

Zagreb, 28 March 2019

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

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

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

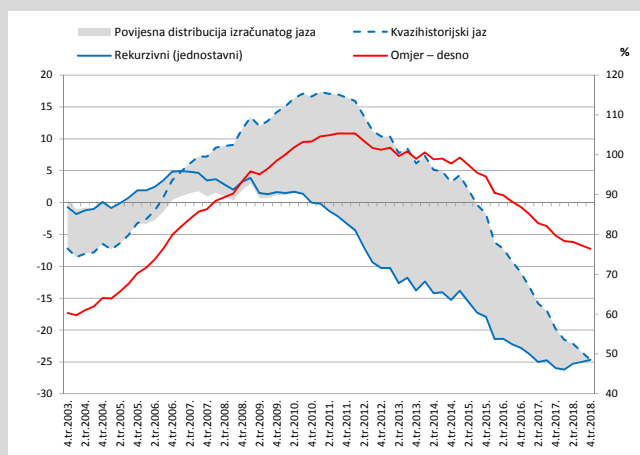
The continued growth in economic activity in the fourth quarter of 2018 was accompanied by a slight decrease in the total placements to households and non-financial corporations, primarily as a result of the sale of bad placements from the portfolios of monetary financial institutions. At the same time, based on transactions, moderate growth of placements was maintained due to the continued increase of placements to the households sector. Similarly as over the previous quarters, non-collateralised general-purpose cash loans grew the most, while housing loans grew at a slower pace. The growth of placements to non-financial corporations decelerated due to a one-off reduction in loans to the shipbuilding sector following the activation of state guarantees.

The standardised indicator of relative indebtedness continued to decline due to the increase in the nominal gross domestic product coupled with a small reduction of total domestic and external claims on the non-financial sector. Since this indicator remained below its long-term trend, the credit gap, calculated on the basis of the standardised ratio remained negative at –24.7% (Figure 1.a). The specific indicator of relative indebtedness, i.e. the ratio of domestic credit institution's loans to quarterly, seasonally adjusted GDP declined as well and the credit gap calculated on the basis of this indicator (Figure 1.b) also remained negative. As there is still no cyclical pressure build-up that would require corrective action on the part of the CNB, the buffer guide estimated for the second quarter of 2020 remains 0%.

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

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

1.a Standardised indicator



1.b Specific indicator

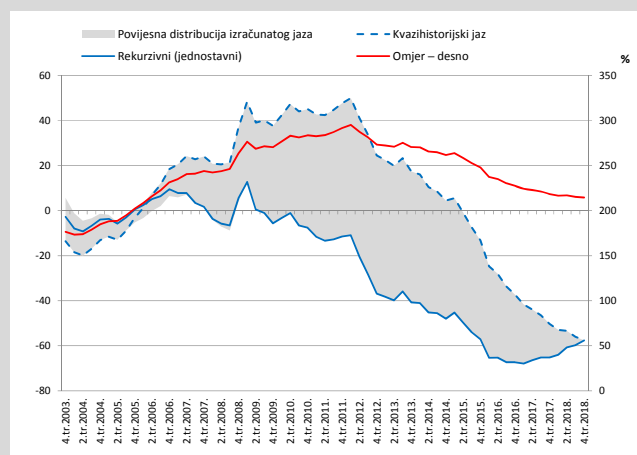
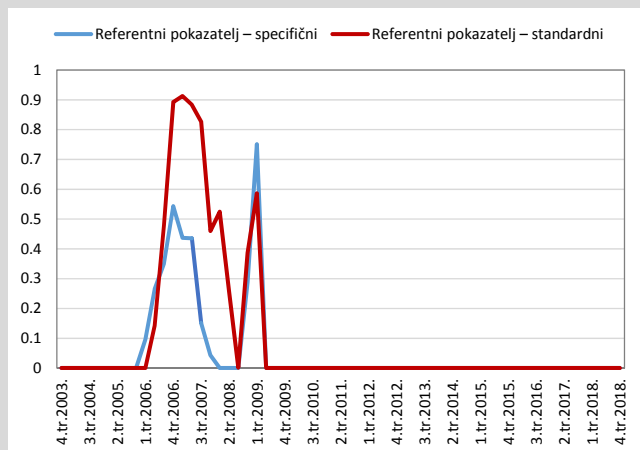


Figure 2 Buffer guide



^a The calculations of all relevant ratios (standardised ratio is the ratio of total placements, i.e. domestic placements and external debt, to nominal annual GDP, while the specific ratio is the ratio of loans of domestic credit institutions to the quarterly, seasonally adjusted, GDP) and the short-term gap are made on a sample as of 2000. The quasi-historical gap is calculated on the entire sample 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.

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