

Zagreb, 27 June 2019

Announcement of the application of the countercyclical buffer rate for the Republic of Croatia for the third quarter 2020

In accordance with Article 123 of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015 and 15/2018) the Croatian National Bank (CNB) hereby announces that the Decision on the countercyclical buffer rate (Official Gazette 9/2015), which prescribes the countercyclical buffer rate of 0%, will continue to be applied in the third quarter 2020.

The Decision on the countercyclical buffer rate provides an instrument to be used, if necessary, to limit excessive credit growth; it is a variable capital requirement that depends on the cyclical component of the private sector relative credit gap (i.e. the ratio of loans to households and non-financial enterprises to gross domestic product).¹ The Decision sets the countercyclical buffer rate at 0%, to be applied as of 1 January 2016. Based on the latest analytical assessment of the evolution of systemic risks, the CNB hereby announces that it will maintain the same rate of 0%, which will be applied in the third quarter 2020, i.e. as of 1 July 2020. In accordance with Articles 119, 123 and 380 of the Credit Institutions Act, the following relevant information is disclosed.

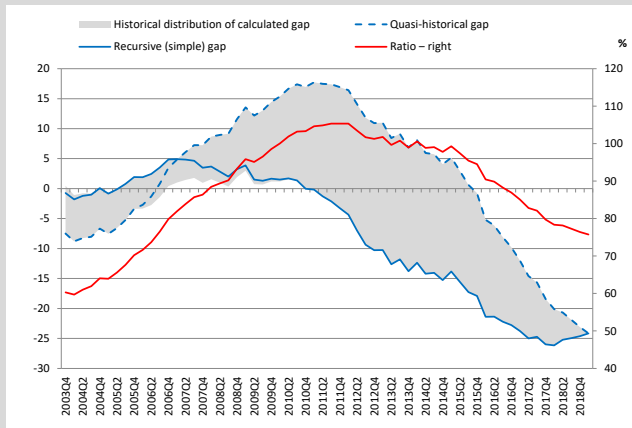
The acceleration in real economic growth in the first quarter of 2019 was accompanied by an increase in total placements to households and non-financial corporations. This was aided by an increase in placements based on transactions, paired with the simultaneous decrease in the sale of non-performing placements. The greatest contribution to the growth of placements based on transactions came from placements to the household sector, primarily by non-collateralised general-purpose cash loans, while the contribution of housing loans was more moderate. On the other hand, the external deleveraging of the non-financial corporate and the household sectors continued, both based on transactions and based on external debt stock.

The standardised indicator of relative indebtedness continued to decline because the growth of the nominal gross domestic product was more intensive than the increase in total domestic and external claims on the non-financial sector. Since this indicator remained below its long-term trend, the credit gap, calculated on the basis of the standardised ratio remained negative at -24.2% (Figure 1a). The specific indicator of relative indebtedness, i.e. the ratio of domestic credit institution's loans to quarterly, seasonally adjusted GDP also declined slightly, and the credit gap calculated on the basis of this indicator (Figure 1b) remained negative as well. As there is still no cyclical pressure build-up that would require corrective action on the part of the CNB, the buffer guide estimated for the third quarter of 2020 remains 0%.

¹ For detailed methodological explanations, see Box 4 Financial cycles and countercyclical capital buffer calibration, Financial Stability No. 13, July 2014. [Financial Stability – 13](#)

Figure 1 Indicators of relative indebtedness (the credit-to-GDP ratio) and short-term gap (relative deviation of the ratio from its long-term trend)^a

1.a Standardised indicator



1.b Specific indicator

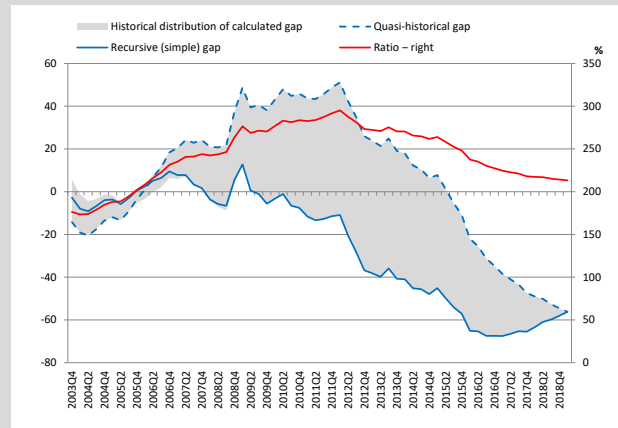
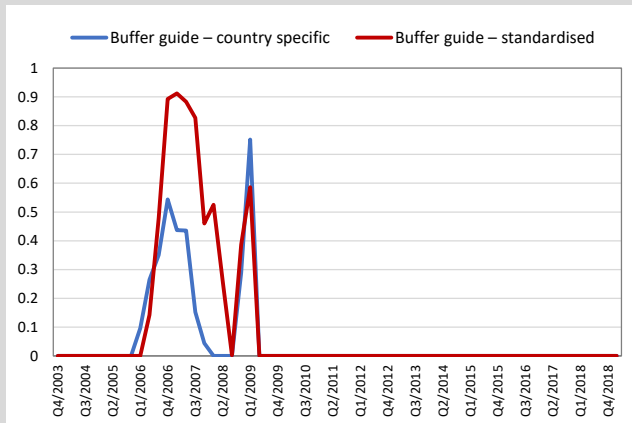


Figure 2 Buffer guide



^a The calculations of all relevant ratios (standardised ratio is the ratio of total placements, i.e. domestic placements and external debt, to nominal annual GDP, while the specific ratio is the ratio of loans of domestic credit institutions to the quarterly, seasonally adjusted, GDP) and the short-term gap are made on a sample as of 2000. The quasi-historical gap is calculated on the entire sample, while the recursive gap is calculated on the right-hand side moving sample (of available data for each quarter), with the last observations being always the same for both gap indicators. The historical distribution of the calculated gap is the area between the lowest and the highest value of the gap, calculated by moving the sample to the right. Historical series of buffer guides are shown as the function of the short-term (recursive) gap.

Sources: CBS (original series of nominal GDP, seasonally adjusted by the CNB); CNB (tables D1, D5 and H15 for time series of credit); time series are subject to revision and available at the CNB website.

Within its competence of a competent macroprudential authority, the CNB will continue to regularly monitor the evolution of potential imbalances in financing non-financial sector needs and announce countercyclical buffer rates on a quarterly basis. The CNB will also rely on all other relevant information and indicators that may point to risks of excessive credit growth, such as price developments in the goods and services markets, real estate price developments, the current account balance, the dynamics of placements and monetary aggregates, etc., which are available in the regular and other publications of the CNB and at the CNB's website.