



Information on economic trends

September 2019

Summary

Economic activity in Croatia in the second quarter of 2019 continued to grow, although at a noticeably lower rate than at the beginning of the year. Thus, real GDP increased by 0.2% from the first quarter of this year, while at an annual level, the real growth rate stood at 2.4%. The available monthly indicators suggest that real GDP growth might accelerate in the third quarter. Employment growth in the labour market continued in the second quarter, but at the same time unemployment remained unchanged relative to the beginning of the year. Wages continued to grow, but at a slower pace than in the first three months of 2019. Data for July show that the unemployment rate remained unchanged, while wage growth accelerated. An increase in the annual rate of change in the prices of unprocessed food products and clothing contributed most to the acceleration of the annual growth of consumer prices from 0.6% in June to 1.1% in July. The CNB continued pursuing its expansionary monetary policy and, in August, mitigated the strengthening of the kuna by purchases of foreign currency from banks, which resulted in an additional increase in the otherwise high kuna liquidity of domestic credit institutions. In such circumstances, favourable developments in the costs of financing continued. The annual growth of bank placements at the end of July slowed down as corporate lending decreased under the impact of the settlement reached between the Agrokor Group and its creditors, while lending to households accelerated, owing to the stronger growth in housing loans, as well as the moderate acceleration of the annual growth of cash general-purpose loans. In the first quarter of 2019, the general government budget deficit, according to the ESA methodology, equalled that recorded in the same period last year (HRK 2.4bn), while MoF data suggest that in the second quarter revenues and expenditures grew at a similar pace.

The first results published by the CBS show that economic activity slowed down in the second quarter of 2019, while real GDP only rose by 0.2% from the first quarter. A slowdown in economic growth primarily reflected the decrease in the exports of goods, and on a quarterly basis, capital investments also decreased. Personal consumption held steady at its beginning of year level, while government consumption and the exports of services increased. Unfavourable trends on a quarterly basis also affected the annual real GDP growth rate, which stood at 2.4%. The annual increase in GDP was mostly driven by investment activity. By contrast, the negative contribution of net foreign demand deepened.

The GDP nowcasting model points to an acceleration in the growth of economic activity in the third quarter of the current year (Figure 1). In July, industrial production was 4.8% higher than in June of the current year, and therefore growth of 2.7% was recorded at a quarterly level. The increase relative to the previous three months was mostly driven by growth in the production of intermediate goods and non-durable consumer goods, including the increase in the production of energy. In contrast, the production of capital goods and durable goods decreased at a quarterly level. In addition, in July, real retail trade turnover on a quarterly basis increased by 0.3% (Figure 7).

The results of the Consumer Confidence Survey show that in July and August the average confidence index level was below that of the second quarter of the current year, primarily due to worsened expectations regarding the economic situation in Croatia for the following 12 months compared with the present situation. Despite this, the consumer confidence index was still at relatively high levels. With regard to business confidence, construction business confidence recovered in July and August compared to the average of the previous quarter. Thus the construction business confidence indicator again reached the level from the beginning of the current year, which was also the highest since business expectations are measured. At the same time, expectations in industry recovered to a certain extent, but due to the sharp fall during the second quarter, the confidence indicator was still lower than at the beginning of the year. In contrast, expectations regarding service activities worsened in July and August, and the growth of the confidence indicator, which started in mid-2018, was discontinued. Finally, expectations in trade continued to deteriorate, after the confidence index of business entities increased considerably in this activity in the first quarter

of 2019 (Figure 8).

The activities of trade and other tourism-related service activities, as well as construction, mostly contributed to the continued growth in employment in the second quarter of 2019. However, the latest available data for July point to the slowdown in the growth of employment, mostly due to the smaller increase in the number of persons employed in tourism-related service activities (Figure 14). After the continued decrease in unemployment from the beginning of 2014, in the second quarter of 2019 the number of unemployed persons remained unchanged on a quarterly basis. The developments in unemployment during the second quarter were driven by inflows into the CES register from employment that were higher than from new employment. In addition, clearings from the CES register decreased relative to the previous three months. Similar developments marked July, and the number of unemployed persons remained almost unchanged when compared to the previous quarter. As a result of the above developments in the second and at the beginning of the third quarter, the registered unemployment rate stagnated at the level of 8.5%. According to the latest available data, the ILO unemployment rate stood at 6.8% of the labour force in the first three months of 2019 (Figure 15). Nominal wages continued to grow in the second quarter, albeit at a lower rate, while real wages remained unchanged relative to the beginning of the year due to the increase in consumer prices. According to the data for July, at the beginning of the third quarter the growth in wages intensified once again (Figure 16).

Consumer prices dropped by 0.5% in July from June (Table 1), largely on account of the seasonal decrease in clothing and footwear prices and prices of vegetables, which was less pronounced than in the previous year. On the other hand, the largest positive contribution to overall inflation on a monthly basis was made by the increase in the prices of services, in particular the services of accommodation, recreational and sporting services and package holidays. The annual overall consumer price inflation rate rose to 1.1% in July, up from 0.6% in June (Figure 18). The acceleration of annual inflation is the result of an increase in the annual rate of change in the prices of unprocessed food products (in particular vegetables and fruit), industrial non-food products excluding energy (mostly clothing) and, to a smaller extent, of energy (solid fuels and refined petroleum products). Core inflation also accelerated, from 1.1% in June to 1.5% in July. In contrast, the annual growth rate of industrial

producer prices in the domestic market (excluding energy) decelerated from 1.0% in June to 0.7% in July, under the impact, among other things, of the decrease in the annual rate of change in prices in the manufacture of basic metals, the manufacture of paper and paper products and the manufacture of food products.

After growth achieved at the beginning of the year, total goods exports in April and May 2019 decreased by 1.9% relative to the average of the previous three months (Figure 10) due to the decline in the exports of energy products (primarily oil and refined petroleum products, as well as, to a lesser extent, electricity). At the same time the exports of the narrow aggregate (excluding energy products) increased moderately (by 0.7%), mostly on the back of the exports of other transport equipment (mostly ships), and a steep increase in exports was also recorded in power generating machinery and equipment. Total imports of goods grew sharply (by 3.6%) in April and May, relative to the average of the preceding three months (Figure 11), exclusively as a result of a noticeable growth in the imports of energy products (in particular of oil and refined petroleum products). In contrast, the imports of the narrow aggregate (excluding energy products) decreased slightly (by 0.2%), especially the lower imports of metal industry products and capital goods (Figure 12). The first June data suggest an even more pronounced decline in total goods exports in the whole of the second quarter by 4.5% and a decrease in imports by 1.6%, relative to the average of the previous three months.

The pressures on the strengthening of the exchange rate of the kuna against the euro, present in June, continued in July and at the beginning of August. In order to stabilise the exchange rate of the kuna, the central bank intervened in the foreign exchange market by purchasing a total of EUR 638.6m from the banks on 9 and 22 August. After the latest foreign exchange intervention, the exchange rate stabilised. At the end of August, the exchange rate was EUR/HRK 7.40 and was slightly higher than the exchange rate at the end of July, i.e. approximately the same as at the end of June. In July and August, the kuna appreciated slightly against most other currencies within the currency basket for the calculation of effective exchange rates, but this was mostly offset by the weakening of the kuna against the US dollar and the Turkish lira, reflecting the weakening of the euro against these currencies on the global foreign exchange market. The index of the nominal effective exchange rate of the kuna at the end of August thus stood at the same level as at the end of June.

On the European money market, short-term interest rates remained in negative territory in July and August. The overnight interest rate for the euro area, EONIA, ended the month of August at -0.36%, and the decrease in the six-month EURIBOR intensified additionally in July and August, ending the month of August at -0.43% (Figure 24), which probably partially stems from the expectations that ECB's interest rates will continue to decrease. Risk premiums for European emerging market economies saw no significant change in July and August. Thus the risk premium for Croatia of 81 basis points at the end of August was at a level almost equal to the risk premiums for Slovenia and Bulgaria (Figure 25).

In July and August there was no turnover in the domestic interbank overnight market, as a consequence of the abundant surplus liquidity of domestic banks, which in August on average stood at HRK 30.8bn (Figure 54). At the same time, the interest rate on one-year kuna T-bills without a currency clause remained unchanged at the level of 0.08% (Figure 28), while in the auction of euro T-bills of the same maturity a negative interest rate of -0.05% was reached for the first time.

Interest rates on new bank loans granted to corporations and

households on average decreased moderately in July 2019 (Figures 28 and 29), so that the trend of decreasing interest rates of banks continued. This was mostly attributable to lower interest rates on original new corporate loans for working capital (Figure 31), while interest rates on original new housing and consumer loans mostly remained at a level similar to that in June (Figures 32 and 33). As regards deposits, interest rates on corporate time deposits decreased mildly from the previous month, while interest rates on household time deposits remained almost unchanged (Figures 34 and 35). The spread between interest rates on new loans and deposits fell to 4.71 percentage points, while the gap between interest rate spreads on loans and deposits dropped to 4.41 percentage points (Figure 37).

Monetary developments in July 2019 were marked by an increase in total liquid assets (M4) of HRK 6.5bn or 2.0%, which was mostly attributable to the seasonal upsurge in the net foreign assets (NFA) of credit institutions (Figure 38). The net domestic assets (NDA) of the monetary system decreased in July, mostly as a result of the decline in placements to corporates. On an annual level, the growth of total liquid assets (M4) accelerated in July 2019 to 4.9%, transaction-based (Figure 49). The annual growth in money (M1) increased to 16.1% (Figure 48), while the annual decline in quasi-money was slightly more pronounced and at the end of July stood at 1.3% (transaction-based).

Total placements of monetary institutions to domestic sectors (excluding the government) decreased by HRK 0.6bn in July (transaction-based), and their annual growth continued to decelerate, so that, in July, it stood at 3.4% (Figure 40). The decline in total placements to domestic sectors in July was a result of the decrease in placements to the sector of non-financial corporations (Figure 41), which at an annual level stood at -2.3% (i.e. -0.4% if the effect of the activation of the government guarantees issued to shipyards were excluded). The implementation of the Agrokor Group settlement, with a share of claims of credit institutions on domestic companies within the Group transferred to foreign companies within the Group, and the sale of placements that were not covered by reservations, contributed to the unfavourable trends in placements to corporates and pushed the annual rates of change into negative territory. With regard to households, the annual increase in placements to this sector in July accelerated to 7.1% (Figure 42), which was driven by the continued acceleration in the annual rise in housing loans; at the same time, the annual increase in general-purpose cash loans accelerated moderately. In terms of currency structure, the share of kuna placements in total household placements continued to grow, reaching 53.6% at the end of July (Figure 47). As for the nominal stock of placements, their annual growth stood at 1.8% in July and was significantly slower than the transaction-based growth, primarily as a result of the sale of placements.

After a moderate decrease in July, gross international reserves increased in August and stood at EUR 21.0bn at the end of the month (Figure 56). The increase in reserves in August was mostly the result of the purchase of foreign currency from banks. Compared with the end of 2018, gross reserves grew by EUR 3.6bn or 20.5%. At the same time, net usable reserves increased by EUR 1.7bn or 10.8% from the end of 2018, totalling EUR 17.5bn at the end of August.

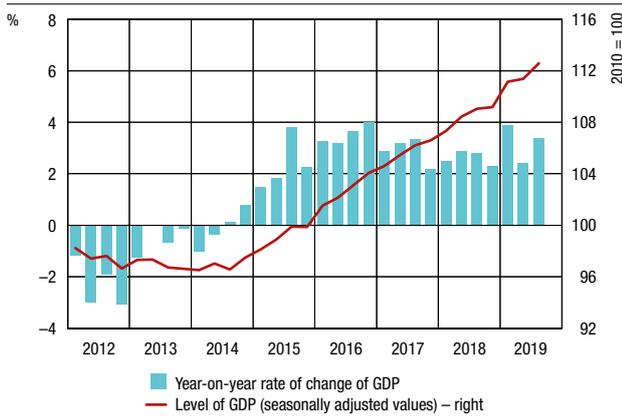
After the increase in the first quarter, the growth in net external debt continued in April and May 2019 (by EUR 0.8bn). This was mostly the consequence of the worsening of the net foreign position of credit institutions (Figure 60). In addition, to a much smaller extent, other domestic sectors increased their net foreign liabilities, primarily non-banking financial institutions. Gross external debt at the end of May stood at EUR 40.3bn, or up by EUR 0.8bn from the end of the first quarter (Figure 62).

The consolidated general government deficit (ESA 2010) totalled HRK 2.4bn in the first quarter of 2019, almost unchanged from the same period the year before. Such developments reflect equal increases in total revenues and in total expenditures relative to the first quarter of 2018 (by about HRK 2.8bn). Broken down by categories, taxes and social contributions provided a positive contribution to the increase in total revenues, reflecting favourable developments in economic activity. The increase on the expenditure side was mainly due to growth in other current expenditures and expenses on employees and investments.

According to MoF data¹ for the second quarter of the current year, the central government ran a surplus of HRK 3.4bn, as in the same period of 2018. In July, the surplus relative to the same period in the previous year increased because of the faster growth in revenues than in expenditures.

As regards the trends in the general government debt, at the end of May, it stood at HRK 286.8bn, up by HRK 2.1bn from the end of 2018 (Table 5), largely due to the bonds issue in the domestic capital market in the first quarter.

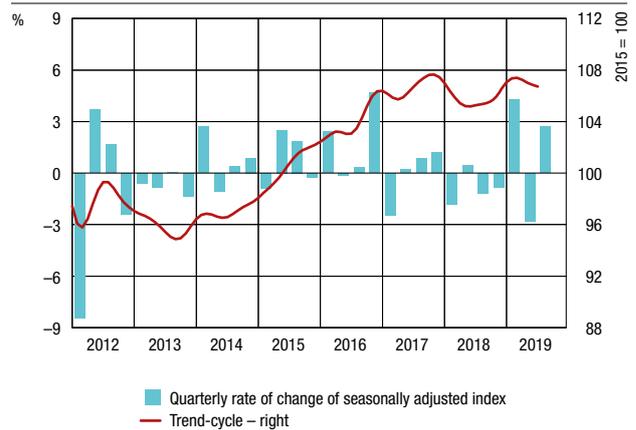
Figure 1 Quarterly gross domestic product
seasonally adjusted real values



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 2 September 2019.

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

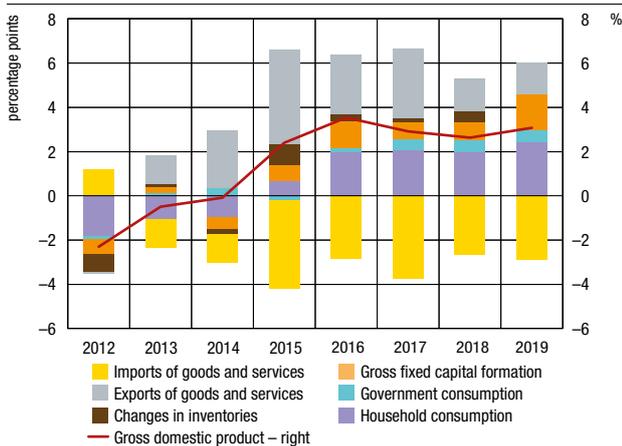
Figure 3 Industrial production



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

Source: CBS data seasonally adjusted by the CNB.

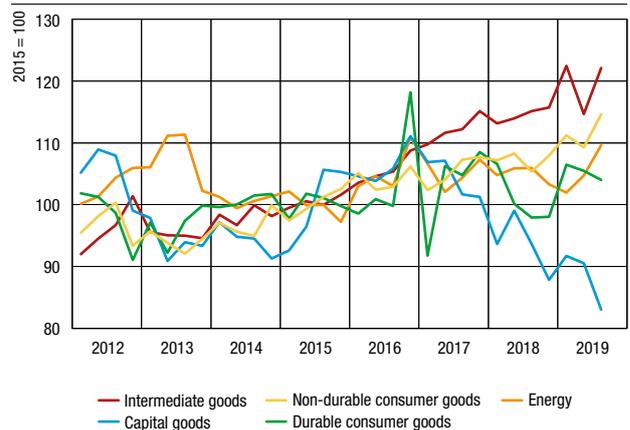
Figure 2 GDP rate of change
contributions by components



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

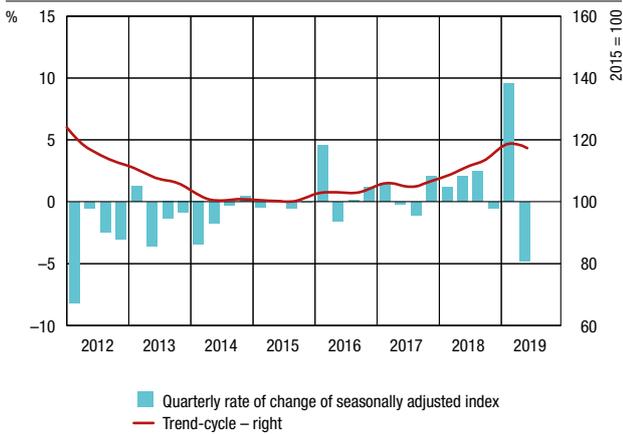


Note: Quarterly data are calculated as the average of monthly data.

Source: CBS data seasonally adjusted by the CNB.

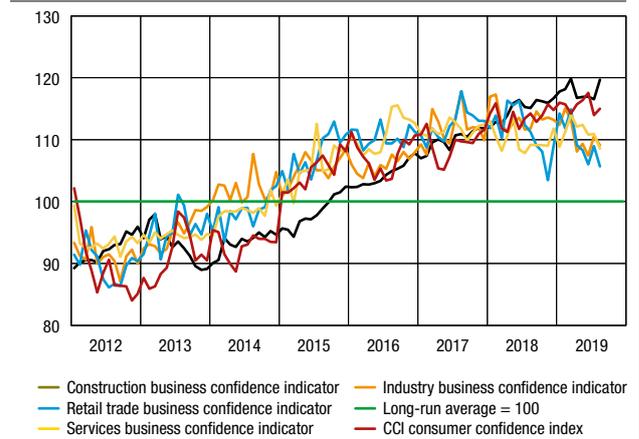
¹ Monthly data for central government, state government and social security sub-sectors that, according to the requirements of Council Directive 2011/85/EU must be published before the end of the following calendar month. The published data refer to general government units according to the scope of 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



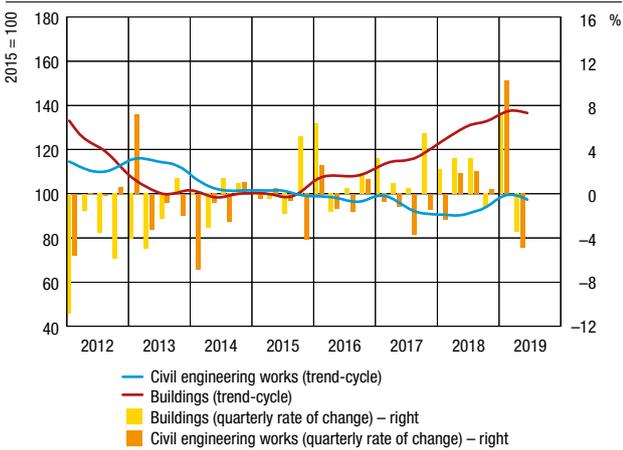
Source: CBS data seasonally adjusted by the CNB.

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



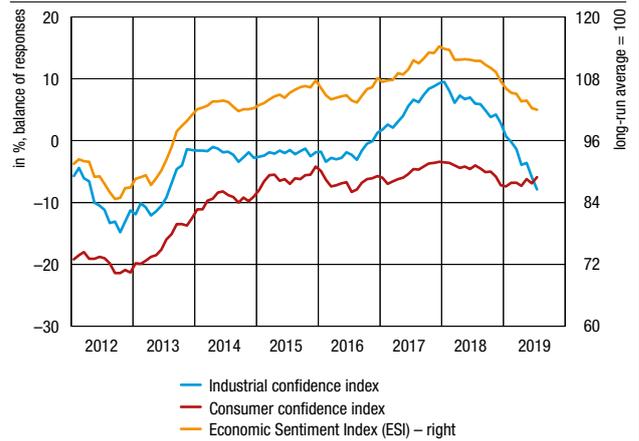
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



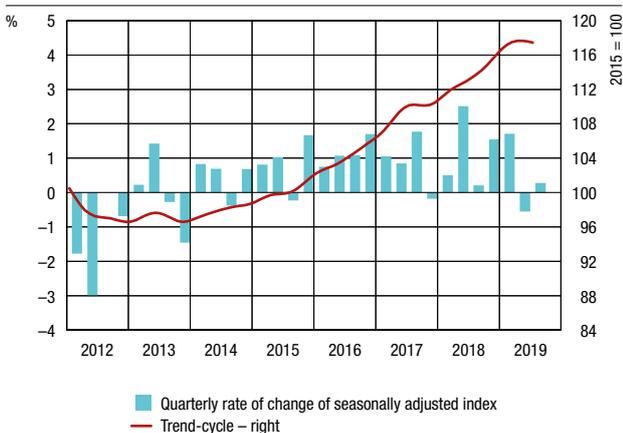
Source: CBS data seasonally adjusted by the CNB.

Figure 9 EU confidence indices seasonally adjusted series



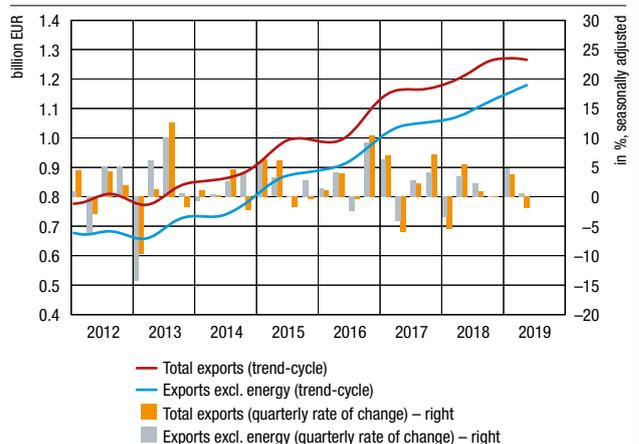
Note: Data are up to end-July 2019.
Source: Eurostat.

Figure 7 Real retail trade turnover



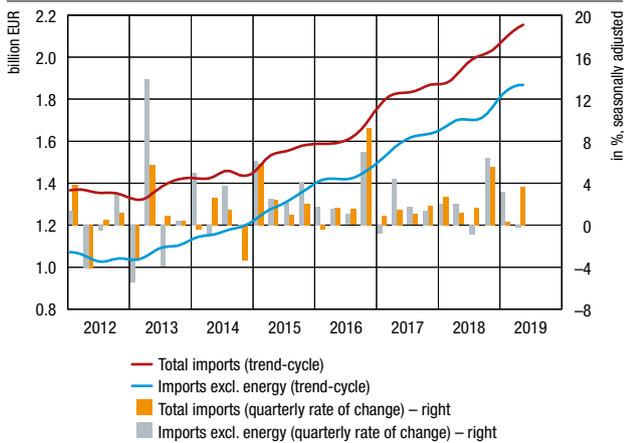
Note: Data for the third quarter of 2019 refers to July.
Source: CBS data seasonally adjusted by the CNB.

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



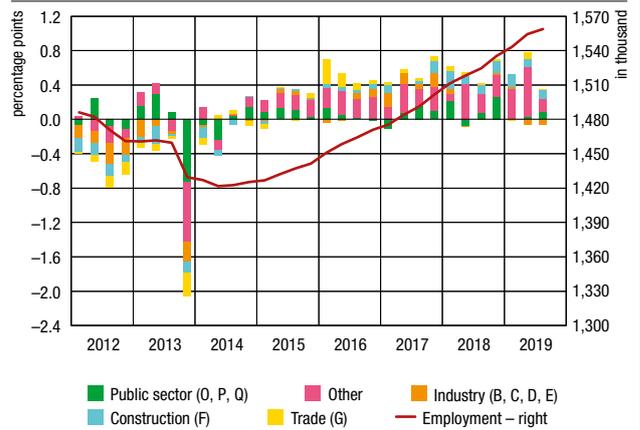
Note: Data for the second quarter of 2019 refer to April and May.
Source: CBS data seasonally adjusted by the CNB.

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



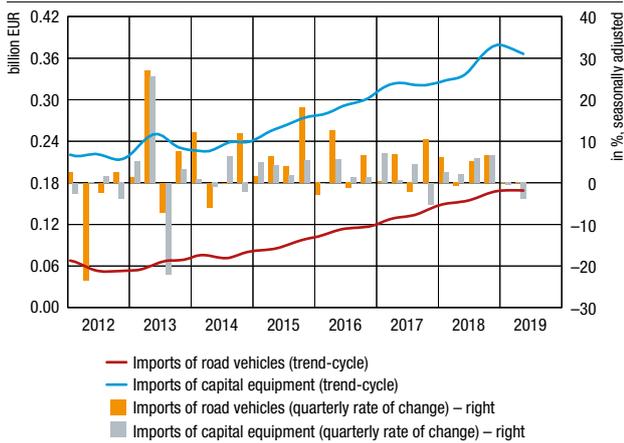
Note: Data for the second quarter of 2019 refer to April and May.
Source: CBS data seasonally adjusted by the CNB.

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



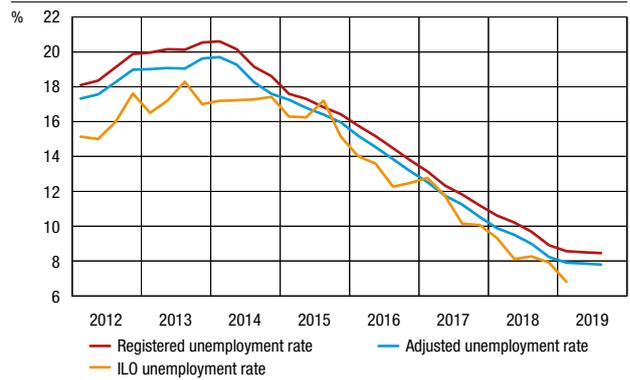
Note: Data for the third quarter of 2019 refer to July.
Source: CPII data seasonally adjusted by the CNB.

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



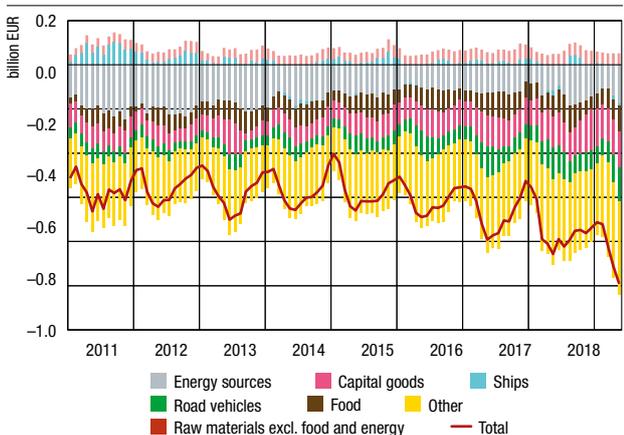
Notes: Imports of capital equipment (SITC divisions 71 - 77). Data for the second quarter of 2019 refer to April and May.
Source: CBS data seasonally adjusted by the CNB.

Figure 15 Unemployment rates
seasonally adjusted data



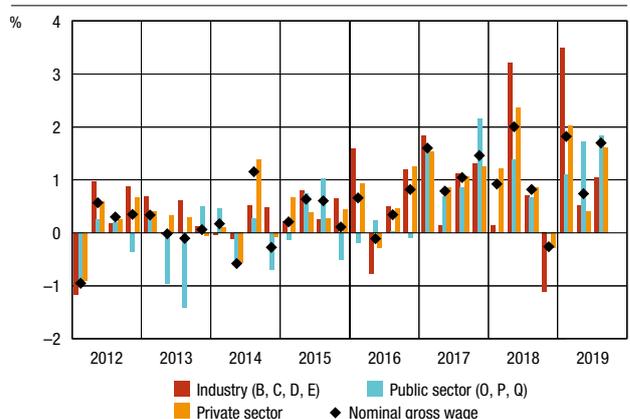
Notes: Since January 2015, the calculation of the registered unemployed rate has used the data on employed persons from the JOPPD form. The adjusted unemployment rate is the CNB estimate and is calculated as the share of the number of registered unemployed persons in the working age population (unemployed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

Figure 13 Trade in goods balance



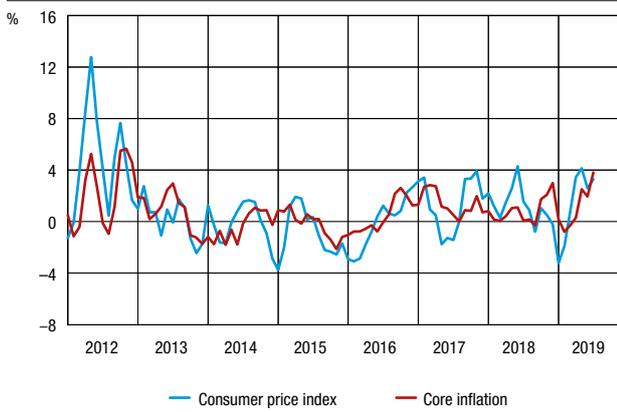
Notes: Series are shown as three-member moving averages of monthly data. Data are up to end-May 2019.
Source: CBS.

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

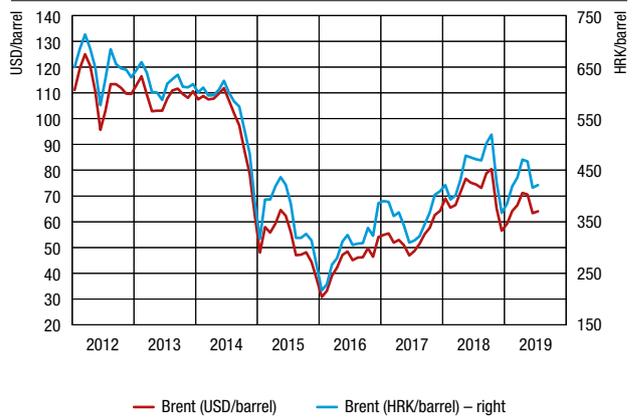
Figure 17 Consumer price index and core inflation
annualised month-on-month rate of change^a



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

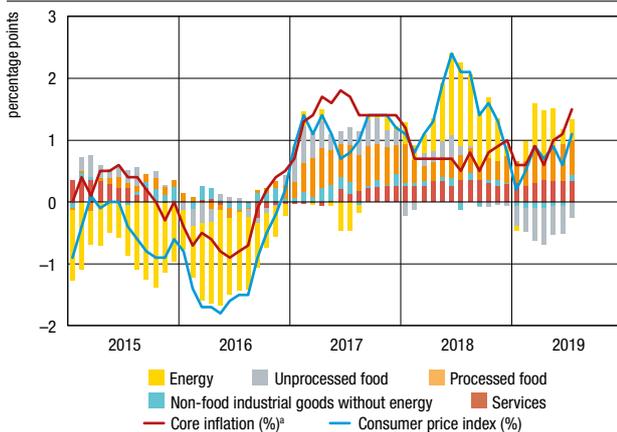
Sources: CBS and CNB calculations.

Figure 19 Crude oil prices (Brent)



Sources: Bloomberg and CNB calculations.

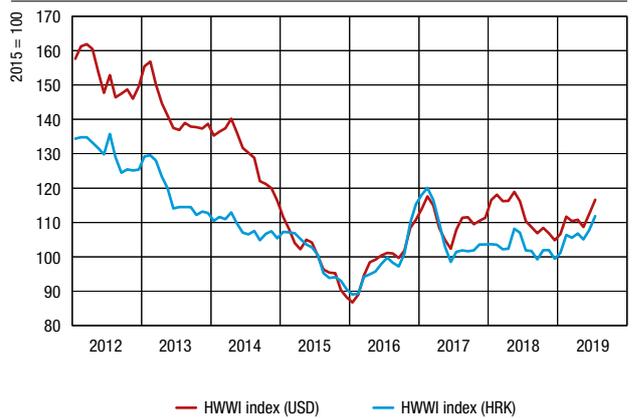
Figure 18 Year-on-year inflation rate and contributions of components to consumer price inflation



^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

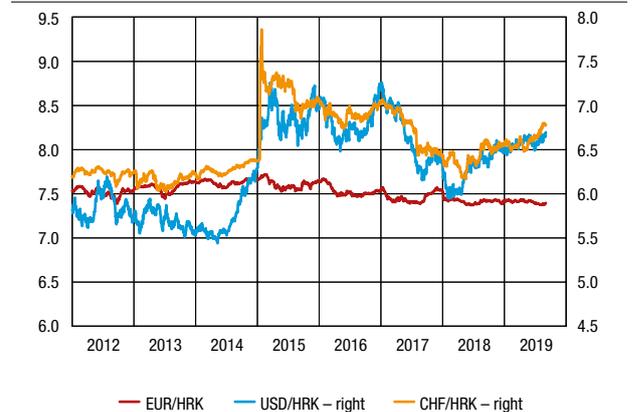
	Year-on-year rates		Month-on-month rates	
	6/2019	7/2019	7/2018	7/2019
Consumer price index and its components				
Total index	0.6	1.1	-0.9	-0.5
Energy	1.4	2.0	-0.5	0.1
Unprocessed food	-4.7	-2.7	-2.7	-0.6
Processed food	2.6	2.4	0.6	0.4
Non-food industrial goods without energy	-0.3	0.4	-3.7	-3.0
Services	1.3	1.3	0.6	0.7
Other price indicators				
Core inflation	1.1	1.5	-1.0	-0.6
Index of industrial producer prices on the domestic market	0.4	0.0	0.7	0.3
Brent crude oil price (USD)	-15.8	-14.0	-1.0	1.1
HWWI index (excl. energy, USD)	-3.2	5.6	-5.0	3.6

Note: Processed food includes alcoholic beverages and tobacco.

Sources: CBS, Bloomberg and HWWI.

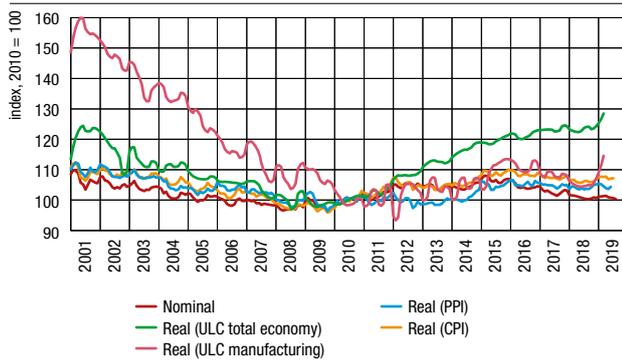
Figure 21 Daily nominal exchange rate – HRK vs. EUR, USD and CHF

CNB midpoint exchange rate



Source: CNB.

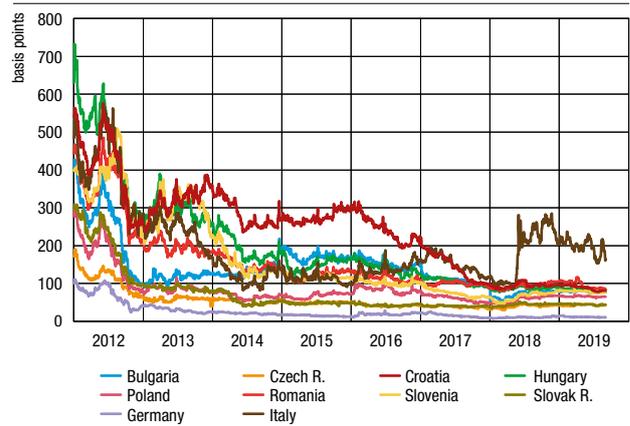
Figure 22 Nominal and real effective exchange rates of the kuna



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.

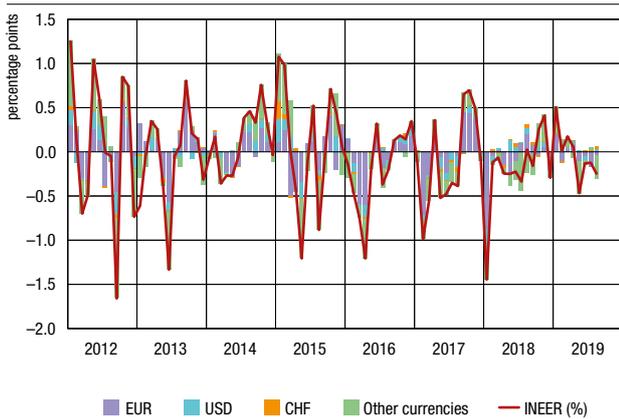
Figure 25 CDS spreads for 5-year government bonds of selected countries



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

Source: S&P Capital IQ.

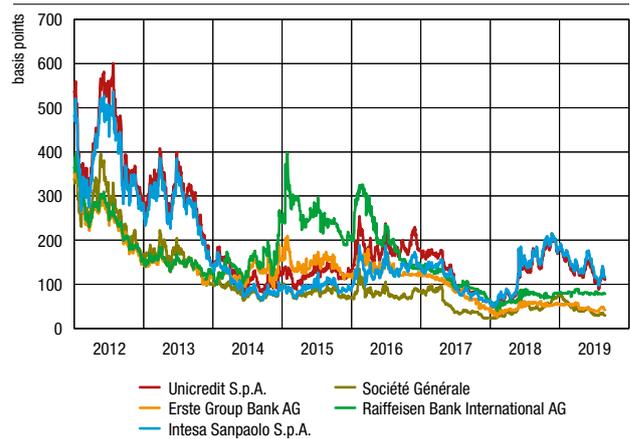
Figure 23 Contributions^a of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)



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

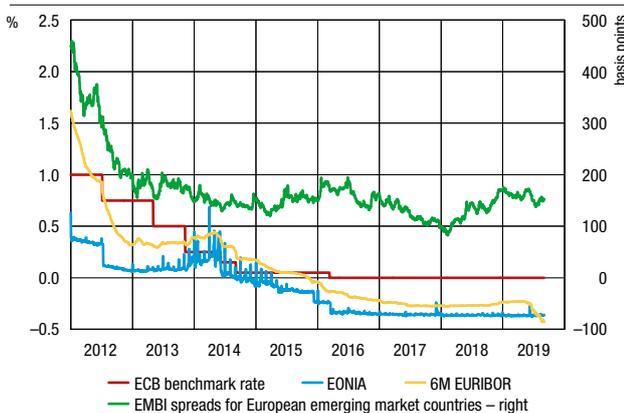
Source: CNB.

Figure 26 CDS spreads for selected parent banks of domestic banks



Source: S&P Capital IQ.

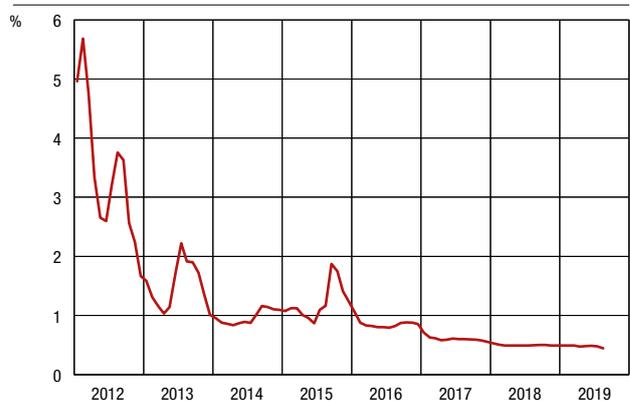
Figure 24 Interest rates on the euro and the average yield spread on bonds of European emerging market countries



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.

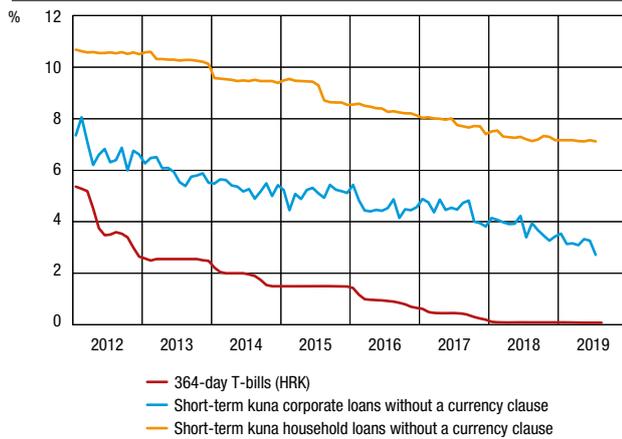
Sources: ECB, Bloomberg and J.P. Morgan.

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



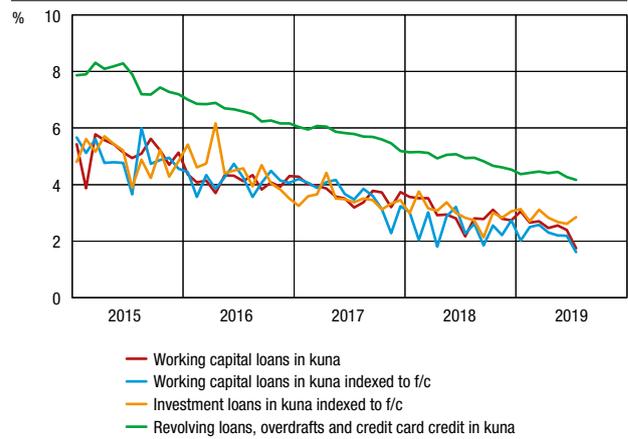
Source: CNB.

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



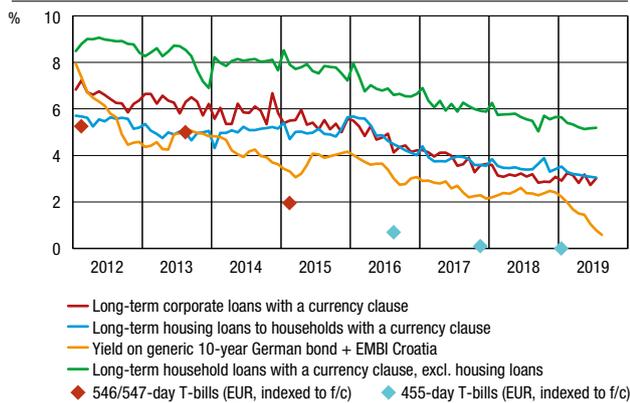
Sources: MoF and CNB.

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



Source: CNB.

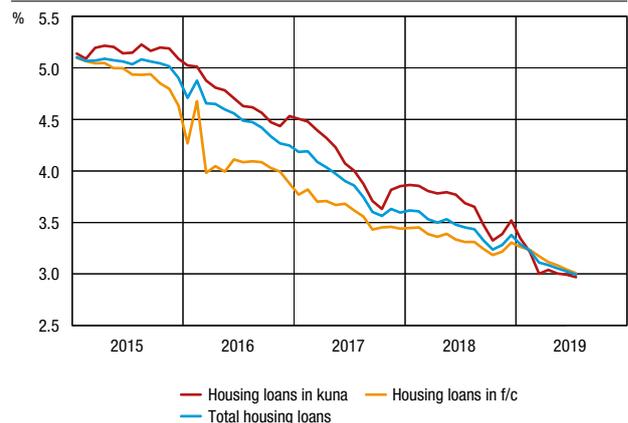
Figure 29 Long-term financing costs in kuna with a currency clause and in foreign currency



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.

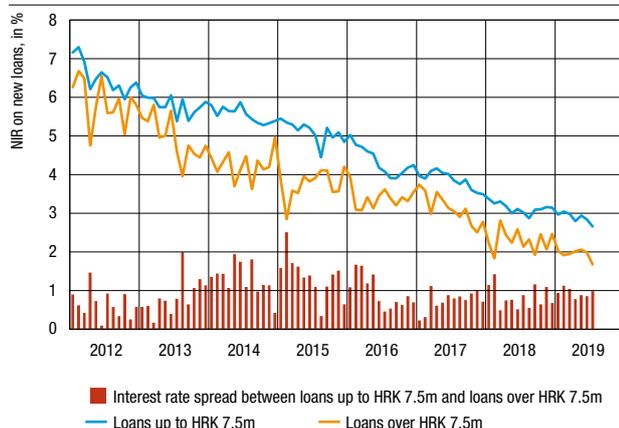
Sources: MoF, Bloomberg and CNB.

Figure 32 Interest rates on original new housing loans to households



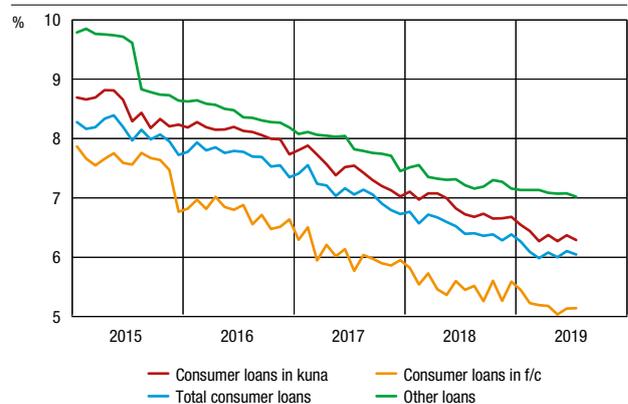
Source: CNB.

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



Source: CNB.

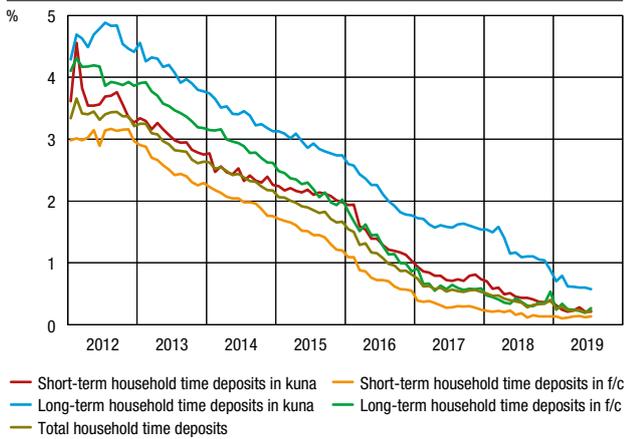
Figure 33 Interest rates on original new consumer and other loans to households



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.

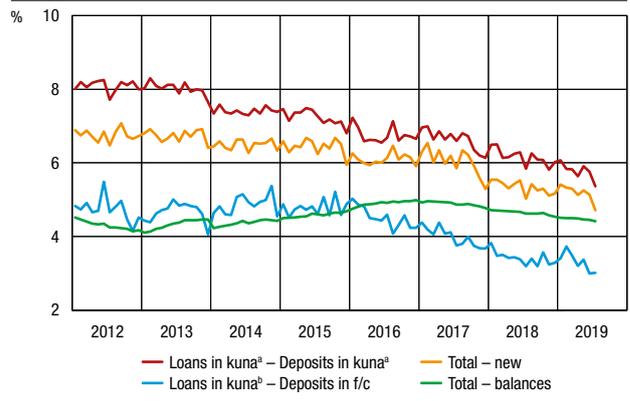
Source: CNB.

Figure 34 Interest rates on household time deposits



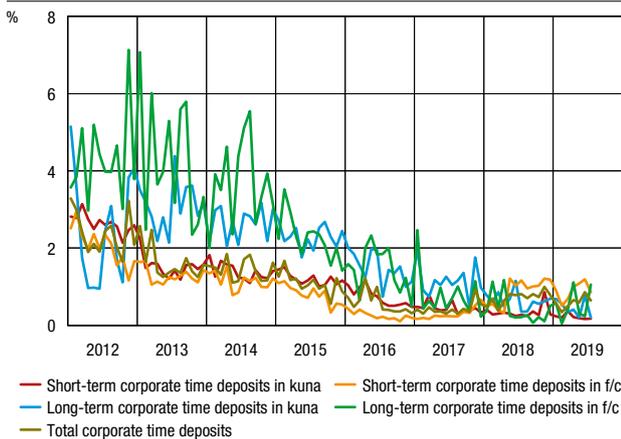
Source: CNB.

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



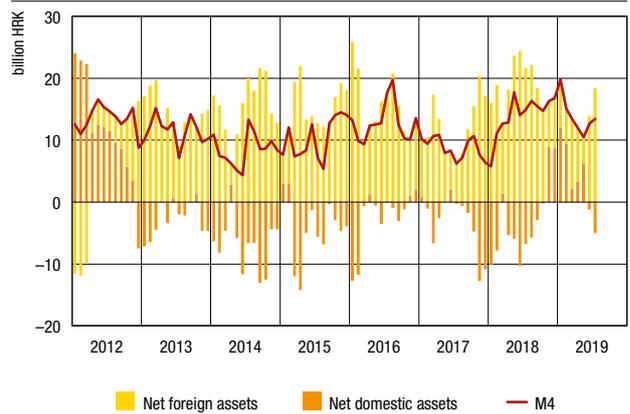
^a Non-indexed to f/c. ^b Indexed to f/c.
 Note: Spread between average interest rates on loans and average interest rates on deposits should be differentiated from net interest margin (the ratio of the difference between interest income and interest expenses to total assets of credit institutions).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

Figure 35 Interest rates on corporate time deposits



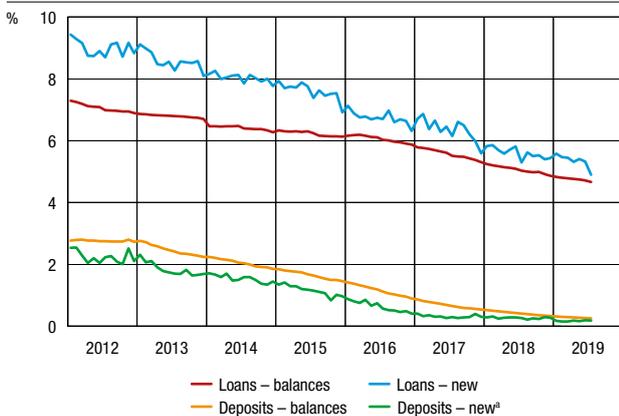
Source: CNB.

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



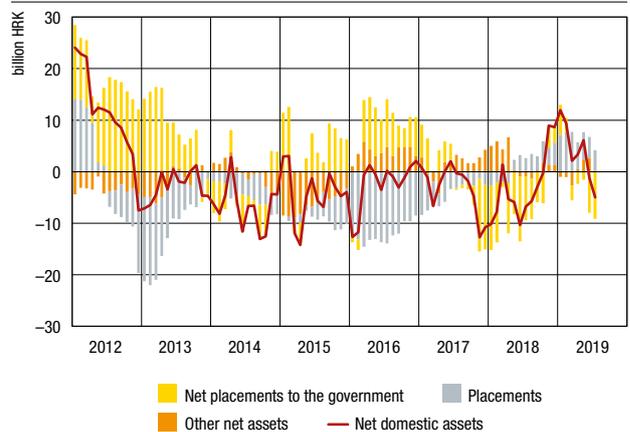
Source: CNB.

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



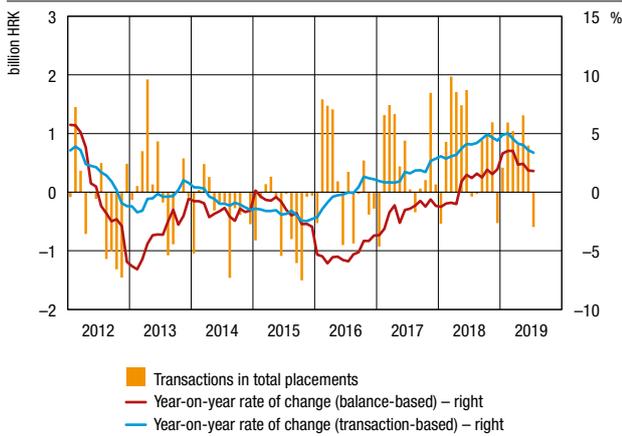
^a For time deposits, interest rates on newly received deposits are weighted by their balances.
 Source: CNB.

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



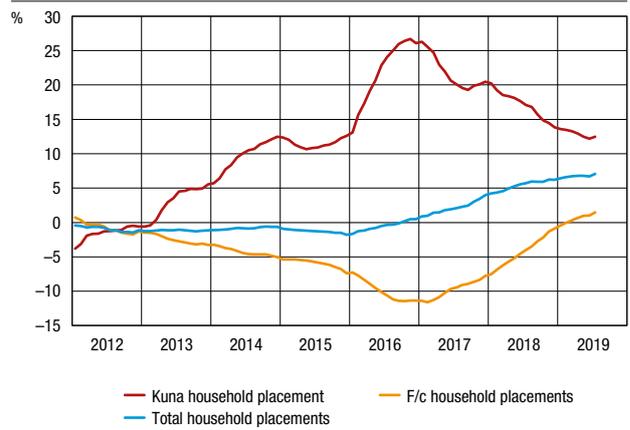
Source: CNB.

Figure 40 Placements



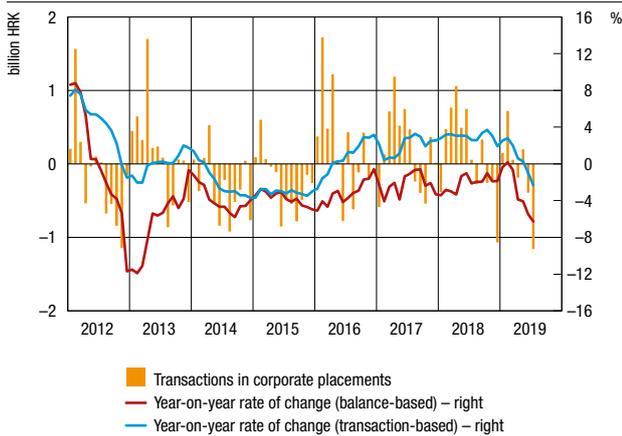
Source: CNB.

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



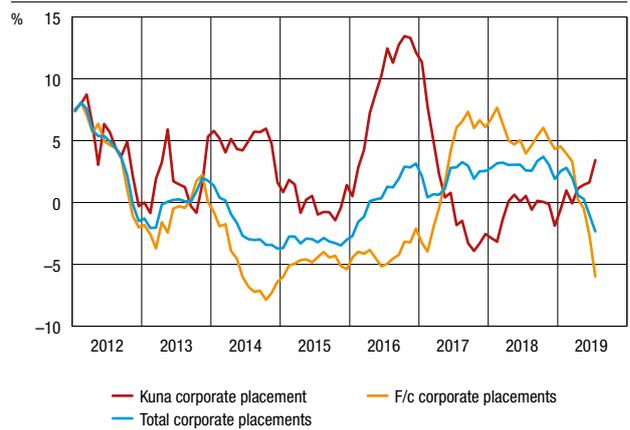
Source: CNB.

Figure 41 Placements to corporates



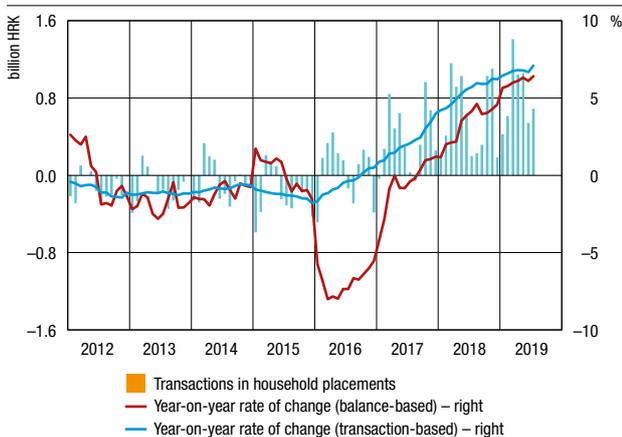
Source: CNB.

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



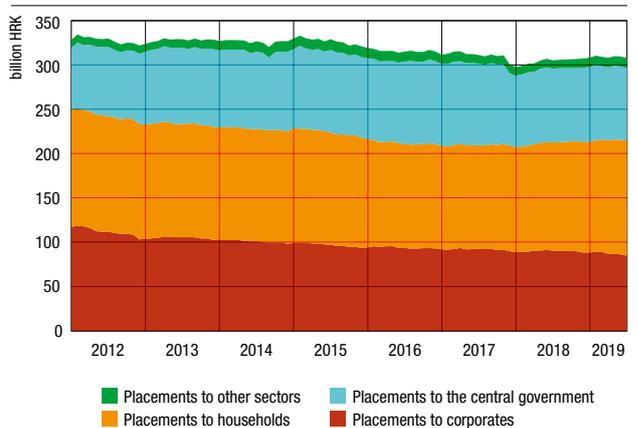
Source: CNB.

Figure 42 Placements to households



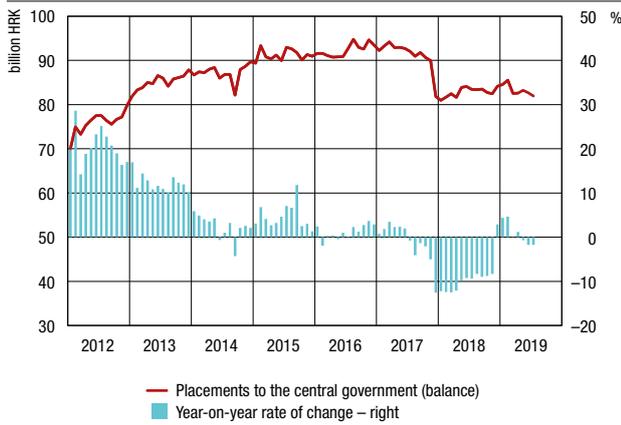
Source: CNB.

Figure 45 Structure of credit institution placements



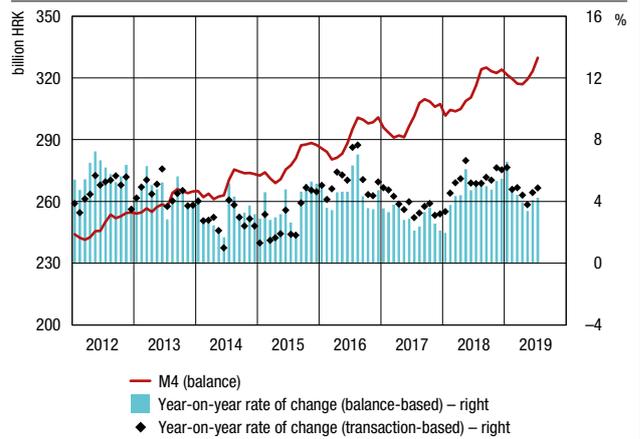
Source: CNB.

Figure 46 Credit institution and MMF placements to the central government



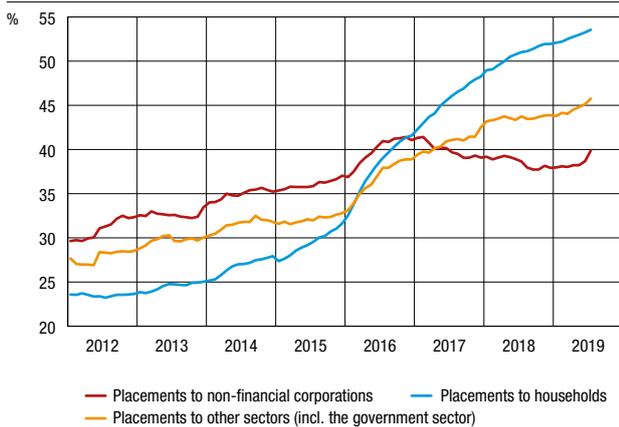
Source: CNB.

Figure 49 Total liquid assets (M4)



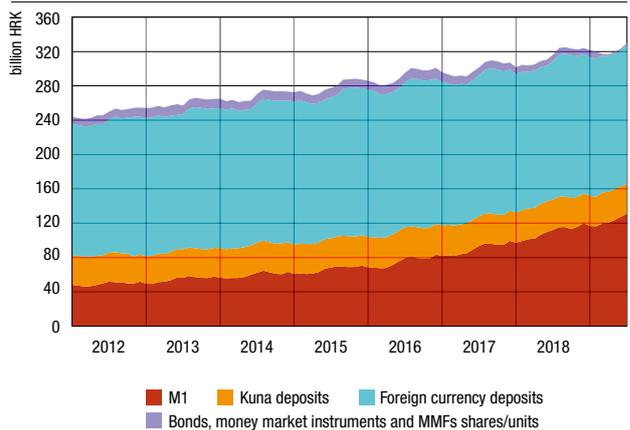
Source: CNB.

Figure 47 Share of kuna placements in total sector placements



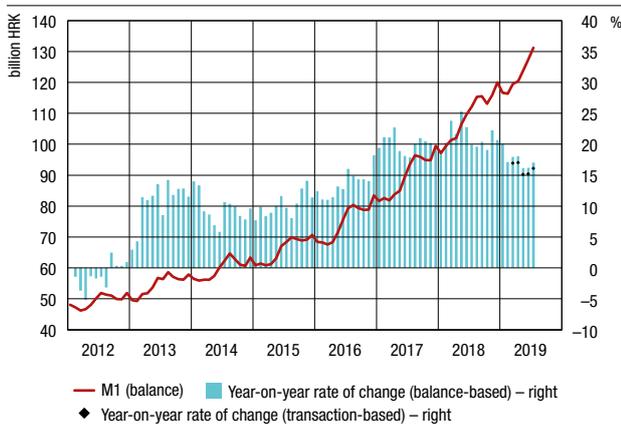
Source: CNB.

Figure 50 Structure of M4 monetary aggregate



Source: CNB.

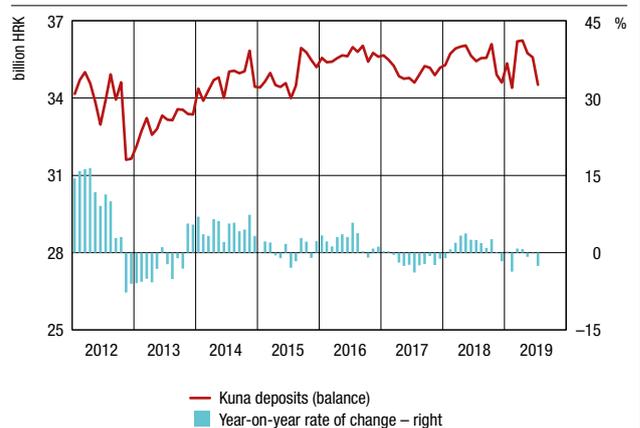
Figure 48 Money (M1)



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

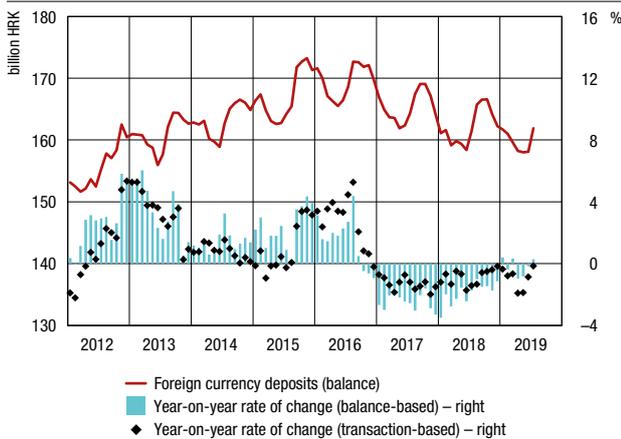
Source: CNB.

Figure 51 Kuna savings and time deposits



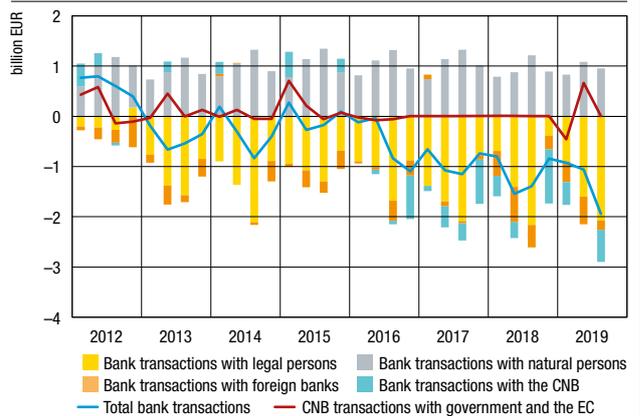
Source: CNB.

Figure 52 Foreign currency deposits



Source: CNB.

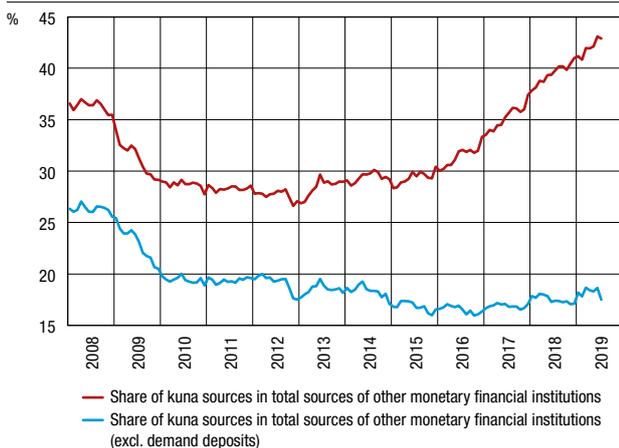
Figure 55 Spot transactions in the foreign exchange market (net turnover)



Notes: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government. Data for the third quarter of 2019 refer to July and August.

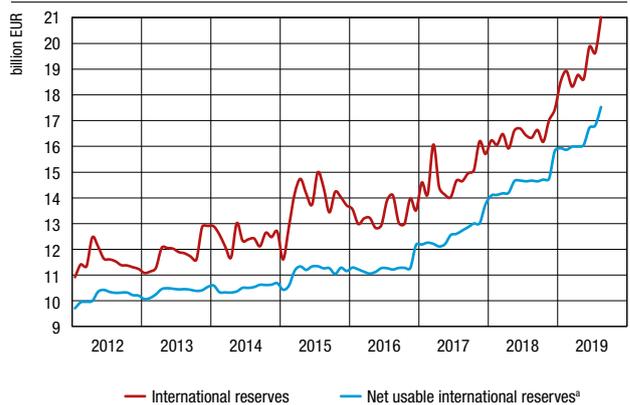
Source: CNB.

Figure 53 Share of kuna sources



Source: CNB.

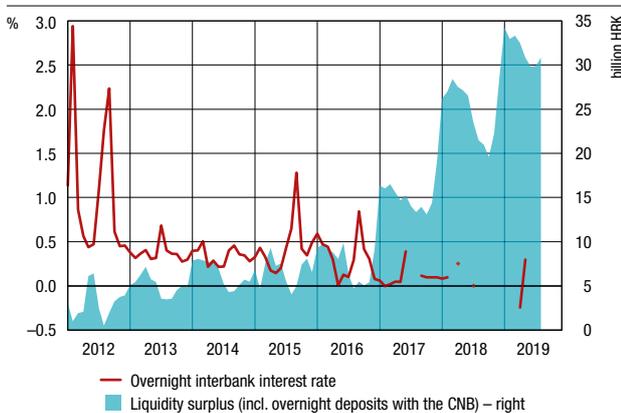
Figure 56 International reserves of the CNB at current rate of exchange



^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

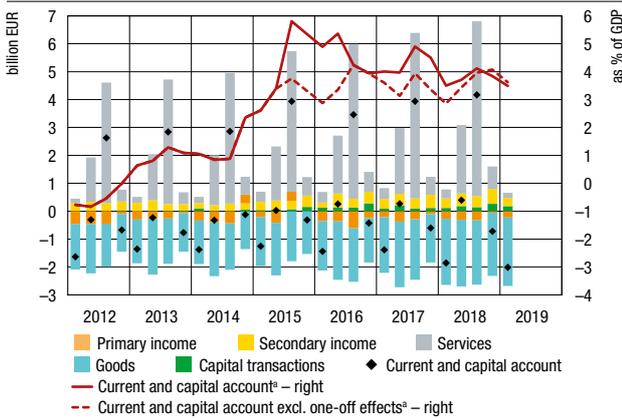
	2018	Q1/2019*	Indices	
			2018/2017	Q1/2019/2018
Current account	1,267.5	1,041.4	74.5	82.2
Capital account	709.7	776.6	140.1	109.4
Financial account (excl. reserves)	-109.2	-81.1	10.8	74.3
International reserves	1,545.0	1,484.8	59.6	96.1
Net errors and omissions	-541.4	-414.4	87.1	76.5

* 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.

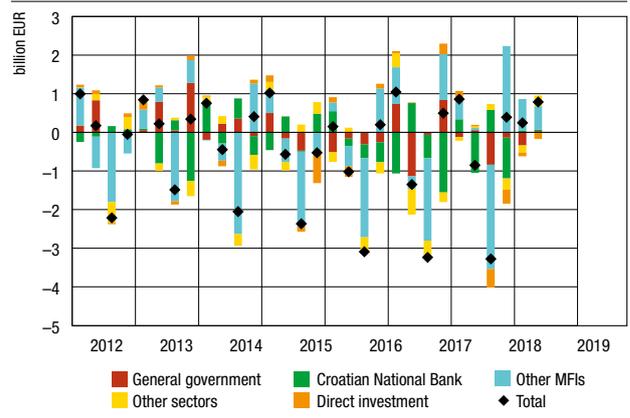
Figure 57 Current and capital account flows



^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.

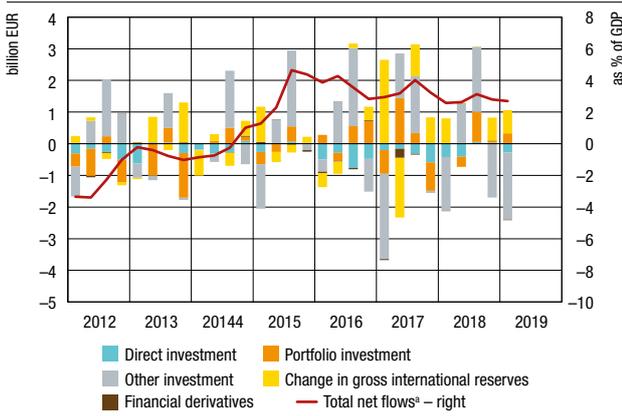
Figure 60 Net external debt transactions



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 second quarter of 2019 refer to April and May.

Source: CNB.

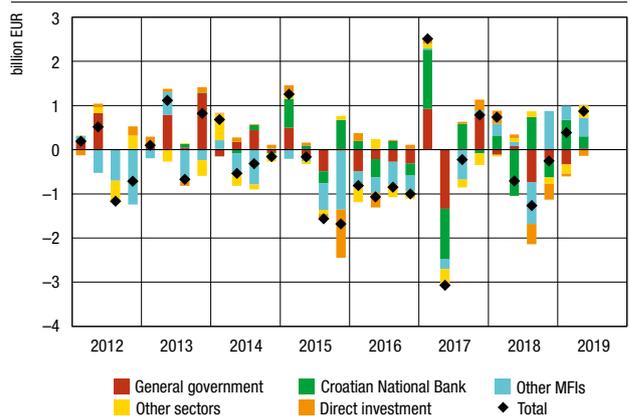
Figure 58 Financial account flows by type of investment



^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.

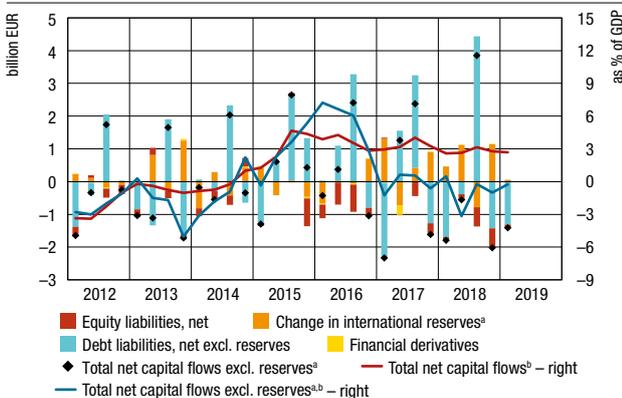
Figure 61 Gross external debt transactions



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

Source: CNB.

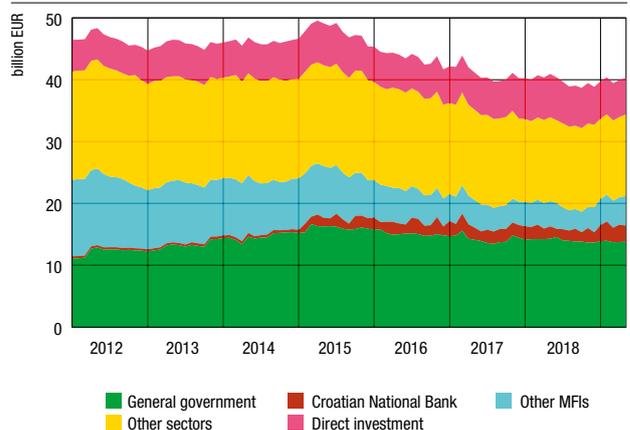
Figure 59 Financial account flows by capital structure



^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.

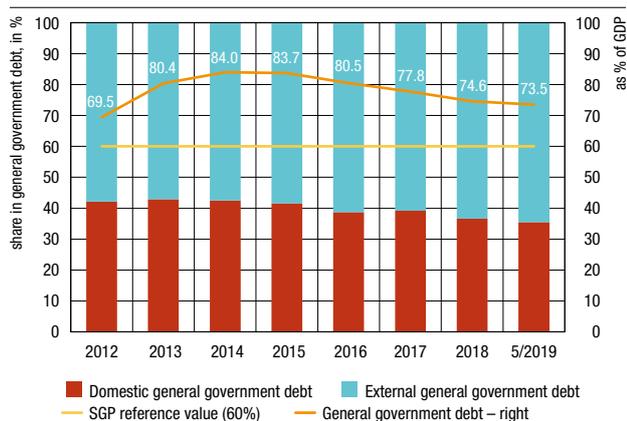
Figure 62 Gross external debt end of period



Note: Data are up to end-May 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

	May. 2018	May. 2019
Change in total debt stock	-4,551	2,133
Change in domestic debt stock	-828	4,847
– Securities other than shares, short-term	-27	135
– Securities other than shares, long-term	-1,456	6,710
– Loans	682	-1,889
Change in external debt stock	-3,723	-2,714
– Securities other than shares, short-term	-127	45
– Securities other than shares, long-term	-734	-865
– Loans	-2,862	-1,894
Memo item:		
Change in total guarantees issued	-612	-440

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