

Zagreb, 30 September 2020

## Announcement of the continued application of the countercyclical buffer rate for the Republic of Croatia for the fourth quarter of 2021

To ensure continuity of bank lending to the non-financial private sector amid worsening of economic developments caused by the coronavirus pandemic, the countercyclical buffer rate that will be applied in the fourth quarter of 2021, i.e. from 1 October 2021 **will remain to be 0%**. The relevant information pursuant to Article 119 and Article 123 of the Credit Institutions Act can be found at CNB website.

As competent macroprudential authority, the CNB will continue to monitor closely the economic and financial developments and will act in the area of macroprudential policy in coordination with monetary policy and supervisory measures to facilitate and accelerate economic recovery after the crisis caused by the coronavirus pandemic.

Chart 1: Buffer guide

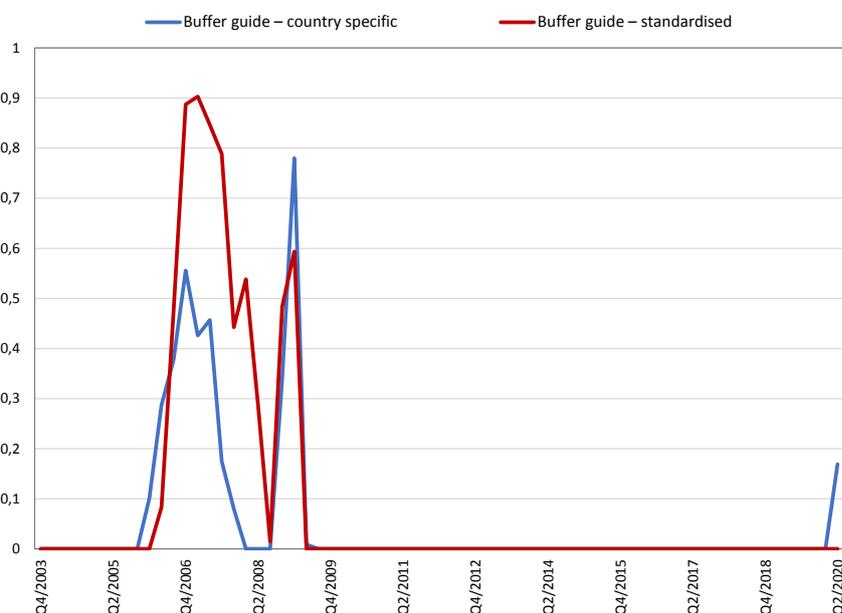
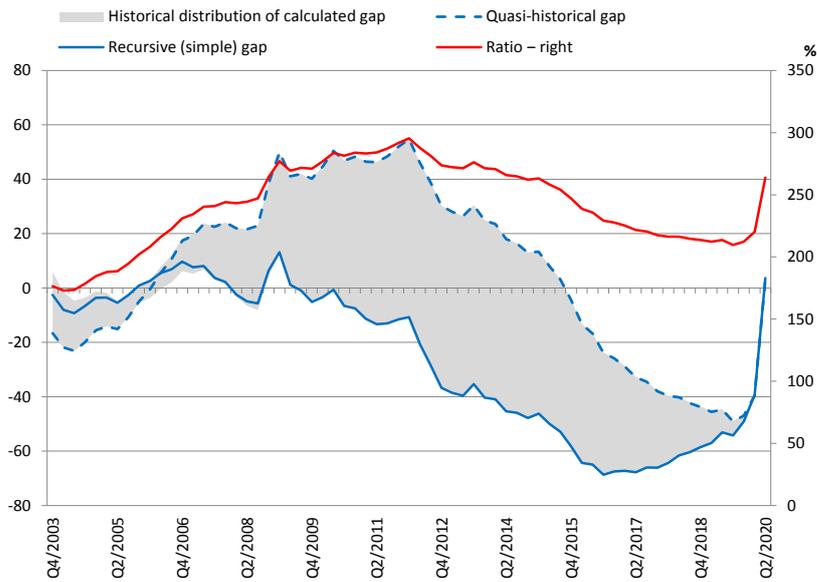
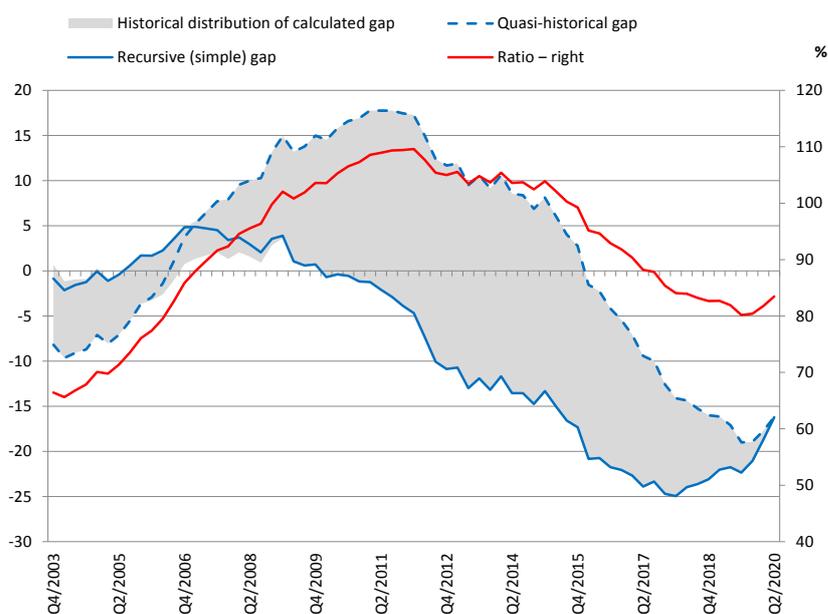


Chart 2: Specific indicator of relative indebtedness and short-term gap<sup>a</sup>



Note: The specific buffer guide has risen considerably, influenced by a large contraction of gross domestic product (GDP) in the second quarter of 2020, which resulted in a jump in the specific relative indebtedness ratio, which has the quarterly, seasonally adjusted GDP as its denominator. Credit activity amid the crisis caused by the pandemic continues to be subdued and there is currently no risk of excessive credit growth. As a result, this indicator's signal was not taken into account in the decision on the countercyclical buffer rate.

Chart 3: Standardised indicator of relative indebtedness and short-term gap<sup>a</sup>



<sup>a</sup> 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 quarterly, seasonally adjusted, GDP) and the short-term gap are made on a sample as of 2000. The quasi-historical gap is calculated on the entire sample, while the recursive gap is calculated on the right-hand side moving sample (of available data for each quarter), with the last observations being always the same for both gap indicators. The historical distribution of the calculated gap is the area between the lowest and the highest value of the gap calculated by moving the sample to the right. Historical series of buffer guides are shown as the function of the short-term (recursive) gap.

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