



HNB

Trg hrvatskih velikana 3, HR-10000 Zagreb · T. +385 1 4564 555 · F. +385 1 4610 551
www.hnb.hr

29 September 2023

Announcement of the continued application of the countercyclical buffer rate of 1.5% for the Republic of Croatia

The regular quarterly assessment of systemic risks of a cyclical nature suggests a mature phase of the financial cycle with increased cyclical vulnerabilities, the major contributor to which are developments in the residential real estate market and strong bank lending to the private sector. Accordingly, the currently announced countercyclical buffer rate of 1.5% will continue to be applied. The relevant information in accordance with Articles 119 and 123 of the Credit Institutions Act is given below.

The indicators of the specific credit gap for the Republic of Croatia (Figure 1) and the composite indicator of cyclical systemic risk (Figure 2), combining a larger group of indicators associated with the developments in the financial cycle, remained elevated in the first quarter of 2023 (Table 1). Housing loans continued to be the major contributor to household loans, going up by 10.1% in August 2023 on an annual level (transaction-based), while the growth of general-purpose cash loans continued accelerating as well, with an annual rate of change reaching 7.4% in August. Despite the slowdown, which is partly a consequence of the base effect, that is, of exceptionally high growth rates over the past year, lending activity in the non-financial corporate sector remains high, with the annual growth rate of 10.7% in August 2023. The growth of residential real estate prices continues to be exceptionally strong, so the latest available data for the first quarter 2023 showed that they were 14% higher than in the same period last year, while the first available data for the second quarter showed a similar level of price growth, supported by the new round of the government housing loan subsidy programme.

Taking into account the foregoing, as well as risks associated with the slowdown in the euro area, in the circumstances of elevated inflation and interest rates, the CNB will continue to pursue its macroprudential policy aimed largely at strengthening and preserving the resilience of the banking system. Accordingly, it will keep the announced countercyclical buffer rate of 1.5% after 30 September 2024. As the designated macroprudential authority, the CNB will continue to monitor regularly the evolution of cyclical systemic risks in the light of domestic and global economic and financial developments, so as to be able to make a timely adjustment to the countercyclical buffer rate.

Table 1 Indicators of cyclical systemic risk and the associated benchmark countercyclical buffer rates for Q1/2023

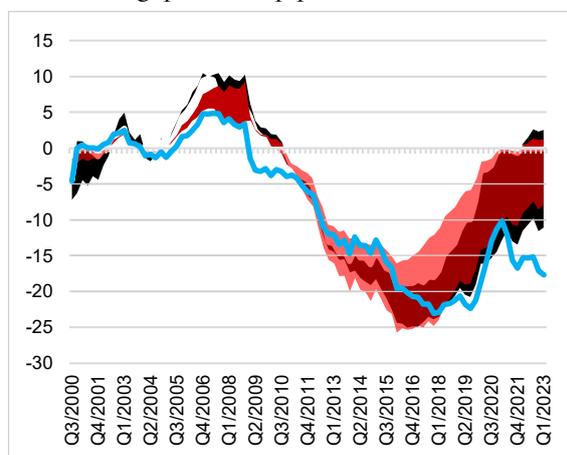
Indicator	Ratio/indicator value	Credit gap (deviation from the long-term trend)	Benchmark CCyB rate
Standardised (Basel) credit-to-GDP ratio	63.4%	-17.7 p.p.	0%
Specific credit-to-GDP ratio (absolute gap)	49.6% (narrow) and 63.8% (broad)	-8.0 p.p. to 1.2 p.p.	0% to 0.84%
Specific credit-to-GDP ratio (relative gap)		-11.1% to 2.5%	0% to 0.72%
Composite indicator	0.19 (63nd percentile of distribution)	/	1.00% to 1.33%

Note: Specific ratio values differ depending on the definition of credit (49.6% for a narrow definition of credit, which includes only domestic bank credit, and 63.8% for a broad definition). Differences in gap values arise from different definitions of gap (absolute gap is calculated as the difference while the relative gap is calculated as the ratio of the following variables: the credit-to-GDP ratio and its trend) and estimated statistical trends.

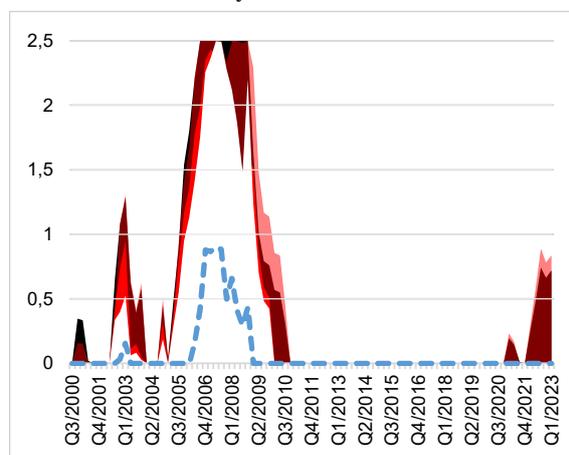
Source: CNB.

Figure 1 Range of credit gap indicators and affiliated benchmark CCyB rates

1.a. Credit gap (% and p.p.)



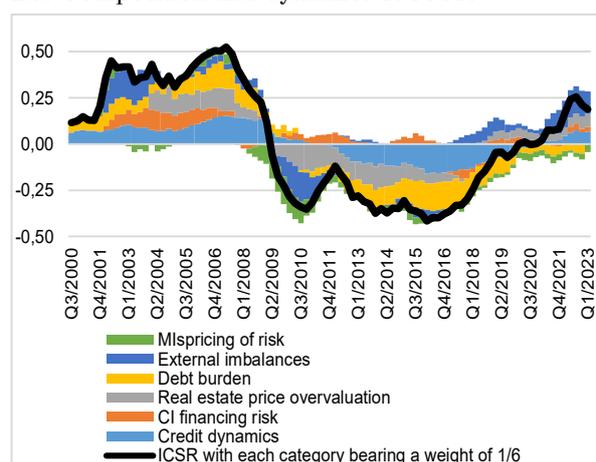
1.b. Benchmark CCyB rates



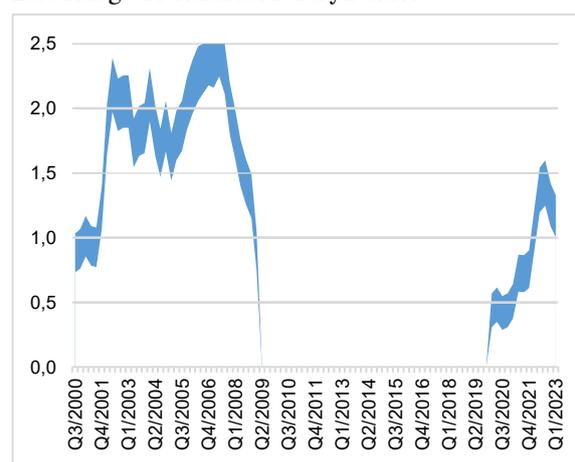
Note: The left panel shows the Basel gap (blue curve) and the range of 12 credit gap indicators which have better signalling properties for the Republic of Croatia than the Basel gap. The red shaded areas indicate the range of absolute gaps, while the black shaded areas indicate relative gaps. The right panel shows the range of CCyB rates calibrated on the basis of the gaps in the left panel. The blue dashed curve indicates the calibration based on the Basel gap given in the left panel. For details on the methodology used to estimate credit gaps, see [Box 2](#) Improvements in the methodology of countercyclical buffer identification and calibration in Croatia, Macroprudential Diagnostics No. 16.

Figure 2 Composite indicator of the cyclical systemic risk (ICSR) and the affiliated range of benchmark CCyB rates

2.a. Composition and dynamics of ICSR



2.b. Range of calibrated CCyB rates



Note: CI indicates credit institutions. The lower threshold for the calibration of the CCyB rate has been chosen to enable the rate to become positive before indicators included in ICSR calculation (Figure 2.a) reach median level, while the upper threshold is determined by the highest percentiles of ICSR distribution.

Source: CNB.