# Information on economic trends

November 2018

# Summary

**In the third quarter of 2018, real GDP growth slowed down, as suggested by the data on industrial production and real retail trade turnover. Favourable labour market developments continued, although at a slightly slower pace than in the preceding part of the year. Consumer price inflation dropped from 2.1% in August to 1.4% in September, primarily reflecting the deceleration in the annual rate of growth in energy prices. Core inflation slowed down as well. The CNB continued to pursue an expansionary monetary policy, maintaining very high levels of liquidity in the domestic financial market. The annual growth in corporate placements picked up, while the annual growth in household placements slowed down only slightly. Net external debt decreased considerably in July and August thanks to the seasonal inflow of foreign exchange from tourism and to central government deleveraging. The second quarter saw a significant general government budget surplus, and Ministry of Finance cash-basis data point to continued favourable developments in the third quarter as well.**

The GDP nowcasting model[1] suggests that total economic activity increased in the third quarter of 2018, although the increase was noticeably slower than in the preceding three months (Figure 1). Industrial production weakened in the third quarter from the preceding three-month period. Broken down by MIGs, a drop in production was seen in capital goods and durable and non-durable consumer goods (Figures 3 and 4). Observed according to the National Classification of Activities, the fall in capital goods is probably partly due to the continued strong decrease in the production of other transport equipment, noticeable since mid-2017, which may be linked to problems in some domestic shipyards. Following a sharp increase in the second quarter of the current year, real retail trade turnover was stagnant in the third quarter compared with the average of the preceding three months (Figure 7). Data on construction for July and August point to continued growth in the real volume of construction works in the third quarter. The volume of construction works on buildings continued to grow and civil engineering works intensified as well, suggesting that the investment activity of the general government was picking up (Figures 5 and 6).

The consumer confidence index deteriorated slightly in October from the average level recorded in the preceding three months, primarily in consequence of less favourable expectations regarding the overall economic situation and the number of unemployed persons in the following 12 months. Observed on a monthly level, consumer expectations remained at the level recorded in September. As regards business confidence, expectations of business entities in construction and industry improved in October from the average of the third quarter, while expectations in services remained at the level recorded in the previous three months. On the other hand, expectations in trade continued to deteriorate considerably at the quarterly level (Figure 8).

Available data for October indicate that favourable developments in the labour market continued into the beginning of the fourth quarter as well. The number of employed persons in October was 0.5% higher than in the third quarter (Figure 14). The most significant contribution to the rise in the number of employed persons came from the public sector. The third quarter saw the drop in the number of unemployed persons slow down slightly from the previous quarter as a result of both new employment and the clearing from the records for other reasons (non-compliance with legal provisions, registration cancellation and failure to report regularly). Registered unemployment fell to 9.5% in the third quarter of 2018 from the 10.0% recorded in the second quarter (Figure 15). As regards wages, the rise in the average nominal gross wage slowed down in the third quarter (0.7%) from the preceding quarter (Figure 16). The dynamics of wage growth was similar in the private and the public sector (0.8% and 0.6% respectively). The purchasing power of households increased only slightly (0.4%), considering that a moderate rise in the consumer price index was recorded in the same period.

Consumer prices were 0.8% higher in September than in the month before (Table 1), mostly as a result of the seasonal increase in the prices of clothing and footwear. Retail prices of refined petroleum products went up in September due to an increase in the prices of Brent crude oil on the global market (Figure 19), putting an end to the downward trend seen in these prices in the preceding three months. The average price of a barrel of crude oil rose by 8% in September as a result of an expected shortfall in supply caused by pending US sanctions on Iran, a drop in the production in Venezuela and unstable crude oil supply from Libya. The rise in the consumer price index in September was mainly mitigated by the drop in the prices of food (meat and fruit) from August. The annual consumer price inflation fell from 2.1% in August to 1.4% in September (Figure 18). The slowdown in inflation was largely caused by a decrease in the annual rate rate of growth in the prices of electricity brought about by the negative effect of the base period, i.e. a pronounced rise in electricity prices in September 2017. In addition, the contribution of processed food products and meat and clothing and footwear to overall inflation decreased considerably in September, causing core inflation to drop to 0.5% (from 0.8% in August). The annual growth in producer prices on the domestic market in September remained unchanged from August, standing at 3.4%. The slightly accelerated annual growth in the prices of energy offset the simultaneous slowdown in the growth in prices of intermediate goods.

At the beginning of the third quarter of 2018, the trade in goods slowed down from the average of the previous quarter, particularly with regard to exports. Despite a decrease in the exports of energy, notably oil and refined petroleum products, total exports of goods went up by 1.6% in July and August relative to the average of the preceding quarter (Figure 10). At the same time, exports of other goods saw a considerable increase of 6.4% largely owing to a rise in the exports of other transportation equipment. In addition, exports of capital goods (mainly telecommunication, sound recording and reproduction apparatus) intensified as well. On the other hand, the rise in the total imports of goods of 0.8% relative to the average of the preceding quarter (Figure 11) was brought about by the intensified imports of energy, primarily oil and refined petroleum products. Imports of other goods fell by 3.6%, mainly due to lower imports of textile industry products and particular categories of capital goods (notably power-generating machinery and equipment and electrical machinery, apparatus and appliances).

The nominal exchange rate of the kuna against the euro remained stable in October, moving within a narrow range of

1 See Kunovac, D., and B. Špalat: *Nowcasting GDP Using Available Monthly Indicators* (WP-39, October 2014).

±0.1% around the average value of EUR/HRK 7.42 (Figure 21). In the first half of October, the nominal exchange rate of the kuna against the euro strengthened moderately, after which it weakened slightly over the rest of the month, ending the month at EUR/HRK 7.43, the same level as at the end of September. The kuna appreciated slightly in October against most other currencies within the currency basket for the calculation of the effective exchange rate; however, this was mostly offset by the depreciation of the kuna against the Turkish lira, reflecting the continued recovery of the Turkish currency on the global foreign exchange market after its sharp depreciation in July and August. The nominal effective kuna exchange rate index depreciated by 0.3% in October from the end of September.

Short-term interest rates on the European money market remained in negative territory in October, reflecting the expansionary monetary policy of the European Central Bank and high euro area banking sector liquidity. The six-month EURIBOR stood at –0.26% at the end of October, and the overnight interest rate on the euro area banking market, EONIA, stood at –0.34% (Figure 24). Risk premiums for European emerging market economies did not change much in October, with the risk premium for Croatia standing at 93 basis points at the end of the month (Figure 25).

In the conditions of ample surplus liquidity in the domestic financial market, which in October stood at HRK 19.6bn (Figure 54), no trading took place in the domestic overnight interbank market in October and no Ministry of Finance T-bill auctions were held.

Interest rates on new bank loans granted to households and corporations mostly decreased slightly in September 2018 (Figures 28 and 29). The fall in interest rates was seen in all corporate (Figure 31) and household housing loans (Figure 32) granted for the first time, while kuna consumer loans mostly saw a slight increase in interest rates (Figure 33). Interest rates on household and corporate time deposits saw only a moderate rise in September (Figures 34 and 35). As a result of the developments described above, the spread between lending and deposit interest rates remained virtually unchanged (Figure 37).

Monetary developments in September 2018 were marked by a rise in the net domestic assets (NDA) of the monetary system, while net foreign assets (NFA) saw almost no change. This led to an increase in total liquid assets (M4) of HRK 0.9bn, or 0.3%, from the end of August (Figure 49). The increase in net domestic assets in September was a result of a rise in net claims on the central government resulting from the decrease in government deposits with the CNB and a growth in placements. If analysed on an annual basis, the growth in total liquid assets accelerated to 5.6% in September 2018 (excluding the effects of exchange rate changes). Total liquid assets continue to increase on an annual basis against the backdrop of the strong annual growth in net foreign assets (15.3%) and a fall in the net domestic assets of the monetary system (–1.5%). In the structure of M4, the annual growth in money (M1) accelerated slightly to 20.4% (Figure 48), while the annual drop in quasi-money picked up slightly, reaching –1.9% at the end of September.

Following a stagnation in July and August, total placements of monetary institutions to domestic sectors (excluding the government) went up by 0.4% in September 2018 (transaction-based). At the annual level, the growth in total placements continued to accelerate in September, reaching 4.6% (Figure 40). The annual rise in corporate placements intensified, standing at 3.3% at end-September, while the annual growth in household placements decreased only slightly, reaching 5.9% (Figures 41 and 42). Observing the currency structure, the share of kuna placements in total household placements continued to grow, reaching 51.4% at the end of September, while in corporate placements, the share continued to decline (Figure 47). As for the nominal stock of total placements, their annual growth stood at 1.2% in September and was significantly slower than the transaction-based growth, primarily as a result of the sale of non-performing placements.

Gross international reserves dropped in October, totalling EUR 16.2bn at the month's end (Figure 56), primarily due to a lower level of agreed repo transactions. Compared with the end of 2017, gross reserves grew by EUR 0.5bn or 3.0%. Net usable reserves also also went up slightly from the end of the previous year (by EUR 0.1bn or 7.1%), ending October at EUR 14.7bn.

After decreasing by EUR 1.0bn in the second quarter, net external debt dropped by an additional EUR 3.0bn in July and August 2018 (Figure 60) as a result of a simultaneous rise in foreign claims and a fall in the foreign liabilities of domestic sectors (Figure 61). The overall net foreign position improved primarily owing to credit institutions, as is usual during the peak tourist season. Thanks to an inflow of foreign exchange from tourism, the banks improved their net foreign position by EUR 2.7bn, up by almost one third from the same period the year before.[2] At the end of August, foreign assets of banks surpassed their foreign liabilities by EUR 3.2bn or 6% of GDP. In addition, the net foreign position was improved by the central government, which repaid a maturing bond in July, and, to a lesser extent, by non-financial corporations, particularly vis-a-vis their affiliated creditors abroad. Only the central bank's net foreign position deteriorated as a result of a withdrawal of a government deposit held with the CNB for the purpose of the previously mentioned government bond repayment.

The consolidated general government surplus (ESA 2010) stood at HRK 1.1bn in the first half of 2018, or 0.3% of GDP.[3] This positive result primarily reflects results from the second quarter of the current year, when a surplus of almost HRK 2.8bn was recorded. The significant budget surplus in the second quarter (compared with a deficit of HRK 1.1bn seen in the same period in 2017) resulted from a sharp increase in revenues coupled with a moderate decrease in expenditures on an annual level. The 9.0% increase in total budgetary revenues observed in the second quarter is mainly attributable to revenues from indirect taxes, followed by revenues from contributions and direct taxes, which is largely the result of growing personal consumption and favourable developments in the labour market. At the same time, a slight decline in expenditures of 0.5% relative to the second quarter of 2017 reflects diverse trends in individual components, with the total decrease in expenditures mostly due to a decrease in other current expenditures and expenditures on investments, while expenses on employees and intermediate consumption had the opposite effect.

Available fiscal indicators suggest that the third quarter could also witness favourable fiscal developments. According to MoF monthly data[4] for the third quarter of the current year, the central government ran a surplus of HRK 5.2bn, compared with

2 The fact that, in contrast to 2017, the CNB had no interventions on the foreign exchange market in the third quarter contributed to the trend.

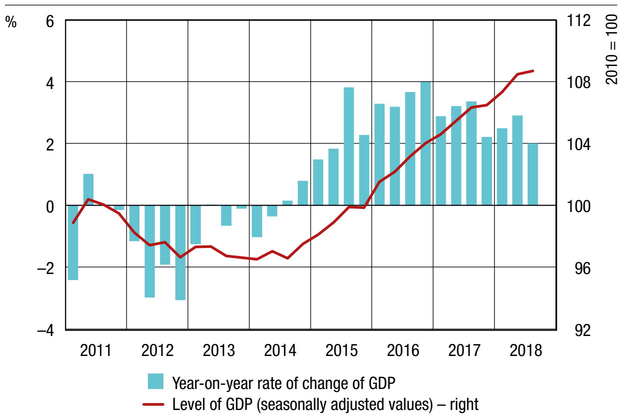
3 Historical data series for 2017 were revised in October. The general government surplus recorded in 2017 was increased by 0.1 percentage points to 0.9% of GDP, mainly due to the revision of the level of recorded revenues.

4 Monthly data for central government, state government and social security sub-sectors which, pursuant to Council Directive 2011/85/EU, have to be published before the end of the following calendar month. The published data refer to general government units according to the scope of the ESA 2010 statistical methodology, except for data for the local government, which are published on a quarterly basis.

the surplus of HRK 4.5bn in the same period last year. The increase in the surplus reflects a faster growth in revenues than in expenditures.

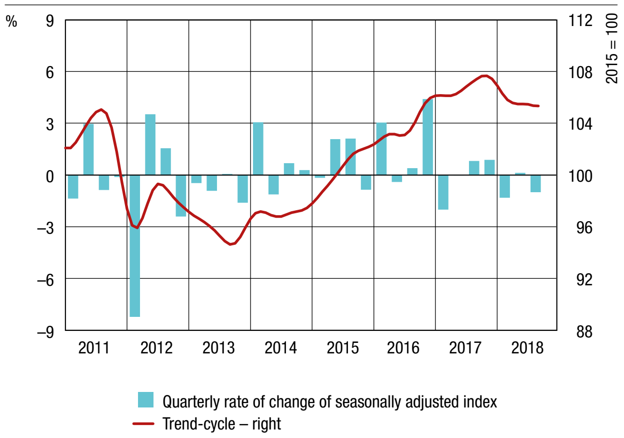
Following a short-term increase in the second quarter due to the pre-financing of a part of liabilities, at the beginning of the third quarter, general government debt dropped slightly below the level recorded at the end of 2017, standing at HRK 281.6bn in late July. In the aforementioned period, exchange rate movements were conducive to a reduction in the amount of nominal debt, while economic growth helped lower the debt-to-GDP ratio further.

**Figure 1 Quarterly gross domestic product**
seasonally adjusted real values



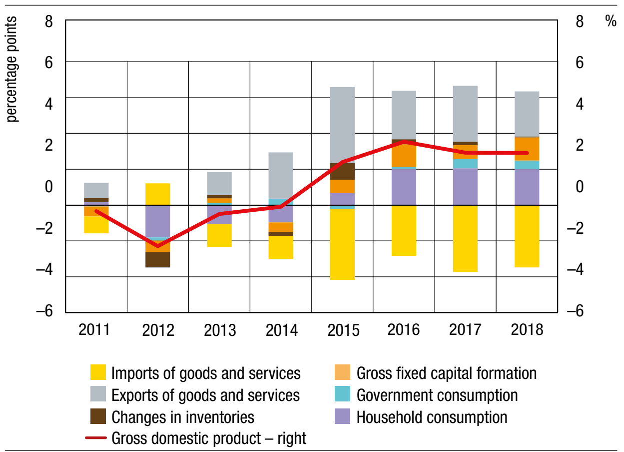

Note: Data for the third quarter of 2018 are estimated with the use of the CNB's monthly indicator of real economic activity, on the basis of data published until 30 October 2018.
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

**Figure 3 Industrial production**



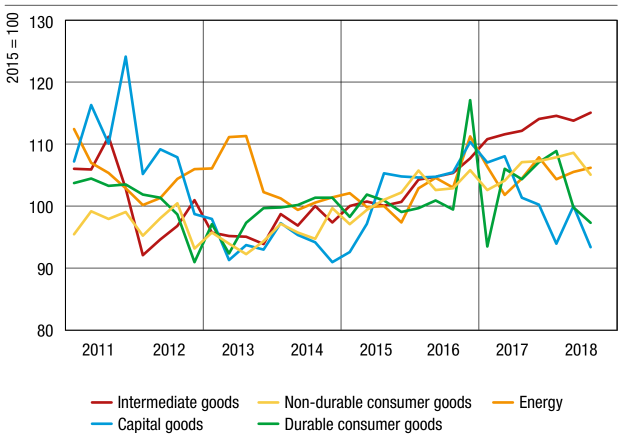

Source: CBS data seasonally adjusted by the CNB.

**Figure 2 GDP rate of change**
contributions by components



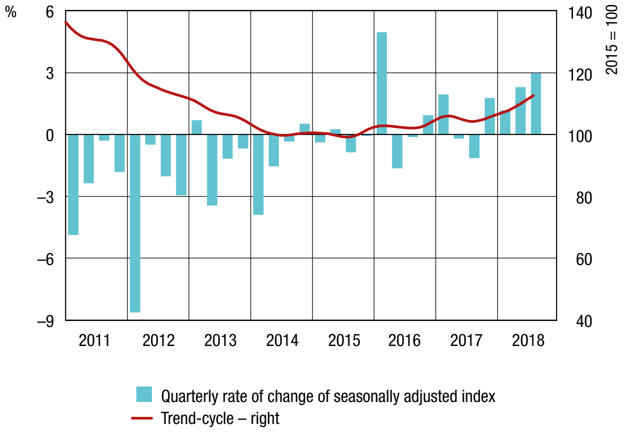

Note: The projection for 2018 refers to the official projection of the CNB from July 2018.
Source: CBS.

**Figure 4 Industrial production by main industrial groupings**
seasonally adjusted indices



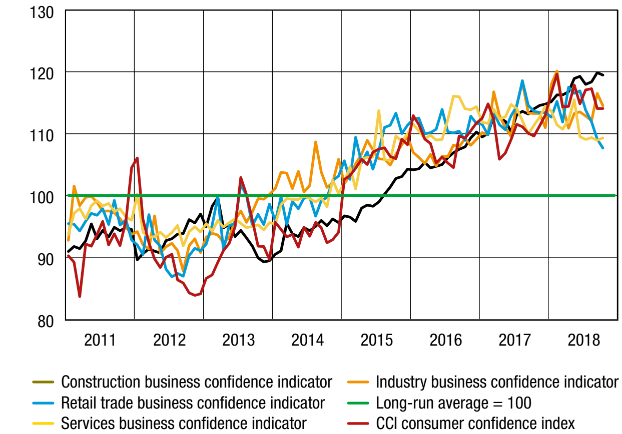

Note: Quarterly data are calculated as the average of monthly data.
Source: CBS data seasonally adjusted by the CNB.

## Figure 5 Total volume of construction works



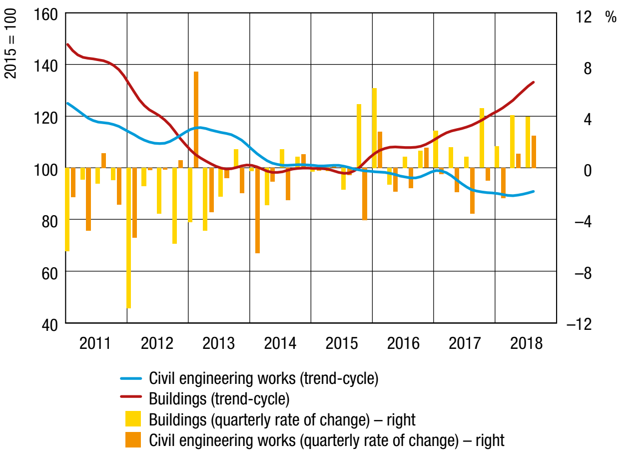

Note: Data for the third quarter of 2018 refers to July and August.
Source: CBS data seasonally adjusted by the CNB.

## Figure 8 Business confidence indicators
standardised and seasonally adjusted values



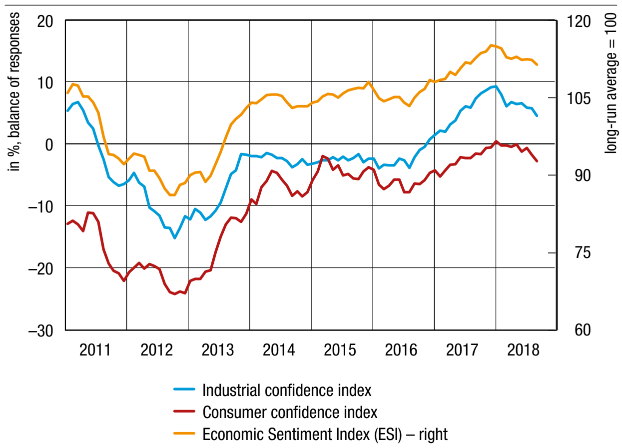

Sources: Ipsos and CNB data seasonally adjusted by the CNB.

## Figure 6 Buildings and civil engineering works



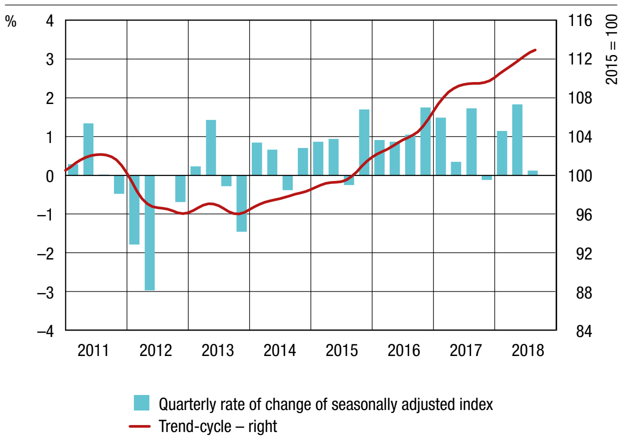

Note: Data for the third quarter of 2018 refers to July and August.
Source: CBS data seasonally adjusted by the CNB.

## Figure 9 EU confidence indices
seasonally adjusted series



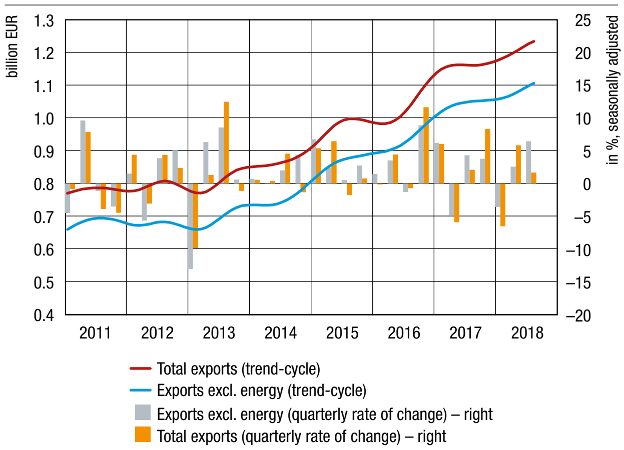

Note: Data are up to September 2018.
Source: Eurostat.

## Figure 7 Real retail trade turnover



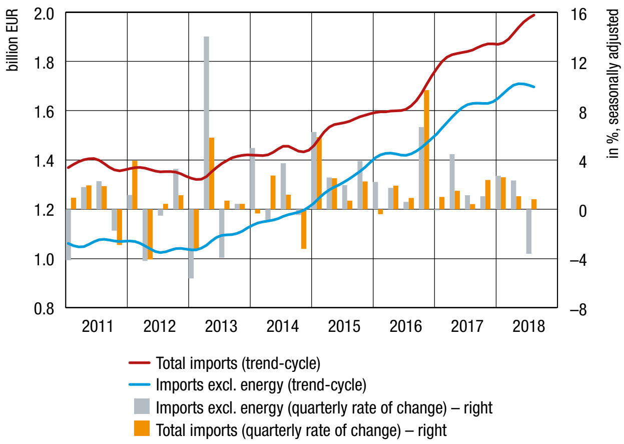

Note: Data for the third quarter of 2018 refers to July and August.
Source: CBS data seasonally adjusted by the CNB.

## Figure 10 Goods exports (f.o.b.)



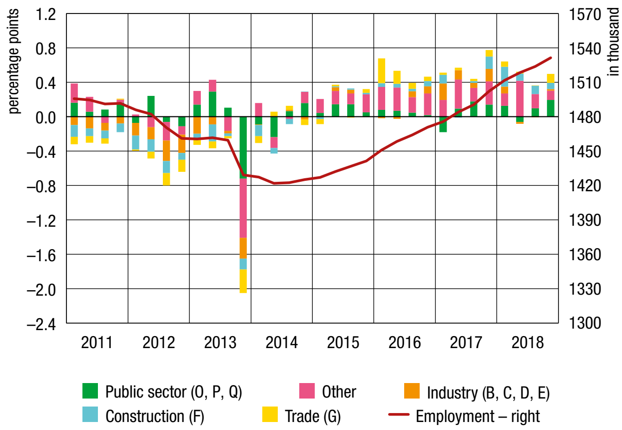

Note: Data for the third quarter of 2018 refer to July and August.
Source: CBS data seasonally adjusted by the CNB.

## Figure 11 Goods imports (c.i.f.)



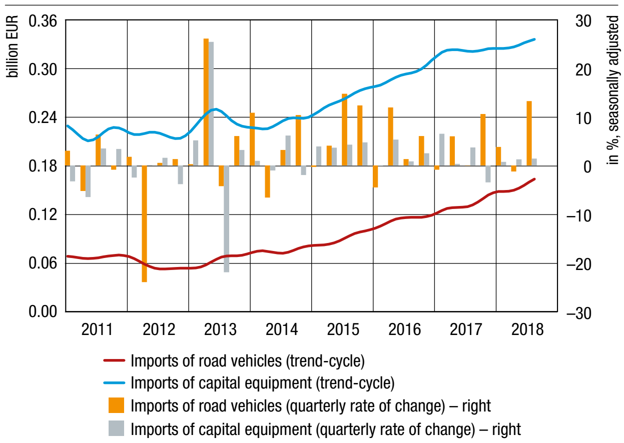

Note: Data for the third quarter of 2018 refer to July and August.
Source: CBS data seasonally adjusted by the CNB.

## Figure 14 Employment by NCA activities
seasonally adjusted data, contributions to the quarterly rate of change



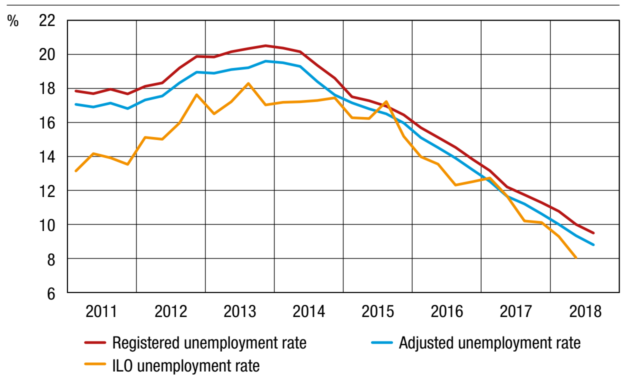

Note: Data for the fourth quarter of 2018 refer to October.
Source: CPII data seasonally adjusted by the CNB.

## Figure 12 Imports of capital equipment and road vehicles (c.i.f.)



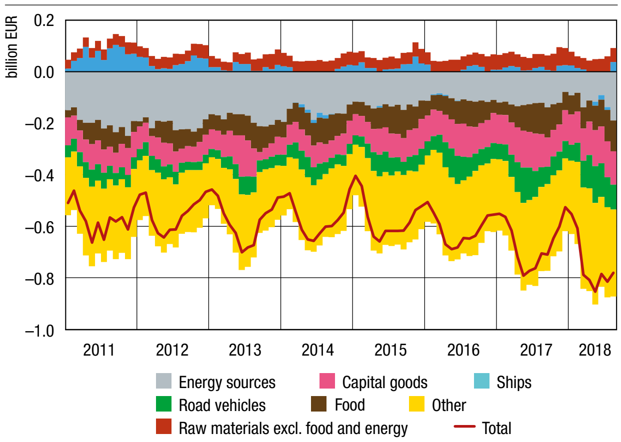

Notes: Imports of capital equipment (SITC divisions 71 – 77). Data for the third quarter of 2018 refer to July and August.
Source: CBS data seasonally adjusted by the CNB.

## Figure 15 Unemployment rates
seasonally adjusted data



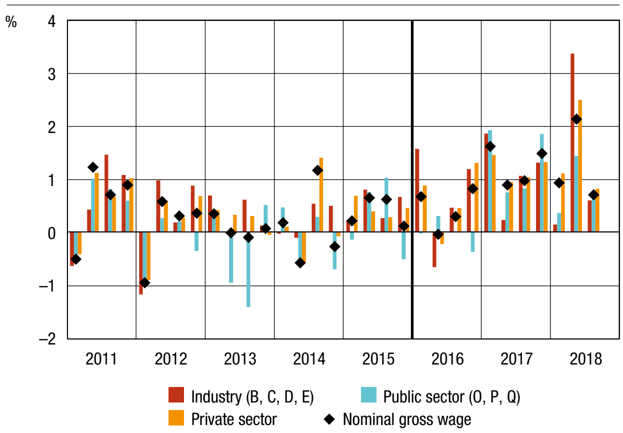

Notes: Since January 2015, the calculation of the registered unemployed rate has been made using the data on employed persons from the JOPPD form. The adjusted unemployment rate is the CNB estimate and is calculated as the share of the number of registered unemployed persons in the working age population (unemployed persons and persons insured with the CPII).
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

## Figure 13 Trade in goods balance




Notes: Series are shown as three-member moving averages of monthly data. Data are up to August 2018.
Source: CBS.

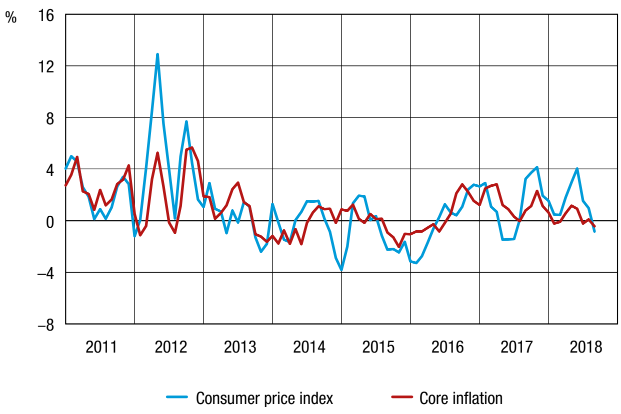
## Figure 16 Average nominal gross wage by NCA activities
seasonally adjusted data, quarterly rate of change




Note: Data on the average nominal gross wage by activity refer to data from the RAD-1 form, and from January 2016 to data from the JOPPD form.
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

## Figure 17 Consumer price index and core inflation

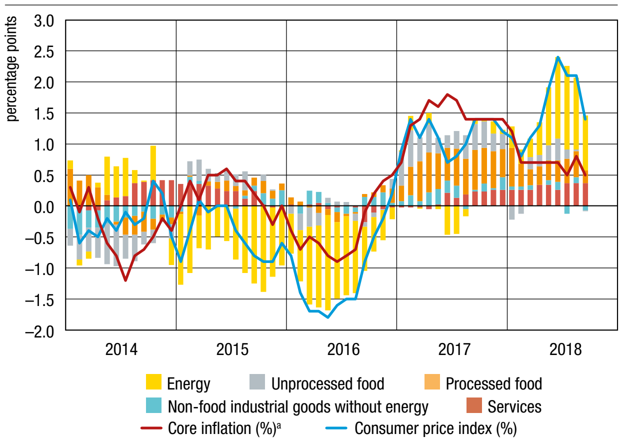
annualised month-on-month rate of change[a]




[a] The month-on-month rate of change is calculated based on the quarterly moving average of seasonally adjusted consumer price indices.

Sources: CBS and CNB calculations.

## Figure 18 Year-on-year inflation rate and contributions of components to consumer price inflation




[a] Core inflation does not include agricultural product prices, energy prices and administered prices.

Sources: CBS and CNB calculations.

## Table 1 Price indicators

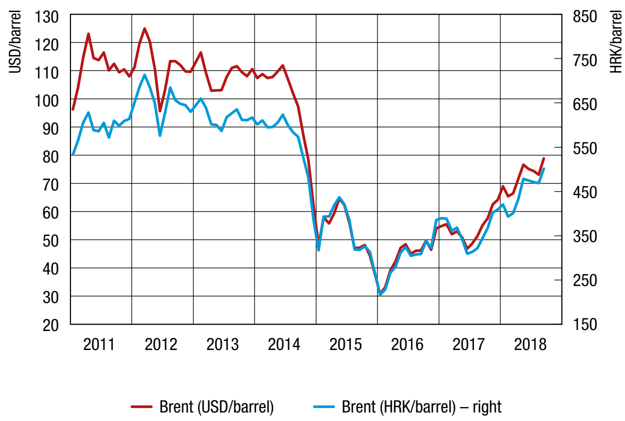
year-on-year and month-on-month rates of change

| | Year-on-year rates | | Month-on-month rates | |
|---|---|---|---|---|
| | 8/2018 | 9/2018 | 9/2017 | 9/2018 |
| **Consumer price index and its components** | | | | |
| Total index | 2.4 | 2.1 | –0.7 | –0.9 |
| Energy | 7.9 | 8.1 | –0.6 | –0.5 |
| Unprocessed food | 3.8 | 1.6 | –0.6 | –2.7 |
| Processed food | 1.5 | 1.7 | 0.5 | 0.6 |
| Non-food industrial goods without energy | 0.5 | –0.5 | –2.8 | –3.7 |
| Services | 1.0 | 1.4 | 0.1 | 0.6 |
| **Other price indicators** | | | | |
| Core inflation | 0.7 | 0.5 | –0.8 | –1.0 |
| Index of industrial producer prices on the domestic market | 3.4 | 4.0 | 0.1 | 0.7 |
| Brent crude oil price (USD) | 60.3 | 52.9 | 3.8 | –1.0 |
| HWWI index (excl. energy, USD) | 13.5 | 2.3 | 5.4 | –5.0 |

Note: Processed food includes alcoholic beverages and tobacco.

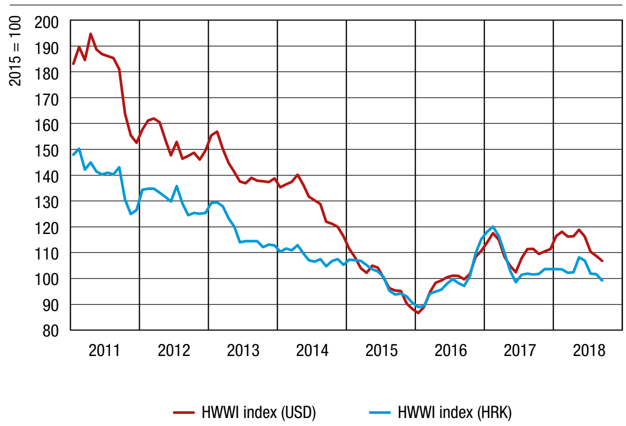
Sources: CBS, Bloomberg and HWWI.

## Figure 19 Crude oil prices (Brent)




Sources: Bloomberg and CNB calculations.

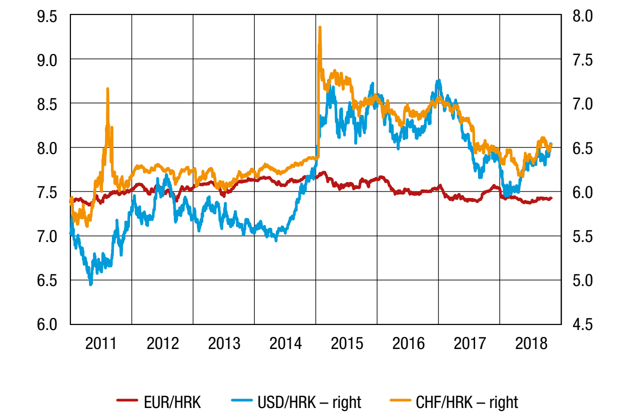
## Figure 20 HWWI index (excl. energy)




Sources: HWWI and CNB calculations.

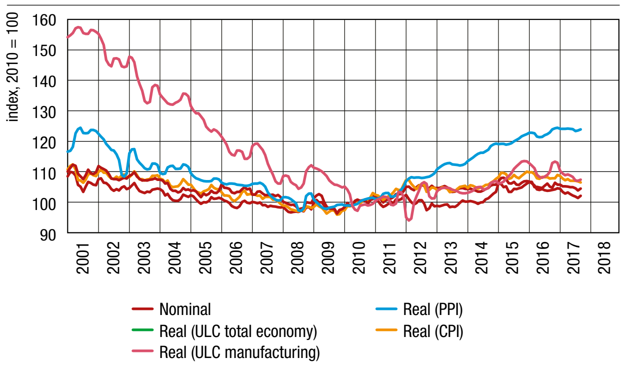
## Figure 21 Daily nominal exchange rate – HRK vs. EUR, USD and CHF

CNB midpoint exchange rate



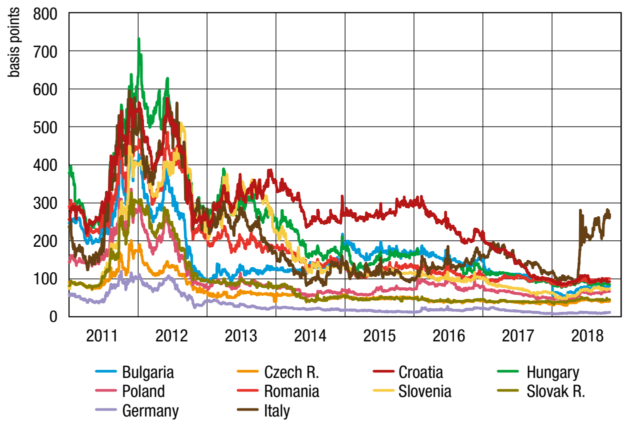

Source: CNB.

## Figure 22 Nominal and real effective exchange rates of the kuna



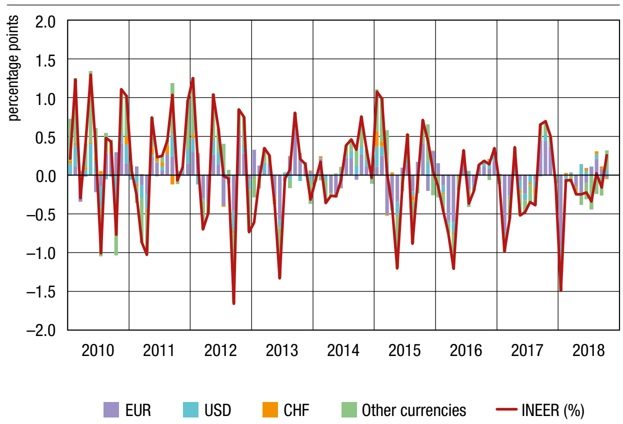

Notes: The real effective exchange rate of the kuna deflated by producer prices includes the Croatian index of industrial producer prices on the total market. The unit labour cost is calculated as the ratio between compensation per employee and labour productivity (defined as GDP per person employed), while the real effective exchange rate of the kuna deflated by unit labour costs is the result of the interpolation of quarterly values. A fall in the index indicates an effective appreciation of the kuna.
Source: CNB.

## Figure 25 CDS spreads for 5-year government bonds of selected countries



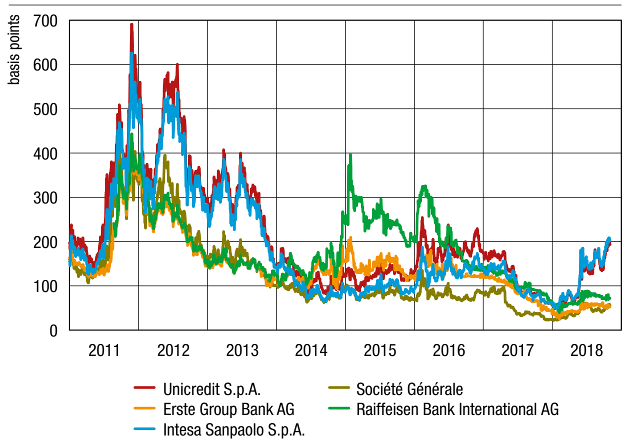

Note: Credit default swaps (CDS) spread is an annual premium that a CDS buyer pays for protection against credit risk associated with an issuer of an instrument.
Source: S&P Capital IQ.

## Figure 23 Contributions[a] of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)



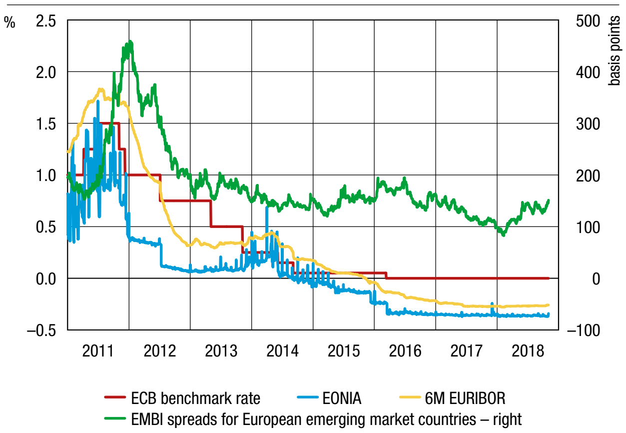

[a] Negative values indicate contributions to the appreciation of the INEER.
Source: CNB.

## Figure 26 CDS spreads for selected parent banks of domestic banks




Source: S&P Capital IQ.

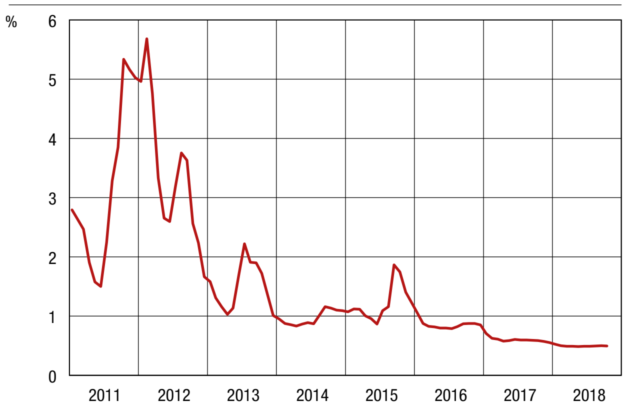
## Figure 24 Interest rates on the euro and the average yield spread on bonds of European emerging market countries




Sources: ECB, Bloomberg and J. P. Morgan.

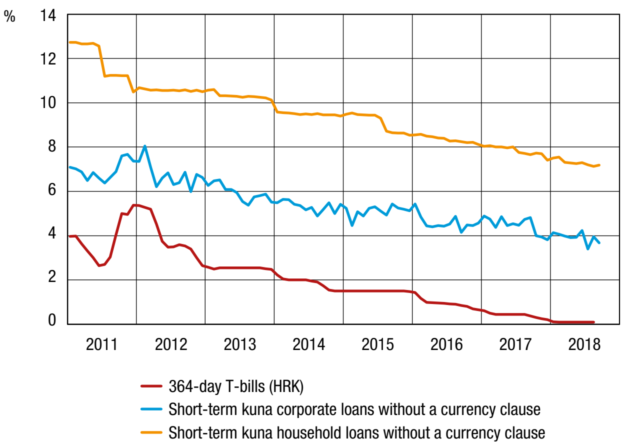
## Figure 27 Interest rates quoted on the interbank market (3-month ZIBOR)

monthly averages of simple daily averages of bank quotations



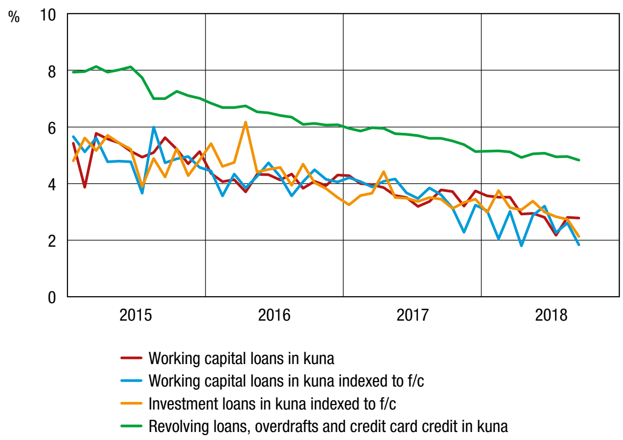

Source: CNB.

## Figure 28 Short-term financing costs in kuna without a currency clause



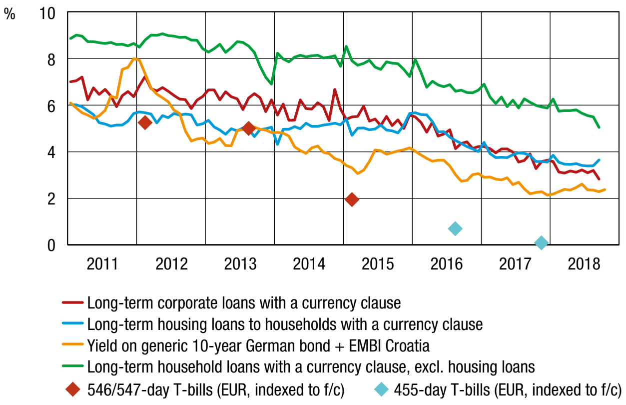

Sources: MoF and CNB.

## Figure 31 Interest rates on original new loans to non-financial corporations



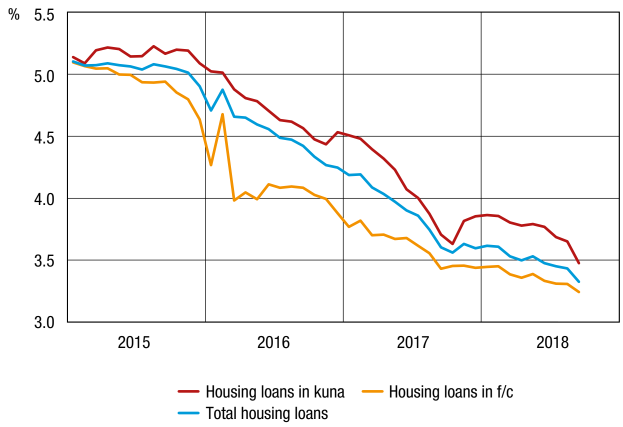

Source: CNB.

## Figure 29 Long-term financing costs in kuna with a currency clause and in foreign currency



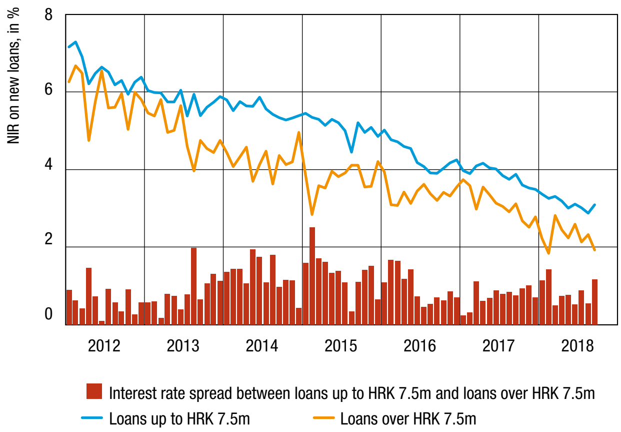

Note: EMBI, or the Emerging Market Bond Index, shows the spread between yields on government securities of emerging market economies, Croatia included, and risk-free securities issued by developed countries.
Sources: MoF, Bloomberg and CNB.

## Figure 32 Interest rates on original new housing loans to households



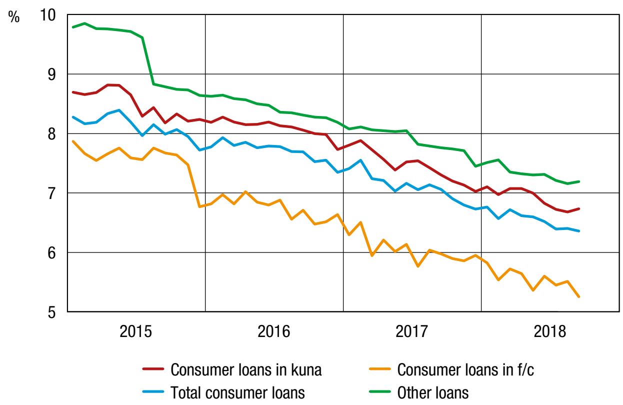

Source: CNB.

## Figure 30 Bank interest rates on loans to non-financial corporations by volume



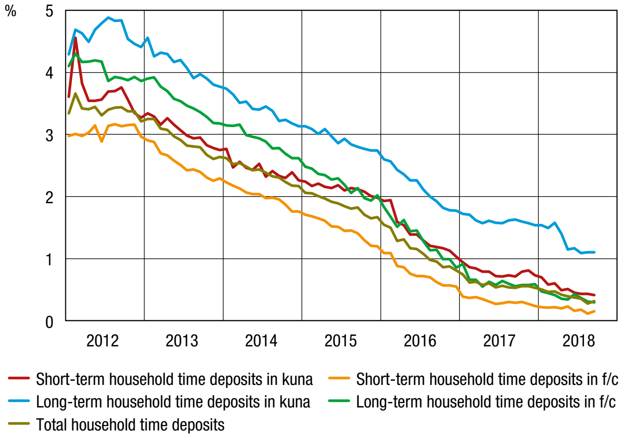

Source: CNB.

## Figure 33 Interest rates on original new consumer and other loans to households



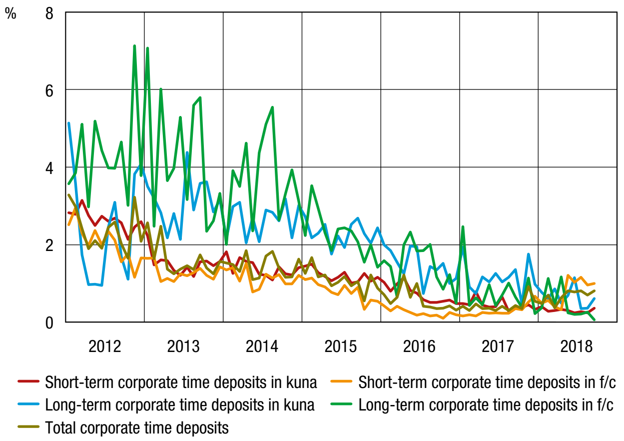

Notes: Consumer loans include total loans to households excl. housing and other loans. Other loans to households (denominated almost exclusively in kuna) include credit card loans, overdrafts, revolving loans and receivables on charge cards.
Source: CNB.

## Figure 34 Interest rates on household time deposits



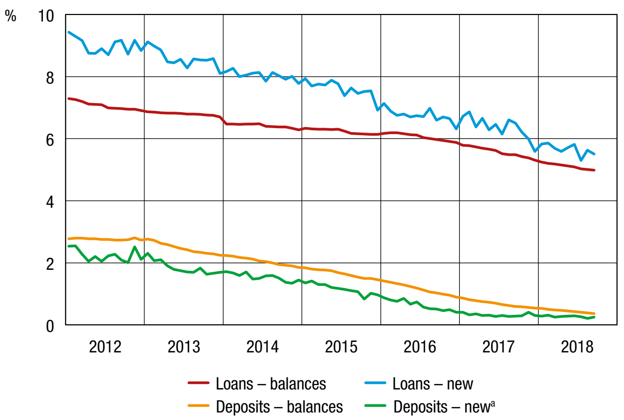

Source: CNB.

## Figure 35 Interest rates on corporate time deposits



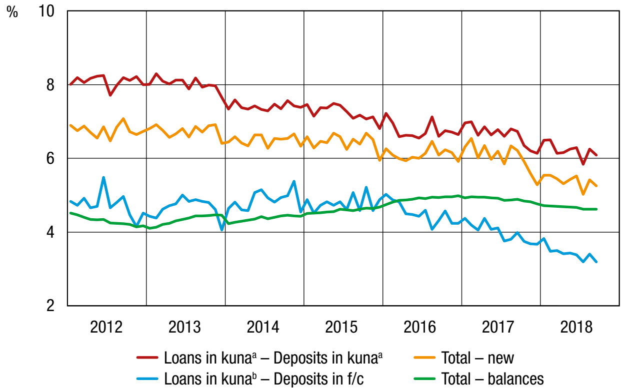

Source: CNB.

## Figure 36 Average interest rates on loans (excl. revolving loans) and deposits




[a] For time deposits, interest rates on newly received deposits are weighted by their balances.
Source: CNB.

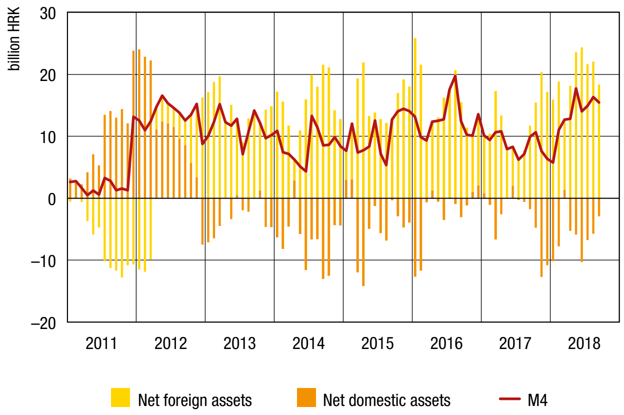
## Figure 37 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits




[a] Non-indexed to f/c. [b] Indexed to f/c.
Note: Spread between average interest rates on loans and average interest rates on deposits should be differentiated from net interest margin (the ratio of the difference between interest income and interest expenses to total assets of credit institutions).
Source: CNB.

## Figure 38 Net foreign assets, net domestic assets and total liquid assets (M4)

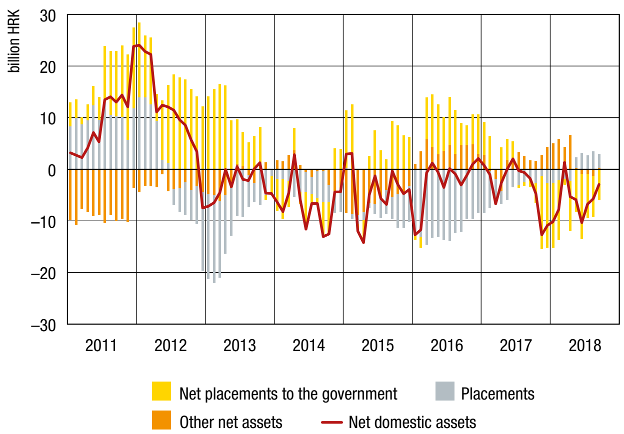
absolute change in the last 12 months




Source: CNB.

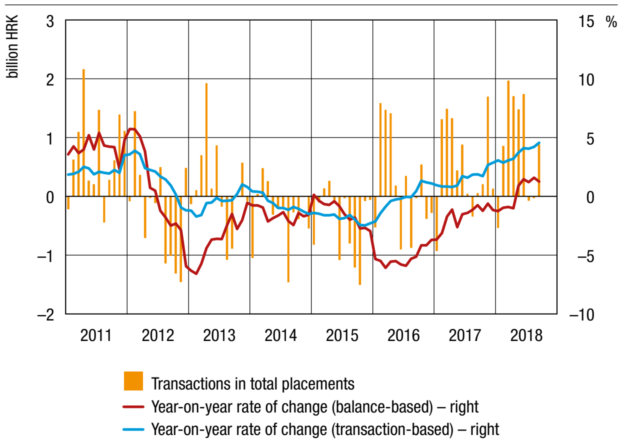
## Figure 39 Net domestic assets, structure

absolute change in the last 12 months



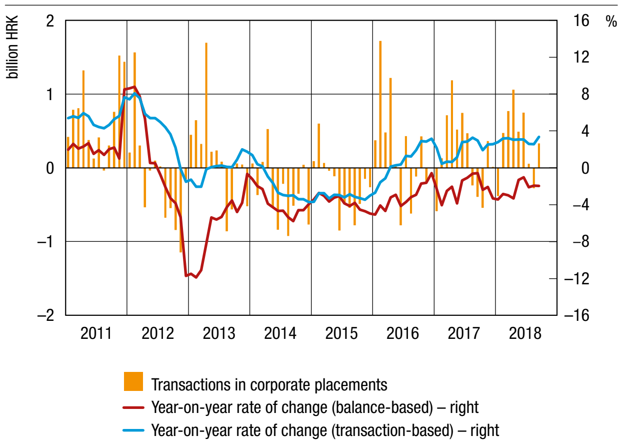

Source: CNB.

## Figure 40 Placements



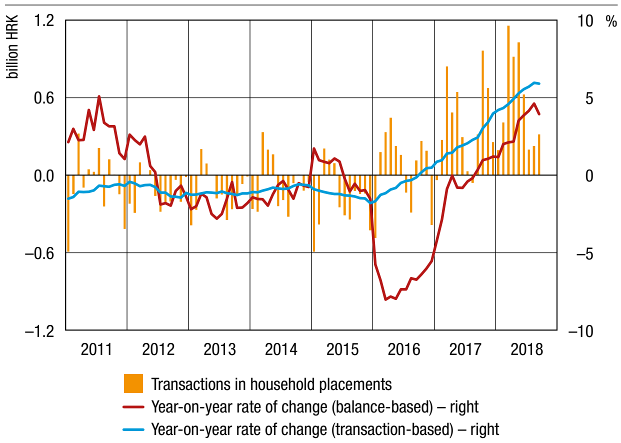

Source: CNB.

## Figure 41 Placements to corporates




Source: CNB.

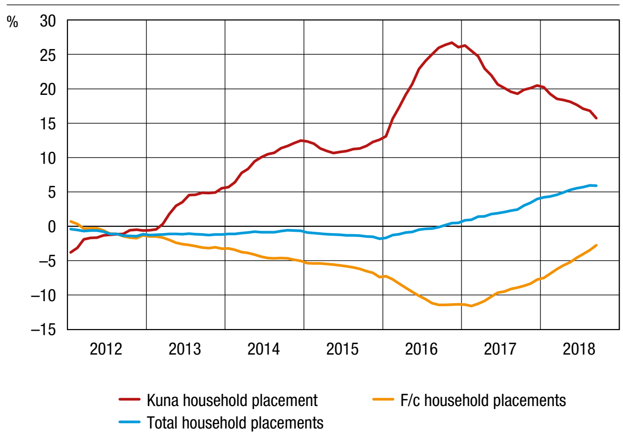
## Figure 42 Placements to households




Source: CNB.

## Figure 43 Annual rate of change in household placements

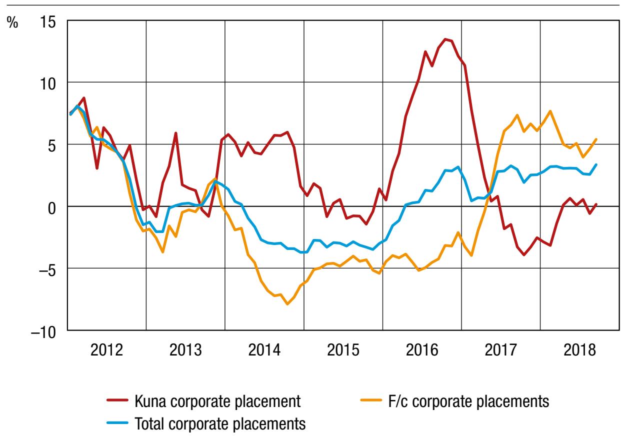
transaction-based




Source: CNB.

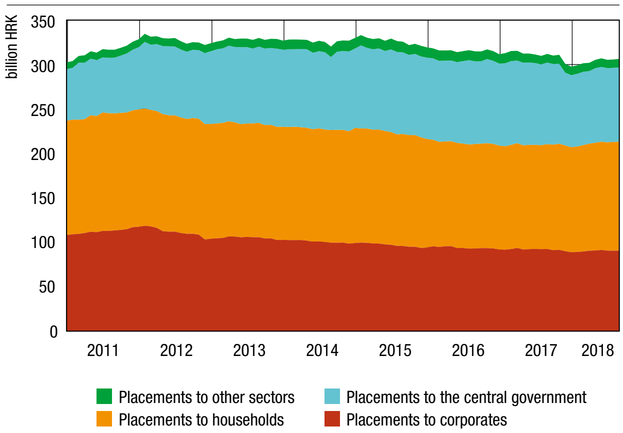
## Figure 44 Annual rate of change in corporate placements

transaction-based



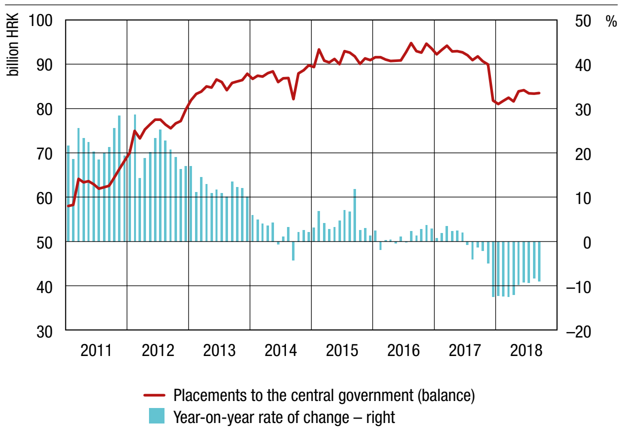

Source: CNB.

## Figure 45 Structure of credit institution placements



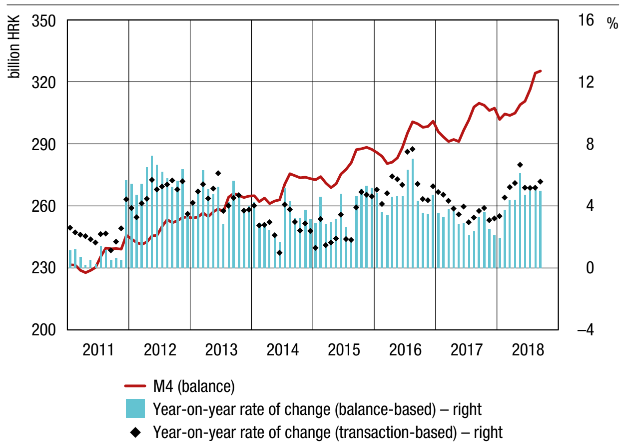

Source: CNB.

## Figure 46 Credit institution and MMF placements to the central government



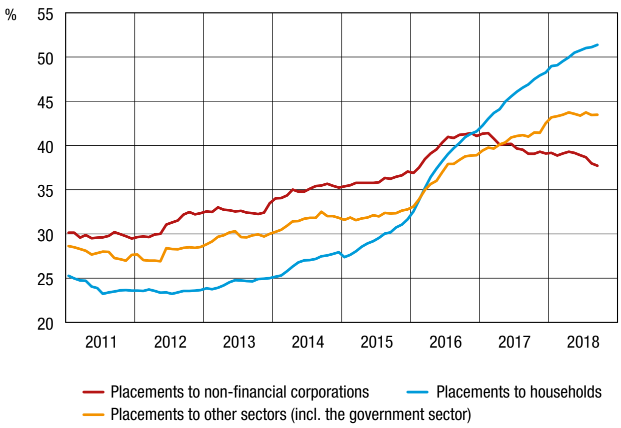

Source: CNB.

## Figure 49 Total liquid assets (M4)



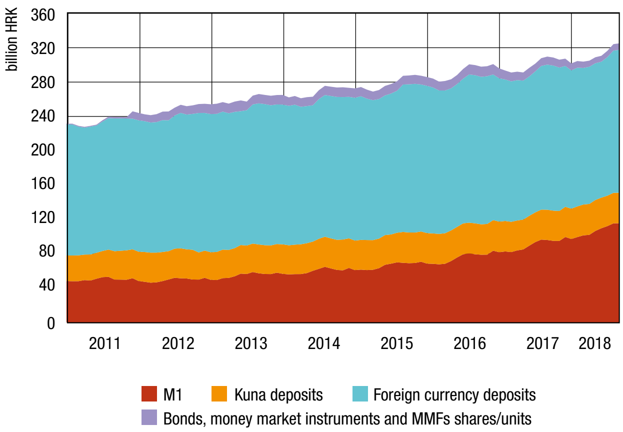

Source: CNB.

## Figure 47 Share of kuna placements in total sector placements



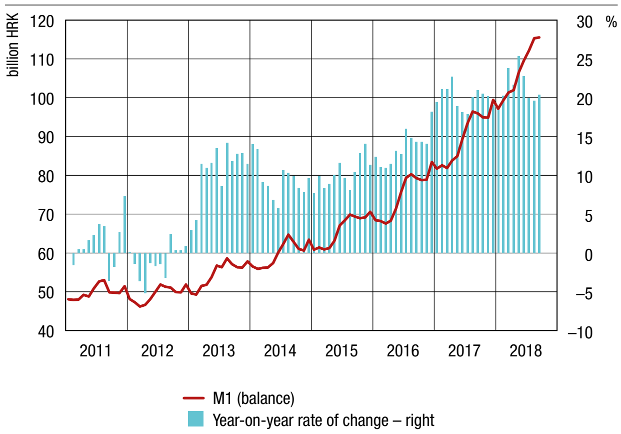

Source: CNB.

## Figure 50 Structure of M4 monetary aggregate



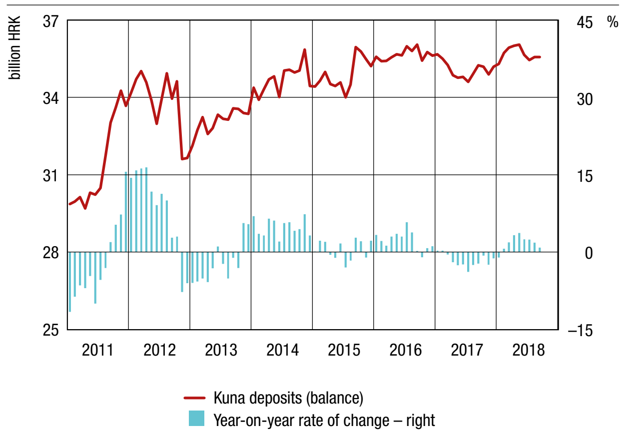

Source: CNB.

## Figure 48 Money (M1)



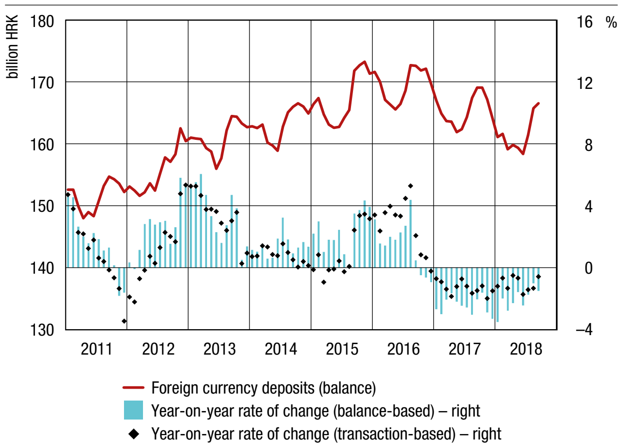

Source: CNB.

## Figure 51 Kuna savings and time deposits



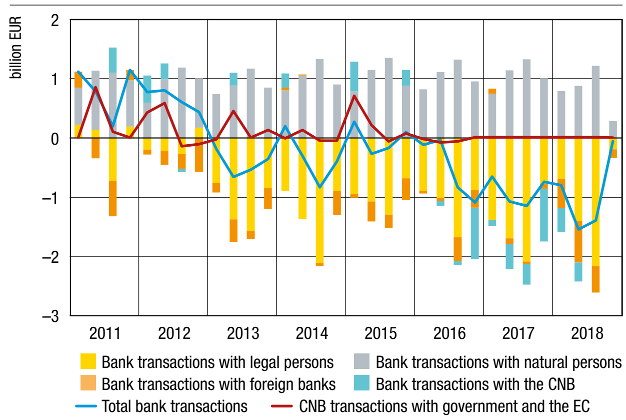

Source: CNB.

## Figure 52 Foreign currency deposits



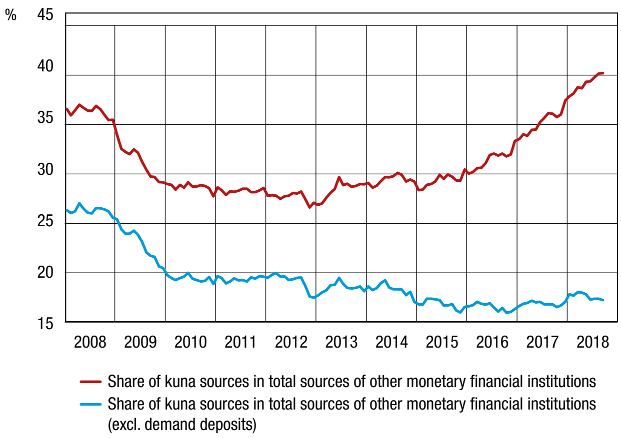

Source: CNB.

## Figure 55 Spot transactions in the foreign exchange market (net turnover)




Notes: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government. Data for the fourth quarter of 2018 refer to October.
Source: CNB.

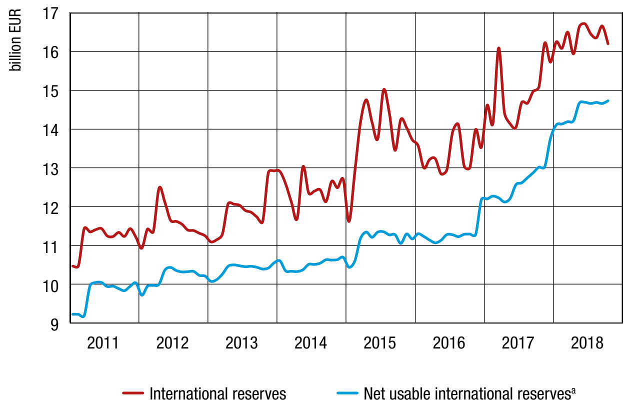
## Figure 53 Share of kuna sources




Source: CNB.

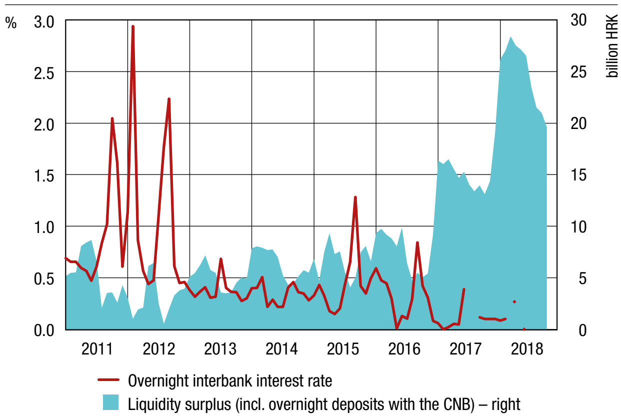
## Figure 56 International reserves of the CNB

at current rate of exchange




[a] NUIR = international reserves – foreign liabilities – reserve requirements in f/c – foreign currency government deposits.
Source: CNB.

## Figure 54 Bank liquidity and overnight interbank interest rate




Note: Liquidity surplus is the difference between the balance in bank settlement accounts with the CNB and the amount that banks are required to hold in their accounts after the calculation of reserve requirements.
Source: CNB.

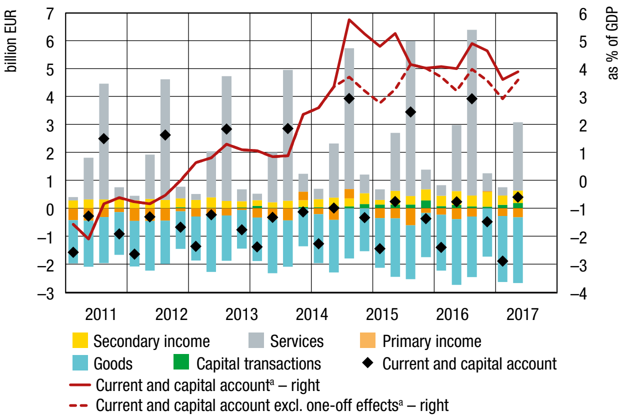
## Table 2 Balance of payments

preliminary data, in million EUR

| | 2017 | Q2/2018[a] | Indices 2017/ 2016 | Indices Q2/2018[a]/ 2017 |
|---|---|---|---|---|
| Current account | 1,962.8 | 1,528.1 | 162.8 | 77.9 |
| Capital account | 308.3 | 419.9 | 46.2 | 136.2 |
| Financial account (excl. reserves) | –733.7 | –695.2 | – | 94.8 |
| International reserves | 2,593.1 | 2,633.4 | – | 101.6 |
| Net errors and omissions | –411.7 | –9.9 | 81.2 | – |

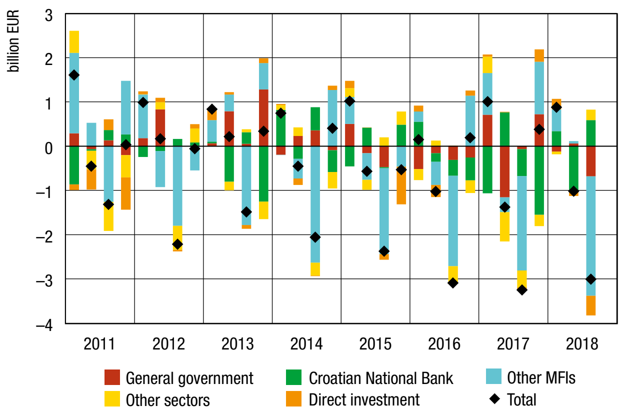
[a] Sum of the last four quarters.
Note: In line with the 6th edition of the Balance of Payments and International Investment Position Manual (BPM6).
Source: CNB.

## Figure 57 Current and capital account flows



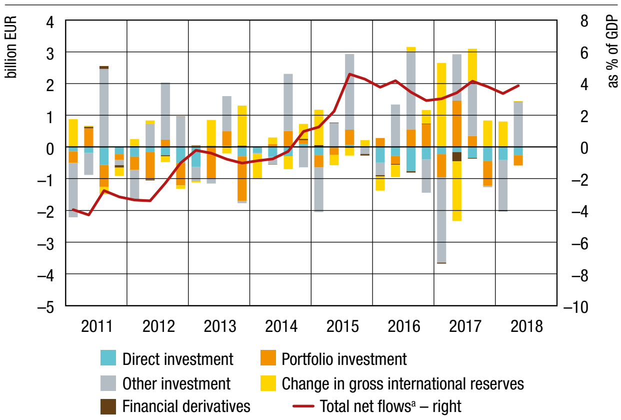

[a] Sum of the last four quarters.
Note: One-off effects include conversion of CHF-linked loans in 2015 and bank provisions for loans to the Agrokor Group in 2017.
Source: CNB.

## Figure 60 Net external debt transactions



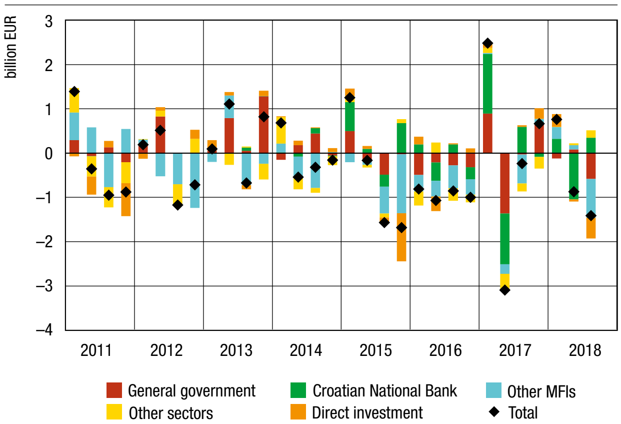

Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Net external debt is calculated as the gross external debt stock net of foreign debt claims. Data for the third quarter of 2018 refer to July and August.
Source: CNB.

## Figure 58 Financial account flows by type of investment



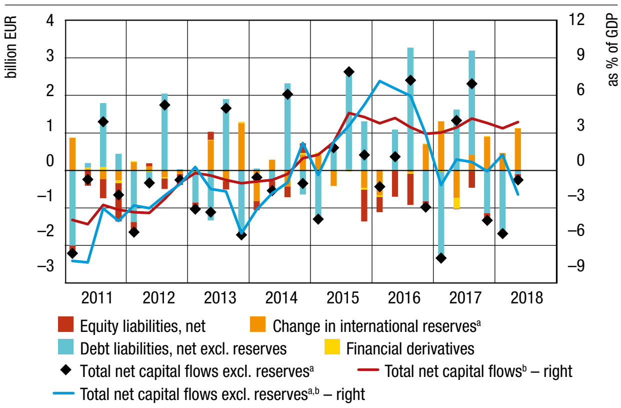

[a] Sum of the last four quarters.
Note: A positive value indicates net outflow of equity abroad (including on the basis of the growth in international reserves).
Source: CNB.

## Figure 61 Gross external debt transactions



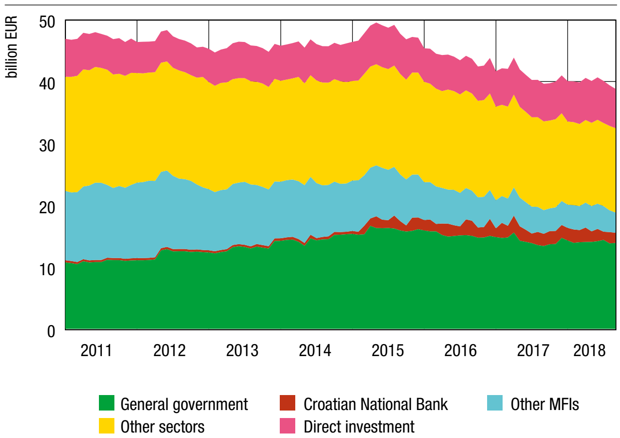

Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Data for the third quarter of 2018 refer to July and August.
Source: CNB.

## Figure 59 Financial account flows by capital structure



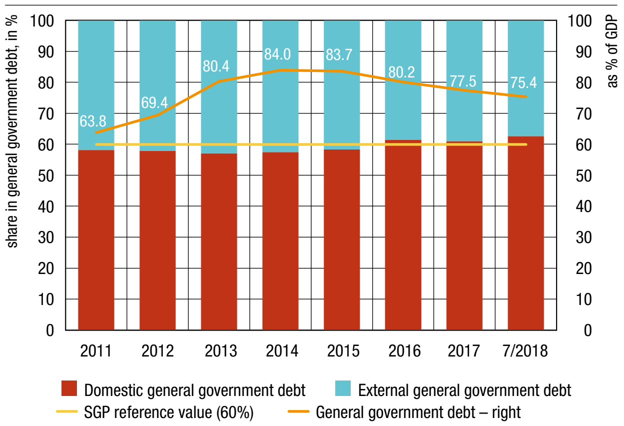

[a] The change in gross international reserves is reported net of foreign liabilities of the CNB. [b] Sum of the last four quarters.
Notes: A positive value indicates net outflow of equity abroad. Net flows represent the difference between the change in assets and the change in liabilities.
Source: CNB.

## Figure 62 Gross external debt
end of period




Note: Data are up to end-August 2018.
Source: CNB.

### Figure 63 General government debt




Note: Nominal GDP for the last four available quarters was used for the calculation of the relative indicator.
Source: CNB.

### Table 3 Consolidated general government balance

ESA 2010, in million HRK

| | Jan. –Jun. 2017 | Jan. – Jun. 2018 |
|---|---|---|
| **Total revenue** | **79,598** | **83,615** |
| Direct taxes | 11,396 | 11,809 |
| Indirect taxes | 32,804 | 35,024 |
| Social contributions | 21,083 | 22,164 |
| Other | 14,315 | 14,617 |
| **Total expenditure** | **82,023** | **82,469** |
| Social benefits | 28,495 | 28,957 |
| Subsidies | 3,926 | 3,787 |
| Interest | 4,900 | 4,698 |
| Compensation of employees | 19,888 | 21,153 |
| Intermediate consumption | 14,429 | 14,765 |
| Investment | 4,923 | 3,508 |
| Other | 5,461 | 5,600 |
| **Net lending (+)/borrowing (–)** | **–2,425** | **1,146** |

Sources: Eurostat and CBS.

### Table 4 Consolidated central government net borrowing

GFS 2001, in million HRK

| | Jan.–Jul. 2017 | Jan.–Jul. 2018 |
|---|---|---|
| 1 Revenue | 80,146.6 | 83,641.6 |
| 2 Disposal of non-financial assets | 407.9 | 316.8 |
| 3 Expenditure | 78,900.8 | 80,898.7 |
| 4 Acquisition of non-financial assets | 1,781.5 | 1,409.9 |
| 5 Net borrowing (1+2–3–4) | –128 | 1,650 |

Sources: MoF and CNB calculations.

### Table 5 General government debt

in million HRK

| | Jan.–Jul. 2017 | Jan.–Jul. 2018 |
|---|---|---|
| Change in total debt stock | –205 | –1,696 |
| Change in domestic debt stock | 5,445 | 3,694 |
| – Securities other than shares, short-term | 1,516 | –347 |
| – Securities other than shares, long-term | 6,070 | 4,514 |
| – Loans | –2,089 | –446 |
| Change in external debt stock | –5,650 | –5,389 |
| – Securities other than shares, short-term | 144 | –146 |
| – Securities other than shares, long-term | –4,896 | –2,173 |
| – Loans | –898 | –3,071 |
| Memo item: | | |
| Change in total guarantees issued | –350 | –218 |

Source: CNB.

# Abbreviations and symbols

## Abbreviations

BIS – Bank for International Settlements
bn – billion
b.p. – basis points
BOP – balance of payments
c.i.f. – cost, insurance and freight
CBRD – Croatian Bank for Reconstruction and Development
CBS – Croatian Bureau of Statistics
CCI – consumer confidence index
CDCC – Central Depository and Clearing Company Inc.
CDS – credit default swap
CEE – Central and Eastern European
CEFTA – Central European Free Trade Agreement
CEI – consumer expectations index
CES – Croatian Employment Service
CHIF – Croatian Health Insurance Fund
CLVPS – Croatian Large Value Payment System
CM – Croatian Motorways
CNB – Croatian National Bank
CPF – Croatian Privatisation Fund
CPI – consumer price index
CPII – Croatian Pension Insurance Institute
CR – Croatian Roads
CSI – consumer sentiment index
DAB – State Agency for Deposit Insurance and Bank Resolution
dep. – deposit
DVP – delivery versus payment
EC – European Commission
ECB – European Central Bank
EFTA – European Free Trade Association
EMU – Economic and Monetary Union
ESI – economic sentiment index
EU – European Union
excl. – excluding
f/c – foreign currency
FDI – foreign direct investment
Fed – Federal Reserve System
FINA – Financial Agency
FISIM – financial intermediation services indirectly measured
f.o.b. – free on board
GDP – gross domestic product
GVA – gross value added
HANFA – Croatian Financial Services Supervisory Agency
HICP – harmonised index of consumer prices
ILO – International Labour Organization
IMF – International Monetary Fund
incl. – including
IPO – initial public offering
m – million
MIGs – main industrial groupings
MM – monthly maturity
MoF – Ministry of Finance
NCA – National Classification of Activities
NCB – national central bank
NCS – National Clearing System
n.e.c. – not elsewhere classified
OECD – Organisation for Economic Co-Operation and Development
OG – Official Gazette
R – Republic
o/w – of which
PPI – producer price index
RTGS – Real-Time Gross Settlement
Q – quarterly
RR – reserve requirement
SDR – special drawing rights
SITC – Standard International Trade Classification
SGP – Stability and Growth Pact
VAT – value added tax
WTO – World Trade Organization
ZMM – Zagreb Money Market
ZSE – Zagreb Stock Exchange

## Three-letter currency codes

ATS – Austrian schilling
CHF – Swiss franc
CNY – Yuan Renminbi
DEM – German mark
EUR – euro
FRF – French franc
GBP – pound sterling
HRK – Croatian kuna
ITL – Italian lira
JPY – Japanese yen
USD – US dollar

## Two-letter country codes

BG – Bulgaria
CZ – Czech R.
EE – Estonia
HR – Croatia
HU – Hungary
LV – Latvia
LT – Lithuania
PL – Poland
RO – Romania
SK – Slovak R.
SI – Slovenia

## Symbols

– – no entry
.... – data not available
0 – value is less than 0.5 of the unit of measure being used
∅ – average
a, b, c,... – indicates a note beneath the table and figure
* – corrected data
( ) – incomplete or insufficiently verified data