



Information on economic trends

October 2019

Summary

The available monthly indicators suggest that real GDP growth accelerated in the third quarter of 2019. Favourable trends in the labour market also continued, if at weaker intensity than in the preceding part of the year. As a result, the increase in employment figures slowed down and the number of unemployed persons held steady in July and August from the second quarter. Wages continued to grow at a pace similar to that in the previous quarter. The annual growth rate of consumer prices decelerated from 1.1% in July to 0.8% in August, mostly as a result of a decline in the annual rate of change in the prices of industrial products, notably clothing and footwear, processed food and energy. The current and capital account balance deteriorated in the second quarter due to a noticeable growth in the foreign trade deficit. The already high kuna liquidity of domestic credit institutions continued to grow in September, supporting the still favourable developments in the financing conditions of domestic sectors. Total placements grew by 3.7% year-on-year: placements to non-financial corporations fell by 1.9% due to several one-off effects over the last year and placements to households increased by 7.0% in the same period. The central government surplus went up by about HRK 350m in July and August from the same period in 2018. The general government debt was higher at the end of June 2019 than at the end 2018, primarily due to the prefinancing of liabilities that arise from foreign securities and fall due in the second half of the year.

Industrial production increased slightly in July and August (0.2%) from the second quarter. The production of energy increased the most, and growth was also recorded in intermediate goods and non-durable consumer goods. The dynamics of the overall industrial production in the reference months was adversely affected by a sharp drop in the production of capital goods (Figures 3 and 4). After falling in July, real retail trade turnover continued to trend downwards in August and held steady in these months relative to its average level in the second quarter (Figure 7). The real volume of construction works increased in July, by 2.3%, relative to the average of the preceding quarter, with construction works on buildings and civil engineering works rising at the same rate (Figures 5 and 6). The GDP nowcasting model based on currently available data points to the growth of economic activity in the third quarter (Figure 1).

After increasing slightly for the second month in a row in September, the consumer confidence index was lower than in the previous quarter. The quarterly deterioration in confidence is primarily the consequence of unfavourable expectations regarding the economic situation in Croatia for the following 12 months compared with the present situation. The recent developments notwithstanding, the consumer confidence index continued to hold steady at relatively high levels. Business confidence mainly recovered in the third quarter compared to the average of the previous quarter. Thus, the construction business confidence indicator reached the level from the beginning of the current year, which was also the highest since business expectations have been measured. Expectations in trade and industry also improved in the third quarter, but were nevertheless insufficient to offset the adverse effect of the decline in the second quarter. Hence, despite the improvement, indices were below levels recorded at the beginning of the year. In the third quarter, the services business confidence indicator held at the levels attained during the second quarter which had seen no deterioration in expectations (Figure 8).

Developments in the labour market suggest continued favourable trends in the third quarter. July and August were marked by a slowdown in the growth of employment, mostly due to weaker employment growth in tourism-related service activities (transportation and storage, accommodation and food service activities). The growth of employment in the public sector and construction was somewhat stronger than in the previous

quarter (Figure 14). In contrast, employment in industry continued to trend downwards. The number of unemployed persons remained almost unchanged in July and August from the second quarter of 2019. The registered unemployment rate for July and August did not change either, standing at an average of 7.9% (as against 8% in the second quarter). According to the latest available Labour Force Survey data, the unemployment rate went down from 6.9% in the first quarter to 6.6% in the second quarter (Figure 15). As regards nominal wages, data for July and August show that wages continued to grow at a pace similar to that in the previous quarter (Figure 16).

Consumer prices fell by 0.3% in August from July (Table 1). The most significant contribution came from the seasonal decrease in the prices of clothing and footwear, which was more pronounced than in the same month of 2018. In contrast, the seasonal decrease in these prices was less pronounced in July than in the previous year. In August, the prices of refined petroleum products, individual food products (milk, cheese and eggs) and gas contributed to a minor extent to the monthly fall in consumer prices. The average monthly price of a barrel of Brent crude oil in the world market, after having stabilised temporarily in July, fell by 7.4% in August from a month earlier and stood at USD 59 (Figure 19). The decrease in crude oil prices resulted mostly from the expectations of continued trade tensions between the USA and China and economic indicators that signal the global economic slowdown.¹ The annual rate of consumer price inflation fell from 1.1% in July to 0.8% in August (Figure 18). The slowdown in inflation was primarily caused by a decrease in the annual rate of change in the prices of industrial products (clothing and footwear), processed food and energy. In contrast, the largest positive contribution to inflation was made by unprocessed food, notably vegetables and fruit. The annual core inflation rate also decelerated, from 1.5% in July to 1.0% in August. The annual rate of change of industrial producer prices in the domestic market fell from 0.0% in July to -0.3% in August, mostly as a result of the accelerated decline in energy prices, in particular in refined petroleum products. The annual growth rate of producer prices, excluding energy, slowed down only slightly (from 0.7% in July to 0.6% in August).

The current and capital account of the balance of payments ran a deficit of EUR 0.2bn in the second quarter, a deterioration from the same period in 2018, which was marked by a surplus of EUR 0.1bn (Figure 57).² Such movements are primarily the

¹ In September, oil prices surged the very next day after a terrorist attack on a large refinery in Saudi Arabia. Although oil prices fell afterwards, there are concerns that the volatility of oil prices will remain amplified.

² The balance of payments data have been revised for the period from the beginning of 2000. For more details, see: <https://www.hnb.hr/-/hnb-revidirao-statistiku-odnosa-s-inozemstvom>.

result of a further widening of the foreign trade deficit, brought about by the significant slowdown in goods exports (1.7% compared to 8.5% in 2018) and the concurrent acceleration in goods imports (9.8% compared to 6.0% in 2018). In contrast, the surplus in foreign trade in services increased, primarily due to continued growth in tourism revenues. Better business performance of domestic enterprises in foreign ownership, i.e. higher expenditures on direct equity investments, resulted in the deterioration of the primary income account balance relative to the same period in 2018, which was only partly offset by the rise in revenues from compensation of persons temporarily employed abroad. Furthermore, the sum of balances in the secondary income account and in the account of capital transactions improved considerably, due mainly to the rise in total net revenues from transactions with the EU budget. In last four quarters, the surplus in the current and capital account fell from 3.2% of GDP in 2018 to 2.3% of GDP at the end of the second quarter 2019.

The nominal exchange rate of the kuna against the euro remained stable in September, mostly moving within a very narrow range of $\pm 0.1\%$ around the average value of EUR/HRK 7.40 (Figure 21). The exchange rate also stood at EUR/HRK 7.40 at the end of September, or at the same level as at the end of August, but it decreased by 0.3% from the end of September 2018. In September, the kuna weakened slightly against most other currencies in the currency basket for the calculation of effective exchange rates, causing the nominal effective exchange rate of the kuna to depreciate mildly from the end of August.

Short-term interest rates on the European money market went deeper into negative territory in September due to further strengthening of the ECB's expansionary monetary policy. The overnight interest rate for the euro area, EONIA, ended September at -0.45% , while the six-month EURIBOR stood at -0.39% (Figure 24). Risk premiums for European emerging market economies (Figure 25) did not change significantly from the end of August. At the end of September, the risk premium for Croatia stood at 82 basis points, remaining higher than premiums for Central and Eastern European peer countries (Romania excluded). However, this spread did narrow during the past year.

In the conditions of ample surplus liquidity in the domestic banking market, which in September stood at HRK 32.3bn (Figure 54), no trading took place in the domestic overnight interbank market in September and no Ministry of Finance T-bill auctions were held.

The interest rates on new bank loans granted to households and corporates mainly held steady, on average, in August (Figures 28, 29 and 30). In original new corporate loans, a more substantial decline was seen only in interest rates on kuna loans for working capital with a currency clause (Figure 31), while in the household sector, interest rates on original new housing and consumer loans were at almost the same level as in July (Figure 32 and 33). Interest rates on corporate and household time deposits remained almost unchanged from July (Figures 34 and 35). As a result, the spread between interest rates on total new loans and deposits edged up to 5.08 percentage points in August, while the gap between interest rate spreads on loans and deposits remained at almost the same level as in July (4.39 percentage points; Figure 37).

Monetary developments in August were marked by an increase in total liquid assets (M4) of HRK 7.6bn or 2.3%, which was mostly attributable to the seasonal upsurge in net foreign assets (NFA) of the monetary system (Figure 38), while the fall in net domestic assets (NDA) made a negative contribution to change of M4. The growth in the system's NFA was almost equally the result of an increase in the net foreign assets of the

CNB and that of credit institutions, while the fall in NDA was mostly due to an increase in central government deposits with the banks. On an annual level, the growth of total liquid assets (M4) slowed down slightly in August 2019 and stood at 4.7%, based on transactions (Figure 49). The annual growth in money (M1) slowed down slightly to 16.0% (Figure 48), mostly due to a slowdown in the annual growth of demand deposits. The annual fall in the second component of total liquid assets, quasi-money, accelerated and stood at -1.5% at the end of August (based on transactions).

Total placements of monetary institutions to domestic sectors (excluding the government) rose mildly in August (by HRK 0.6bn or 0.3% based on transactions). On an annual level, the growth in total placements accelerated and stood at 3.7% in August (Figure 40), with placements to non-financial corporations falling by 1.9% (Figure 41). The negative annual rate of change in corporate placements was due to the activation of government guarantees for loans to shipyards and the reduction of claims on the Agrokor Group, also associated with the operational implementation of the settlement. As regards households, the annual growth of placements to that sector slowed down slightly in August to 7.0% (Figure 42) as a result of a small slowdown in the annual growth of general-purpose cash loans to 12.2%, while the growth in housing loans held steady at the previous month's level (4.6%). In terms of currency structure, the share of kuna placements in total household placements continued its long-standing upward trend, reaching 53.6% at the end of August (Figure 47). As for the nominal stock of placements, their annual growth stood at 2.1% in August and was significantly slower than the transaction-based growth, primarily as a result of the sale of non-performing placements.

Gross international reserves went down by EUR 0.6bn (2.9%) in September 2019, reaching EUR 20.4bn at month-end (Figure 56). The decrease in September was predominantly driven by a lower level of agreed repo transactions. As the several-year upward trend of a noticeable growth in reserves continued on an annual level, at the end of September reserves amounted to EUR 3.8bn or 22.8% higher than at the end of the same month in 2018, and net usable international reserves rose by EUR 2.9bn or 19.6% during the same period.

The net foreign financial liabilities of domestic sectors increased by EUR 0.7bn in the second quarter of 2019 (excluding the change in gross international reserves and CNB liabilities). Net capital inflows were mostly attributable to the rise in net debt liabilities of domestic sectors, in particular the government sector. Although the government issued bonds worth EUR 1.5bn on the international market in June, the rise in its net debt liabilities was lower (EUR 0.9bn) as domestic institutional investors, in addition to participating in the subscription of the June bond issue, purchased a substantial amount of government bonds from foreign investors in the secondary securities market. As the government deposited one portion of the funds raised and sold another portion to the central bank, international reserves surged and the financial account saw net capital outflows of EUR 0.7bn. Other domestic sectors also increased their net debt liabilities, though by a much lower amount than the government. In contrast to debt liabilities, net equity liabilities grew only slightly. Investments in Croatia were mainly accounted for by direct equity investments in real estate and reinvested earnings in the manufacture of basic pharmaceutical products and trade. The July developments were marked by the usual seasonal improvement of banks' net foreign position, which led to a decrease of total net debt.

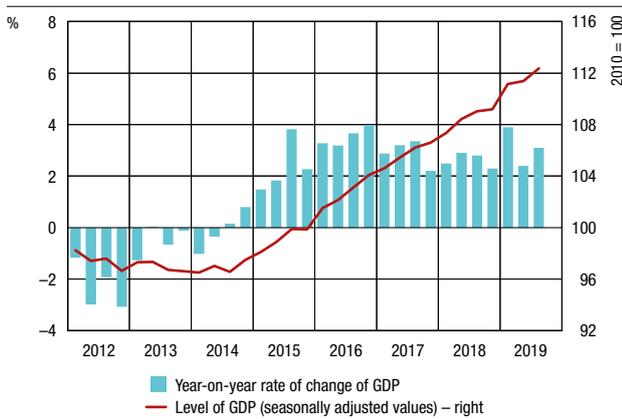
According to the Proposal of the Half Year Report on the Execution of the State Budget, the total fiscal deficit, in line with

the national methodology, stood at HRK 1.9bn in the first half of 2019 or equalled that recorded in the same period last year, while the total general government surplus amounted to HRK 1.1bn, decreasing by some HRK 500m from the same period in 2018. According to data of the Ministry of Finance³ for July and August, the central government generated a surplus of about HRK 4.5bn, which is an increase of about HRK 350m from the same period in 2018 due to the faster growth in revenues than in expenditures.

The general government debt amounted to HRK 297.9bn at the end of June and was, notwithstanding the general government surplus in the first of the year calculated in line with the

national methodology (based on data from the Half Year Report on the Execution of the State Budget) and the appreciation of the kuna/euro exchange rate in the same half of the year, HRK 11.8bn larger than the debt at the end of 2018. This is primarily attributable to the issue of foreign bonds worth EUR 1.5bn in June, with the government using favourable conditions in financial markets to raise the funds needed for the repayment of foreign bonds of the same amount maturing in November. It is necessary to note that the public debt level was also impacted by the revision of data due to the reclassification of a larger number of statistical units (mostly port authorities) into the general government sector.

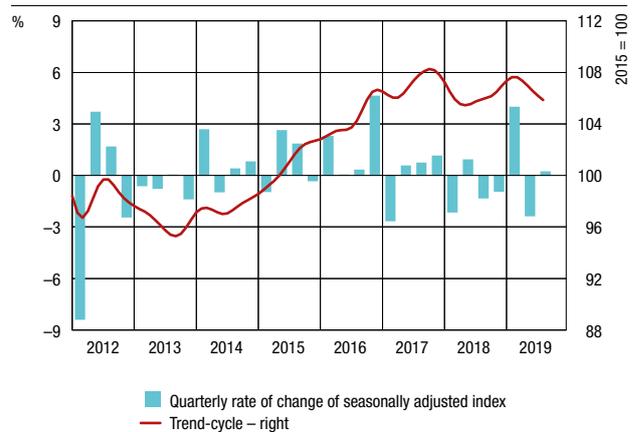
Figure 1 Quarterly gross domestic product
seasonally adjusted real values



Note: Data for the third quarter of 2019 are estimated with the use of the CNB's monthly indicator of real economic activity, on the basis of data published until 30 September 2019.

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

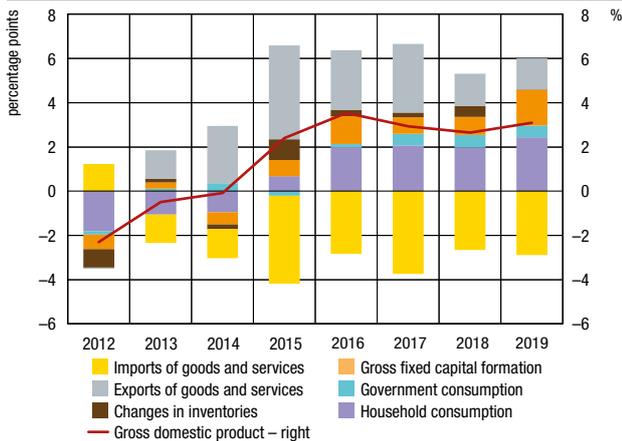
Figure 3 Industrial production



Note: Data for the third quarter of 2019 refers to July and August.

Source: CBS data seasonally adjusted by the CNB.

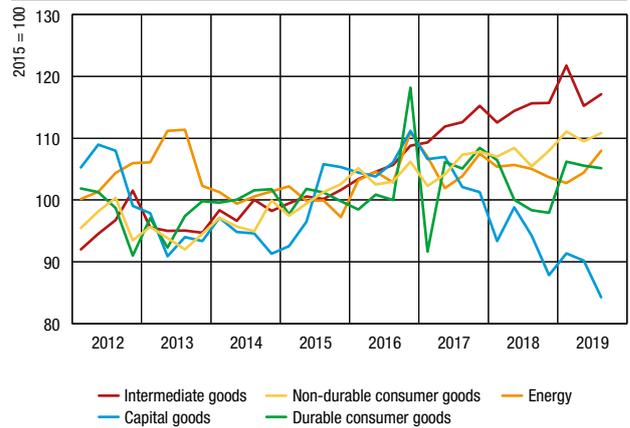
Figure 2 GDP rate of change
contributions by components



Note: The projection for 2019 refers to the official projection of the CNB from July 2019.

Source: CBS.

Figure 4 Industrial production by main industrial groupings
seasonally adjusted indices

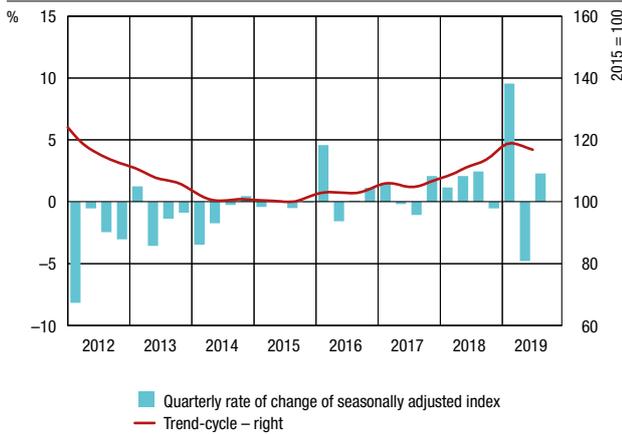


Note: Quarterly data are calculated as the average of monthly data.

Source: CBS data seasonally adjusted by the CNB.

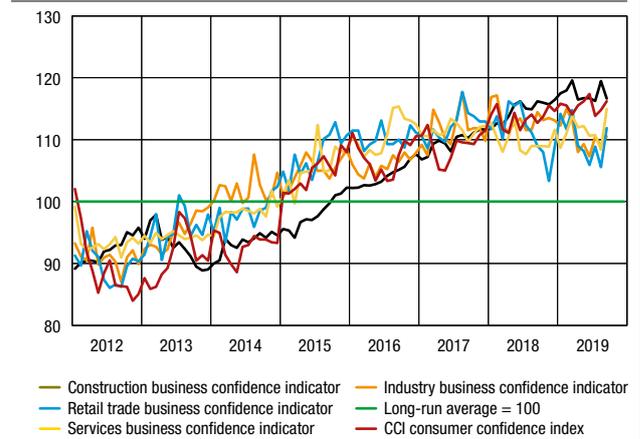
³ Monthly data for central government, state government and social security sub-sectors that, according to the requirements of Council Directive 2011/85/EU must be published before the end of the following calendar month. The published data refer to general government units according to the scope of the ESA 2010 statistical methodology, except data for the local government, which are published on a quarterly basis.

Figure 5 Total volume of construction works



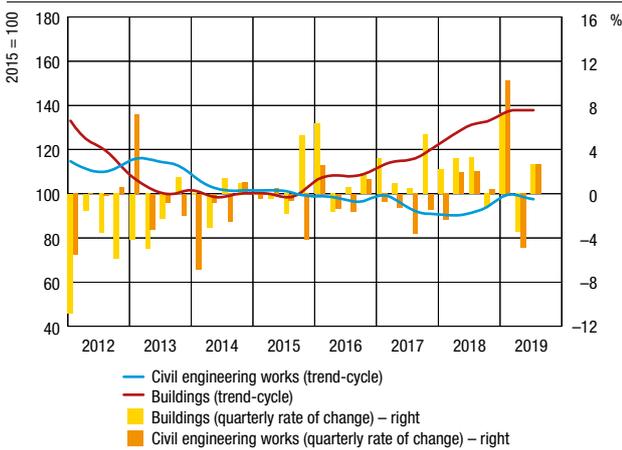
Note: Data for the third quarter of 2019 refers to July.
Source: CBS data seasonally adjusted by the CNB.

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



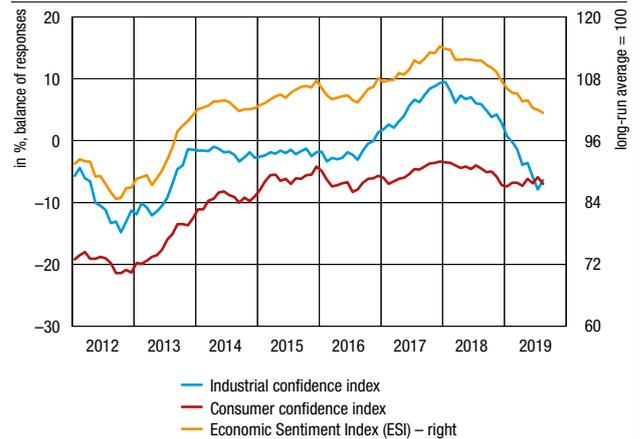
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



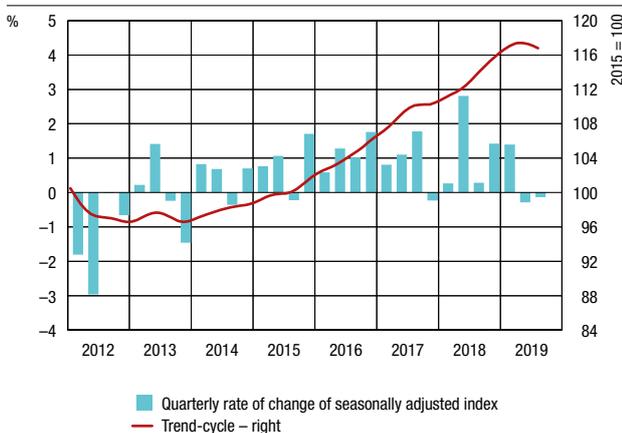
Source: CBS data seasonally adjusted by the CNB.

Figure 9 EU confidence indices
seasonally adjusted series



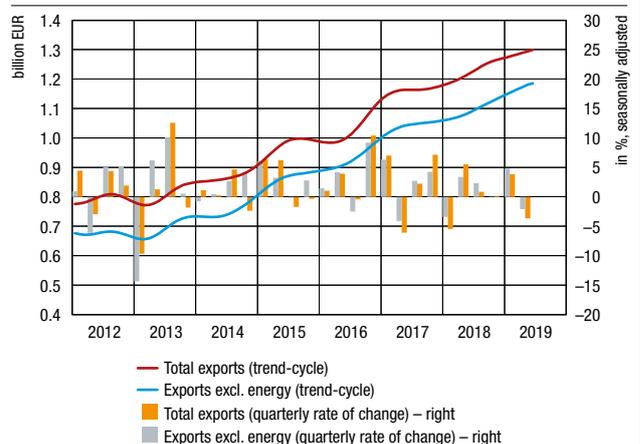
Note: Data are up to end-August 2019.
Source: Eurostat.

Figure 7 Real retail trade turnover



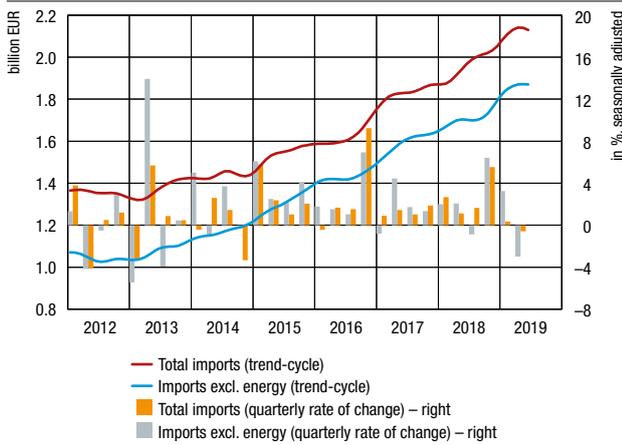
Note: Data for the third quarter of 2019 refers to July and August.
Source: CBS data seasonally adjusted by the CNB.

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



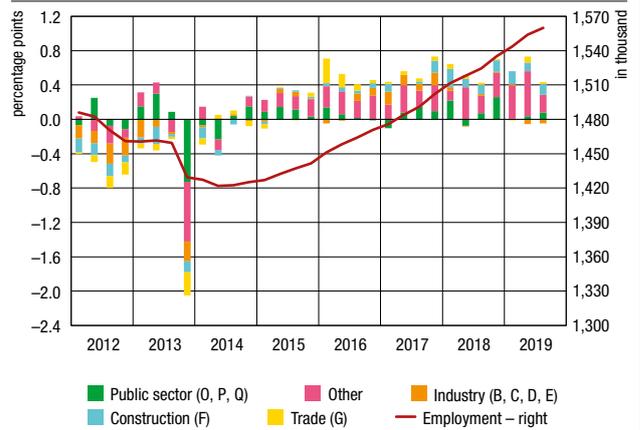
Source: CBS data seasonally adjusted by the CNB.

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



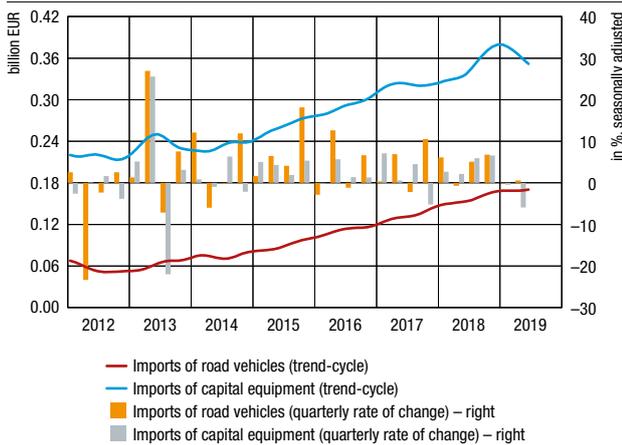
Source: CBS data seasonally adjusted by the CNB.

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



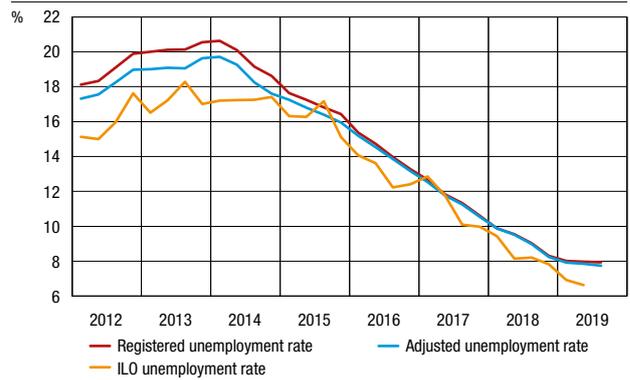
Note: Data for the third quarter of 2019 refer to July and August.
Source: CPII data seasonally adjusted by the CNB.

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



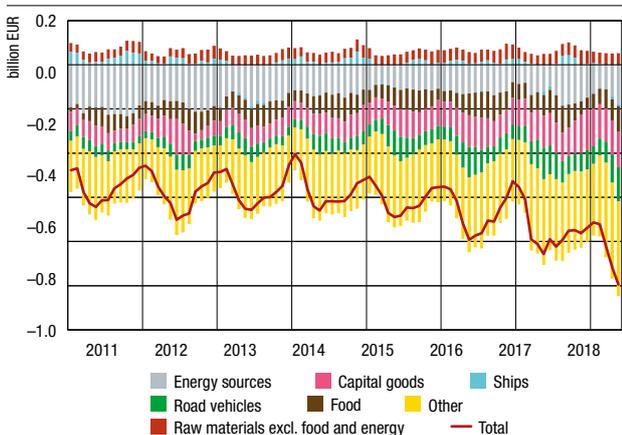
Note: Imports of capital equipment (SITC divisions 71 – 77).
Source: CBS data seasonally adjusted by the CNB.

Figure 15 Unemployment rates
seasonally adjusted data



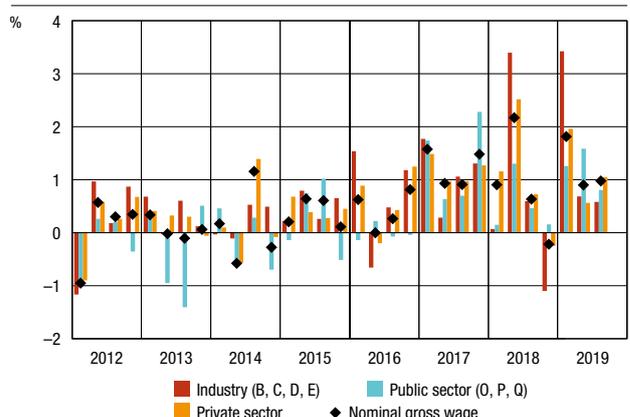
Notes: Since January 2015, the calculation of the registered unemployed rate has used the data on employed persons from the JOPPD form. The adjusted unemployment rate is the CNB estimate and is calculated as the share of the number of registered unemployed persons in the working age population (unemployed persons and persons insured with the CPII). Data for the third quarter of 2019 refer to July and August.
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

Figure 13 Trade in goods balance



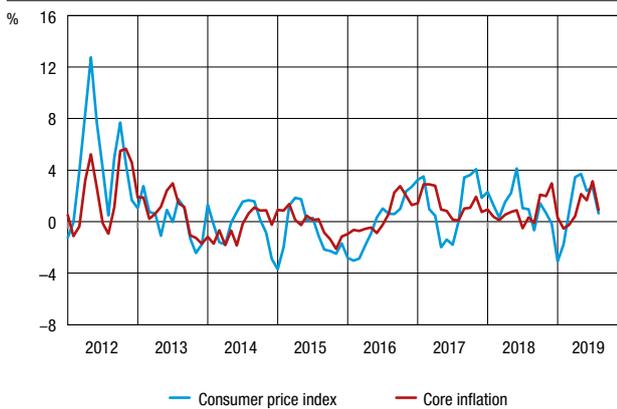
Notes: Series are shown as three-member moving averages of monthly data. Data are up to end-June 2019.
Source: CBS.

Figure 16 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 for the third quarter of 2019 refer to July and August.
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

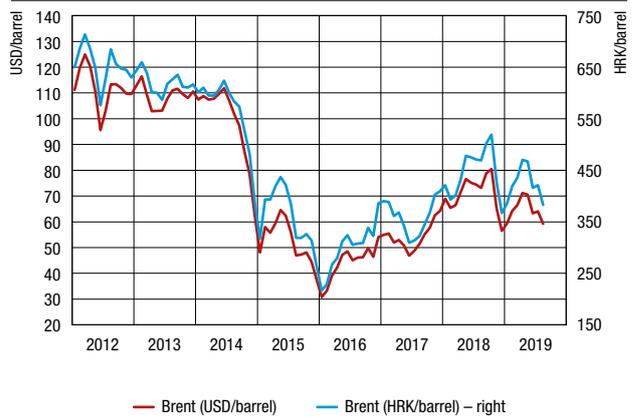
Figure 17 Consumer price index and core inflation
annualised month-on-month rate of change^a



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

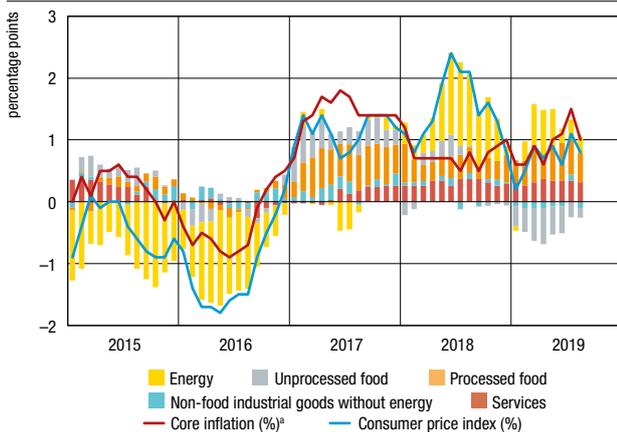
Sources: CBS and CNB calculations.

Figure 19 Crude oil prices (Brent)



Sources: Bloomberg and CNB calculations.

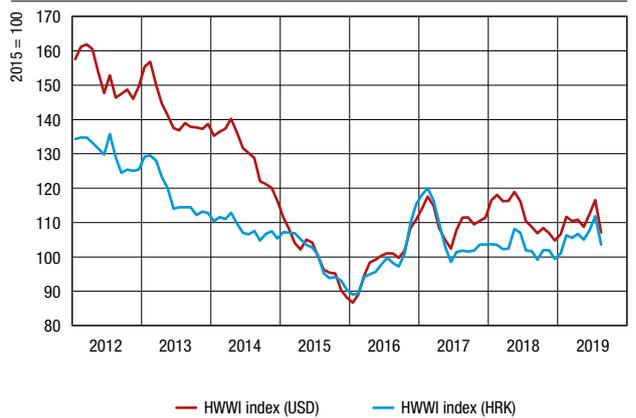
Figure 18 Year-on-year inflation rate and contributions of components to consumer price inflation



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

Sources: CBS and CNB calculations.

Figure 20 HWWI index (excl. energy)



Sources: HWWI and CNB calculations.

Table 1 Price indicators

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

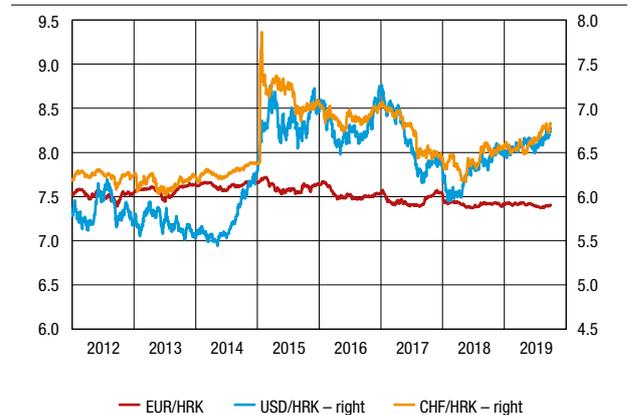
	Year-on-year rates		Month-on-month rates	
	7/2019	8/2019	8/2018	8/2019
Consumer price index and its components				
Total index	1.1	0.8	0.0	-0.3
Energy	2.0	1.6	-0.1	-0.4
Unprocessed food	-2.7	-1.7	-1.1	-0.1
Processed food	2.4	2.0	0.3	-0.1
Non-food industrial goods without energy	0.4	-0.4	-0.2	-1.0
Services	1.3	1.2	0.1	0.0
Other price indicators				
Core inflation	1.5	1.0	0.1	-0.4
Index of industrial producer prices on the domestic market	0.0	-0.3	0.1	-0.3
Brent crude oil price (USD)	-14.0	-19.0	-1.8	-7.4
HWWI index (excl. energy, USD)	5.6	-1.5	-1.5	-8.1

Note: Processed food includes alcoholic beverages and tobacco.

Sources: CBS, Bloomberg and HWWI.

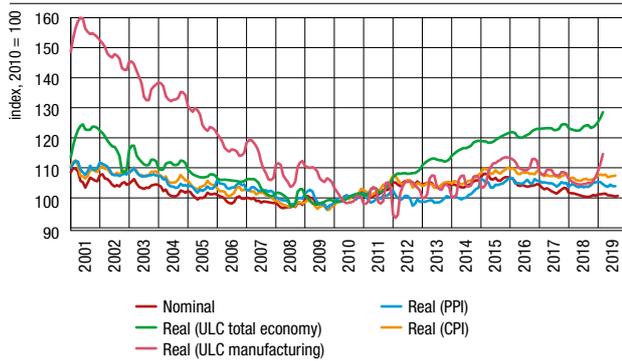
Figure 21 Daily nominal exchange rate – HRK vs. EUR, USD and CHF

CNB midpoint exchange rate



Source: CNB.

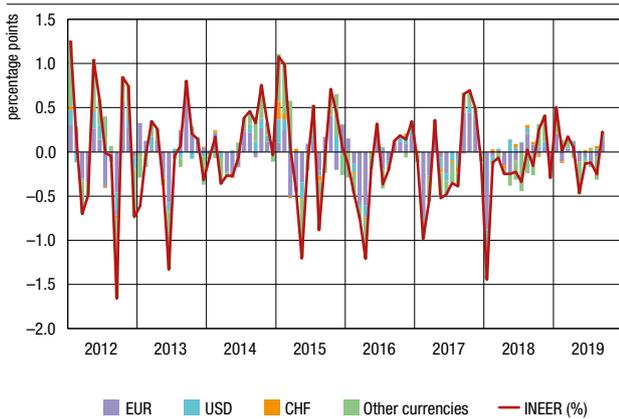
Figure 22 Nominal and real effective exchange rates of the kuna



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

Source: CNB.

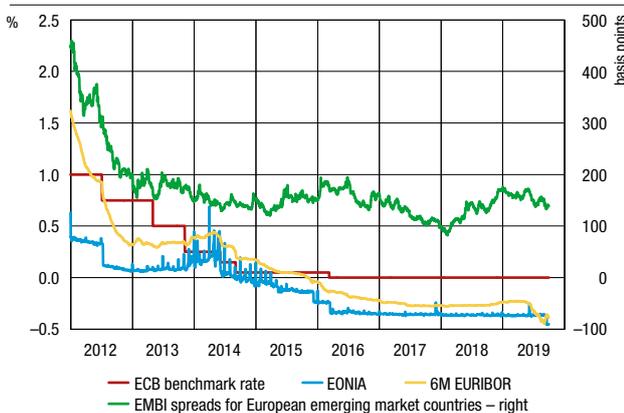
Figure 23 Contributions^a of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)



^a Negative values indicate contributions to the appreciation of the INEER.

Source: CNB.

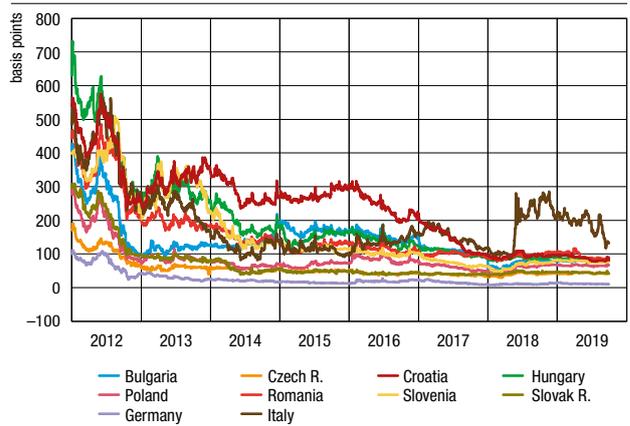
Figure 24 Interest rates on the euro and the average yield spread on bonds of European emerging market countries



Note: The J.P. Morgan Emerging Market Bond Index (EMBI) shows the spread between yields on government securities of emerging market economies and risk-free securities issued by developed countries.

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

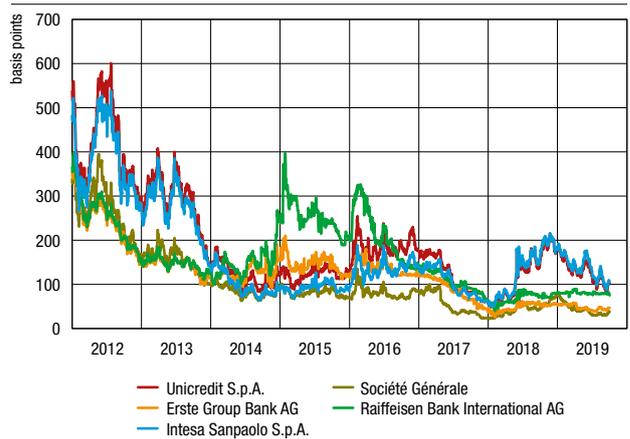
Figure 25 CDS spreads for 5-year government bonds of selected countries



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

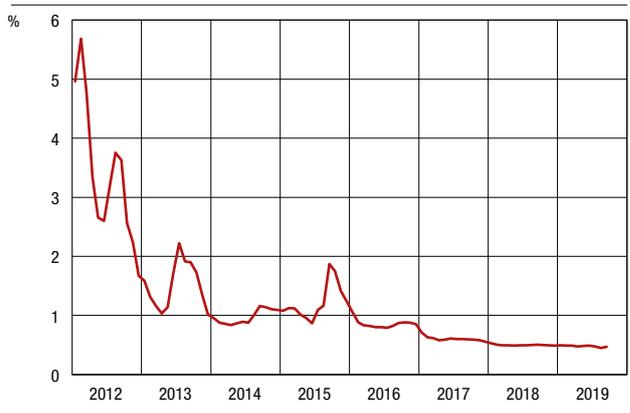
Source: S&P Capital IQ.

Figure 26 CDS spreads for selected parent banks of domestic banks



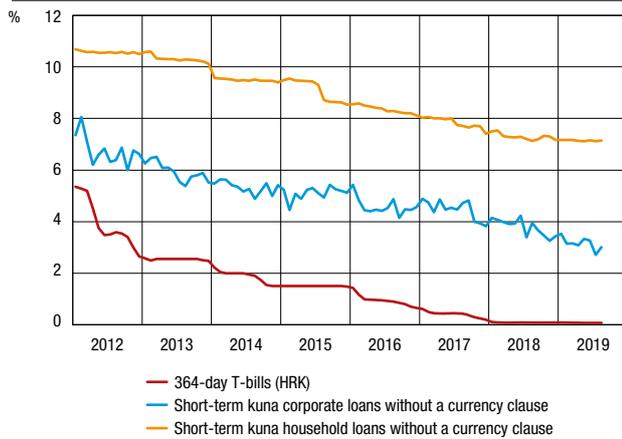
Source: S&P Capital IQ.

Figure 27 Interest rates quoted on the interbank market (3-month ZIBOR) monthly averages of simple daily averages of bank quotations



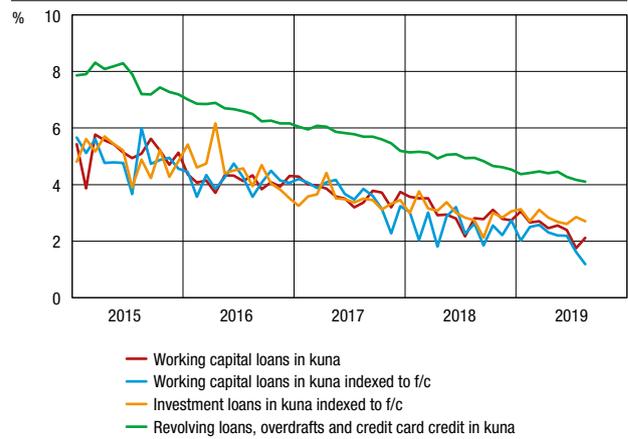
Source: CNB.

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



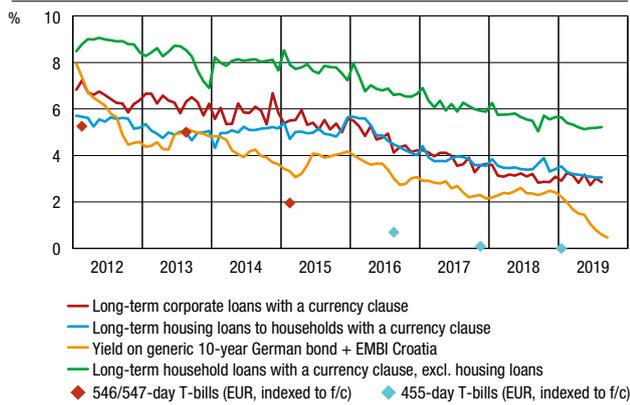
Sources: MoF and CNB.

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



Source: CNB.

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



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

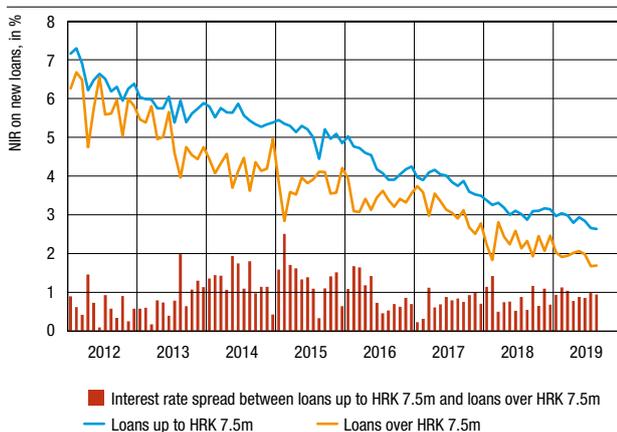
Sources: MoF, Bloomberg and CNB.

Figure 32 Interest rates on original new housing loans to households



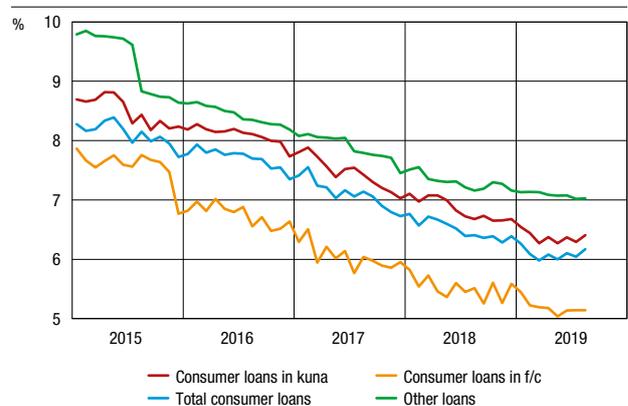
Source: CNB.

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



Source: CNB.

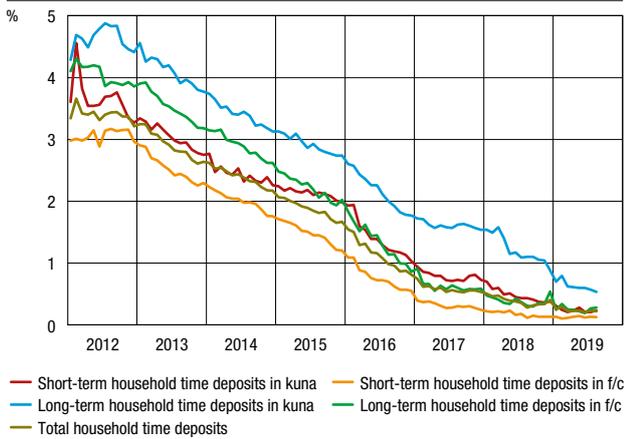
Figure 33 Interest rates on original new consumer and other loans to households



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

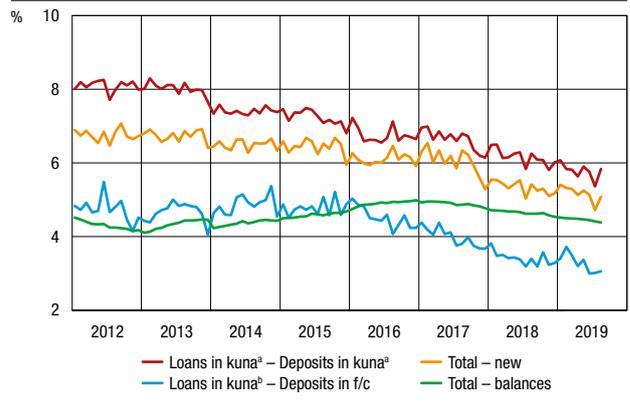
Source: CNB.

Figure 34 Interest rates on household time deposits



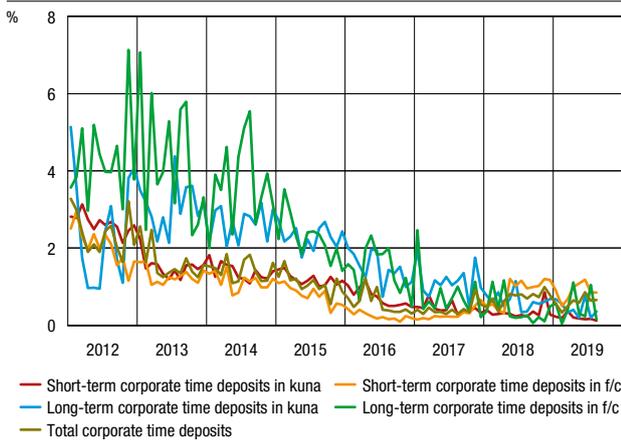
Source: CNB.

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



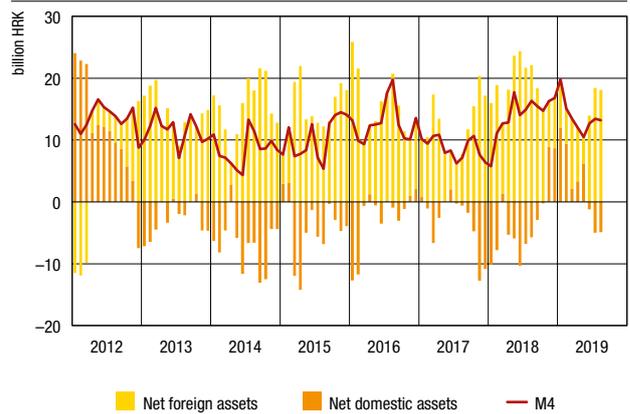
^a Non-indexed to f/c. ^b Indexed to f/c.
 Note: Spread between average interest rates on loans and average interest rates on deposits should be differentiated from net interest margin (the ratio of the difference between interest income and interest expenses to total assets of credit institutions).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

Figure 35 Interest rates on corporate time deposits



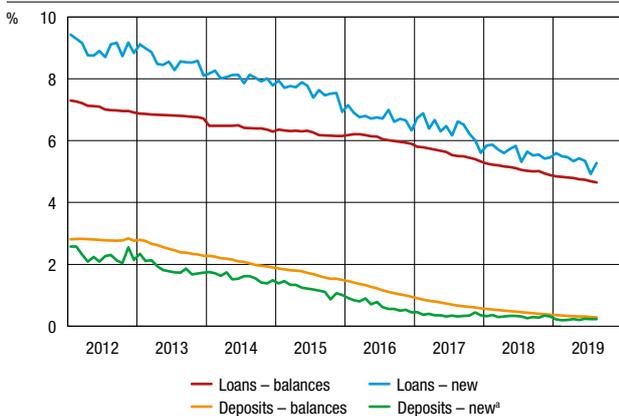
Source: CNB.

Figure 38 Net foreign assets, net domestic assets and total liquid assets (M4) absolute change in the last 12 months



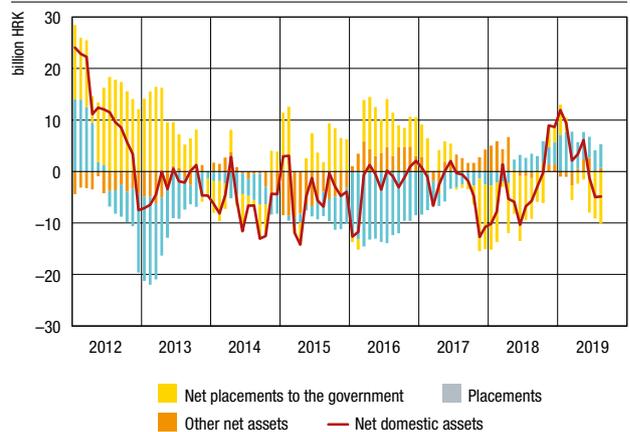
Source: CNB.

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



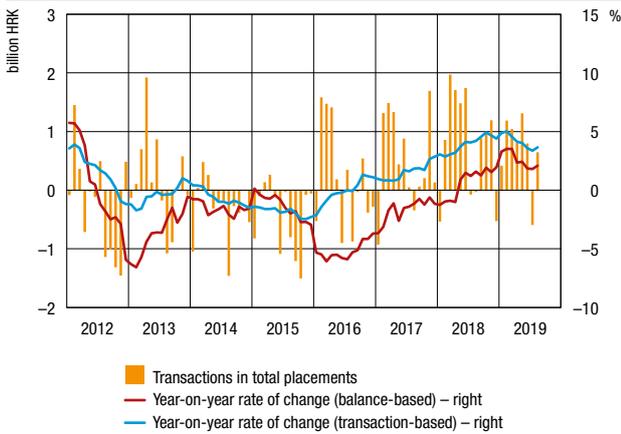
^a For time deposits, interest rates on newly received deposits are weighted by their balances.
 Source: CNB.

Figure 39 Net domestic assets, structure absolute change in the last 12 months



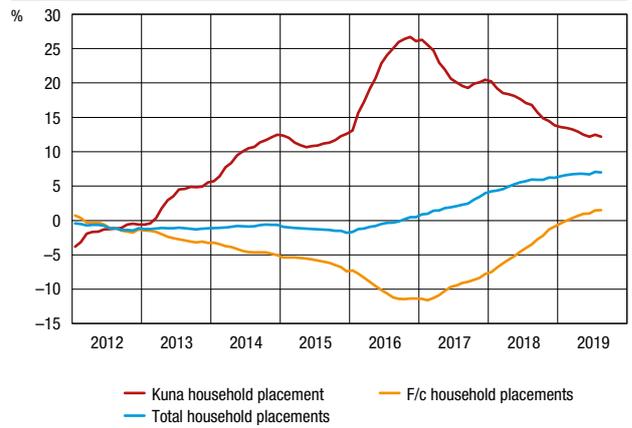
Source: CNB.

Figure 40 Placements



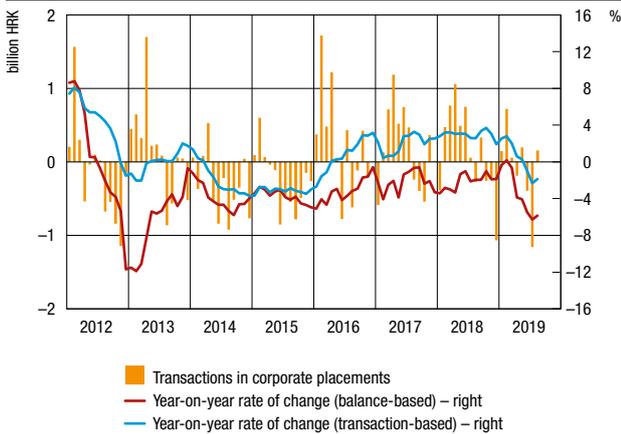
Source: CNB.

Figure 43 Annual rate of change in household placements transaction-based



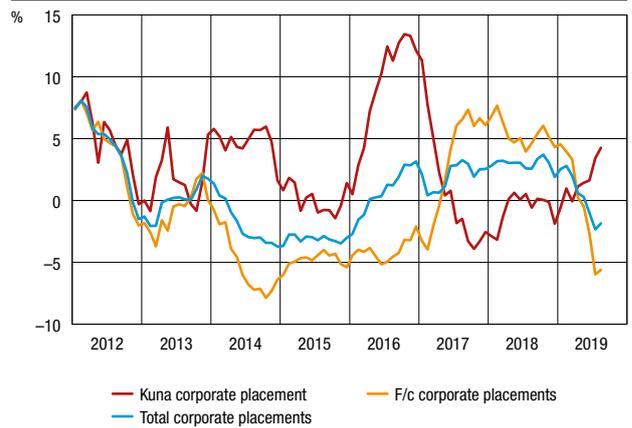
Source: CNB.

Figure 41 Placements to corporates



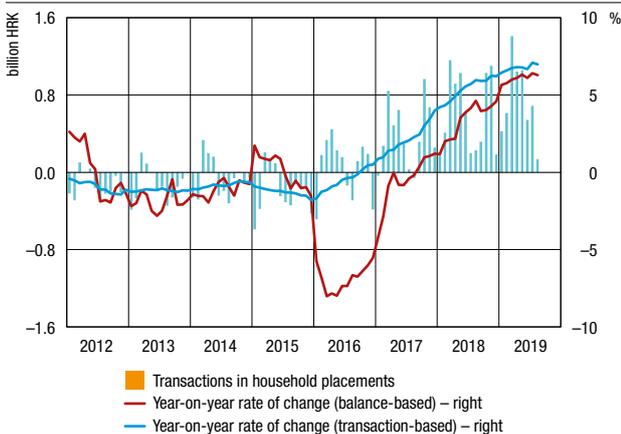
Source: CNB.

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



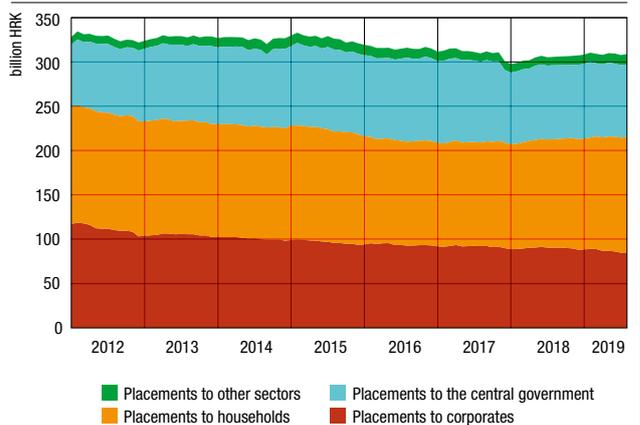
Source: CNB.

Figure 42 Placements to households



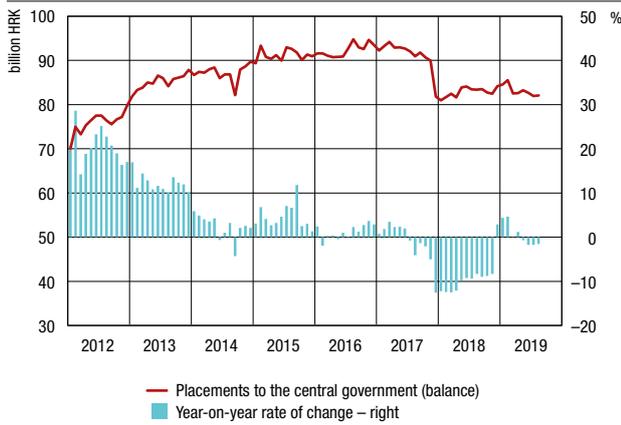
Source: CNB.

Figure 45 Structure of credit institution placements



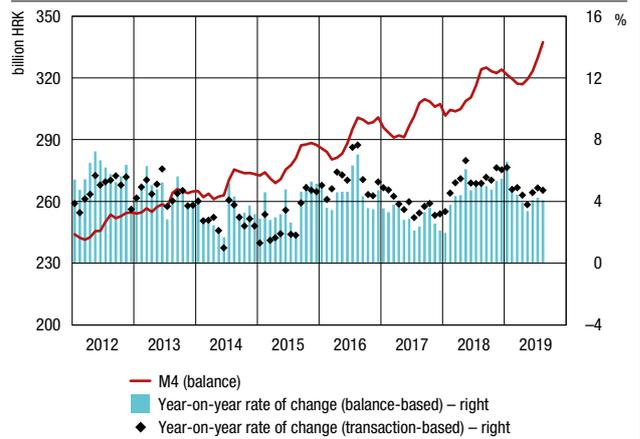
Source: CNB.

Figure 46 Credit institution and MMF placements to the central government



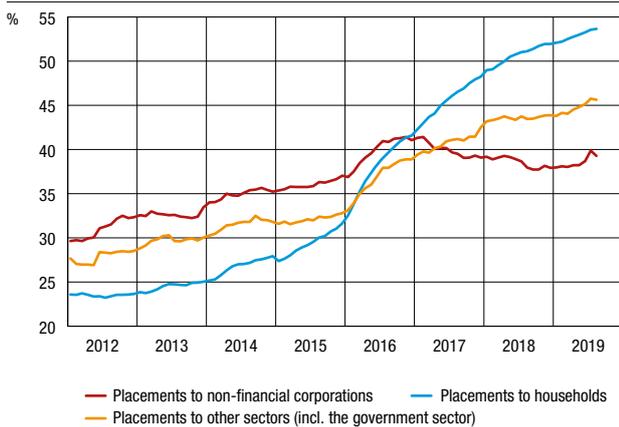
Source: CNB.

Figure 49 Total liquid assets (M4)



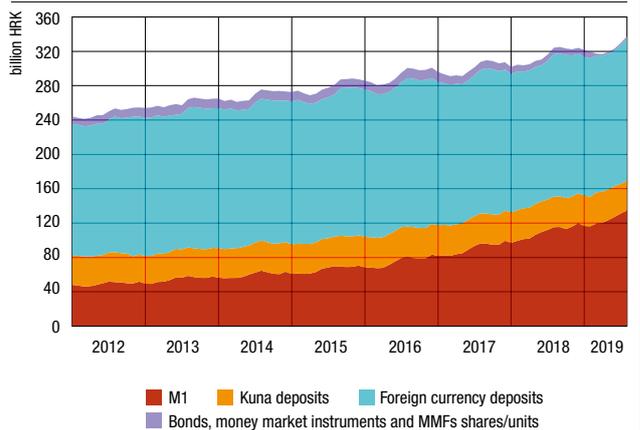
Source: CNB.

Figure 47 Share of kuna placements in total sector placements



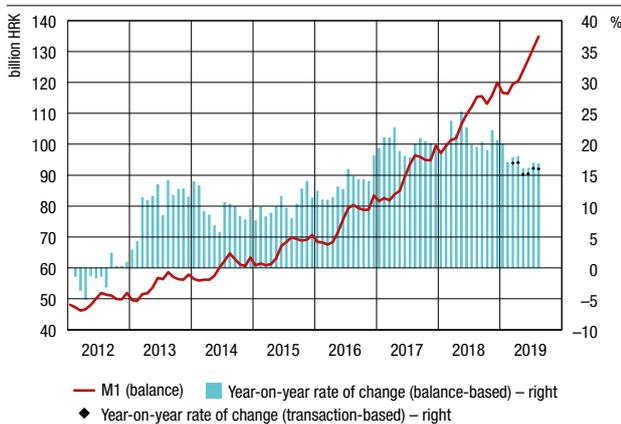
Source: CNB.

Figure 50 Structure of M4 monetary aggregate



Source: CNB.

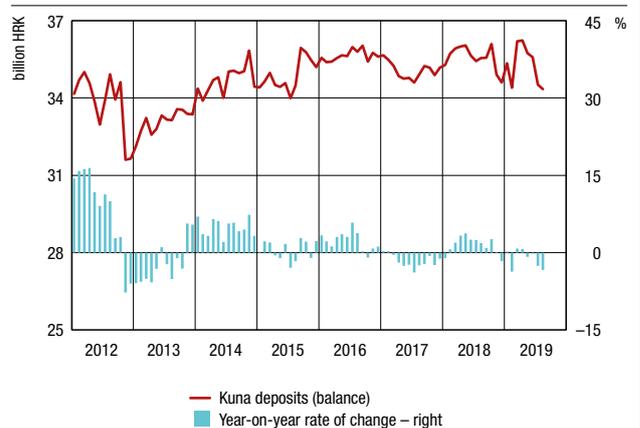
Figure 48 Money (M1)



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

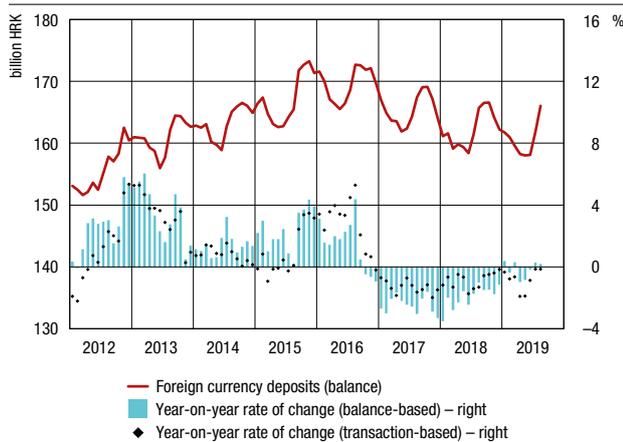
Source: CNB.

Figure 51 Kuna savings and time deposits



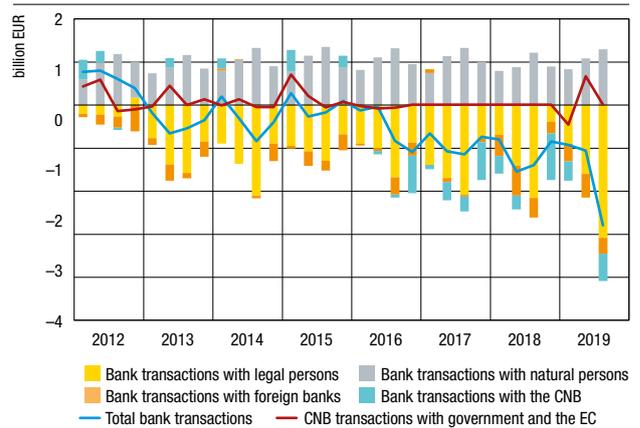
Source: CNB.

Figure 52 Foreign currency deposits



Source: CNB.

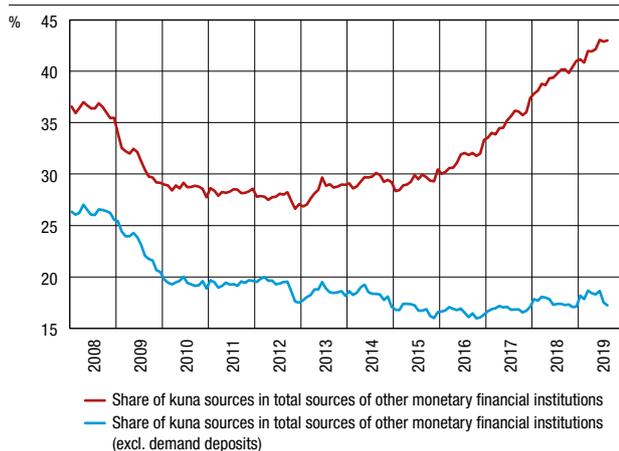
Figure 55 Spot transactions in the foreign exchange market (net turnover)



Notes: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government.

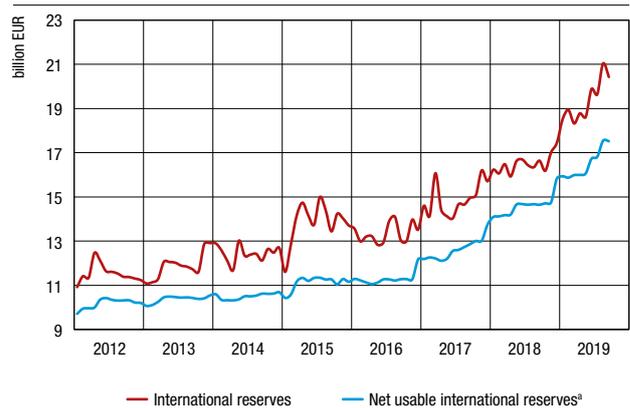
Source: CNB.

Figure 53 Share of kuna sources



Source: CNB.

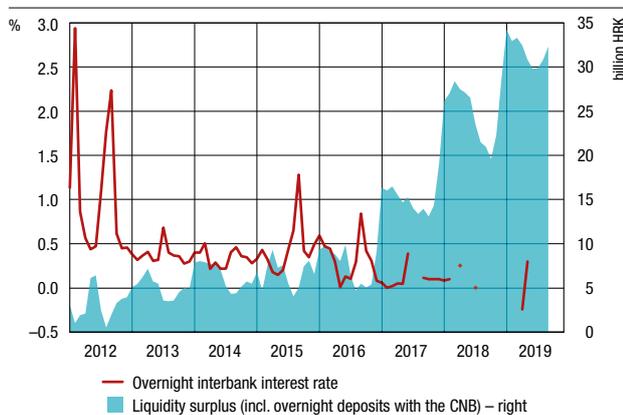
Figure 56 International reserves of the CNB at current rate of exchange



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

Source: CNB.

Figure 54 Bank liquidity and overnight interbank interest rate



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

Source: CNB.

Table 2 Balance of payments preliminary data, in million EUR

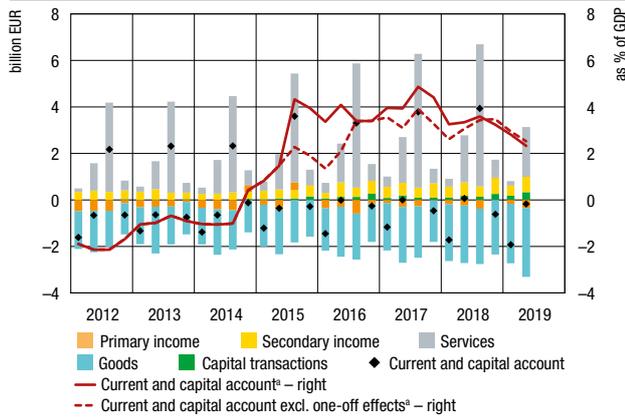
	2018	Q2/2019*	Indices	
			2018/2017	Q2/2019 / 2018
Current account	987.3	309.1	58.8	31.3
Capital account	680.6	915.8	140.4	134.6
Financial account (excl. reserves)	307.5	-1,364.9	-129.0	-443.9
International reserves	1,545.0	2,991.4	59.6	193.6
Net errors and omissions	184.7	401.7	96.7	217.5

* Refers to the sum of the last four quarters.

Note: In line with the 6th edition of the Balance of Payments and International Investment Position Manual (BPM6).

Source: CNB.

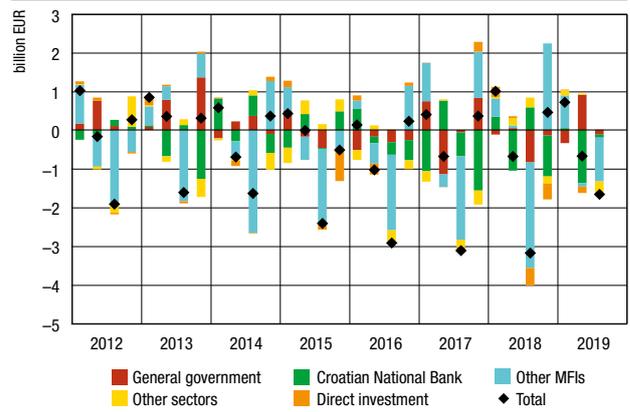
Figure 57 Current and capital account flows



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

Source: CNB.

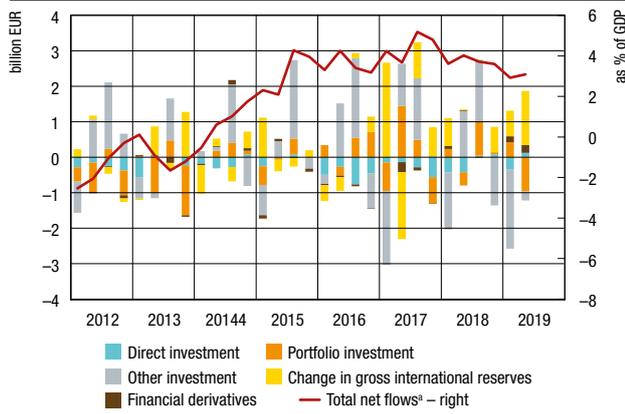
Figure 60 Net external debt transactions



Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Net external debt is calculated as the gross external debt stock net of foreign debt claims. Data for the third quarter of 2019 refer to July.

Source: CNB.

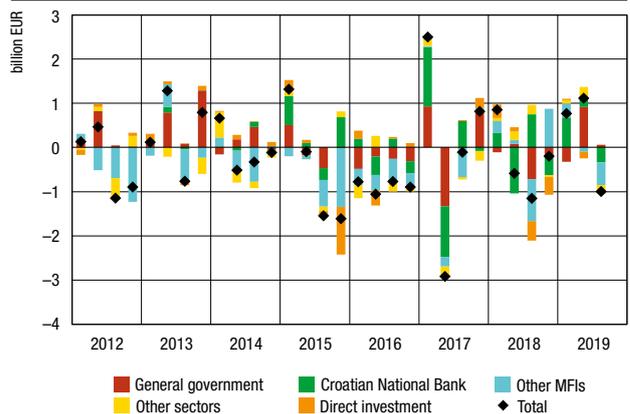
Figure 58 Financial account flows by type of investment



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

Source: CNB.

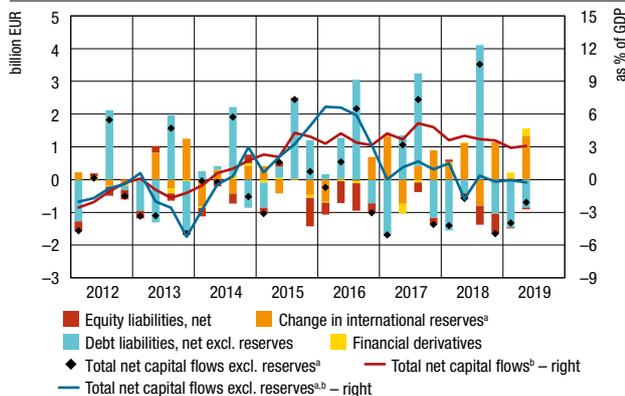
Figure 61 Gross external debt transactions



Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Data for the third quarter of 2019 refer to July.

Source: CNB.

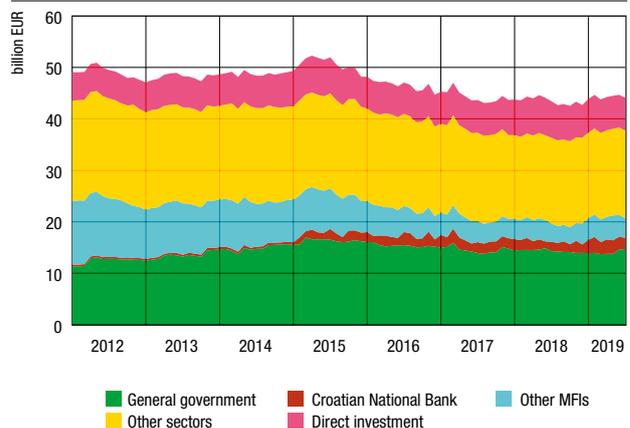
Figure 59 Financial account flows by capital structure



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

Source: CNB.

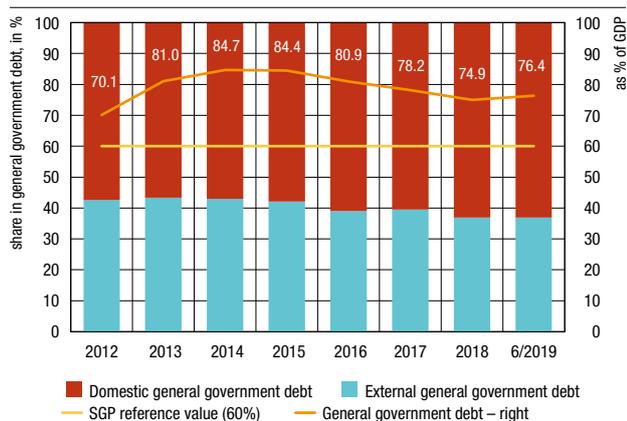
Figure 62 Gross external debt end of period



Note: Data are up to end-July 2019.

Source: CNB.

Figure 63 General government debt



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

Source: CNB.

Table 3 Consolidated general government balance

ESA 2010, in million HRK

	Jan. – Mar. 2018	Jan. – Mar. 2019
Total revenue	39,159	41,995
Direct taxes	5,741	6,303
Indirect taxes	15,242	16,594
Social contributions	11,038	11,425
Other	7,138	7,674
Total expenditure	41,599	44,398
Social benefits	14,521	14,811
Subsidies	2,107	2,130
Interest	2,228	2,130
Compensation of employees	10,448	10,999
Intermediate consumption	7,202	7,605
Investment	2,103	2,629
Other	2,991	4,095
Net lending (+)/borrowing (-)	-2,441	-2,403

Sources: Eurostat and CBS.

Table 4 Consolidated central government net borrowing

GFS 2001, in million HRK

	Jan. – May 2018	Jan. – May 2019
1 Revenue	56,714	63,415
2 Disposal of non-financial assets	222	348
3 Expenditure	56,815	61,781
4 Acquisition of non-financial assets	1,122	1,691
5 Net borrowing (1 + 2 – 3 – 4)	-1,000	291

Sources: MoF and CNB calculations.

Table 5 General government debt

in million HRK

	Jun. 2018	Jun. 2019
Change in total debt stock	603	11,791
Change in domestic debt stock	2,557	7,441
– Securities other than shares, short-term	-367	513
– Securities other than shares, long-term	1,966	9,990
– Loans	980	-2,956
Change in external debt stock	-1,954	4,350
– Securities other than shares, short-term	-126	44
– Securities other than shares, long-term	1,238	6,264
– Loans	-3,065	-1,958
Memo item:		
Change in total guarantees issued	-751	-497

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