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# Information on economic trends

October 2021



## Summary

The GDP nowcasting model shows that in the period from July to September growth in economic activity accelerated relative to the previous quarter, when stagnant developments were recorded, so that a high growth rate might be reached on an annual level, despite the decrease in the base effect. The number of employed and unemployed persons remained almost unchanged in August, with overall employment and the number of unemployed persons continuing to be above pre-crisis levels. The annual consumer price growth rate accelerated from 2.8% in July to 3.1% in August, which was mostly the result of the acceleration of the annual rise in food prices. Although core inflation also increased slightly in August, it remained at the relatively low level of 1.8%. The current and capital account balance deteriorated in the second quarter, primarily due to the widening of the foreign trade deficit. Banks' free reserves decreased in September, mostly as a result of the increase in government kuna deposits with the CNB. Notwithstanding the monthly decrease, the average daily surplus kuna liquidity of the domestic banking market in September stood at HRK 62.4bn, or HRK 21.3bn higher than in the same month of the previous year. Growth of household lending continues to accelerate on an annual level, spurred by the increase in housing and general-purpose cash loans. However, the acceleration in August was slightly less pronounced in intensity than in the previous months when household lending was under the impact of the implementation of the government subsidy programme. In contrast, the annual growth rate of corporate placements slowed down moderately in August, although the growth rates still show the stagnation present since March of the current year. Ministry of Finance data indicate that favourable developments in public finances continued in August 2021, following a temporary worsening in July with the central government budget deficit in the first eight months of 2021 having decreased considerably relative to the same period last year.

The GDP nowcasting model for the third quarter shows real GDP growth relative to the period from April to June 2021, primarily driven by exceptionally good performance in the tourist season. Although as a result of the gradual waning of the base effect in the mentioned period the real GDP growth rate is expected to be lower in the mentioned period than in the second quarter, it might nevertheless be high (Figure 1). As regards the available high-frequency indicators, favourable movements in real retail trade turnover continued in August under the effect of exceptionally good trends in tourism and was higher by 1.8% from July. At the same time, in the two months, trade was on average at a level 2.9% higher than in the second quarter (Figure 7). Industrial production increased by 0.7% in August from the previous month, which was insufficient to offset the fall that occurred in July (by 1.0%). Industrial production thus fell by 0.6% in July and August, from the average performance in the second quarter. Broken down by main industrial groupings, the production of energy and non-durable consumer goods decreased on a quarterly basis, while the production of intermediate and capital goods held steady at the level from the second quarter. Only the production of durable consumer goods increased on a quarterly basis (Figures 3 and 4). The real volume of construction works was 4.9% lower in July of this year than in the previous month, the first decrease on a monthly basis since August of last year. Unfavourable trends in construction may also partly be linked to the increase in the prices of construction materials, with the results of the Business Confidence Survey pointing to the increased share of business entities and citing the shortage of materials as a limiting factor in operations. The volume of construction works decreased both on buildings (-6.2%) and civil engineering works (-3.0%). In July, total construction activity was thus 3.6% lower than the average performance of the second quarter, thus reversing the four consecutive quarters of continuous growth (Figures 5 and 6).

The Consumer Confidence Survey data show that household expectations worsened in September from August of this year, the level of optimism in the third quarter being below the average level from April to June. Although the financial situation of households today is assessed as somewhat better than the situation 12 months ago, the worsening of expectations on a quarterly basis is the consequence of unfavourable expectations regarding the overall economic situation in Croatia in 12 months compared with the present situation, and expectations regarding the

financial situation of households in the same period also worsened. Worsened expectations regarding the economic and financial situation were probably adversely affected by expectations regarding the increase in prices in the following year. As regards business expectations, in construction they worsened slightly in September, while growth in optimism continued in other activities. In the third quarter of this year, the confidence index of business entities was thus above the average level from the previous three months in all activities. The strongest improvement in expectations was recorded in service activities, where the index reached the highest level since the start of the Survey. A considerable improvement in expectations was also recorded in trade and industry where the level of optimism of business entities reached the pre-crisis level (Figure 8).

In August 2021, the number of employed persons remained unchanged from July, supported by continued demand for workers in the IT sector and construction as well as seasonal workers in tourism. When compared with the pre-crisis period, total employment remained at higher values (Figure 15). In August 2021, the number of unemployed persons also remained unchanged, while compared with the same period of 2019, the number was still larger. The higher level of unemployment relative to the pre-crisis period, in addition to the full recovery of employment, suggests that the growth in demand for labour was partly met by the employment of workers from countries other than Croatia and outside the EU.<sup>1</sup> In accordance with the stagnation in the number of unemployed and employed persons in August, the share of unemployed persons in the labour force remained unchanged at 7.3% (Figure 16).

The average nominal gross wage paid in August 2021 (seasonally adjusted data) continued to grow both on the monthly and on the annual level, albeit at a slower pace (Figure 17). The average nominal gross wage was 3.4% higher than in August 2020, with the wage increase in the public sector being more pronounced than in the rest of the economy. Since there were almost no payments of non-taxable compensations, the annual rise of the total income of employed persons (i.e. net wages increased by non-taxable compensations) in July 2021 was

<sup>1</sup> In August 2021 in Croatia, slightly more than 34 thousand foreign workers were registered with the CPII, or up by 39% from the previous year, although the recording system most likely does not cover all such workers. The largest share of foreign workers was employed in construction, accommodation and food service activities and manufacturing.

accompanied by an increase in the average nominal net wage.

The annual growth of consumer prices continued to accelerate in August, when it reached 3.1% (from the 2.8% in July). Broken down by components, the acceleration of the annual growth of food prices in August (to 2.6% from 2.0% in July) was the most pronounced. However, it was less pronounced than in July, when the annual growth increased by 2 percentage points. The largest contribution to the acceleration of the rise in food prices in August came from unprocessed food products (fruit and vegetables), which may largely be attributed to adverse weather conditions causing lower yields and higher demand due to the good tourist season. Furthermore, to a slightly smaller extent, processed food products (bread and milk, cheese and eggs) also made a contribution to the rise in food prices, which can mainly be explained by imported cost pressures, or the increase in food raw material prices on the global market. By contrast, the annual growth in food prices was offset by the deceleration of the growth in the prices of meat and oils and fats. The annual growth rate of energy prices also accelerated slightly in August (to 8.3% from 8.2% in July), still making the largest contribution to overall inflation of 1.4 percentage points. In line with these trends, the core inflation rate (excluding agricultural product prices, energy and administered prices) increased only slightly (by 0.2 percentage points) in August and remained at a relatively low level (1.8%). Not only individual processed food products but also services contributed to the slight acceleration of core inflation in August, their annual growth accelerating from 1.7% in July to 2.0% in August, mostly as the result of the annual increase in the prices of tourism-related services (passenger air transport, package holidays and restaurants and hotels). The annual increase in the prices of industrial products also accelerated slightly to 1.0% in August (from 0.8% in July). Thus, no significant spillover of the increase in the prices of industrial raw materials, the increase in freight rates and shortages of individual intermediate goods (for example, semiconductors) on the global market to domestic consumer prices has been observed so far. As for producer prices, their annual growth in the domestic market accelerated from 8.7% in July to 10.2% in August. This was largely due to the increase in the annual growth rate of energy prices (from 25.8% in July to 30.2% in August). Imported inflationary pressures on the rise in energy prices strengthened in September due to the increase in the prices of crude oil and natural gas on the global market. The annual growth rate of non-energy producer prices accelerated from 2.2% in July to 2.7% in August.

The current and capital account of the balance of payments ran a deficit of EUR 0.5bn in the second quarter of 2021, having widened by EUR 0.3bn from the deficit in the same period of the previous year (Figure 58). This was mainly the result of the widening of the foreign trade deficit (by EUR 0.7bn) as the growth in imports in absolute terms exceeded the growth in exports, despite the faster growth in the exports (by 44.8%) than in the imports (40.5%) of goods due to the much larger imports base. The noticeable pick-up in the trade in goods was partly the result of the base effect as trade in goods contracted strongly in spring of the previous year due to the outbreak of the pandemic and the imposition of stringent epidemiological measures and partly due to the revival in domestic and foreign demand, the restoration of supply chains that were disrupted after the outbreak of the crisis, a stronger recovery of manufacturing relative to the service sector as well as the rise in raw material prices on the global market. Accordingly, total goods exports were significantly higher in the second quarter of 2021 than in the same period of 2019 (by 20.8%), and imports exceeded the pre-crisis level (by 4.0%). To a much smaller extent, the widening in the

current and capital account deficit in the second quarter of 2021 was also attributed to the deterioration of the balance in the primary income account from the same period of the previous year as a result of larger expenditures on direct equity investments due to improved performance of foreign-owned banks and enterprises. Unfavourable developments were mitigated by the growth of the surplus in foreign trade in services (by EUR 0.6bn) thanks to larger revenues from tourism consumption of foreign tourists than in the same period of the previous year when it was almost completely impossible for the tourist industry to operate. Tourism revenues, however, accounted for only slightly more than a half of the result from two years ago. The surplus in the secondary income account and in the account of capital transactions decreased slightly in the second quarter of 2021 from the same period of the previous year owing to the smaller use of funds from the EU budget, which was offset by the further increase in net revenues from personal transfers. If the results of the last four quarters are observed, the surplus in the current and capital account of the balance of payments was 1.6% of GDP, down by 0.4 percentage points from the whole of 2020.

Although the financial result of the tourist season is not yet known, the available high-frequency data show that in the third quarter of 2021 the level of tourist activity was considerably higher than had been expected. Thus, according to the recent data of the Croatian National Tourist Board, the number of nights stayed by foreign tourists in all accommodation facilities (commercial and non-commercial) in July and August was as much as 47.8% higher than in the same period of the previous year, and only 13.2% lower than in the same period of the record tourist year of 2019. If the even more favourable developments in the number of nights stayed by domestic tourists are taken into account, which account for a perceptibly smaller share in the structure of the total number of nights stayed, the total decline in the number of nights stayed is 12.0% from the pre-crisis level. The available financial indicators point to even more favourable trends than volume indicators. Tax Administration data on the amounts of fiscalised invoices in hotel and restaurant services show that in July and August 2021 they were up by 72.3% from the same period of the previous year, or 13.8% higher than in the same period of 2019. Recent data show that favourable trends in the movement of volume and financial indicators continued in September.

The nominal exchange rate of the kuna against the euro depreciated slightly in September, ending the month at EUR/HRK 7.50 (Figure 23), or up by 0.2% from the end of August or down by 0.6% relative to the same period of the previous year. Despite the depreciation of the kuna against the euro, the nominal effective exchange rate of the kuna remained unchanged at the end of September relative to the end of August. The weakening of the kuna against the euro and the US dollar was offset by the appreciation of the kuna against the Hungarian forint and the Turkish lira, mirroring the weakening of these currencies against the euro on the international foreign exchange market.

Short-term interest rates on the European money market remained almost unchanged in September. Thus, EONIA, the overnight interest rate on the banking market in the euro area and the six-month EURIBOR dropped only slightly to the level of -0.50% or -0.53% respectively (Figure 25). The risk premiums for European emerging market economies saw no significant changes in September (Figure 26). The risk premium for Croatia increased slightly, standing at 85 basis points at the end of September, and, with the exception of Romania, continued to record slightly higher values than that in peer CEE countries. It is worth noting that, mostly due to the expected change in the

monetary policy direction, yields on US ten-year government bonds and the bonds of the key euro area countries increased in September (by about 20 basis points), with a more prominent increase being recorded in yields on the UK bond (by about 40 basis points).

A moderate decrease in banks' free reserves continued in September, mostly as a result of higher government kuna deposits with the CNB. Thus, the average daily surplus kuna liquidity of the domestic banking market was HRK 62.4bn in September, which was still higher by HRK 21.3bn than in the same month of the previous year (Figure 55). In such circumstances, there had been no turnover in the domestic interbank overnight market since April of the previous year, and no Ministry of Finance T-bill auctions were held, while the turnover in other money market segments was modest. The implied interest rate derived from banks' foreign exchange swap trading agreements continued to rise and reached 0.12% in September, while the overnight interest rate on banks' demand deposit trading and the interest rate on banks' repo transactions held steady at the levels of 0.01% and 0.05% respectively (Figure 28).

Banks' interest rates on new corporate and household loans, which include pure new loans and renegotiated loans, mostly increased only slightly in August (Figures 29 and 30). Interest rates on long-term corporate loans with a currency clause declined, mostly as a result of the trends in interest rates on pure new working capital loans with a currency clause (Figure 32). Interest rates on housing loans continued to increase, primarily due to the waning of the effect of subsidised housing loans (Figure 33), with the costs of consumer credit increasing moderately (Figure 34). Interest rates on household and corporate time deposits did not change significantly (Figures 35 and 36). In line with the described trends, the spread between interest rates on total new loans and deposits edged up to 4.5 percentage points, while the spread on their balance remained 3.8 percentage points (Figure 37).

Monetary developments in August were marked by a sharp increase in net foreign assets (NFA) of credit institutions spurred by the seasonal growth inflows from tourism, while net domestic assets (NDA) decreased, so that total liquid assets (M4) rose by HRK 8.7bn or 2.2% (based on transactions) (Figure 39). Money (M1) increased by HRK 1.7bn (0.9%) in August from the previous month, mostly due to the increase in corporate demand deposits, while quasi-money increased by HRK 6.9bn (3.4% based on transactions), reflecting the growth in demand deposits of corporations and households. On an annual level, the growth rate of M4 shows a stronger seasonal increase relative to the previous year, accelerating from 9.7% in July to 11.1% in August (Figure 50), and M1 from 19.6% to 19.8%, based on transactions (Figure 49).

Total placements of monetary institutions to domestic sectors (excluding the central government) were down by HRK 0.5bn or 0.2% (based on transactions) in August from July. The annual growth rate of total placements held steady at the previous month's level of 4.1% (Figure 41). Broken down by sector, corporate placements declined in August (HRK 0.7bn or 0.8%) as well as placements to other financial institutions (HRK 0.2bn or 2.4%), while household loans increased (HRK 0.3bn or 0.2%). The mild increase in household loans was supported by the increase in housing loans (HRK 0.4bn or 0.6%), while general-purpose cash loans remained almost unchanged. On an annual level, the growth in housing loans continued to accelerate (from 10.6% to 10.8%), as well as general-purpose cash loans (from 0.6% to 0.8%), which resulted in the acceleration of total household loans from 4.3% to 4.6% (Figure 43). Its intensity was slightly less pronounced than in the previous months when

household lending was under the impact of the implementation of the state subsidy programme. The annual growth rate of corporate placements slowed down moderately in August; however, growth rates still suggest stagnation present since March of the current year (Figure 42).

Gross international reserves increased by EUR 0.3bn or 1.3% in September from the previous month and ended the month at HRK 24.4bn (Figure 57). The increase in reserves was mostly the result of higher government's foreign exchange deposits with the CNB due to the inflow of funds from the European Commission's pre-financing payment of EUR 818.4bn under the National Recovery and Resilience Plan (NRRP), while the decrease in deposits was attributed to the lower level of agreed repo transactions. Compared with the end of the previous year, gross international reserves grew by EUR 5.4bn or 28.6%. Net usable reserves remained almost at the same level as in August (EUR 19.5bn).

The financial account of the balance of payments, changes in gross international reserves and liabilities of the CNB excluded, saw only a slight net capital outflow in the second quarter of 2021 as the sharp decrease in net debt liabilities of domestic sectors was almost completely offset by the rise in net equity liabilities (Figure 60). The net inflow of equity investment was primarily the result of a sharp increase in liabilities arising from reinvested earnings of banks and enterprises in foreign ownership, and to a lesser extent, of growth in direct equity investments in Croatia, in particular in real estate and car industry activities. By contrast, the mentioned decline in net debt liabilities is primarily the reflection of the increase in central bank's assets due to the increase in banks' funds within the framework of TARGET2<sup>2</sup> and, to a much smaller extent, to the lower government net debt liabilities (Figure 61). In contrast, banks slightly worsened their foreign position, while net debt liabilities of other domestic sectors (including direct investments) remained unchanged, because the growth in liabilities was equal to the growth in demands on affiliated enterprises abroad. At the same time, central bank's international reserves (gross reserves minus CNB's liabilities) increased slightly, in particular thanks to the higher purchase of foreign exchange from the government, so that the total net capital outflow, including CNB reserves, was slightly larger and stood at EUR 0.2bn. The data for July show a strong decline in net external debt of domestic sectors, primarily owing to the perceptible improvement in the net foreign position of banks, due to the increased foreign exchange inflow during the peak tourist season.

According to Ministry of Finance data<sup>3</sup>, in August 2021, the central government budget surplus stood at HRK 4.3bn, which was HRK 1.3bn more favourable than the balance in the same period of 2020. The above developments reflect a mild growth in revenues (0.6%) and a relatively sharp fall in expenditures (−8.9%); however, the absence of disaggregated data does not allow for a detailed analysis. In the first eight months of 2021, the deficit stood at HRK 6.1bn, a more favourable balance than the deficit in the same period of the previous year (HRK 8.8bn). The available data suggest that the developments in the period from January to August of this year could mainly be associated

2 Banks' funds within the TARGET2 system account for central bank's foreign assets, but they are not part of international reserves.

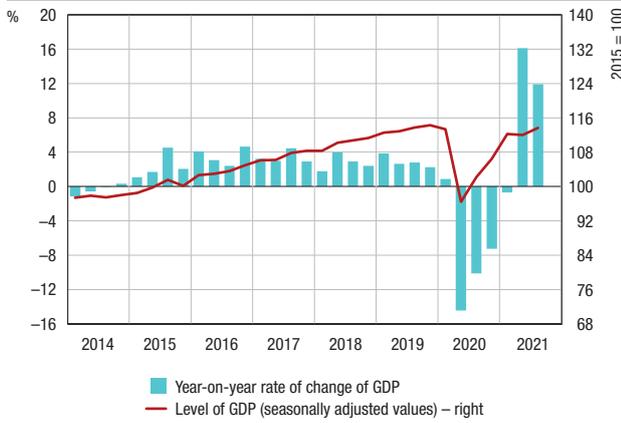
3 The budget balance and total revenues and expenditures refer to monthly data for the central government, state government and social security sub-sectors, the publication of which by the Ministry of Finance before the end of the following calendar month is required under Council Directive 2011/85/EU. The published data refer to general government units according to the scope of ESA 2010 statistical methodology, except for data pertaining to local government, which are published on a quarterly basis. Individual income and expenditure items are based on the data on the state budget according to the national budgetary chart of accounts methodology.

with the recovery in economic activity, which resulted in the increase in revenues and smaller needs for fiscal stimuli.

As regards the trends in the general government debt, at the end of June, it stood at HRK 340.6bn, having risen by HRK

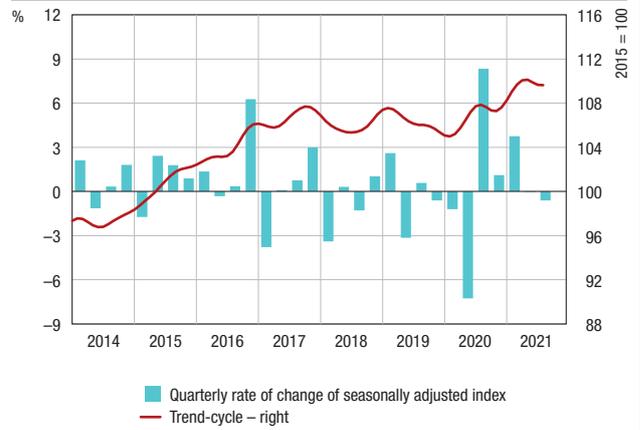
10.6bn from the end of 2020 (Table 5), while the relative public debt to GDP ratio decreased slightly to 87.4% from 88.8% at the end of 2020.

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



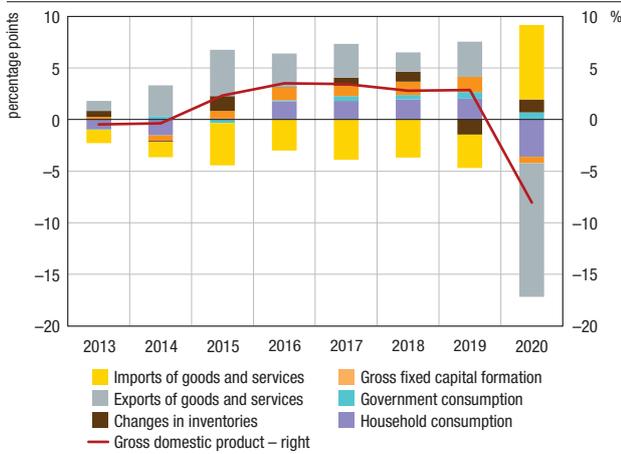
Note: Data for the third quarter of 2021 refers to the CNB's monthly indicator of real economic activity, estimated on the basis of data published until 30 September 2021.  
 Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

**Figure 3 Industrial production**



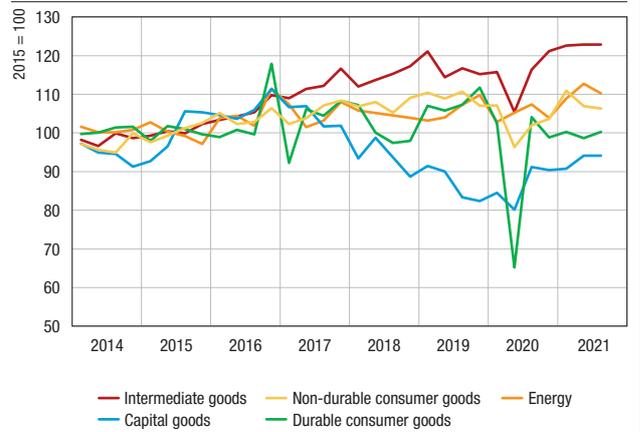
Note: Data for the third quarter of 2021 refers to July and August.  
 Source: CBS data seasonally adjusted by the CNB.

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



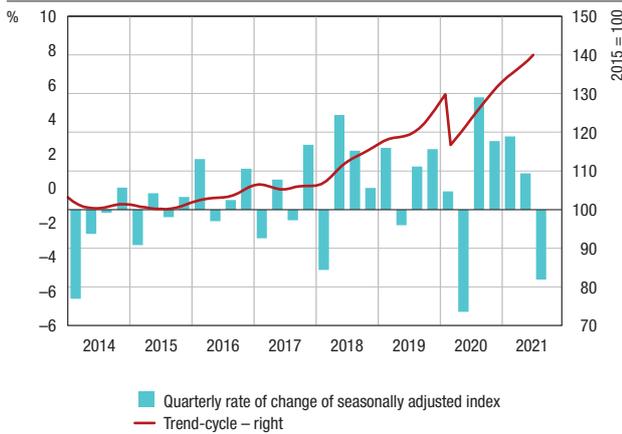
Source: CBS.

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



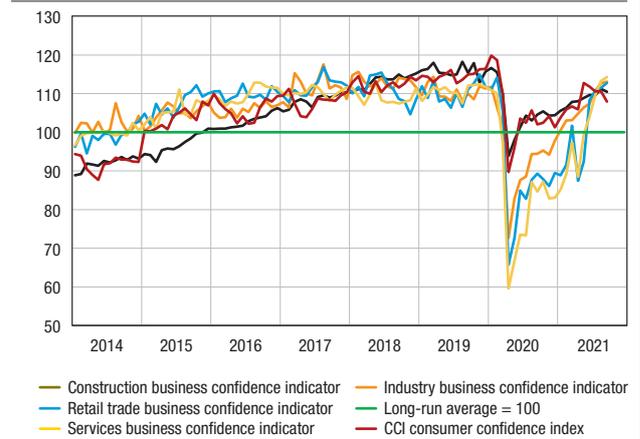
Source: CBS data seasonally adjusted by the CNB.

Figure 5 Total volume of construction works



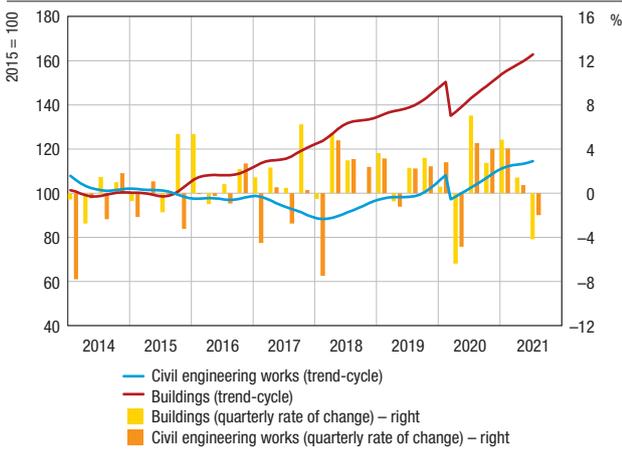
Note: Data for the third quarter of 2021 refer to July.  
Source: CBS data seasonally adjusted by the CNB.

Figure 8 Consumer and business confidence indicators standardised and seasonally adjusted values



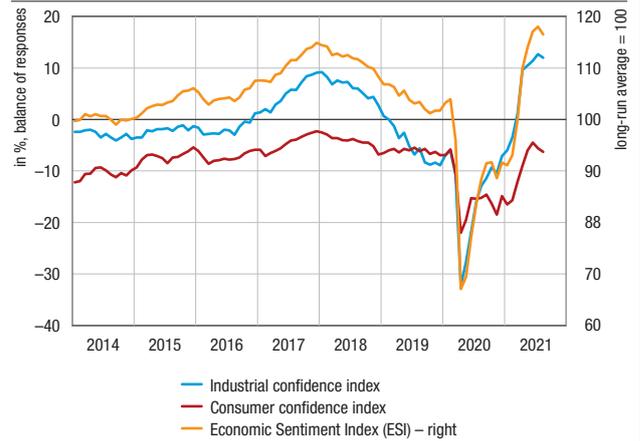
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



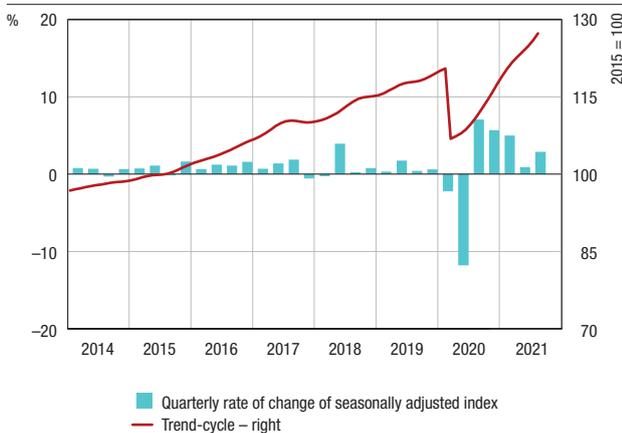
Source: CBS data seasonally adjusted by the CNB.

Figure 9 EU confidence indices seasonally adjusted series



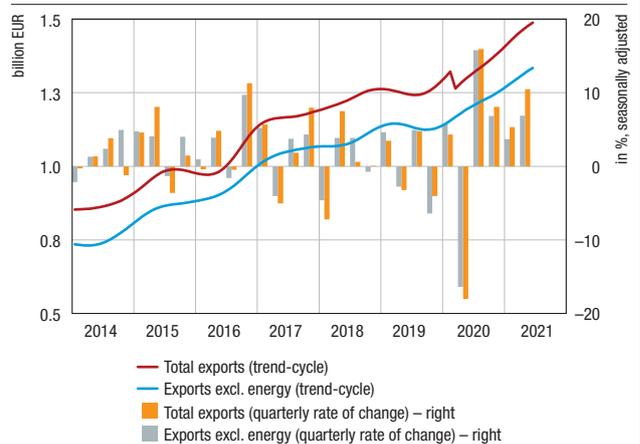
Note: Data are up to August 2021.  
Source: Eurostat.

Figure 7 Real retail trade turnover



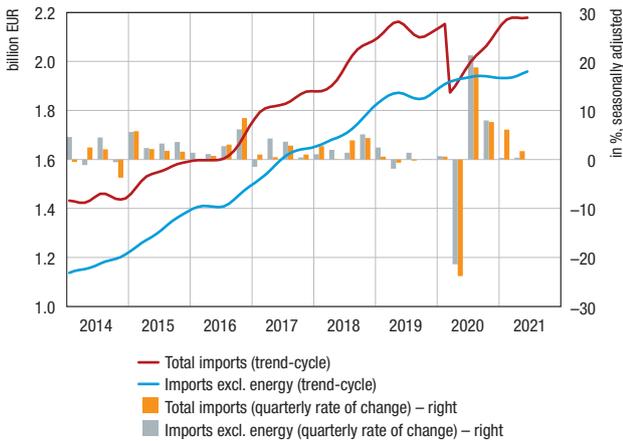
Note: Data for the third quarter of 2021 refers to July and August.  
Source: CBS data seasonally adjusted by the CNB.

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



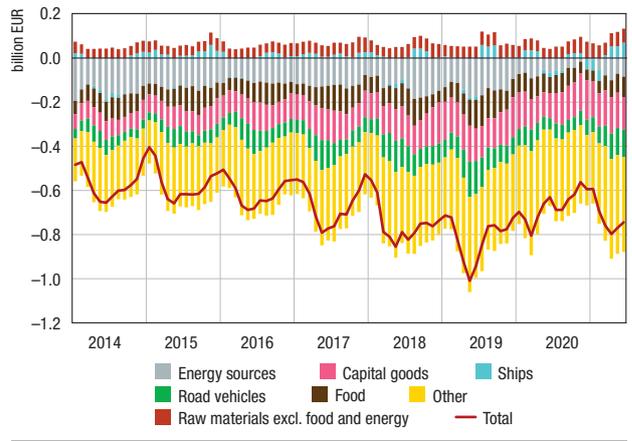
Source: CBS data seasonally adjusted by the CNB.

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



Source: CBS data seasonally adjusted by the CNB.

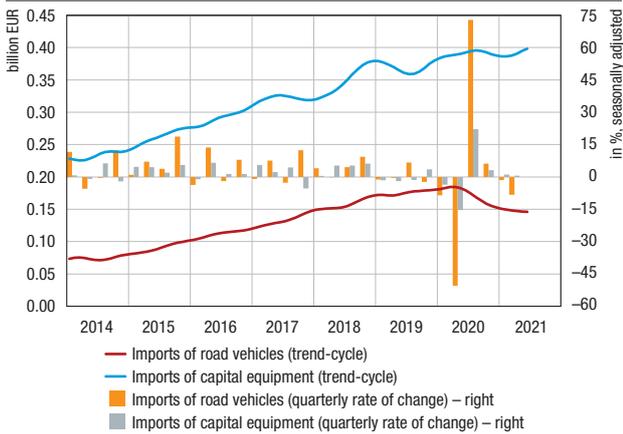
Figure 14 Trade in goods balance by product groups



Notes: Series are shown as three-member moving averages of monthly data. Data are up to June 2021.

Source: CBS.

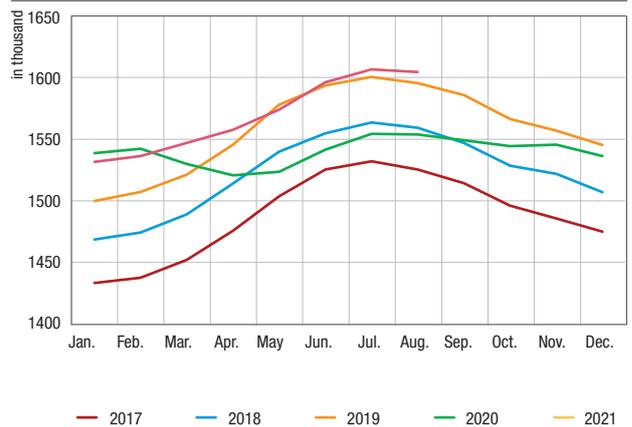
Figure 12 Imports of capital equipment and road vehicles (c.i.f.)



Notes: Imports of capital equipment (SITC divisions 71 - 77).

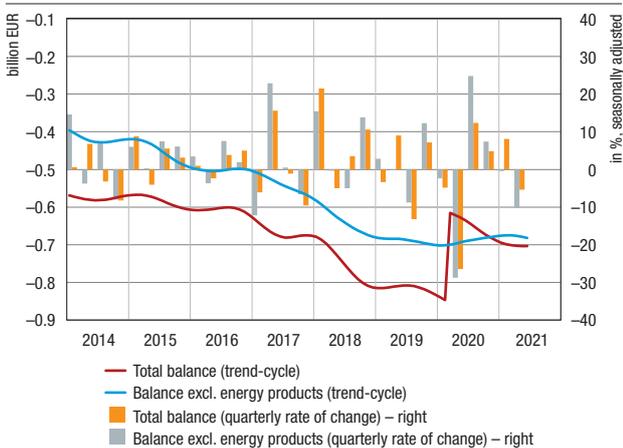
Source: CBS data seasonally adjusted by the CNB.

Figure 15 Employment original data



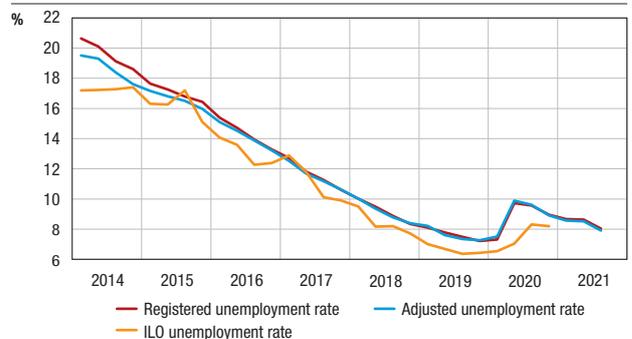
Source: CPII.

Figure 13 Trade of goods balance



Source: CBS data seasonally adjusted by the CNB.

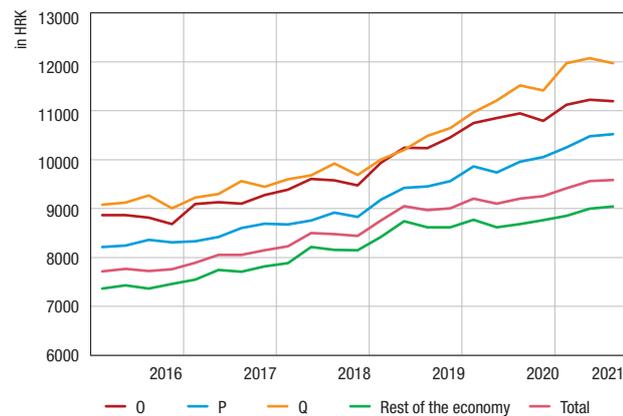
Figure 16 Unemployment rates seasonally adjusted data



Notes: Since January 2015, the calculation of the registered unemployed person has used the data on employed persons from the JOPPD form. Data on the number of employed persons have been revised backwards for the period from January 2016 to December 2019. 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). Data for the third quarter of 2021 refer to July.

Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

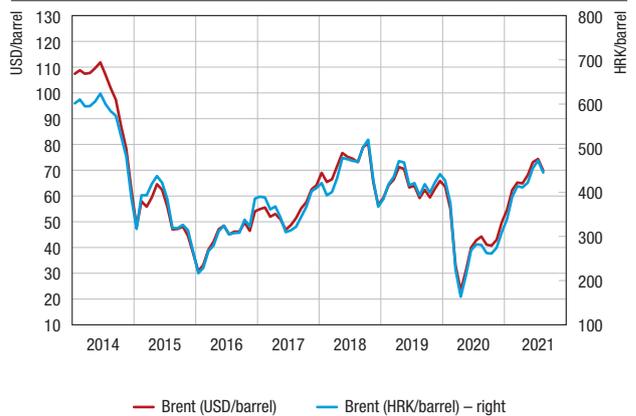
**Figure 17 Average nominal gross wage by NCA activities original data**



Note: O – Public administration and compulsory social security, P – Education, Q – Human health.

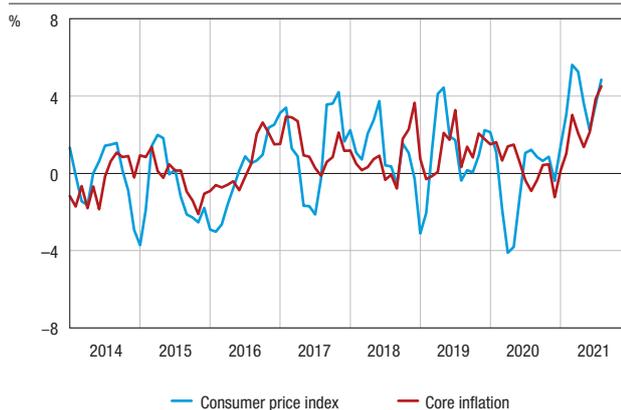
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

**Figure 20 Crude oil prices (Brent)**



Sources: Bloomberg and CNB calculations.

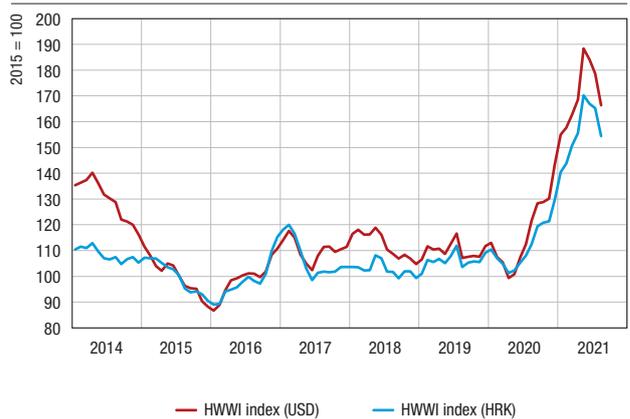
**Figure 18 Consumer price index and core inflation annualised month-on-month rate of change<sup>a</sup>**



<sup>a</sup> The month-on-month rate of change is calculated based on the quarterly moving average of seasonally adjusted consumer price indices.

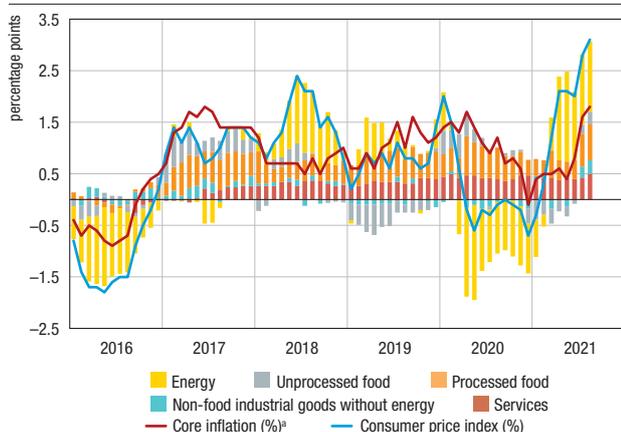
Sources: CBS and CNB calculations.

**Figure 21 HWWI index (excl. energy)**



Sources: HWWI and CNB calculations.

**Figure 19 Year-on-year inflation rate and contributions of components to consumer price inflation**



<sup>a</sup> 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

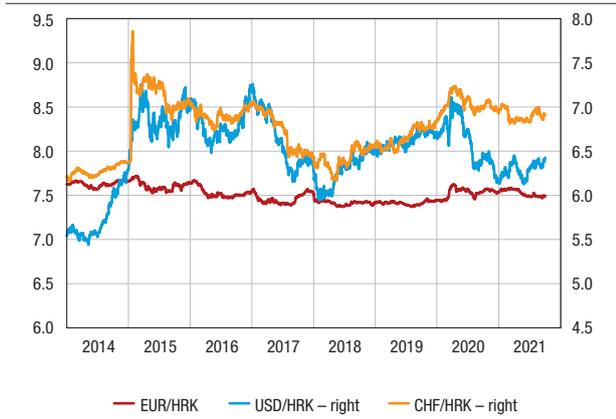
	Year-on-year rates		Month-on-month rates	
	7/21	8/21	8/20	8/21
<b>Consumer price index and its components</b>				
Total index	2.8	3.1	-0.1	0.2
Energy	8.2	8.3	-0.3	-0.1
Unprocessed food	2.0	2.9	0.7	1.6
Processed food	2.7	2.9	0.2	0.5
Non-food industrial goods without energy	0.8	1.0	-0.7	-0.6
Services	1.7	2.0	-0.1	0.3
<b>Other price indicators</b>				
Core inflation	1.6	1.8	-0.1	0.1
Index of industrial producer prices on the domestic market	8.7	10.2	-0.3	1.0
Brent crude oil price (USD)	73.7	57.9	3.4	-6.1
HWWI index (excl. energy, USD)	59.0	36.8	8.2	-6.9

Note: Processed food includes alcoholic beverages and tobacco.

Sources: CBS, Bloomberg and HWWI.

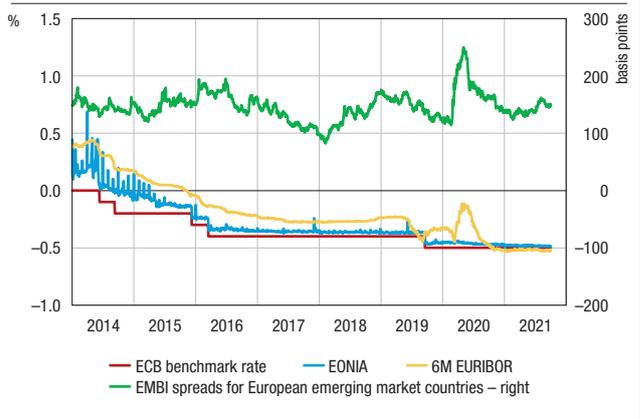
**Figure 22 Daily nominal exchange rate – HRK vs. EUR, USD and CHF**

CNB midpoint exchange rate



Source: CNB.

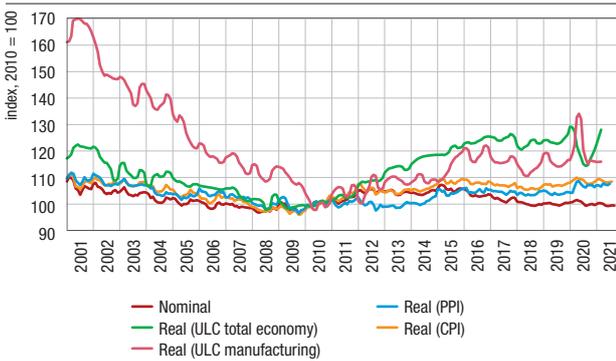
**Figure 25 Interest rates on the euro and the average yield spread on bonds of European emerging market countries**



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: ECB, Bloomberg and J.P. Morgan.

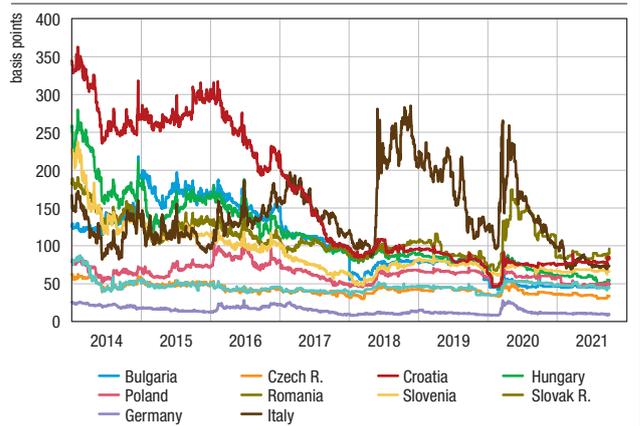
**Figure 23 Nominal and real effective exchange rates of the kuna**



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.

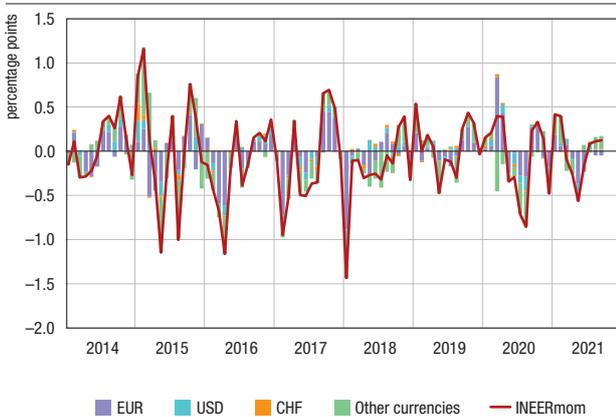
**Figure 26 CDS spreads for 5-year government bonds of selected countries**



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

Source: S&P Capital IQ.

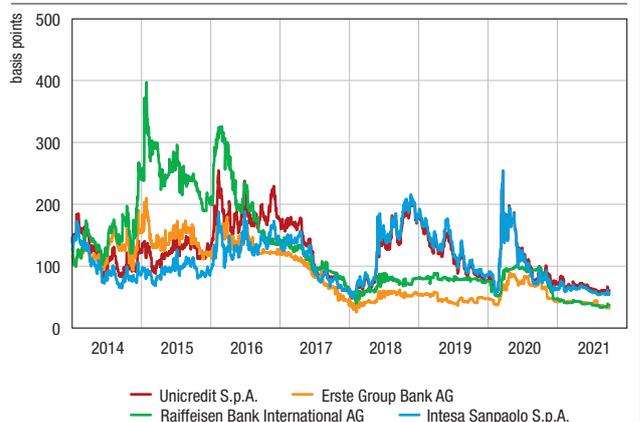
**Figure 24 Contributions<sup>a</sup> of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)**



<sup>a</sup> Negative values indicate contributions to the appreciation of the INEER.

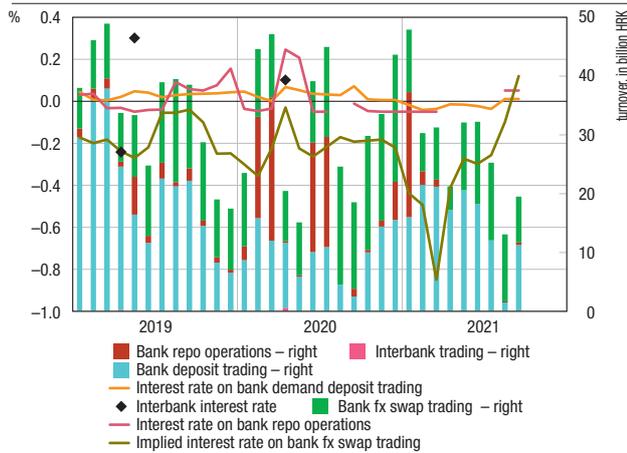
Source: CNB.

**Figure 27 CDS spreads for selected parent banks of domestic banks**



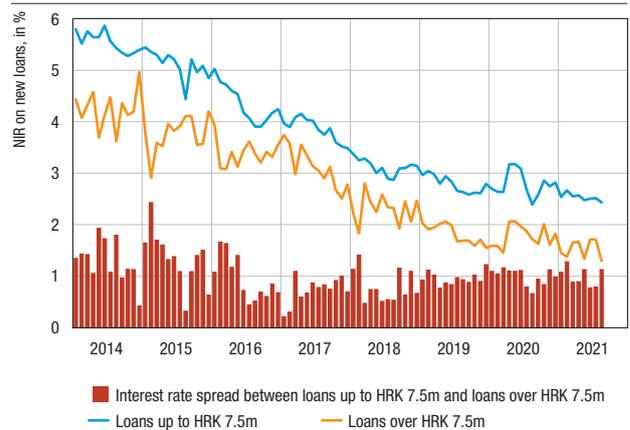
Source: S&P Capital IQ.

Figure 28 Overnight interest rates and turnovers



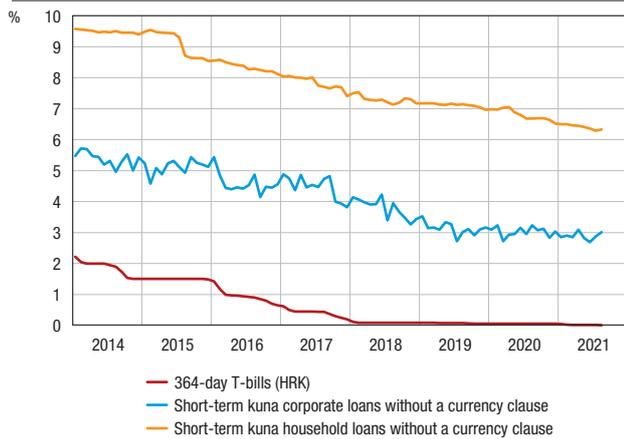
Source: CNB.

Figure 31 Bank interest rates on loans to non-financial corporations by volume



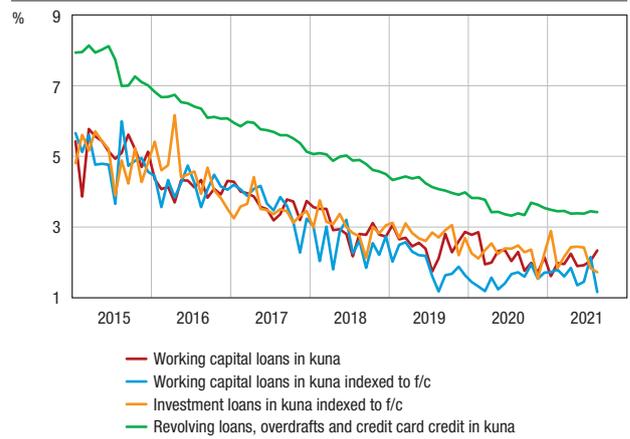
Source: CNB.

Figure 29 Short-term financing costs in kuna without a currency clause



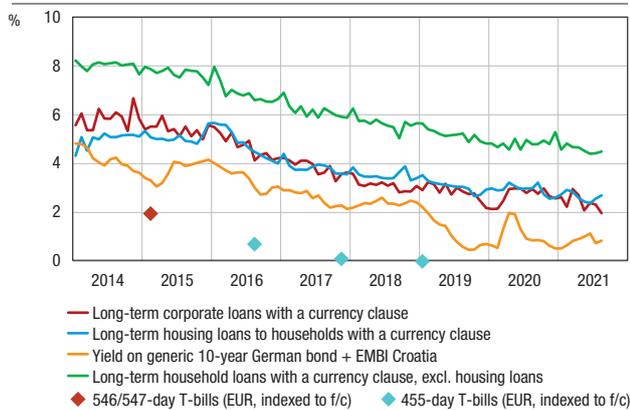
Sources: MoF and CNB.

Figure 32 Interest rates on pure new loans to non-financial corporations



Source: CNB.

Figure 30 Long-term financing costs in kuna with a currency clause and in foreign currency



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

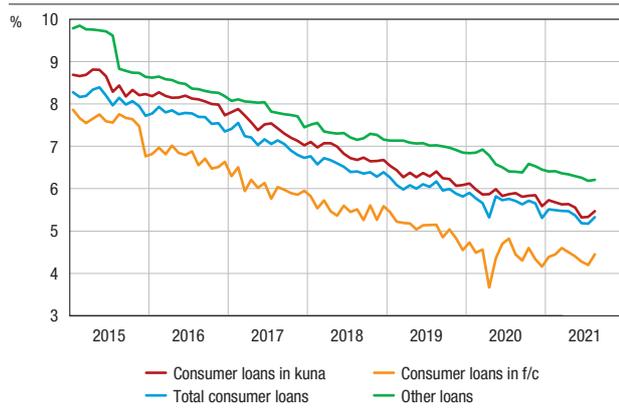
Sources: MoF, Bloomberg and CNB.

Figure 33 Interest rates on pure new housing loans to households



Source: CNB.

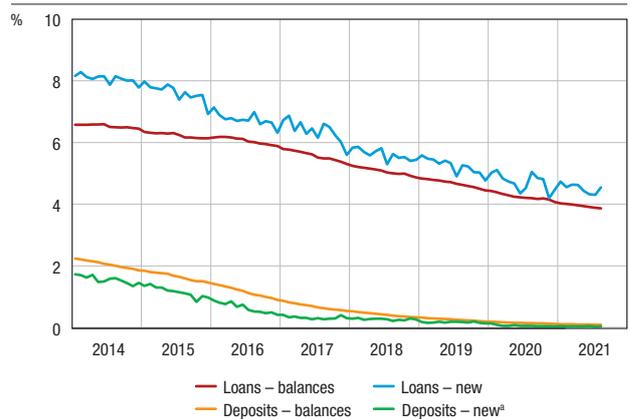
**Figure 34 Interest rates on pure new consumer loans and other loans to households**



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.

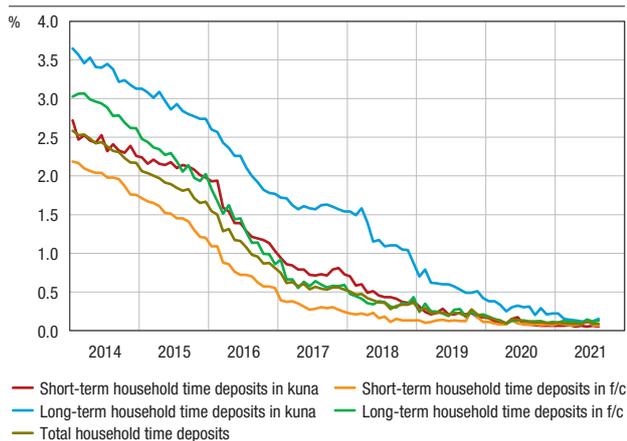
**Figure 37 Average interest rates on loans (excl. revolving loans) and deposits**



<sup>a</sup> For time deposits, interest rates on newly received deposits are weighted by their balances.

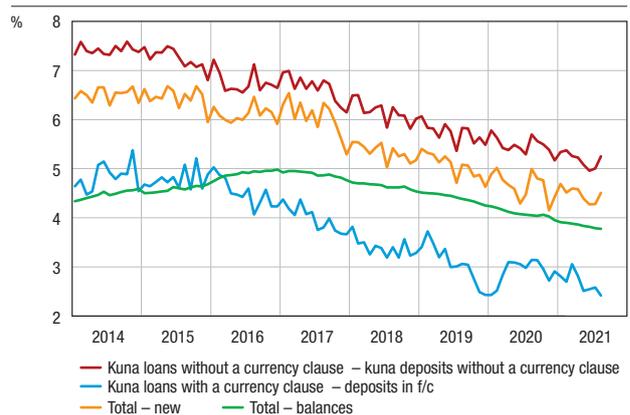
Source: CNB.

**Figure 35 Interest rates on household time deposits**



Source: CNB.

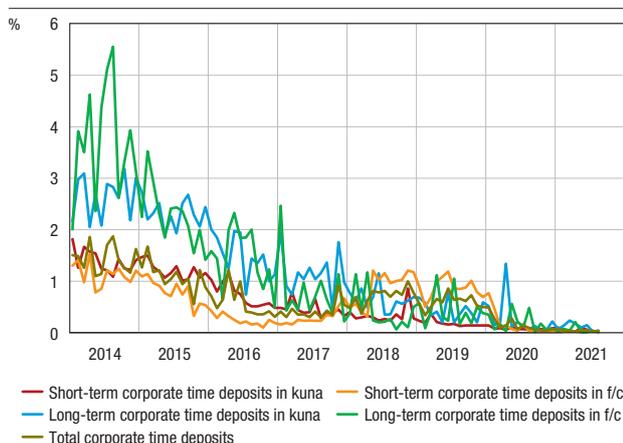
**Figure 38 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits**



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).

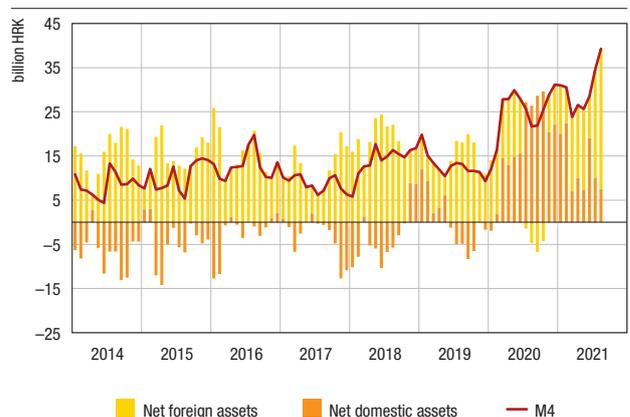
Source: CNB.

**Figure 36 Interest rates on corporate time deposits**



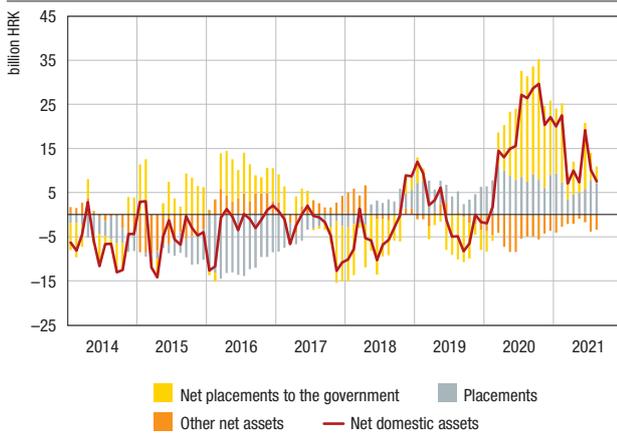
Source: CNB.

**Figure 39 Net foreign assets, net domestic assets and total liquid assets (M4) absolute change in the last 12 months**



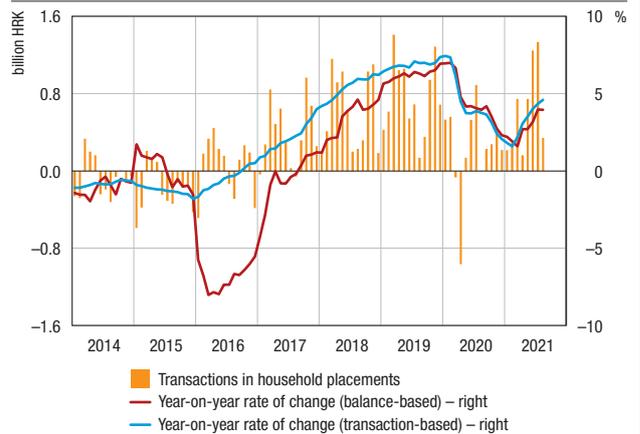
Source: CNB.

**Figure 40 Net domestic assets, structure**  
absolute change in the last 12 months



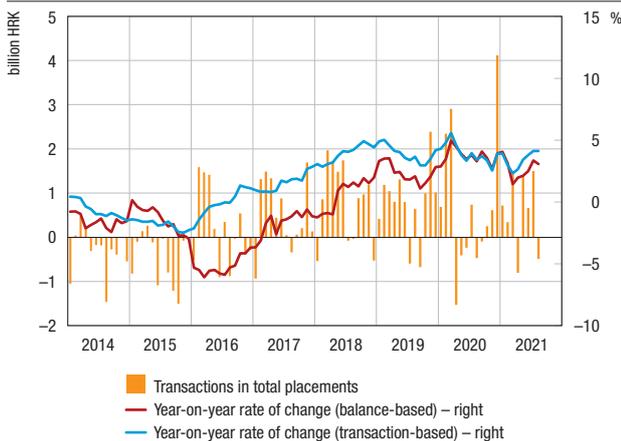
Source: CNB.

**Figure 43 Placements to households**



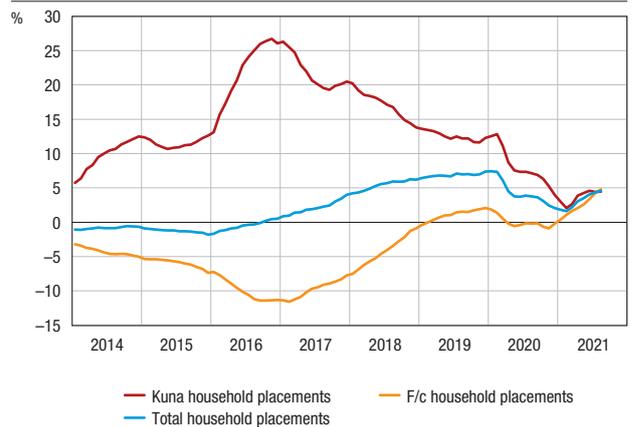
Source: CNB.

**Figure 41 Placements**



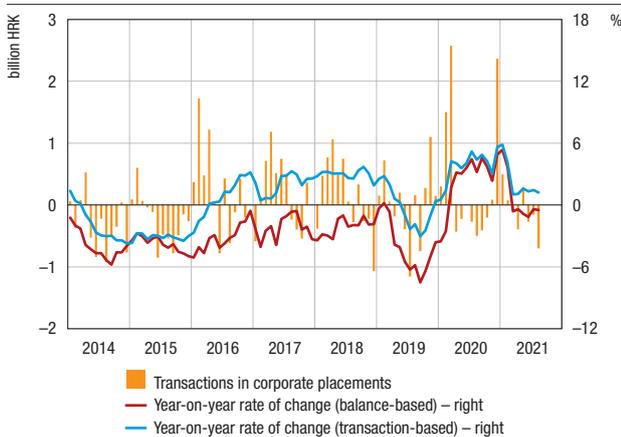
Source: CNB.

**Figure 44 Annual rate of change in household placements**  
transaction-based



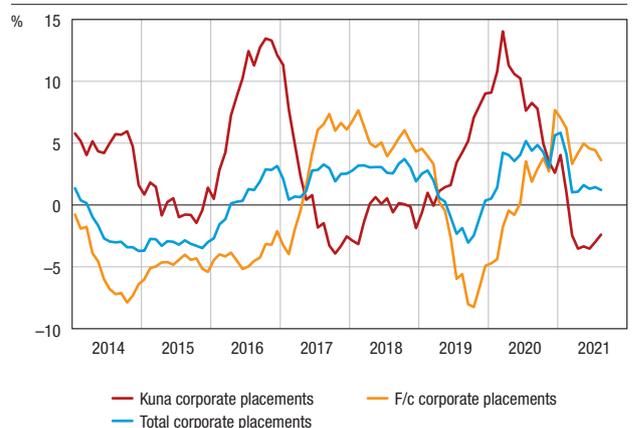
Source: CNB.

**Figure 42 Placements to corporates**



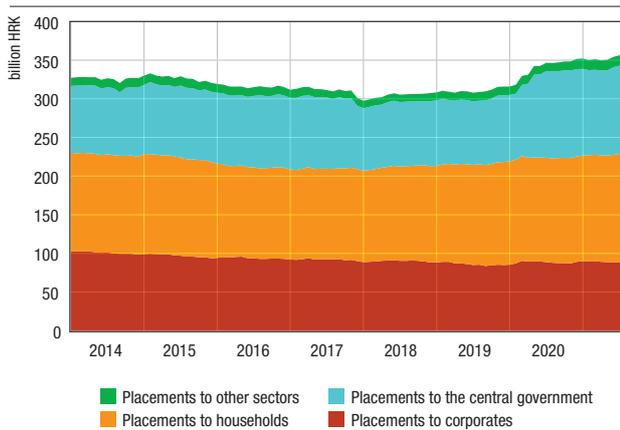
Source: CNB.

**Figure 45 Annual rate of change in corporate placements**  
transaction-based



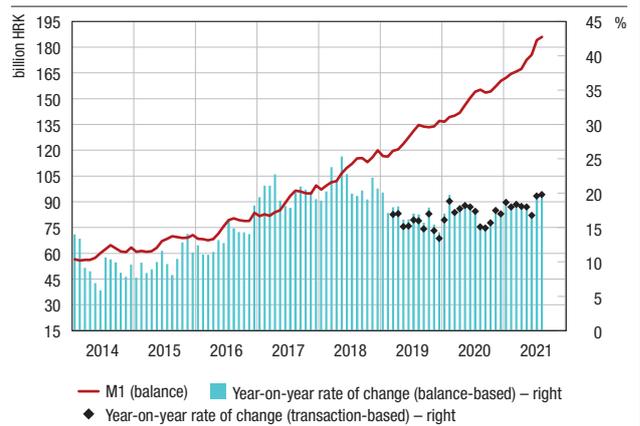
Source: CNB.

**Figure 46 Structure of placements of monetary financial institutions**



Source: CNB.

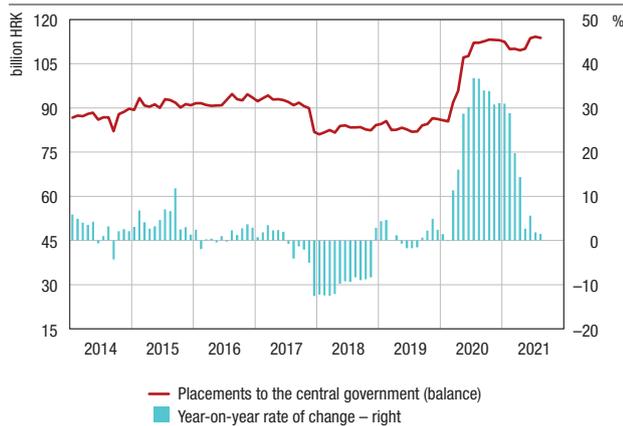
**Figure 49 Money (M1)**



Note: From March 2019, the growth rate (transaction-based) excludes the effect of the reclassification of money market funds.

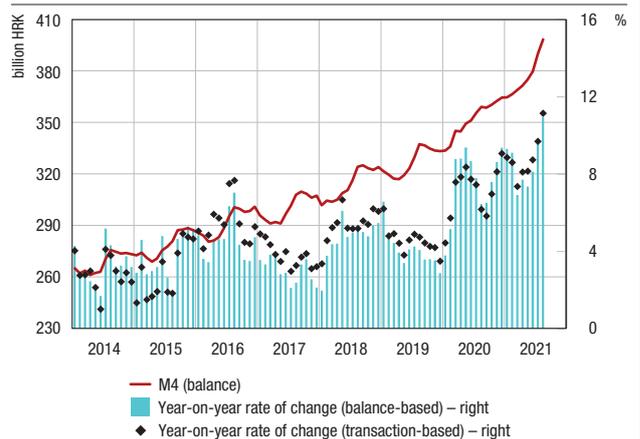
Source: CNB.

**Figure 47 Placements of monetary financial institutions to the central government**



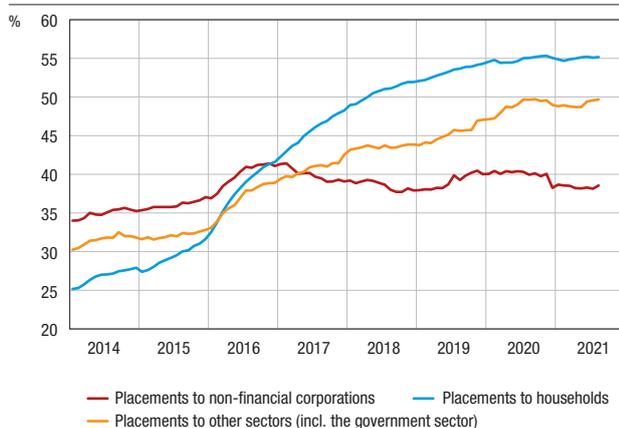
Source: CNB.

**Figure 50 Total liquid assets (M4)**



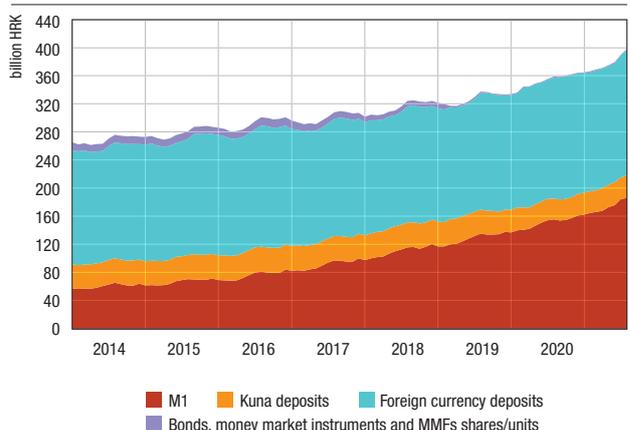
Source: CNB.

**Figure 48 Share of kuna placements in total sector placements**



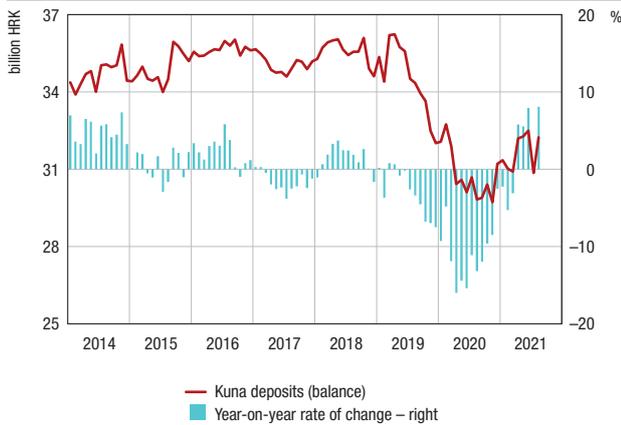
Source: CNB.

**Figure 51 Structure of M4 monetary aggregate**



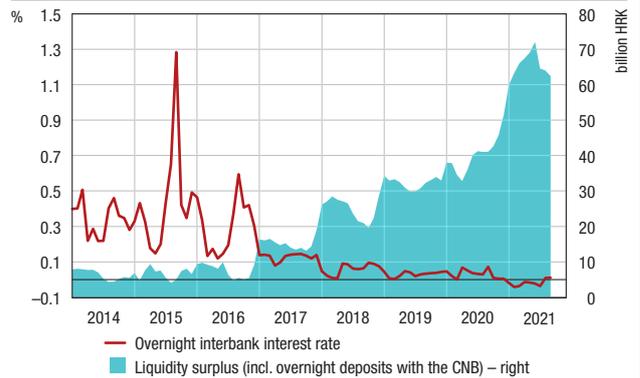
Source: CNB.

Figure 52 Kuna savings and time deposits



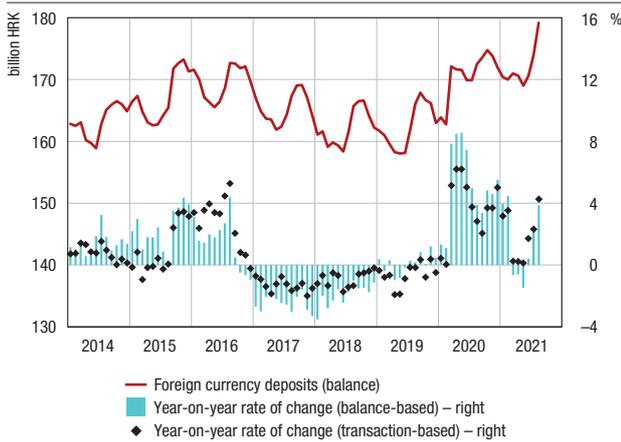
Source: CNB.

Figure 55 Bank liquidity and overnight interest rate on bank demand deposit trading



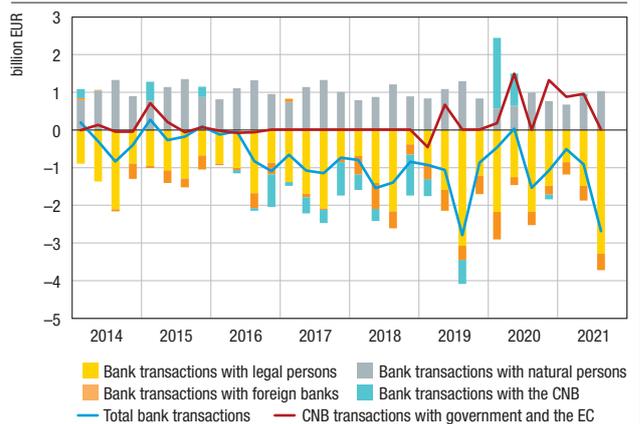
Notes: Liquidity surplus is the difference between the balance in bank settlement accounts with the CNB and the amount that banks are required to hold in their accounts after the calculation of reserve requirements. The overnight interest rate until the end of 2015 refers to the overnight interbank interest rate and as of the beginning of 2016 to the overnight interest rate on bank demand deposit trading.  
Source: CNB.

Figure 53 Foreign currency deposits



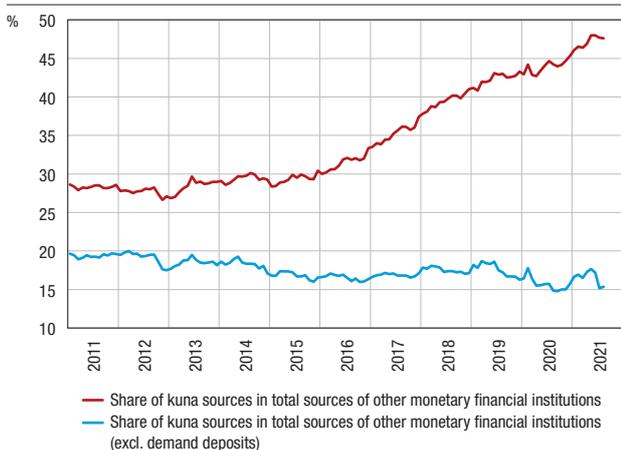
Source: CNB.

Figure 56 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.  
Source: CNB.

Figure 54 Share of kuna sources



Source: CNB.

Figure 57 International reserves of the CNB at current rate of exchange



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

**Table 2 Balance of payments**

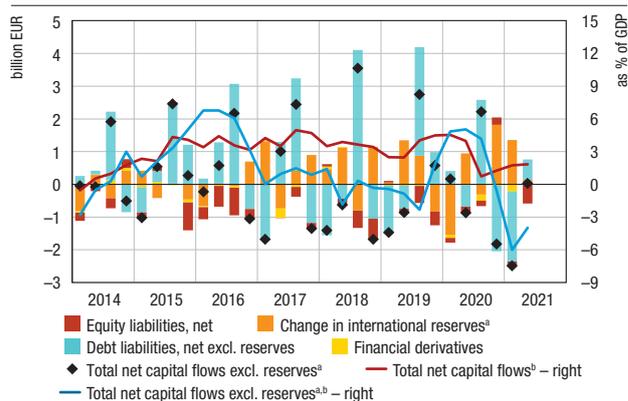
preliminary data, in million EUR

	2020	Q2/2021 <sup>a</sup>	Indices	
			2020/2019	Q2/2021 <sup>a</sup> /2020
Current account	-53.8	-326.5	-3.2	607.5
Capital account	1074.4	1175.3	120.8	109.4
Financial account (excl. reserves)	19.1	-3601.9	1.3	-
International reserves	603.5	4551.7	61.0	754.3
Net errors and omissions	-398.1	101.0	295.9	-

<sup>a</sup> Refers to the sum of the last four quarters.

Source: CNB.

**Figure 60 Financial account flows by equity to debt ratio**

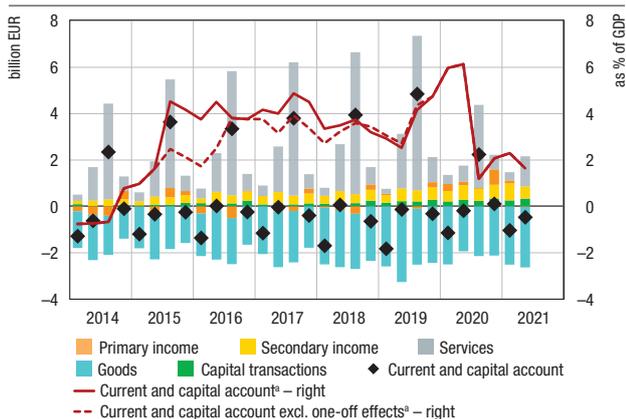


<sup>a</sup> The change in gross international reserves is reported net of foreign liabilities of the CNB. <sup>b</sup> Sum of the last four quarters.

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 58 Current and capital account flows**

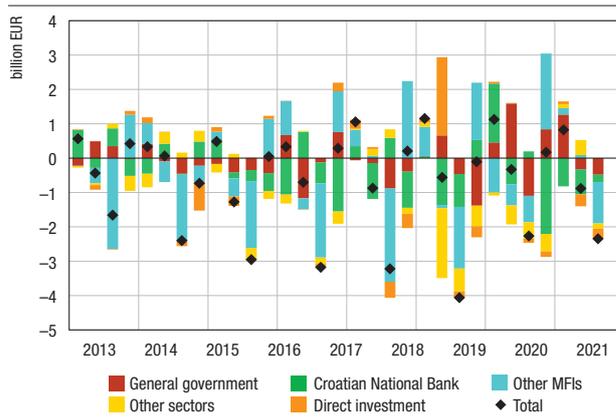


<sup>a</sup> Sum of the last four quarters.

Note: One-off effects include conversion of CHF-linked loans in 2015 and bank provisions for loans to the Agrokor Group in 2017 and 2018.

Source: CNB.

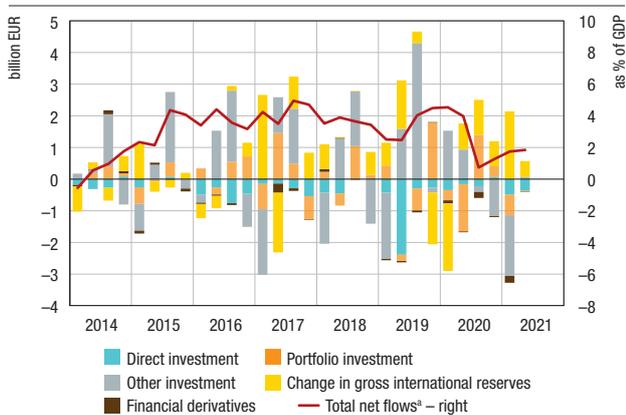
**Figure 61 Net external debt transactions**



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 2021 refer to July.

Source: CNB.

**Figure 59 Financial account flows by type of investment**

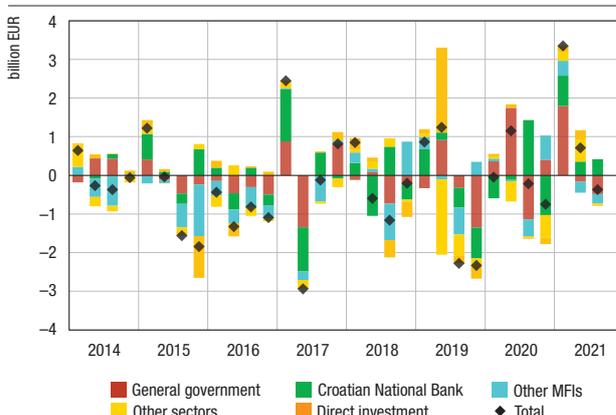


<sup>a</sup> Sum of the last four quarters.

Note: A positive value indicates net outflow of equity abroad (including on the basis of the growth in international reserves).

Source: CNB.

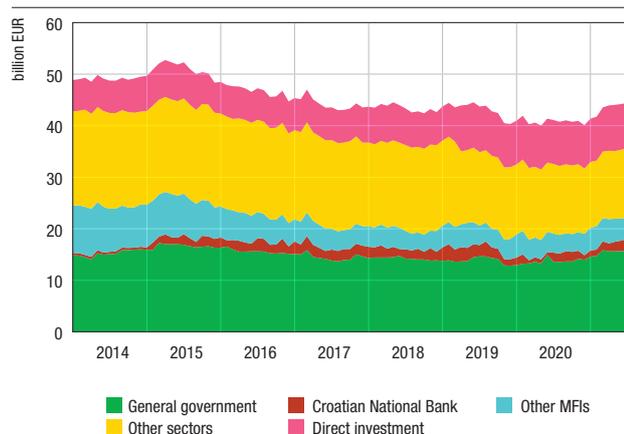
**Figure 62 Gross external debt transactions**



Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Data for the third quarter of 2021 refer to July.

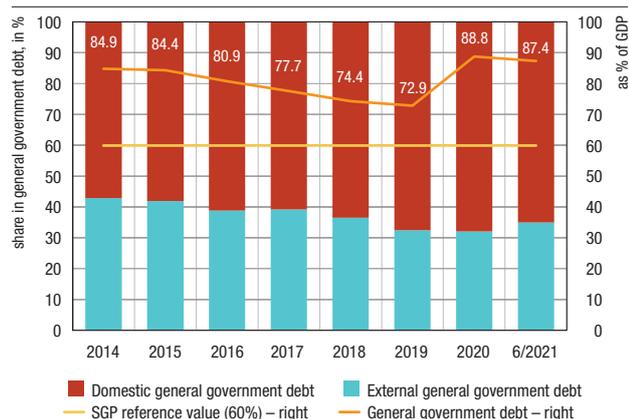
Source: CNB.

**Figure 63 Gross external debt**  
end of period



Note: Data are up to July 2021.  
Source: CNB.

**Figure 64 General government debt**



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

**Table 4 State budget**

according to the national budgetary chart of accounts methodology, in million HRK

	Jan.–Jun. 2020	Jan.–Jun. 2021
1 Revenue	60.077	72.479
2 Disposal of non-financial assets	280	179
3 Expenditure	74.868	81.882
4 Acquisition of non-financial assets	2.214	2.079
5 Net lending (+)/borrowing (-)	-16.726	-11.304

Sources: MoF and CNB calculations.

**Table 5 General government debt**

in million HRK

	Jun. 2020	Jun. 2021
Change in total debt stock	36,347	10,581
Change in domestic debt stock	18,307	-2,589
– Cash and deposits	26	24
– Securities other than shares, short-term	6,139	-1,497
– Securities other than shares, long-term	5,941	-2,161
– Short-term loans	2,321	-367
– Long-term loans	6,596	1,322
Change in external debt stock	18,039	13,171
– Cash and deposits	0	0
– Securities other than shares, short-term	0	1,485
– Securities other than shares, long-term	15,582	8,136
– Short-term loans	0	-34
– Long-term loans	2,457	3,583

Memo item:

Change in total guarantees issued	229	1,274
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Source: CNB.

**Table 3 Consolidated general government balance**

ESA 2010, in million HRK

	Jan.–Mar. 2020	Jan.–Mar. 2021
<b>Total revenue</b>	<b>41.743</b>	<b>45.344</b>
Direct taxes	6.363	6.010
Indirect taxes	16.201	16.798
Social contributions	11.270	11.753
Other	7.910	10.783
<b>Total expenditure</b>	<b>46.158</b>	<b>49.753</b>
Social benefits	15.616	16.422
Subsidies	1.638	2.021
Interest	1.933	1.741
Compensation of employees	12.218	12.850
Intermediate consumption	8.094	7.324
Investment	3.410	3.720
Other	3.249	5.675
<b>Net lending (+)/borrowing (-)</b>	<b>-4.415</b>	<b>-4.409</b>

Sources: Eurostat and CBS.

## Abbreviations and symbols

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### 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
TRY	– Turkish lira
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