

---

# Information on economic trends

March 2021



## Summary

In the last quarter of 2020, real GDP grew by 2.7% on a quarterly basis, but at the same time it was 7.0% lower than in the same period of the previous year. The growth in employment and the decline in the number of unemployed persons continued in January 2021. However, these indicators were less favourable than 12 months before (employment was 0.5% lower and unemployment was 18.1% higher). The annual fall in consumer prices decreased to 0.3% in January 2021, from 0.7% in December 2020, largely as a result of the increase in the contribution of the prices of energy and industrial products. The CNB maintained its highly expansionary monetary policy so banks' free reserves continued reaching historical highs. The annual growth of bank placements held steady at the level of 3.9% in January 2021, as in the previous month. The growth of placements to non-financial corporations accelerated from 5.6% in December 2020 to 5.9% in January 2021, and for placements to households it slowed down from 2.1% to 1.8% as a result of the deterioration of the fall in general-purpose cash loans, while the increase in housing loans accelerated, further reflecting the impact of subsidies. According to Ministry of Finance monthly data, in the last quarter of 2020, the central government balance ran a deficit of HRK 7.2bn, which was noticeably less favourable than in the same period of 2019. At the end of November, public debt reached 88.5% of GDP, or up by 15.9 percentage points from the end of 2019.

The first results of the CBS show that economic activity continued to recover in the fourth quarter of 2020, albeit at a weaker intensity than in the previous quarter, so that real GDP increased by 2.7% from the three previous months, when the growth rate stood at 8.2%. The strongest contribution to real economic activity growth at the end of 2020 came from the recovery of total exports, which increased by 33.6% from the previous three months. The growth of total exports exceeded the quarterly growth of the imports of goods and services (7.2%). As regards domestic demand, growth was recorded in all components and was particularly pronounced in investment activity (6.8%). If viewed on an annual level, real GDP decreased by 7.0% in the last three months of 2020 from the same period of the previous year (Figure 1). However, in addition to government consumption, which recorded positive annual rates of change during the whole of the previous year, gross fixed capital formation also grew by 4.2% in the last quarter from the same period of the previous year. As regards trends in economic activity at the level of the whole of 2020, the total fall in GDP stood at 8.4%, the largest annual decrease recorded since a comparable series for Croatia has been available. The fall in total economic activity in 2020 was mostly due to the decrease in the exports of services and personal consumption, while government consumption was the only domestic demand component with a positive contribution to the change in GDP. In 2020, the imports of goods and services declined, but the decrease was smaller than the decline in total exports, so that the contribution of net foreign demand to overall economic growth was negative (Figure 2).

Consumer Confidence Survey data show that consumer expectations were slightly higher in January and February of the current year than at the end of 2020. Such developments predominantly mirror a better performance in February, when, on a monthly basis, expectations regarding the overall economic situation in Croatia in the next 12 months compared to the situation today improved the most. Positive developments were also recorded in business expectations; business optimism in the first two months of 2021 was higher across all activities than in the last three months of the previous year. Observed on a monthly level, business optimism in all activities was higher in February than in January, with the strongest monthly improvement in trade and in services. However, the level of optimism in these activities was still significantly lower than in industry and construction (Figure 8).

Relatively favourable current developments in the labour market continued at the beginning of 2021. In January 2021, employment continued to grow with similar dynamics as in

the previous month, while the total number of employed persons was at a slightly lower level than that recorded in the same month of the previous year. Relative to the previous quarter, employment was 0.9% higher in January 2021, with the greatest increase being recorded in the accommodation and food service activities (Figure 15).<sup>1</sup> The number of employees for whom employers were paid job preservation support in activities hit by the coronavirus pandemic increased in November 2020 to 9.8% and in December additionally to 10.3% of the total number of persons employed (compared to 4% during the summer months). The number of unemployed persons continued decreasing at an accelerated rate in the beginning of 2021 from the end of 2020 as a result of increased outflow from the CES register due to new employment. Nevertheless, despite the mentioned favourable developments, the number of unemployed persons was 25 thousand higher in January 2021 than in the same month of the previous year. The registered unemployment rate declined from 8.9% in December 2020 to 8.5% of the labour force in January 2021 (Figure 16), while in January 2020 it stood at 7.1%. As regards wages, the growth dynamics of the average nominal gross wage accelerated in January 2021, primarily because of the more pronounced growth of wages in the private sector. The growth of the average nominal gross wage also accelerated on a quarterly level (1.4% from 1.1% in the fourth quarter of 2020) (Figure 17). If analysed on an annual basis, seasonally adjusted wages were higher by 3.1% in January.

Consumer prices increased by 0.1% in January 2021 from the month before (Table 1).<sup>2</sup> The seasonal decrease in the prices of clothing and footwear (less pronounced than in the previous year) was thus completely counteracted by the increase in the prices of food products and energy (mainly refined petroleum products and solid fuels). The increase in the retail prices of refined petroleum products in January reflects the growth of the prices of Brent crude oil in the global market. The average price

1 The seasonal adjustment of macroeconomic series was hampered by the pandemic and the measures for its containment, which is especially visible in those series dependent on tourism, such as the accommodation and food service activities. As a result, the number of persons employed in the accommodation and food service activities is growing strongly in the first quarter of 2021, according to the seasonally adjusted data.

2 The CBS, since it was unable to record prices directly in the field, had to impute the prices of certain services (recreational and sporting services, package international holidays and restaurants and cafés) in January 2021. Imputed prices accounted for 2.9% of the structure of the CPI. In addition, the pandemic largely affected the change in the structure of personal consumption and therefore, when developing weights used to calculate the CPI in 2021, the CBS updated the data from the 2017 Household Budget Survey with estimated national accounts data on household final consumption expenditure for 2020.

per barrel of Brent crude oil increased from USD 50 in December to USD 55 in January (Figure 20). The increase was due to growing demand, the announcement of Saudi Arabia of a reduction of production in February and March by an additional million barrels per day and the decline in crude oil inventories in the USA. The annual fall in consumer prices decreased from  $-0.7\%$  in December 2020 to  $-0.3\%$  in January 2021, largely as a result of the increase in the contribution of the prices of energy and industrial products (mostly clothing and footwear) to inflation movements (Figure 19). Energy still makes the largest negative contribution to inflation ( $-0.7$  percentage points). However, the annual growth of the prices of energy should enter positive territory by the end of the first quarter of 2021 because of the continued rise in the prices of crude oil and the positive base effect (the sharp decline in these prices at the onset of the pandemic in the previous year). The annual rate of core inflation, after having moved temporarily into slightly negative territory at the end of 2020, increased to  $0.4\%$  in January, mostly due to the decrease in the annual fall in the prices of clothing and footwear.

The recovery of foreign trade in goods continued in the fourth quarter of 2020. Total goods exports thus increased by  $8.6\%$  in October and November relative to the average of the previous three months (Figure 10), mostly thanks to greater exports of capital goods (primarily electrical machinery, apparatus and appliances), medical and pharmaceutical products and certain energy products (oil and refined petroleum products and electricity). At the same time, total goods imports increased by  $4.5\%$  (Figure 11), mainly due to larger imports of road vehicles (Figure 12) and capital goods (particularly power generating machinery and equipment) as well as food products. The described developments resulted in a decline in the foreign trade deficit of  $4.5\%$  (Figure 13). If initial data on trade in goods for December are taken into consideration, the growth of total exports of goods in the whole of the fourth quarter of 2020 slowed down ( $5.2\%$ ), while the growth of total imports of goods accelerated perceptibly (to  $7.5\%$ ), resulting in a growth in the deficit of  $6.5\%$  relative to the average of the preceding three months. In the whole of 2020, goods exports decreased by  $2.8\%$ , goods imports by  $8.9\%$  and the foreign trade deficit by  $18.3\%$  from 2019.

In February 2021, the nominal exchange rate of the kuna against the euro moved within a narrow range of  $\pm 0.2\%$  around the average exchange rate of EUR/HRK 7.57 (Figure 22). At the end of February, the nominal exchange rate stood at EUR/HRK 7.58, which was  $0.3\%$  higher than at the end of the previous month or  $1.7\%$  higher than in the same period last year. The nominal effective exchange rate of the kuna depreciated slightly in February and was  $0.2\%$  higher at the end of that month than at the end of January, mostly as the consequence of the weakening of the kuna against the euro.

The overnight interest rate on the euro area banking market, EONIA, did not change much in February and remained at  $-0.48\%$  at the end of the month, while the six-month EURIBOR increased very slightly reaching  $-0.52\%$  in the same period (Figure 25). Risk premiums for European emerging market economies remained almost unchanged in February (Figure 26). The risk premium for Croatia increased only slightly and stood at 77 basis points at the end of February, remaining higher than premiums for the peer countries of Central and Eastern Europe, with the exception of Romania. In conditions of the increase in long-term yields on global financial markets, yields to maturity on the bonds of the Republic of Croatia in kuna and in kuna with a currency clause in euro mainly decreased in February from the previous month. In addition, at the end of February, the Ministry of Finance successfully issued two tranches of eurobonds in the international capital market: a twelve-year bond

worth EUR 1bn with a yield of  $1.257\%$  and a twenty-year bond of the same amount and a  $1.788\%$  yield. For the first time, the maturity period for eurobonds issued was extended to 20 years, by which funds were acquired in the international capital market for the longest term so far.

The CNB maintained its highly expansionary monetary policy so banks' free reserves continued reaching their historical highs. The average daily surplus kuna liquidity of the domestic banking market thus stood at HRK 63.3bn in February (Figure 55). Amid ample kuna liquidity, there had been no turnover in the domestic interbank overnight market since April, while the turnover in other segments of the money market in February continued to be modest. The overnight interest rate on interbank demand deposit trading and the imputed interest rate on foreign exchange swap trading decreased to their record low of  $-0.04\%$  and  $-0.49\%$  respectively, while the interest rate on repo transactions of banks was unchanged and stood at  $-0.05\%$  (Figure 28). At the same time, the interest rate on one-year kuna T-bills without a currency clause decreased from  $0.05\%$  in January to  $0.03\%$  in February (Figure 29).

Banks' interest rates on new corporate and household loans, which include pure new loans and renegotiated loans, mostly either fell or held steady in January 2021 (Figures 29 and 30). Interest rates on long-term housing loans to households increased only slightly due to the increase in the costs of financing of pure new loans because the volume of subsidised housing loans that are granted at rates slightly lower than market rates was somewhat lower than in the previous month. In the category of pure new corporate loans, the most significant decrease was recorded in interest rates on working capital loans in kuna (Figure 32). As regards deposits, interest rates on household and corporate time deposits remained almost unchanged in January from the end of the previous year (Figures 35 and 36). The spread between interest rates on new loans and deposits rose to 4.7 percentage points in January as a result of an increase in the share of kuna loans carrying a higher interest rate. At the same time, the spread between interest rates on loan and deposit balances decreased slightly and stood at 3.9 percentage points (Figure 38).

Monetary developments in January 2021 were marked by a mild decrease in net domestic assets (NDA) and net foreign assets (NFA) of the monetary system, which resulted in a slight decrease of HRK 0.5bn or  $0.1\%$  (based on transactions) in total liquid assets (M4). On the annual level, the growth of M4 decelerated from  $9.1\%$  in December 2020 to  $8.8\%$  in January 2021 (Figure 50) because of the base effect of an uncharacteristic increase in 2020 in that monetary aggregate, at the very beginning of the year, when it usually registers a decline. However, the annual growth in M4 remained very strong. A breakdown of M4 components through the monetary system's liabilities reflects an increase in money (M1), primarily aided by the growth in demand deposits of households, but also by a very moderate growth in money outside credit institutions, which usually goes down in January under the influence of seasonal factors. In contrast, the decrease in foreign currency deposits of non-financial corporations (Figure 53) was the main reason for the decrease in quasi-money. On the annual level, the growth of M1 accelerated from  $17.0\%$  in December 2020 to  $18.7\%$  in January 2021 (Figure 49), while the growth of quasi-money slowed down from  $3.6\%$  to  $2.1\%$  (based on transactions).

Total placements of monetary institutions to domestic sectors (excluding the central government) were up by HRK 0.7bn or  $0.3\%$  on a monthly basis (based on transactions). On an annual level, the growth of total placements held steady at  $3.9\%$  in January (based on transactions) (Figure 41), as in the previous month. Broken down by sector, placements to non-financial

corporations increased by HRK 0.5bn (0.6%) in January, their growth reaching 5.9% on an annual level from 5.6% in December of the previous year (based on transactions) (Figure 42). Placements to households continued to grow in January (HRK 0.2bn or 0.2% from the previous month, based on transactions), with housing loans increasing by HRK 0.6bn (1.0%), still mirroring the effect of the subsidy programme, while general-purpose cash loans continued to decrease (HRK 0.2bn or 0.5%). Despite the acceleration in the growth of housing loans from 7.5% to 8.2% on an annual level, the growth of placements to households slowed down from 2.1% to 1.8% (Figure 43) as a result of the deterioration of the fall in general-purpose cash loans from -1.4% to -2.4% (based on transactions). The share of kuna placements in total placements to households decreased negligibly to 54.9% in January (Figure 48).

Gross international reserves decreased by EUR 0.2bn (1.2%) in February 2021, ending the month at EUR 19.5bn (Figure 57). The slight decrease in reserves was predominantly driven by a decline in foreign currency government deposits and a lower level of agreed repo transactions. Compared with the end of the previous year, gross international reserves grew by EUR 0.6bn (2.9%), similar to net usable reserves, which increased by EUR 0.5bn (3.0%) and ended the month at EUR 18.2bn.

The net external debt of domestic sectors increased slightly in the last three months of 2020, by EUR 0.1bn (Figure 61), after a sharp decline in the third quarter. This was mainly the result of the growth in the net external debt of credit institutions and, to a considerably smaller extent, the increase in the government's net external debt as a consequence of long-term borrowing within the framework of the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). By contrast, unfavourable trends were mitigated primarily by the improvement in the net foreign position of the central bank, mainly due to the inflow of EU funds and the mentioned payments under the SURE instrument, which resulted in an increase in the government's foreign currency deposits with the CNB as well as in the sale of foreign currency to the CNB and to a smaller extent also due to foreign exchange

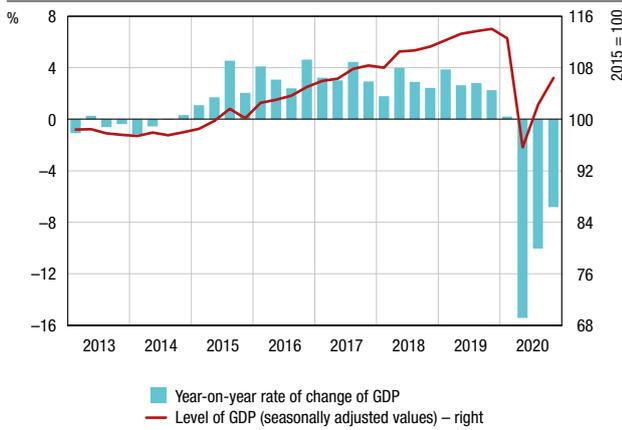
interventions. As well as the central bank's, net debt liabilities of other domestic sectors decreased, including net liabilities to affiliated creditors, mostly due to the deleveraging of private non-financial corporations. At the level of the whole of 2020, the intensity of the decrease in total net debt decelerated strongly relative to the previous year, mainly as a result of governmental foreign borrowing, while other sectors improved their net external debt position. At the end of 2020, net external debt stood at 16.7% of GDP, or down by 1.3 percentage points from the end of 2019. At the same time, the relative indicator of gross external debt increased to 82.7% of GDP, or deteriorated by 7.3 percentage points due to the fall in nominal GDP.

As shown by monthly MoF data, the central government ran a deficit of HRK 7.2bn in the last quarter of 2020, a marked increase from the deficit in the same period in 2019 (HRK 4.2bn).<sup>3</sup> The mentioned budget deficit growth in the last quarter reflects a simultaneous annual growth in expenditures (4.8%), also under the impact of the growth in subsidies paid for job preservation, and a decrease in revenues as a result of a lower level of economic activity. The deficit in January was slightly more pronounced than in the same month of 2020 because of the increase in expenditures and, to a smaller extent, the decline in revenues.

At the end of November 2020, the consolidated general government debt totalled HRK 326.3bn, which was an increase of HRK 33.3bn from the debt level at the end of 2019. The significant rise in the public debt level mostly mirrors the needs for budget deficit financing as a result of the unfavourable impact of the pandemic on economic developments and the temporary measures implemented to mitigate the negative effects of the crisis. Foreign exchange differences and the pre-financing of borrowing/budgetary needs for 2021 made a smaller contribution to the strong increase in debt. As for the relative indicator of public debt, the pronounced increase in the public debt-to-GDP ratio to 88.5%, from 72.7% at the end of 2019, was the result of the simultaneous growth in the absolute debt amount and the marked fall in GDP (Figure 64).

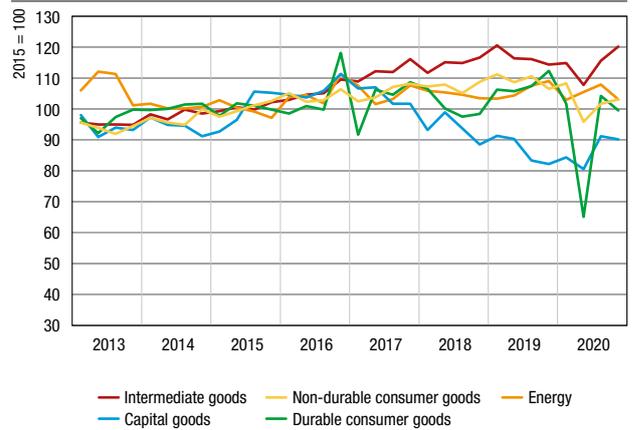
<sup>3</sup> The general government budget deficit, according to the ESA methodology, will be known in April, when the release of the Excessive Deficit Procedure Report is expected.

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



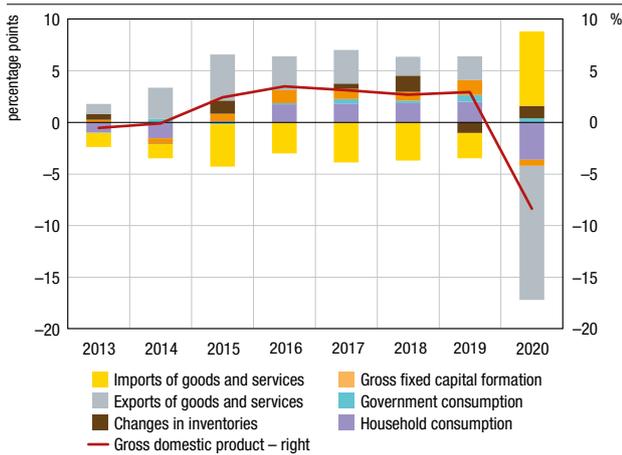
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

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



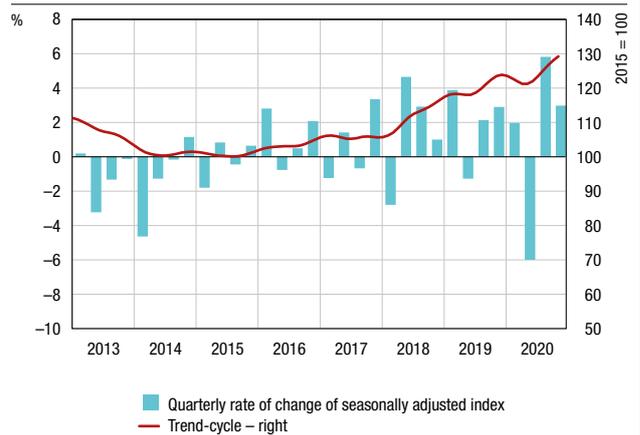
Note: Quarterly data are calculated as the average of monthly data.  
 Source: CBS data seasonally adjusted by the CNB.

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



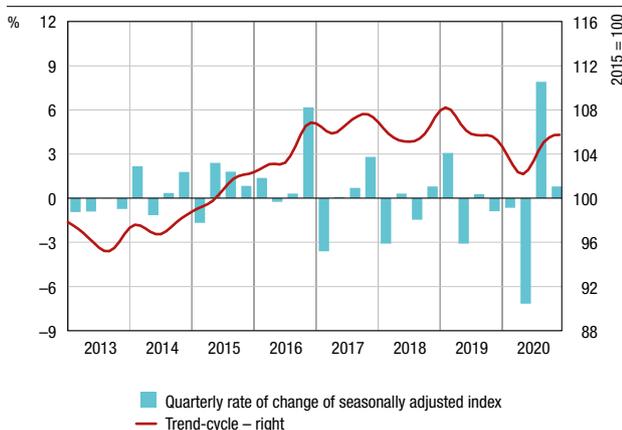
Source: CBS.

**Figure 5 Total volume of construction works**



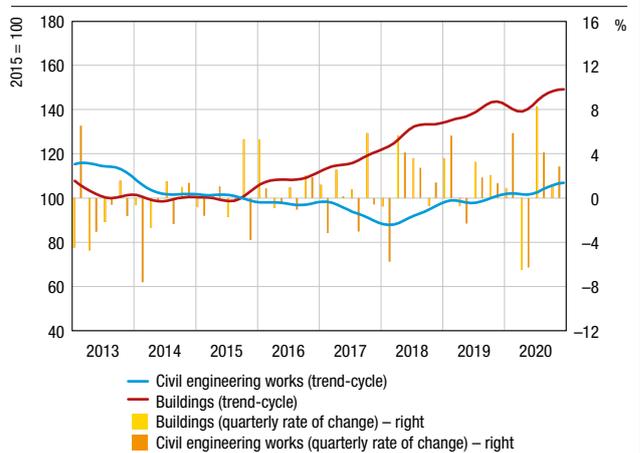
Note: Data for the fourth quarter of 2020 refers to October and November.  
 Source: CBS data seasonally adjusted by the CNB.

**Figure 3 Industrial production**



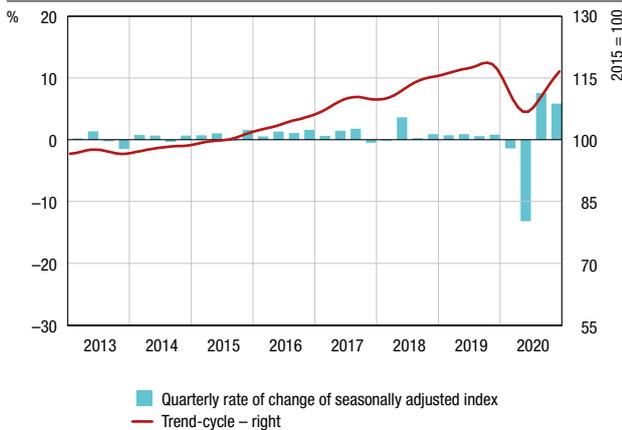
Source: CBS data seasonally adjusted by the CNB.

**Figure 6 Buildings and civil engineering works**



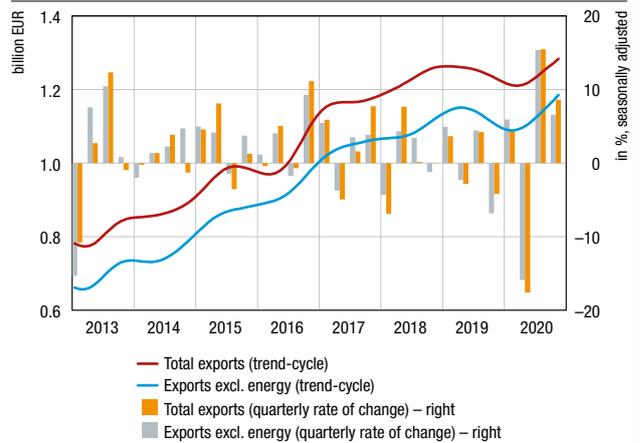
Source: CBS data seasonally adjusted by the CNB.

Figure 7 Real retail trade turnover



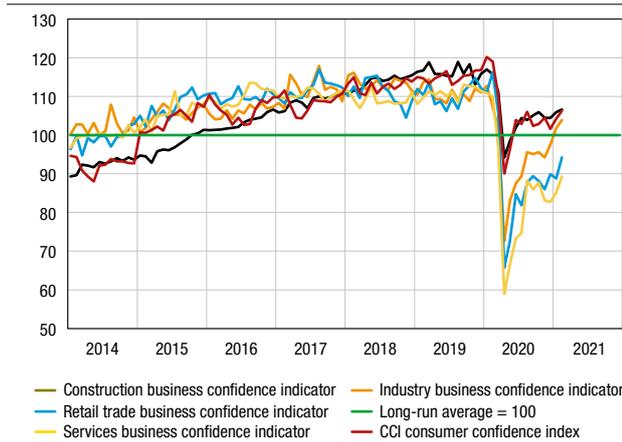
Source: CBS data seasonally adjusted by the CNB.

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



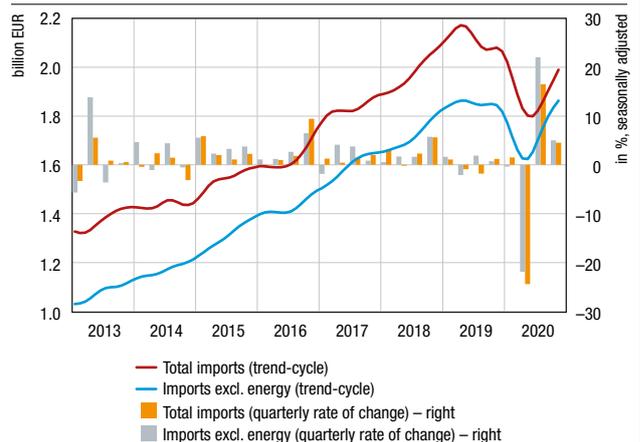
Note: Data for the fourth quarter of 2020 refer to October and November.  
Source: CBS data seasonally adjusted by the CNB.

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



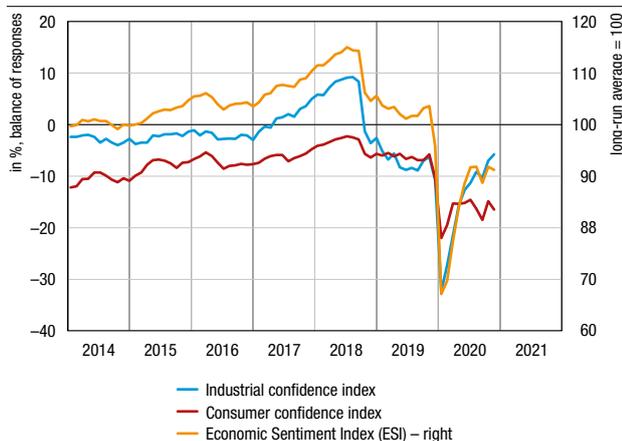
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

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



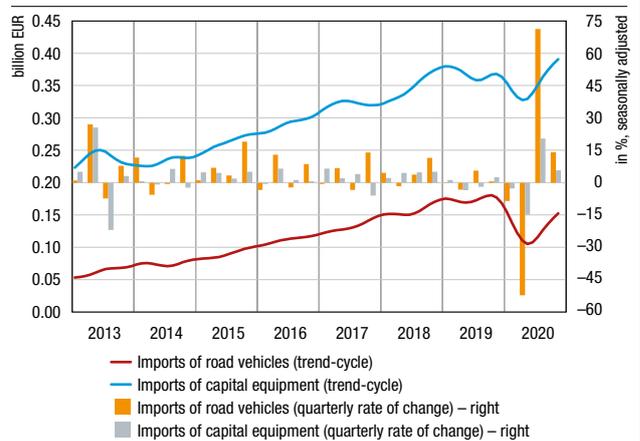
Note: Data for the fourth quarter of 2020 refer to October and November.  
Source: CBS data seasonally adjusted by the CNB.

Figure 9 EU confidence indices seasonally adjusted series



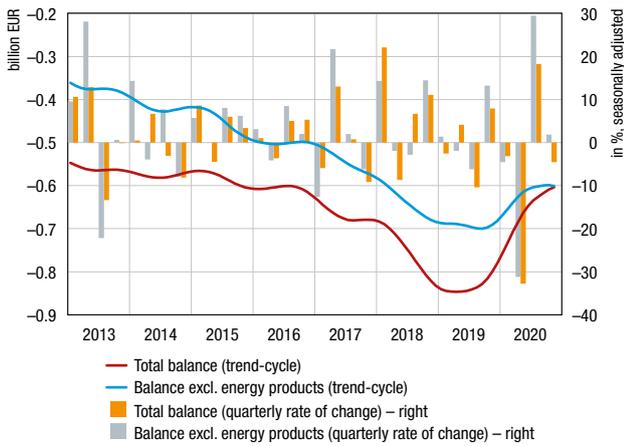
Note: Data are up to January 2021.  
Source: Eurostat.

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



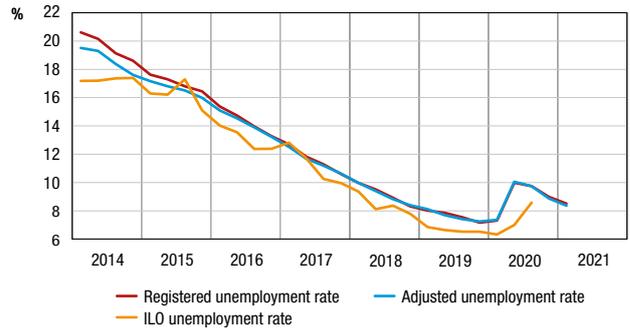
Notes: Imports of capital equipment (SITC divisions 71 – 77). Data for the fourth quarter of 2020 refer to October and November.  
Source: CBS data seasonally adjusted by the CNB.

**Figure 13 Trade of goods balance**



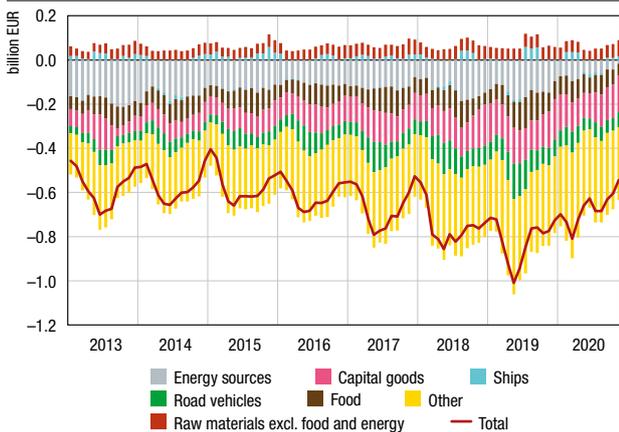
Note: Data for the fourth quarter of 2020 refer to October and November.  
Source: CBS data seasonally adjusted by the CNB.

**Figure 16 Unemployment rates**  
seasonally adjusted data



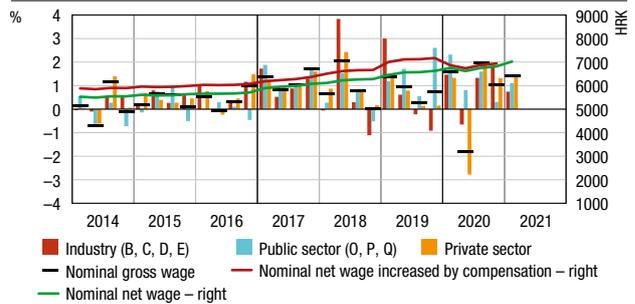
Notes: Since January 2015, the calculation of the registered unemployed rate has used the data on employed persons from the JOPPD form. Data on the number of employed persons have been revised backwards for the period from January 2016 to December 2019. The adjusted unemployment rate is the CNB estimate 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 first quarter of 2021 refer to January.  
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

**Figure 14 Trade in goods balance by product groups**



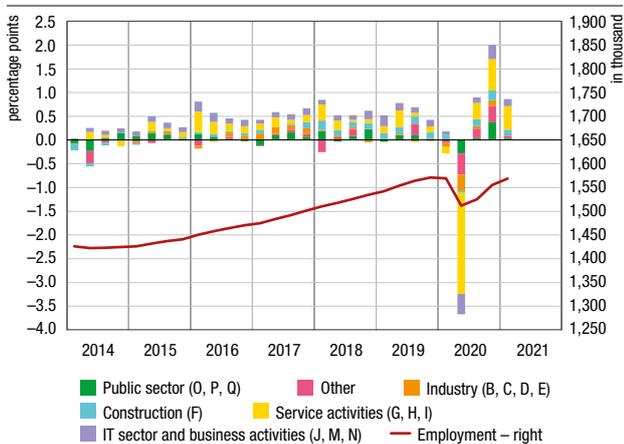
Notes: Series are shown as three-member moving averages of monthly data. Data are up to November 2020.  
Source: CBS.

**Figure 17 Average nominal gross wage by NCA activities**  
seasonally adjusted data, quarterly rate of change



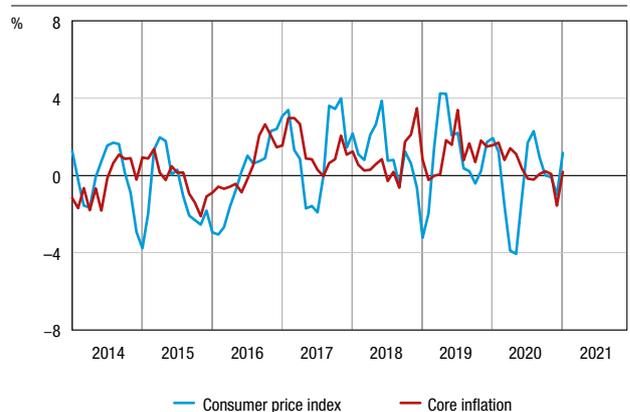
Notes: Data on the average nominal gross wage by activity refer to data from the RAD-1 form, and from January 2016 to data from the JOPPD form. Data on average wages paid in February 2020 were reported in full-time equivalent, in contrast with the previous periods, when average wages were calculated by dividing total disbursements by the number of employees who received these disbursements, excluding all those who worked fewer than 80 hours per month. Data on wages in 2019 reported in full-time equivalent were released for analytical purposes. Data on disbursements paid before 2016 are CNB estimates. Data for the first quarter of 2021 refer to January.  
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

**Figure 15 Employment by NCA activities**  
seasonally adjusted data, contributions to the quarterly rate of change



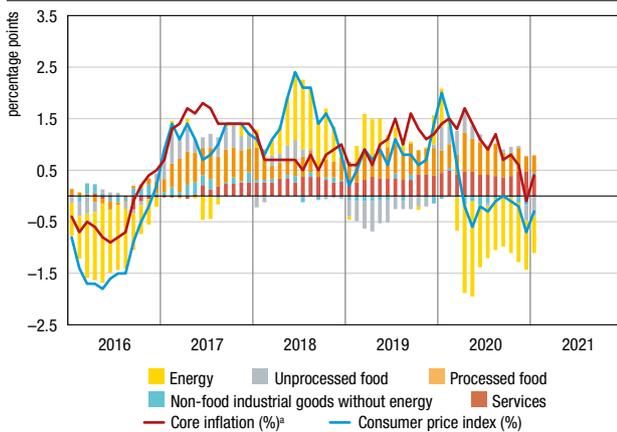
Note: Data for the first quarter of 2021 refer to January.  
Source: CPII data seasonally adjusted by the CNB.

**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 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**

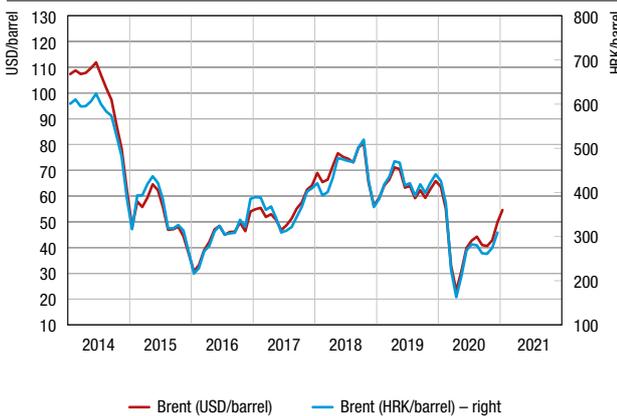
year-on-year and month-on-month rates of change

	Year-on-year rates		Month-on-month rates	
	12/20	1/21	1/20	1/21
<b>Consumer price index and its components</b>				
Total index	-0.7	-0.3	-0.3	0.1
Energy	-5.7	-4.4	0.1	1.6
Unprocessed food	-3.5	-4.5	3.1	2.0
Processed food	1.3	1.4	0.8	1.0
Non-food industrial goods without energy	-0.7	0.2	-3.1	-2.2
Services	1.8	1.6	0.3	0.1
<b>Other price indicators</b>				
Core inflation	-0.1	0.4	-0.9	-0.4
Index of industrial producer prices on the domestic market	-1.2	-1.2	0.5	0.6
Brent crude oil price (USD)	-24.3	-14.1	-3.4	9.5
HWWI index (excl. energy, USD)	28.3	37.2	1.1	8.1

Note: Processed food includes alcoholic beverages and tobacco.

Sources: CBS, Bloomberg and HWWI.

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



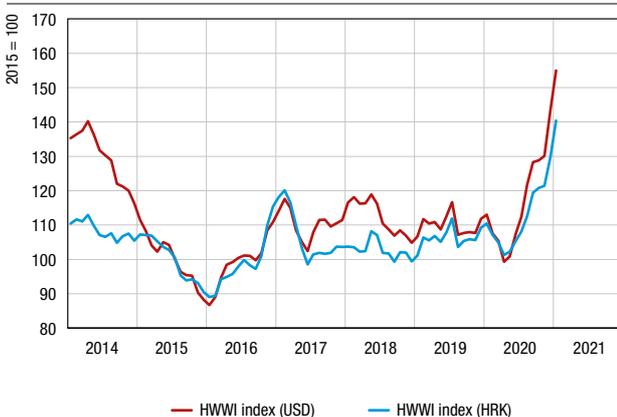
Sources: Bloomberg and CNB calculations.

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



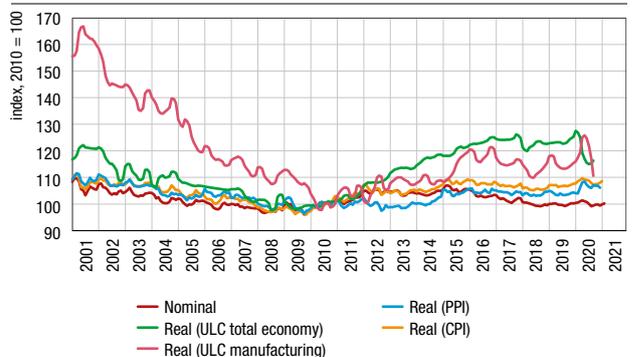
Source: CNB.

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



Sources: HWWI and CNB calculations.

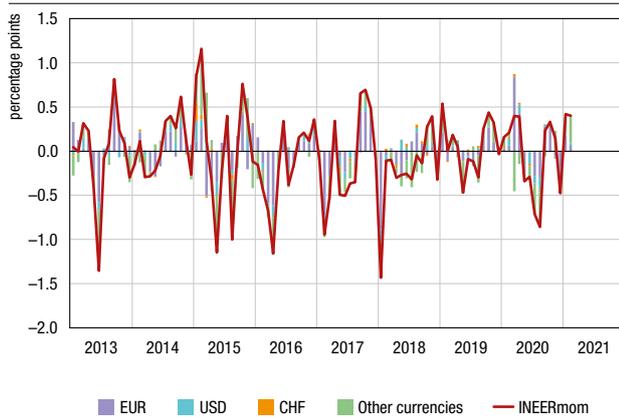
**Figure 23 Nominal and real effective exchange rates of the kuna**



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 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)**



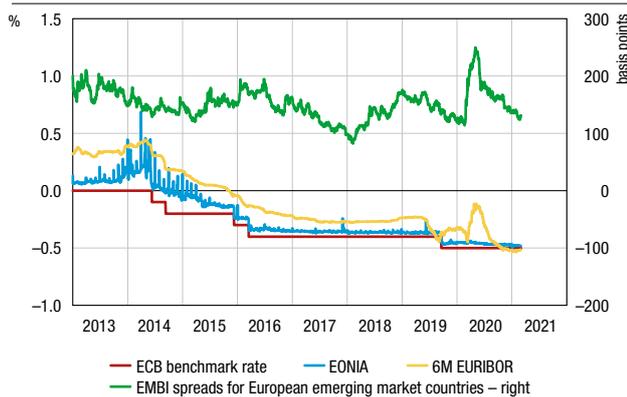
<sup>a</sup> Negative values indicate contributions to the appreciation of the INEER.  
Source: CNB.

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



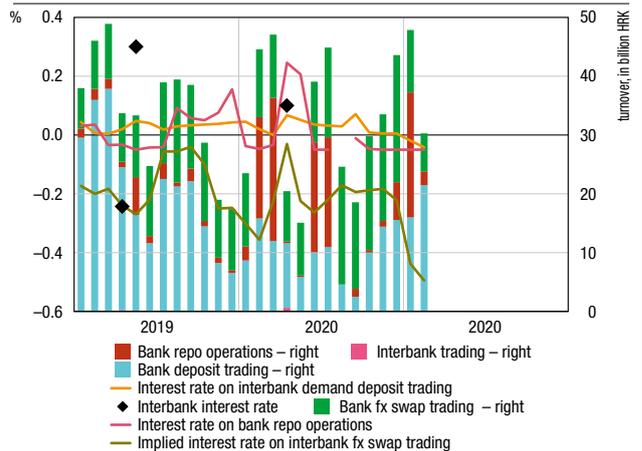
Source: S&P Capital IQ.

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



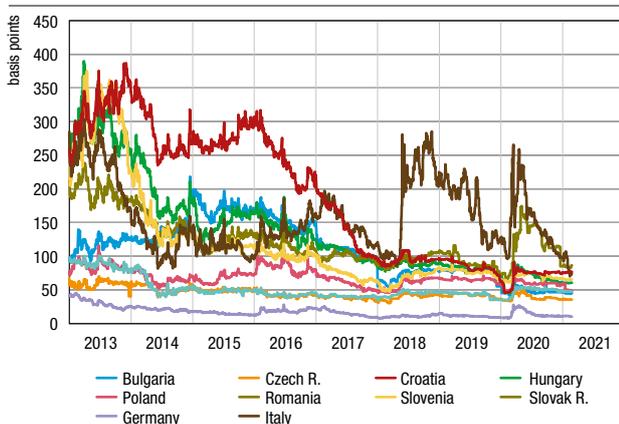
Note: EMBI, or the Emerging Market Bond Index, shows the spread between yields on government securities of emerging market economies, Croatia included, and risk-free securities issued by developed countries.  
Sources: ECB, Bloomberg and J.P. Morgan.

**Figure 28 Overnight interest rates and turnovers**



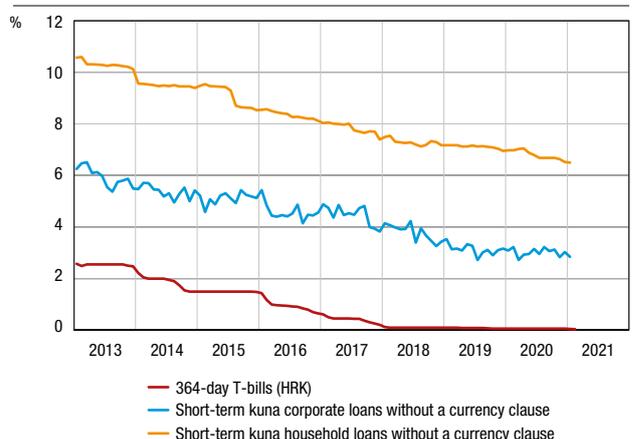
Source: CNB.

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



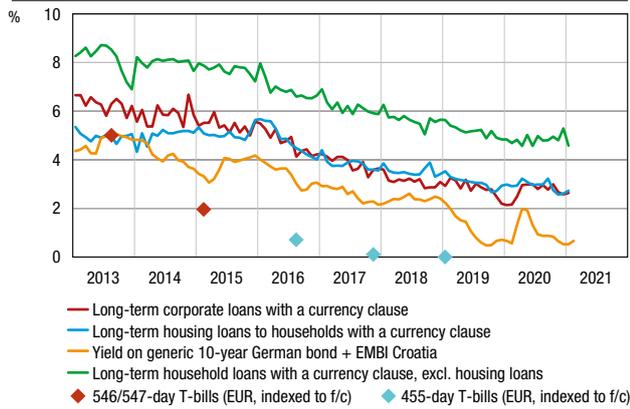
Note: Credit default swaps (CDS) spread is an annual premium that a CDS buyer pays for protection against credit risk associated with the issuer of an instrument.  
Source: S&P Capital IQ.

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



Sources: MoF and CNB.

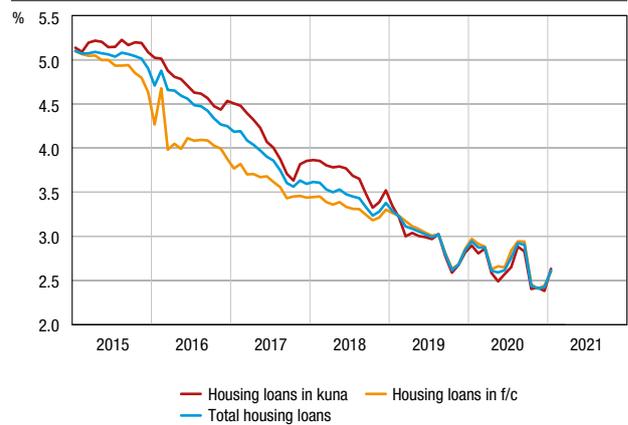
**Figure 30 Long-term financing costs in kuna with a currency clause and in foreign currency**



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.

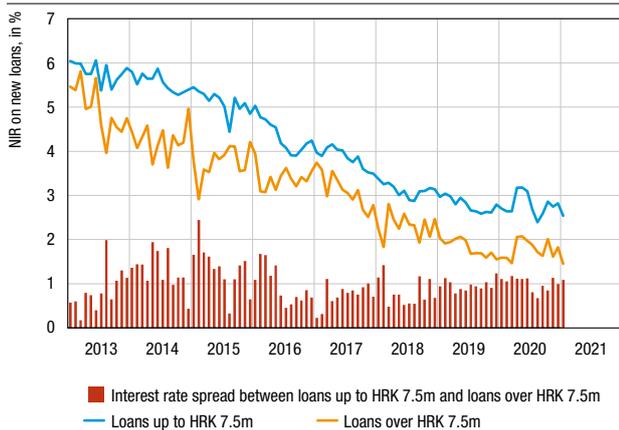
Sources: MoF, Bloomberg and CNB.

**Figure 33 Interest rates on pure new housing loans to households**



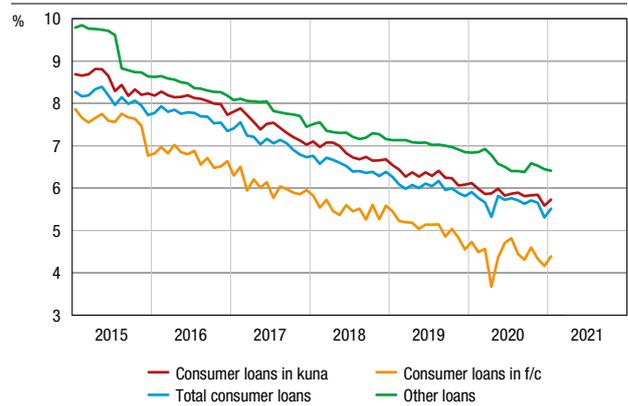
Source: CNB.

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



Source: CNB.

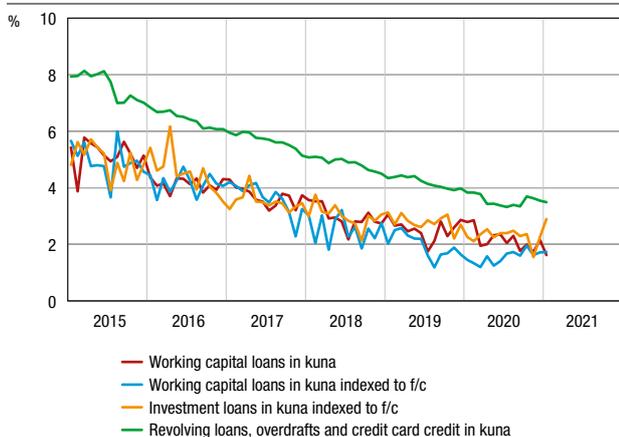
**Figure 34 Interest rates on pure new consumer loans and other loans to households**



Note: 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.

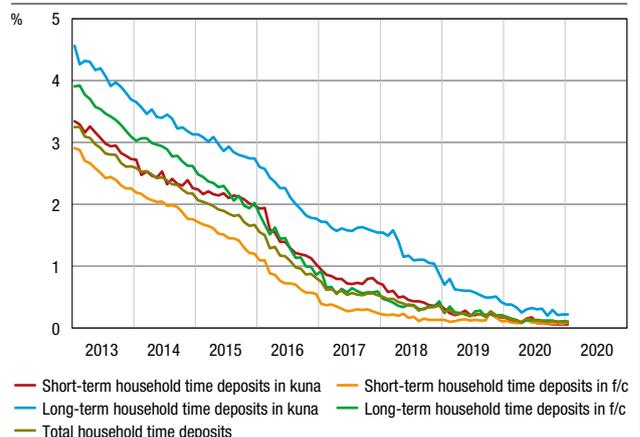
Source: CNB.

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



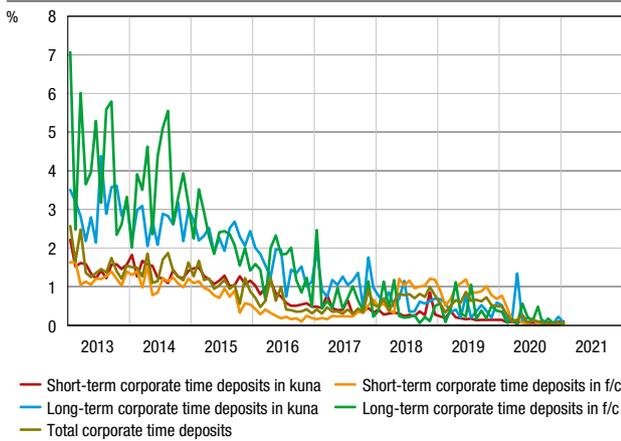
Source: CNB.

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



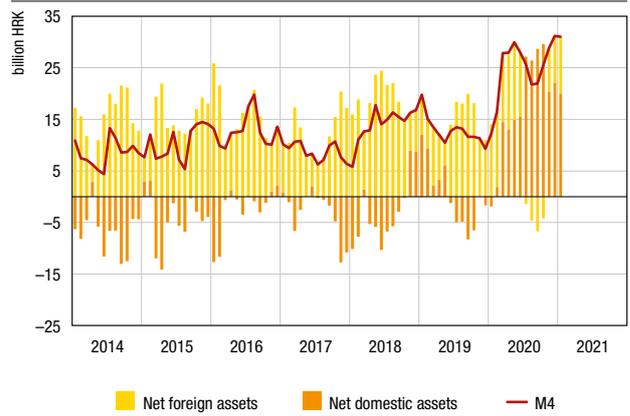
Source: CNB.

Figure 36 Interest rates on corporate time deposits



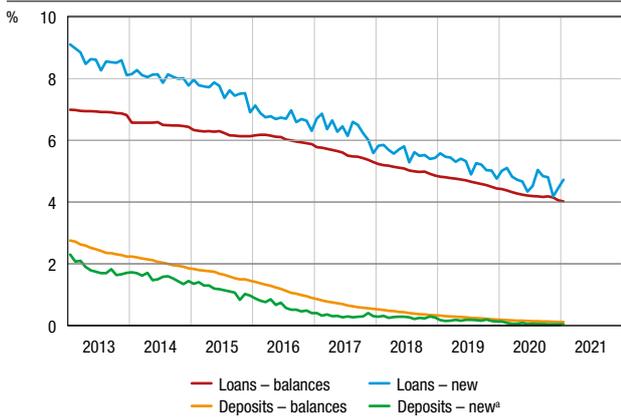
Source: CNB.

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



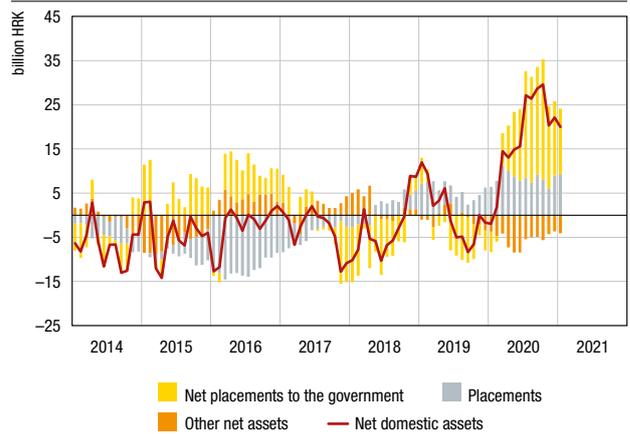
Source: CNB.

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



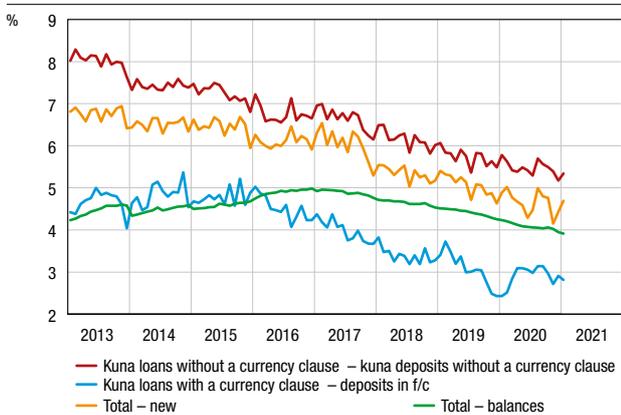
<sup>a</sup> For time deposits, interest rates on newly received deposits are weighted by their balances.  
Source: CNB.

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



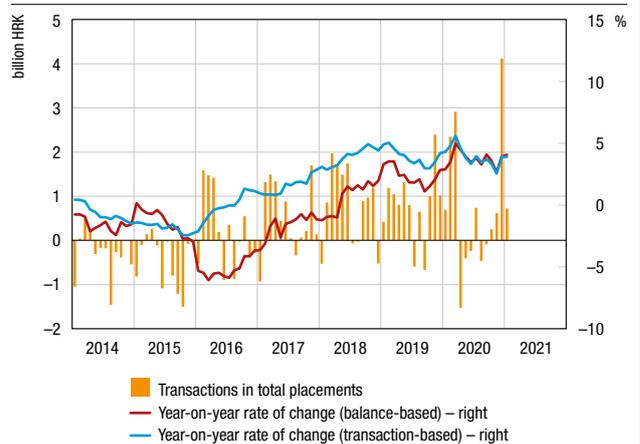
Source: CNB.

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



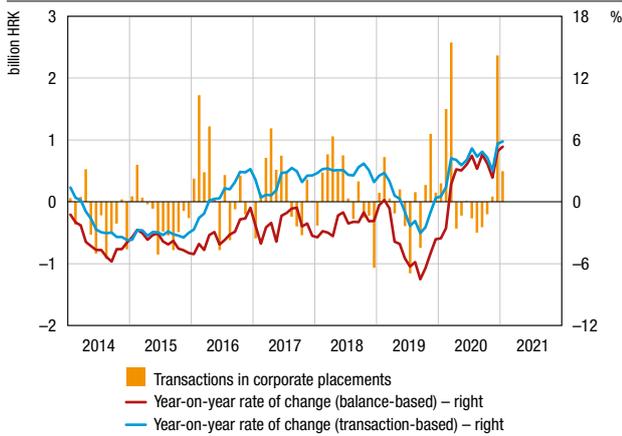
Note: Spread between average interest rates on loans and average interest rates on deposits should be differentiated from net interest margin (the ratio of the difference between interest income and interest expenses to total assets of credit institutions).  
Source: CNB.

Figure 41 Placements



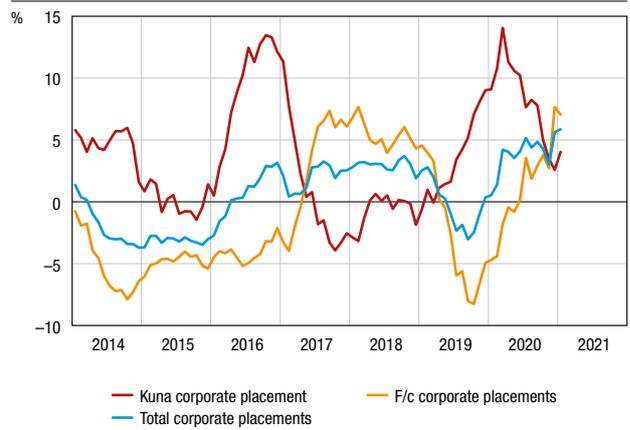
Source: CNB.

Figure 42 Placements to corporates



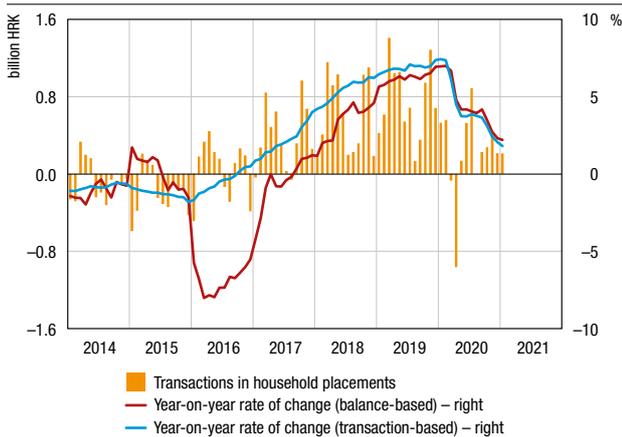
Source: CNB.

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



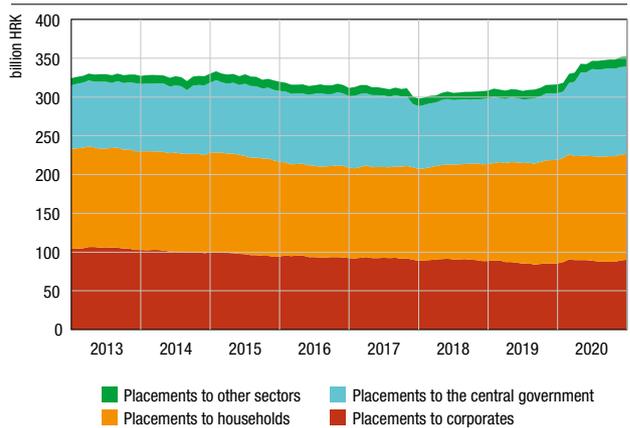
Source: CNB.

Figure 43 Placements to households



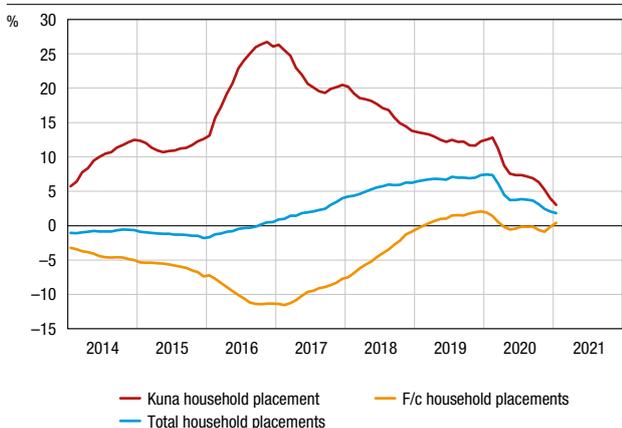
Source: CNB.

Figure 46 Structure of placements of monetary financial institution



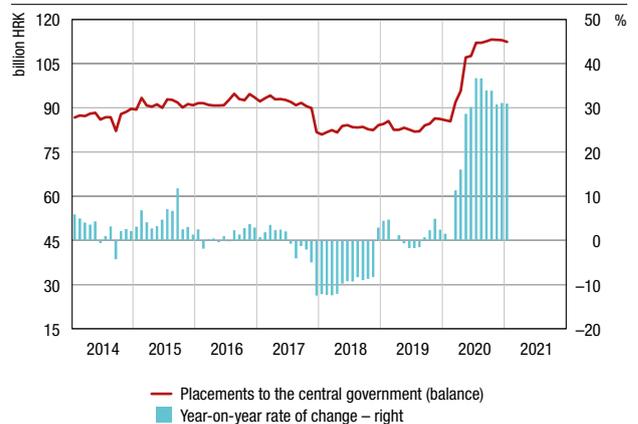
Source: CNB.

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



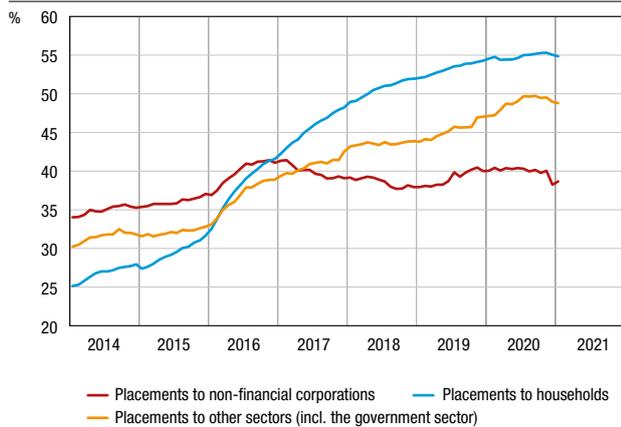
Source: CNB.

Figure 47 Placements of monetary financial institutions to the central government



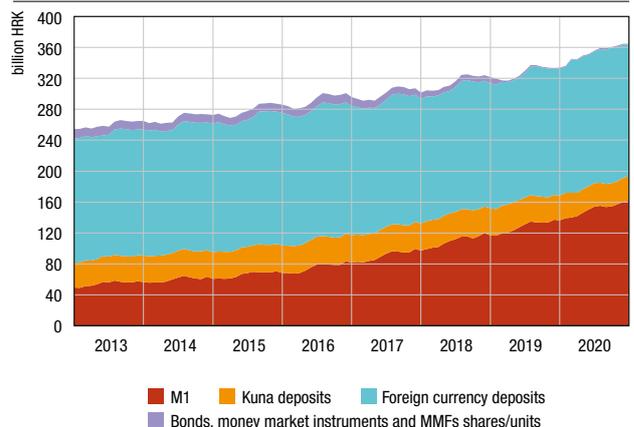
Source: CNB.

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



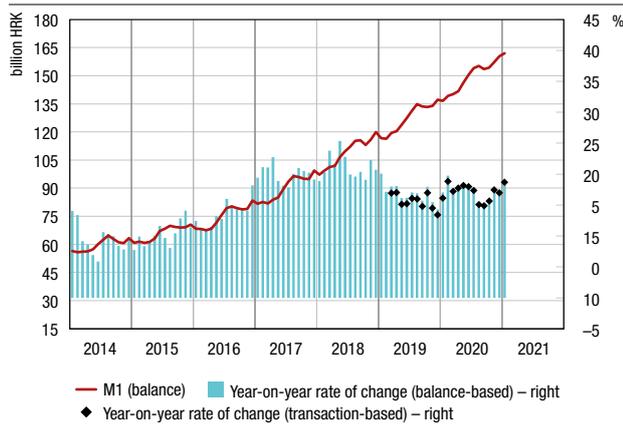
Source: CNB.

**Figure 51 Structure of M4 monetary aggregate**



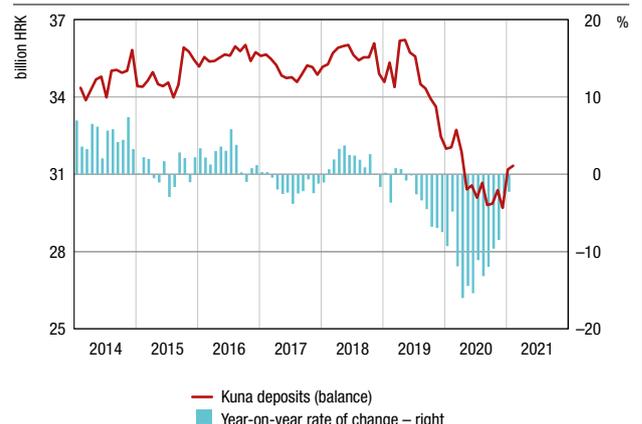
Source: CNB.

**Figure 49 Money (M1)**



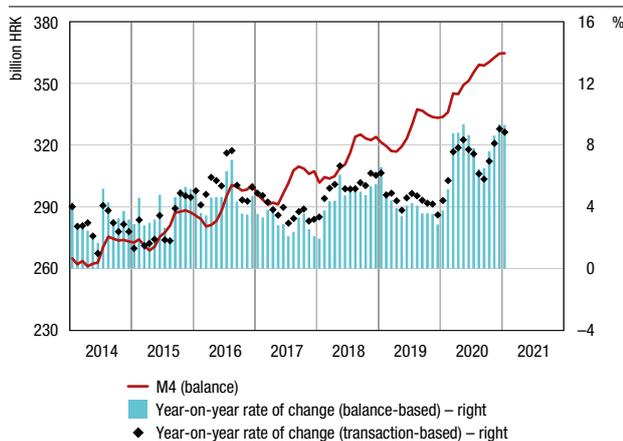
Note: From March 2019, the growth rate (transaction-based) excludes the effect of the reclassification of money market funds.  
Source: CNB.

**Figure 52 Kuna savings and time deposits**



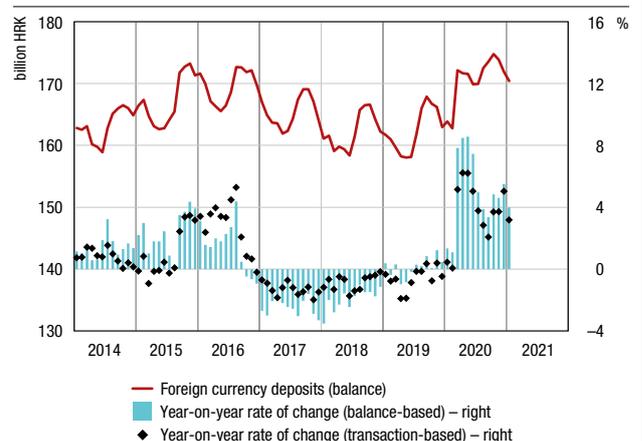
Source: CNB.

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



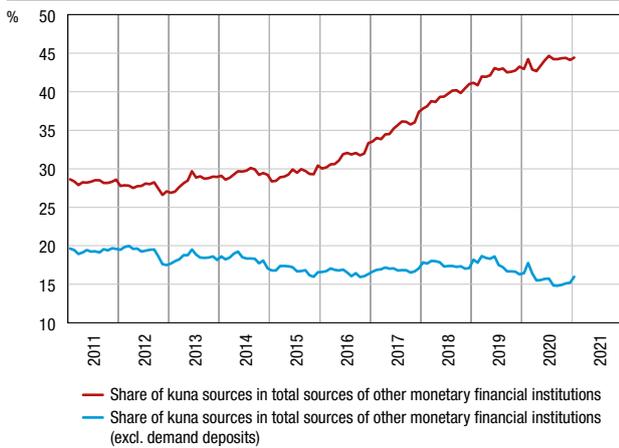
Source: CNB.

**Figure 53 Foreign currency deposits**



Source: CNB.

Figure 54 Share of kuna sources



Source: CNB.

Table 2 Balance of payments

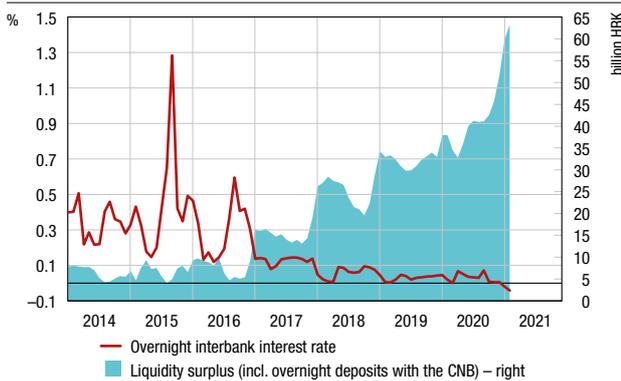
preliminary data, in million EUR

	2019	Q3/2020 <sup>a</sup>	Indices	
			2019/ 2018	Q3/2020 <sup>a</sup> / 2019
Current account	1,512.1	-745.6	160.0	-49.3
Capital account	1,114.5	1,152.5	154.0	103.4
Financial account (excl. reserves)	1,430.0	1,754.8	754.7	122.7
International reserves	989.4	-1,822.9	64.0	-184.2
Net errors and omissions	-207.2	-474.9	-316.3	229.3

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

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.

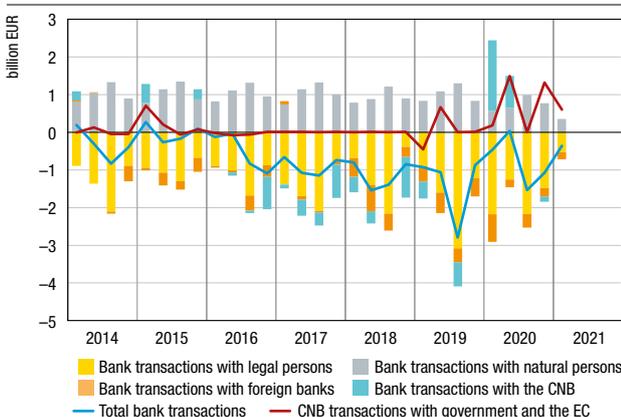
Figure 57 International reserves of the CNB at current rate of exchange



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

Source: CNB.

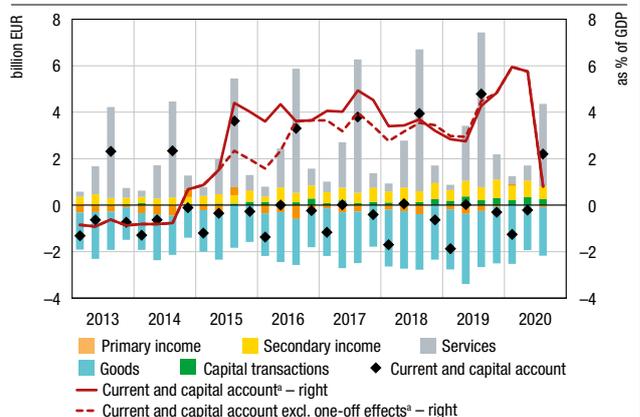
Figure 56 Spot transactions in the foreign exchange market (net turnover)



Notes: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government. Data for the first quarter of 2021 refer to January and February.

Source: CNB.

Figure 58 Current and capital account flows

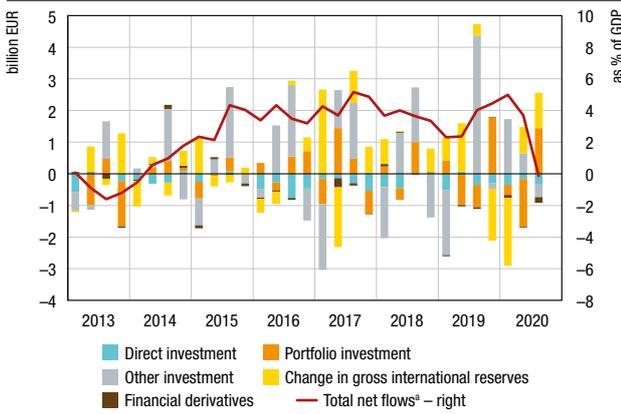


<sup>a</sup> Sum of the last four quarters.

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.

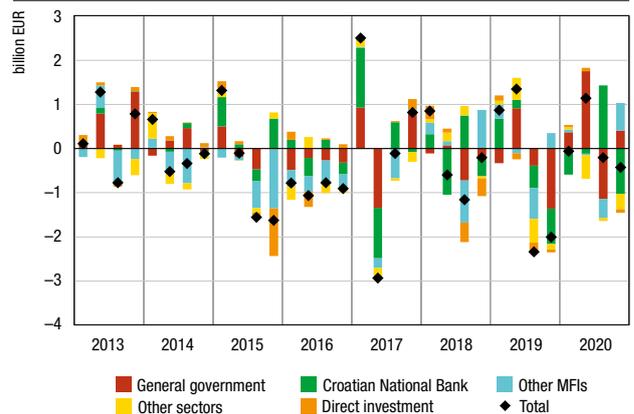
Source: CNB.

Figure 59 Financial account flows by type of investment



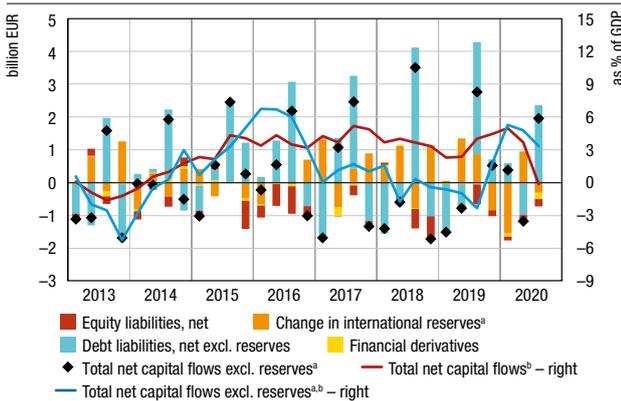
<sup>a</sup> Sum of the last four quarters.  
 Note: A positive value indicates net outflow of equity abroad (including on the basis of the growth in international reserves).  
 Source: CNB.

Figure 62 Gross external debt transactions



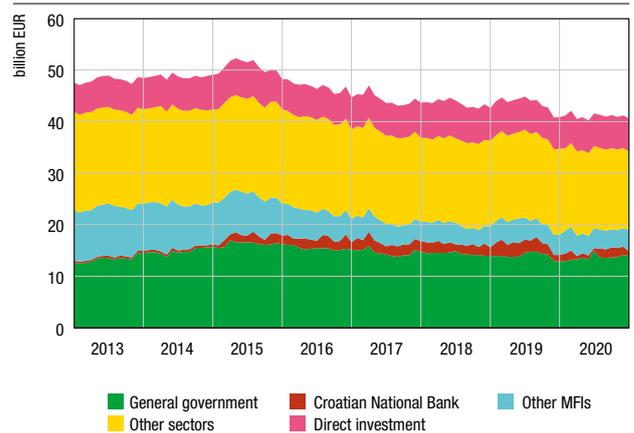
Note: Transactions refer to the change in debt excl. cross-currency changes and other adjustments.  
 Source: CNB.

Figure 60 Financial account flows by equity to debt ratio



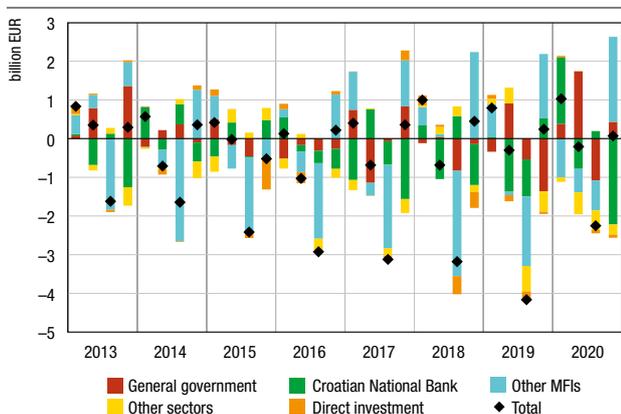
<sup>a</sup> The change in gross international reserves is reported net of foreign liabilities of the CNB. <sup>b</sup> Sum of the last four quarters.  
 Notes: A positive value indicates net outflow of equity abroad. Net flows represent the difference between the change in assets and the change in liabilities.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

Figure 63 Gross external debt end of period



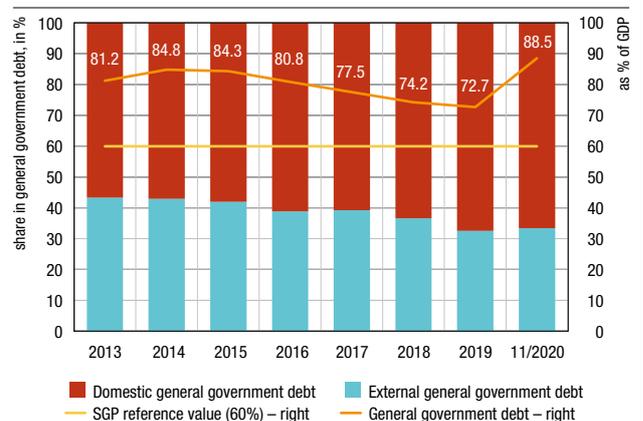
Note: Data are up to December 2020.  
 Source: CNB.

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.  
 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 3 Consolidated general government balance**

ESA 2010, in million HRK

	Jan. – Sep. 2019	Jan. – Sep. 2020
<b>Total revenue</b>	<b>140,659</b>	<b>128,026</b>
Direct taxes	18,631	18,191
Indirect taxes	61,583	51,719
Social contributions	35,366	33,342
Other	25,080	24,774
<b>Total expenditure</b>	<b>136,584</b>	<b>146,673</b>
Social benefits	46,276	46,926
Subsidies	5,131	12,806
Interest	6,613	5,655
Compensation of employees	34,976	36,941
Intermediate consumption	24,357	22,844
Investment	10,943	12,428
Other	8,287	9,073
<b>Net lending (+)/borrowing (-)</b>	<b>4,075</b>	<b>-18,647</b>

Sources: Eurostat and CBS.

**Table 4 Consolidated central government net borrowing**

GFS 2001, in million HRK

	Jan. – Dec. 2018	Jan. – Dec. 2019
1 Revenue	148,629	160,186
2 Disposal of non-financial assets	605	1,069
3 Expenditure	142,139	152,827
4 Acquisition of non-financial assets	4,329	5,978
5 Net borrowing (1 + 2 – 3 – 4)	2,767	2,450

Sources: MoF and CNB calculations.

**Table 5 General government debt**

in million HRK

	Nov. 2019	Nov. 2020
Change in total debt stock	16,851	26,599
Change in domestic debt stock	15,808	20,979
– Securities other than shares, short-term	606	4,197
– Securities other than shares, long-term	14,091	10,544
– Loans	1,286	8,704
Change in external debt stock	1,044	5,620
– Securities other than shares, short-term	-5	113
– Securities other than shares, long-term	-3,205	8,987
– Loans	-5,980	5,259
<b>Memo item:</b>		
Change in total guarantees issued	-657	2,050

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