Zagreb, 29 September 2021

Announcement of the continued application of the countercyclical buffer rate for the Republic of Croatia for the fourth quarter of 2022

The Croatian National Bank has carried out a regular quarterly assessment of the required level of the countercyclical capital buffer. Based on a recent analytical assessment of cyclical systemic risk evolution, the CNB announces that the same rate of 0% will continue to be applied in the fourth quarter of 2022 as of 1 October 2022. The relevant information pursuant to Article 119 and Article 123 of the Credit Institutions Act can be found below.

Strong economic recovery that is expected to continue into the second part of the year, along with further favourable financing conditions, supported credit activities of banks. Continued acceleration in household placements mostly mirrors faster growth in housing loans, driven by Spring 2021 government housing loans subsidy programme, amid falling interest rates on housing loans. At the same time, housing prices continued to grow, further departing from economic fundamentals. Since the described developments suggest a possible beginning of systemic risks accumulation in the domestic economy, as the competent macroprudential authority, the CNB will continue to monitor regularly the economic and financial developments and further evolution of systemic risks so as to be able to adjust on time the countercyclical buffer rate.
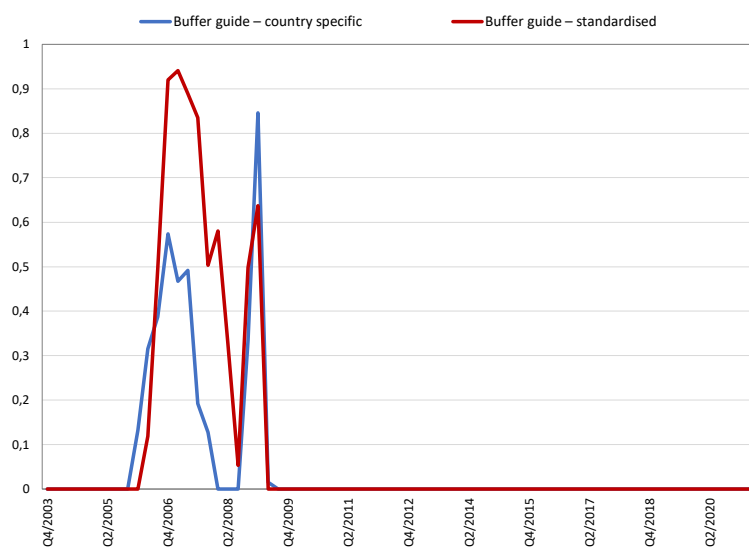
Chart 1 Buffer guide

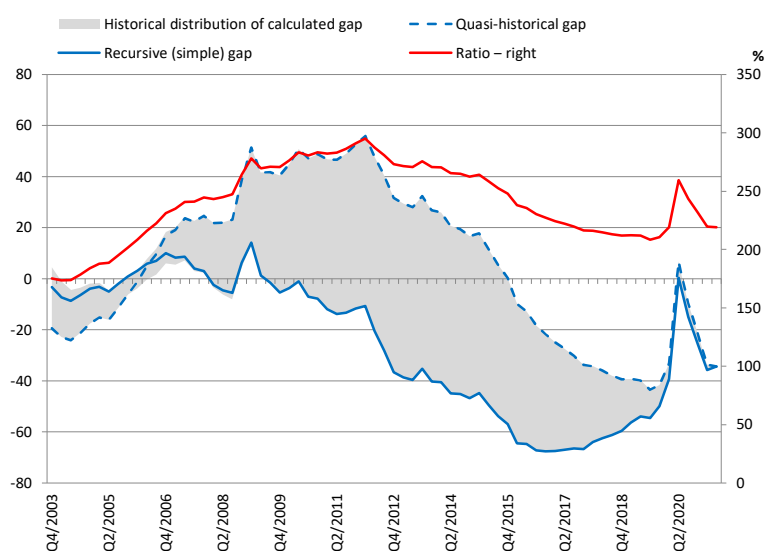## Chart 2 Specific indicator of relative indebtedness and short-term gap[a]
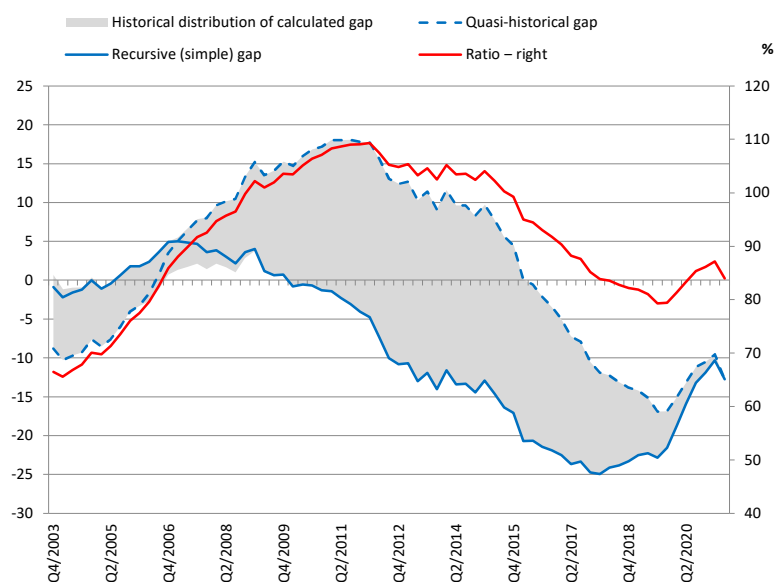
Chart 3 Standardised indicator of relative indebtedness and short-term gap[a]

[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 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; time series of external debt of non-financial private corporations is adjusted for the effect of reclassification of a part of the external debt from loans and debt securities into external debt from direct investment.