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# Information on economic trends

April 2020

## Summary

Real economic activity decelerated on an annual basis in January and February 2020 from the end of the previous year. Business and consumer confidence indices fell sharply in March due to the coronavirus pandemic outbreak, and economic indicators could be even worse than these indices suggested given that the survey was carried out in the first half of the month. The annual consumer price inflation rate decreased to 1.5% in February, primarily due to energy prices, most importantly a fall in refined petroleum product prices, which was also recorded in March. Increasing insecurity and growing concerns about the fast spread of the coronavirus pandemic and the strengthening of containment measures resulted in an extremely high volatility in international financial markets in late February and in March 2020. Emerging market countries, including Croatia, saw increased pressures on exchange rates and securities markets. The EUR/HRK exchange rate rose by 2.0% at the end of March from the end of February, and yields to maturity on government bonds and the risk premium increased in the same period. The CNB responded to this situation with a number of measures of monetary policy aimed at preserving the high degree of its accommodativeness, the implementation of them starting in early March. These include five foreign exchange interventions and a smaller volume of outright transactions than the CNB conducted in March, selling to banks a total of EUR 2.5bn. In the same month, the CNB carried out a structural operation, releasing HRK 3.8bn to banks, and reactivated regular weekly operations, releasing a total of HRK 1.85bn. In addition, the reserve requirement rate was reduced from 12% to 9%, with the result that banks' free reserves with the CNB increased by HRK 6.33bn. In order to maintain stability in the government securities market, the CNB also carried out two fine-tuning operations in March, purchasing the securities of the Republic of Croatia in the total nominal amount of HRK 4.29bn. According to available data, the annual growth of bank placements accelerated to 4.8% in February, due to the faster growth of placements to non-financial corporations, whereas the annual growth of household placements decelerated slightly. As shown by monthly MoF data, the central government budget balance, which showed a slight surplus last year, saw a deficit of HRK 1.3bn in January 2020. The general government debt to GDP ratio, due to the favourable influence of nominal GDP growth, fell from 74.7% of GDP at the end of 2018 to 73.2% of GDP at the end of 2019.

The GDP nowcasting model, based on a small number of available high frequency data for January and a part of February, points to a slowdown in the annual growth of real activity in the first quarter of 2020. This forecast is likely to be revised downwards once additional data are included (Figure 1). In January and February 2020 industrial production remained at its average level from the previous quarter. Production increased in all main industrial groupings except in energy, with the highest increase recorded in the production of capital goods (Figures 3 and 4). Real retail trade turnover decelerated slightly by 0.2% in February from January 2020, growing at a quarterly rate of 3.5% (Figure 7). Due to a significant increase in works done on buildings and civil engineering works, total construction activity grew by 3.1% in January 2020 from the previous quarter average (Figures 5 and 6).

The results of the Consumer Confidence Survey for March show that consumer confidence deteriorated notably on a monthly basis, which was a reaction to the coronavirus pandemic. It should be pointed out that surveys are carried out in the first two weeks of a month and that containment measures were tightened considerably after this one was completed. Expectations worsened in all components of the index, with the highest decline recorded in expectations about the general economic situation in Croatia and the financial situation of households in twelve months from now. The business confidence index also decreased sharply in March. The decrease was recorded in all activities, but it was especially high in services, with the result that expectations also deteriorated on a quarterly basis (Figure 8).

Employment growth decelerated to 0.4% in January and February 2020 from 0.6% in the fourth quarter of 2019. The number of employed persons increased the most in construction, information technology and business services, falling slightly in industry (Figure

14). Despite slightly accelerated clearings from the records, the fall in unemployment decelerated in early 2020 due to a marked decrease in new employment. The continued fall in the number of unemployed persons brought down the registered unemployment rate to 6.9% from 7.2% in the fourth quarter of 2019 (Figure 15). The Labour Force Survey data for the fourth quarter of 2019 show that the ILO unemployment rate held steady at 6.5%.

Data on wages paid in February 2020 were reported on the basis of a changed methodology (Figure 16).<sup>1</sup> The shift in methodology resulted in an increase in the level of average nominal gross and net wages, making them incomparable with data on wages previously released. In contrast, the average gross wage paid in February 2020 as reported according to the old methodology remained almost unchanged (0.2%) from January. The CBS also released data on non-taxable allowances, taking into account the increase in employers' payments following the introduction of new forms of these allowances, which was unaccounted for by the former wage statistics.<sup>2</sup> The tax reform led to a considerable increase in the average non-taxable allowance paid per employee in 2018 and 2019 (HRK 388 and HRK 548 respectively compared with HRK 292 in 2017) and, consequently, in disposable employee income. Specifically, the annual growth of the average net wage increased by the amount of non-taxable allowance was 5.6% and 5.7% in 2018 and 2019 respectively, whereas the realised wage growth was 4.3% and 5.3% respectively.

Consumer prices fell by 0.3% in February from the previous month (Table 1), primarily as a result of a decrease in refined petroleum product prices in February brought about by a drop in global crude oil prices. The Brent crude oil price fell from USD 64 per barrel in January to USD 55 in February due to the spread of the coronavirus and uncertainty surrounding global economic activity.<sup>3</sup> The

1 On 20 March 2020, the Croatian Bureau of Statistics released data on wages paid in February for January 2020 according to a changed methodology, without having revised these data backwards. The average wage paid in February 2020 was reported according to the full-time equivalent principle, 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.

2 In the last round of tax burden reduction, the Government of the Republic of Croatia introduced new forms of non-taxable receipts, including, as of December 2018, a new category of performance bonuses (up to HRK 5 000 per annum) and, as of 1 September 2019, new categories of food, accommodation and kindergarten allowances as well as Cro Card.

3 Oil prices continued to drop in March, averaging USD 54 per barrel.

annual growth of consumer price inflation slowed down from 2.0% in January to 1.5% in February (Figure 18). The main contribution to the slowdown came from energy (primarily refined petroleum products) and from vegetables, to a somewhat lesser extent. The decrease in the annual rate of change in the prices of vegetables can be partly attributed to a fall in these prices in February probably due to favourable weather conditions and partly also to the base effect resulting from their growth in February 2019. In contrast, the annual rate of core inflation accelerated by 0.1 percentage point, increasing from 1.4% in January to 1.5% in February, primarily reflecting the acceleration of the annual growth rate of prices of clothing and footwear, meat and milk. The annual growth rate of domestic producer prices (excluding energy) decelerated slightly from 0.4% in January to 0.3% in February.

The current and capital account of the balance of payments recorded a deficit of EUR 0.3bn in the last quarter of 2019, which is a marked improvement from the EUR 0.6bn recorded in the same period in 2018 (Figure 57). These favourable developments were primarily driven by the further growth of net exports of services, spurred by the strong growth of income from tourism. Another positive contribution came from the growth of surplus in the secondary income account and the capital transactions account, deriving mainly from the growth of total net income from transactions with the EU budget. Foreign trade in goods decelerated noticeably so that its deficit edged up. The deceleration was especially evident in goods imports, which grew at an annual rate of 1.5% (compared with 12.7% in the previous year), whereas exports went up 1.0% (compared with 2.2% in the previous year). The primary account balance also deteriorated due to higher expenditures on direct equity investments, that is, the growth of profit of domestic banks and non-financial corporations in foreign ownership. On the 2019 level, the current and capital account surplus was 5.0% of GDP, as against 3.3% of GDP in 2018.

Depreciation pressures on the kuna to euro exchange rate increased sharply in late February and in March due to foreign exchange demand rising amid growing uncertainty and mounting concerns about the adverse effects of the coronavirus pandemic on domestic economic developments. With the aim of alleviating downward pressures on the domestic currency and maintaining the stability of the exchange rate, the CNB conducted five foreign exchange interventions in the period from 9 to 31 March, selling to banks a total of EUR 2 243.55m. In addition, in the period from 19 to 30 March, the CNB conducted seven outright foreign exchange sales outside auctions, selling to banks a total of EUR 282.0m. The end-March exchange rate was EUR/HRK 7.61, which is an increase of 2.0% from EUR/HRK 7.46 at the end of February (Figure 21). The nominal effective exchange rate of the kuna was 1.1% higher at the end of March than at the end of February 2020, primarily as a result of the weakening of the kuna versus the euro and to a smaller degree due to its weakening against the US dollar, reflecting the dollar's strengthening versus the euro in the world's foreign exchange market.

Interest rates on the European money market remained in negative territory in March 2020 on the back of highly expansionary monetary policy measures taken by the European Central Bank. The overnight interest rate for the euro area banking market, EONIA, increased only slightly to -0.44% and the six-month EURIBOR to -0.29% (Figure 24). Due to the deterioration of economic conditions caused by the spread of the coronavirus, risk premiums for all European emerging market countries widened in March (Figure 25). The risk premium for Croatia was 76 basis points at the end of March, up from the 48 basis points at the end of February.

The liquidity of the domestic financial system has remained high, supported by monetary policy measures taken by the central bank during the crisis caused by the coronavirus epidemic. In mid-March, the CNB conducted a structural operation, releasing to banks

HRK 3.8bn for a term of five years, at an interest rate of 0.25%, the largest amount ever released through structural operations. After the auction, banks repaid before maturity about HRK 1.3bn of funds released through previous structural operations. On the same day when the structural operation was conducted, the CNB started to carry out regular weekly operations, releasing to banks a total of HRK 1.85bn, at an interest rate of 0.3% on the first auction and at a rate of 0.05% on the following two auctions. In order to release additional liquidity, the CNB also adopted the Decision amending the Decision on reserve requirements, by which it reduced the reserve requirement rate from 12% to 9%, thus lowering the overall amount of reserve requirements by about HRK 10.45bn, that is, by HRK 9.05bn in the kuna component and by HRK 1.40bn in the foreign exchange component of reserve requirements. The allocated reserve requirements of banks, that is, the reserve requirement amount held in a special account with the CNB, decreased by HRK 6.33bn. In an effort to maintain stability in the government securities market, the CNB started purchasing the government bonds of the Republic of Croatia. Through two fine-tuning operations carried out in March, the central bank purchased the securities of the Republic of Croatia in the total nominal amount of HRK 4.29bn. These operations alleviated the effect caused by the withdrawal of kuna liquidity through foreign exchange interventions, with the result that excess liquidity in the domestic banking market amounted to HRK 32.2bn in early April (Figure 54), while the overnight interest rate on interbank demand deposit trading continued to drop in March down to 0.00%. The implied interest rate on interbank trading in foreign exchange swaps and the interest rate on banks' repo operations remained in negative territory in March (Figure 27), while the interest rate on one-year kuna T-bills without a currency clause held steady at 0.06% in the same period (Figure 28). However, as regards financing conditions in the domestic market, it should be noted that at the last auction of T-bills, held on 24 March, the amount released was lower than the planned issue amount; also noteworthy was a sharp increase in yields to maturity on government bonds.

Bank interest rates on new corporate and household loans mostly decreased or stagnated in February 2020 (Figures 28 and 29). Interest rates on kuna investment loans indexed to foreign currency, a category of original new corporate loans, recorded a marked decline (Figure 31). Interest rates on original new housing and consumer loans to households went down (Figures 32 and 33), with consumer financing costs down to a historical low. Interest rates on corporate time deposits decreased in February, while those on household deposits remained almost unchanged from the previous month (Figures 34 and 35). The spread between interest rates on total new loans and deposits edged up to 5.02 percentage points in February, while the spread between interest rates on loans and deposits remained at 4.20 percentage points (Figure 37).

Net domestic assets (NDA) of the monetary system increased in February 2020, whereas net foreign assets (NFA) held steady, which resulted in a rise of HRK 2.4bn (0.7%) in total liquid assets. The monthly increase in NDA was driven by the growth of placements to domestic sectors and by net claims on central government. The growth of M4 continued to accelerate, standing at 5.7% in February (transaction based), partly due to less favourable monthly trends in total liquid assets in February in the previous year (Figure 49). The annual growth of money (M1) also continued its upward trend, reaching 18.8% in February (Figure 48), while the decrease in quasi-money decelerated slightly on an annual basis to -1.8% (transaction based).

Total placements of monetary institutions to domestic sectors (except central government) increased by HRK 2.3bn in February, with their annual growth (transaction based) accelerating to 4.8% (Figure 40), driven by placements to non-financial corporations rising at an annual rate of 1.4% (Figure 41). In contrast, the annual growth

of household placements slowed down slightly to 7.3% (Figure 42) as a result of a slowdown in the annual growth of general-purpose cash loans (10.9%), while the growth of housing loans accelerated to 6.7%. As regards the currency structure, the share of kuna placements in total household placements continued a several-year-long growth trend, reaching 54.8% at the end of February (Figure 47). The annual growth in the nominal stock of placements (3.5%) remained lower in February than the transaction based growth, mainly due to the sale of non-performing corporate placements.

Gross international reserves decreased by EUR 3.0bn (15.3%) in March 2020, standing at EUR 16.5bn at the end of the month (Figure 56). The decrease resulted from the sales of foreign exchange to banks aimed at preserving the stability of the exchange rate of the kuna versus the euro. Gross international reserves were EUR 2.0bn (11.0%) lower than at the end of the previous year. Net international reserves dropped by EUR 1.9bn (10.9%), amounting to EUR 15.8bn at the end of the month.

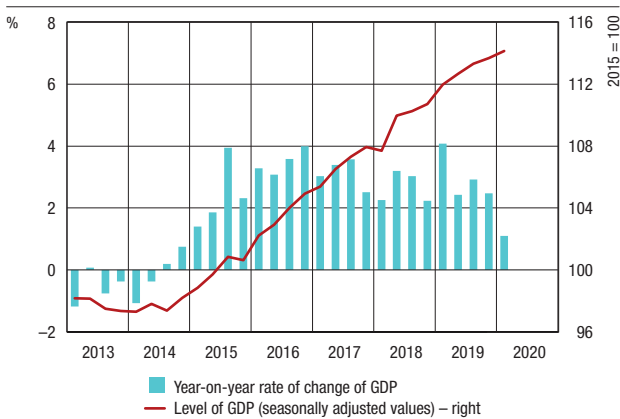
Net foreign financial liabilities of domestic sectors fell by EUR 0.4bn in the last quarter of 2019 (excluding the change in the gross international reserves and liabilities of the CNB) due to a decrease in net debt liabilities (Figure 59). As regards the sectoral structure of debt investments, while the net external position of banks deteriorated significantly, other domestic sectors' net debt liabilities decreased and so did, to an even greater extent, those of the government. The government's deleveraging resulted from the repayment of a USD 1.5bn bond that fell due. As the bulk of funds for bond repayment was obtained by withdrawing the funds previously deposited in the

account with the central bank, international reserves decreased by EUR 0.8bn in the same period. As a result, the financial account of the balance of payments, including international reserves, had a net capital inflow of EUR 0.4bn, mainly generated by the mentioned deterioration in the external position of banks. In contrast to debt liabilities, net equity liabilities rose. The net inflow of equity investments was for the most part due to the retained earnings of enterprises and banks in foreign ownership, whereas direct equity investments were very low and were mostly made in the real estate sector and in accommodation services. As shown by available data for January 2020, net external debt decreased early in the year.

As shown by monthly MoF data<sup>4</sup>, general government showed a deficit of HRK 1.3bn in January 2020, an unfavourable performance compared with the mild surplus in the same period in 2019. The budget deficit in January 2020 reflects a stronger growth of expenditures (13.7%) than of revenues (3.0%).

Consolidated general government debt totalled HRK 293.0bn at the end of December 2019, an increase of HRK 7.4bn from the end of 2018. The increase in public debt at the end of December 2019 from the end of the previous year was due to the partial collection of funds to finance liabilities in 2020 based on the domestic issues of long-term securities in November 2019 and, in a smaller measure, to the depreciation of the kuna exchange rate versus the euro and the dollar. However, due to an increase in nominal GDP, the public debt to GDP ratio fell slightly in December 2019, down to 73.2% from 74.7% at the end of 2018.

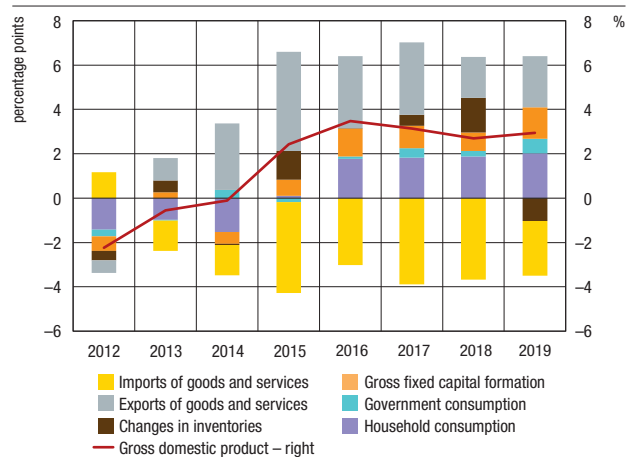
**Figure 1 Quarterly gross domestic product**  
seasonally adjusted real values



Note: Data for the first quarter of 2020 are estimated with the use of the CNB's monthly indicator of real economic activity, on the basis of data published until 6 March 2020.

Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

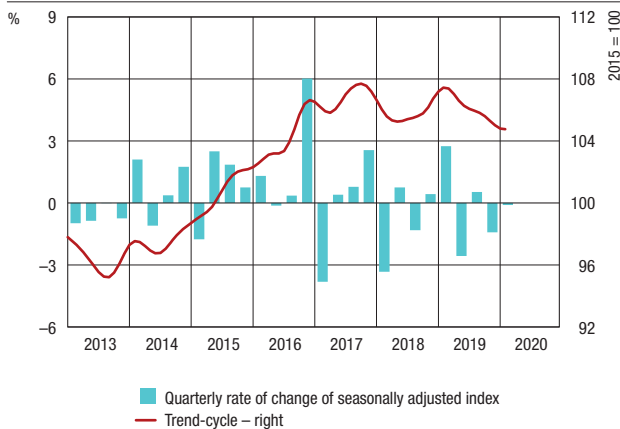
**Figure 2 GDP rate of change**  
contributions by components



Source: CBS.

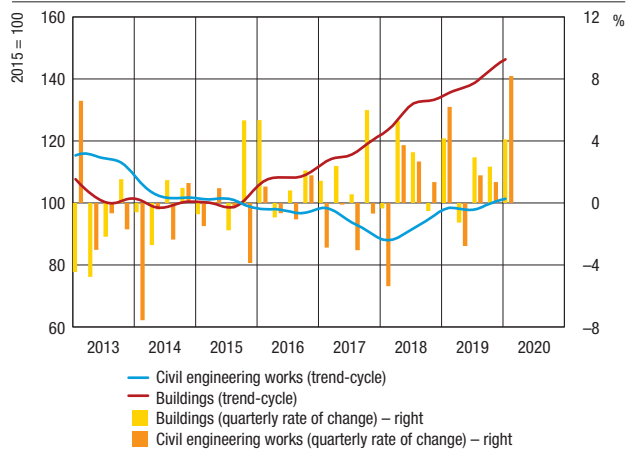
4 Monthly data for central government, state government and social security sub-sectors that, pursuant to Council Directive 2011/85/EU, must be published before the end of the following calendar month. The published data refer to general government units according to the scope of the ESA 2010 statistical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

Figure 3 Industrial production



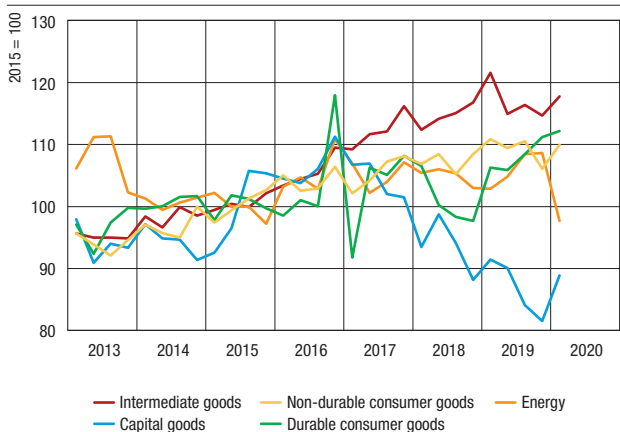
Note: Data for the first quarter 2020 refer to January and February.  
Source: CBS data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



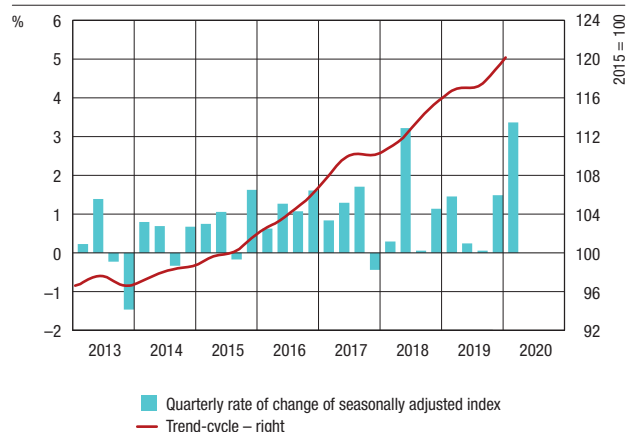
Source: CBS data seasonally adjusted by the CNB.

Figure 4 Industrial production by main industrial groupings seasonally adjusted indices



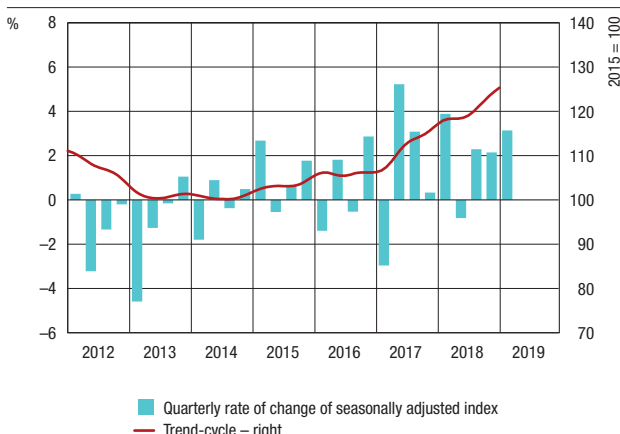
Note: Quarterly data are calculated as the average of monthly data.  
Source: CBS data seasonally adjusted by the CNB.

Figure 7 Real retail trade turnover



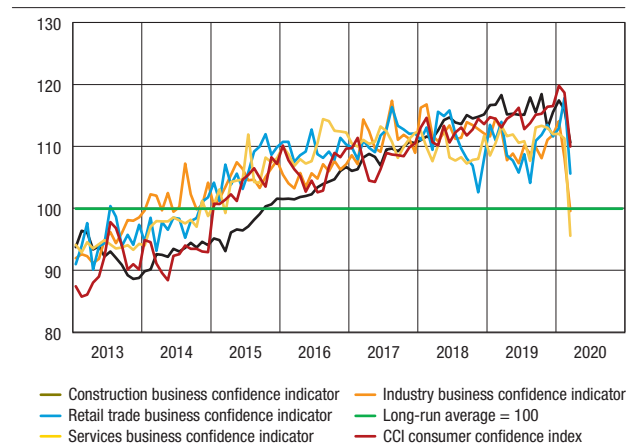
Note: Data for the first quarter of 2020 refer to January and February.  
Source: CBS data seasonally adjusted by the CNB.

Figure 5 Total volume of construction works



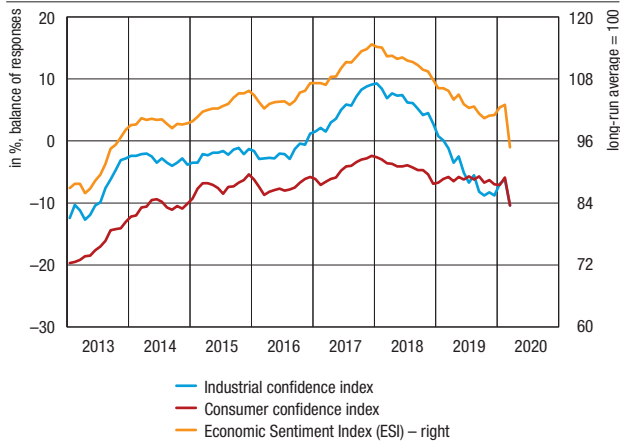
Note: Data for the first quarter of 2020 refer to January.  
Source: CBS data seasonally adjusted by the CNB.

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



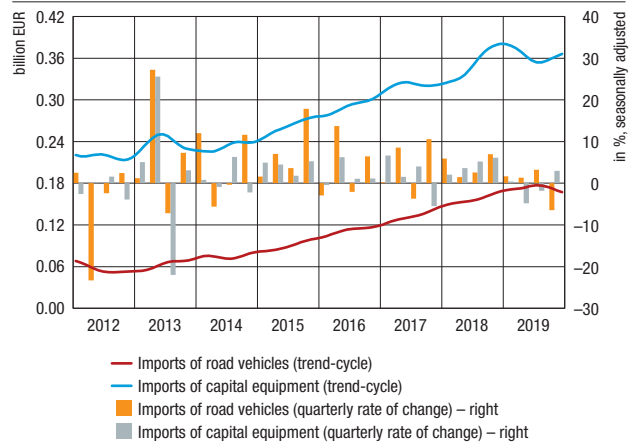
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

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



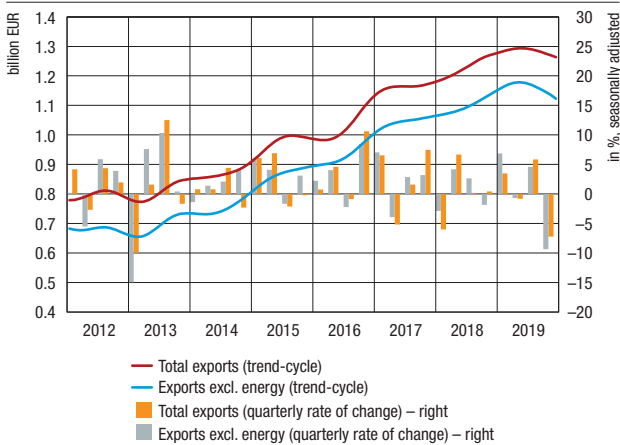
Source: Eurostat.

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



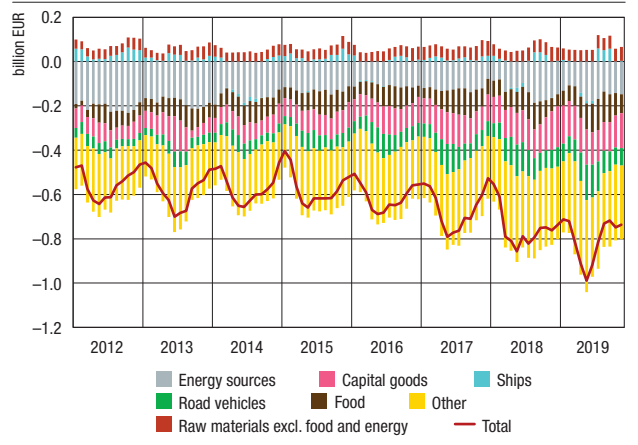
Note: Imports of capital equipment (SITC divisions 71 - 77).  
Source: CBS data seasonally adjusted by the CNB.

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



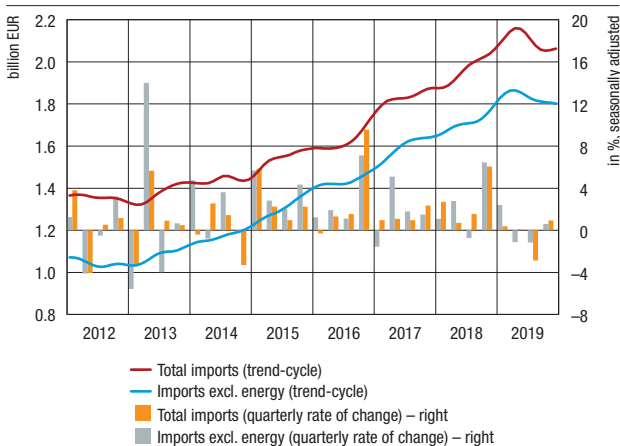
Source: CBS data seasonally adjusted by the CNB.

**Figure 13 Trade in goods balance**



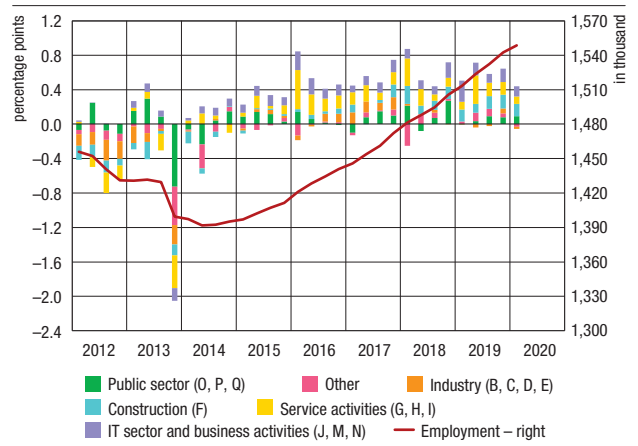
Note: Series are shown as three-member moving averages of monthly data. Data for the fourth quarter of 2019 refer to October and November.  
Source: CBS.

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



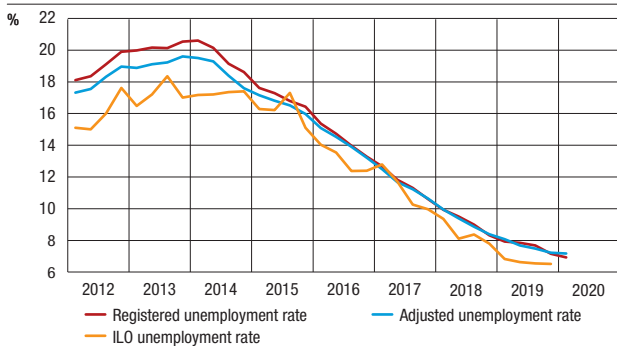
Source: CBS data seasonally adjusted by the CNB.

**Figure 14 Employment by NCA activities**  
seasonally adjusted data, contributions to the quarterly rate of change



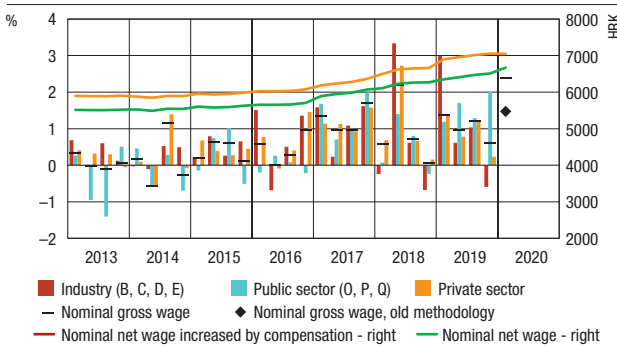
Note: Data for the first quarter of 2020 refer to January and February.  
Source: CPII data seasonally adjusted by the CNB.

**Figure 15 Unemployment rates**  
seasonally adjusted data



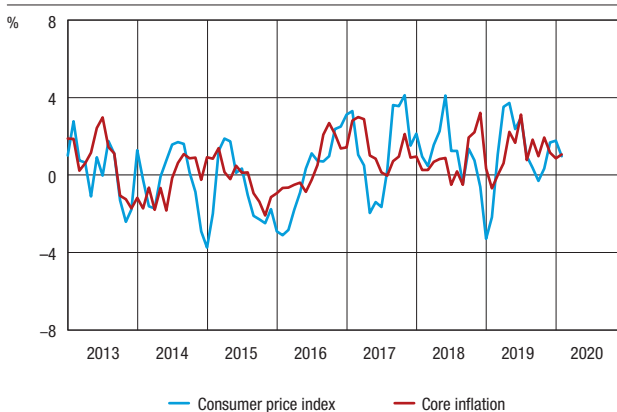
Note: Since January 2015, the calculation of the registered unemployed rate has used the data on employed persons from the JOPPD form. Data on the number of employed persons have been revised backwards for the period from January 2016 to July 2019. The adjusted unemployment rate is the CNB estimate and 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 first quarter of 2020 refer to January and February.  
 Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

**Figure 16 Average nominal gross and net wage**  
seasonally adjusted data, quarterly rate of change



Note: 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 disbursements paid before 2018 are CNB estimates.  
 Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

**Figure 17 Consumer price index and core inflation**  
annualised month-on-month rate of change<sup>a</sup>



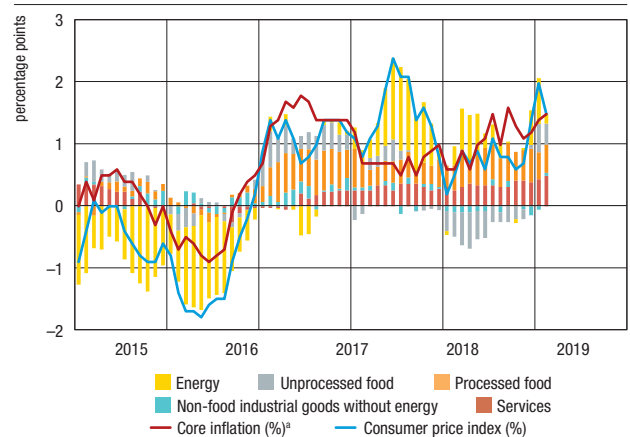
<sup>a</sup> The month-on-month rate of change is calculated based on the quarterly moving average of seasonally adjusted consumer price indices.  
 Sources: CBS and CNB calculations.

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

	Year-on-year rates		Month-on-month rates	
	1/2020	2/2020	2/2019	2/2020
<b>Consumer price index and its components</b>				
Total index	2.0	1.5	0.2	-0.3
Energy	4.4	0.9	1.7	-1.7
Unprocessed food	5.6	4.1	0.9	-0.6
Processed food	1.9	2.0	-0.3	-0.2
Non-food industrial goods without energy	-0.2	0.2	-0.2	0.2
Services	1.7	1.9	-0.2	0.0
<b>Other price indicators</b>				
Core inflation	1.4	1.5	-0.2	0.0
Index of industrial producer prices on the domestic market	1.8	1.3	0.5	-0.1
Brent crude oil price (USD)	7.3	-14.2	8.2	-13.5
HWWI index (excl. energy, USD)	6.0	-3.8	4.8	-4.9

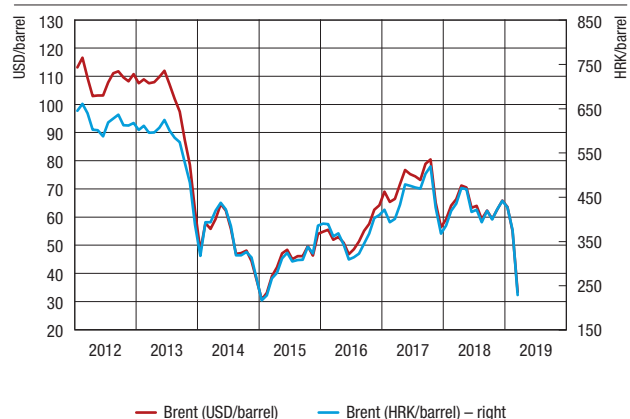
Note: Processed food includes alcoholic beverages and tobacco.  
 Sources: CBS, Bloomberg and HWWI.

**Figure 18 Year-on-year inflation rate and contributions of components to consumer price inflation**



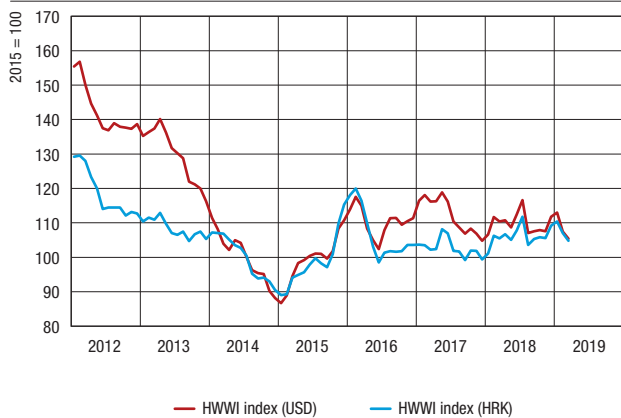
<sup>a</sup> Core inflation does not include agricultural product prices, energy prices and administered prices.  
 Sources: CBS and CNB calculations.

**Figure 19 Crude oil prices (Brent)**



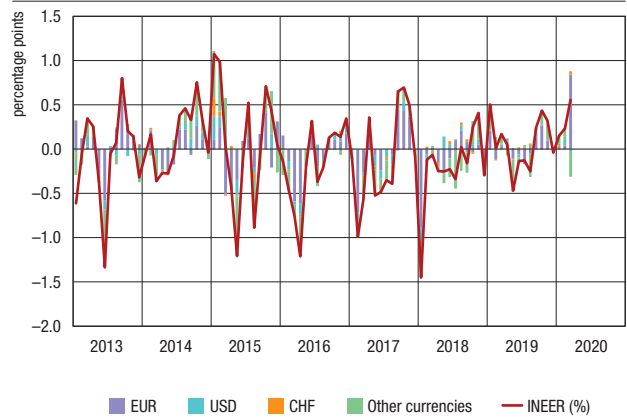
Sources: Bloomberg and CNB calculations.

Figure 20 HWWI index (excl. energy)



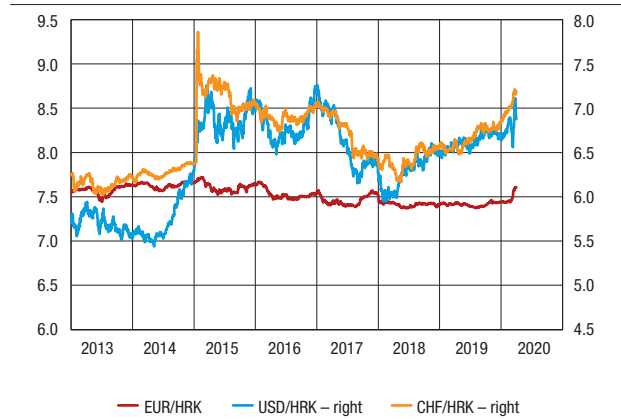
Sources: HWWI and CNB calculations.

Figure 23 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)



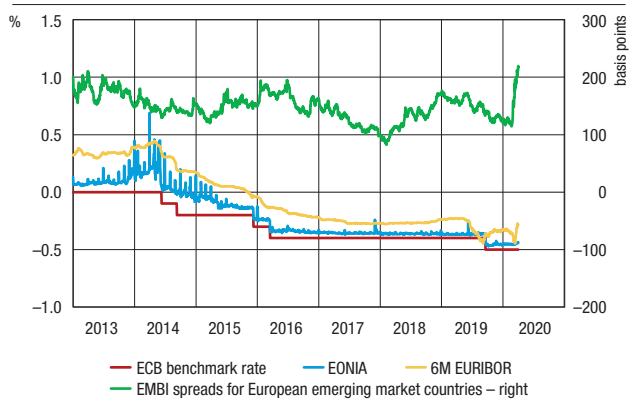
<sup>a</sup> Negative values indicate contributions to the appreciation of the INEER.  
Source: CNB.

Figure 21 Daily nominal exchange rate – HRK vs. EUR, USD and CHF  
CNB midpoint exchange rate



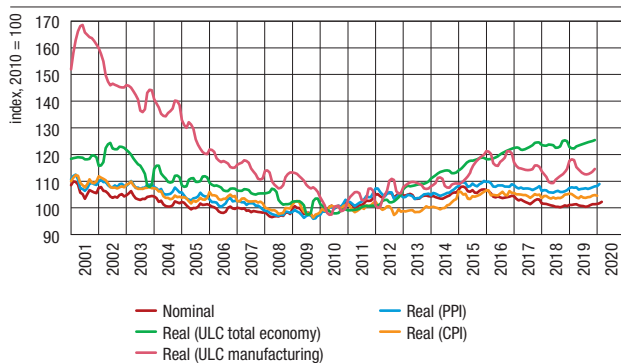
Source: CNB.

Figure 24 Interest rates on the euro and the average yield spread on bonds of European emerging market countries



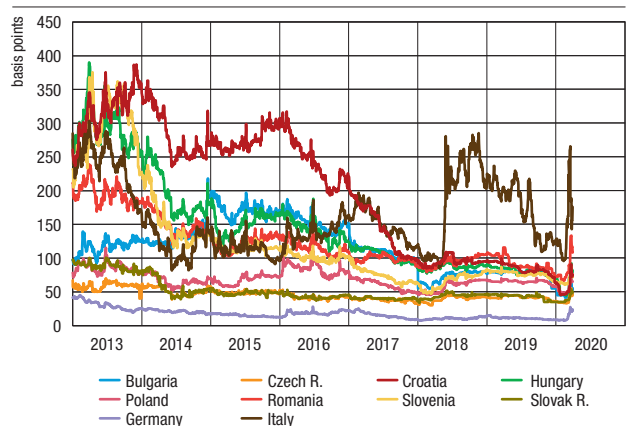
Note: EMBI, or the Emerging Market Bond Index, shows the spread between yields on government securities of emerging market economies, Croatia included, and risk-free securities issued by developed countries.  
Sources: ECB, Bloomberg and J.P. Morgan.

Figure 22 Nominal and real effective exchange rates of the kuna



Note: 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.

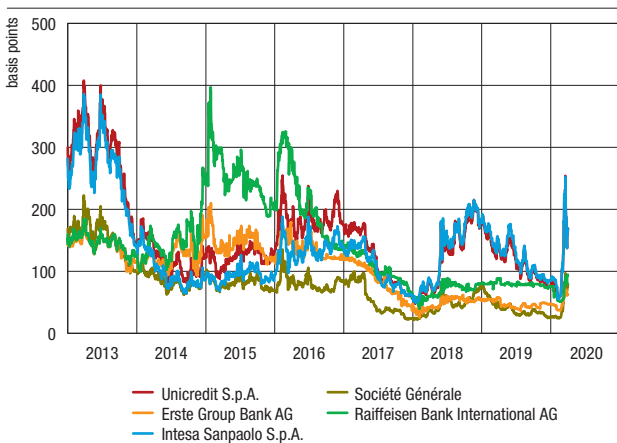
Figure 25 CDS spreads for 5-year government bonds of selected countries



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

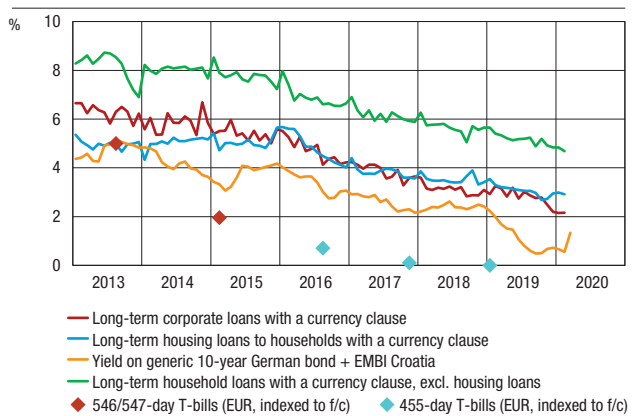


Figure 26 CDS spreads for selected parent banks of domestic banks



Source: S&P Capital IQ.

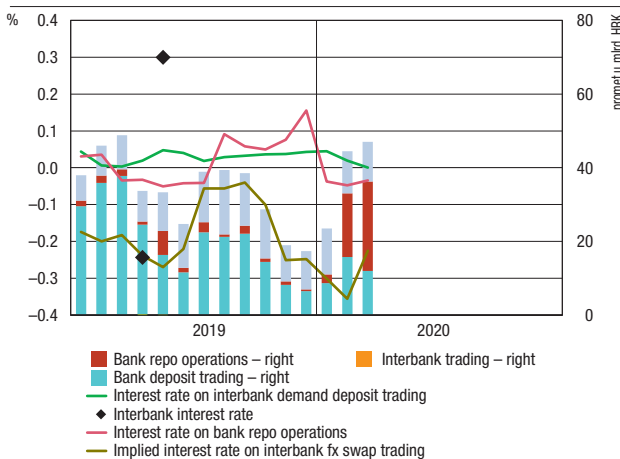
Figure 29 Long-term financing costs in kuna with a currency clause and in foreign currency



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.

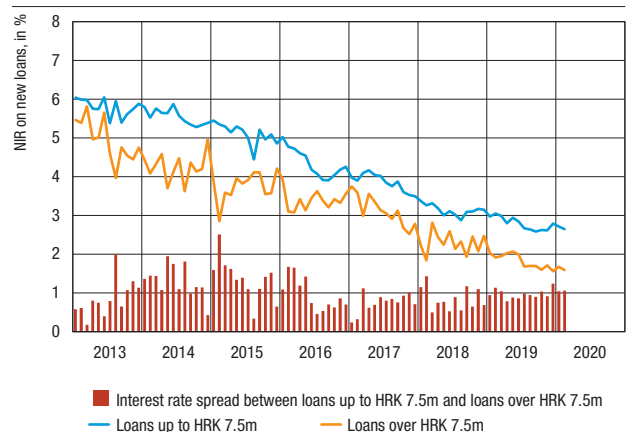
Sources: MoF, Bloomberg and CNB.

Figure 27 Overnight interest rates and turnovers



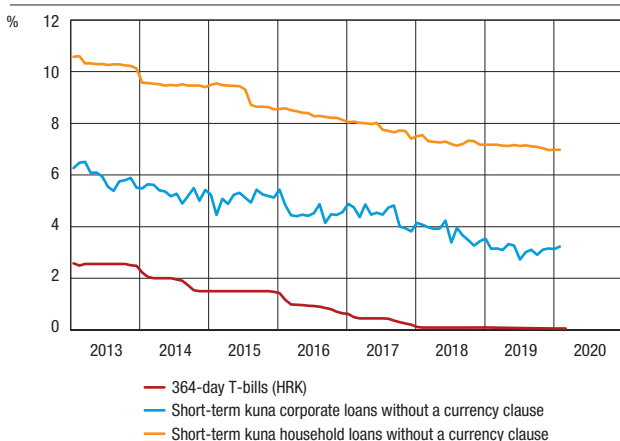
Source: CNB.

Figure 30 Bank interest rates on loans to non-financial corporations by volume



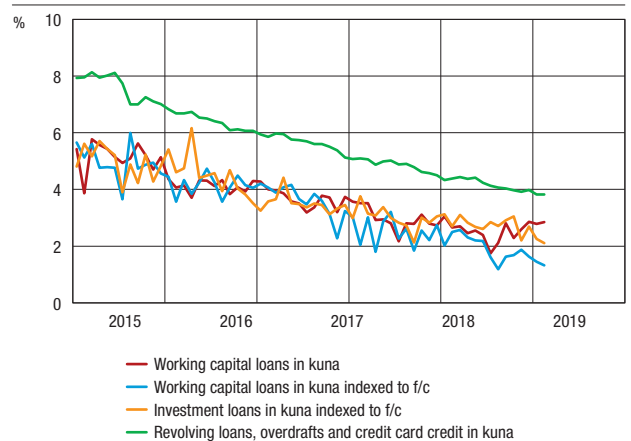
Source: CNB.

Figure 28 Short-term financing costs in kuna without a currency clause



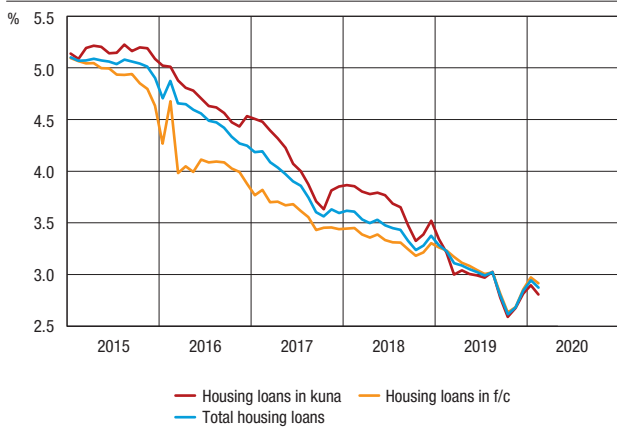
Sources: MoF and CNB.

Figure 31 Interest rates on original new loans to non-financial corporations



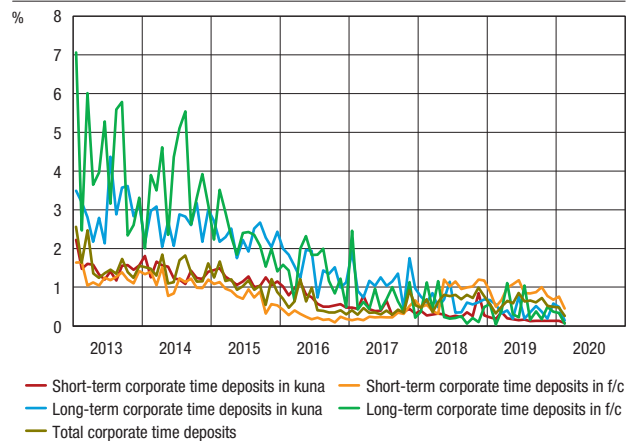
Source: CNB.

**Figure 32 Interest rates on original new housing loans to households**



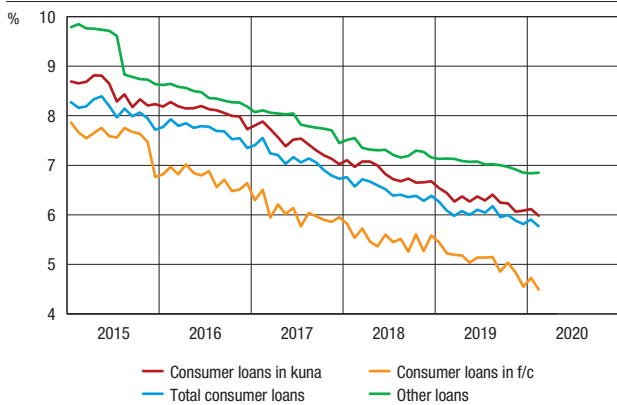
Source: CNB.

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



Source: CNB.

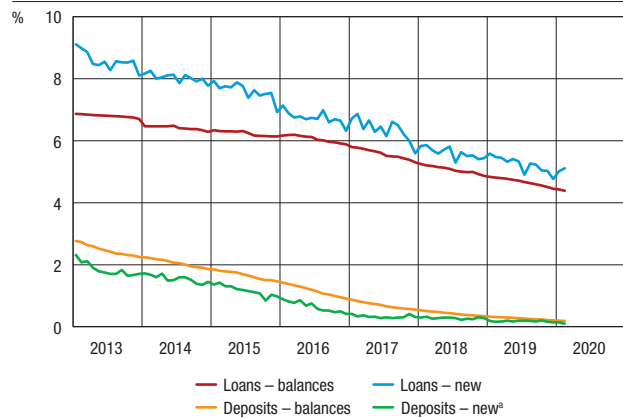
**Figure 33 Interest rates on original new consumer and other loans to households**



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.

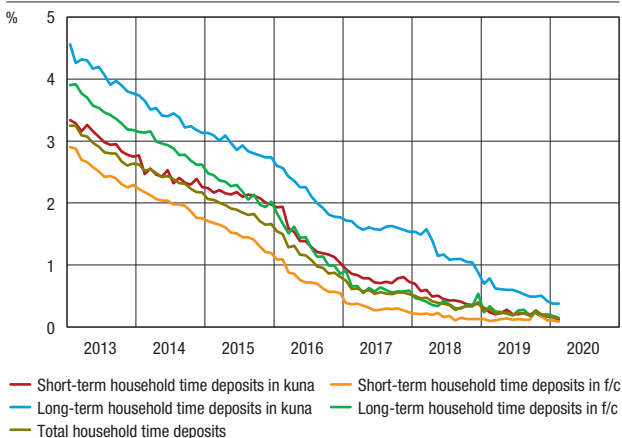
**Figure 36 Average interest rates on loans (excl. revolving loans) and deposits**



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

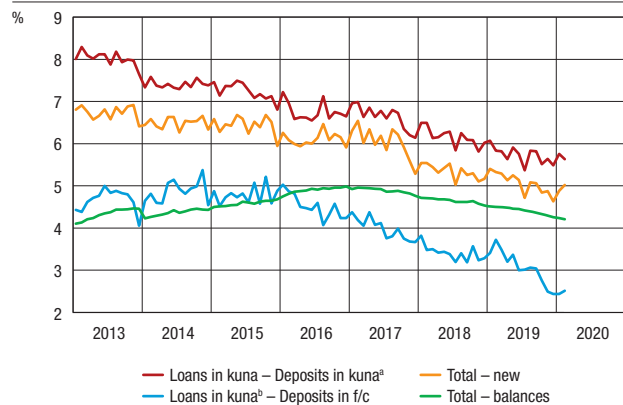
Source: CNB.

**Figure 34 Interest rates on household time deposits**



Source: CNB.

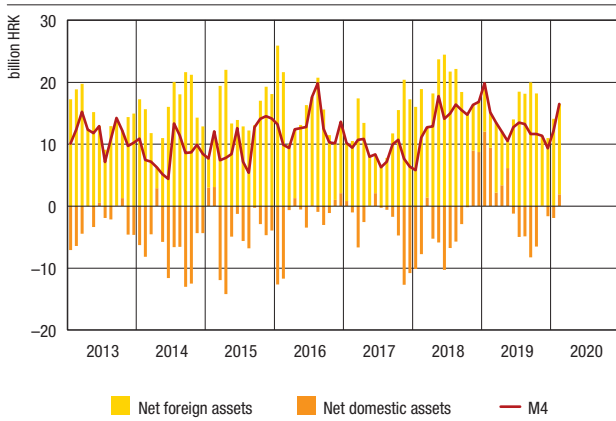
**Figure 37 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits**



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).

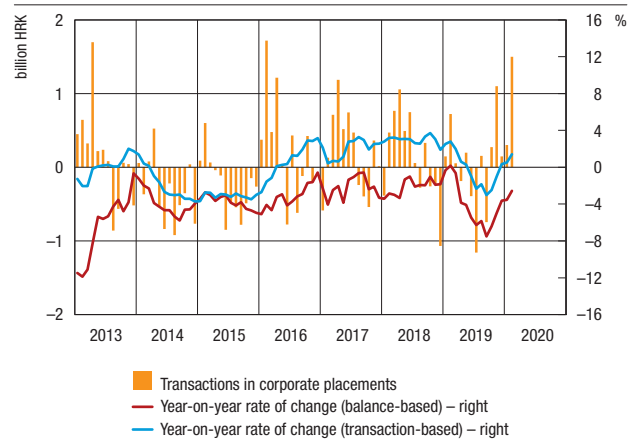
Source: CNB.

**Figure 38 Net foreign assets, net domestic assets and total liquid assets (M4)**  
absolute change in the last 12 months



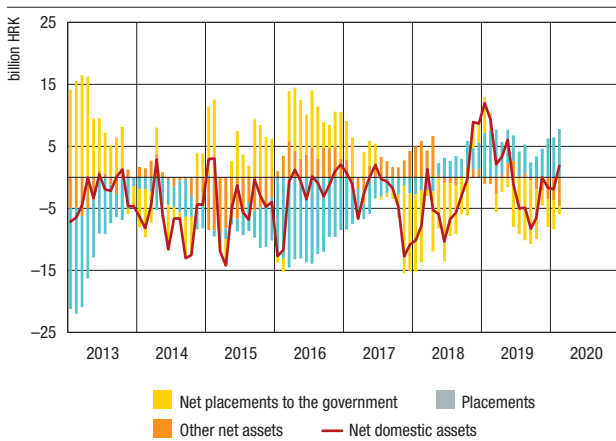
Source: CNB.

**Figure 41 Placements to corporates**



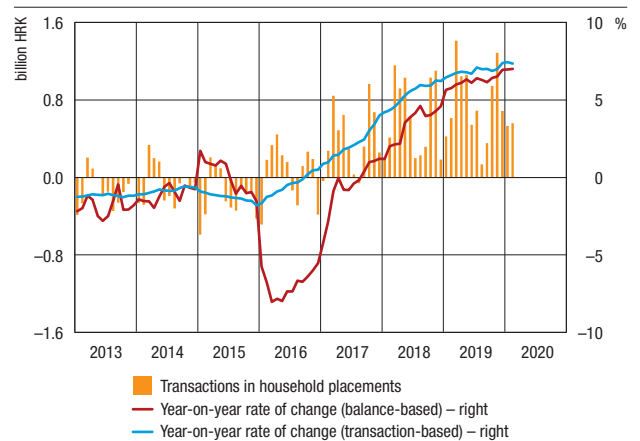
Source: CNB.

**Figure 39 Net domestic assets, structure**  
absolute change in the last 12 months



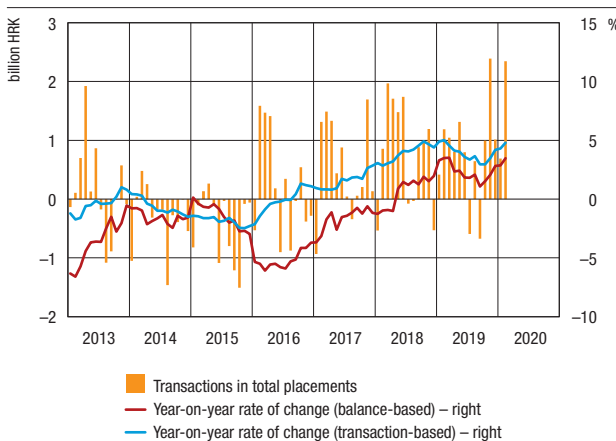
Source: CNB.

**Figure 42 Placements to households**



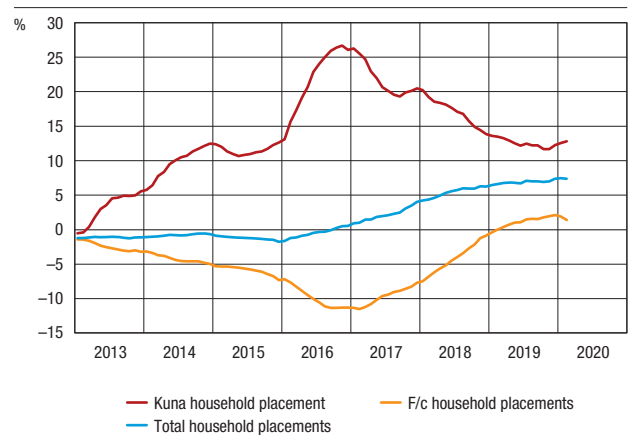
Source: CNB.

**Figure 40 Placements**



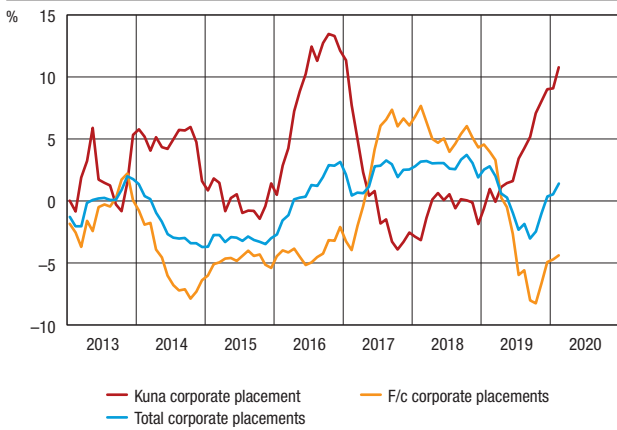
Source: CNB.

**Figure 43 Annual rate of change in household placements transaction-based**



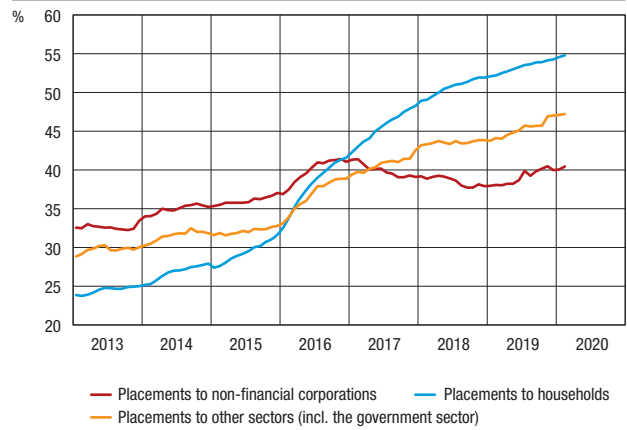
Source: CNB.

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



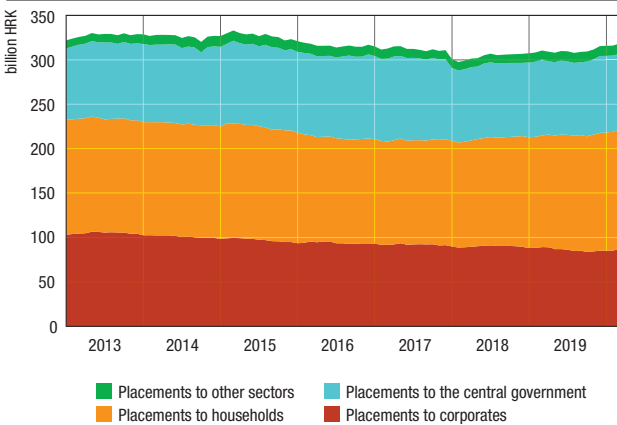
Source: CNB.

**Figure 47 Share of kuna placements in total sector placements**



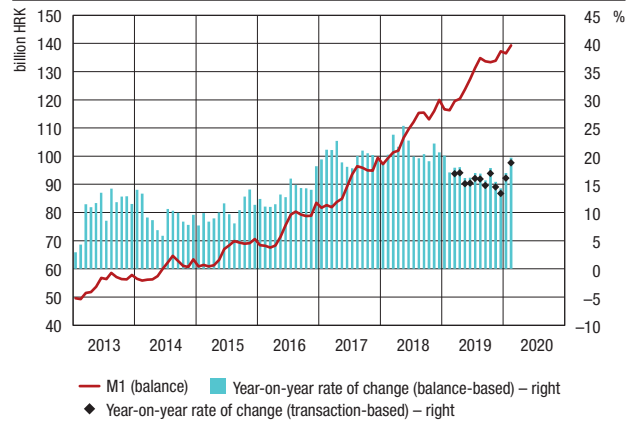
Source: CNB.

**Figure 45 Structure of credit institution placements**



Source: CNB.

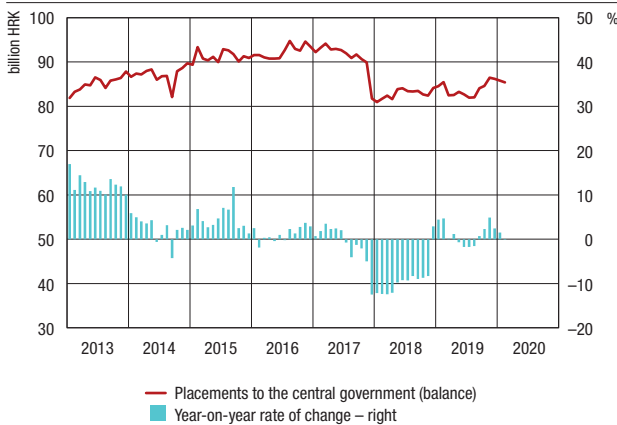
**Figure 48 Money (M1)**



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

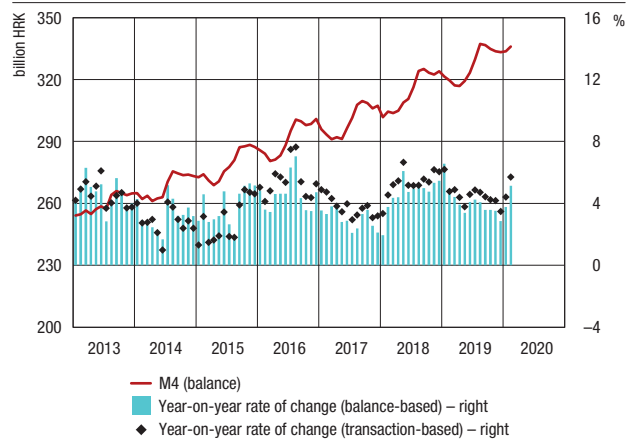
Source: CNB.

**Figure 46 Credit institution and MMF placements to the central government**



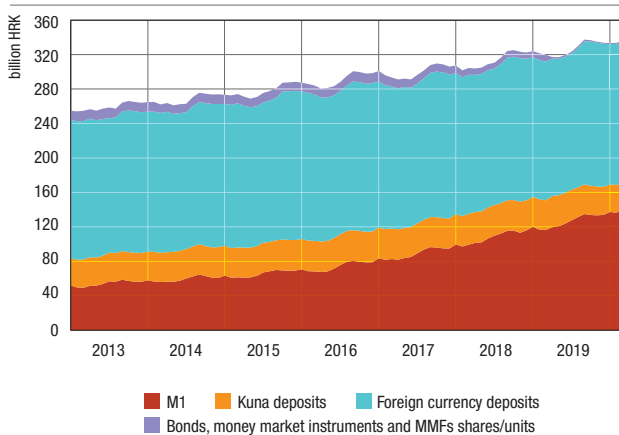
Source: CNB.

**Figure 49 Total liquid assets (M4)**



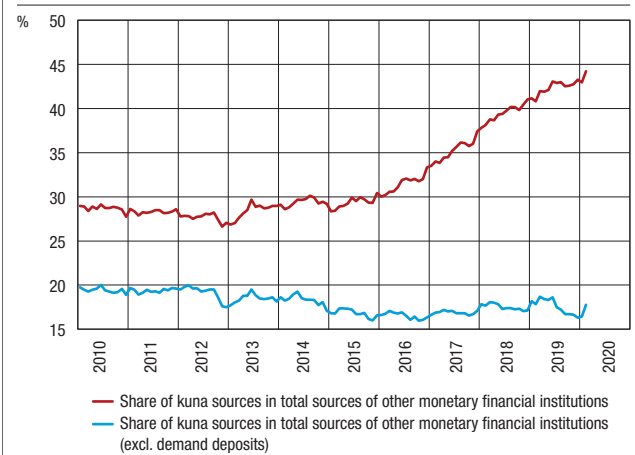
Source: CNB.

Figure 50 Structure of M4 monetary aggregate



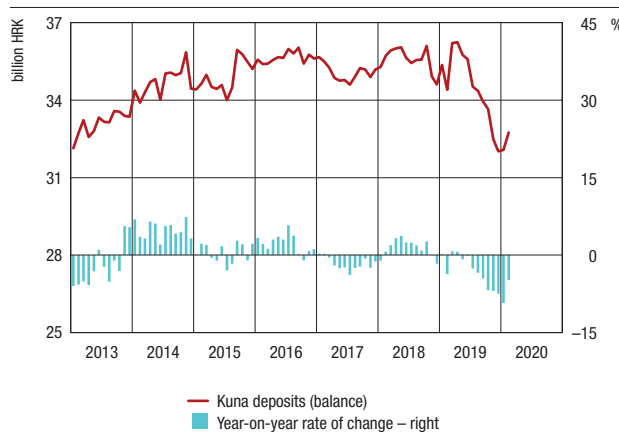
Source: CNB.

Figure 53 Share of kuna sources



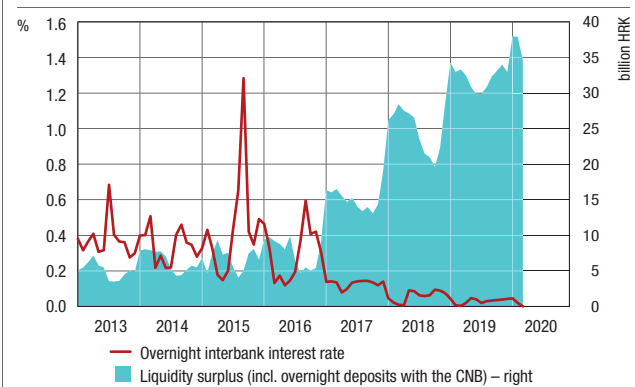
Source: CNB.

Figure 51 Kuna savings and time deposits



Source: CNB.

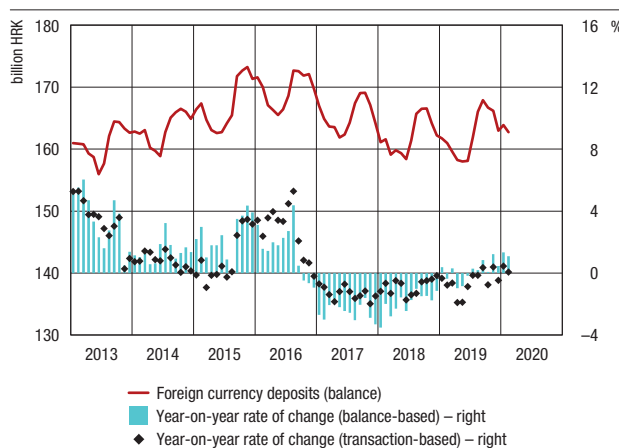
Figure 54 Bank liquidity and overnight interest rate on bank demand deposit trading



Note: 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.

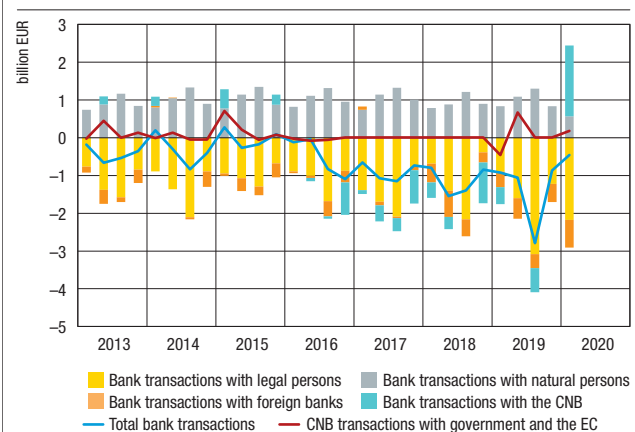
Source: CNB.

Figure 52 Foreign currency deposits



Source: CNB.

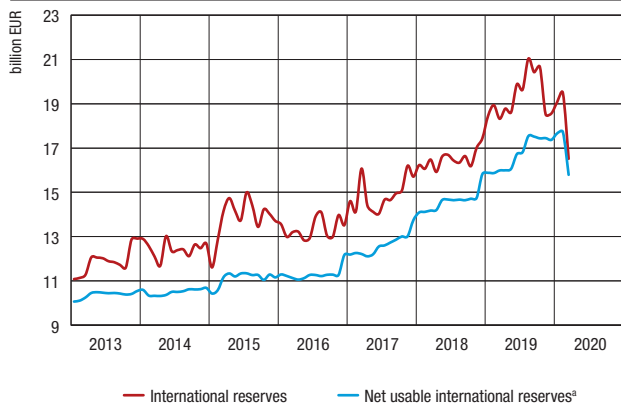
Figure 55 Spot transactions in the foreign exchange market (net turnover)



Note: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government.

Source: CNB.

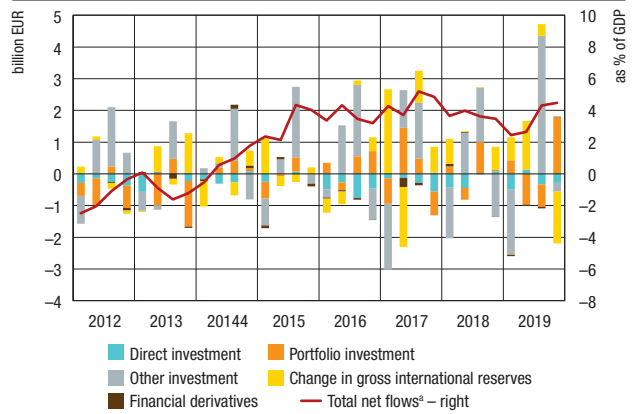
**Figure 56 International reserves of the CNB at current rate of exchange**



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

Source: CNB.

**Figure 58 Financial account flows by type of investment**

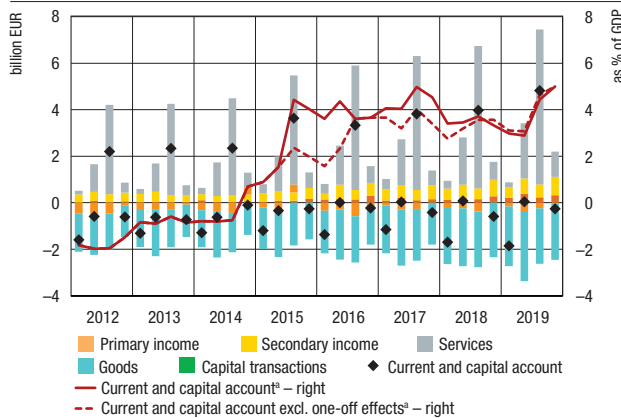


<sup>a</sup> Sum of the last four quarters.

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

Source: CNB.

**Figure 57 Current and capital account flows**

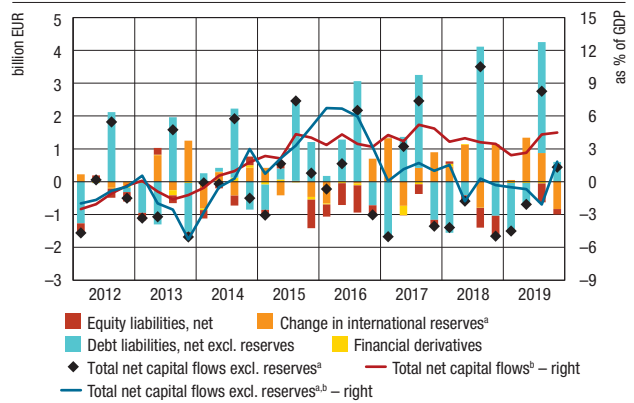


<sup>a</sup> Sum of the last four quarters.

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 59 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.

Note: 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.

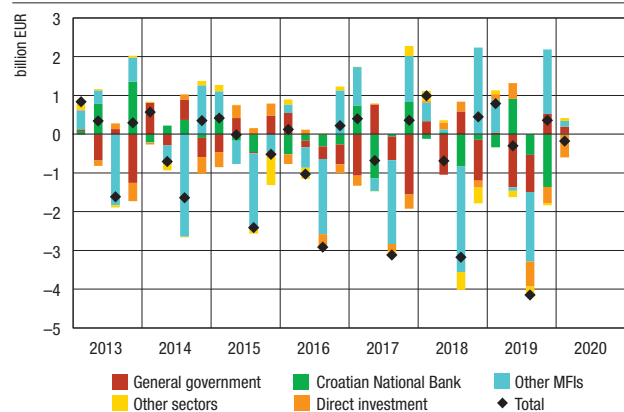
**Table 2 Balance of payments preliminary data, in million EUR**

	2018	2019	Indices	
			2018/2017	2019/2018
Current account	982.1	1,570.8	58.5	159.9
Capital account	729.8	1,117.1	135.7	153.1
Financial account (excl. reserves)	241.8	1,427.4	-114.5	590.2
International reserves	1,545.0	989.6	59.6	64.1
Net errors and omissions	75.0	-270.8	45.3	-361.2

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

Source: CNB.

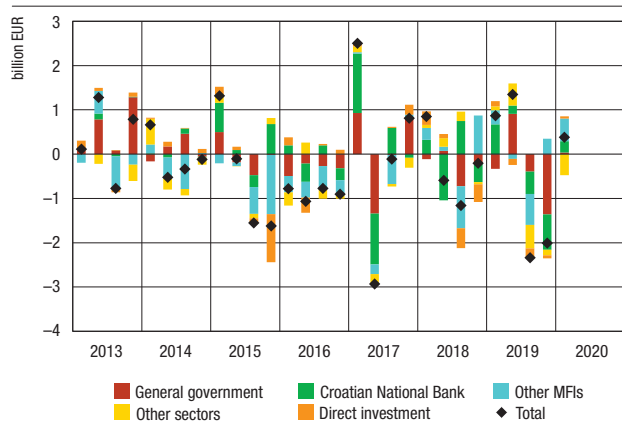
**Figure 60 Net external debt transactions**



Note: 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 first quarter of 2020 refer to January.

Source: CNB.

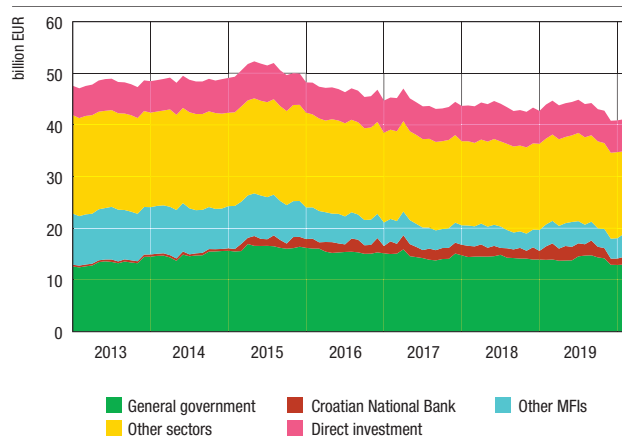
Figure 61 Gross external debt transactions



Note: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Data for the first quarter of 2020 refer to January.

Source: CNB.

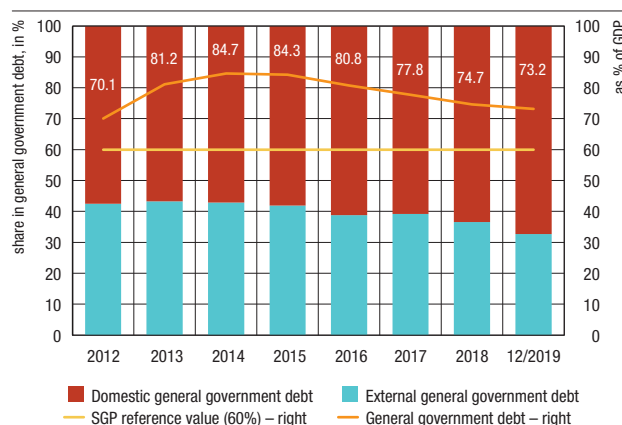
Figure 62 Gross external debt end of period



Note: Data are up to January 2020.

Source: CNB.

Figure 63 General government debt



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

Source: CNB.

Table 3 Consolidated general government balance

ESA 2010, in million HRK

	Jan. – Sep. 2018	Jan. – Sep. 2019
<b>Total revenue</b>	<b>131,997</b>	<b>142,231</b>
Direct taxes	17,208	18,689
Indirect taxes	57,912	61,600
Social contributions	34,439	35,366
Other	22,438	26,576
<b>Total expenditure</b>	<b>126,965</b>	<b>135,793</b>
Social benefits	43,721	44,952
Subsidies	5,158	5,653
Interest	6,853	6,629
Compensation of employees	32,881	34,378
Intermediate consumption	23,125	24,152
Investment	7,383	9,207
Other	7,845	10,822
<b>Net lending (+)/borrowing (-)</b>	<b>5,032</b>	<b>6,438</b>

Sources: Eurostat and CBS.

Table 4 Consolidated central government net borrowing

GFS 2001, in million HRK

	Jan. – Nov. 2018	Jan. – Nov. 2019
1 Revenue	136,049	145,610
2 Disposal of non-financial assets	504	772
3 Expenditure	126,510	135,487
4 Acquisition of non-financial assets	3,292	4,290
5 Net borrowing (1 + 2 – 3 – 4)	6,751	6,606

Sources: MoF and CNB calculations.

Table 5 General government debt

in million HRK

	Dec. 2018	Dec. 2019
Change in total debt stock	1,218	6,882
Change in domestic debt stock	8,319	15,859
– Securities other than shares, short-term	-721	471
– Securities other than shares, long-term	7,022	14,148
– Loans	2,108	1,430
Change in external debt stock	-7,101	-8,977
– Securities other than shares, short-term	-145	-5
– Securities other than shares, long-term	-4,230	-3,142
– Loans	-2,725	-5,830
<b>Memo item:</b>		
Change in total guarantees issued	-1,074	-800

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