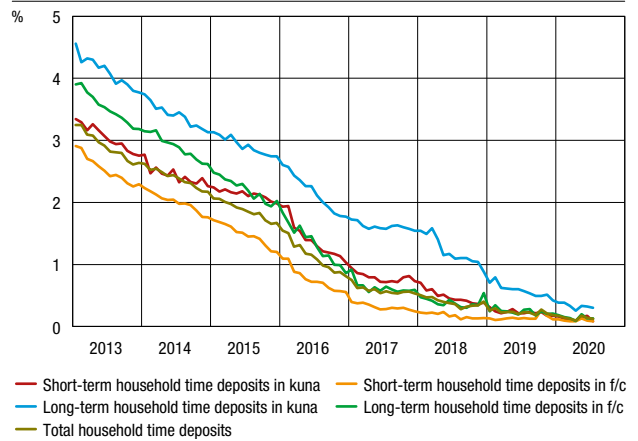
Source: CNB.

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



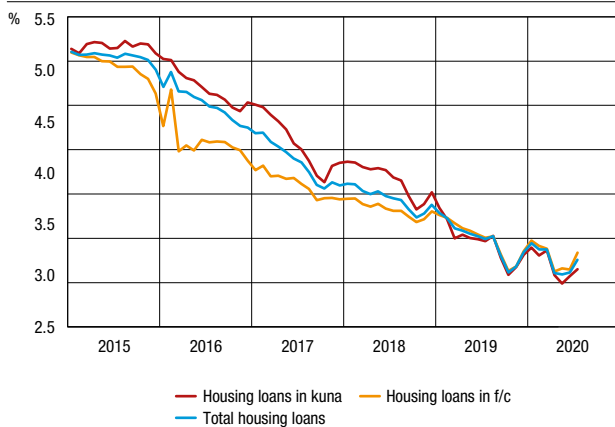
Source: CNB.

**Figure 35 Interest rates on household time deposits**



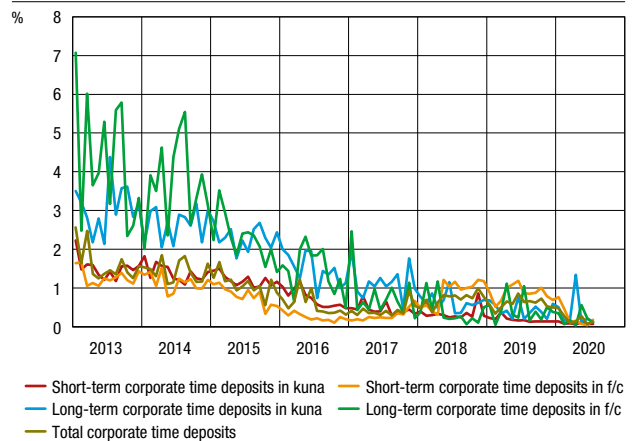
Source: CNB.

**Figure 33 Interest rates on pure new housing loans to households**



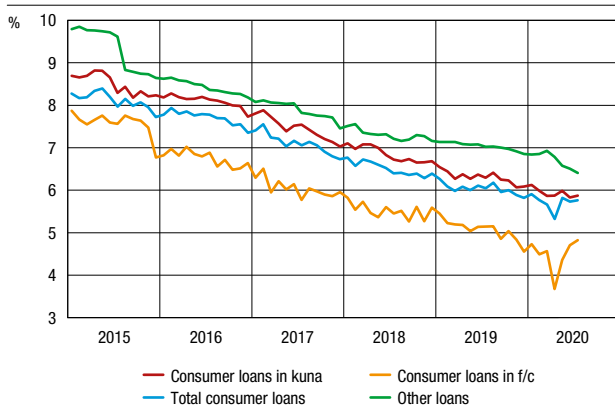
Source: CNB.

**Figure 36 Interest rates on corporate time deposits**



Source: CNB.

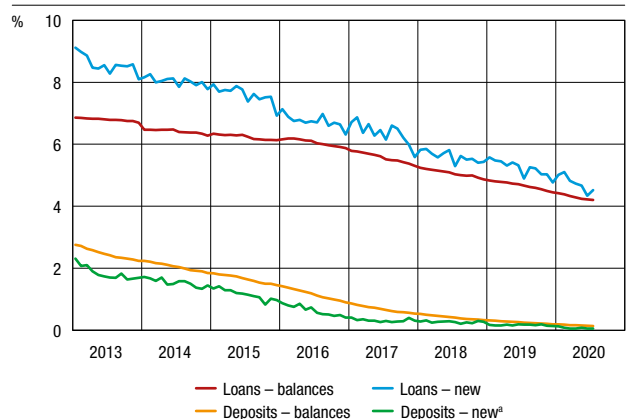
**Figure 34 Interest rates on pure new consumer loans and other loans to households**



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

Source: CNB.

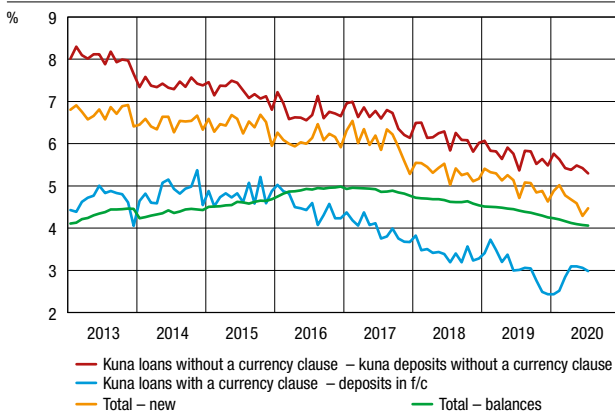
**Figure 37 Average interest rates on loans (excl. revolving loans) and deposits**



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

Source: CNB.

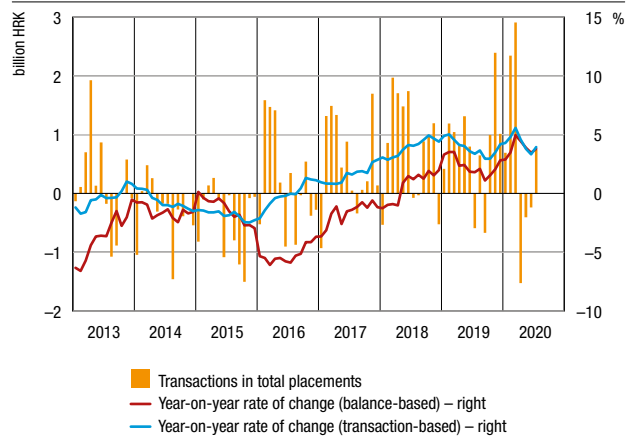
**Figure 38 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits**



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

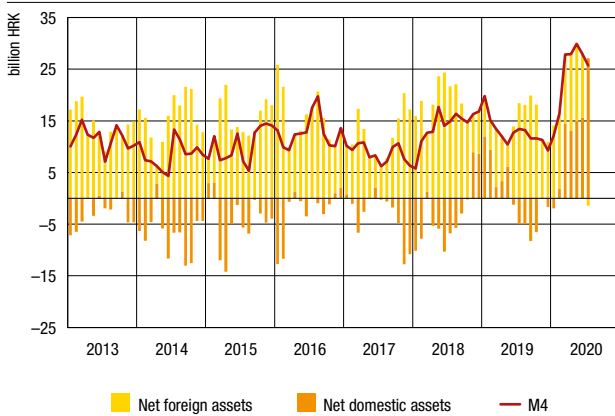
Source: CNB.

**Figure 41 Placements**



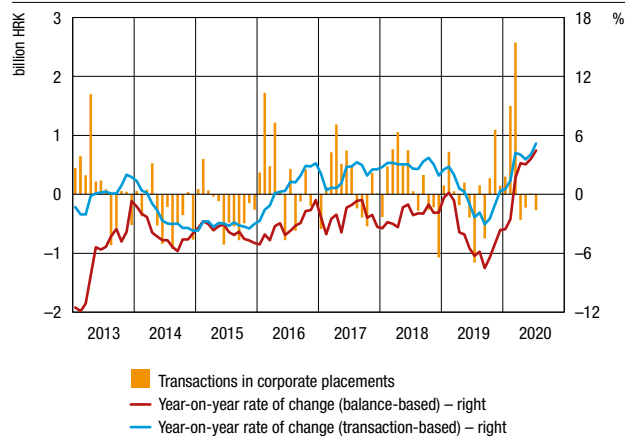
Source: CNB.

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



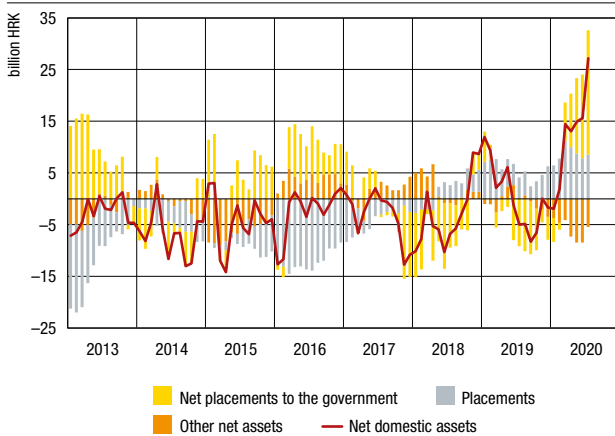
Source: CNB.

**Figure 42 Placements to corporates**



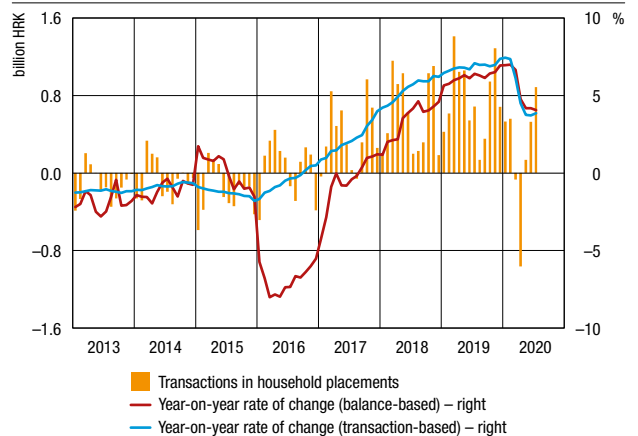
Source: CNB.

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



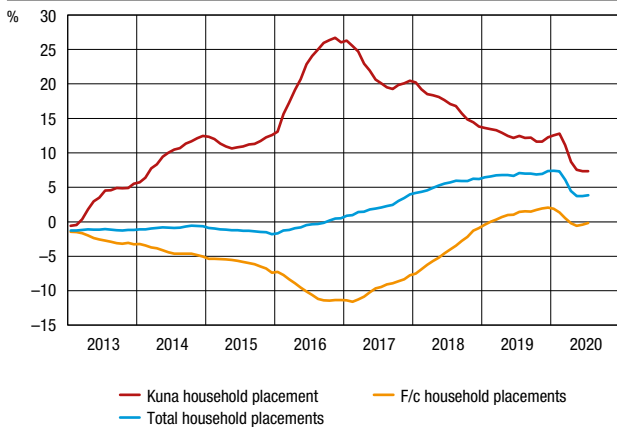
Source: CNB.

**Figure 43 Placements to households**



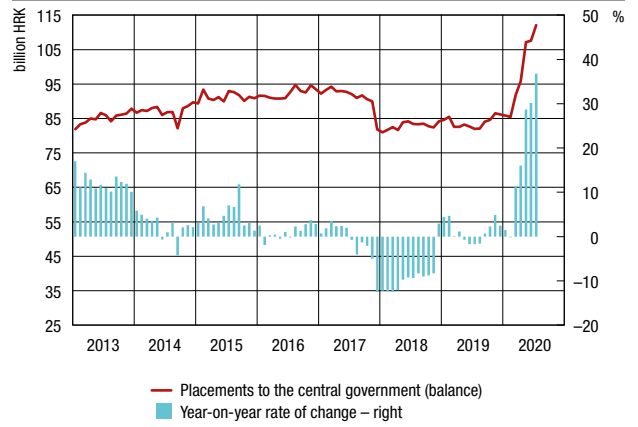
Source: CNB.

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



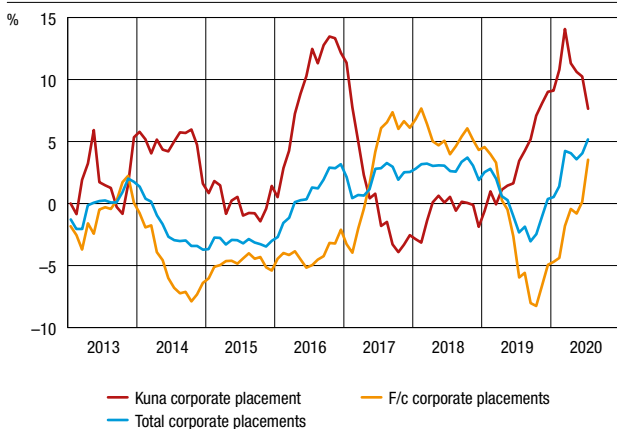
Source: CNB.

**Figure 47 Placements of monetary financial institutions to the central government**



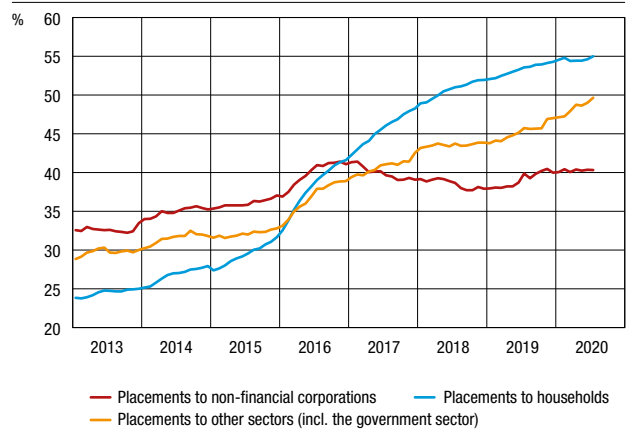
Source: CNB.

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



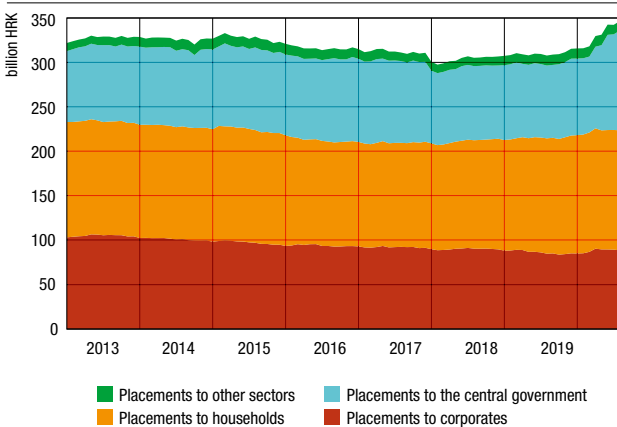
Source: CNB.

**Figure 48 Share of kuna placements in total sector placements**



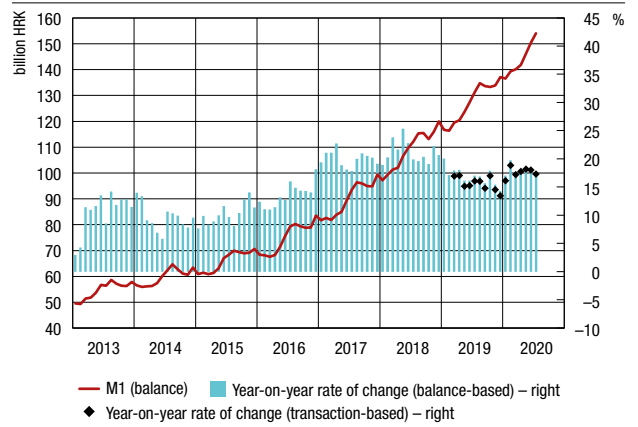
Source: CNB.

**Figure 46 Structure of monetary institution placements**



Source: CNB.

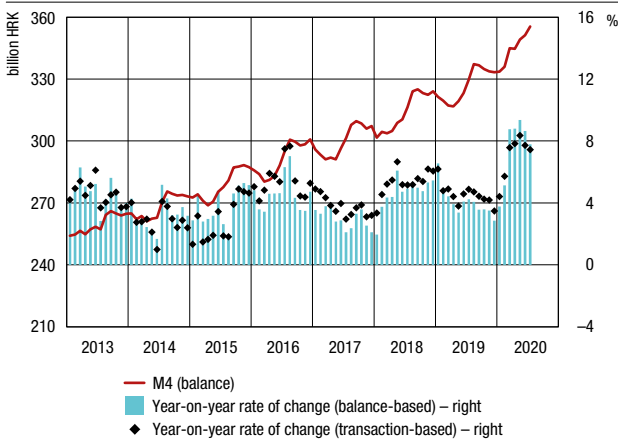
**Figure 49 Money (M1)**



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

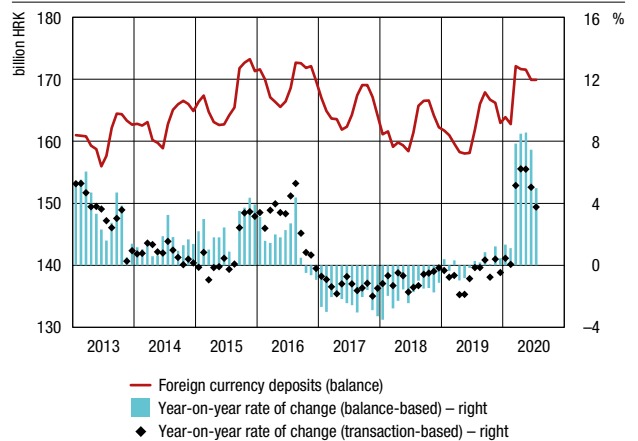
Source: CNB.

Figure 50 Total liquid assets (M4)



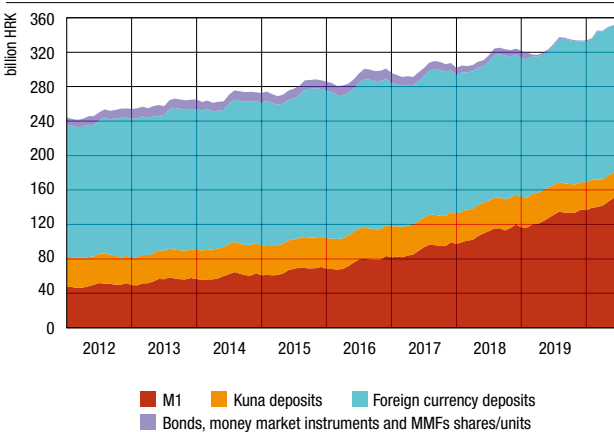
Source: CNB.

Figure 53 Foreign currency deposits



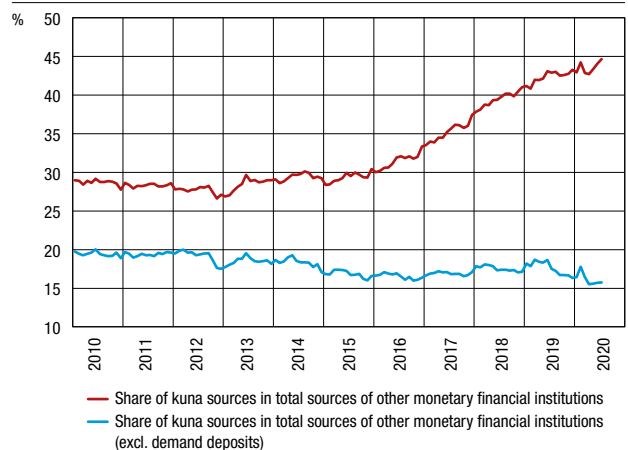
Source: CNB.

Figure 51 Structure of M4 monetary aggregate



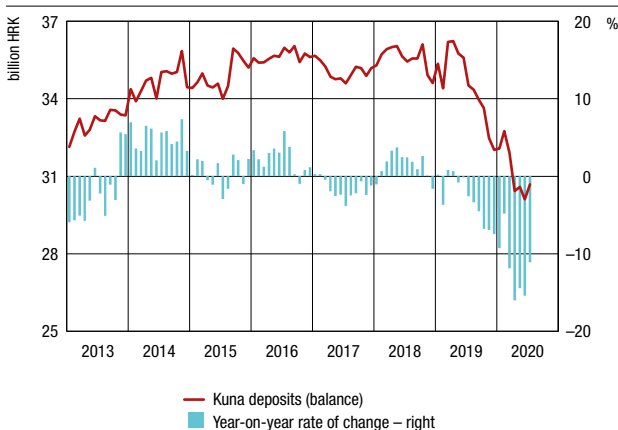
Source: CNB.

Figure 54 Share of kuna sources



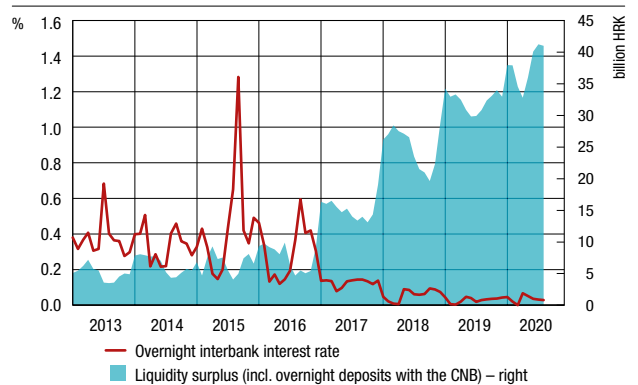
Source: CNB.

Figure 52 Kuna savings and time deposits



Source: CNB.

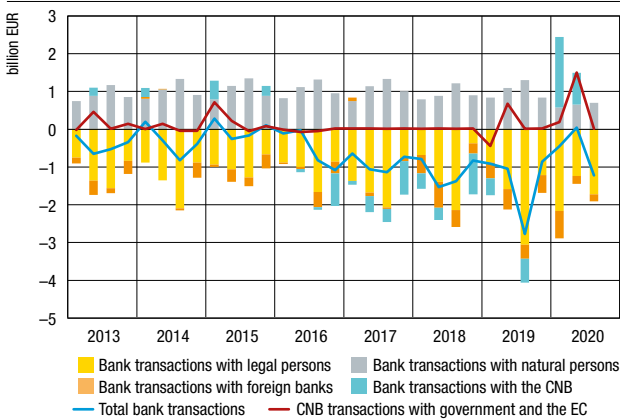
Figure 55 Bank liquidity and overnight interest rate on bank demand deposit trading



Notes: Liquidity surplus is the difference between the balance in bank settlement accounts with the CNB and the amount that banks are required to hold in their accounts after the calculation of reserve requirements. The overnight interest rate until the end of 2015 refers to the overnight interbank interest rate and as of the beginning of 2016 to the overnight interest rate on bank demand deposit trading.

Source: CNB.

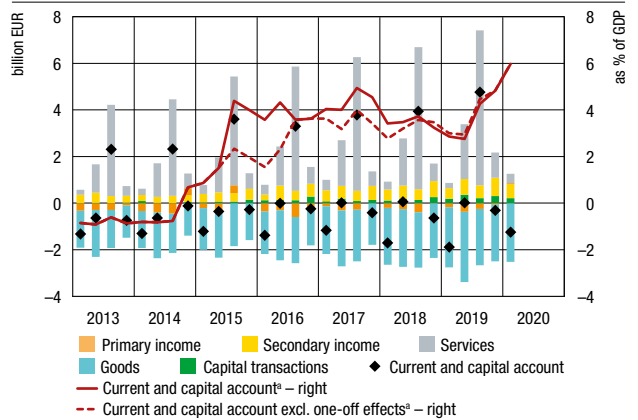
**Figure 56 Spot transactions in the foreign exchange market (net turnover)**



Notes: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government. Data for the third quarter of 2020 refer to July and August.

Source: CNB.

**Figure 58 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.

**Table 2 Balance of payments**

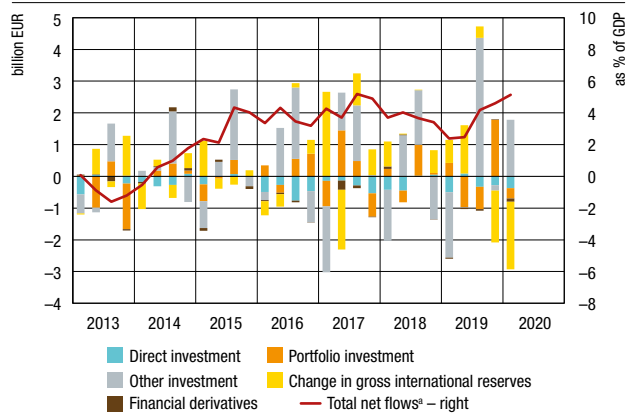
preliminary data, in million EUR

	2019	Q1/2020	Indices	
			2019/2018	Q1/2020/2019.
Current account	1,498.9	2,110.2	157.6	140.8
Capital account	1,116.3	1,136.2	153.0	101.8
Financial account (excl. reserves)	1,497.7	4,654.6	692.1	310.8
International reserves	989.4	-1,872.7	64.0	-189.3
Net errors and omissions	-128.1	-464.5	-159.0	362.7

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

Source: CNB.

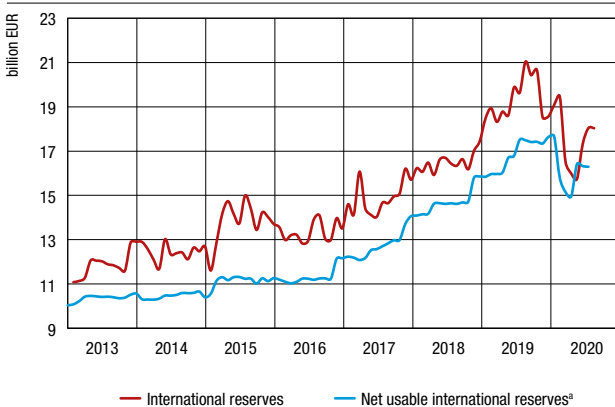
**Figure 59 Financial account flows by type of investment**



<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.

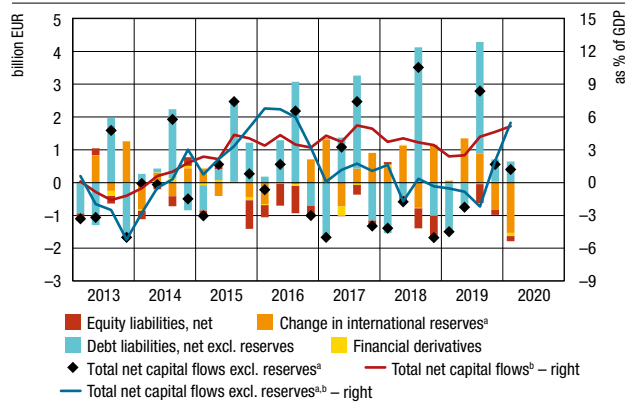
**Figure 57 International reserves of the CNB at current rate of exchange**



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

Source: CNB.

**Figure 60 Financial account flows by equity to debt ratio**

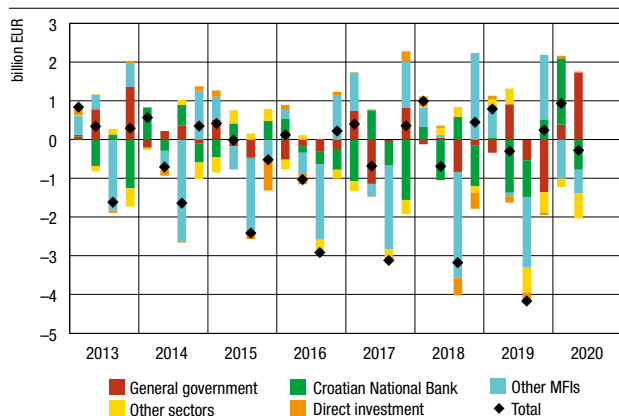


<sup>a</sup> The change in gross international reserves is reported net of foreign liabilities of the CNB. <sup>b</sup> Sum of the last four quarters.

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.

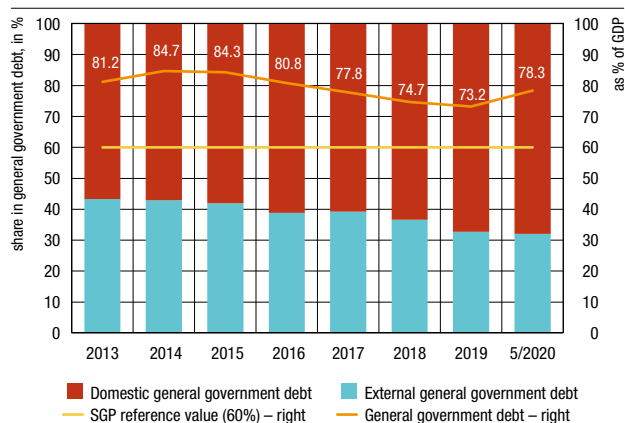
Figure 61 Net external debt transactions



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.

Source: CNB.

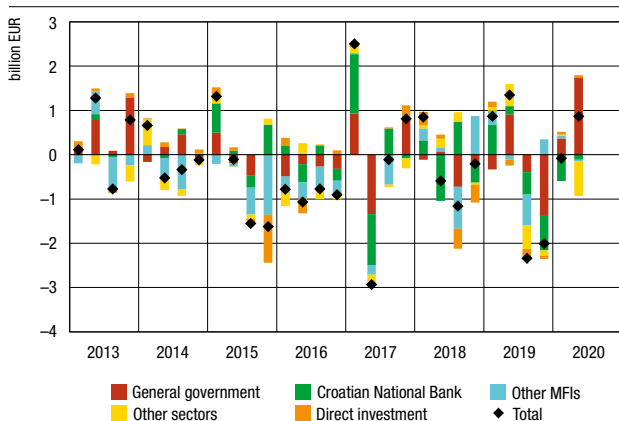
Figure 64 General government debt



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

Source: CNB.

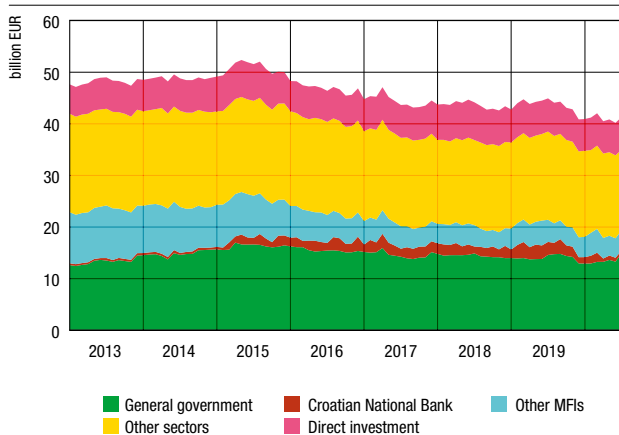
Figure 62 Gross external debt transactions



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

Source: CNB.

Figure 63 Gross external debt end of period



Note: Data are up to June 2020.

Source: CNB.

Table 3 Consolidated general government balance

ESA 2010, in million HRK

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

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

	May 2019	May 2020
Change in total debt stock	2,917	22,555
Change in domestic debt stock	4,468	16,735
– Securities other than shares, short-term	404	6,976
– Securities other than shares, long-term	5,759	3,654
– Loans	–1,596	6,296
Change in external debt stock	–1,551	5,820
– Securities other than shares, short-term	45	0
– Securities other than shares, long-term	87	3,372
– Loans	–2,724	2,030
<b>Memo item:</b>		
Change in total guarantees issued	–225	189

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