

Zagreb, 30 September 2019

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

Pursuant to Article 123 of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015 and 15/2018) the Croatian National Bank 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 fourth quarter of 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 corporations to gross domestic product).¹ The Decision sets the countercyclical buffer rate at 0%, to be applied as of 1 January 2016. Based on a recent analytical assessment of cyclical systemic risk evolution, the CNB announces that the same rate of 0% will continue to be applied in the fourth quarter of 2020, i.e. as of 01 October 2020. Pursuant to Articles 119, 123 and 380 of the Credit Institutions Act, the following relevant information is disclosed.

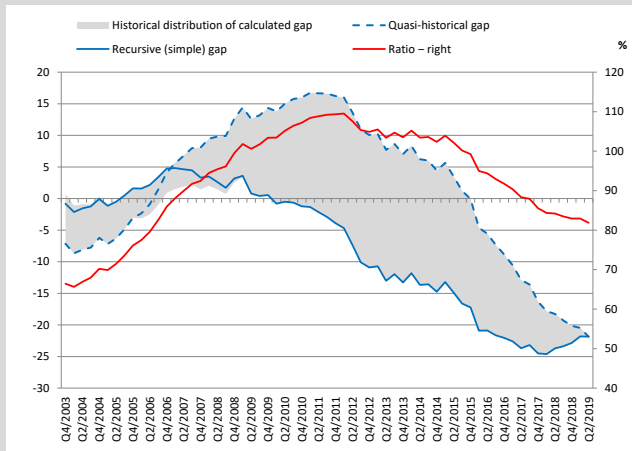
The economic slowdown in the second quarter of 2019 was accompanied by a slightly decelerated growth in the placements of monetary financial institutions to the private sector, both stock-based and transaction-based. This growth was mainly driven by a rise in household placements, most notably non-collateralised general-purpose cash loans, while the contribution of housing loans was moderate. In contrast, placements of monetary financial institutions to the non-financial corporate sector decreased, primarily under the influence of activated guarantees for loans to the Uljanik shipyard and the settlement between the Agrokor Group and its creditors. At the same time, the gross external debt of non-financial corporations increased slightly, mainly due to a rise in short-term trade credits.

In spite of the slowdown, the rise in the nominal gross domestic product resulted in the further decline in the standardised indicator of relative indebtedness, which remained below its long-term trend. The credit gap calculated on the basis of that indicator therefore remained negative (–21.8%) (Figure 1.a). The downward trend in the specific indicator of relative indebtedness, i.e. the ratio of loans of domestic credit institutions to the non-financial sector to the quarterly, seasonally adjusted GDP, continued into the second quarter, with the credit gap calculated on the basis of that indicator (Figure 1.b) remaining negative as well. Since there is no cyclical pressure requiring corrective action by the CNB, the reference indicator for the required level of the countercyclical capital buffer estimated for the fourth quarter of 2020 is set to remain at a level of 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 Credit gap (credit-to-GDP ratio) and the short-term gap (relative deviation of the ratio from its long-term trend)^a

1.a Standardised indicator



1.b Specific indicator

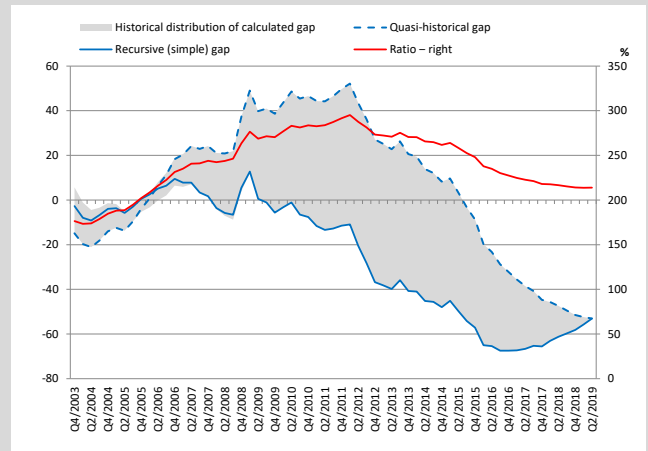
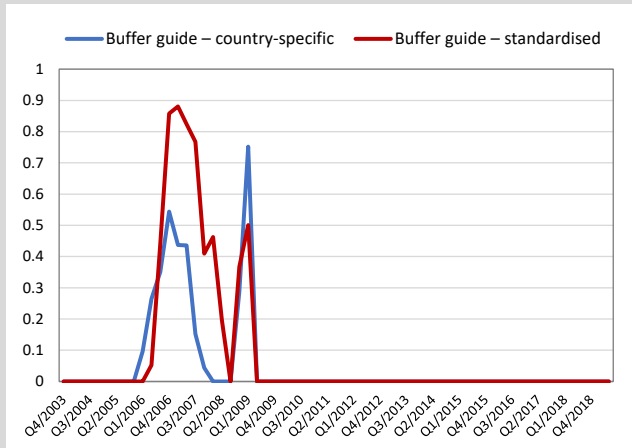


Figure 2 Buffer guide



^a 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 on the CNB website.

As the 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. With reference to this, the CNB will also rely on all other relevant information and indicators that may point to risks of excessive credit growth, real estate price developments, the current account balance, the dynamics of placements and monetary aggregates, etc., which are presented in CNB's regular and other publications and on the CNB website.