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# Information on economic trends

March 2019



## Summary

In the last quarter of 2018, real GDP held steady at the previous quarter's level, its annual growth rate slowing down to 2.3%. The stagnation in economic activity was the result of a combination of a decline in exports with strengthened domestic demand. The annual consumer price inflation fell from 0.8% in December to 0.2% in January, mostly driven by prices of unprocessed food products and energy. In early February, the CNB alleviated the appreciation pressures on the kuna/euro exchange rate by purchasing foreign exchange from banks. However, total foreign exchange transactions of the CNB had a small negative monetary effect due to a considerable sale of foreign exchange to the Ministry of Finance. Kuna liquidity of domestic credit institutions held steady at a very high level. Corporate and household placements continued to grow on an annual level. The net external debt of the domestic sectors rose slightly in the fourth quarter, after strong deleveraging in the third quarter. According to MoF data, the central government ran a surplus throughout 2018. However, the surplus does not include outlays for activated shipyard guarantees. In accordance with the ESA 2010 methodology, these outlays will be included in general government expenditures and will worsen the budget balance.

According to the CBS first estimate, in the last quarter of 2018, real GDP held steady on a quarterly level, after signs of slowdown in the third quarter. At the end of last year, the annual growth rate of real GDP fell to 2.3% from 2.6% throughout 2018 (Figure 1). Such developments were mostly associated with a continued weakening of foreign demand. Despite a rise in services exports in the fourth quarter from the previous three-month period, this was not sufficient to compensate for the fall in goods exports. By contrast, domestic demand rose at the end of last year. The growth in personal consumption accelerated, the annual rate of growth reaching 3.9%. The strengthening of household consumption may be associated with continued favourable developments in the labour market, heavier household borrowing and a high level of consumer optimism. At the same time investment activities heightened, probably partly as a result of bigger general government investments. Strong domestic demand spurred further goods and services imports which, coupled with poor export results, led to a strong negative contribution being made by net foreign demand to total economic growth.

The results of the Consumer Confidence Survey show that consumer confidence continued to rise in February 2019. The consumer confidence index on a quarterly level reached the highest level ever, with rising optimism as regards the economic situation in Croatia and the financial situation of households in the following year and better expectations regarding unemployment. As regards business confidence, the upward trend in optimism in the construction activity, present since 2014, continued, reaching the highest level ever. In January and February this year, the trade confidence index rose considerably from the end of 2018, mostly as a result of much better expectations regarding sales in the next three months, and returned to the average level in the first half of the year. Expectations also improved in industry, reaching a relatively high level, as a result of expectations of rising production in the following three months, while the services confidence index held steady at a level similar to that in the previous quarter (Figure 8).

The favourable developments in the labour market continued into early 2019, although at a somewhat slower pace than at the end of 2018. In January, the total number of employed persons rose by 0.3% from the previous quarter. The number of employed persons rose in most activities, except in public administration and defence and compulsory social insurance, financial activities and insurance activities and trade. The increase in the number of employed persons in other service activities and in construction made a significant contribution to total employment growth (Figure 14). Unemployment continued to fall, slightly more as a result of clearings from the records for reasons other than employment (non-compliance with legal provisions,

registration cancellation and failure to report regularly) than of employment from the CES register. Registered unemployment (according to seasonally adjusted data for January 2019) fell to 8.6% from 8.9% in the fourth quarter of 2018 (Figure 15). In January, nominal gross wages rose by 1.3% from the previous quarter, after having stagnated in the last quarter of 2018. Private sector wages grew faster (1.6%) than public sector wages (0.4%, Figure 16).

In January 2019, consumer prices fell by 0.9% from the previous month (Table 1). The key contributor to this was the seasonal fall in the prices of clothing and footwear. A decline in the prices of certain food products (meat and fruit by 1.7% and 2.3%, respectively) and pharmaceutical products (over-the-counter medicines) by 3.3%, as a result of a reduction in the value added tax on these products, from 25% to 13% and 5%, respectively, made a considerable contribution to the monthly fall in consumer prices. The prices of some food products subject to a reduced VAT rate since January (fish and vegetables) rose slightly from December, in contrast with faster growth in these prices in the previous years as a result of the usual seasonal factors. January saw a fall in the prices of refined petroleum products on the domestic market, reflecting the fall in the prices of crude oil on the global market in December (Figure 19). However, the downward trend in crude oil prices present on the world market in the previous two and a half months came to a halt in January, with the price of a barrel of Brent crude oil rising by approximately 15% (from USD 53 at the end of December to USD 61 at the end of January), which could be reflected in developments in inflation in the coming months. This was due to a slowdown in production growth of this energy product in the USA, the agreement among OPEC countries and other major oil producers and political turmoil in Venezuela. The annual overall consumer price inflation rate slowed down from 0.8% in December to 0.2% in January (Figure 18). If analysed by the main CPI groups, the largest contribution to the fall in the annual inflation rate was made by the prices of unprocessed food products (meat, fruit and vegetables) and energy (petroleum products). The annual rate of core inflation also slowed down, from 1.0% in December to 0.6% in January, mostly as a result of a decline in the annual rate of change in the prices of meat and pharmaceutical products.

According to the first results of foreign trade in goods, nominal exports were unchanged in the fourth quarter from the previous quarter while imports rose additionally. Detailed data on trade in goods are only available for October and November and they show that in these two months exports grew by 4.5% from the previous three months' average (Figure 10), mostly as a result of growth in the exports of the narrow aggregate, which excludes energy products (3.7%). This was mostly due to greater

exports of chemical and food products and metal industry products, while exports of other transport equipment (mostly ships) fell considerably. Total goods imports rose by 6.8% from the previous three months' average (Figure 11), mostly influenced by a growth in the imports of the narrow aggregate (5.7%). Particularly strong was the growth in imports of capital goods (Figure 12), mostly industrial products and power generating machinery and equipment and electrical machinery, apparatus and appliances. The imports of chemical products and road vehicles also rose considerably.

A slight depreciation of the exchange rate of the kuna against the euro in January 2019 was followed by appreciation pressures in early February. To prevent excessive strengthening of the domestic currency, the CNB intervened strongly in the foreign exchange market, purchasing EUR 450.3m from the banks on 6 February. After that the exchange rate of the kuna against the euro stabilised and then slightly depreciated in the second half of the month. At the end of February, the exchange rate stood at EUR/HRK 7.43, only slightly higher than at the end of January when it stood at EUR/HRK 7.42 (Figure 21). The kuna weakened slightly also against most of Croatia's other major trading partners' currencies in February, resulting in a depreciation of the nominal effective exchange rate index of 0.2% compared to the end of January.

On the European money market, short-term interest rates remained in negative territory in early 2019. The overnight interbank interest rate for the euro area, EONIA, ended February at -0.37%, while the six-month EURIBOR stood at -0.23% (Figure 24). Risk premiums for European emerging market economies, Croatia included, did not change much in early 2019 (Figure 25). At the end of February 2019, the risk premium for Croatia stood at 95 basis points, remaining higher than premiums for Central and Eastern European peer countries (Romania excluded).

Kuna liquidity of domestic credit institutions held steady at the very high level of HRK 33.0bn in February. A total of HRK 3.3bn was created in February by purchases of foreign exchange from the banks; however, total foreign exchange transactions of the CNB had a small negative monetary effect due to a considerable sale of foreign exchange to the Ministry of Finance. Amid such conditions, no turnover has been recorded on the domestic interbank overnight market since July 2018 (Figure 54). The Ministry of Finance held T-bill auctions in January and February, placing one-year kuna T-bills at an unchanged interest rate still below 0.1% (Figure 28). In addition to issuing kuna T-bills, the government partly refinanced EUR 1.5bn worth of maturing T-bills by a new 455-day issue of EUR 1.1bn at 0.00% interest rate or 0.1 percentage points below the November 2017 issue.

The interest rates on new bank loans to non-financial corporations and households generally continued to move favourably in early 2019 (Figures 28 and 29). Lower interest rates on original new corporate loans, particularly on loans for working capital with a currency clause contributed to this (Figure 31). In January 2019, the interest rates on original new housing and consumer credit fell slightly (Figures 32 and 33). The interest rates on deposits also fell noticeably at the beginning of the year. This refers in particular to interest rates on household time deposits which reached their lowest ever levels in January (Figure 34). The spread between interest rates on total new loans and deposits rose, while the spreads between interest rates on loans and deposits remained almost unchanged (Figure 37).

Monetary developments in January 2019 were marked by a considerable fall in net foreign assets (NFA) of credit institutions, only partly offset by a rise in net domestic assets (NDA) of the monetary system as a result of a growth in net claims on the central government. As a result of such developments, total liquid assets (M4) fell by HRK 2.5bn or 0.8% in January 2019. Observed on an annual level, the growth in total liquid assets (M4) accelerated slightly to 6.2% in January, excluding the effects of exchange rate changes (Figure 49). As regards the structure of M4, the annual fall in quasi-money slowed down slightly (excluding the effects of exchange rate changes), while the annual growth in money (M1) slowed down and stood at 20.1% (Figure 48).

Total placements of monetary institutions to domestic sectors (excluding the government) increased in January (transaction-based) by HRK 0.4bn, with their annual growth rate up to 4.9% (Figure 40). The annual growth in placements to non-financial corporations and households stood at 2.5% (Figure 41) and 6.4% (Figure 42), respectively. The relatively fast growth in household placements was spurred by a further annual rise in general-purpose cash loans (12.5%) and housing loans (3.9%). In terms of currency structure, the share of kuna placements in total household placements continued to grow, reaching 52.1% at the end of January (Figure 47). As for the nominal stock of placements, their annual growth stood at 3.3% in January and was significantly slower than the transaction-based growth, primarily as a result of the sale of non-performing placements.

Gross international reserves rose in January and February and at the end of February they stood at EUR 18.9bn (Figure 56), mostly influenced by purchases of foreign exchange from the banks. Gross reserves rose by EUR 1.5bn or 8.6% from the end of the previous year. Net usable international reserves remained almost unchanged from the end of the previous year and at the end of February they stood at EUR 15.9bn.

Following a sharp decline in the third quarter, the net external debt of domestic sectors rose by EUR 0.4bn in the last quarter of 2018 (Figure 60). This was mainly the result of a fall in foreign assets, while the foreign liabilities of domestic sectors fell additionally (Figure 61). Observed by domestic sectors, the increase in total net foreign liabilities was primarily due to a deterioration in the net foreign position of credit institutions (EUR 2.2bn). However, this deterioration was accompanied by an international reserve accumulation, which resulted in an improvement in the external position of the central bank of EUR 1.1bn. The net external debt of other domestic sectors, particularly private non-financial corporations to affiliated creditors and the debt of the general government sector fell additionally in the fourth quarter. If observed throughout the year, the intensity of the decline in the total net debt of the domestic sectors lessened only slightly from the previous year, with a noticeable improvement in the net external position of all the domestic sectors, except the banks, the leveraging of which came to a halt. The relative indicators show that the gross external debt fell to 75.1% of GDP at the end of 2018 and the net external debt to 23.4% of GDP, a decrease of approximately 7 and 8 percentage points, respectively, from the end of 2017.

According to monthly data of the Ministry of Finance<sup>1</sup> in December 2018, the central government ran a deficit of HRK 5.4bn, an increase of HRK 0.6bn from the last month of 2017. Due to a faster annual growth in revenues than expenditures, a surplus of HRK 0.9bn was generated at the level of the whole

<sup>1</sup> Monthly data for central government, state government and social security sub-sectors which, pursuant to Council Directive 2011/85/EU, have to 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 for data for the local government, which are published on a quarterly basis.

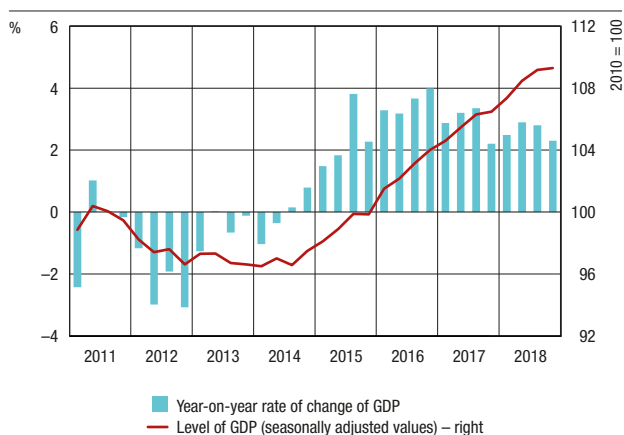
of 2018, which is an improvement in the balance of HRK 1.3bn from 2017 under the same methodology. This balance does not include paid shipyard guarantees, which will be included in the general government expenditures in accordance with the ESA 2010 methodology and worsen the budget balance.

At the end of November 2018, the consolidated general government debt stood at HRK 279.8bn, a decrease of HRK 3.5bn from the end of 2017, deriving partly from the appreciation of the exchange rate of the kuna against the euro in the observed period. Favourable fiscal developments, coupled with a growth in the gross domestic product led at the end of November to a

fall in the public debt to GDP ratio to 73.3%, from 77.5% at the end of 2017 (Figure 63).

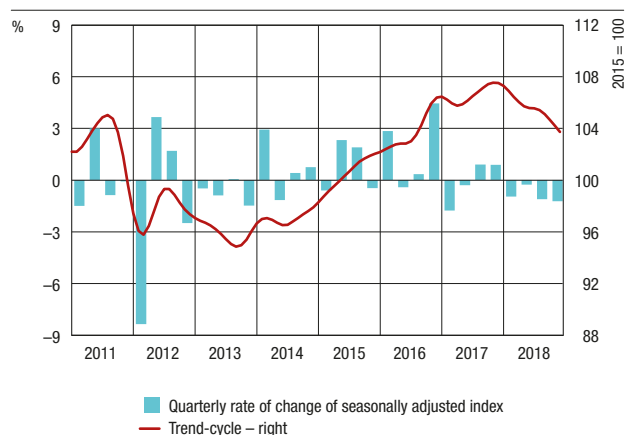
In early February the government issued the second tranche of bonds on the domestic market nominally worth HRK 5.0bn and maturing in 2029 and an issue of bonds nominally worth EUR 0.5bn and maturing in 2022. A T-bill issue worth nominally EUR 1.5bn maturing on 7 February was partly refinanced by the funds raised through the mentioned bond issues and partly by a new euro T-bill issue worth EUR 1,048bn at 0% interest rate.

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



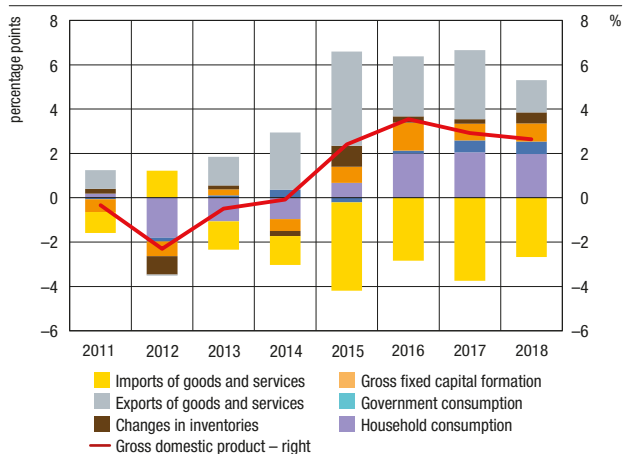
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

**Figure 3 Industrial production**



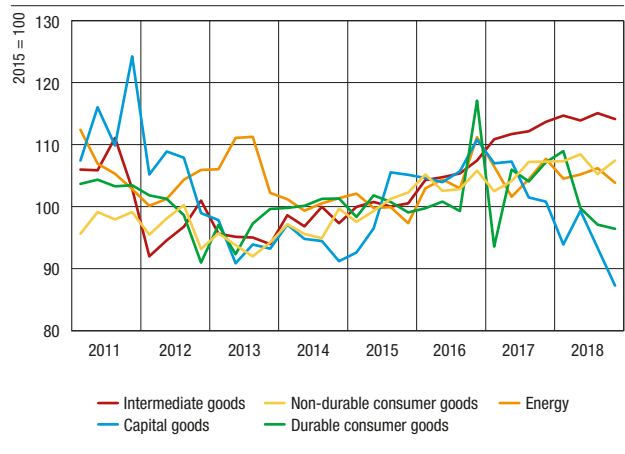
Source: CBS data seasonally adjusted by the CNB.

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



Source: CBS.

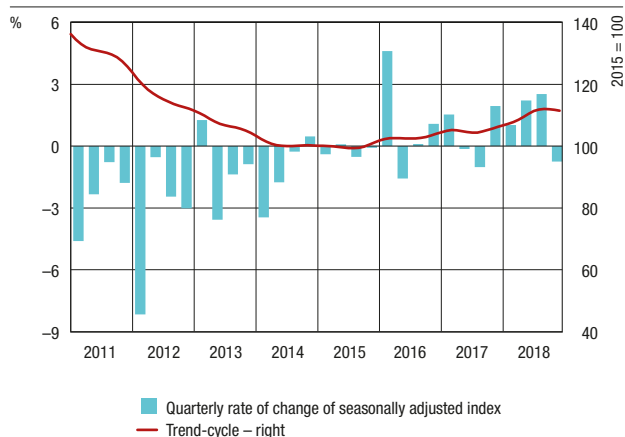
**Figure 4 Industrial production by main industrial groupings**  
seasonally adjusted indices



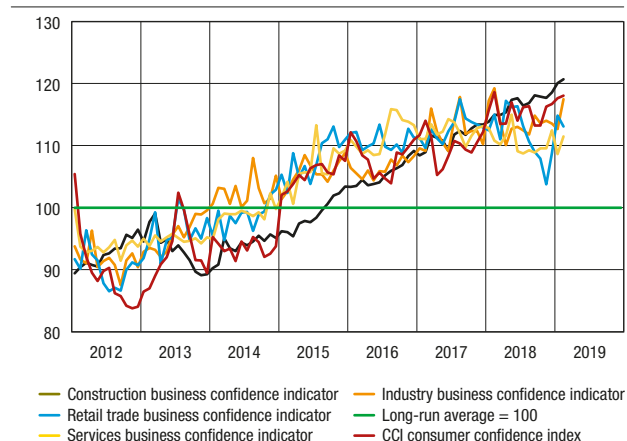
Note: Quarterly data are calculated as the average of monthly data.

Source: CBS data seasonally adjusted by the CNB.

Figure 5 Total volume of construction works

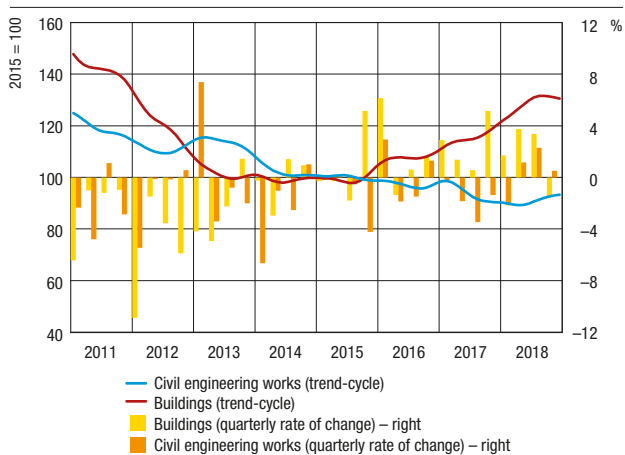


Source: CBS data seasonally adjusted by the CNB.

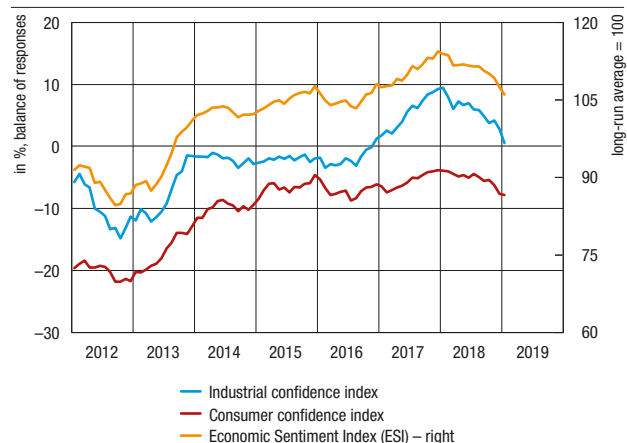
Figure 8 Business confidence indicators  
standardised and seasonally adjusted values

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

Figure 6 Buildings and civil engineering works



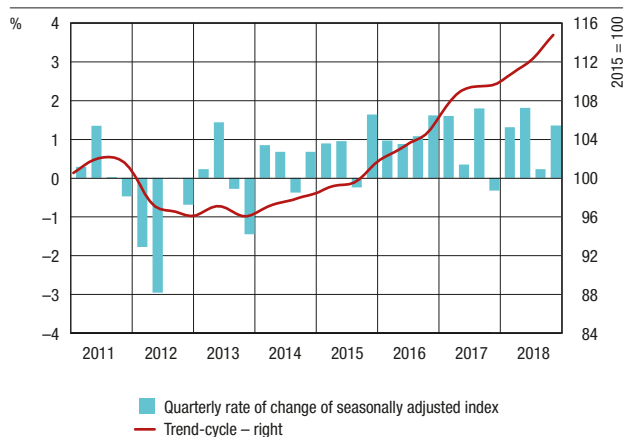
Source: CBS data seasonally adjusted by the CNB.

Figure 9 EU confidence indices  
seasonally adjusted series

Note: Data are up to January 2019.

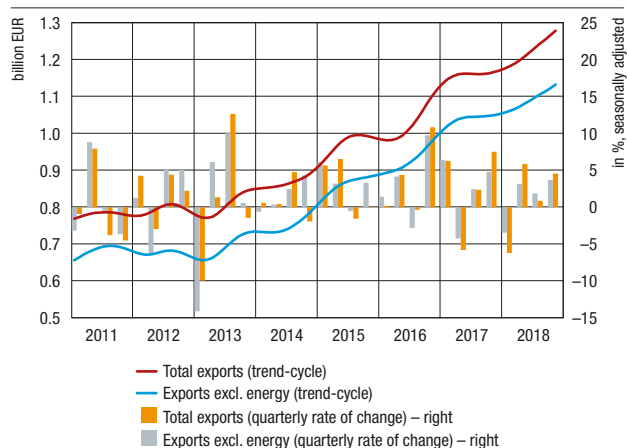
Source: Eurostat.

Figure 7 Real retail trade turnover



Source: CBS data seasonally adjusted by the CNB.

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

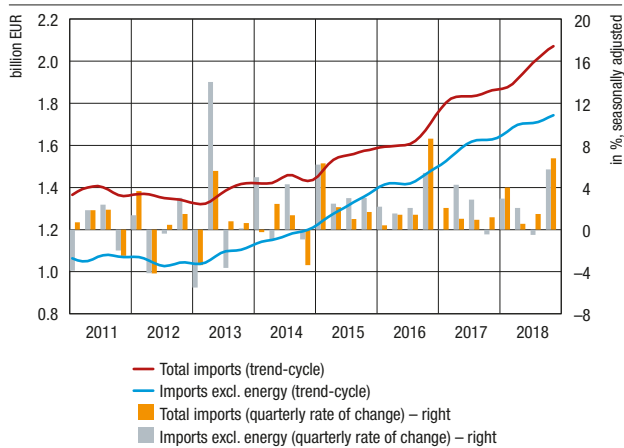


Note: Data for the fourth quarter of 2018 refer to October and November.

Source: CBS data seasonally adjusted by the CNB.



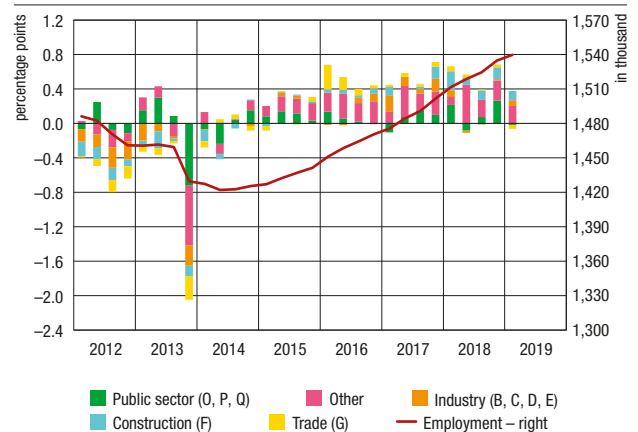
Figure 11 Goods imports (c.i.f.)



Note: Data for the fourth quarter of 2018 refer to October and November.  
Source: CBS data seasonally adjusted by the CNB.

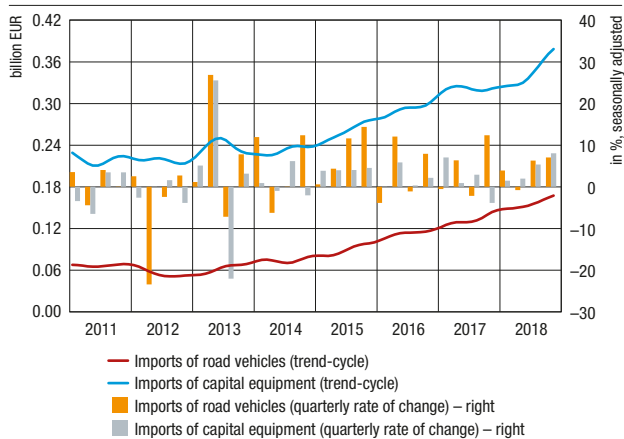
Figure 14 Employment by NCA activities

seasonally adjusted data, contributions to the quarterly rate of change



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

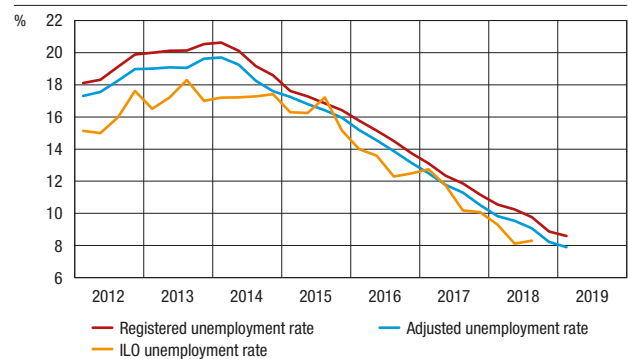
Figure 12 Imports of capital equipment and road vehicles (c.i.f.)



Notes: Imports of capital equipment (SITC divisions 71 – 77). Data for the fourth quarter of 2018 refer to October and November.  
Source: CBS data seasonally adjusted by the CNB.

Figure 15 Unemployment rates

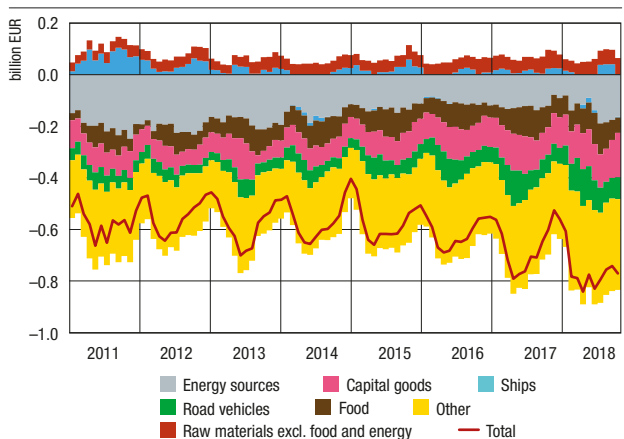
seasonally adjusted data



Notes: Since January 2015, the calculation of the registered unemployed rate has been made using 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 first quarter of 2019 refer to January.

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

Figure 13 Trade in goods balance

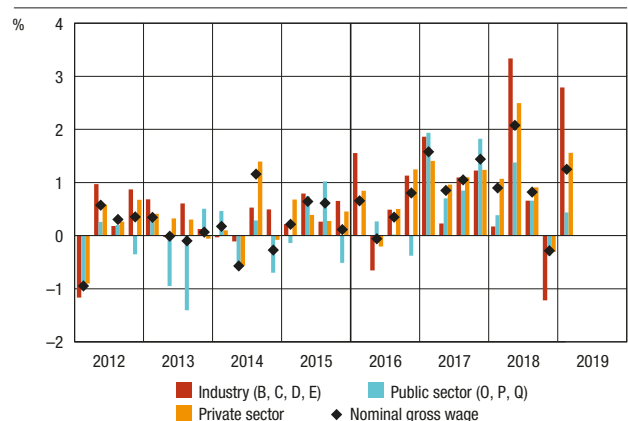


Notes: Series are shown as three-member moving averages of monthly data. Data are up to November 2018.

Source: CBS.

Figure 16 Average nominal gross wage by NCA activities

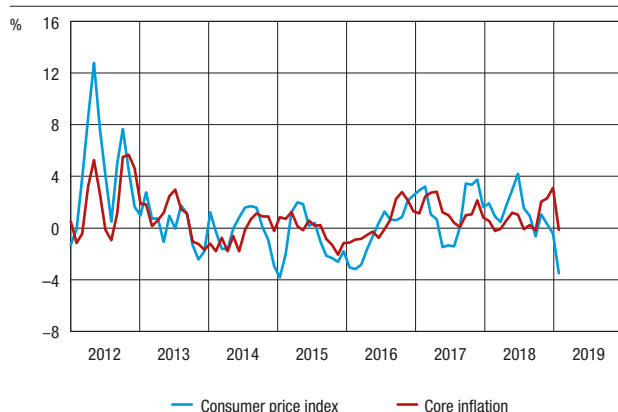
seasonally adjusted data, quarterly rate of change



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 first quarter of 2019 refer to January.

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

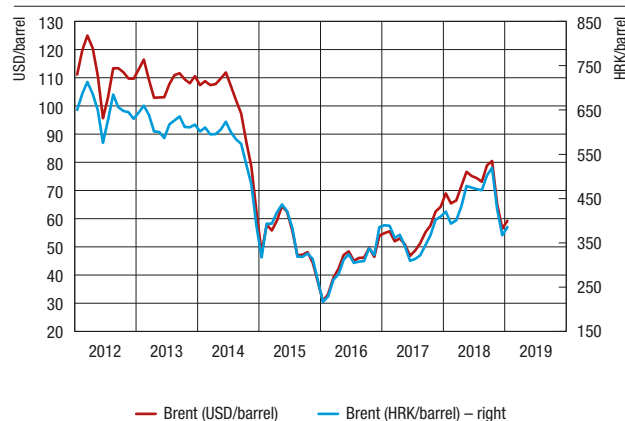
**Figure 17 Consumer price index and core inflation**  
annualised month-on-month rate of change<sup>a</sup>



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

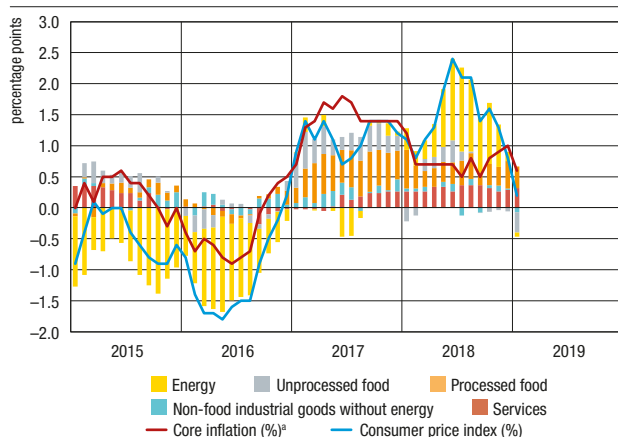
Sources: CBS and CNB calculations.

**Figure 19 Crude oil prices (Brent)**



Sources: Bloomberg and CNB calculations.

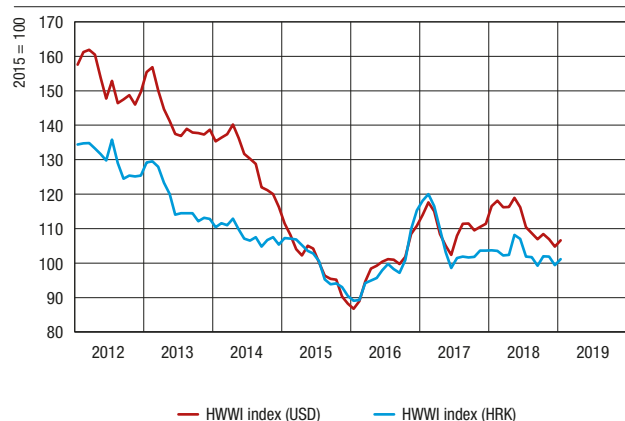
**Figure 18 Year-on-year inflation rate and contributions of components to consumer price inflation**



<sup>a</sup> Core inflation does not include agricultural product prices, energy prices and administered prices.

Sources: CBS and CNB calculations.

**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

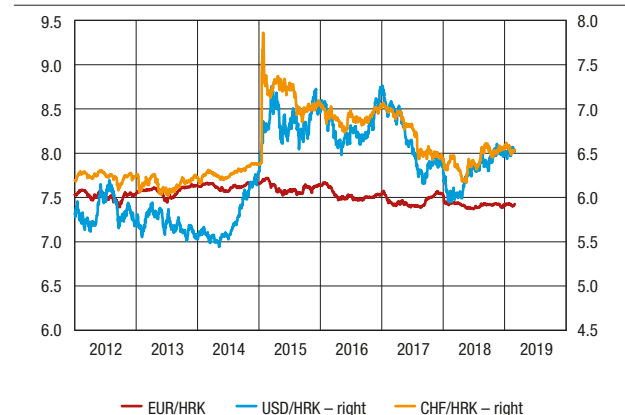
	Year-on-year rates		Month-on-month rates	
	12/2018	1/2019	1/2018	1/2019
<b>Consumer price index and its components</b>				
Total index	0.8	0.2	-0.2	-0.9
Energy	0.9	-0.4	0.4	-0.8
Unprocessed food	-0.6	-3.5	1.2	-1.8
Processed food	1.9	1.5	1.6	1.2
Non-food industrial goods without energy	0.1	-0.3	-3.2	-3.6
Services	1.1	1.2	0.0	0.1
<b>Other price indicators</b>				
Core inflation	1.0	0.6	-0.7	-1.1
Index of industrial producer prices on the domestic market	0.5	0.5	0.1	0.1
Brent crude oil price (USD)	-12.1	-14.1	7.4	5.0
HWWI index (excl. energy, USD)	-5.9	-8.5	4.6	1.7

Note: Processed food includes alcoholic beverages and tobacco.

Sources: CBS, Bloomberg and HWWI.

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

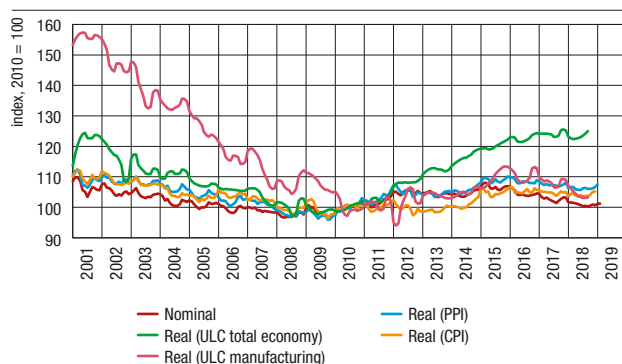
CNB midpoint exchange rate



Source: CNB.



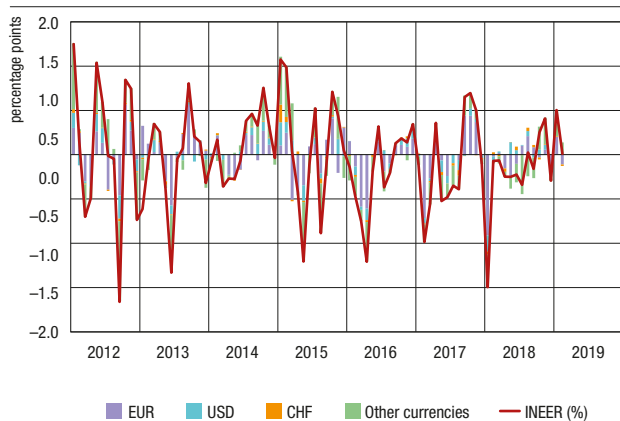
**Figure 22 Nominal and real effective exchange rates of the kuna**



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

Source: CNB.

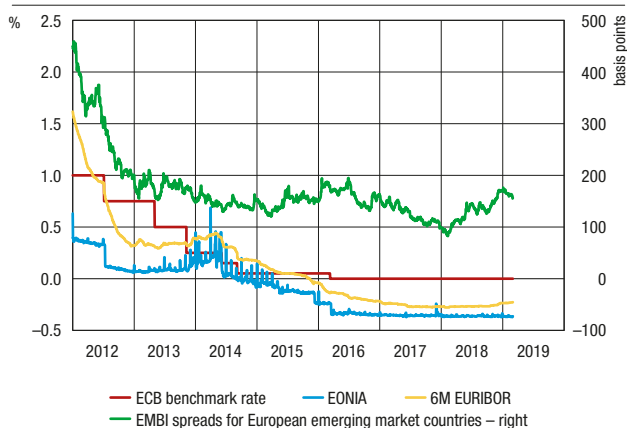
**Figure 23 Contributions<sup>a</sup> of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)**



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

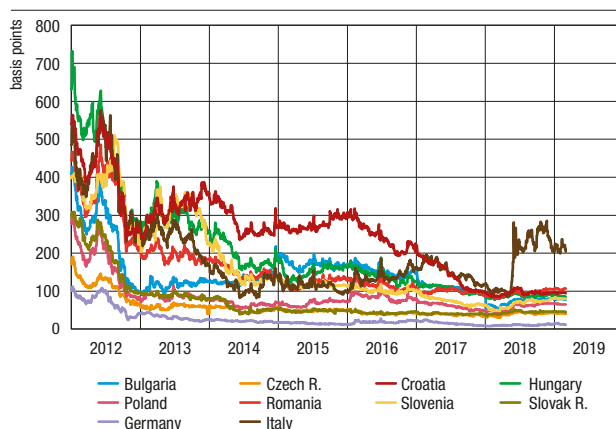
Source: CNB.

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



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

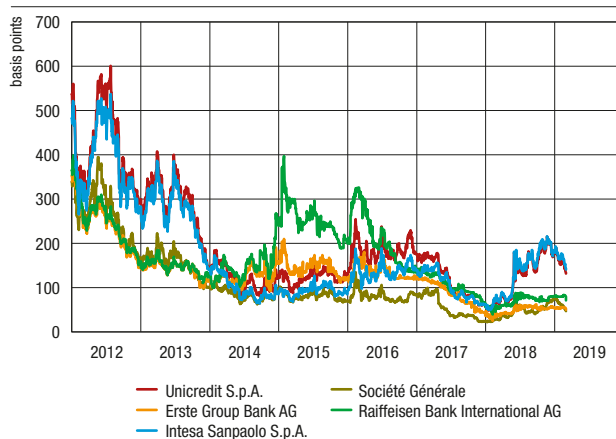
**Figure 25 CDS spreads for 5-year government bonds of selected countries**



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

Source: S&P Capital IQ.

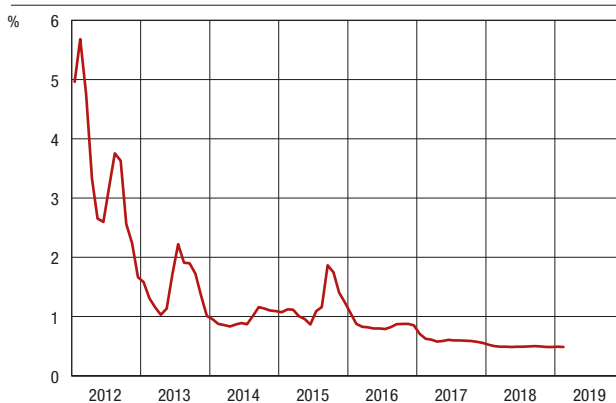
**Figure 26 CDS spreads for selected parent banks of domestic banks**



Source: S&P Capital IQ.

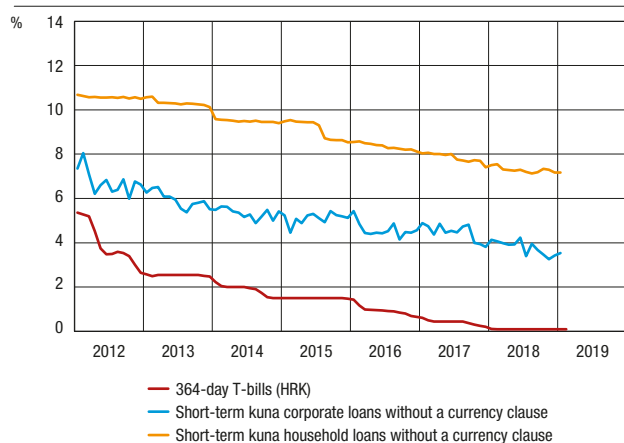
**Figure 27 Interest rates quoted on the interbank market (3-month ZIBOR)**

monthly averages of simple daily averages of bank quotations



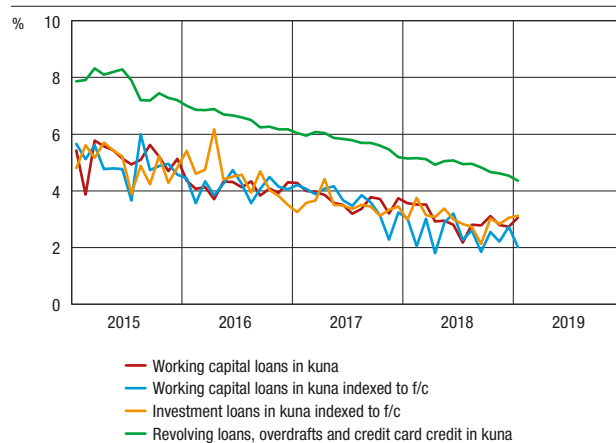
Source: CNB.

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



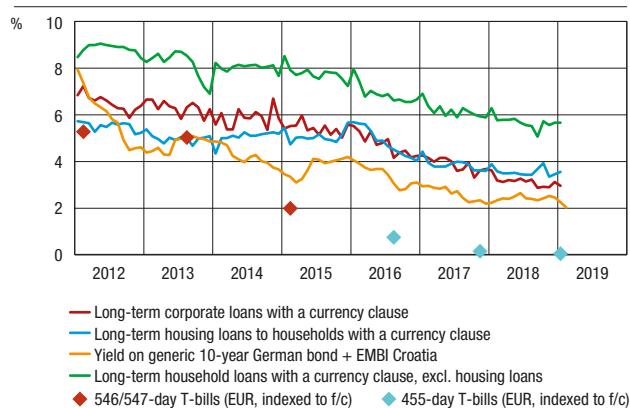
Sources: MoF and CNB.

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



Source: CNB.

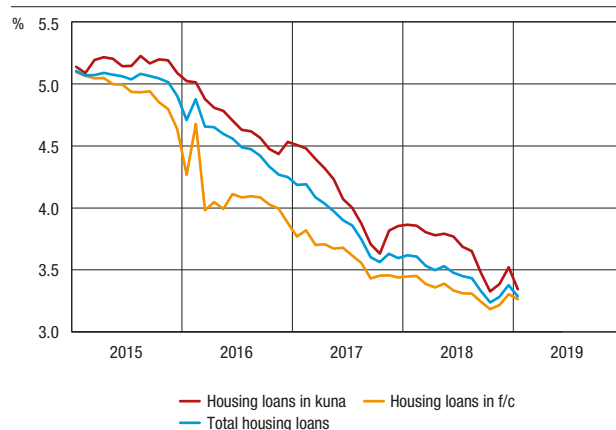
**Figure 29 Long-term financing costs in kuna with a currency clause and in foreign currency**



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

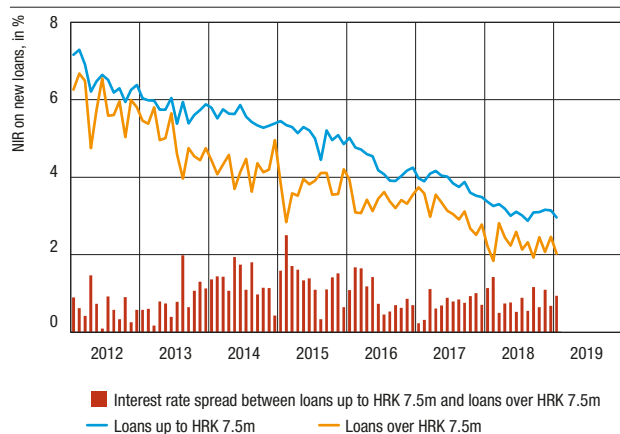
Sources: MoF, Bloomberg and CNB.

**Figure 32 Interest rates on original new housing loans to households**



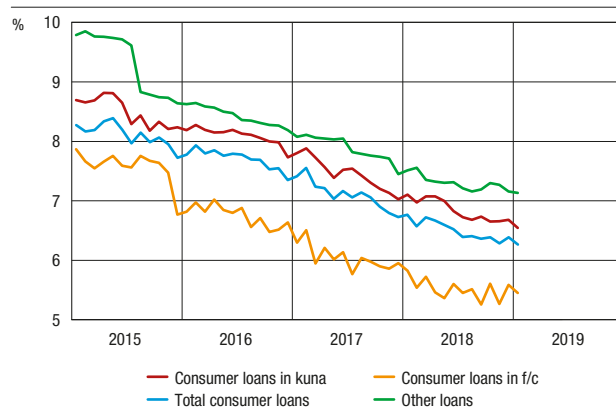
Source: CNB.

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



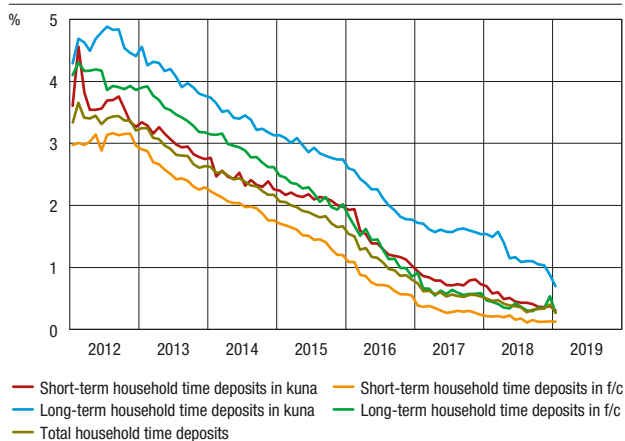
Source: CNB.

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

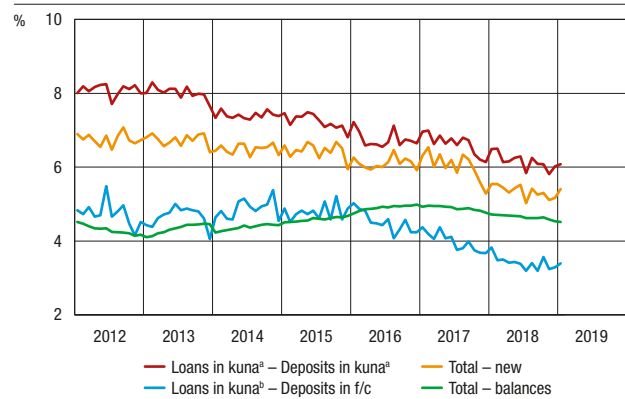


Notes: Consumer loans include total loans to households excl. housing and other loans. Other loans to households (denominated almost exclusively in kuna) include credit card loans, overdrafts, revolving loans and receivables on charge cards.

Source: CNB.

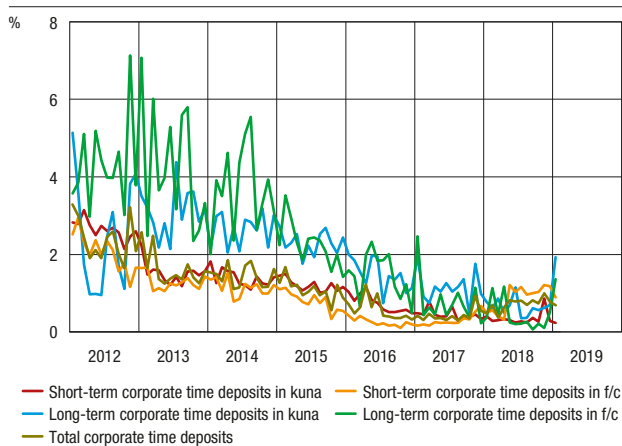
**Figure 34 Interest rates on household time deposits**

Source: CNB.

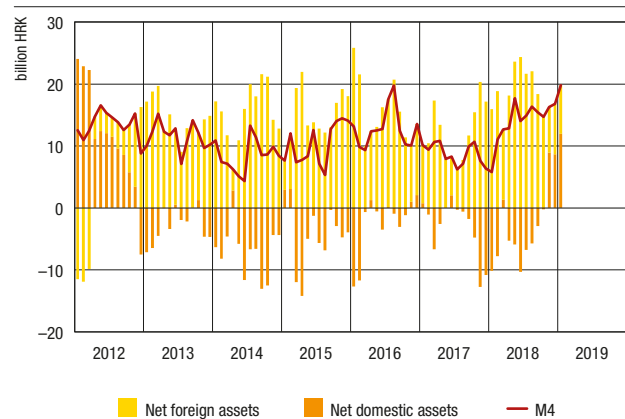
**Figure 37 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits**<sup>a</sup> Non-indexed to f/c. <sup>b</sup> Indexed to f/c.

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).

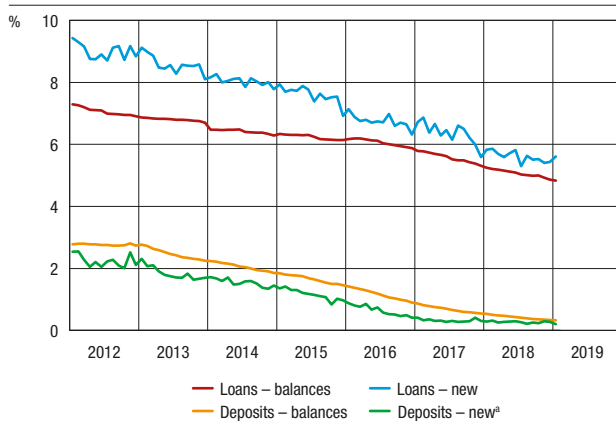
Source: CNB.

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

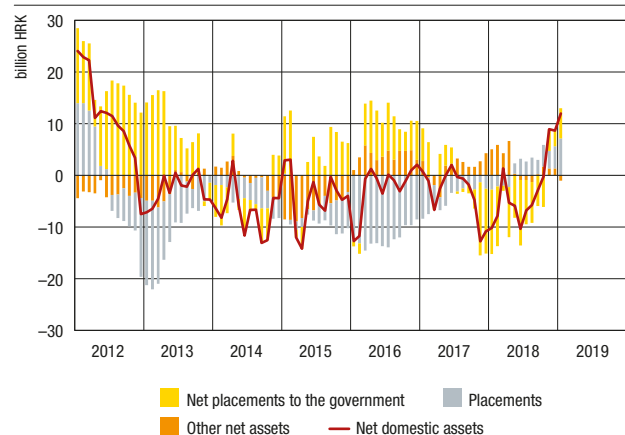
Source: CNB.

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

Source: CNB.

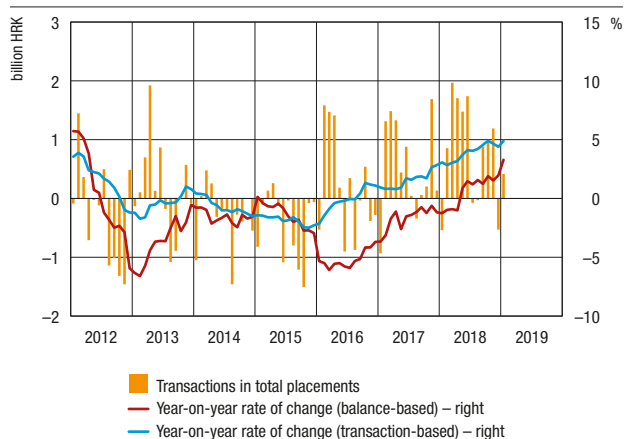
**Figure 36 Average interest rates on loans (excl. revolving loans) and deposits**<sup>a</sup> For time deposits, interest rates on newly received deposits are weighted by their balances.

Source: CNB.

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

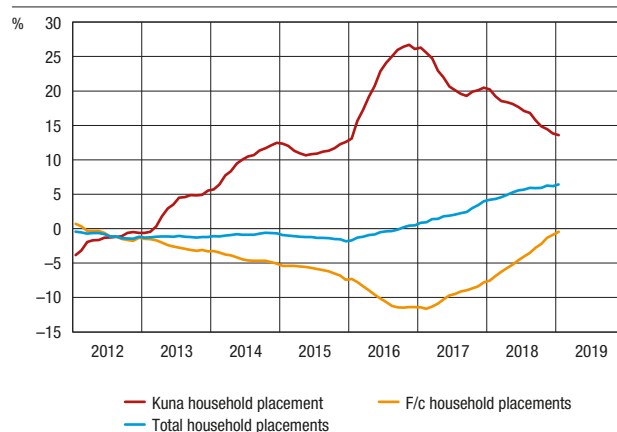
Source: CNB.

Figure 40 Placements



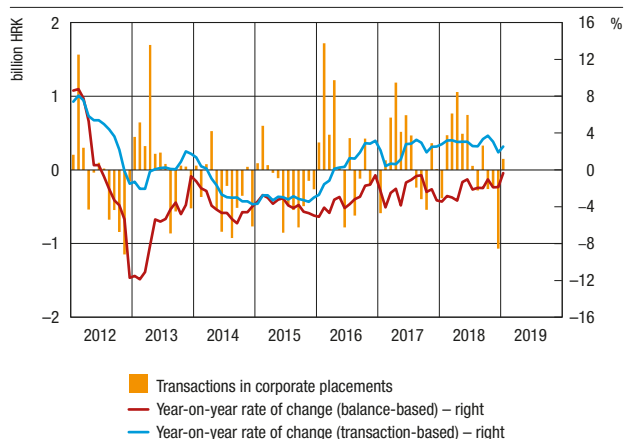
Source: CNB.

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



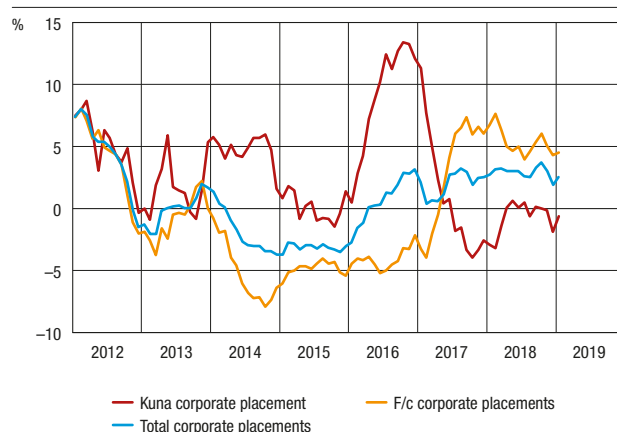
Source: CNB.

Figure 41 Placements to corporates



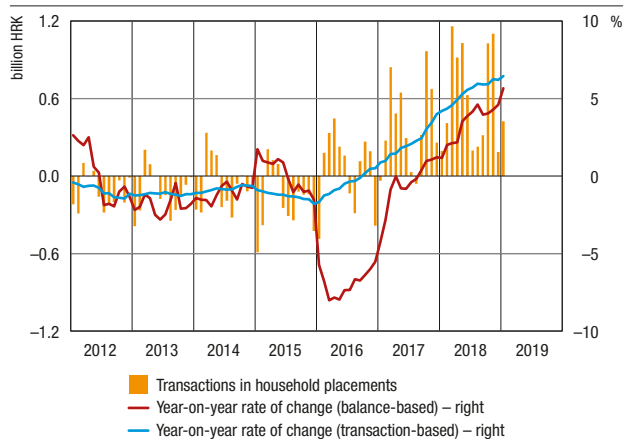
Source: CNB.

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



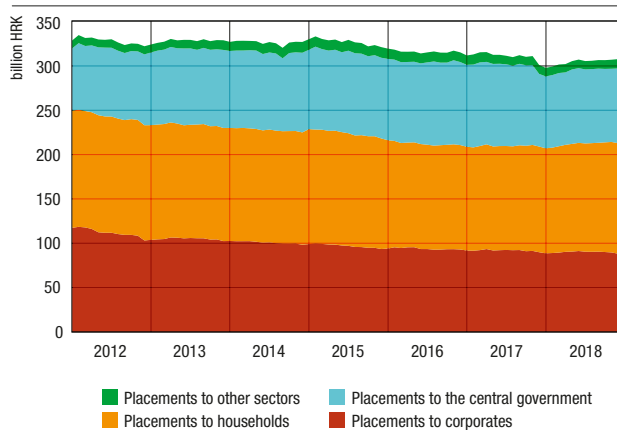
Source: CNB.

Figure 42 Placements to households

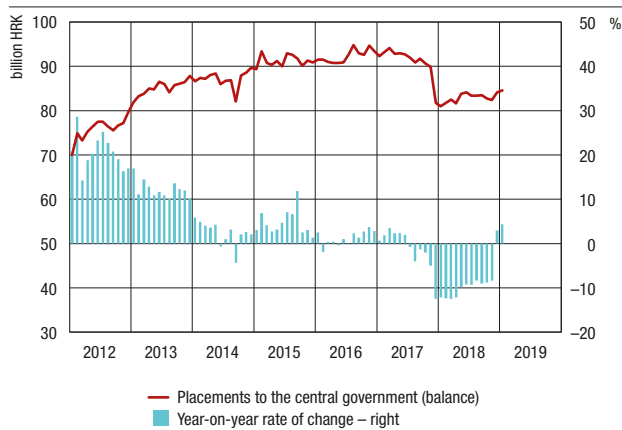


Source: CNB.

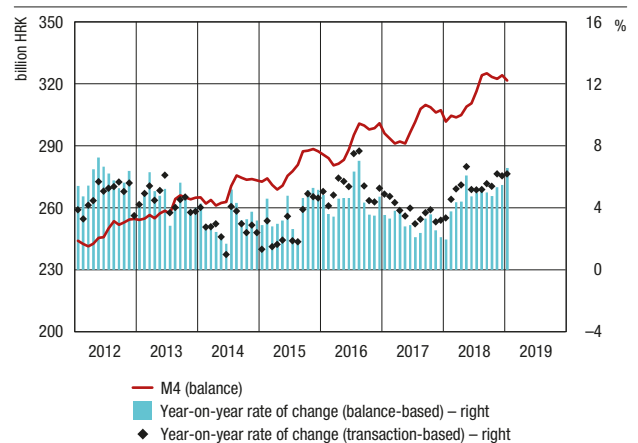
Figure 45 Structure of credit institution placements



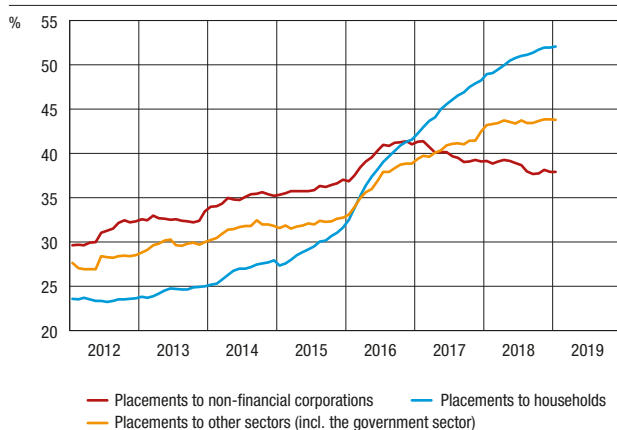
Source: CNB.

**Figure 46 Credit institution and MMF placements to the central government**

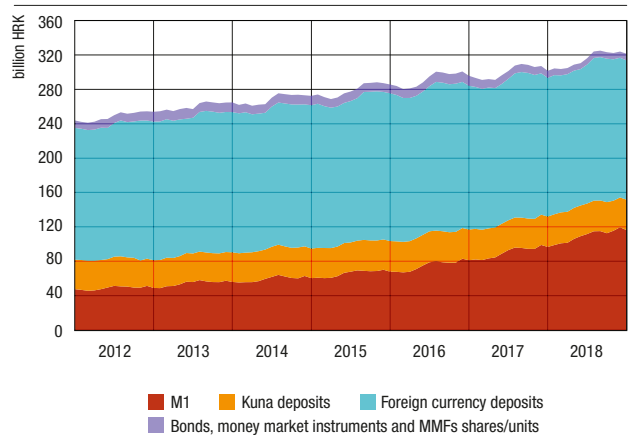
Source: CNB.

**Figure 49 Total liquid assets (M4)**

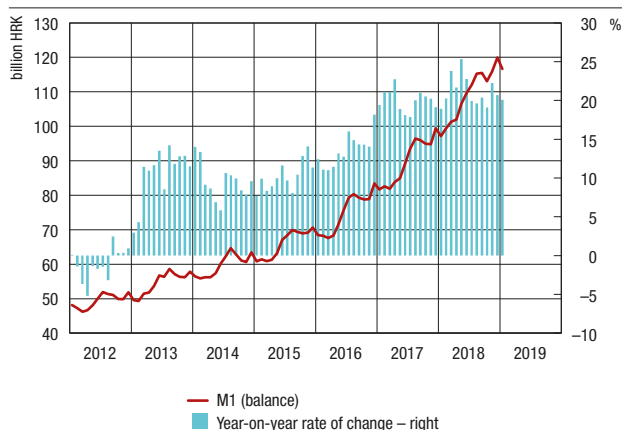
Source: CNB.

**Figure 47 Share of kuna placements in total sector placements**

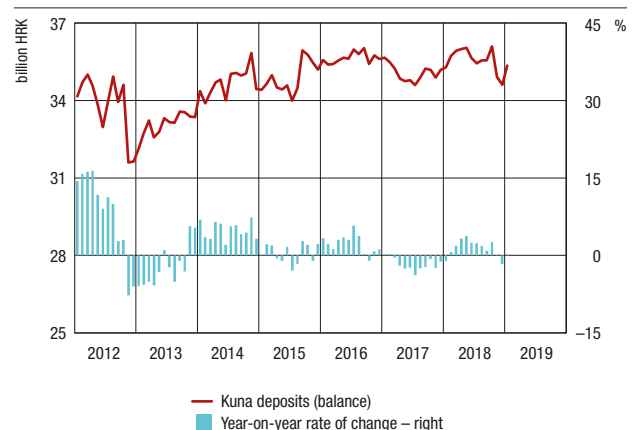
Source: CNB.

**Figure 50 Structure of M4 monetary aggregate**

Source: CNB.

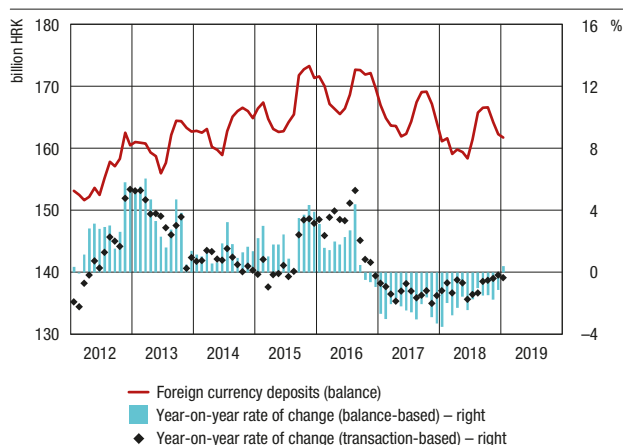
**Figure 48 Money (M1)**

Source: CNB.

**Figure 51 Kuna savings and time deposits**

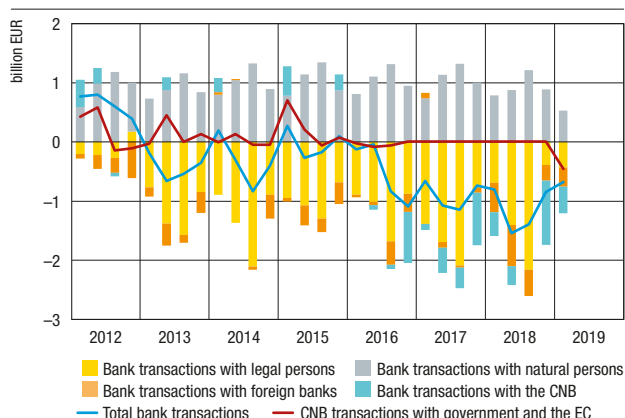
Source: CNB.

Figure 52 Foreign currency deposits



Source: CNB.

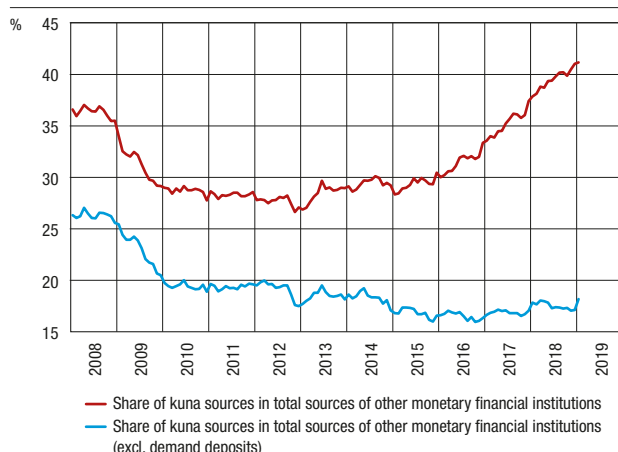
Figure 55 Spot transactions in the foreign exchange market (net turnover)



Notes: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government. Data for the first quarter of 2019 refer to January and February.

Source: CNB.

Figure 53 Share of kuna sources



Source: CNB.

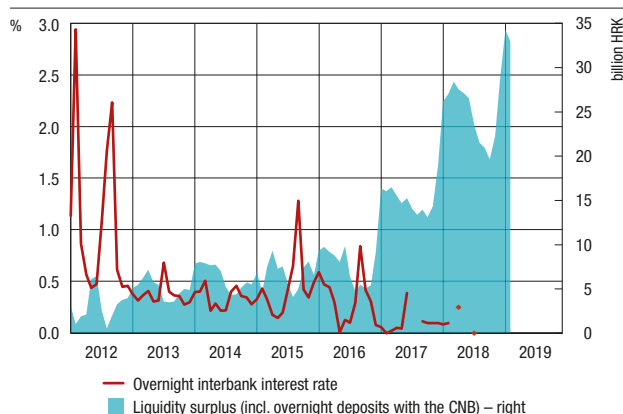
Figure 56 International reserves of the CNB at current rate of exchange



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

Source: CNB.

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

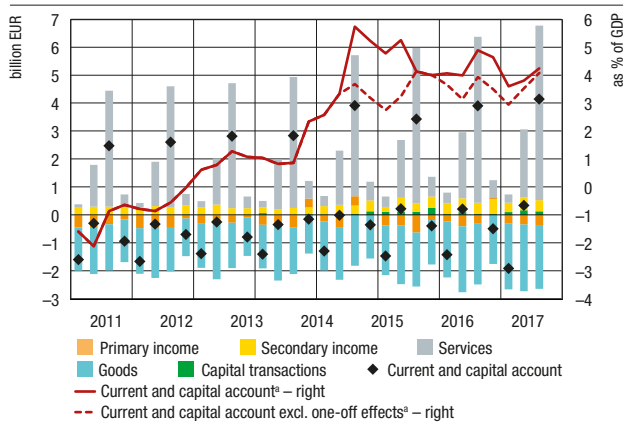
	2017	Q3/2018 <sup>a</sup>	Indices	
			2017/ 2016	Q3/2018/ 2017
Current account	1,983.6	1,652.2	164.4	83.3
Capital account	296.4	509.4	44.4	171.9
Financial account (excl. reserves)	-756.4	505.7	-46.6	-66.9
International reserves	2,593.1	1,636.3	—	63.1
Net errors and omissions	-443.2	-19.6	86.1	4.4

<sup>a</sup> 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

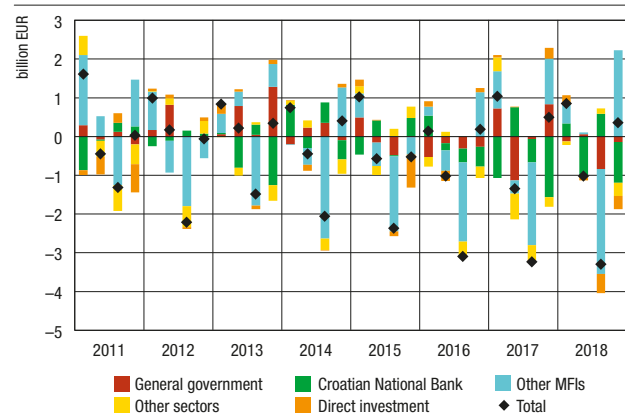


<sup>a</sup> Sum of the last four quarters.

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

Source: CNB.

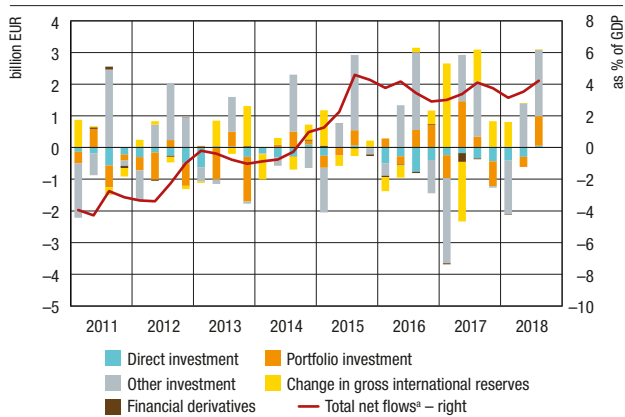
Figure 60 Net external debt transactions



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.

Source: CNB.

Figure 58 Financial account flows by type of investment

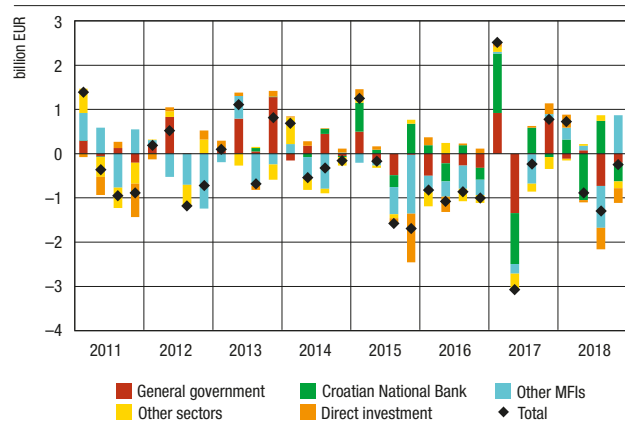


<sup>a</sup> Sum of the last four quarters.

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

Source: CNB.

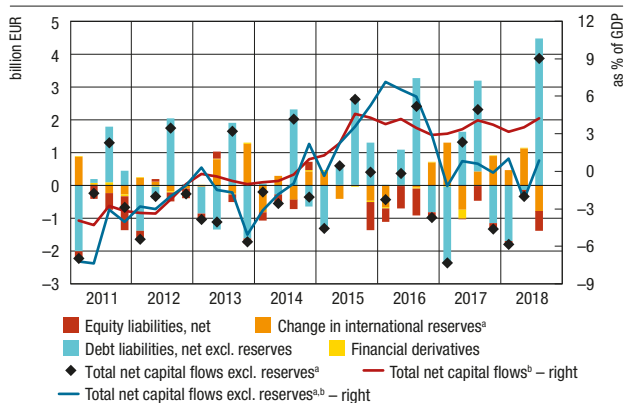
Figure 61 Gross external debt transactions



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

Source: CNB.

Figure 59 Financial account flows by capital structure

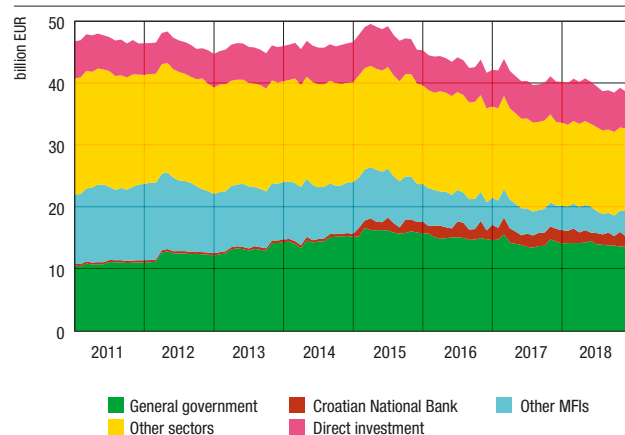


<sup>a</sup> The change in gross international reserves is reported net of foreign liabilities of the CNB. <sup>b</sup> Sum of the last four quarters.

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 62 Gross external debt end of period

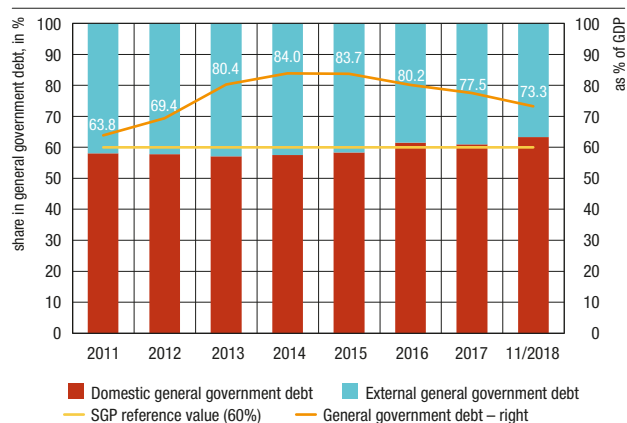


Note: Data are up to end-December 2018.

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. – Sep. 2017	Jan. – Sep. 2018
<b>Total revenue</b>	<b>123,357</b>	<b>131,145</b>
Direct taxes	15,868	17,046
Indirect taxes	53,895	57,505
Social contributions	32,137	33,633
Other	21,457	22,961
<b>Total expenditure</b>	<b>121,733</b>	<b>124,584</b>
Social benefits	42,687	43,643
Subsidies	4,212	4,094
Interest	7,345	7,269
Compensation of employees	30,243	31,704
Intermediate consumption	21,667	22,606
Investment	7,236	6,210
Other	8,342	9,058
<b>Net lending (+)/borrowing (–)</b>	<b>1,624</b>	<b>6,561</b>

Sources: Eurostat and CBS.

Table 4 Consolidated central government net borrowing

GFS 2001, in million HRK

	Jan. – Oct. 2017	Jan. – Oct. 2018
1 Revenue	117,820	123,651
2 Disposal of non-financial assets	550	459
3 Expenditure	110,148	113,654
4 Acquisition of non-financial assets	2,515	2,943
5 Net borrowing (1 + 2 – 3 – 4)	5,707	7,513

Sources: MoF and CNB calculations.

Table 5 General government debt

in million HRK

	Jan. – Nov. 2017	Jan. – Nov. 2018
Change in total debt stock	11,350	–3,523
Change in domestic debt stock	5,917	4,433
– Securities other than shares, short-term	436	–904
– Securities other than shares, long-term	9,656	6,323
– Loans	–4,094	–915
Change in external debt stock	5,433	–7,955
– Securities other than shares, short-term	121	–145
– Securities other than shares, long-term	5,096	–3,462
– Loans	215	–4,348
Memo item:		
Change in total guarantees issued	466	–1,137

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
Ø	– average
a, b, c, ...	– indicates a note beneath the table and figure
*	– corrected data
( )	– incomplete or insufficiently verified data