Zagreb, 26 March 2018

Announcement of the application of the countercyclical buffer rate for the Republic of Croatia for the second quarter of 2019

In accordance with Article 123 of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015 and 15/2018), the Croatian National Bank (CNB) hereby announces that the Decision on the countercyclical buffer rate (Official Gazette 9/2015), which prescribes the countercyclical buffer rate of 0%, will continue to be applied in the second quarter of 2019.

The Decision on the countercyclical buffer rate provides an instrument to be used, if necessary, to limit excessive credit growth; it is a variable capital requirement that depends on the cyclical component of the private sector relative credit gap (i.e. the ratio of loans to households and non-financial enterprises to gross domestic product)[1]. The Decision sets the countercyclical buffer rate at 0%, to be applied as of 1 January 2016. On the basis of a recent analytical assessment of the evolution of systemic risks, the CNB hereby announces that it shall maintain the same rate of 0%, which shall be applied in the second quarter of 2019, i.e. as of 1 April 2019. In accordance with Articles 119, 123 and 380 of the Credit Institutions Act, the following relevant information is disclosed:

Economic growth decelerated from the third to the fourth quarter of 2017, largely due to slower growth in gross investments as well as the larger negative contribution of net exports of goods and services. The slowdown in real GDP growth towards the end of the year was accompanied by the mild increase in the annual growth rate of domestic placements of other monetary financial institutions to domestic sectors (excluding the central government) in terms of transactions. However, the stock of placements decreased slightly, largely owing to the ongoing sale of non-performing placements and, to a lesser extent, the strengthening of the exchange rate of the kuna. A stronger annual increase in placements (based on transactions) was recorded in the household sector, while a somewhat milder growth was recorded in the non-financial corporate sector. In terms of loan type, housing and any-purpose cash loans to households recorded annual growth, while in the non-financial corporate sector, the strongest annual increase was recorded in investment loans and working capital loans. At the same time, non-financial enterprises and

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[1] For detailed methodological explanations see Box 4 Financial cycle and countercyclical capital buffer calibration, Financial Stability, No.13, July 2014.

households continued to deleverage abroad even more strongly, which is evident both in terms of external debt stock and in terms of transactions.

The balance of total domestic placements and external debt of non-financial enterprises and households decreased, which, together with the increase in gross domestic product, resulted in a further reduction in the standardised indicator of relative indebtedness. At the end of the fourth quarter of 2017, this indicator fell to 80.3%, while the credit gap, calculated on the basis of the standardised ratio, continued to be negative (–25.7%). Similar trends have also been observed for the specific indicators of relative indebtedness based on the narrow definition of credit, which comprises only loans of domestic credit institutions, placed in relation to the quarterly, seasonally adjusted, GDP (Figures 1 and 2). As there is still no cyclical pressure build-up that would require corrective action from the CNB, the buffer guide estimated for the second quarter of 2019 stands at 0%.

Figure 1 Credit gap (credit-to-GDP ratio) and short-term gap (relative deviation of the ratio from its long-term trend)[a]

Figure 2 Buffer guide

1.a Standardised indicator
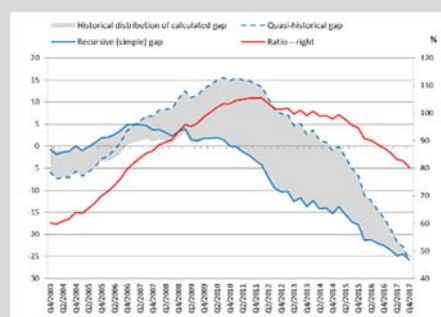
1.b Specific indicator
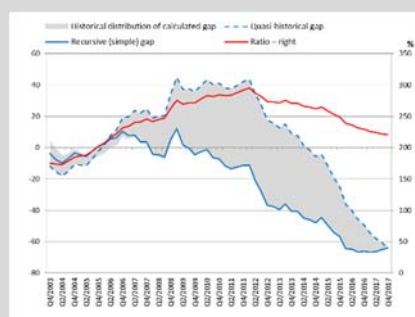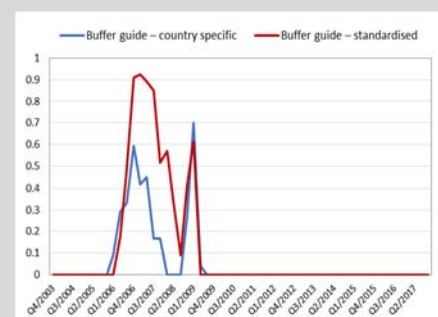

[a] Calculations of all relevant ratios (standardised ratio is the ratio of total placements, i.e. domestic placements and external debt, to nominal annual GDP, while the specific ratio is the ratio of loans of domestic credit institutions to the quarterly, seasonally adjusted, GDP) and the short-term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

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

As part of its macroprudential policy, the CNB will continue to regularly monitor the evolution of potential imbalances in financing non-financial sector needs and announce countercyclical buffer rates on a quarterly basis as well as buffer guides needed for their calculation. With reference to this, the CNB will also rely on all other relevant information and indicators that may point to risks of excessive credit growth, such as price developments in the goods and services markets, real estate price developments, the current account deficit, the dynamics of placements and monetary aggregates, etc., which are available at the following website: http://www.hnb.hr/analyses-and-publications/regular-publications/bulletin.