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# Information on economic trends

June 2022



## Summary

According to preliminary CBS data, real GDP growth picked up in the first quarter of 2022 from the previous three months. The GDP nowcasting model suggests that economic growth could continue into the second quarter of 2022, albeit at a somewhat lower growth rate than at the beginning of the year. Employment and gross nominal wages continued to rise at the beginning of the second quarter of 2022, although at a slower pace than in early 2022. Consumer price inflation accelerated from 7.3% in March to 9.4% in April, with a broad-based annual increase in prices. April saw an increase in the contribution of all the main inflation components, primarily energy and food. Short-term and long-term costs of government financing continued to edge up in May. However, the tightening of financing conditions, pronounced in the financial markets for several months, has not yet spilled over to interest rates on household and corporate loans, which edged down in April. Total placements of monetary institutions to domestic sectors (except the central government) continued to accelerate on an annual level, rising from 5.0% in March to 6.5% in April, mostly due to the growth in placements to non-financial corporations, and to some extent due to the rise in placements to the household sector. A strong rise in demand for corporate loans is likely tied to the higher costs of procurement owing to the sharp increase in the prices of imported energy products and raw materials, as well as attempts by enterprises to pre-empt the expected rise in borrowing costs by borrowing under the existing favourable conditions. The Croatian Government passed the revised budget in May, mildly increasing the deficit anticipated in 2022, from the initial 2.5% of GDP to 2.8% of GDP, with a more pronounced rise in projected revenues and expenditures.

According to preliminary CBS data, real GDP growth accelerated in the first quarter of 2022 from the end of 2021. A strong rise in gross fixed capital formation made a positive contribution to the quarterly growth in real economic activity, as suggested by the data on construction. In the first quarter of the current year, the volume of construction works increased by 1.7% from the previous quarter, with both construction works on buildings and civil engineering works recording growth (1.1% and 4.0%, respectively) (Figures 5 and 6). Personal consumption held steady at the level recorded in the previous three months, while government consumption decreased, following a sharp growth in the previous quarter. Total exports also continued to grow in early 2022, although at a noticeably slower pace. Acceleration of investment activity and the continued growth of goods and services exports resulted in the further growth in imports on a quarterly level. Despite the intensification of economic activity on a quarterly level, the annual growth rate dropped from the end of last year, partly due to the waning of the low base effect, even though it remained at a relatively high 7.0% (Figure 1). Economic growth was mostly fuelled by the growth in goods and services exports, while a positive contribution to the annual increase in GDP was also made by all domestic demand components, even though these trends should be interpreted with caution, given that the positive contribution of inventories, including statistical discrepancies, was high on an annual level. The production side of the calculation of GDP also shows a sharp rise in gross value added of 6.3% in the first quarter of 2022, mostly due to the exceptionally favourable developments in service activities. The largest positive contribution to the annual change in GVA came from wholesale and retail trade, transportation and storage, accommodation and food service activities.

The GDP nowcasting model, based on limited data that are mainly available for April, shows that real economic activity continued to grow in the second quarter of 2022, albeit slightly slower than at the beginning of the year. Economic growth is suggested by data on real retail trade turnover, which intensified in April, increasing by 1.4% from the average recorded in the first three months of this year, when the recorded growth stood at 0.2%. On a monthly level, April saw an increase of 0.3% from March (Figure 7). Industrial production fell by 1.9% from the first quarter of this year. On a quarterly level, the highest decrease was recorded in the production of capital goods, while the production of intermediate goods and non-durable consumer goods also dropped (Figures 3 and 4).

The consumer confidence index deteriorated in May 2022 relative to the previous month. Decrease in household optimism reflects a less favourable assessment of all subcomponents of the index, with the most evident deterioration recorded in the expectations about the overall economic situation in Croatia in one year from now compared with the current situation. Negative expectations about inflation also probably contributed considerably to the less optimistic expectations concerning the financial situation in the household sector and the general economic situation over the next period. Broken down by quarters, the level of consumer optimism in April and May was below its average level in the first three months of this year, and thus continued to deteriorate for the fourth quarter in a row. Consequently, consumer optimism sank to its levels from the beginning of the pandemic, below its long-term average. By contrast, business expectations in May exceeded their long-term average in all activities, with their mostly more favourable trends in terms of consumer optimism. Consequently, May saw a pronounced improvement in optimism in trade on monthly and quarterly levels. The services confidence index also rose on a monthly level, even though its average level in April and May remained below that from the first quarter. Business expectations in industry and in construction deteriorated from the previous month, even though optimism in industry, despite its monthly fall in May, remained above the level recorded in the previous three months, while optimism in construction dropped also on a quarterly level (Figure 8).

According to seasonally adjusted data, employment continued to rise at the beginning of the second quarter. The total number of employed persons in April rose by 0.4% from the first three months of 2022 (when the quarterly growth stood at 0.7%), which was probably also associated with the gradual restoration of seasonal employment patterns that prevailed until the pre-pandemic 2019. This growth mainly reflects the rise in the number of persons employed in accommodation and food service activities, the IT sector and business activities, while the number of persons employed in the public sector decreased. Employment was up by 2.7% from April last year (Figure 15). Seasonally adjusted unemployment continued its downward trend at the beginning of the second quarter of 2022, and the registered unemployment rate dropped to 6.7% of the labour force (6.9% in the first quarter), while the job vacancy rate decreased to 1.3% (from 1.4% in the first quarter) (Figure 16).

The growth in the nominal gross wage decelerated and stood at 1.6% at the beginning of the second quarter (down from 2.2%

in the first quarter of 2022) (Figure 17). The growth in wages was most pronounced outside public and government sectors, with the sharpest growth recorded in financial and insurance activities and business activities. Real gross wages fell by 1.1% in the observed period due to a slowdown in the growth of the nominal gross wage and an accelerated rise in consumer prices.

The indicators of current inflation trends (annualised monthly rates of change) surged in April (Figure 18), while the annual consumer price inflation rate rose to 9.4% (from 7.3% in March). The prices of energy administered on an annual basis increased, and thus in April electricity and natural gas prices rose by 9.6% and 15.7%, respectively, from the previous month, due to a significant growth in the prices of these products in the global market in the second half of 2021 and the first quarter of 2022. On the other hand, the monthly increase in retail prices of petroleum products was relatively modest in April (2.1%, relative to 10.5% in March). The contribution of energy to annual inflation reached 3.2 percentage points, an increase of 1.0 percentage point from March (Figure 19). The annual growth in the prices of food (including alcoholic beverages and tobacco) accelerated to 10.9% in April (from 9.2% in March), while the contribution of these prices to overall inflation rose to 3.4 percentage points (from 2.9 percentage points in March). This is due to the gradual spillover of the rise in the prices of energy, food raw materials and mineral fertilisers, as well as disruptions in the supply chains on retail prices of food. Even though the rise in prices is still mostly concentrated in the domain of energy and food products, the inclusion of the increased costs arising from the earlier increase in the prices of energy and other raw materials and the prices of intermediate goods in the global market, as well as higher freight rates in maritime transport, is leading to a gradual build-up of inflationary pressures. The annual growth in the prices of industrial products (especially clothing and footwear, non-durable consumer goods and motor vehicles) and of services (especially catering and accommodation services, attributable to significantly better prospects in tourism this year) accelerated in April. As a result, core inflation accelerated from 6.7% in March to 8.3% in April (Table 1). The intensity of the further acceleration of inflation was mitigated by the decrease in the VAT rate on energy (gas, solid fuels and heating energy) and numerous food products (which was partly reflected in price movements as early as in March), as well as by the fixing of margins and decrease in excise duties on refined petroleum products for a period of 90 days, as of 7 March. Inflation measured by the harmonised index of consumer prices (HICP) accelerated to 9.6% in April from 7.3% in March, which is 2.1 percentage points above the inflation rate in the euro area. The core inflation rate in Croatia (measured by HICP, excluding energy, food, alcoholic beverages and tobacco) accelerated to 6.3% in April (from 4.7% in March), which reflects the increase in the prices of services (particularly those related to tourism), and to a lesser extent of industrial products. Core inflation in Croatia was 2.8 percentage points higher than that in the euro area in April.

The growth in goods exports decelerated sharply in early 2022, having witnessed a relatively strong growth in late 2021. Total goods exports were 3.9% higher in January and February than their average in the previous quarter (Figure 10), mostly driven by the exports of certain energy products (primarily natural and manufactured gas), chemical products and metal industry products. The growth of total imports of goods accelerated slightly and stood at 5.3% (Figure 11), as a result of bigger imports of almost all categories of capital goods (Figure 12), chemical

products (especially medical and pharmaceutical products) and certain energy products (particularly natural and manufactured gas). In line with these developments, the total foreign trade in goods deficit rose sharply by 13.6% (Figure 13), while the growth in the deficit, excluding the impact of the trade in energy products, was slightly weaker and stood at 9.5%. If the first results for March are taken into account, the entire first quarter recorded only a slightly faster growth of total goods exports (by 4.2%), with a noticeably sharper rise in imports (by 12.0%), and consequently the widening of the total deficit (by 30.1%) was considerably more pronounced than in the first two months.

The fairly mild appreciation pressures on the domestic currency that started in April continued through May, and the nominal exchange rate of the kuna against the euro ended the month at EUR/HRK 7.53 (Figure 22), down by 0.4% from the end of the previous month, and up by 0.3% from the same period of the previous year. At the end of May, the nominal effective exchange rate of the kuna was down 1.1% from the end of April<sup>1</sup>. The appreciation of the nominal effective exchange rate of the kuna reflects the strengthening of the kuna against almost all the currencies included in the basket for the calculation of the effective exchange rate of the kuna.

The euro short-term rate €STR remained almost unchanged in May and was -0.59% at the end of the month, while the six-month EURIBOR continued to rise, standing at -0.05% at the end of May, the highest level since 2016 (Figure 26). The yields on long-term US government bonds dropped slightly in May, while there has been a mild rise in the yields on German government bonds (Figure 25). Concerns about geopolitical uncertainty, as well as mounting inflationary pressures, continue to be reflected in the moderate increase in the yields on the long-term government bonds of Croatia (Figure 30) and peer countries. Risk premiums for European emerging market countries mostly increased in May (Figure 27), with the largest growth recorded in Poland and Hungary. The risk premium for Croatia decreased slightly and came to 103 basis points at the end of May, almost equalling the risk premium for Poland. Croatia continued to record slightly higher values than other peer countries of Central and Eastern Europe, except Romania and Hungary.

Banks' free reserves continued to edge down in May, mostly due to the growth in government kuna deposits with the CNB, even though the average daily surplus kuna liquidity of the domestic banking system remained very high (HRK 73.7bn) (Figure 59). There had been no turnover in the domestic interbank overnight money market and no overnight repo transactions of bank in May. As regards other segments of the overnight money market, the implicit interest rate derived from banks' foreign exchange swap trading fell to -0.78% in May, reflecting, inter alia, market participants' expectations of a continued kuna appreciation over the short term, while the interest rate on banks' demand deposit trading remained at -0.03% (Figure 29). The costs of short-term and long-term government financing continued to rise in May. The interest rate on one-year kuna T-bills without a currency clause rose from 0.1% in April to 0.2% in May (Figure 30), while the interest rate on euro T-bills with the same maturity increased from -0.10% to -0.05%. Also, in early May, the government held an auction refinancing EUR 1.2bn worth of due T-bills by a new issue of 364-day T-bills worth EUR 1.0bn, at an interest rate of 0.1% or 0.15 percentage points more than that of the May 2021 issue. The increased costs of long-term government borrowing were mirrored in a small upward shift in the yield curve on Croatian government bonds (Figure 31).

The tightening of financing conditions, pronounced in the financial markets for several months now, has had no spillover effect on banks' interest rates so far. In April, the interest rate on

<sup>1</sup> The exchange rate of the Russian rouble was fixed until further notice at the level of the last available ECB reference rate on 1 March, thus excluding the effect of this currency's pronounced volatility in the international foreign exchange market on effective exchange rates of the kuna.



pure new corporate loans decreased by 4 basis points to 1.88% (Figure 34), mostly driven by a drop in the interest rates on loans to medium-sized enterprises (Figure 37). The cost of corporate financing fell on an annual level by 25 basis points (Figure 35), mostly fuelled by a negative contribution from interest rates on loans for working capital (16 basis points). As for households, the interest rate on pure new loans to that sector fell by 59 basis points to its record low of 3.45% in April (Figure 38). Favourable monthly developments mostly reflect a considerable increase in the share of housing loans in total financing as a result of the subsidy programme, given that these housing loans are granted at relatively lower interest rates (Figure 40). The costs of household financing on an annual level fell by 62 basis points (Figure 39), due equally to the bigger share of housing loans in total financing and to a fall in the interest rates on general-purpose cash loans and housing loans. The interest rate on household time deposits remained almost unchanged, and that on corporate deposits rose only slightly (Figures 41 and 42). The spread between interest rates on total new loans and deposits in April remained unchanged from March, standing at 3.9 percentage points (Figure 44), while the spread on their balance also held steady (3.5 percentage points).

Monetary developments in April were marked by an increase in total liquid assets (M4) of HRK 1.7bn or 0.4% (transaction-based). While net foreign assets of the monetary system increased strongly (HRK 8.2bn), net domestic assets declined by only slightly less, both predominantly as a result of the inflow of funds from the eurobond to the government's foreign exchange account with the CNB (Figure 45). Money (M1) increased by HRK 1.2bn or 0.6% on a monthly level, reflecting primarily the rise in deposit money of households. Quasi-money grew as well (HRK 0.5bn or 0.2%), which is to be attributed to higher corporate foreign exchange deposits. The annual growth of monetary aggregates continued to slow down, with M4 continuing to boast relatively high growth rates (7.7% in April) and M1 slowing down at a stronger rate (13.2%), due to the already high levels attained (Figures 55 and 56).

Total placements of monetary institutions to domestic sectors (excluding the central government) increased by HRK 2.7bn in April (1.1%, transaction-based), totalling HRK 254.5bn at the end of the month (Figure 47). The increase was fully accounted for by loans, which make up the main component of placements, with loans to non-financial corporations rising strongly for the third month in a row (HRK 1.9bn, Figure 48). Corporate demand for loans most likely increased owing to the sharper increase in the price of imported energy and raw materials, which increased the cost of their procurement, as well as corporate attempts to borrow at favourable conditions and thus forestall the expected increase in borrowing costs. Namely, the tension and heightened insecurity in the markets caused by the Russian aggression against Ukraine are predominantly reflected in higher inflationary pressures, thus increasing the risks of a faster and stronger change in the direction of the monetary policy and growth in market interest rates. As for lending to other sectors, loans to households and loans to other domestic sectors increased slightly (by HRK 0.6bn (Figure 49) and HRK 0.2bn, respectively). Housing and general-purpose cash loans to households increased at a similar rate (HRK 0.2bn), with the growth rate of housing loans edging up on an annual level (from 8.0% to 8.1%) and the growth of general-purpose cash loans remaining unchanged (3.4%). The annual growth of total placements additionally accelerated (from 5.0% to 6.5%), reflecting the mentioned considerable acceleration in the growth of corporate placements (from 7.5% to 10.2% on an annual level).

Gross international reserves fell in May by EUR 1.0bn or 3.8% from April, standing at EUR 24.8bn at the end of the

month (Figure 63). The fall in reserves was largely due to the decrease in foreign currency government deposits with the CNB. Net usable reserves remained almost at the same level in May as in April (EUR 20.5bn). Gross international reserves rose by EUR 3.8bn or 17.8% and net reserves by EUR 1.6bn or 8.2% from the same period of the year before.

Net external debt rose sharply by EUR 2.0bn (Figure 67) in the first three months of 2022, mainly as a result of both a decline in foreign assets and an increase in foreign liabilities of credit institutions. Net foreign position of the CNB deteriorated slightly due to foreign exchange market interventions and a fall in foreign assets of banks in TARGET2 managed by the central bank. In addition, net debt positions of other domestic sectors rose, direct investments included. By contrast, net debt liabilities of the government decreased, primarily owing to the rise in claims on the common European budget, given that the disbursements to beneficiaries from the European funds exceeded the inflows from the EU funds. The gross external debt stock stood at EUR 45.2bn at the end of March 2022, having risen by EUR 0.6bn from the end of 2021 (Figure 69).

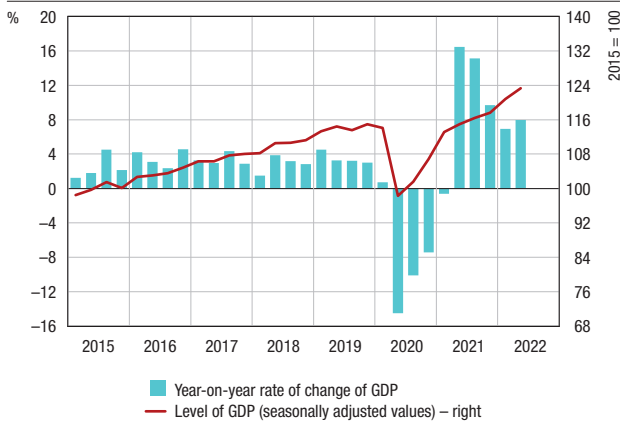
In accordance with the amendments to the state budget and the financial plans of extrabudgetary users for 2022, the Government of the Republic of Croatia slightly increased the consolidated general government deficit target (ESA 2010) relative to the original budget, which could stand at 2.8% of GDP this year (against the previous projection of 2.5% of GDP). This reflects strong adjustments both on the revenue and the expenditure side of the budget. Total projected government budget revenues increased by 4.0% from the original budget, which is largely due to the effect of inflation on the increase in the nominal macroeconomic bases for some tax revenues, despite a weaker-than-expected real economic growth. Total expenditures rose by 6.4%, mostly reflecting higher expected health outlays, the cost of the package of measures to alleviate the negative economic and social consequences of the rise in the prices of energy products adopted at the end of the first quarter, the increase in wages of civil servants and government employees, outlays for the reception of refugees from Ukraine and adjustments due to higher inflation, mostly concerning expenditures for pensions.

According to the national budgetary chart of accounts methodology, the government budget deficit stood at HRK 3.6bn in the first quarter of 2022, an improvement of HRK 2.8bn over the same period a year ago. The revenue side of the budget shows a considerable growth in revenues from indirect taxes and social contributions. On the expenditure side, expenditures for intermediary consumption and other expenditures rose, while expenditures on subsidies marked a sharp fall. According to Ministry of Finance data<sup>2</sup>, the central government generated a surplus of HRK 0.7bn, as against the deficit of HRK 1.6bn in the same month of the previous year. Hence, in the first four months of 2022, the cumulative deficit stood at HRK 2.7bn, which is approximately one half of the deficit generated in the first four months last year (HRK 5.2bn), with a mild rise in revenues (by 1.0%) and a slight fall in expenditures (by 2.7%).

Consolidated general government debt totalled HRK 344.2bn at the end of February 2022, up HRK 0.6bn from the end of 2021. At the end of February 2022, the relative indicator of public debt rose only slightly, to 79.9% from the 79.8% of GDP at the end of 2021 (Figure 70).

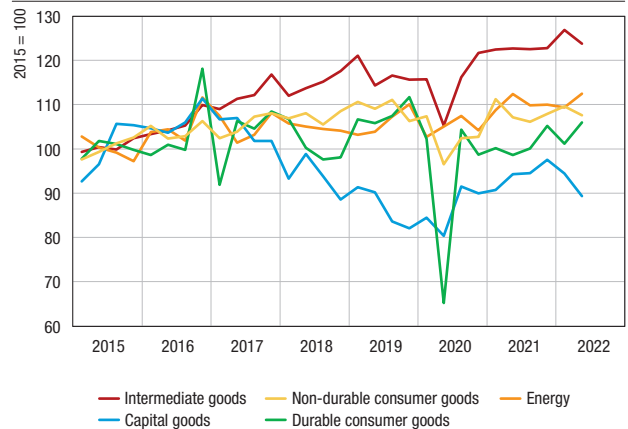
2 The budget balance and total revenues and expenditures refer to monthly data for the central government, state government and social security sub-sectors, the publication of which by the Ministry of Finance before the end of the following calendar month is required under Council Directive 2011/85/EU.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

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



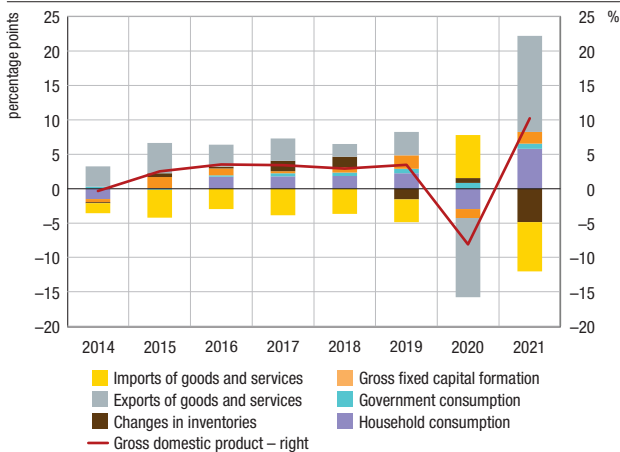
Note: Data for the second quarter of 2022 refers to the CNB's monthly indicator of real economic activity, estimated on the basis of data published until 31 May 2022.  
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

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



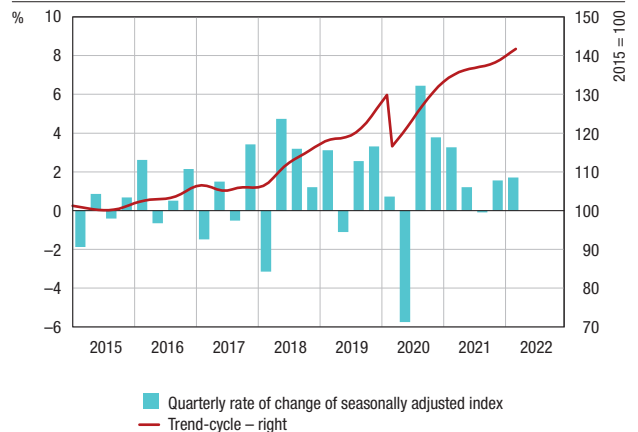
Source: CBS data seasonally adjusted by the CNB.

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



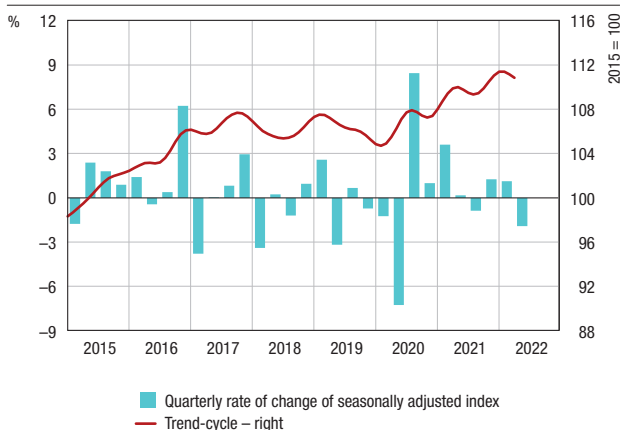
Source: CBS.

**Figure 5 Total volume of construction works**



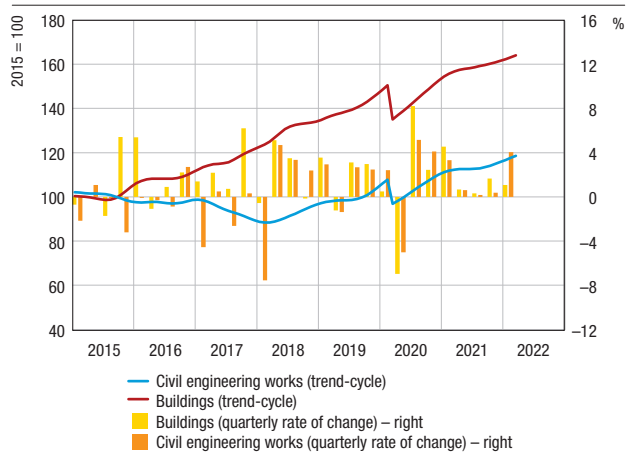
Source: CBS data seasonally adjusted by the CNB.

**Figure 3 Industrial production**



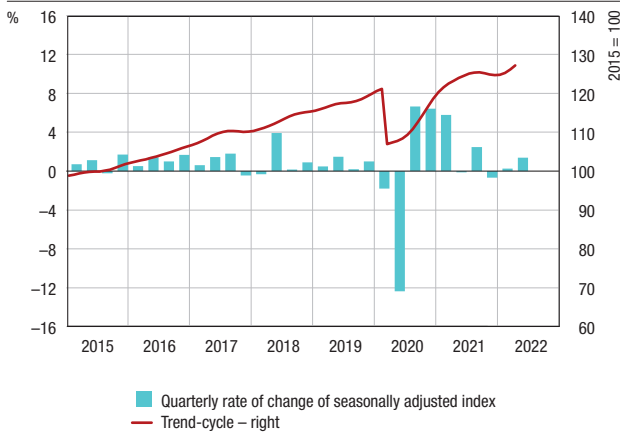
Note: Data for the second quarter of 2022 refers to April.  
Source: CBS data seasonally adjusted by the CNB.

**Figure 6 Buildings and civil engineering works**



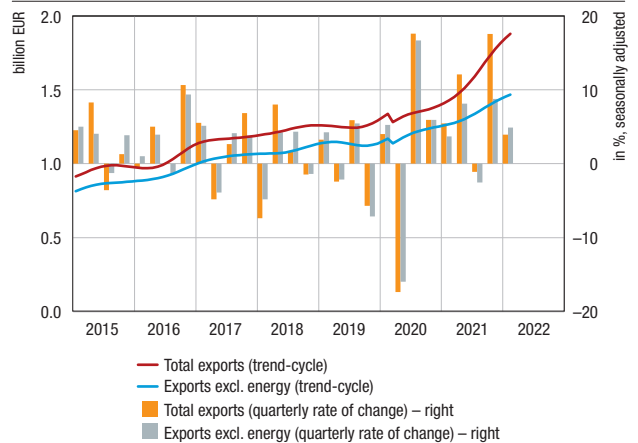
Source: CBS data seasonally adjusted by the CNB.

Figure 7 Real retail trade turnover



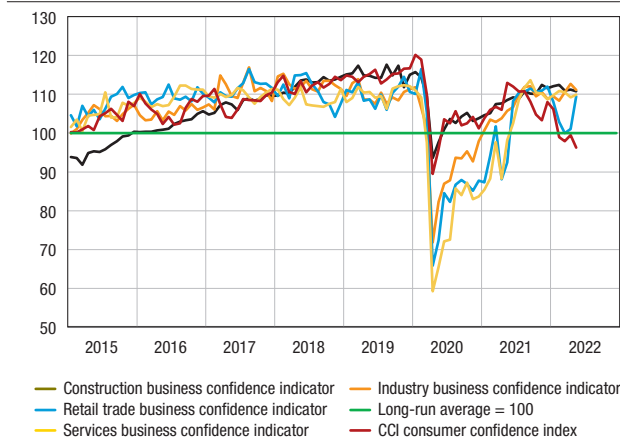
Note: Data for the second quarter of 2022 refers to April.  
Source: CBS data seasonally adjusted by the CNB.

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



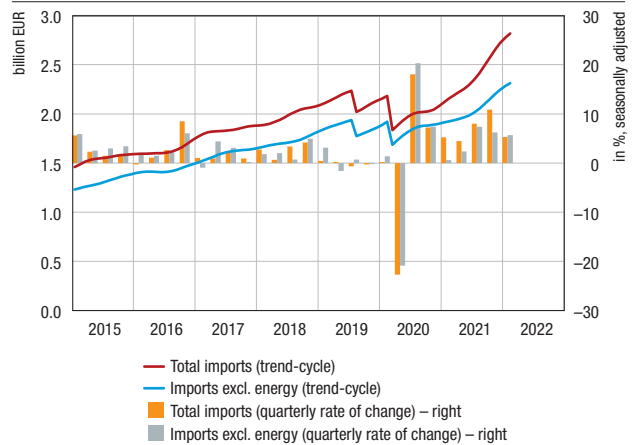
Note: Data for the first quarter of 2022 refer to January and February.  
Source: CBS data seasonally adjusted by the CNB.

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



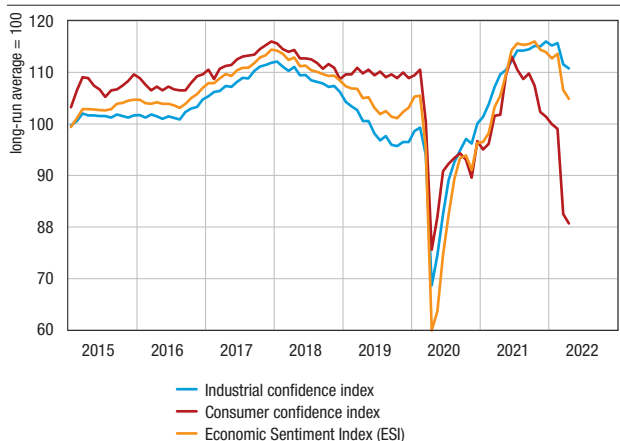
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

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



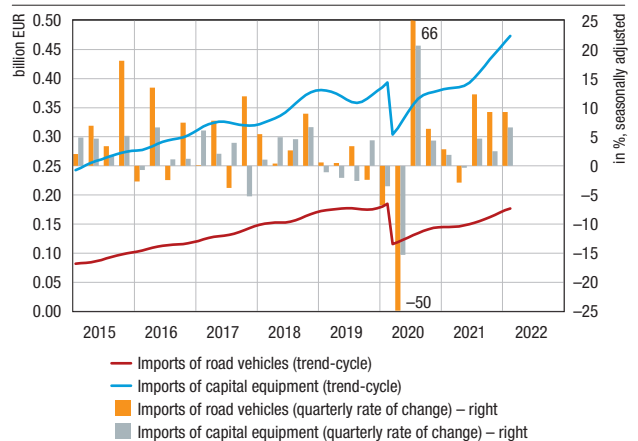
Note: Data for the first quarter of 2022 refer to January and February.  
Source: CBS data seasonally adjusted by the CNB.

Figure 9 EU confidence indices seasonally adjusted series



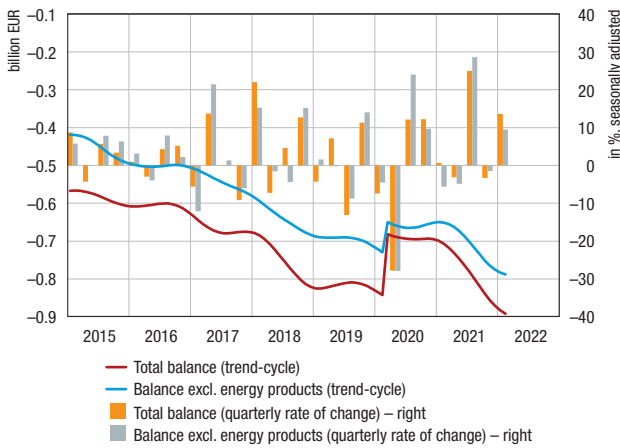
Note: Data are up to April 2022.  
Sources: Eurostat and CNB calculations.

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



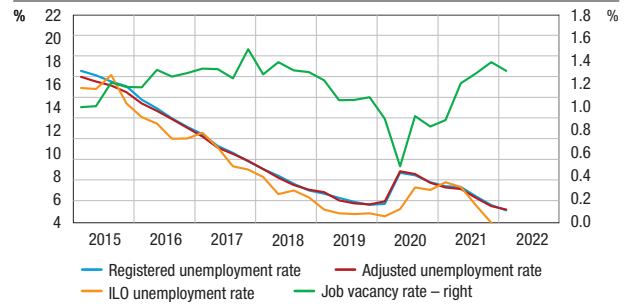
Notes: Imports of capital equipment (SITC divisions 71 – 77).  
Data for the first quarter of 2022 refer to January and February.  
Source: CBS data seasonally adjusted by the CNB.

**Figure 13 Trade of goods balance**



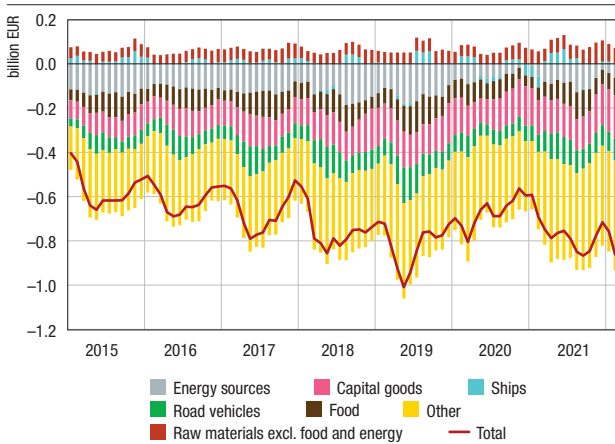
Note: Data for the first quarter of 2022 refer to January and February.  
Source: CBS data seasonally adjusted by the CNB.

**Figure 16 Unemployment and job vacancy rates**  
seasonally adjusted data



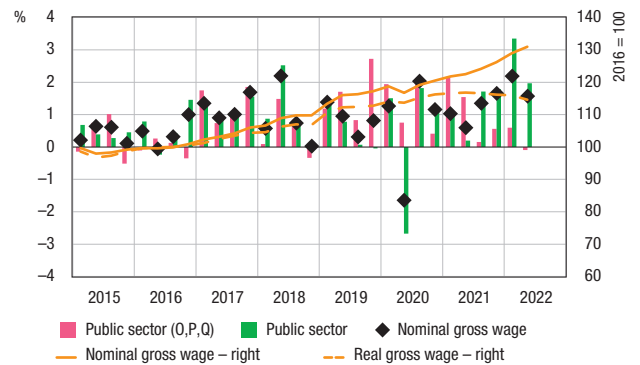
Notes: Since January 2015, the calculation of the registered unemployment rate has used the data on employed persons from the JOPPD form. Data on the number of employed persons have been revised backwards for the period from January 2016 to December 2019. The adjusted unemployment rate is the CNB estimate 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). The job vacancy rate is calculated as the share of total posts that are vacant in the total demand for labour (the sum of the number of persons insured with the CPII and vacant posts). Data for the second quarter of 2022 refer to April.  
Sources: CBS, CES and CNB calculations (seasonally adjusted by the CNB).

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



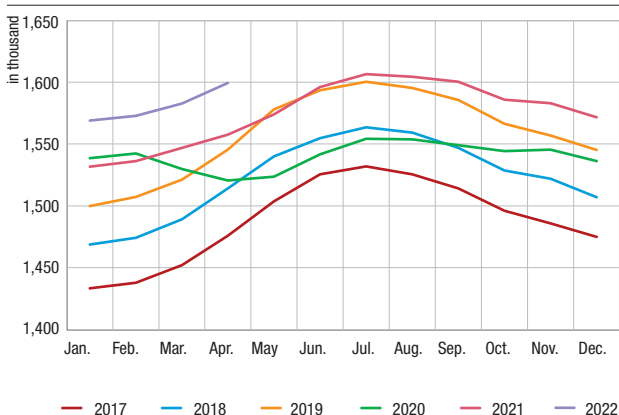
Notes: Data are up to February 2022. Series are shown as three-member moving averages of monthly data.  
Source: CBS.

**Figure 17 Average nominal and real gross wage by NCA activities**  
seasonally adjusted data



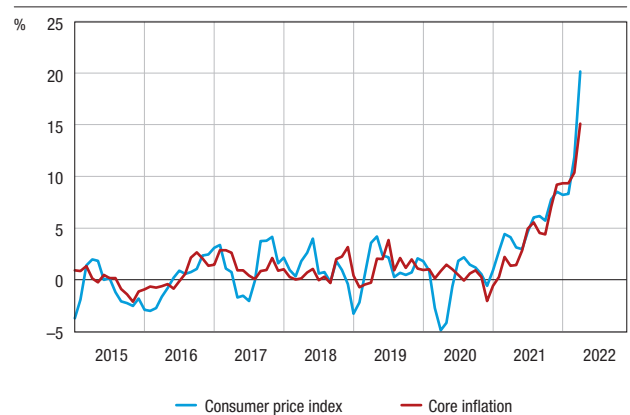
Notes: Data on the average nominal gross wage by activity refer to data from the RAD-1 form, and from January 2016 to data from the JOPPD form. Data on average wages paid in February 2020 were reported in full-time equivalent. Data on wages in 2019 reported in full-time equivalent were released for analytical purposes. Data for the second quarter of 2022 refer to April.  
Sources: CBS and CNB calculations.

**Figure 15 Employment**  
original data



Source: CPII.

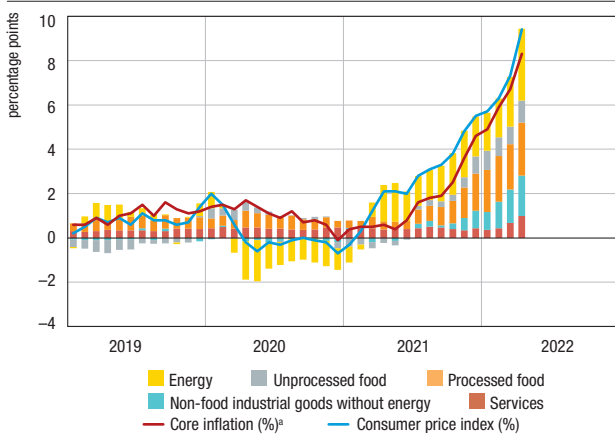
**Figure 18 Consumer price index and core inflation**  
annualised month-on-month rate of change<sup>a</sup>



<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**

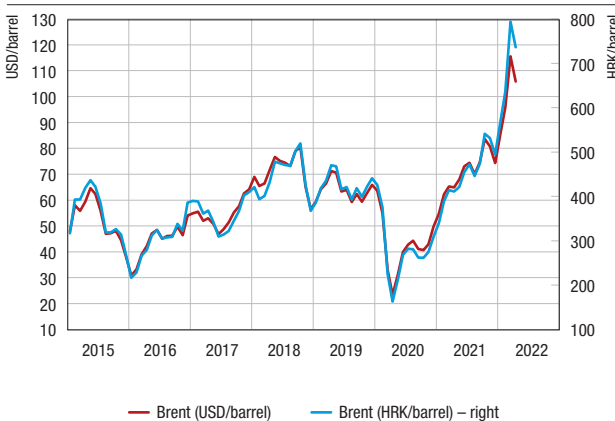
year-on-year and month-on-month rates of change

	Year-on-year rates		Month-on-month rates	
	3/22	4/22	4/21	4/22
<b>Consumer price index and its components</b>				
Total index	7.3	9.4	0.7	2.6
Energy	13.3	19.3	0.4	5.7
Unprocessed food	9.5	11.6	0.6	2.5
Processed food	9.0	10.6	0.5	1.9
Non-food industrial goods without energy	5.8	7.0	1.4	2.5
Services	2.6	3.8	0.2	1.4
<b>Other price indicators</b>				
Core inflation	6.7	8.3	0.8	2.4
Index of industrial producer prices on the domestic market	24.7	28.4	-0.4	2.6
Brent crude oil price (USD)	77.3	63.1	-0.5	-8.5
HWWI index (excl. energy, USD)	31.6	24.4	3.6	-2.1

Note: Processed food includes alcoholic beverages and tobacco.

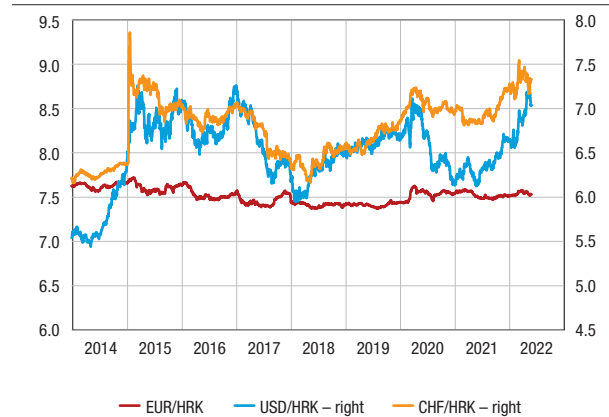
Sources: CBS, Bloomberg and HWWI.

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



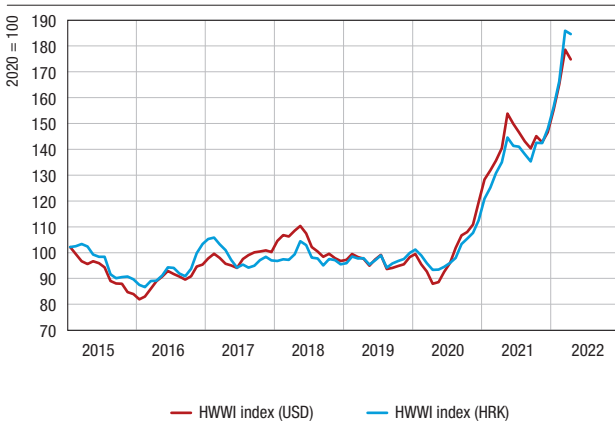
Sources: Bloomberg and CNB calculations.

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



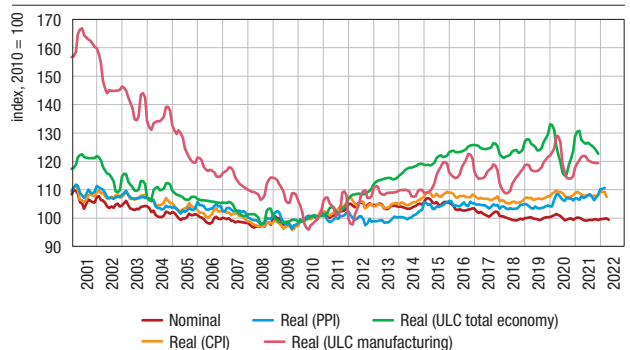
Source: CNB.

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



Sources: HWWI and CNB calculations.

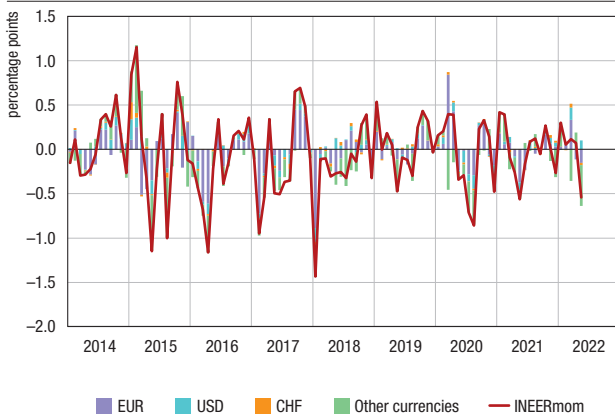
**Figure 23 Nominal and real effective exchange rates of the kuna**



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.

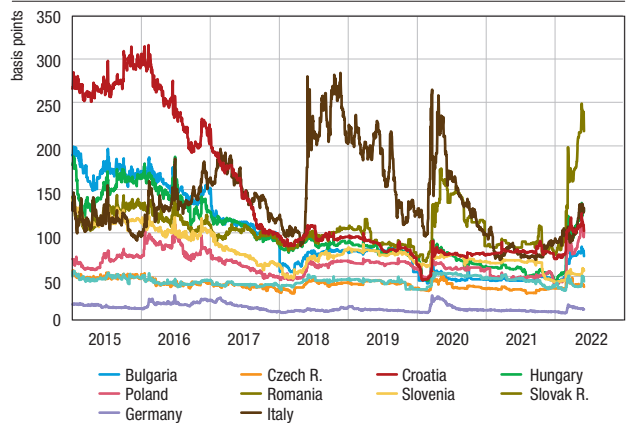
**Figure 24 Contributions<sup>a</sup> of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)**



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

Source: CNB.

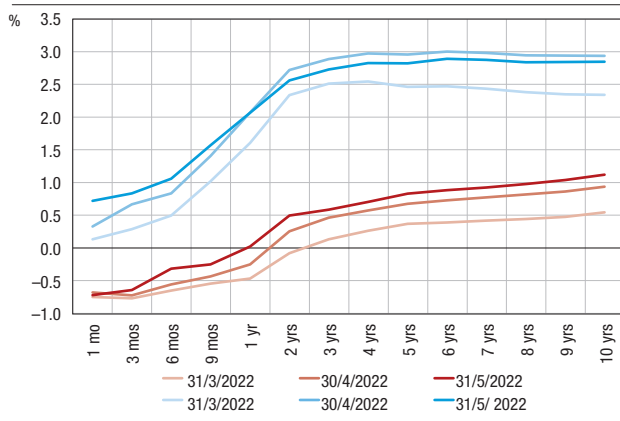
**Figure 27 CDS spreads for 5-year government bonds of selected countries**



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.

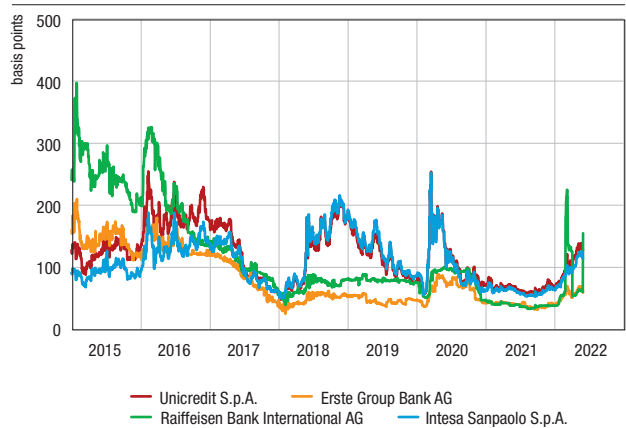
**Figure 25 Yields to maturity on US government and German government bonds**



Notes: Blue denotes yields on US bonds and red yields on German bonds. The first four labels on the individual dates refer to monthly yields and the remaining ones refer to annual yields.

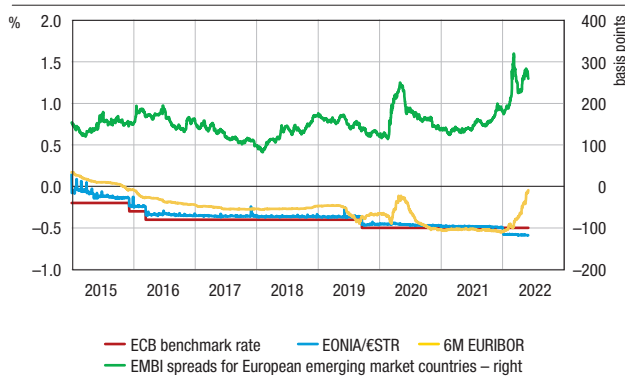
Source: Bloomberg.

**Figure 28 CDS spreads for selected parent banks of domestic banks**



Source: S&P Capital IQ.

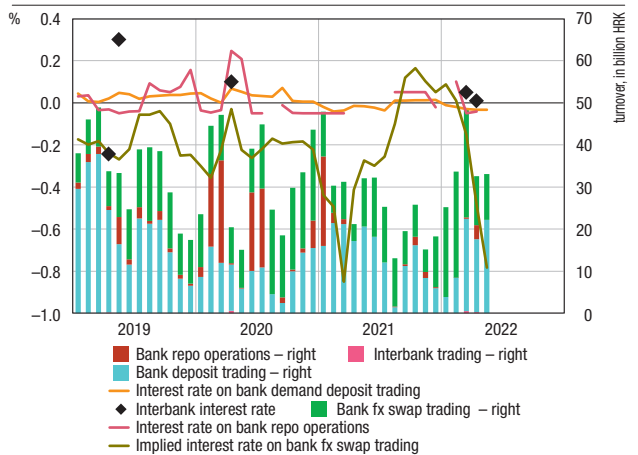
**Figure 26 Interest rates on the euro and the average yield spread on bonds of European emerging market countries**



Notes: 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. Since the start of 2022, the EONIA has been replaced by €STR.

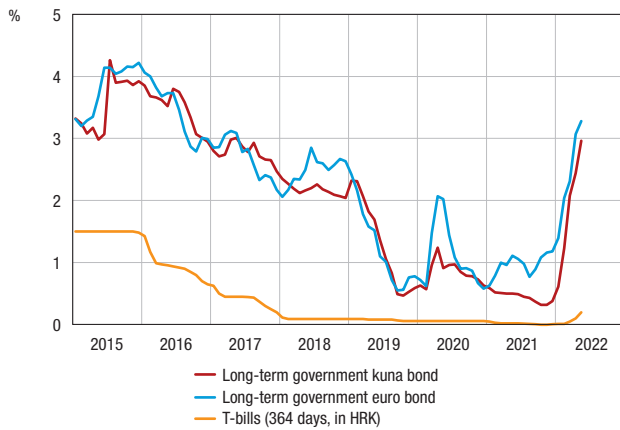
Sources: ECB, Bloomberg and J.P. Morgan.

**Figure 29 Overnight interest rates and turnovers**



Source: CNB.

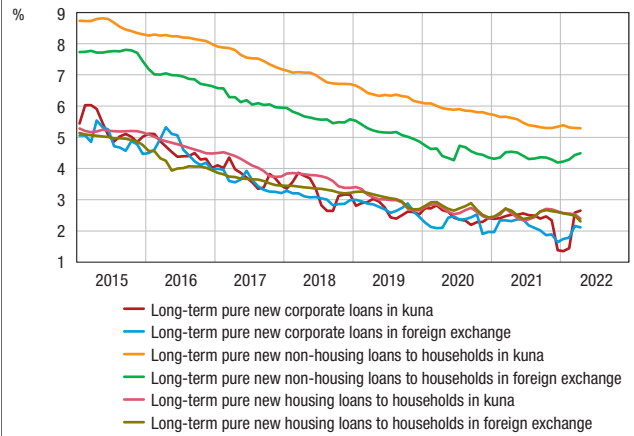
**Figure 30 Yields on T-bills and bonds of the Republic of Croatia**



Note: Yields on long-term bonds refer to bonds with a remaining maturity of ten years, i.e. to bonds of the most similar maturity.

Source: CNB.

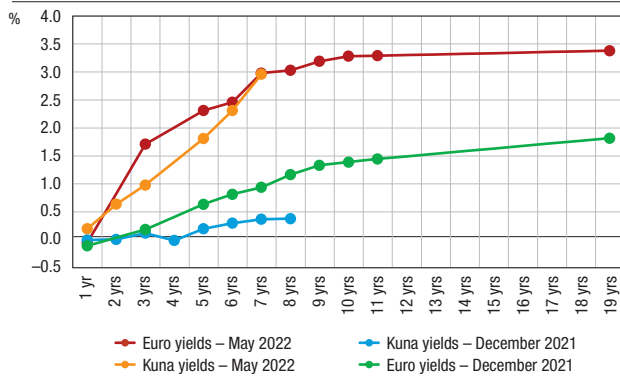
**Figure 33 Long-term financing costs**



Notes: Quarterly weighted moving averages. Loans in foreign exchange also include loans in kuna with a currency clause.

Source: CNB.

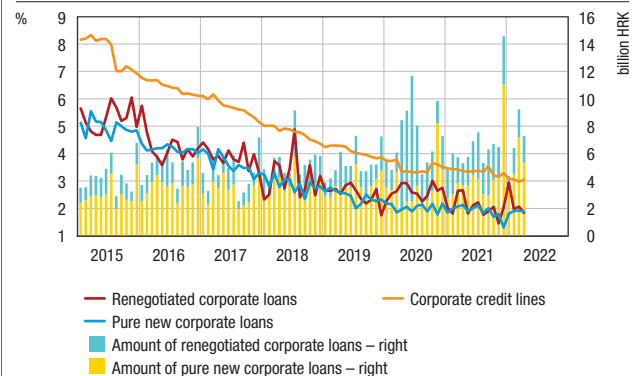
**Figure 31 Yields to maturity on RC bonds**



Notes: The dots show the achieved yields, while other values have been interpolated. Data for a one-year yield refer to the achieved interest rate on one-year T-bills without a currency clause and with a currency clause in the euro. The yield on one-year T-bills without a currency clause at end-2021 refers to November. The yield on one-year T-bills with a currency clause in the euro at end-2021 refers to October.

Source: CNB.

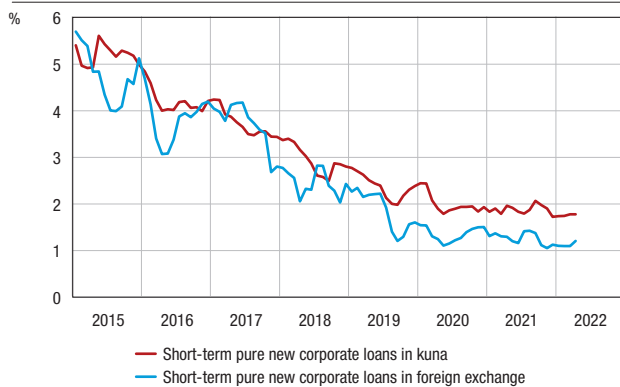
**Figure 34 Interest rates and amount of corporate loans**



Note: Data on pure new loans are not available for credit card loans, overdrafts, revolving loans and receivables on charge cards since their new business volume (for other instruments, this includes both pure new loans and renegotiated loans) is equal to balances and thus included in the credit line category.

Source: CNB.

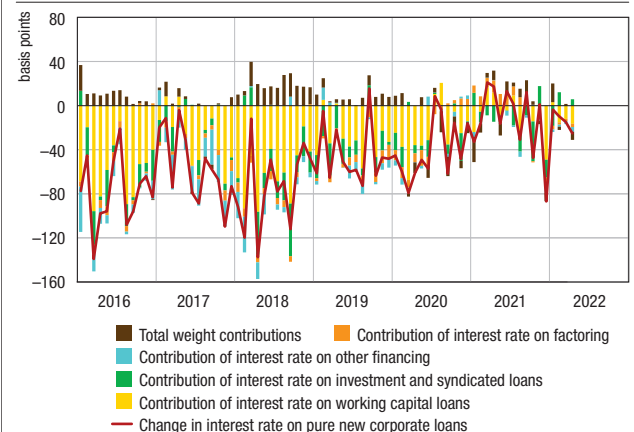
**Figure 32 Short-term financing costs**



Notes: Quarterly weighted moving averages. Foreign currency loans also include kuna loans with a currency clause. Interest rates on short-term pure new household loans are not shown because they account for a very small share of total pure new household loans.

Source: CNB.

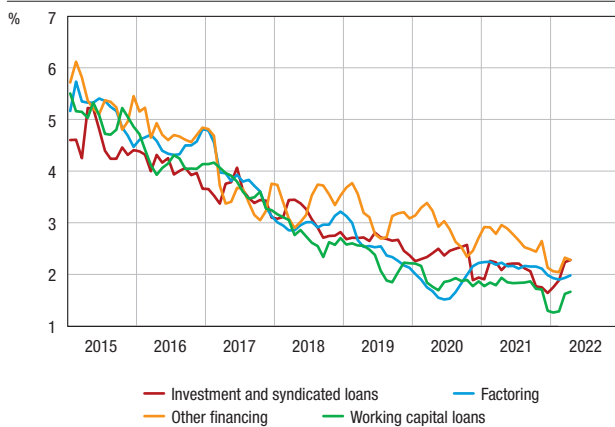
**Figure 35 Contributions to the annual change in the interest rate on pure new corporate loans**



Note: Calculated by applying the Bennet index, according to which total contribution is divided into interest rate effect and weight effect.

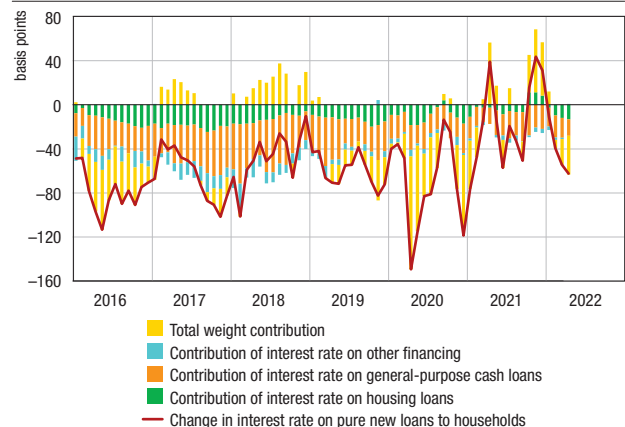
Source: CNB.

**Figure 36 Interest rates on pure new corporate loans by purpose**



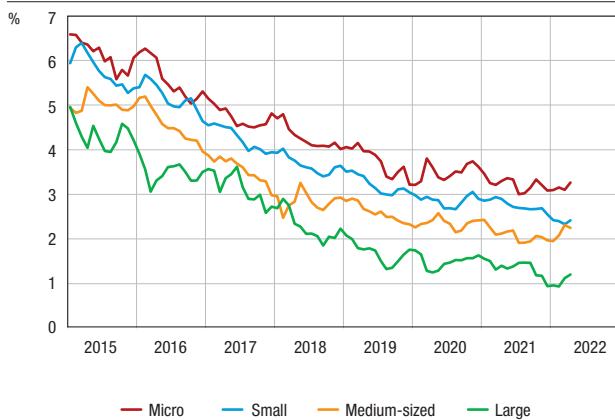
Note: Quarterly weighted moving averages.  
Source: CNB.

**Figure 39 Contributions to the annual change in the interest rate on pure new household loans**



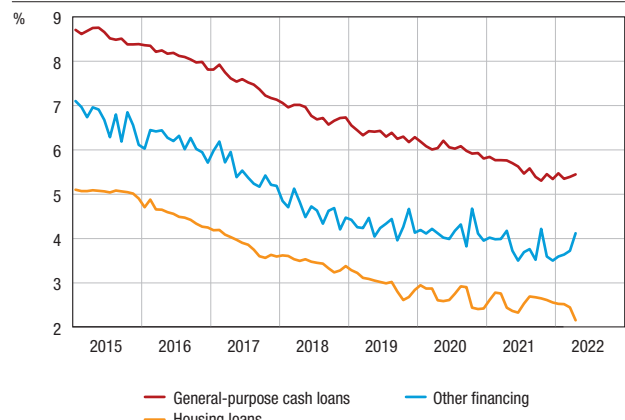
Note: Calculated by applying the Bennet index, according to which total contribution is divided into interest rate effect and weight effect.  
Source: CNB.

**Figure 37 Interest rates on pure new loans by corporate size**



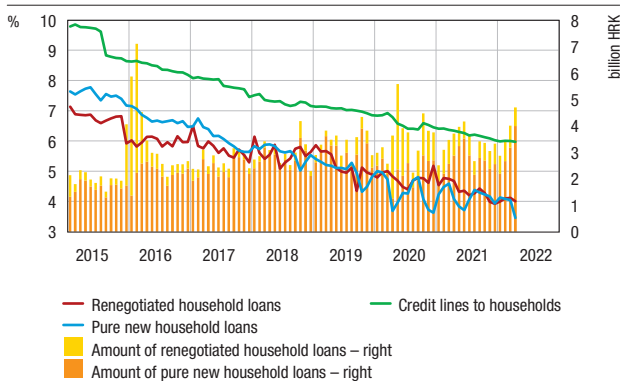
Note: Quarterly weighted moving averages.  
Source: CNB.

**Figure 40 Interest rates on pure new household loans by purpose**



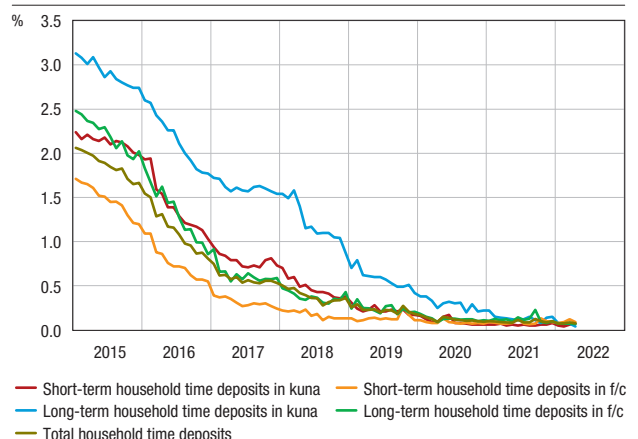
Source: CNB.

**Figure 38 Interest rates and amount of household loans**



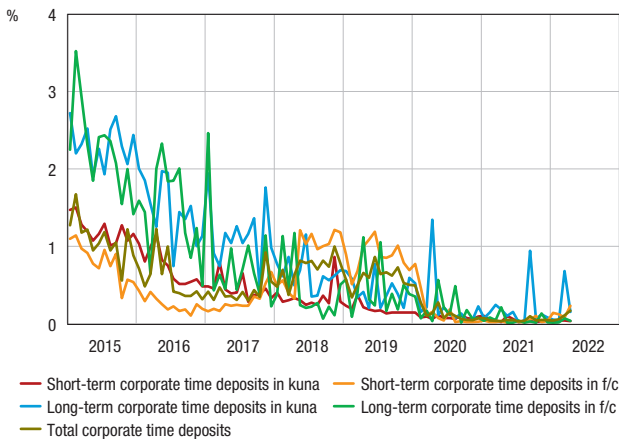
Note: Data on pure new loans are not available for credit card loans, overdrafts, revolving loans and receivables on charge cards since their new business volume (for other instruments, this includes both pure new loans and renegotiated loans) is equal to balances and thus included in the credit line category.  
Source: CNB.

**Figure 41 Interest rates on household time deposits**



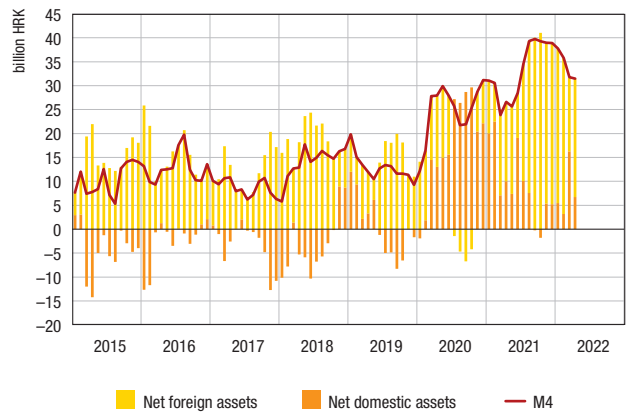
Source: CNB.

Figure 42 Interest rates on corporate time deposits



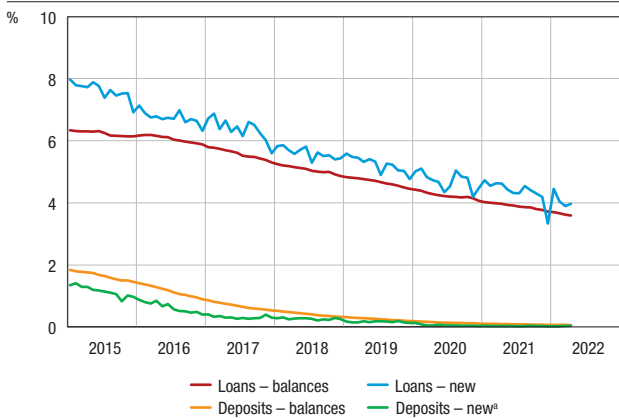
Source: CNB.

Figure 45 Net foreign assets, net domestic assets and total liquid assets (M4) absolute change in the last 12 months



Source: CNB.

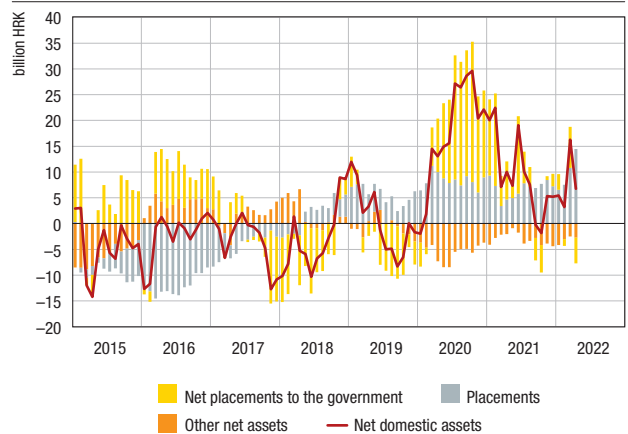
Figure 43 Average interest rates on loans (excl. revolving loans) and deposits



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

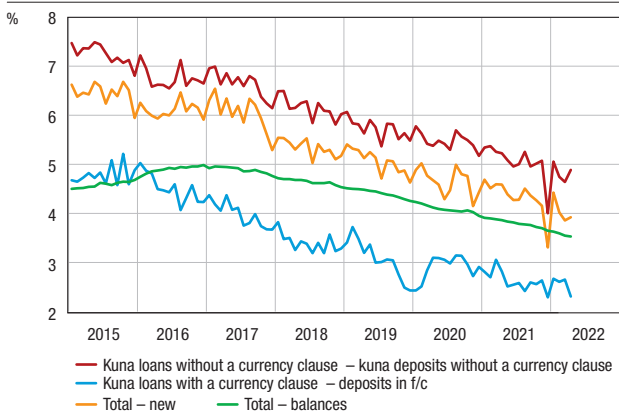
Source: CNB.

Figure 46 Net domestic assets, structure absolute change in the last 12 months



Source: CNB.

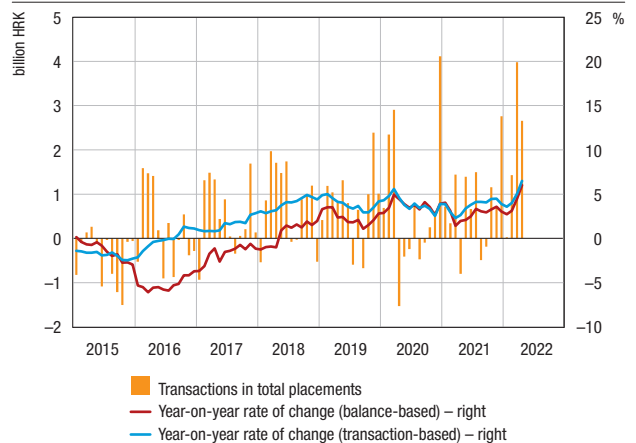
Figure 44 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits



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.

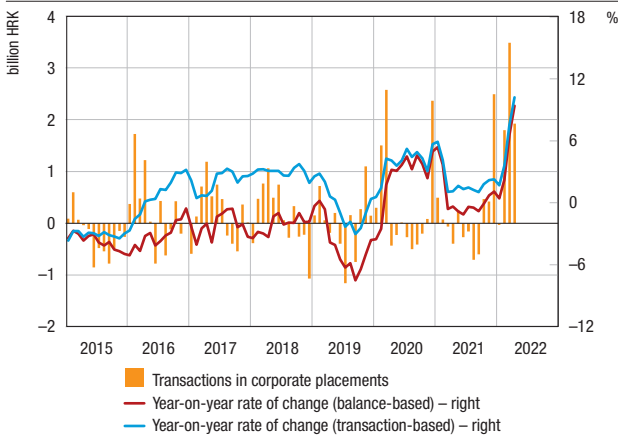
Figure 47 Placements



Source: CNB.

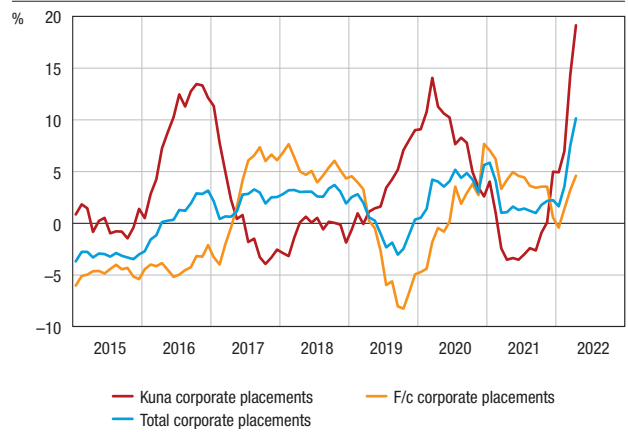


Figure 48 Placements to corporates



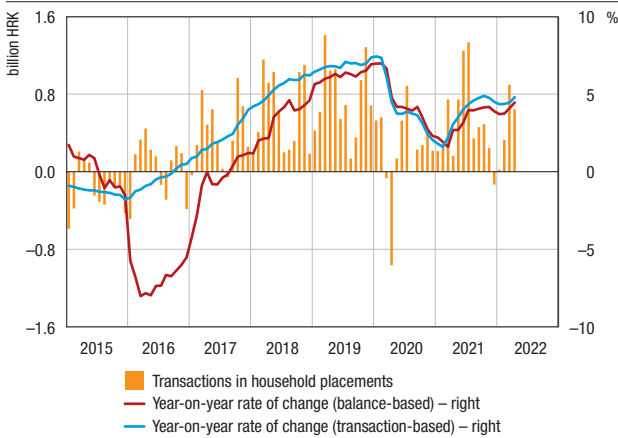
Source: CNB.

Figure 51 Annual rate of change in corporate placements transaction-based



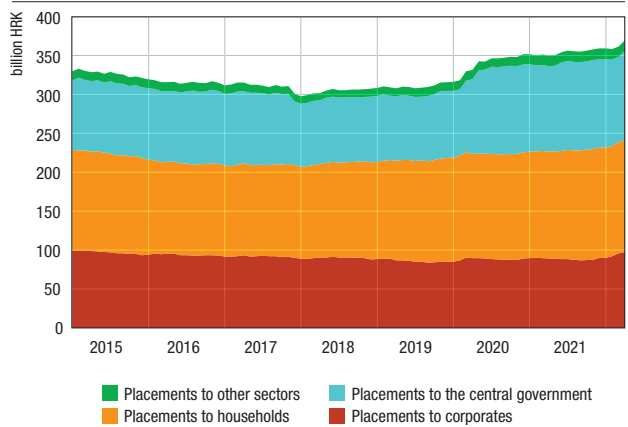
Source: CNB.

Figure 49 Placements to households



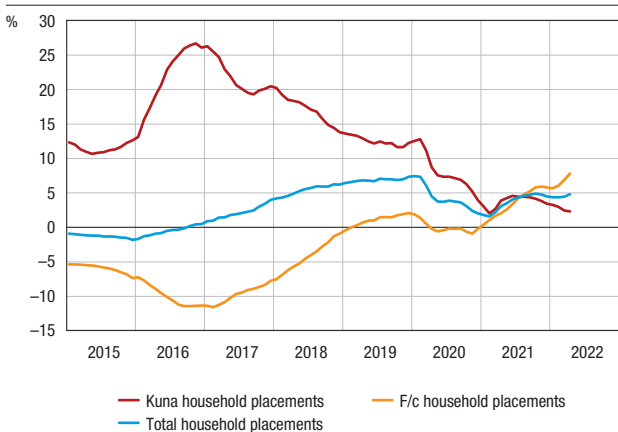
Source: CNB.

Figure 52 Structure of placements of monetary financial institutions



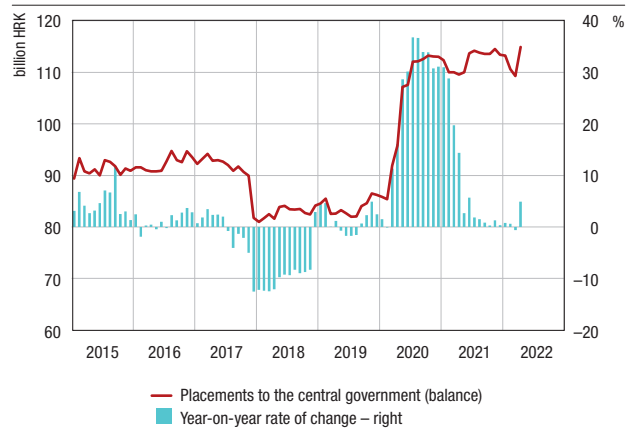
Source: CNB.

Figure 50 Annual rate of change in household placements transaction-based



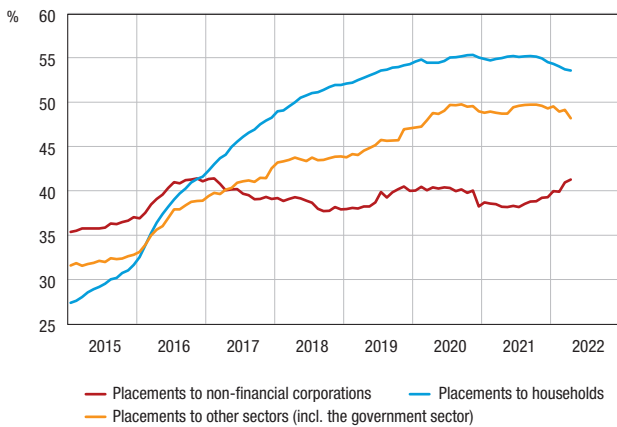
Source: CNB.

Figure 53 Placements of monetary financial institutions to the central government



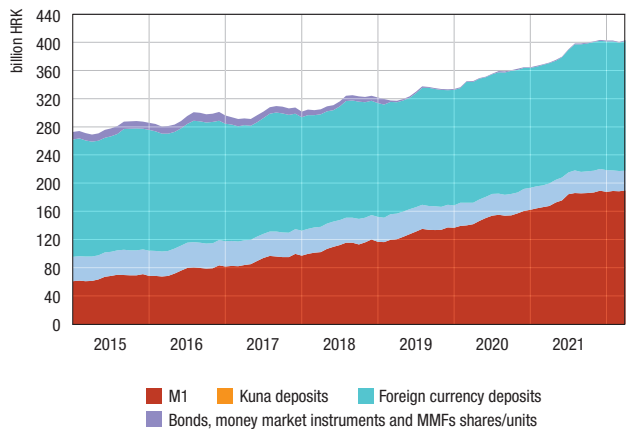
Source: CNB.

**Figure 54 Share of kuna placements in total sector placements**



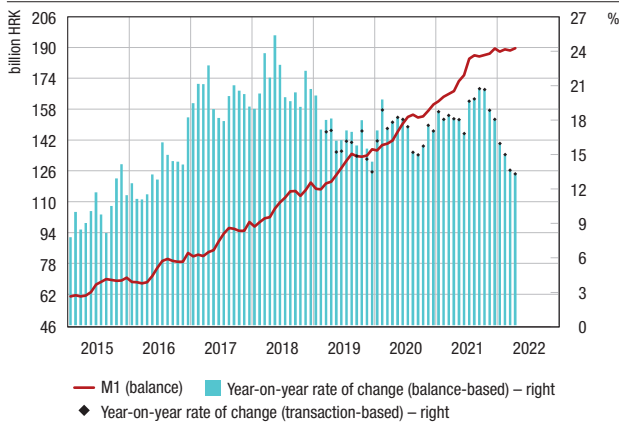
Source: CNB.

**Figure 57 Structure of M4 monetary aggregate**



Source: CNB.

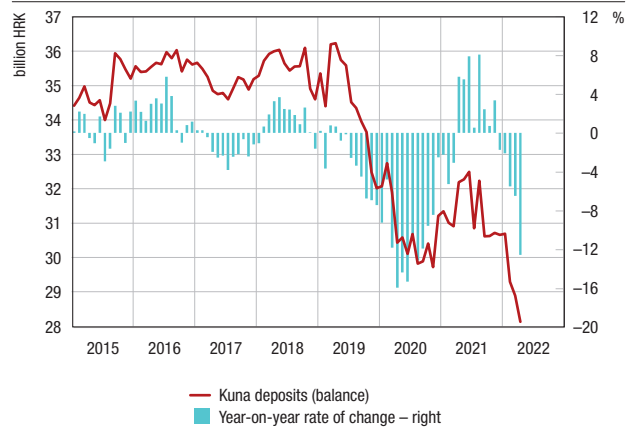
**Figure 55 Money (M1)**



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

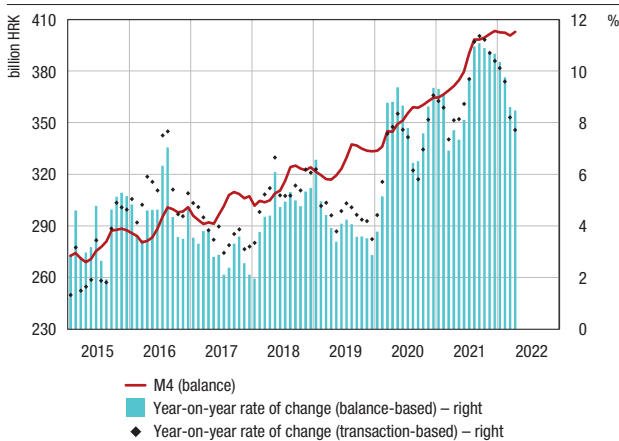
Source: CNB.

**Figure 58 Kuna savings and time deposits**



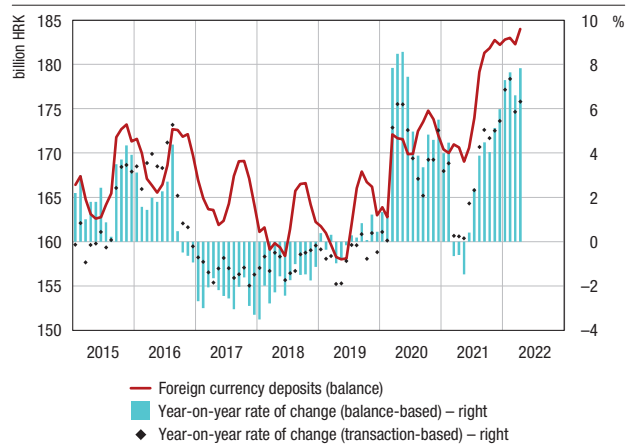
Source: CNB.

**Figure 56 Total liquid assets (M4)**



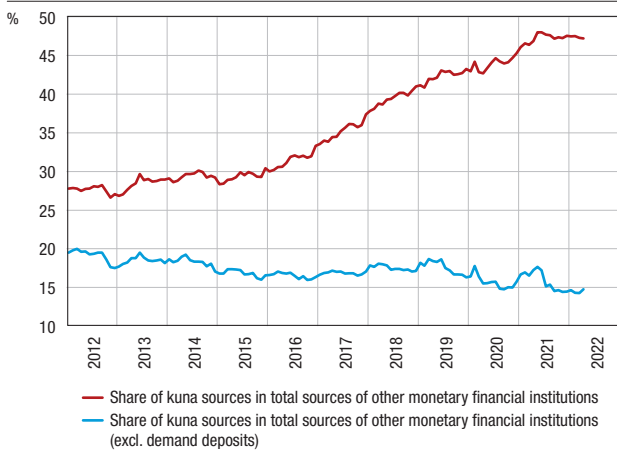
Source: CNB.

**Figure 59 Foreign currency deposits**



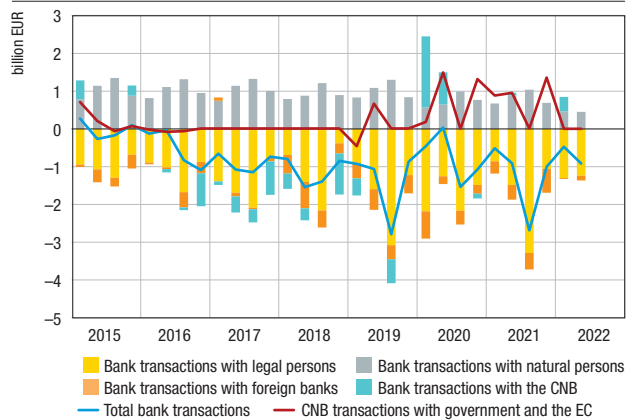
Source: CNB.

Figure 60 Share of kuna sources



Source: CNB.

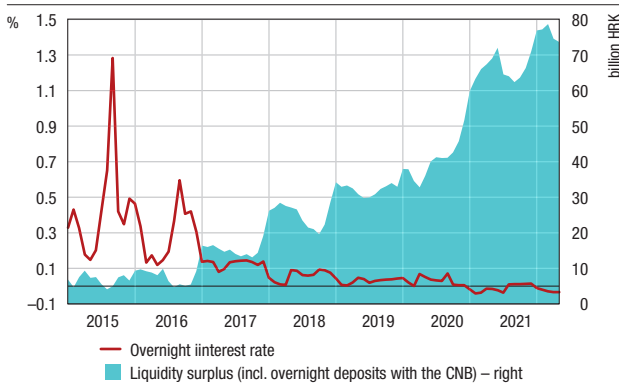
Figure 62 Spot transactions in the foreign exchange market (net turnover)



Notes: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government. Data for the second quarter refer to April and May.

Source: CNB.

Figure 61 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 63 International reserves of the CNB at current rate of exchange



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

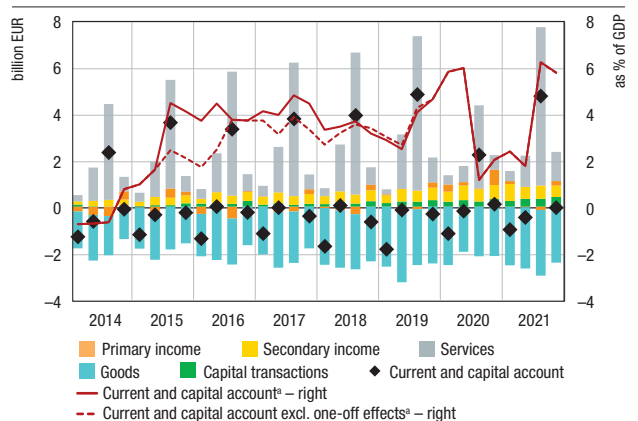
Source: CNB.

Table 2 Balance of payments preliminary data, in million EUR

	2020	2021	Indices	
			2020/2019	2021/2020
Current account	-56	1,945	-	-
Capital account	1,074	1,367	120.8	127.3
Financial account (excl. reserves)	20	-3,481	1.4	-
International reserves	603	6,031	60.9	999.7
Net errors and omissions	-395	-762	294.2	193.0

Source: CNB.

Figure 64 Current and capital account flows

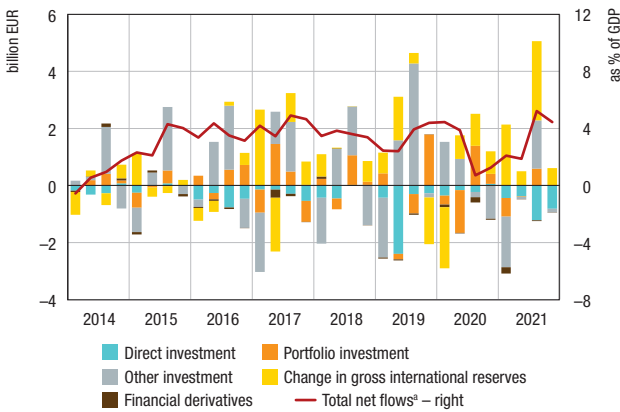


<sup>a</sup> Sum of the last four quarters.

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.

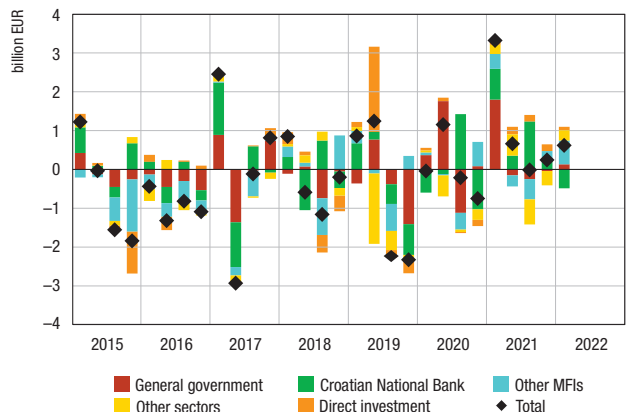
Source: CNB.

Figure 65 Financial account flows by type of investment



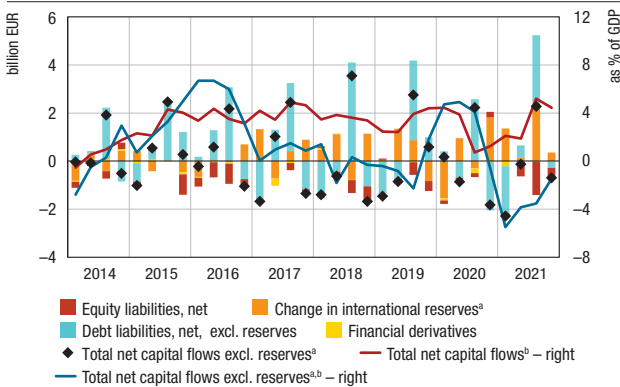
<sup>a</sup> Sum of the last four quarters.  
 Note: A positive value indicates net outflow of equity abroad (including on the basis of the growth in international reserves).  
 Source: CNB.

Figure 68 Gross external debt transactions



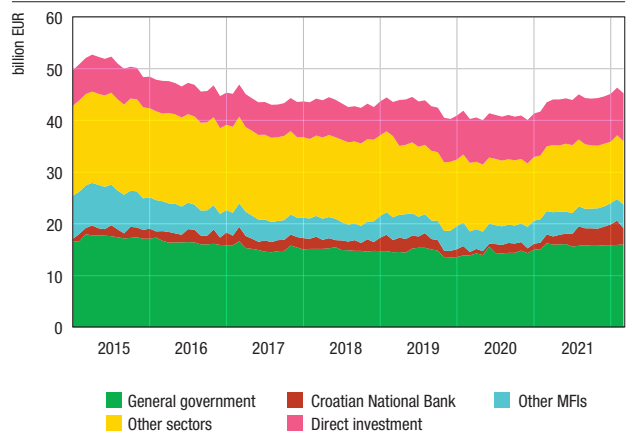
Note: Transactions refer to the change in debt excl. cross-currency changes and other adjustments.  
 Source: CNB.

Figure 66 Financial account flows by equity to debt ratio



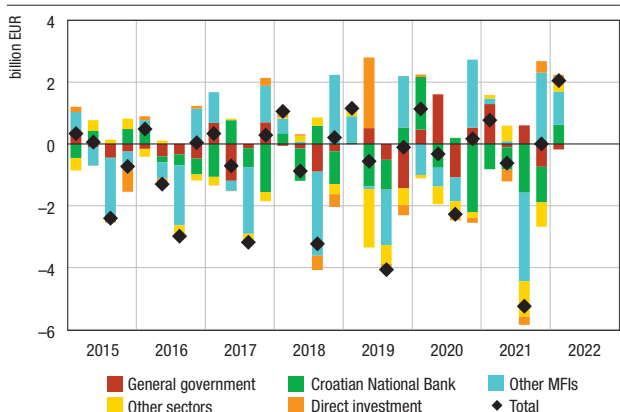
<sup>a</sup> The change in gross international reserves is reported net of foreign liabilities of the CNB.  
<sup>b</sup> Sum of the last four quarters.  
 Notes: A positive value indicates net outflow of equity abroad. Net flows represent the difference between the change in assets and the change in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

Figure 69 Gross external debt end of period



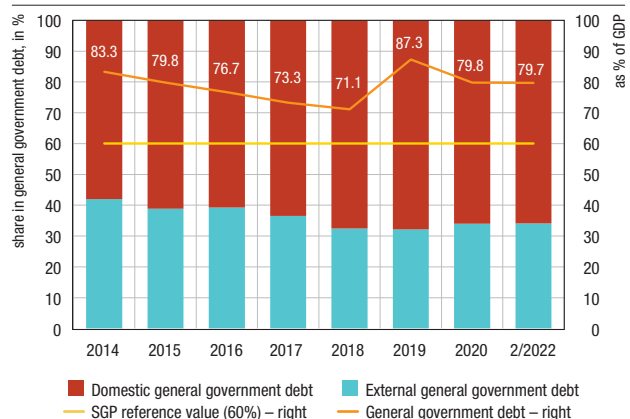
Note: Data are up to March 2022.  
 Source: CNB.

Figure 67 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 70 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. – Dec. 2020	Jan. – Dec. 2021
<b>Total revenue</b>	<b>178,627</b>	<b>199,633</b>
Direct taxes	24,708	23,315
Indirect taxes	70,709	83,103
Social contributions	44,159	48,868
Other	39,052	44,348
<b>Total expenditure</b>	<b>206,338</b>	<b>212,071</b>
Social benefits	64,658	66,870
Subsidies	14,243	11,599
Interest	7,508	6,691
Compensation of employees	50,449	53,852
Intermediate consumption	31,831	35,536
Investment	21,340	20,588
Other	16,310	16,936
<b>Net lending (+)/borrowing (-)</b>	<b>-27,710</b>	<b>-12,438</b>

Sources: Eurostat and CBS.

**Table 4 State budget**

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

	Jan. – Mar. 2021	Jan. – Mar. 2022
1 Revenue	36,766	36,060
2 Disposal of non-financial assets	98	187
3 Expenditure	42,275	38,786
4 Acquisition of non-financial assets	932	1,050
<b>5 Net lending (+) /borrowing (-) (1+2-3-4)</b>	<b>-6,343</b>	<b>-3,589</b>

Sources: MoF and CNB calculations.

**Table 5 General government debt**

in million HRK

	Feb. 2021	Feb. 2022
<b>Change in total debt stock</b>	<b>90</b>	<b>575</b>
<b>Change in domestic debt stock</b>	<b>-6,045</b>	<b>-89</b>
- Cash and deposits	14	2
- Securities other than shares, short-term	-855	616
- Securities other than shares, long-term	-3,273	-241
- Short-term loans	207	-129
- Long-term loans	-2,129	-324
<b>Change in external debt stock</b>	<b>6,135</b>	<b>664</b>
- Currency and deposits	0	0
- Securities other than shares, short-term	104	-612
- Securities other than shares, long-term	4,152	1,560
- Short-term loans	-155	-270
- Long-term loans	2,034	-13
Memo item:		
Change in total guarantees issued	277	128

Note: Change in the domestic debt of general government = (change in individual categories – consolidation elements).

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
TRY	– Turkish lira
USD	– US dollar

### Two-letter country codes

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

### Symbols

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