



Information on economic trends

June 2020

Summary

The CBS flash estimate shows that economic activity fell by 1.2% in the first quarter of 2020 from the previous quarter and that the second quarter is likely to see an even sharper contraction in real GDP resulting from the coronavirus epidemic and containment measures. Labour market developments deteriorated markedly in March and April 2020. Business and consumer confidence indices recovered slightly in May following the all-time fall in April. The annual consumer price inflation rate dropped to -0.2% in April from 0.6% in March, primarily due to a decrease in refined petroleum product prices. The average exchange rate of the kuna versus the euro appreciated in May from its average level in April before depreciating slightly in the last few days of May. In an effort to alleviate the depreciation of the kuna to euro exchange rate and responding to large individual foreign exchange purchases in the market, the CNB sold to banks small amounts of foreign exchange outside auctions on four occasions in May. The liquidity of the domestic financial system, supported by the CNB's expansionary monetary policy, remained very comfortable in May, which is also due to CNB purchases of government securities in April. The annual growth of total placements decelerated in April, with placements to households decelerating more than placements to enterprises. The Croatian Government passed the revised budget in May, considerably reducing budget revenues envisaged for 2020 and forecasting a general government budget deficit of 6.8% of GDP.

The CBS flash estimate shows that the annual growth of real GDP decelerated sharply to 0.4% in the first quarter of 2020 and that economic activity decreased by 1.2% from the previous quarter. The decrease in total economic activity from the previous quarter resulted from a fall in total exports, primarily driven by the sharp decline of services exports, while goods exports decreased only slightly. In addition, personal consumption fell on a quarterly basis, whereas investment activity recorded minor growth. The contraction of foreign demand and unfavourable trends in all domestic demand components led to a sharp decrease in imports of goods and services, with the result that net foreign demand made a positive contribution to annual GDP growth in the first quarter of the year.

The GDP nowcasting model¹, drawing on the small number of data available for April, suggests a sharp decrease in real economic activity in the second quarter of 2020, recorded both on a quarterly basis and in relation to the same period in the previous year (Figure 1). Industrial production fell by 5.6% in April from the previous month and by 6.6% from its average volume in the first quarter of 2020. According to the main industrial groupings classification, the production of durable consumer goods decreased the most on a quarterly basis. According to the National Classification of Activities, the sharpest quarterly decrease was recorded in manufacturing, while mining and energy production also declined (Figures 3 and 4). Real retail trade turnover decreased by as much as 19.8% in April from the previous month and by 26.0% from the first quarter – not even during the global financial crisis were the trends so negative (Figure 7). The total volume of construction works plummeted in March from February this year (-11.7%) on the back of decreases in construction works on buildings and civil engineering works. However, construction increased at a quarterly rate of 2.2% from the last quarter in 2019 due to very good results in January and February this year (Figures 5 and 6).

The consumer confidence index recovered partly in May following adverse trends in March and in particular in April, which saw the sharpest monthly fall in consumer and business confidence indices since the start of the Survey, recording a slight improvement in expectations about the general economic situation in Croatia and

the financial situation of households in twelve months from now. The Business Confidence Survey for May 2020 also continued to indicate very unfavourable expectations in all activities with only a small sign of recovery.

Labour market developments deteriorated considerably in March and April 2020 due to the adverse economic developments. Having increased in January and February, the number of employed persons decreased in March and dropped at an even faster rate, in April. The highest decrease was recorded in accommodation and food service activities, which had been the hardest hit by restrictions (Figure 15). Due to the strong inflow of new unemployment entries into the CES register, unemployment grew faster in April. In May, however, unemployment was somewhat lower than in April thanks to Government measures to preserve jobs and the relaxation of containment measures. In contrast, seasonal unemployment continued to rise in May as there was no large outflow from the register due to seasonal employment. The unemployment increase boosted the registered unemployment rate to 9.3% in April (Figure 16). The coronavirus pandemic also influenced wage trends: according to seasonally adjusted data, the average nominal gross wage was 1.5% lower in April than in March so that the several-year trend of favourable wage growth stopped. Due to the large number of businesses that had utilised Government measures to preserve jobs, private sector wages fell quite rapidly, while public sector wages only edged down (Figure 17).²

Consumer prices dropped 0.2% in April from the previous month (Table 1)³, primarily due to the fall in the prices of energy, and in particular of refined petroleum products, caused by a drop in demand amid the coronavirus pandemic and the growing stocks of the world's major oil producers. The average Brent crude oil price was at USD 23 in April, almost 30% lower than in March. The prices of natural gas, administratively regulated, also decreased in April, by about 5%. The monthly decrease in consumer prices in April was primarily alleviated by the positive contribution of clothing and footwear prices and tobacco prices (resulting from the increase of excises and producer prices) to consumer price trends. The annual consumer price inflation rate decelerated from 0.6% in March

1 Due to high uncertainty surrounding real economic developments in the remaining part of the second quarter, the data for April 2020 should be observed as the rate of change from the same month in the previous year. Data on fiscalised accounts suggest that developments in May were not as unfavourable as in April.

2 On 20 April 2020, the CBS released data on wages paid in March for February 2020 according to the full-time equivalent principle and data on wages for 2019 reported according to a changed methodology.

3 Due to the novel coronavirus pandemic, prices were not collected in retail outlets in April. When it was not possible to collect product prices in alternative ways (from websites and submitted price lists, by means of scanner data, etc.), the CBS followed the recommendation of Eurostat and used several methods for constructing missing prices, such as carrying forward the last observed price, imputing the price with its monthly change in the same month in the previous year or on the basis of the average change in the available prices of the product within the same or similar elementary aggregate, etc. All subindices with a share of imputed prices exceeding 50% are marked as having low reliability. The total contribution of these subindices to the overall monthly change in consumer prices in April was not significant. Imputed prices accounted for 17.6% of the structure of the CPI in Croatia in April. The indices "having low reliability" are mostly those for services: hotels and restaurants, accommodation, recreational services, package holidays, transport services, hairdressing services, etc.

to -0.2% in April (Figure 19), with the largest contribution to the deceleration coming from refined petroleum product prices (-0.8 percentage points) and a smaller one from gas and meat prices. The contributions of these components to the decline in overall inflation was partly offset by increased contributions to inflation from tobacco and some food product prices (milk, cheese and eggs, fruit and oil and fats) as well as from insurance prices. The growth of food product prices can be partly attributed to supply side shocks from the coronavirus pandemic. In line with these trends, core inflation, which excludes prices of agricultural products and energy as well as administered prices, accelerated from 1.3% in March to 1.7% in April. The annual growth rate of non-energy producer prices accelerated from 0.5% in March to 0.7% in April.

A sharp rise in total goods imports and exports in the first two months of 2020 was accompanied by a continued increase in the trade in goods deficit. Total goods exports went up 10.1% in January and February from the previous quarter average (Figure 10) thanks to the growth of exports of other transport equipment (mostly ships), capital goods (electrical machinery and apparatus) and food products. In contrast, exports of energy products decreased. Total imports of goods rose by 6.1% (Figure 11) largely on the strength of imports of medical and pharmaceutical products, energy products (primarily oil and refined petroleum products), road vehicles (Figure 12), metal products and textiles as well as food products. In accordance with these export and import trends, the trade in goods deficit widened by 5.4% (Figure 13). The first data for March show that coronavirus containment measures had a strong impact on the dynamics of trade in goods: total exports of goods grew at a much lower quarterly rate (3.6%) in that month than in the previous two months, while total imports of goods and the trade in goods deficit declined by 0.9% and 2.8% respectively.

The nominal exchange rate of the kuna against the euro oscillated in a narrow range of $\pm 0.2\%$ around its average of EUR/HRK 7.57 in May (Figure 22), appreciating by 0.4% from the average of EUR/HRK 7.60 in April. The exchange rate slightly exceeded its average level in the last few days of May, standing at EUR/HRK 7.58 at the end of the month, up 0.4% from the end of April. In an effort to alleviate the depreciation of the kuna to euro exchange rate when large individual foreign exchange purchases were made in the market, the CNB sold to banks small amounts of foreign exchange outside auctions (a total of EUR 150.0m) on four occasions in May. The nominal effective exchange rate of the kuna depreciated slightly in May and was 0.2% higher at the end of that month than at the end of April. The weakening of the kuna vis-à-vis the euro was offset by its strengthening versus the pound sterling and yuan renminbi, caused by the weakening of these currencies against the euro in the global foreign exchange market.

Short-term interest rates on the European money market remained in negative territory in May 2020 due to the ECB's expansionary monetary policy. The overnight interest rate for the euro area banking market, EONIA, edged down to -0.46% at the end of May, whereas the six-month EURIBOR continued to rise because of the tightening of financial conditions in the European interbank market, reaching -0.16% at the end of the month (Figure 25). Risk premiums for European emerging markets mainly narrowed slightly in May (Figure 26). The risk premium for Croatia was 75 basis points at the end of May as against 79 basis points at the end of April.

Supported by the CNB's expansionary monetary policy, the liquidity surplus of the domestic financial system reached an average daily level of HRK 36.0bn (Figure 55). The high liquidity was a result of the CNB purchasing government securities in the nominal amount of HRK 9.5bn through a fine-tuning operation, which was

carried out in late April and had an effect on liquidity (HRK 11.4bn) in early May. The average volume of regular weekly operations was HRK 0.3bn in the same month. In contrast with April, in May the interbank overnight market had no turnover in loans. The interest rate on repo operations and the implied interest rate on foreign exchange swap trading decreased, with the latter remaining in negative territory (Figure 28). As regards treasury bills, the interest rate on one-year T-bills without a currency clause held steady at 0.06% (Figure 29), while the interest rate on the auction of euro T-bills with the same maturity was 0.00%.

Bank interest rates on new corporate and household loans, which include original new loans and renegotiated loans, mostly edged up in April (Figures 29, 30 and 31). In the category of original new corporate loans, a significant increase was recorded in interest rates on working capital loans in kuna indexed to a foreign currency (Figure 32). Interest rates on original new housing and consumer loans decreased and the costs of foreign currency consumer lending dropped to their historical low (Figures 33 and 34). Interest rates on household and corporate time deposits did not change considerably in April (Figures 35 and 36). The spread between interest rates on new loans and deposits and on the stocks of these loans was 4.7 and 4.1 percentage points respectively in April (Figure 38).

Net foreign assets (NFA) increased in April 2020 and net domestic assets (NDA) decreased, with the result that total liquid assets (M4) fell by 0.1% (HRK 0.3bn). CNB foreign exchange interventions continued to change the NFA structure: the central bank's NFA decreased, while the NFA of credit institutions increased in April.⁴ The monthly decrease in the NDA resulted from a decline in household and corporate placements, while net claims on the central government grew due to a rise in government borrowing from banks. The annual growth of M4, after having accelerated sharply in March, accelerated further to 7.8% (transaction-based) in April (Figure 50), due to money (M1) growing at an accelerated annual rate of 17.7% (Figure 49) and quasi-money rising at a rate of 1.8% (transaction-based).

Total placements of monetary institutions to domestic sectors (except central government) fell by HRK 1.5bn in April, with their annual, transaction-based growth decelerating to 4.6% (Figure 41). The annual growth of household placements slowed down to 4.5% (Figure 43), primarily due to a continued slowdown in the annual growth of general purpose cash loans (6.5%) and to a smaller extent to a slowdown in the growth of housing loans (6.1%). The share of kuna placements in total household placements remained unchanged at 54.4% in April (Figure 48). Having accelerated considerably in March, the annual growth of corporate placements decelerated slightly in April, down to 4.0% (Figure 42). The annual growth of the nominal stock of placements was at 4.4% in April still higher than the transaction-based growth, primarily due to the sale of non-performing placements.

Gross international reserves decreased by EUR 0.2bn (1.3%) in May 2020, standing at EUR 15.8bn at the end of the month (Figure 57). The decrease resulted from the sales of foreign exchange to banks outside auctions and a lower level of repo transactions. Gross international reserves dropped by EUR 2.8bn (15.0%) from the end of the previous year primarily due to the sales of foreign exchange to banks aimed at preserving the stability of the exchange rate of the kuna versus the euro. Net international reserves decreased by 1.1% in May, down to EUR 15.0bn at the end of the month.

Following an increase in the last quarter of the previous year, the net external debt of domestic sectors rose by another EUR 1.0bn in the first three months of 2020 (Figure 61), mainly as a result of a decrease in the NFA of monetary institutions and a change in their

⁴ The foreign exchange auction conducted on the last day of March (EUR 618.15m) had an effect on monetary aggregates in April because the settlement date was 2 April 2020.

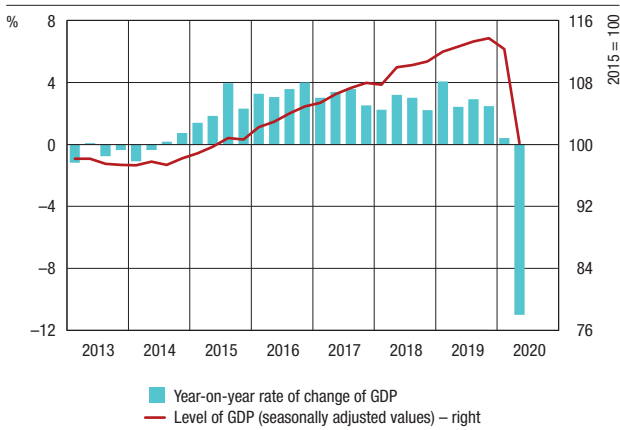
structure. Specifically, the central bank sold foreign exchange in the market on several occasions in March, which resulted in a marked decrease in international reserves and a slight increase in the NFA of credit institutions. The government’s net foreign liabilities also increased. However, these negative trends were somewhat offset by a decline in the NFL of other domestic sectors. Gross external debt stood at EUR 40.5bn at the end of March 2020 (Figure 63), which is a decrease of EUR 0.4bn from the end of the previous year, resulting almost exclusively from favourable exchange rate and other adjustments.

On 18 May 2020, the Croatian Parliament adopted amendments to the state budget and the financial plans of extrabudgetary users for 2020. The Croatian Government expects the consolidated general government balance (calculated under the ESA methodology) to deteriorate considerably from the originally planned surplus of 0.2% of GDP to a deficit of 6.8% of GDP. This deterioration reflects the direct negative effects of the pandemic on economic activity and the

fiscal effects of economic measures implemented to mitigate these effects. The budget was completely adjusted on the revenue side: total revenues were reduced by HRK 23.2bn from the amount originally planned. The level of total expenditures was not changed, but HRK 5.3bn was reallocated within expenditure categories to fund job preservation grants.

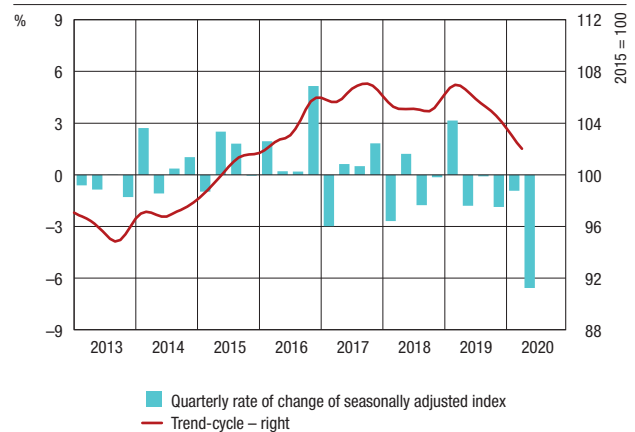
As shown by monthly MoF data,⁵ the central government budget deficit was HRK 8.8bn higher in the period from January to April 2020 than in the same period in the previous year due to a sharp rise in expenditures, coupled with a decrease in revenues. Of the total deficit generated in the first four months of 2020, HRK 7bn was realised in April. These developments were the consequence of measures implemented to alleviate the economic crisis and the slowdown in economic activity caused by the novel coronavirus pandemic. The public debt was HRK 292.1bn in February, which is a decrease of about HRK 950m from December 2019.

Figure 1 Quarterly gross domestic product
seasonally adjusted real values



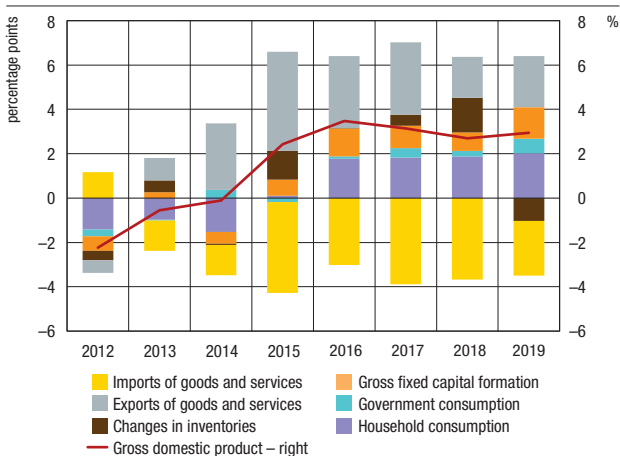
Note: Data for the second quarter of 2020 are estimated using the CNB’s monthly indicator of real economic activity, based on data published until 29 May 2020.
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

Figure 3 Industrial production



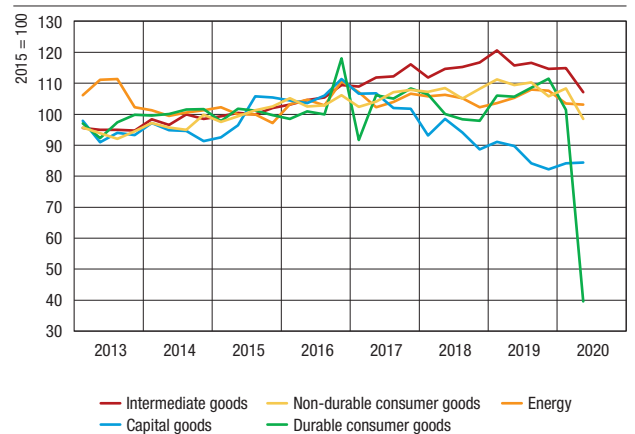
Note: Data for the second quarter of 2020 refer to April.
Source: CBS data seasonally adjusted by the CNB.

Figure 2 GDP rate of change
contributions by components



Source: CBS.

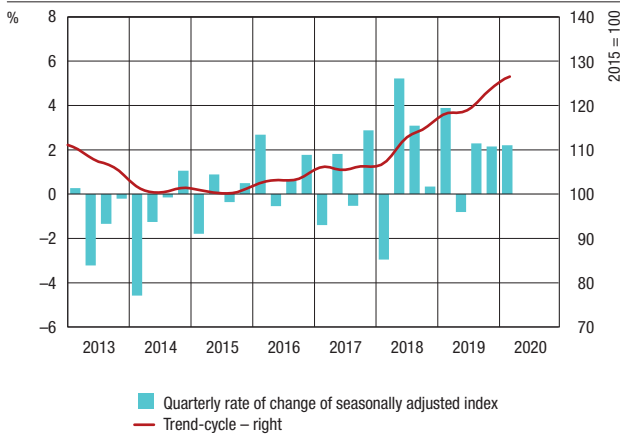
Figure 4 Industrial production by main industrial groupings
seasonally adjusted indices



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

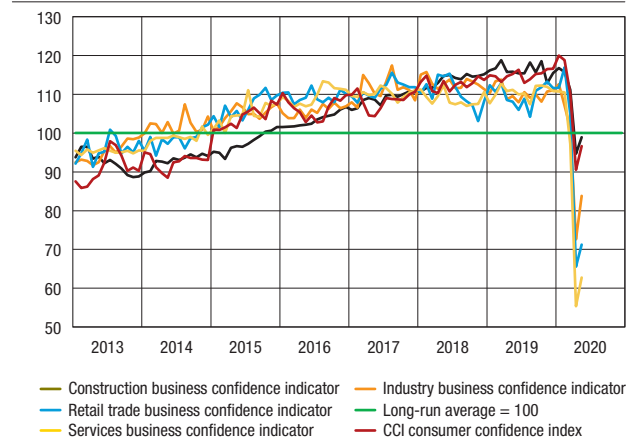
⁵ Monthly data for central government, state government and social security sub-sectors that, pursuant to Council Directive 2011/85/EU, must be published before the end of the following calendar month. The published data refer to general government units according to the scope of the ESA 2010 statistical methodology, except for data for local government, which are published on a quarterly basis.

Figure 5 Total volume of construction works



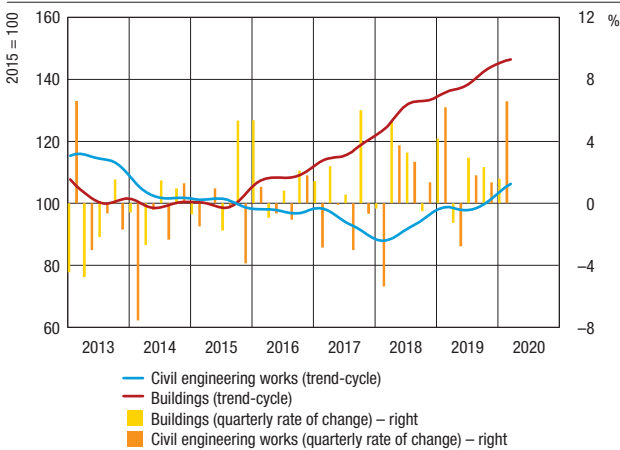
Source: CBS data seasonally adjusted by the CNB.

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



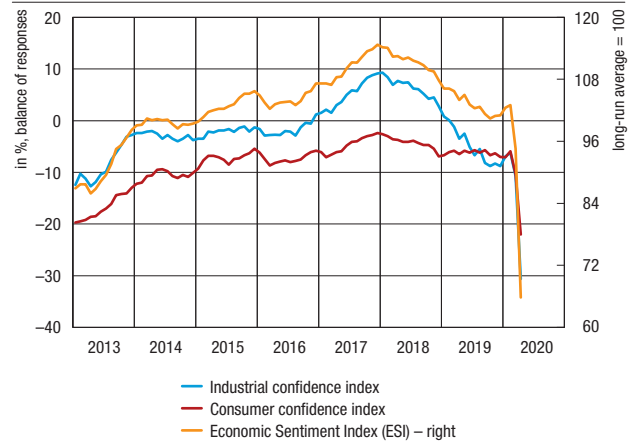
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



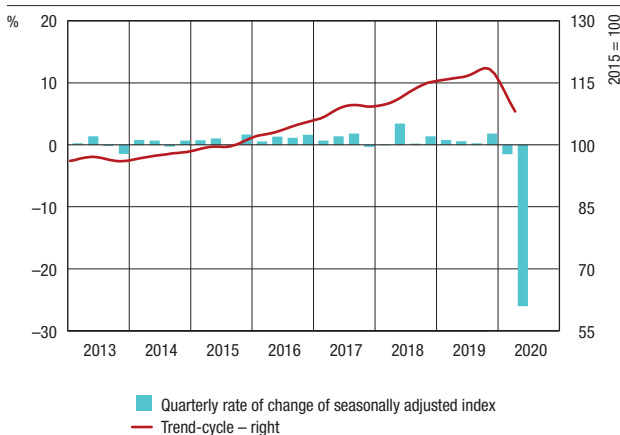
Source: CBS data seasonally adjusted by the CNB.

Figure 9 EU confidence indices seasonally adjusted series



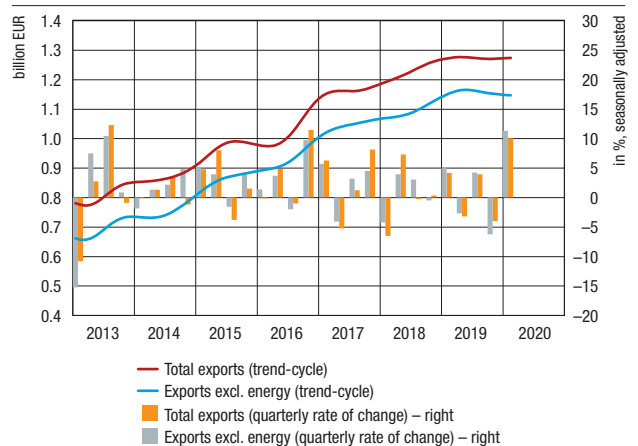
Source: Eurostat.

Figure 7 Real retail trade turnover



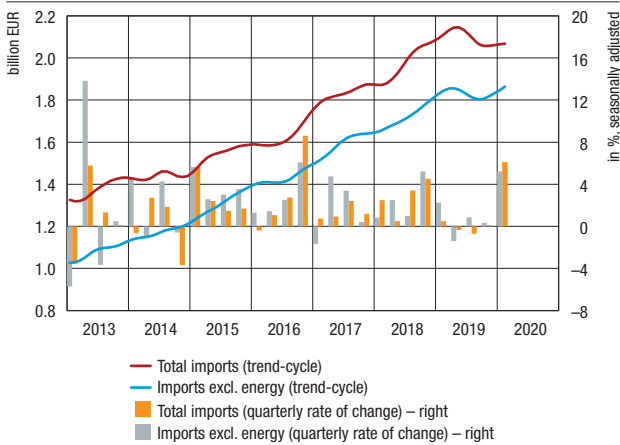
Note: Data for the second quarter of 2020 refer to April.
Source: CBS data seasonally adjusted by the CNB.

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



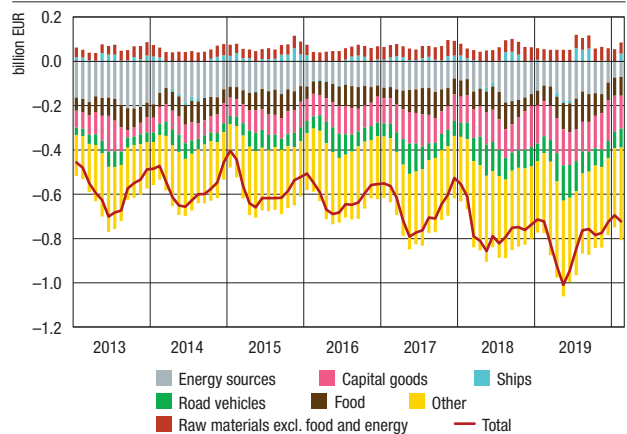
Note: Data for the first quarter of 2020 refer to January and February.
Source: CBS data seasonally adjusted by the CNB.

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



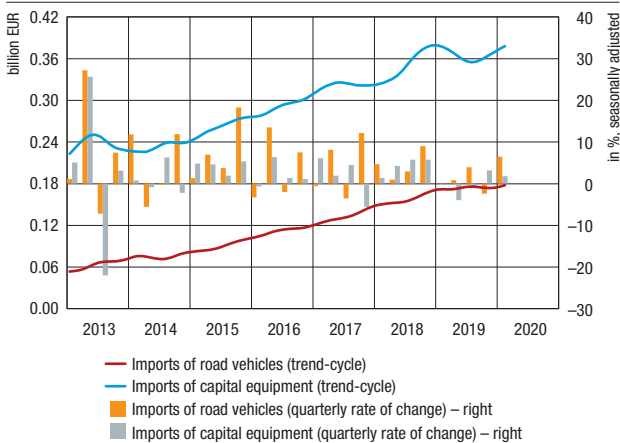
Note: Data for the first quarter of 2020 refer to January and February.
Source: CBS data seasonally adjusted by the CNB.

Figure 14 Trade in goods balance by product groups



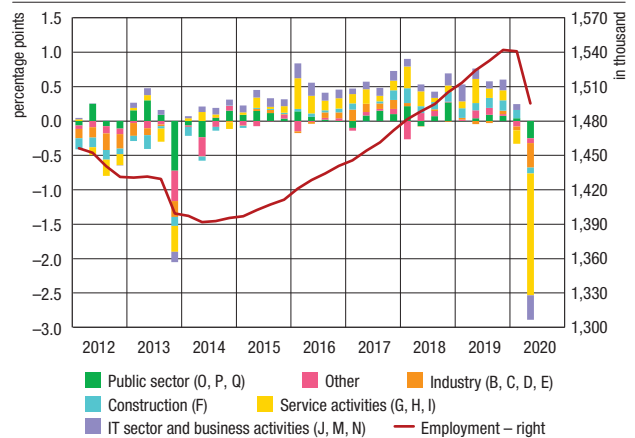
Note: Series are shown as three-member moving averages of monthly data. Data are up to February 2020.
Source: CBS.

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



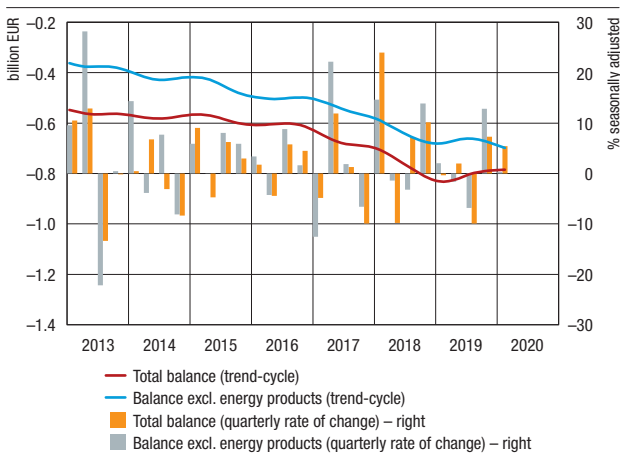
Note: Imports of capital equipment (SITC divisions 71 - 77). Data for the first quarter of 2020 refer to January and February.
Source: CBS data seasonally adjusted by the CNB.

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



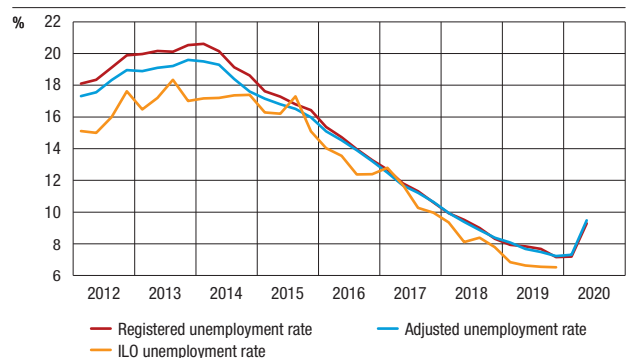
Note: Data for the second quarter of 2020 refer to April.
Source: CPII data seasonally adjusted by the CNB.

Figure 13 Trade of goods balance



Source: CBS.

Figure 16 Unemployment rates seasonally adjusted data



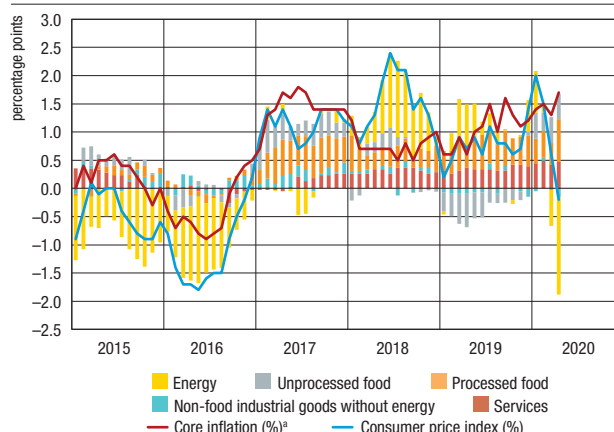
Note: Since January 2015, the calculation of the registered unemployed rate has used the data on employed persons from the JOPPD form. Data on the number of employed persons have been revised backwards for the period from January 2016 to December 2019. The adjusted unemployment rate is the CNB estimate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

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

	Year-on-year rates		Month-on-month rates	
	3/20	4/20	4/19	4/20
Consumer price index and its components				
Total index	0.6	-0.2	0.6	-0.2
Energy	-3.8	-10.2	1.7	-5.1
Unprocessed food	5.6	5.5	0.2	0.0
Processed food	1.7	3.3	-0.5	1.2
Non-food industrial goods without energy	-0.1	-0.6	1.1	0.6
Services	1.6	1.8	0.3	0.5
Other price indicators				
Core inflation	1.3	1.7	0.4	0.7
Index of industrial producer prices on the domestic market	-1.2	-4.2	0.6	-2.4
Brent crude oil price (USD)	-50.3	-67.2	7.2	-29.2
HWWI index (excl. energy, USD)	-4.5	-10.4	0.4	-5.8

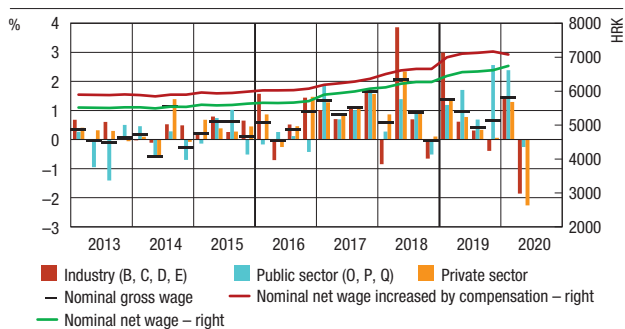
Note: Processed food includes alcoholic beverages and tobacco.
Sources: CBS, Bloomberg and HWWI.

Figure 19 Year-on-year inflation rate and contributions of components to consumer price inflation



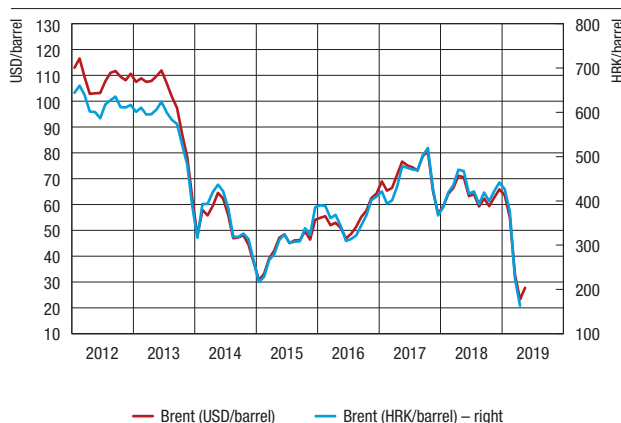
^a Core inflation does not include agricultural product prices, energy prices and administered prices.
Sources: CBS and CNB calculations.

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



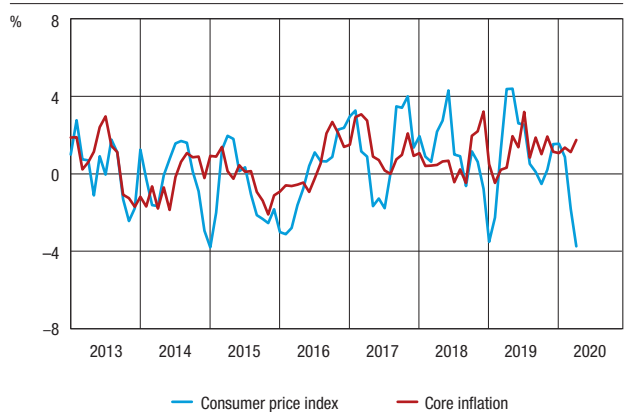
Note: Data on the average nominal gross wage by activity refer to data from the RAD-1 form, and from January 2016 to data from the JOPPD form. Data on average wages paid in February 2020 were reported in full-time equivalent, in contrast with the previous periods, when average wages were calculated by 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 wages in 2019 reported in full-time equivalent were released for analytical purposes. Data on disbursements paid before 2016 are CNB estimates.
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

Figure 20 Crude oil prices (Brent)



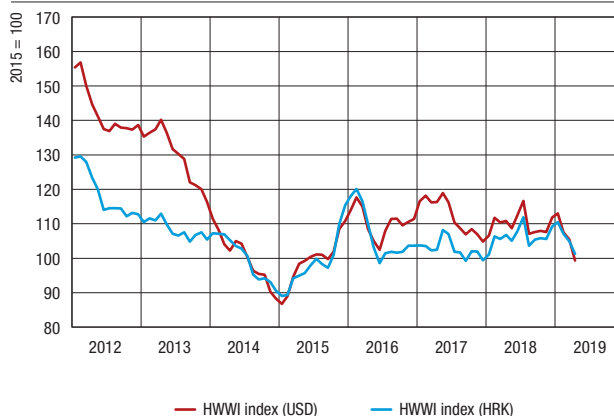
Sources: Bloomberg and CNB calculations.

Figure 18 Consumer price index and core inflation
annualised month-on-month rate of change^a



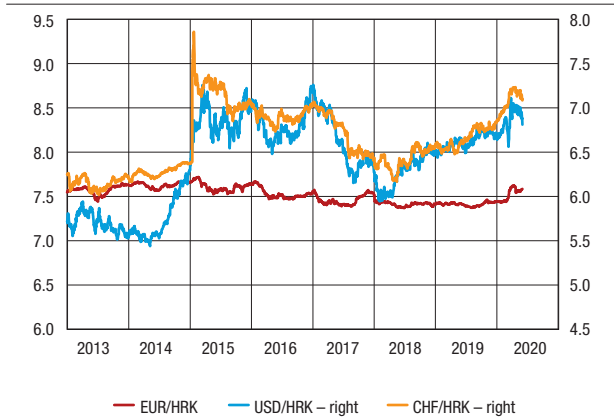
^a The month-on-month rate of change is calculated based on the quarterly moving average of seasonally adjusted consumer price indices.
Sources: CBS and CNB calculations.

Figure 21 HWWI index (excl. energy)



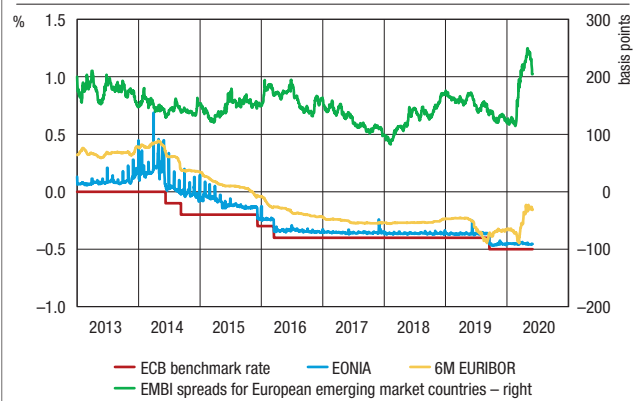
Sources: HWWI and CNB calculations.

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



Source: CNB.

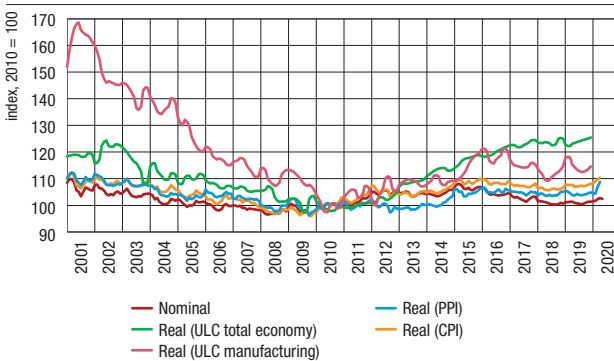
Figure 25 Interest rates on the euro and the average yield spread on bonds of European emerging market countries



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.

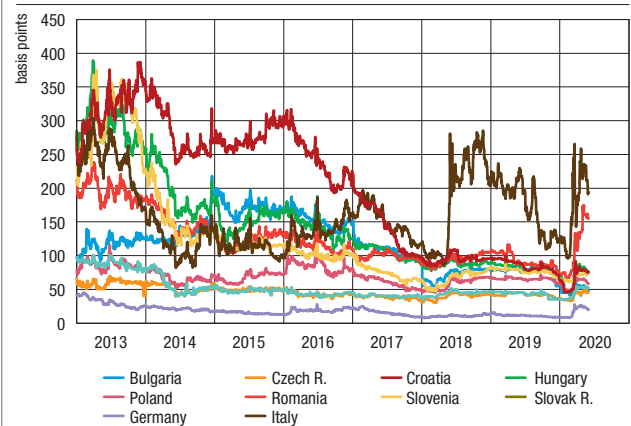
Figure 23 Nominal and real effective exchange rates of the kuna



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.

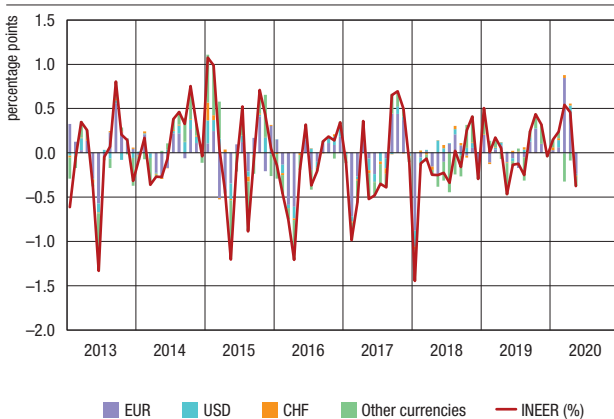
Figure 26 CDS spreads for 5-year government bonds of selected countries



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.

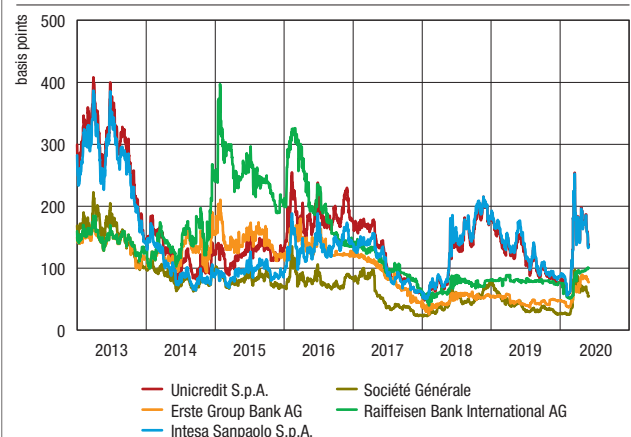
Figure 24 Contributions^a of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)



^a Negative values indicate contributions to the appreciation of the INEER.

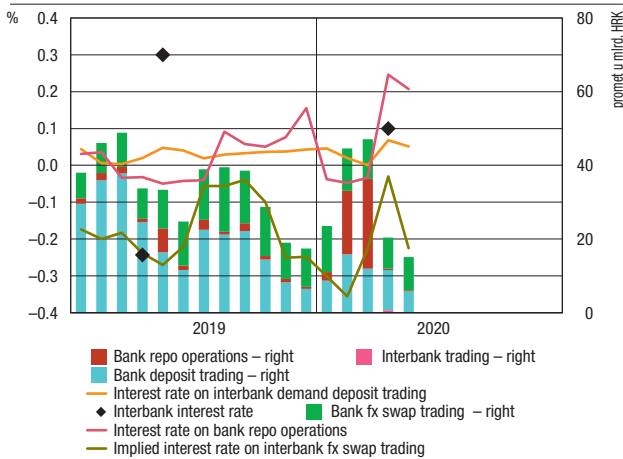
Source: CNB.

Figure 27 CDS spreads for selected parent banks of domestic banks



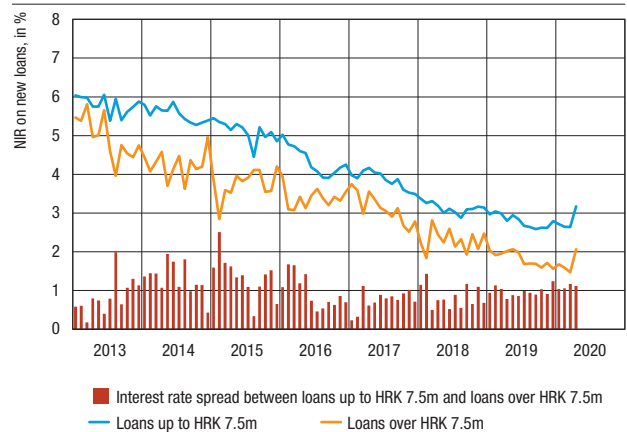
Source: S&P Capital IQ.

Figure 28 Overnight interest rates and turnovers



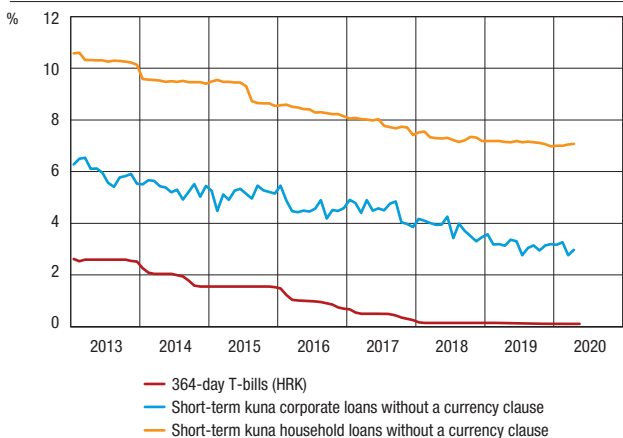
Source: CNB.

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



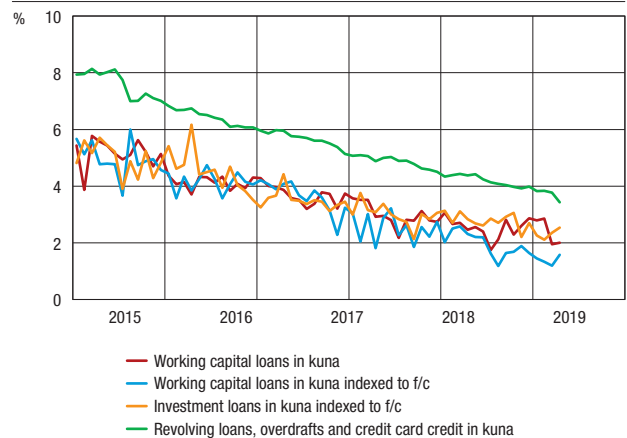
Source: CNB.

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



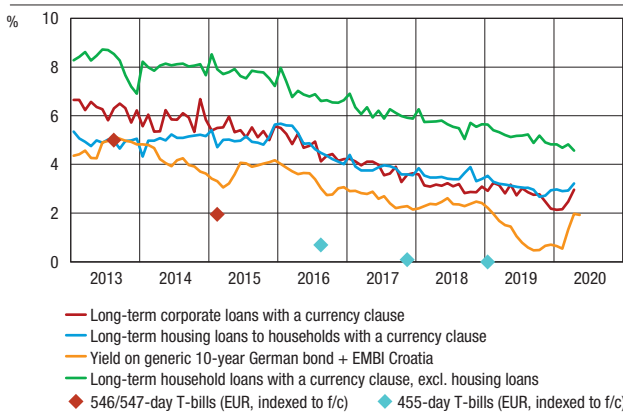
Sources: MoF and CNB.

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



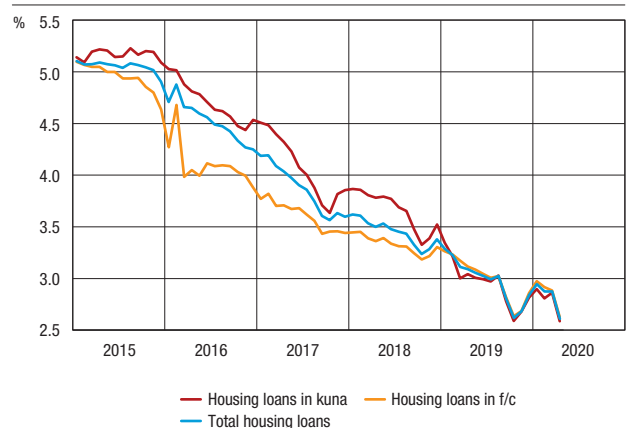
Source: CNB.

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



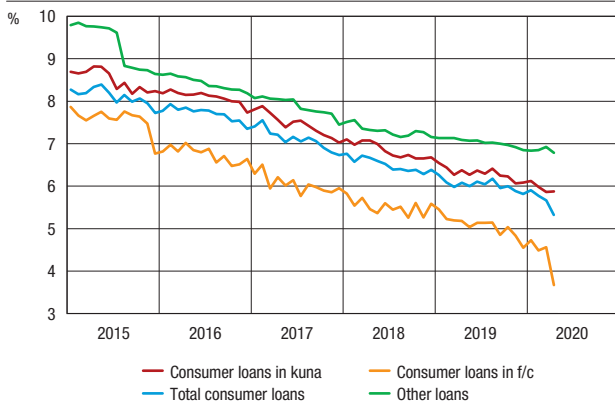
Note: EMBI, or the Emerging Market Bond Index, issued by developed countries, shows the spread between yields on government securities of emerging market economies, Croatia included, and risk-free securities of developed countries.
Sources: MoF, Bloomberg and CNB.

Figure 33 Interest rates on original new housing loans to households



Source: CNB.

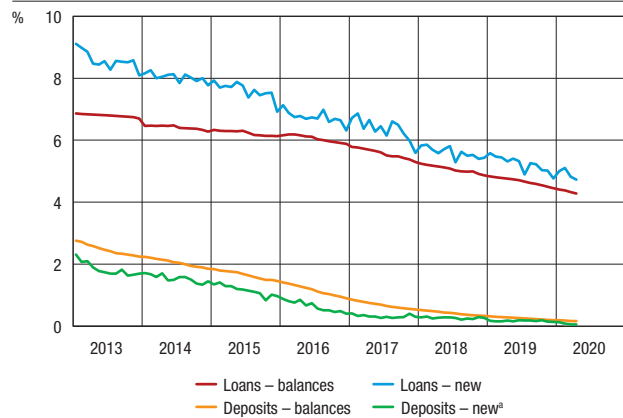
Figure 34 Interest rates on original new consumer loans and other loans to households



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.

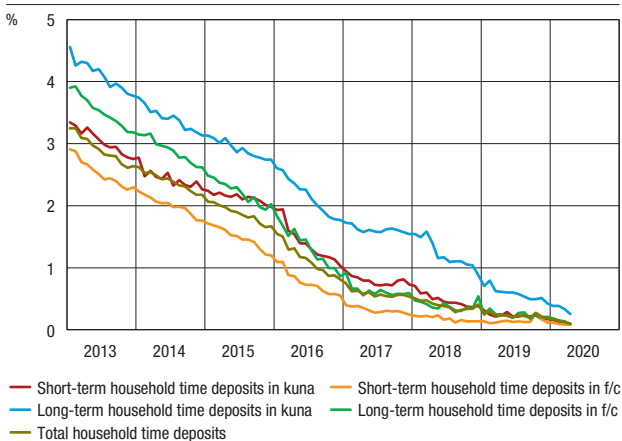
Figure 37 Average interest rates on loans (excl. revolving loans) and deposits



* For time deposits, interest rates on newly received deposits are weighted by their balances.

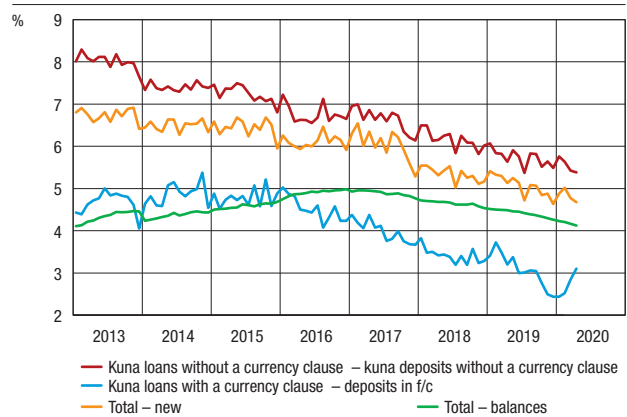
Source: CNB.

Figure 35 Interest rates on household time deposits



Source: CNB.

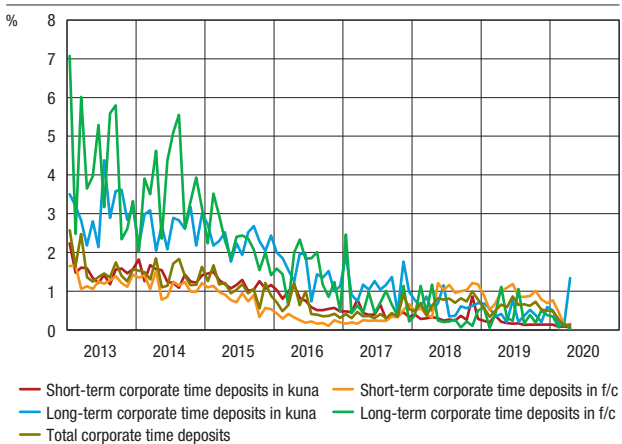
Figure 38 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits



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).

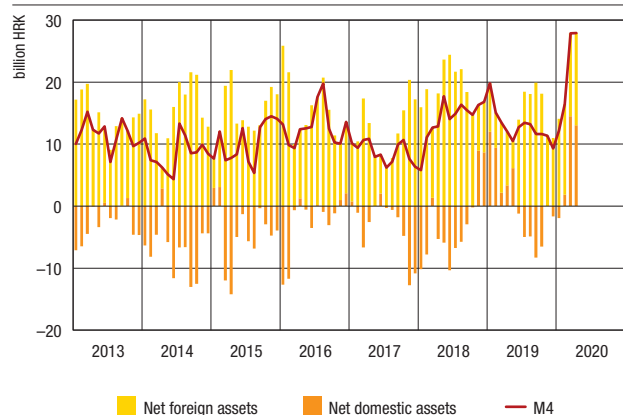
Source: CNB.

Figure 36 Interest rates on corporate time deposits



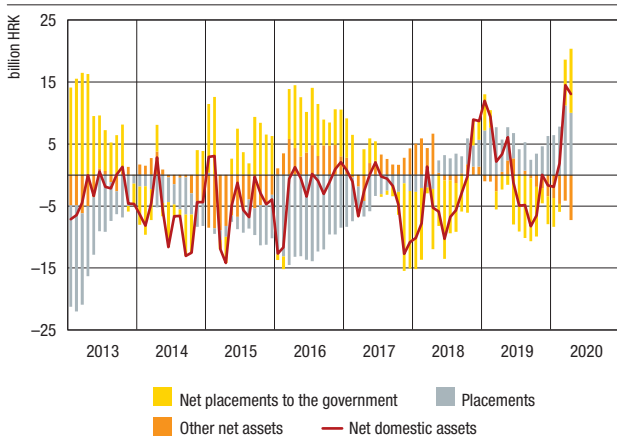
Source: CNB.

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



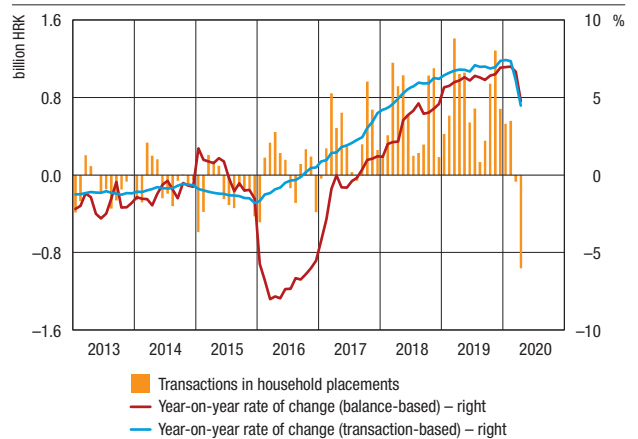
Source: CNB.

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



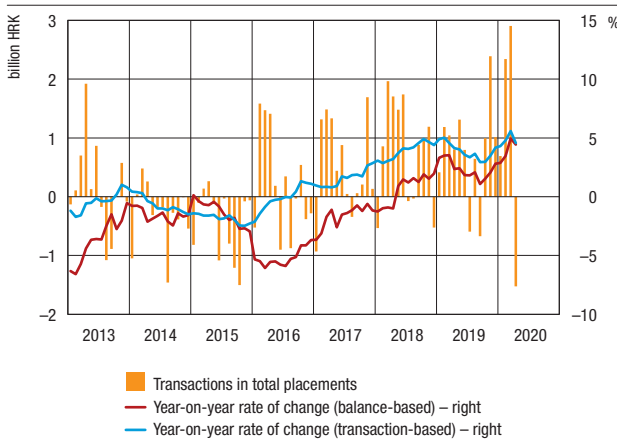
Source: CNB.

Figure 43 Placements to households



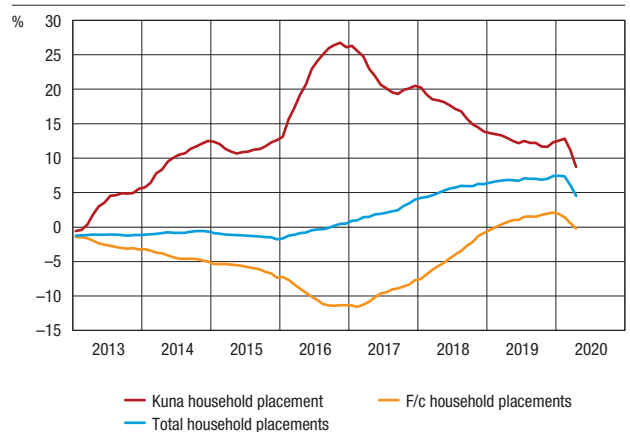
Source: CNB.

Figure 41 Placements



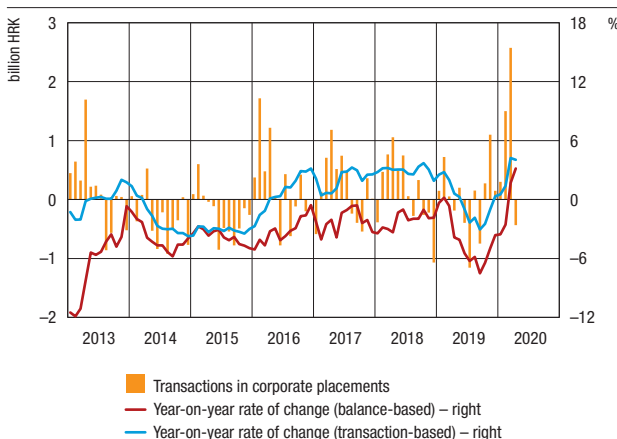
Source: CNB.

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



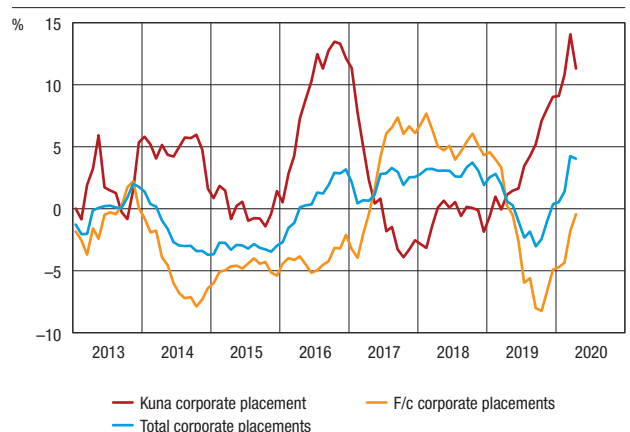
Source: CNB.

Figure 42 Placements to corporates



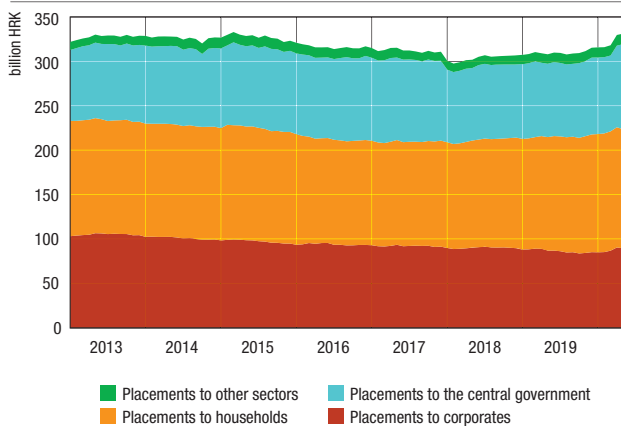
Source: CNB.

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



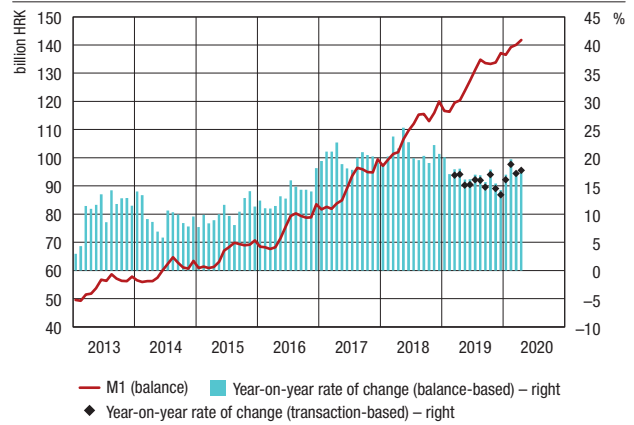
Source: CNB.

Figure 46 Structure of monetary institution placements



Source: CNB.

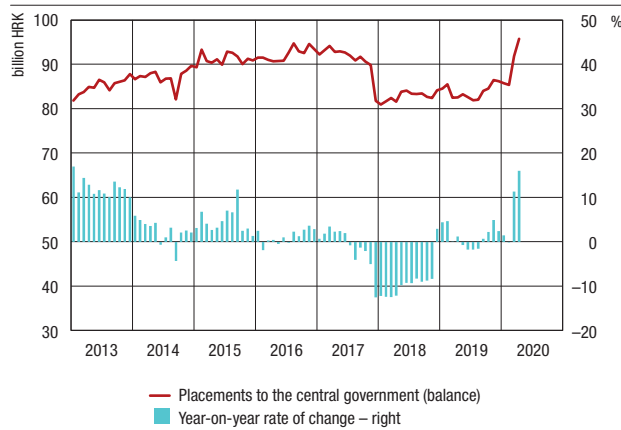
Figure 49 Money (M1)



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

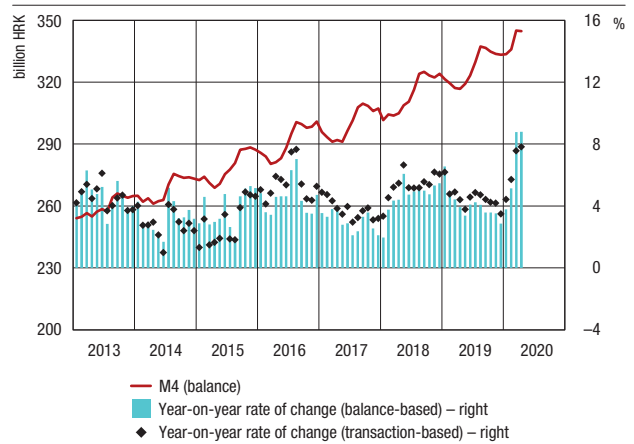
Source: CNB.

Figure 47 Placements of monetary financial institutions to the central government



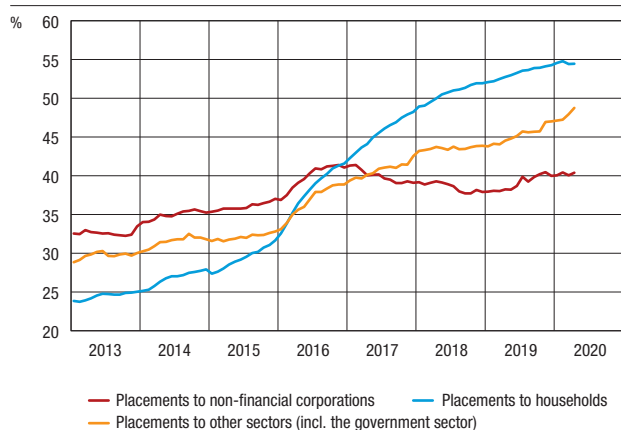
Source: CNB.

Figure 50 Total liquid assets (M4)



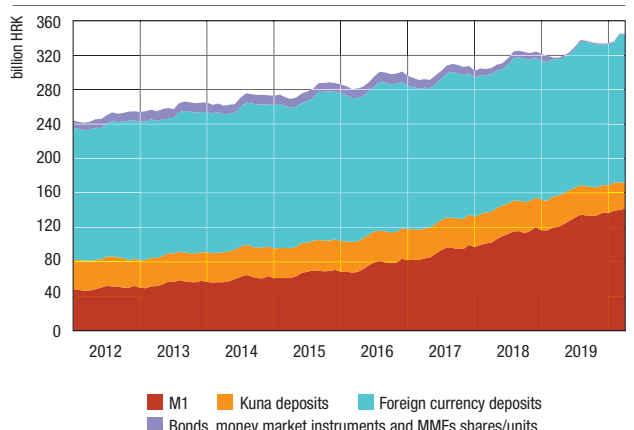
Source: CNB.

Figure 48 Share of kuna placements in total sector placements



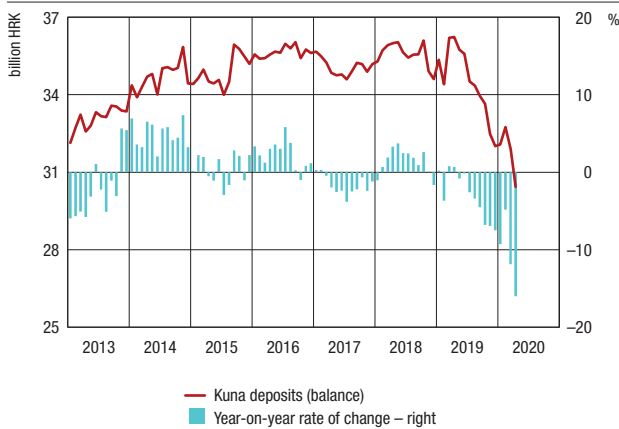
Source: CNB.

Figure 51 Structure of M4 monetary aggregate



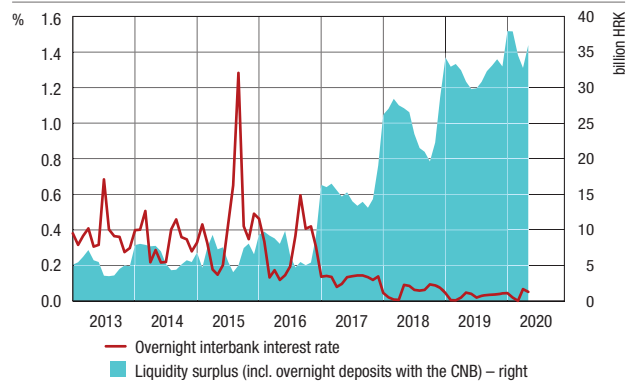
Source: CNB.

Figure 52 Kuna savings and time deposits



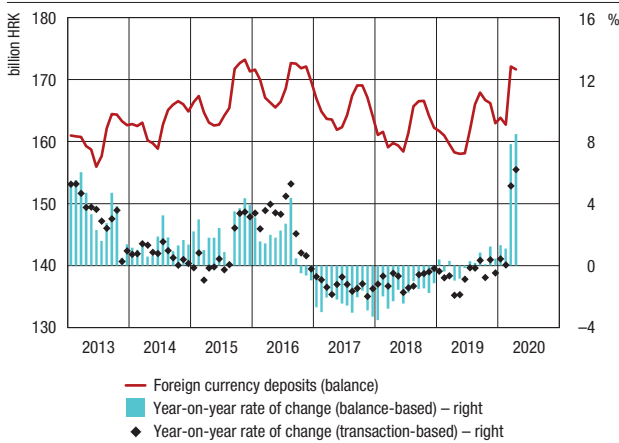
Source: CNB.

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



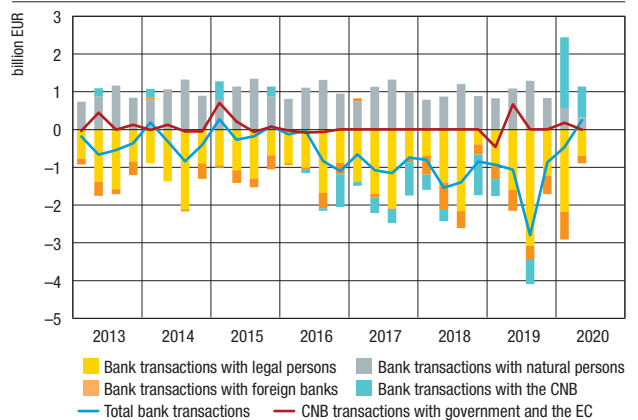
Note: Liquidity surplus is the difference between the balance in bank settlement accounts with the CNB and the amount that banks are required to hold in their accounts after the calculation of reserve requirements. The overnight interest rate until the end of 2015 refers to the overnight interbank interest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

Figure 53 Foreign currency deposits



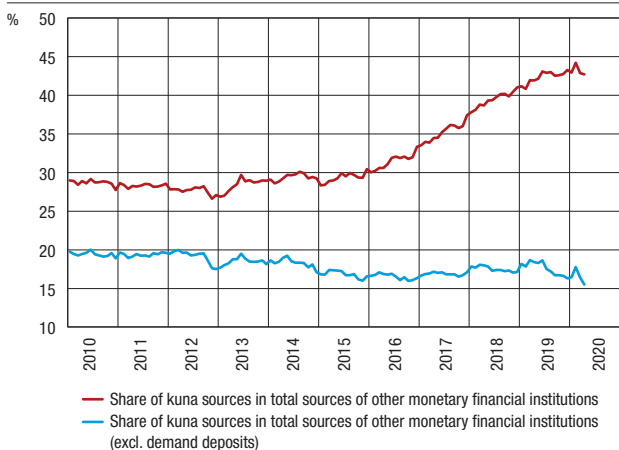
Source: CNB.

Figure 56 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. Data for the second quarter refer to April and May.
Source: CNB.

Figure 54 Share of kuna sources



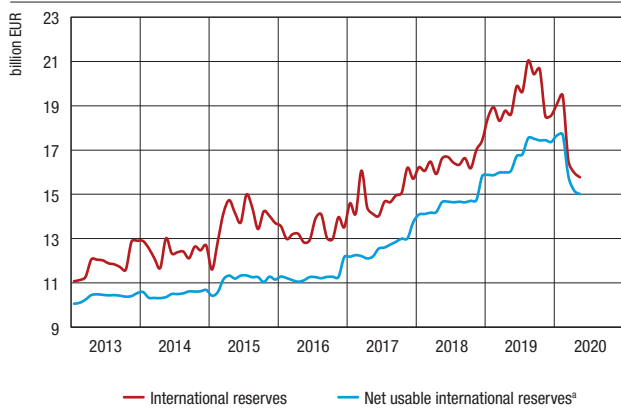
Source: CNB.

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.

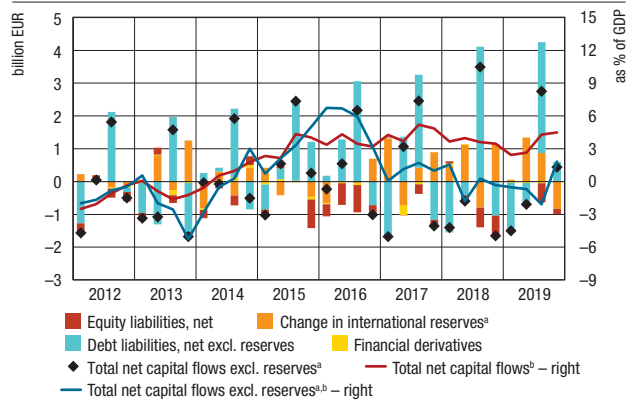
Figure 57 International reserves of the CNB at current rate of exchange



^a 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

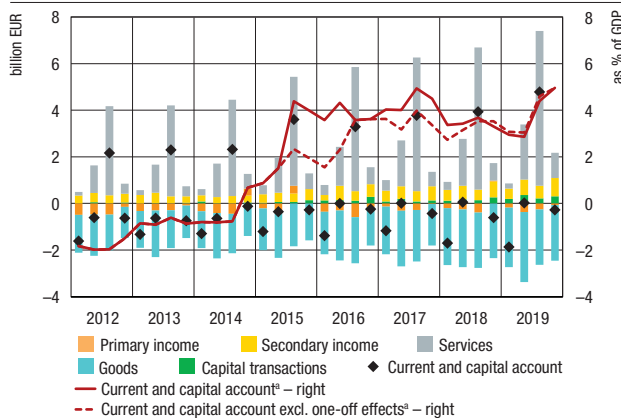


^a The change in gross international reserves is reported net of foreign liabilities of the CNB. ^b Sum of the last four quarters.

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.

Figure 58 Current and capital account flows

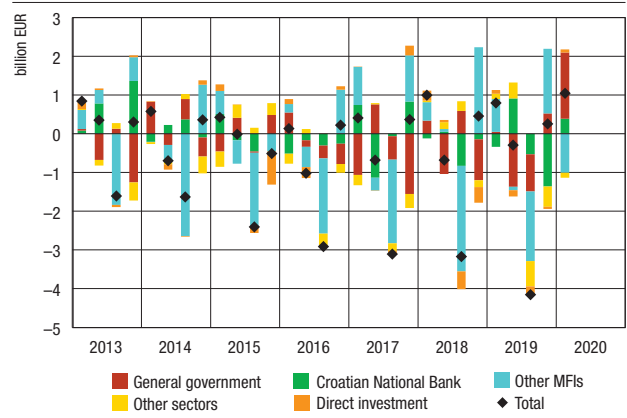


^a Sum of the last four quarters.

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.

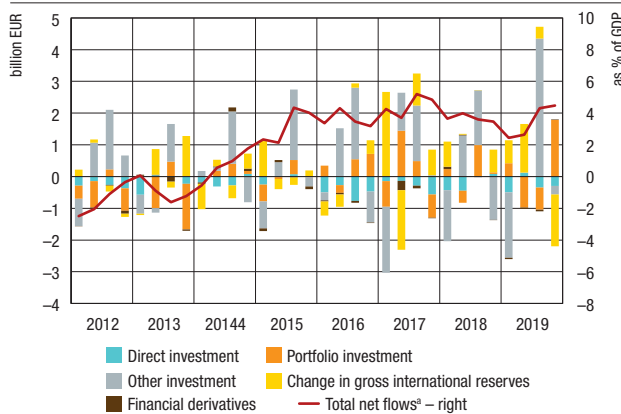
Figure 61 Net external debt transactions



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 2020 refer to January and February.

Source: CNB.

Figure 59 Financial account flows by type of investment

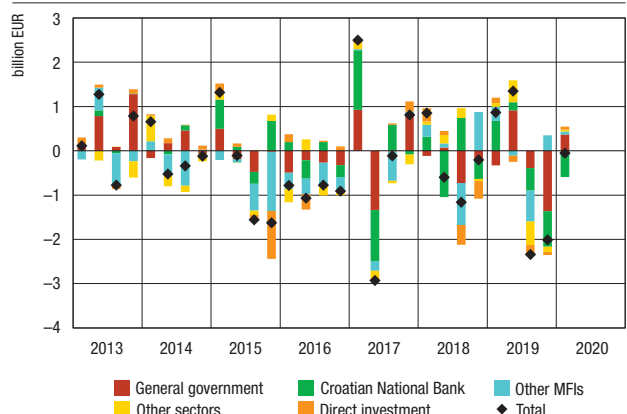


^a Sum of the last four quarters.

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

Source: CNB.

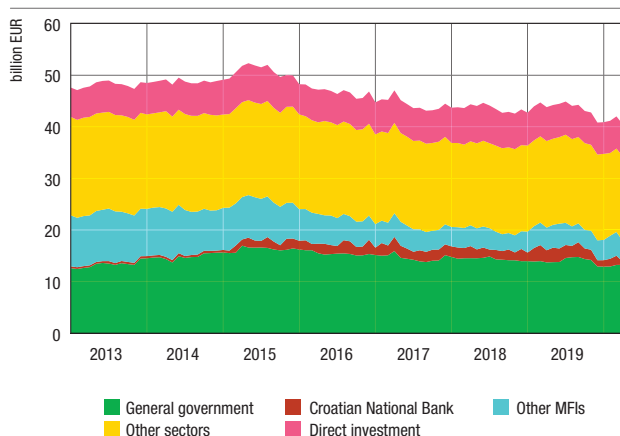
Figure 62 Gross external debt transactions



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

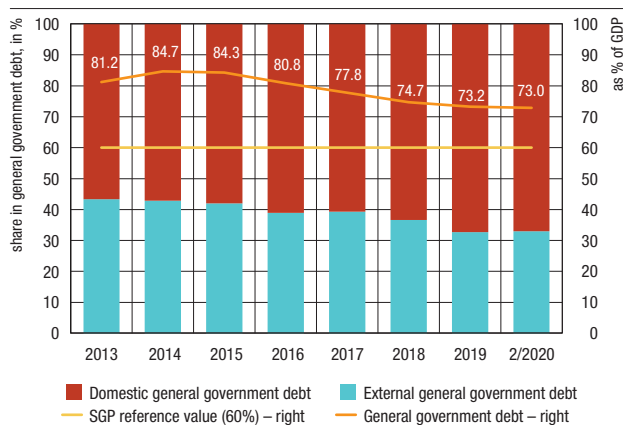
Source: CNB.

Figure 63 Gross external debt
end of period



Note: Data are up to March 2020.
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.

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

	Feb. 2019	Feb. 2020
Change in total debt stock	3,827	–950
Change in domestic debt stock	4,116	–3,586
– Securities other than shares, short-term	–556	–973
– Securities other than shares, long-term	5,474	–2,602
– Loans	–762	96
Change in external debt stock	–289	2,636
– Securities other than shares, short-term	38	0
– Securities other than shares, long-term	286	2,672
– Loans	–613	–36
Memo item:		
Change in total guarantees issued	19	89

Source: CNB.

Table 3 Consolidated general government balance
ESA 2010, in million HRK

	Jan. – Dec. 2018	Jan. – Dec. 2019
Total revenue	178,139	190,097
Direct taxes	24,776	26,661
Indirect taxes	76,666	81,289
Social contributions	45,911	47,363
Other	30,787	34,783
Total expenditure	177,290	188,543
Social benefits	59,516	62,205
Subsidies	6,132	6,195
Interest	8,870	8,882
Compensation of employees	45,121	47,486
Intermediate consumption	31,175	33,329
Investment	13,477	17,193
Other	12,997	13,254
Net lending (+)/borrowing (–)	850	1,553

Sources: Eurostat and CBS.

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