Information on economic trends

October 2022

Summary

Relatively unfavourable recent monthly indicators suggest a possible small decline in current economic activity in the third quarter, which would result in a slowdown in real growth on an annual level as well. Thus, business and consumer expectations deteriorated, industrial production fell in July and August from the second quarter and retail trade turnover stalled. Employment growth slowed down and the administrative unemployment rate in July and August was only slightly below that recorded three months earlier. The quarterly growth of nominal gross wages slowed down in these two months while real wages continued to fall. In contrast, the available monthly physical and financial indicators in tourism suggest a record tourist performance in the third quarter of 2022. The annual growth in consumer prices of food, industrial products and services continued to accelerate in August, while the growth in the prices of refined petroleum products slowed down as a result of a fall in crude oil prices on the global market caused by the heightened risk of a slowdown in global economic growth. As a result, overall inflation (measured by the consumer price index) held steady at 12.3% in August. The current and capital account balance deteriorated slightly in the second quarter of 2022 due to the widening of the foreign trade deficit. The tightening of financing conditions present for several months in the financial markets has not yet started to have any marked impact on the interest rates on household and corporate loans. The growth in total placements of monetary institutions to domestic sectors (except the central government) continued to accelerate on an annual level, mostly driven by corporate lending, while the growth in household placements accelerated only slightly. According to Ministry of Finance data, general government revenues and expenditures were almost balanced in the first half of the year, and such favourable fiscal developments continued into July and August.

The GDP nowcasting model for the third quarter suggests a slowdown in the annual growth, with the real GDP possibly headed for a fall compared to the previous quarter (Figure 1). Such developments are primarily suggested by data on industrial production and construction activity. Thus, in July and August industrial production fell by 1.0% from its average in the second quarter, with a fall on a monthly level being recorded in both July and August (Figures 3 and 4). Of the main industrial groupings, the production of intermediate goods fell the most on a quarterly level, followed by the production of durable and non-durable consumer goods. According to the NCA, manufacturing and mining and quarrying activities recorded a fall from the previous three months. By contrast, production in the activities of electricity, gas, steam and air conditioning supply rose on a quarterly level. The real retail trade turnover in July and August held steady at the second quarter level and the fast growth during that period (Figure 7). In July, the real volume of construction works fell by 2.5% from June, its first decline on a monthly level since the beginning of the year, although if compared with its average volume in the April to June period, it fell by 2.3%. Civil engineering works, mostly associated with construction activity in the public sector, fell on a quarterly level, while the volume of construction works on buildings increased (Figures 5 and 6).

Consumer Confidence Survey data showed that the consumer confidence index deteriorated in the third quarter of this year from the previous three months and came close to the levels recorded at the beginning of the pandemic. The deterioration in household confidence mostly mirrors the unfavourable expectations regarding the financial situation in households and the overall economic situation in Croatia for the next 12 months compared to the situation today. However, if observed on a monthly level, August and September saw a small improvement in consumer optimism. As regards business optimism, the expectations of business entities in the third quarter in the services activity and in industry were lower than in the second quarter of this year. The confidence in the services sector slumped heavily in August and September, falling to the long-term average. Confidence in industry, which had already fallen considerably in July, further worsened in August but in September returned to the low July value. By contrast, business expectations in trade and construction held steady compared to the previous three months, with the confidence in trade, much in the same way as in services, worsening throughout the quarter while that in construction recovered slightly. If these developments are taken into account, the level of business confidence is around or above the long-term average, in contrast with consumer confidence, which was below its long-term average (Figure 8).

In the third quarter, total employment rose by 0.5% from the previous quarter, when employment growth was a little faster and stood at 0.6%. This dynamics is in line with the trend of a gradual deceleration in employment growth that started in the second half of the previous year. Employment in the IT sector and tourism made the biggest contribution to total employment growth, in contrast with a fall in the number of employed persons in public administration and defence, education, health care and social services. If viewed on an annual level, the number of employed persons in the third quarter of 2022 was up 2.4% from the same period of the previous year (Figure 15). The seasonally adjusted administrative unemployment rate in July and August was only slightly below that in the three preceding months and stood at 6.8% of the labour force (between April and June, it stood at 6.9%) and the job vacancy rate remained almost unchanged at 1.26% (Figure 16). According to the last available data, the internationally comparable ILO unemployment rate rose in the second quarter, although it remained at a lower level than in the same period of the year before (Figure 15). The growth in nominal gross wages decelerated in July and August to 1.5% from 2.7% in the previous three months. In contrast with the previous four quarters, the growth in public sector wages was somewhat faster than in the rest of the economy (Figure 17). However, the growth in the general level of prices led to a further fall in real wages that started in the second half of 2021. Thus, real net wages in July and August were down 0.8% from the previous three months, when the fall was more pronounced and stood at 1.6%.

The annual rate of inflation in August remained at the July level of 12.3% (measured by the national consumer price index, Figure 19). The contribution of the prices of food and industrial products to overall inflation continued to grow due to a spillover of the earlier increase in the prices of energy and other raw materials on consumer prices. The contribution of the prices of services (particularly hotel and restaurant services) also rose slightly in August. However, the increased contribution of these components to overall inflation was offset by a smaller contribution of energy, owing to a considerable fall in the prices of refined petroleum products in August. The average price of a barrel of Brent crude oil (in US dollars) in August was down 9.5% from July, reflecting concerns about a slowdown in economic activity on a global level (Figure 20). Core inflation, the calculation of which excludes the prices of energy, agricultural products and administered prices, accelerated in August to 13.2% (from 12.0% in July, Table 1). The inflation measured by the harmonised index of consumer prices (HICP) fell in August to 12.6% from 12.7% in July. This level of inflation is 3.5 percentage points higher than that in the euro area (9.1%). At the same time, the core inflation rate in Croatia (measured by the HICP excluding energy, food, alcoholic beverages and tobacco) accelerated to 9.5% (from 9.1% in July), exceeding that in the euro area by 5.2 percentage points, with the annual growth in the prices of services and industrial products greatly exceeding that in the euro area. The annual growth in producer prices on the domestic market fell slightly in August to 30.5% (from 31.2% in July) due to a slowdown in the growth of energy prices while the annual growth of producer prices excluding energy accelerated to 11.0% (from 10.5%), suggesting that the pressures on consumer prices from that source continue to be considerable.

The current and capital account ran a deficit of EUR 0.6bn in the second quarter of 2022, having worsened by EUR 0.2bn from the same period of the year before (Figure 64). This is the result of a large widening of the foreign trade deficit, reflecting a further increase in the prices of energy products and other raw materials in the global market due to disruptions in global value chains, further exacerbated by the Russian invasion of Ukraine. Total goods exports thus grew 40.5% on an annual level and imports by an even faster 50.5%, which led to a large surge in the deficit, of 64.7%, or EUR 1.7bn. However, strong deterioration in goods trade was largely offset by a further growth in the net services exports (EUR 1.5bn), mainly owing to higher revenues from tourism consumption by foreign visitors. The growth in tourism revenues reflects a further recovery in volume indicators as well as a noticeable increase in the prices of accommodation and food and drink services. The balance in the primary income account remained at a level similar to that in the second quarter of 2021, given that the growth in net revenues from compensations of persons temporarily employed abroad was fully counterbalanced by greater net expenditures on foreign direct investments, i.e. greater profit of foreign-owned companies, particularly in the activities of accommodation, trade in motor vehicles and oil industry. At the same time, the total surplus in the secondary income and capital transactions account rose by a small EUR 52.6m from the same period of the year before, mostly owing to the growth in net revenues from personal transfers. If the last four quarters are observed, the surplus in the current and capital account until end June 2022 stood at 2.5% of GDP, down 3.1 percentage points from the whole of 2021.

In September, the daily nominal exchange rate of the kuna against the euro moved within a narrow range of –0.2% to +0.1% around the average exchange rate of EUR/HRK 7.52 (Figure 22). At the end of September, the exchange rate stood at EUR/HRK 7.53, up 0.3% from the end of the previous month or up 0.4% from the same period of the year before. In addition to weakening against the euro, in September the kuna also weakened against the US dollar and the Swiss franc. This was only partly offset by kuna strengthening against most other currencies included in the basket for the calculation of the effective exchange rate of the kuna, with the nominal effective exchange rate of the kuna in September depreciating 0,1%.[1]

In September, the ECB continued to tighten monetary policy, raising the key interest rates by 75 basis points with the aim of bringing the inflation back to the 2% target over the medium-term. This decision, coupled with the expectations of a further increase in key interest rates, had an impact on short-term interest rates on the European money market. The ECB decision thus prompted a rise in the overnight interest rate €STR of 75 basis points in mid-September when it reached 0.66%, but then fell slightly to 0.64% at the end of the month (Figure 26). The six-month EURIBOR continued to rise gradually, reaching 1.81% at the end of September, up 2.4 percentage points from the end of the previous year, and its highest level since 2009. The yields on US and German government bonds rose in September (Figure 25) due to inflationary pressures and the associated monetary policy tightening of central banks and the concerns regarding growing risks related to the energy crisis. The yields on Croatian long-term government bonds also rose in September (Figure 30). The increase was also seen in the risk premiums of peer CEE countries, except Poland and Slovenia (Figure 27). The risk premium for Croatia rose to 111 basis points, but still remained lower than that for Romania, Hungary, Bulgaria and Poland.

Banks' free reserves reached record highs in September. Thus the average daily surplus kuna liquidity of the domestic banking system stood at HRK 83.6bn in September (Figure 61), up from HRK 78.9bn in August, mostly as a result of the August cut in the reserve requirement rate from 9% to 5% as a result of the adjustment of monetary policy instruments of the CNB to those of the ECB in the process of euro area accession. Amid such ample kuna liquidity, the volume of trading in the overnight money market remained modest. The interest rate on banks' demand deposit trading fell slightly in September, while the implicit interest rate on banks' trading in currency swap agreements continued to grow, though at a much slower pace than in the preceding two months. As regards the costs of government financing, the interest rate on one-year kuna T-bills of the Ministry of Finance held steady at 0.20% in September (Figure 30), while the costs of long-term government borrowing rose from August.

The effects of the tightening of financing conditions have not yet started to have a marked impact on the interest rates on household and corporate loans. The interest rate on pure new corporate loans rose in August by eight basis points to the level of 2.00% (Figure 34), to which the growth in interest rates on loans to micro and that to large enterprises made equal contributions (Figure 37). On an annual level, the cost of corporate financing rose 17 basis points (Figure 35), mostly due to the positive annual contribution of interest rates on loans to large enterprises (25 basis points). As regards households, the interest rate on pure new loans to that sector rose 20 basis points in August, reaching 4.06% (Figure 38), mostly reflecting the increase in the interest rate on general-purpose cash loans. On an annual level, the costs of household financing were down 32 basis points (Figure 39), mostly as a result of a bigger share of housing loans in total financing, which are granted at relatively lower interest rates (Figure 40) and to a lesser extent due to the fall in the interest rates on general-purpose cash loans and housing loans. As regards deposits, the interest rate on household time deposits rose slightly, and the interest rate on corporate deposits continued to rise, recording much higher levels than in the earlier part of the year. The higher level of interest rates on corporate time deposits is the result of short-term foreign currency deposits made by two large enterprises at a much higher interest rate than the average interest rate on deposits of other

1 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.

enterprises. The spread between interest rates on total new loans and deposits and on their balances remained almost unchanged in August at 3.4 percentage points (Figure 44).

Monetary developments in August were marked by an increase in total liquid assets (M4) of HRK 6.5bn (or 1.5%, transaction-based), which amounted to HRK 440.7bn at the end of the month. The growth in M4 mirrors the increase in net foreign assets (NFA) of credit institutions (HRK 10.6bn) spurred by a seasonal increase in foreign exchange inflows from tourism (Figure 45). In contrast, net domestic assets (NDA) fell, mostly due to a fall in net claims on the central government because of a sharp rise in government deposits with the CNB (Figure 46). Money (M1) shrank in August by HRK 2.1bn or 1.0%, with currency outside credit institutions recording the biggest monthly fall ever since the introduction of the kuna as the national currency. A gradual decline in currency seen in the past months may be associated with the approaching introduction of the euro early next year. In contrast, the record growth in total foreign currency deposits (HRK 8.8bn or 4.4%) led to a big surge in quasi-money of HRK 8.7bn or 3.8% (all transaction-based). As regards the structure of foreign currency deposits, a particularly sharp increase was seen in the corporate sector (10.8% as compared to 2.5% in the household sector), and such dynamics can be explained by further good results in tourism during the major part of the tourist season and higher liquidity needs of enterprises in the energy sector. Observed on an annual level, the growth in M4 and M1 slowed down to 9.7% and 9.5%, respectively (Figures 55 and 56), and that in quasi-money accelerated to 10.1%, fuelled by a fast growth in foreign currency deposits of 14.6% (Figure 59).

Total placements of monetary institutions to domestic sectors (except the central government) grew in August by HRK 0.7bn (0.3%, transaction-based), accelerating their growth on an annual level from 8.9% in July to 9.5% in August (Figure 47). The monthly growth in placements can fully be attributed to loans as the prevailing item of placement, with loans to non-financial corporations and households rising almost equally (HRK 0.5bn). Despite a slower monthly growth in corporate loans, the effect of the base period, i.e. the fall in corporate loans in August last year provided a further boost to the acceleration of their annual growth (to 17.2% in August, from 15.7% in July, Figure 48). The demand for loans continues to be considerably heightened due to the increased prices and higher procurement costs of imported energy products and raw materials, as well as the efforts of corporates to borrow ahead of any tightening of financing conditions. As regards households, after three months of pronounced growth in loans to that sector, August saw only a small increase, mostly attributed to housing loans (HRK 0.5bn). Such developments in household loans reflect the effect of implementation of the last round of the government housing loans subsidy programme. General-purpose cash loans rose by a low HRK 0.1bn. On an annual level, housing and general-purpose cash loans grew at only a slightly accelerated rate (9.4% and 3.8%, respectively), thus raising the annual growth rate of total household loans only slightly, from 5.5% to 5.6% (Figure 49).

In September, gross international reserves went up EUR 0.4bn or 1.4% from August and stood at EUR 26.3bn at the end of the month (Figure 63), reflecting the increase in government foreign currency deposits with the CNB. At the same time, net usable reserves held steady at almost the same level as in the previous month (EUR 20.8bn). Thus, gross international reserves rose by EUR 1.9bn or 7.8% and net reserves by EUR 1.3bn or 6.7% from the same period of the year before.

The financial account of the balance of payments, changes in gross international reserves and liabilities of the CNB excluded, registered a net capital outflow of EUR 0.4bn in the second quarter of 2022, as a result of a fall in net debt liabilities of the domestic sectors, while net equity liabilities rose (Figure 66). The net inflow from equity investments was primarily due to a sharp rise in liabilities based on new equity investments in Croatia, which were much bigger than those in the same period of the year before and were mostly seen in the car industry and the real estate sector. The fall in net debt liabilities can mostly be attributed to the increase in the foreign assets of banks, as well as the considerable increase in banks' assets in TARGET2 managed by the central bank.[2] The government also improved its net debt position slightly, while the net liabilities of other domestic sectors, including the net liabilities arising from direct investment, rose. At the same time, the central bank's international reserves (gross reserves minus CNB liabilities) increased slightly, in particular thanks to the growth in government deposits in the account with the CNB, with the total net capital outflow being somewhat stronger, standing at EUR 0.7bn. The data for July show a strong decline in the net external debt of domestic sectors, primarily owing to the perceptible improvement in the net foreign position of banks due to the increased inflow of foreign exchange during the tourist season.

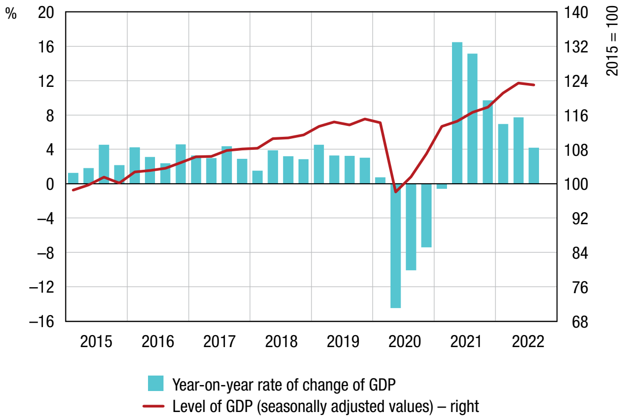
As regards public finances, the first eight months of this year were marked by extremely favourable fiscal developments. According to the Draft Semi-annual Budget Execution Report, the general government balance in the first six months of 2022 was almost in balance (HRK –153m), an improvement of HRK 8.9bn on an annual level. Fiscal adjustment continued into the third quarter, with the central government[3] running a surplus in July and August of HRK 3bn, up HRK 2.3bn from the same period of the year before. This mirrors a sharp rise in revenues associated with favourable cyclical developments and an increase in the general level of prices, as well as a relatively small rise in expenditures. In September, the Government of the RC presented a comprehensive package of measures aimed at mitigating the negative effects of inflation on citizens' living standards and businesses. The total cost of the package is approximately HRK 21.0bn or 4.2% of GDP, with its possible direct impact on general government budget balance standing at around 1.1% of GDP. The fiscal impact is expected to be greater in 2023.

As regards the trends in the general government debt, at the end of June, it stood at HRK 343.7bn, having fallen by HRK 65m from the end of 2021 (Table 5). Given the fast growth in the nominal gross domestic product, the relative public debt to GDP ratio fell considerably, to 74.3% from 79.8% at the end of 2021 (Figure 70).

2 Banks' funds within the TARGET2 system account for central bank's foreign assets, but they are not part of international reserves.

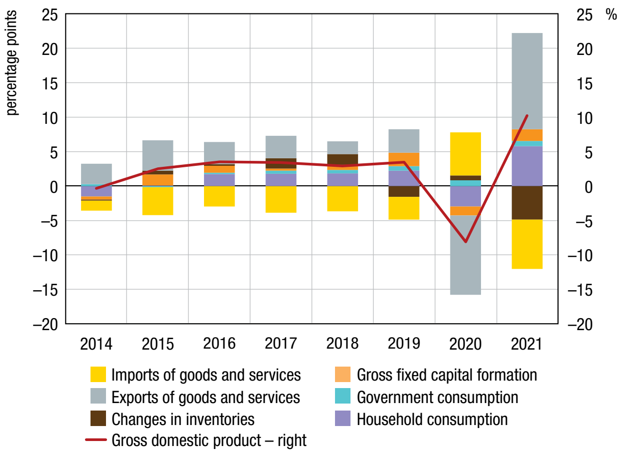
3 The budget balance and total revenues and expenditures refer to monthly data for the central government, state government and social security subsectors, the publication of which by the Ministry of Finance before the end of the following calendar month is required under Council Directive 2011/85/EU. 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. Individual income and expenditure items are based on the data on the state budget recorded on an accrual basis.

Figure 1 Quarterly gross domestic product
seasonally adjusted real values



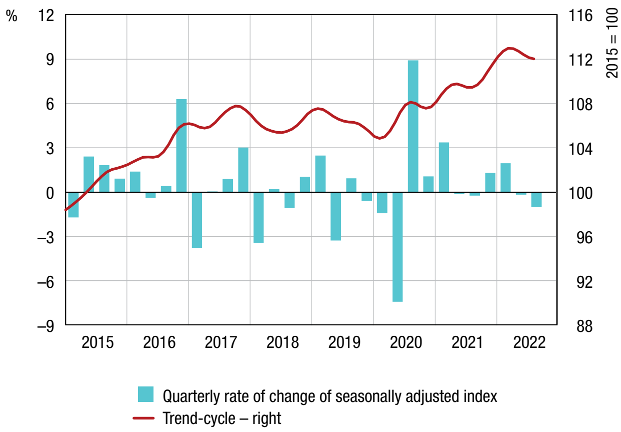
Note: Data for the third quarter of 2022 refers to the CNB's monthly indicator of real economic activity, estimated on the basis of data published until 30 September 2022.
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

Figure 2 GDP rate of change
contributions by components



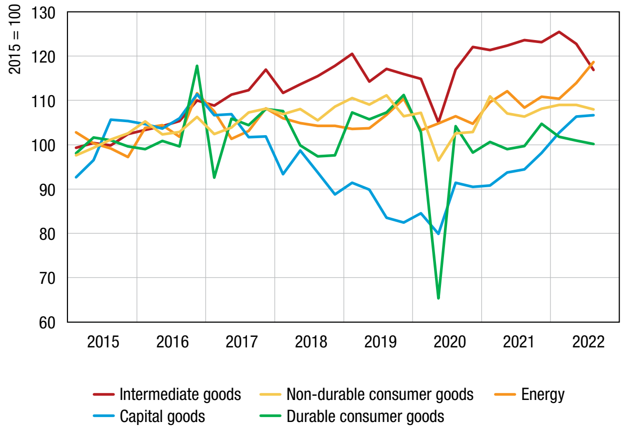
Source: CBS.

Figure 3 Industrial production



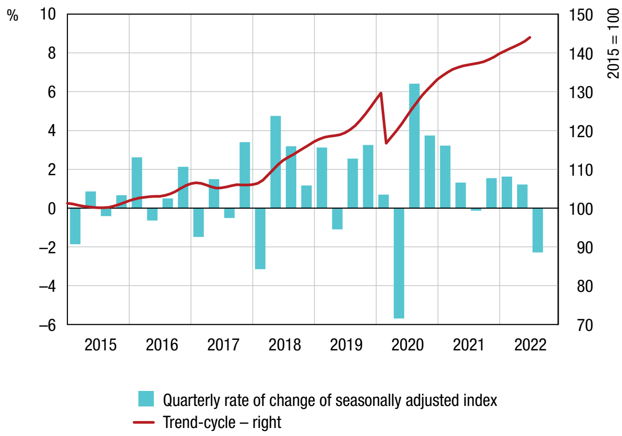
Note: Data for the third quarter of 2022 refers to July and August.
Source: CBS data seasonally adjusted by the CNB.

Figure 4 Industrial production by main industrial groupings
seasonally adjusted indices



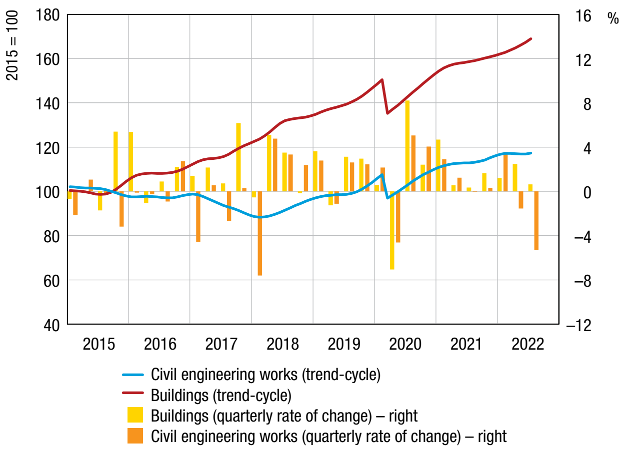
Source: CBS data seasonally adjusted by the CNB.

Figure 5 Total volume of construction works



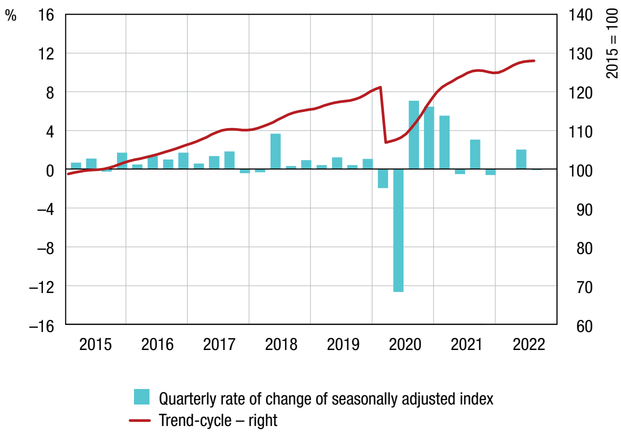
Note: Data for the third quarter of 2022 refers to July and August.
Source: CBS data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



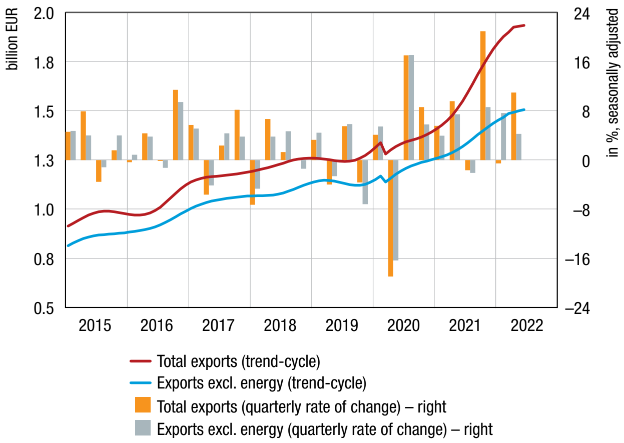
Source: CBS data seasonally adjusted by the CNB.

Figure 7 Real retail trade turnover



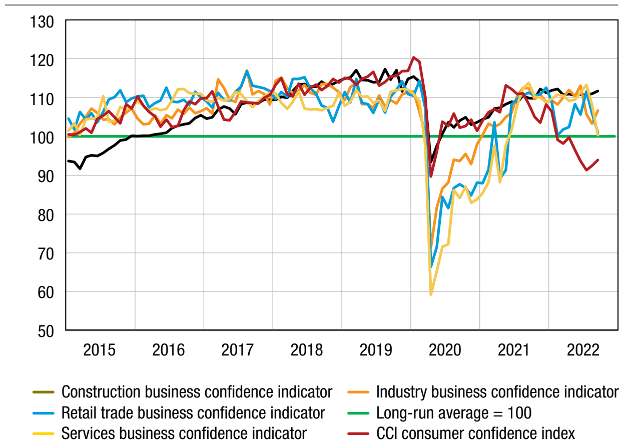
Note: Data for the third quarter of 2022 refers to July and August.
Source: CBS data seasonally adjusted by the CNB.

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



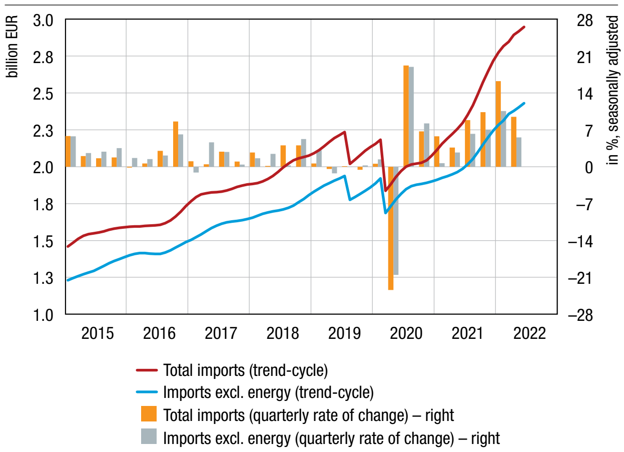
Source: CBS data seasonally adjusted by the CNB.

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



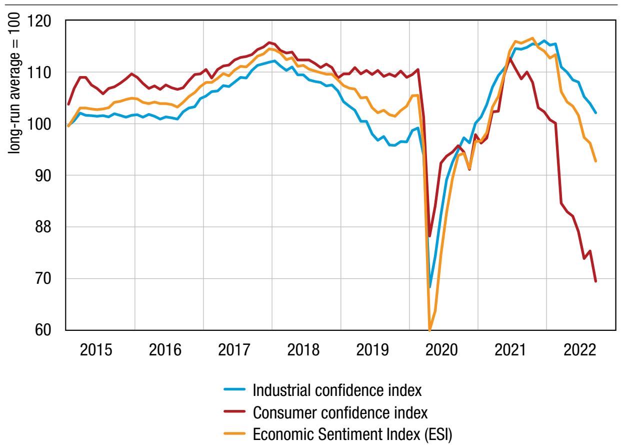
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

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



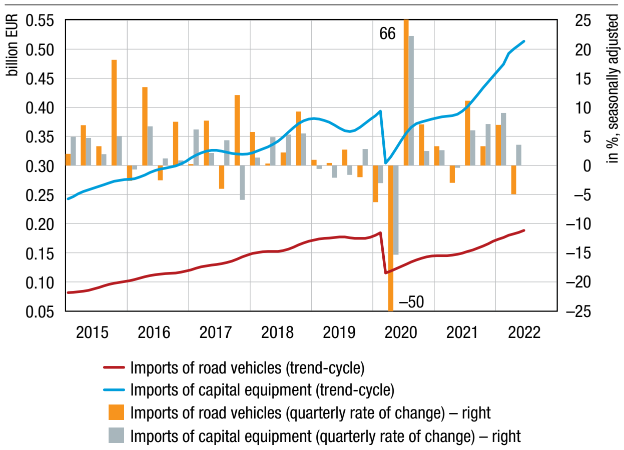
Source: CBS data seasonally adjusted by the CNB.

Figure 9 EU confidence indices
seasonally adjusted series



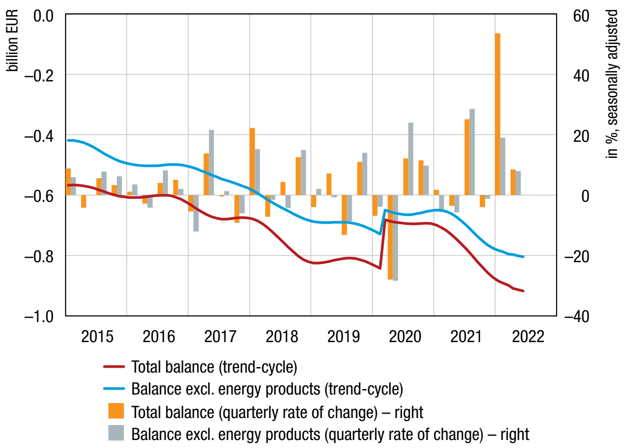
Note: Data are up to September 2022.
Sources: Eurostat and CNB calculations.

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



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

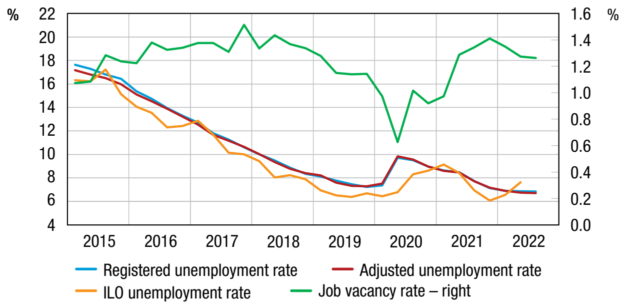
Figure 13 Trade of goods balance



Source: CBS data seasonally adjusted by the CNB.

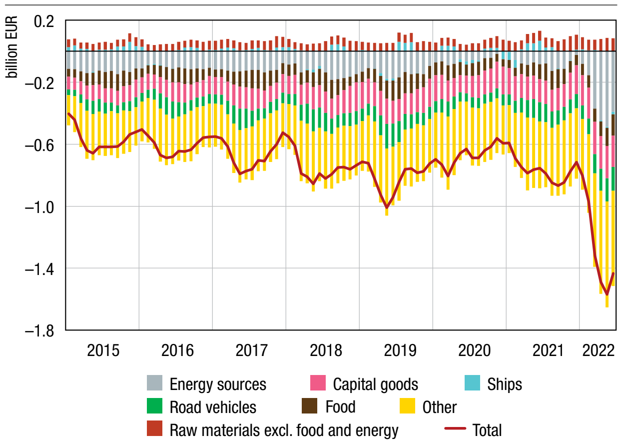
Figure 16 Unemployment and job vacancy rates

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 third quarter of 2022 refer to July and August.
Sources: CBS, CES and CNB calculations (seasonally adjusted by the CNB).

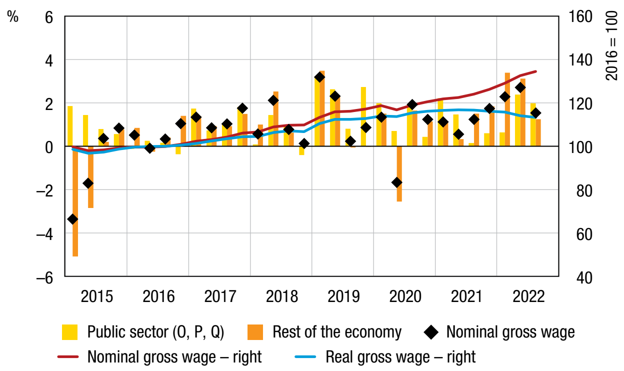
Figure 14 Trade in goods balance by product groups



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

Figure 17 Average nominal and real gross wage by NCA activities

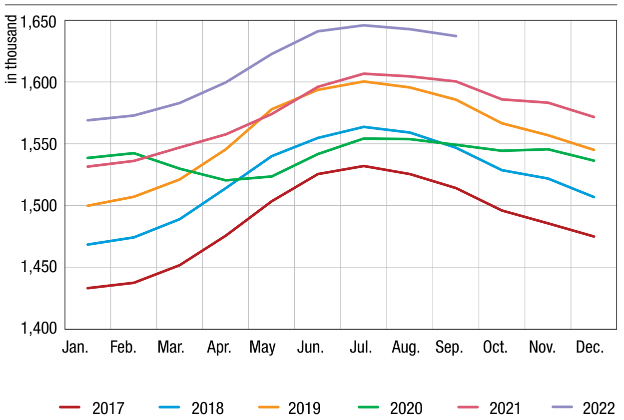
seasonally adjusted data



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 third quarter of 2022 refer to July and August.
Sources: CBS and CNB calculations.

Figure 15 Employment

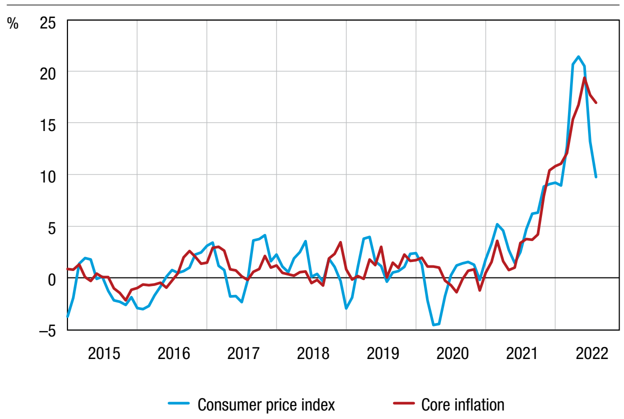
original data



Source: CPII.

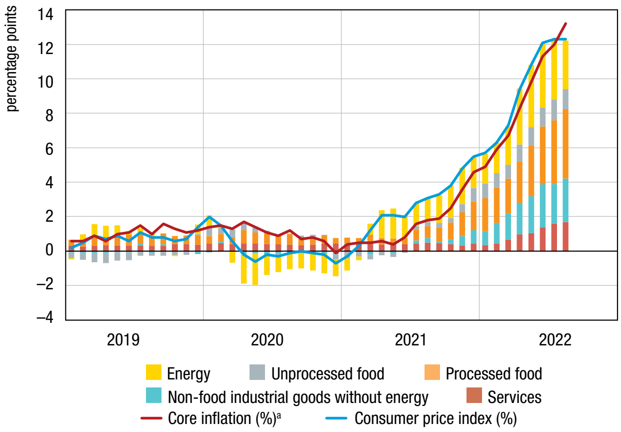
Figure 18 Consumer price index and core inflation

annualised month-on-month rate of change[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 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.

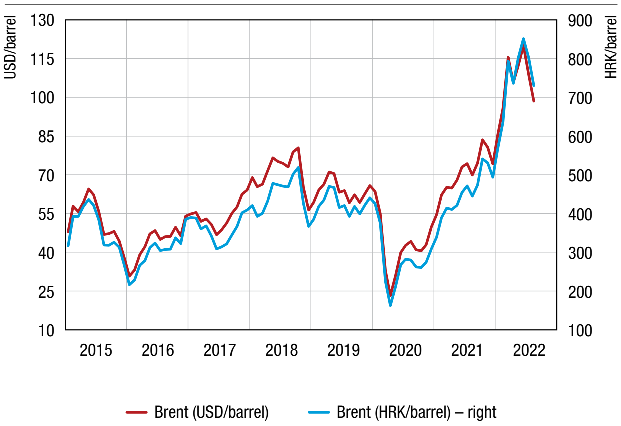
Table 1 Price indicators

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

	Year-on-year rates		Month-on-month rates	
	7/22	8/22	8/21	8/22
Consumer price index and its components				
Total index	12.3	12.3	0.2	0.1
Energy	20.6	16.8	–0.1	–3.3
Unprocessed food	14.2	13.8	1.6	1.3
Processed food	16.4	17.8	0.5	1.7
Non-food industrial goods without energy	8.9	9.7	–0.6	0.2
Services	6.1	6.5	0.3	0.6
Other price indicators				
Core inflation	12.0	13.2	0.1	1.1
Index of industrial producer prices on the domestic market	31.2	30.5	1.0	0.5
Brent crude oil price (USD)	46.4	40.8	–5.9	–9.5
HWWI index (excl. energy, USD)	–4.0	–1.3	–2.5	0.4

Note: Processed food includes alcoholic beverages and tobacco.
Sources: CBS, Bloomberg and HWWI.

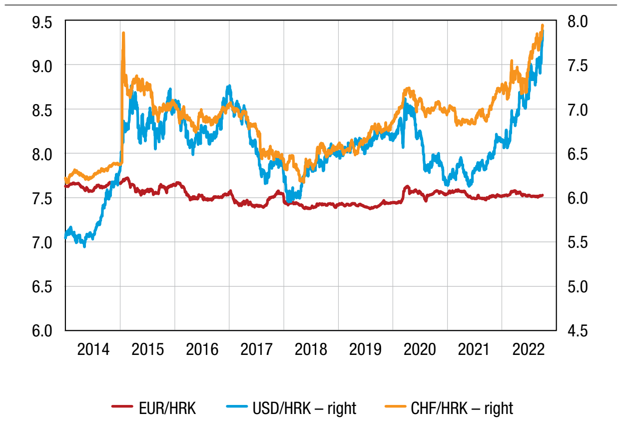
Figure 20 Crude oil prices (Brent)



Sources: Bloomberg and CNB calculations.

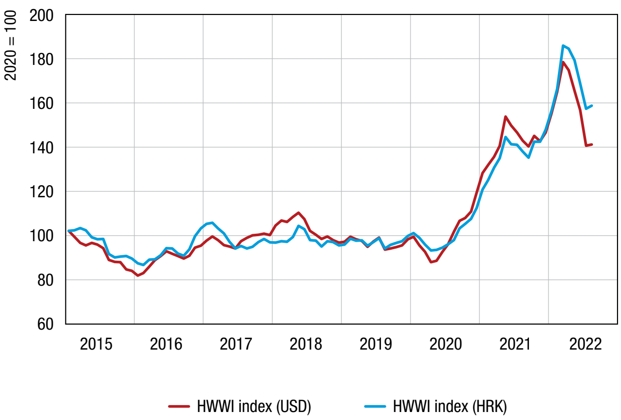
Figure 22 Daily nominal exchange rate – HRK vs. EUR, USD and CHF

CNB midpoint exchange rate



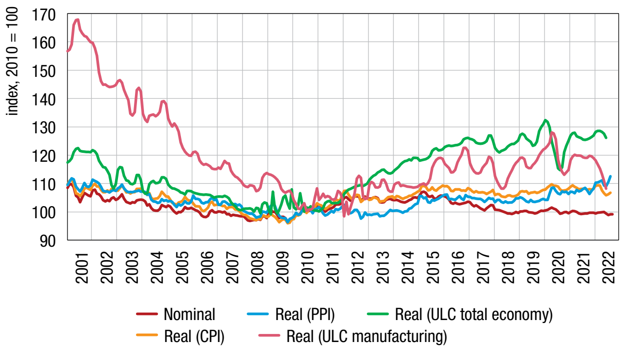
Source: CNB.

Figure 21 HWWI index (excl. energy)



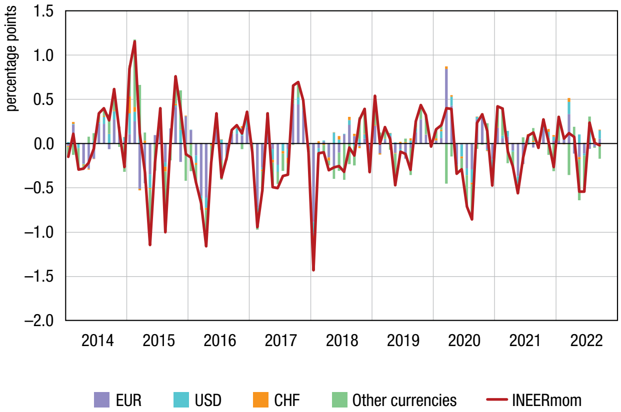
Sources: HWWI and CNB calculations.

Figure 23 Nominal and real effective exchange rates of the kuna



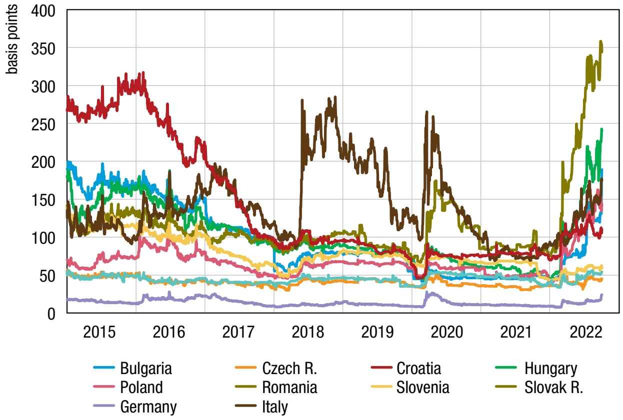
Notes: The real effective exchange rate of the kuna deflated by producer prices includes the Croatian index of industrial producer prices on the total market. The unit labour cost is calculated as the ratio between compensation per employee and labour productivity (defined as GDP per person employed), 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[a] of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)



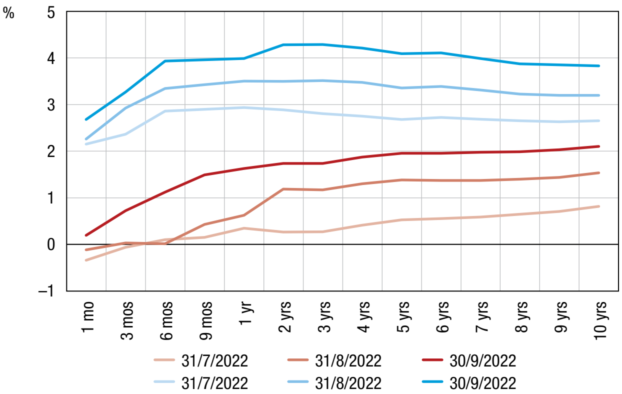
[a] Negative values indicate contributions to the appreciation of the INEER.
Source: CNB.

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



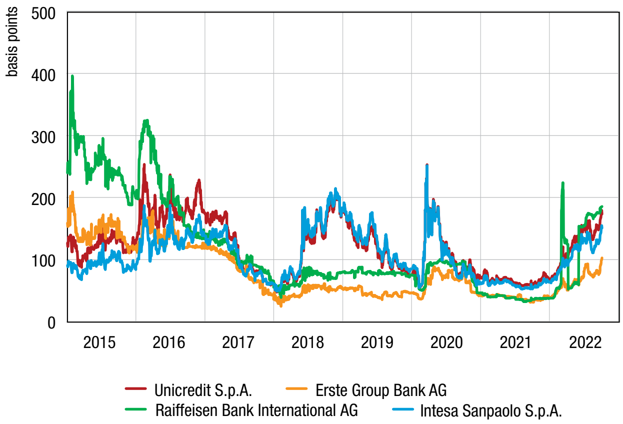
Note: Credit default swaps (CDS) spread is an annual premium that a CDS buyer pays for protection against credit risk associated with the issuer of an instrument.
Source: S&P Capital IQ.

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



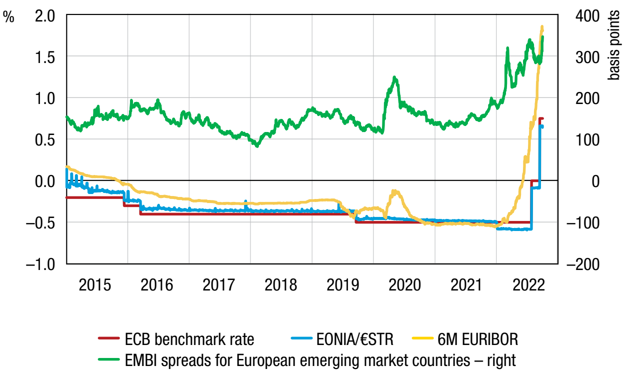
Notes: Blue denotes yields on US bonds and red yields on German bonds. The first four labels on the individual dates refer to monthly yields and the remaining ones refer to annual yields. The yields on US government bonds with a remaining maturity of nine months are interpolated.
Source: Bloomberg.

Figure 28 CDS spreads for selected parent banks of domestic banks



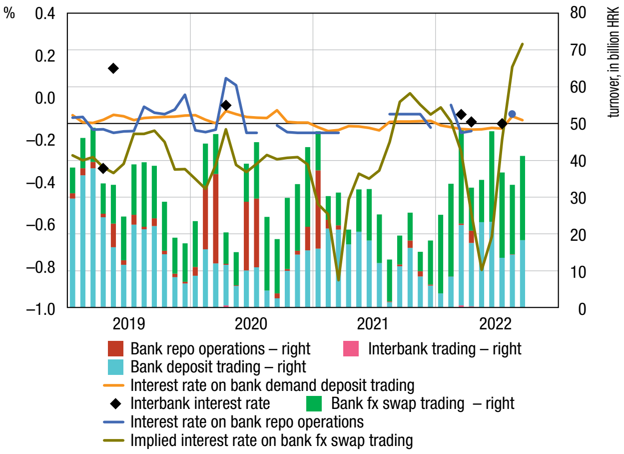
Source: S&P Capital IQ.

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



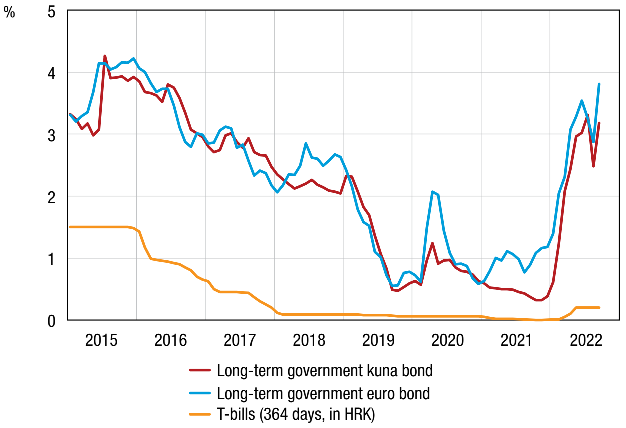
Notes: EMBI, or the Emerging Market Bond Index, shows the spread between yields on government securities of emerging market economies, Croatia included, and risk-free securities issued by developed countries. Since the start of 2022, the EONIA has been replaced by €STR.
Sources: ECB, Bloomberg and J.P. Morgan.

Figure 29 Overnight interest rates and turnovers



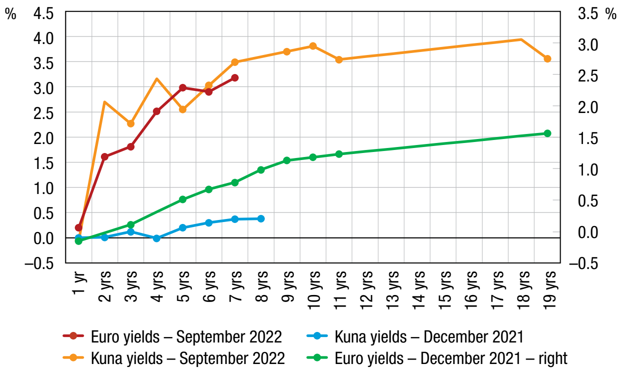
Source: CNB.

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



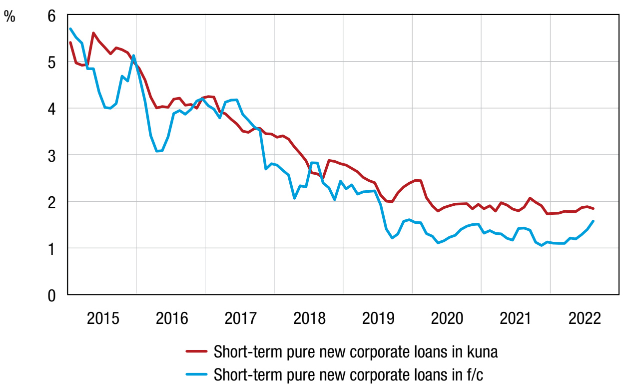
Note: Yields on long-term bonds refer to bonds with a remaining maturity of ten years, i.e. to bonds of the most similar maturity.
Source: CNB.

Figure 31 Yields to maturity on RC bonds



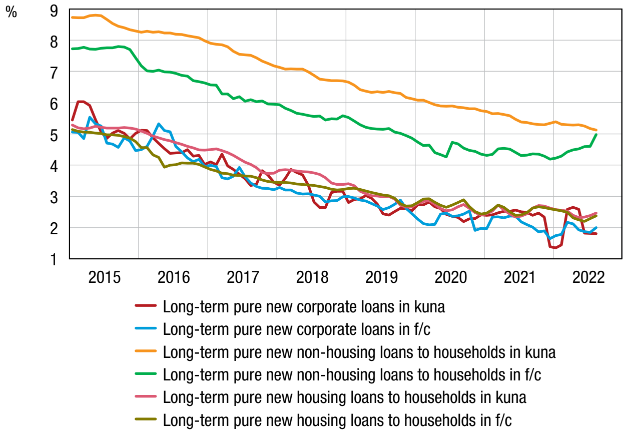
Notes: The dots show the achieved yields, while other values have been interpolated. Data for a one-year yield refer to the achieved interest rate on one-year T-bills without a currency clause and with a currency clause in the euro. The yield on one-year T-bills without a currency clause at end-2021 refers to November. The yield on one-year T-bills with a currency clause in euro refers to October 2021 and May 2022.
Source: CNB.

Figure 32 Short-term financing costs



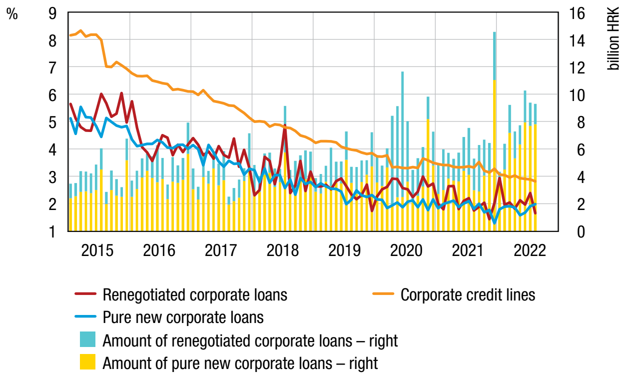
Notes: Quarterly weighted moving averages. Foreign currency loans also include kuna loans with a currency clause. Interest rates on short-term pure new household loans are not shown because they account for a very small share of total pure new household loans.
Source: CNB.

Figure 33 Long-term financing costs



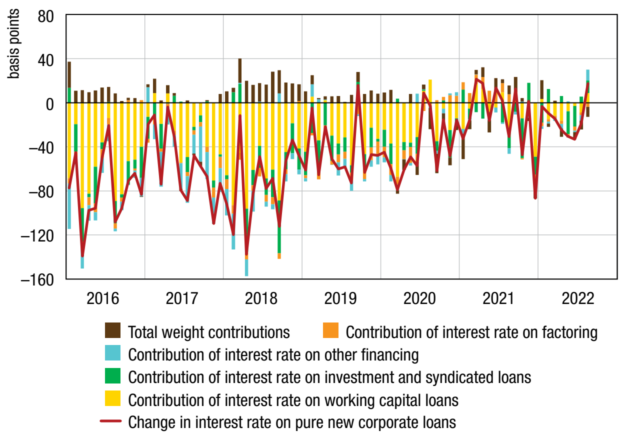
Notes: Quarterly weighted moving averages. Foreign currency loans also include kuna loans with a currency clause.
Source: CNB.

Figure 34 Interest rates and amount of corporate loans



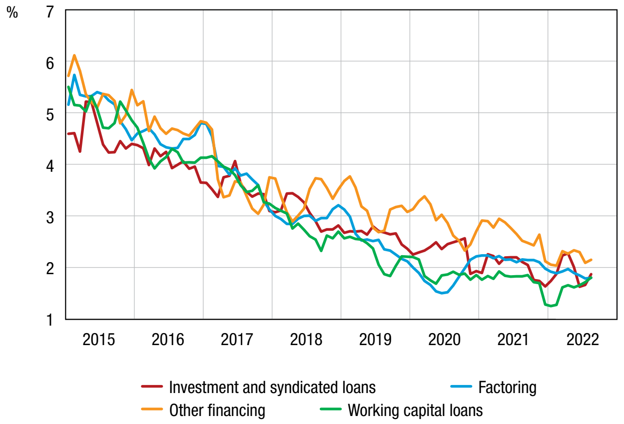
Note: Data on pure new loans are not available for credit card loans, overdrafts, revolving loans and receivables on charge cards since their new business volume (for other instruments, this includes both pure new loans and renegotiated loans) is equal to balances and thus included in the credit line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

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



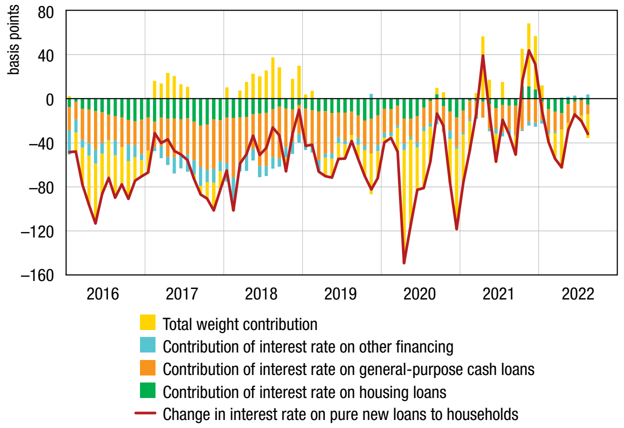
Note: Calculated by applying the Bennet index, according to which total contribution is divided into interest rate effect and weight effect.
Source: CNB.

Figure 36 Interest rates on pure new corporate loans by purpose



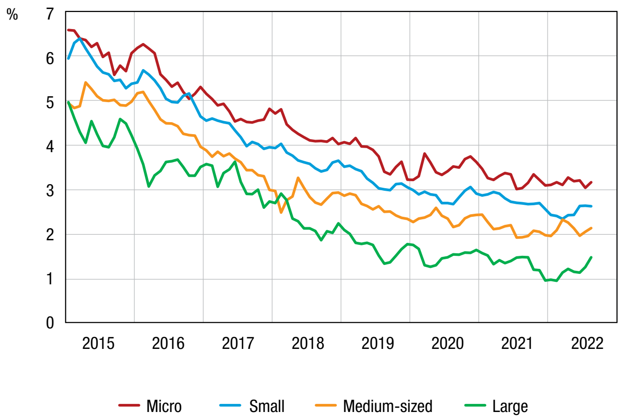
Note: Quarterly weighted moving averages.
Source: CNB.

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



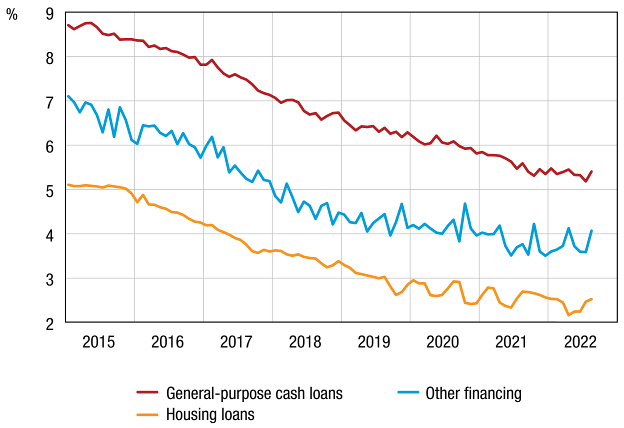
Note: Calculated by applying the Bennet index, according to which total contribution is divided into interest rate effect and weight effect.
Source: CNB.

Figure 37 Interest rates on pure new loans by corporate size



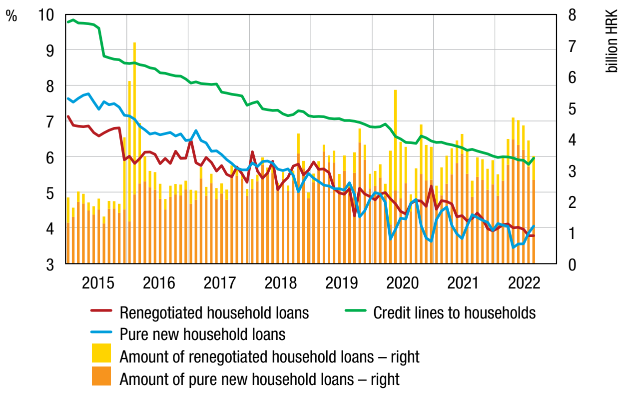
Note: Quarterly weighted moving averages.
Source: CNB.

Figure 40 Interest rates on pure new household loans by purpose



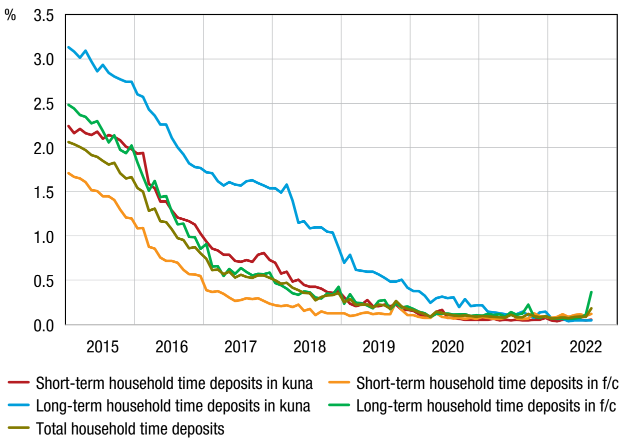
Source: CNB.

Figure 38 Interest rates and amount of household loans



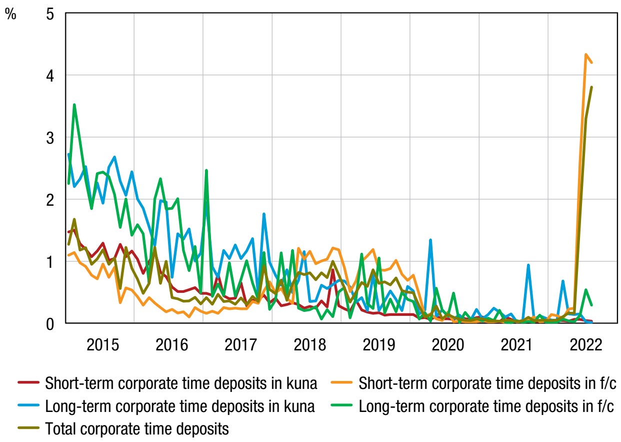
Note: Data on pure new loans are not available for credit card loans, overdrafts, revolving loans and receivables on charge cards since their new business volume (for other instruments, this includes both pure new loans and renegotiated loans) is equal to balances and thus included in the credit line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

Figure 41 Interest rates on household time deposits



Source: CNB.

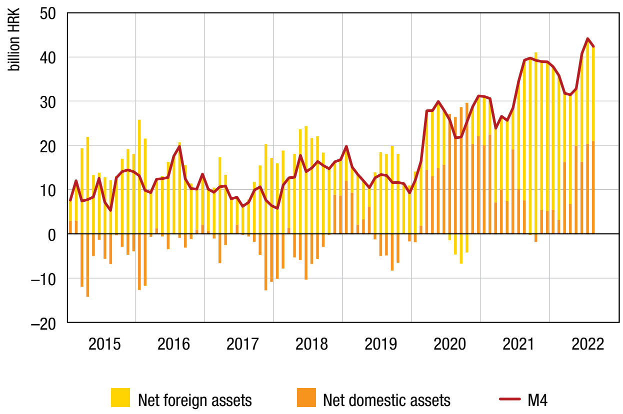
Figure 42 Interest rates on corporate time deposits



Source: CNB.

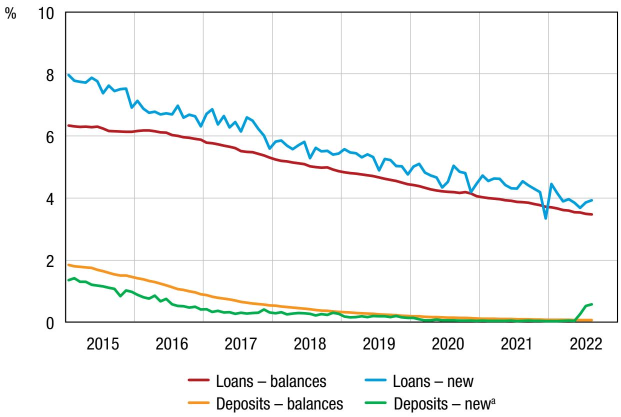
Figure 45 Net foreign assets, net domestic assets and total liquid assets (M4)

absolute change in the last 12 months



Source: CNB.

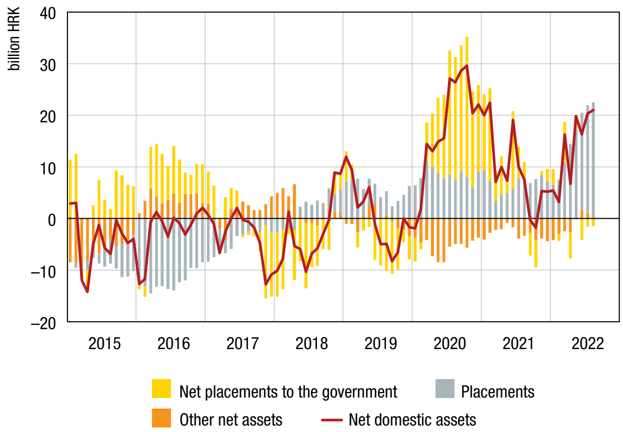
Figure 43 Average interest rates on loans (excl. revolving loans) and deposits



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

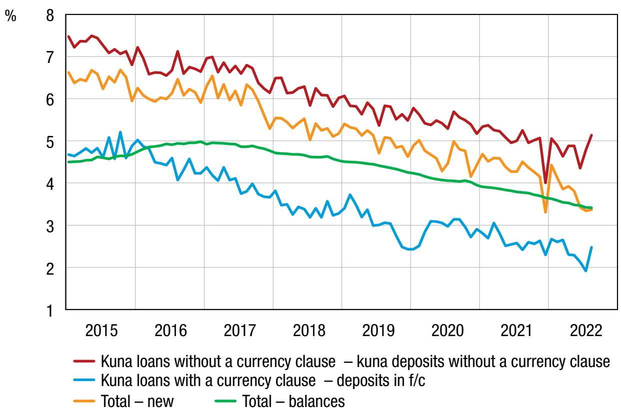
Figure 46 Net domestic assets, structure

absolute change in the last 12 months



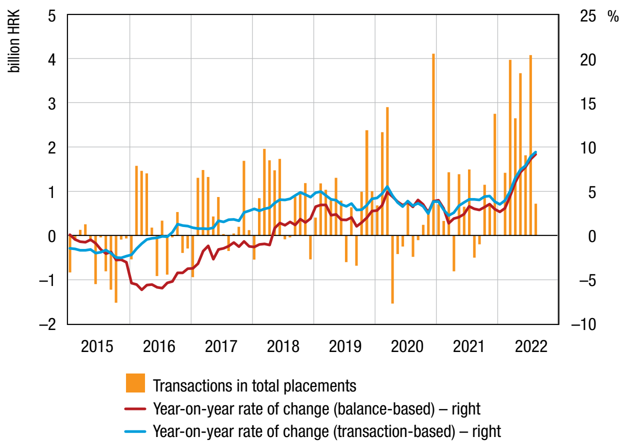
Source: CNB.

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



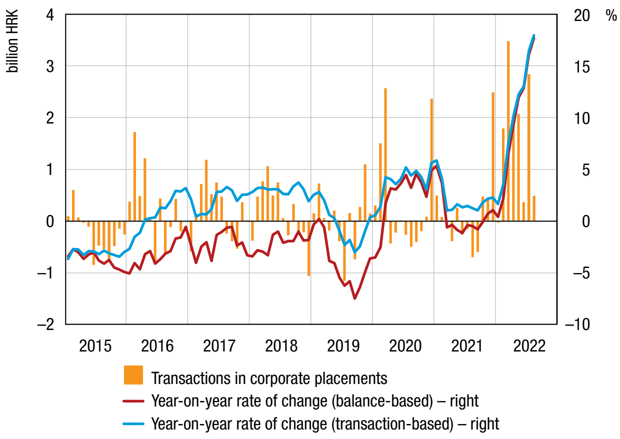
Note: Spread between average interest rates on loans and average interest rates on deposits should be differentiated from net interest margin (the ratio of the difference between interest income and interest expenses to total assets of credit institutions).
Source: CNB.

Figure 47 Placements



Source: CNB.

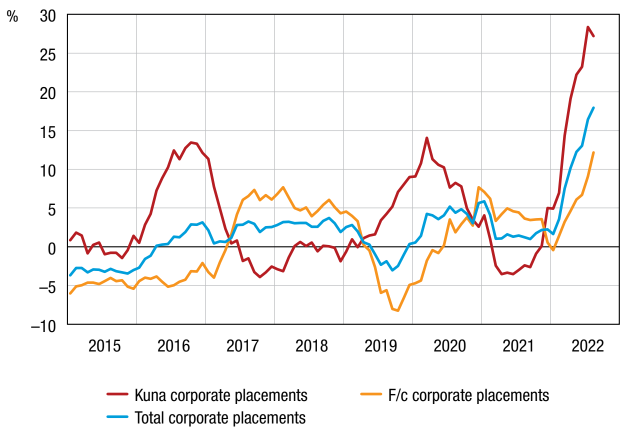
Figure 48 Placements to corporates



Source: CNB.

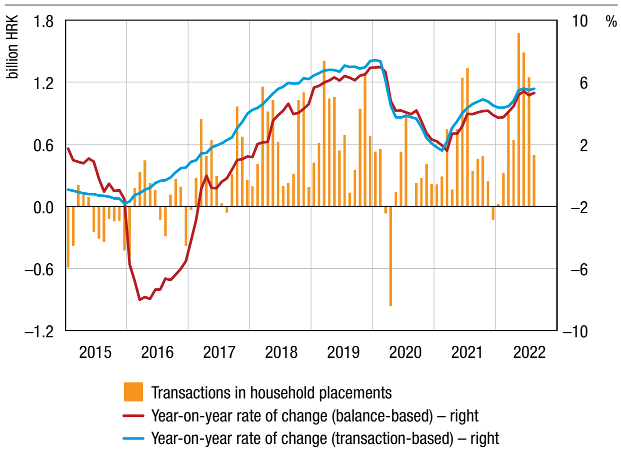
Figure 51 Annual rate of change in corporate placements

transaction-based



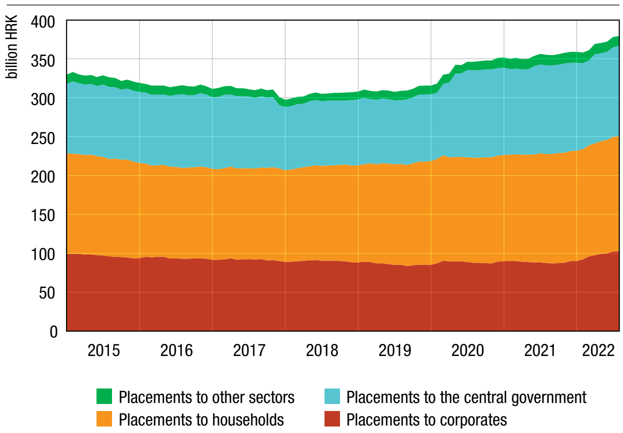
Source: CNB.

Figure 49 Placements to households



Source: CNB.

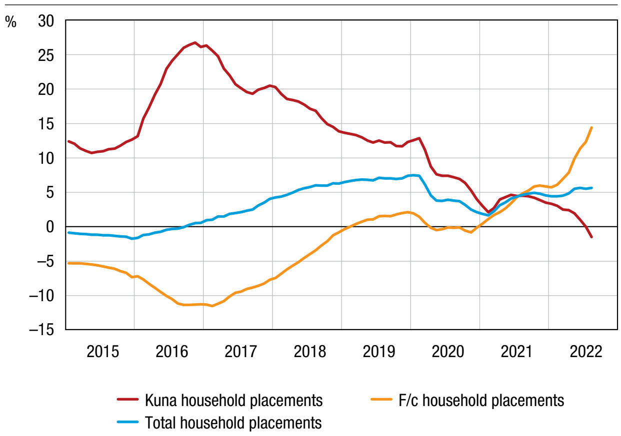
Figure 52 Structure of placements of monetary financial institutions



Source: CNB.

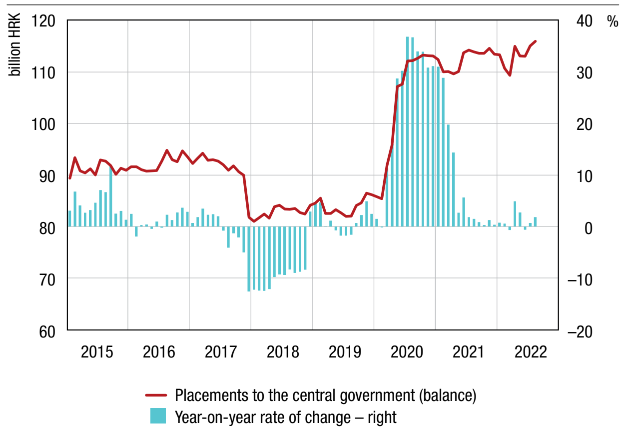
Figure 50 Annual rate of change in household placements

transaction-based



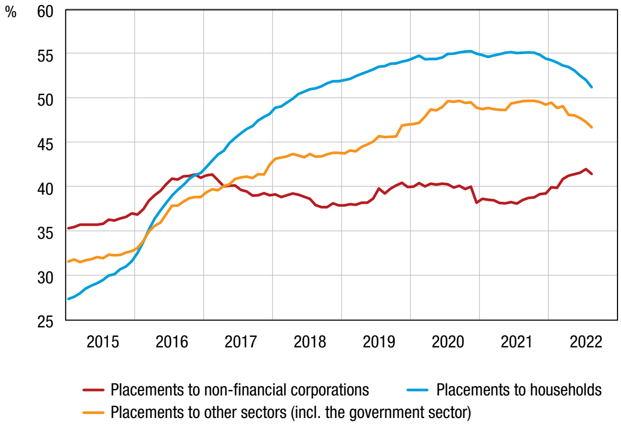
Source: CNB.

Figure 53 Placements of monetary financial institutions to the central government



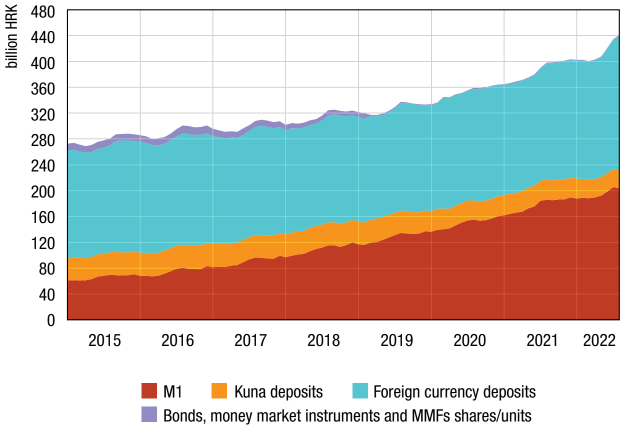
Source: CNB.

Figure 54 Share of kuna placements in total sector placements



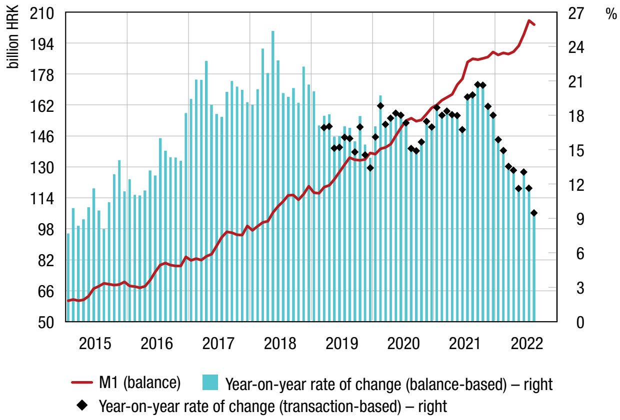
Source: CNB.

Figure 57 Structure of M4 monetary aggregate



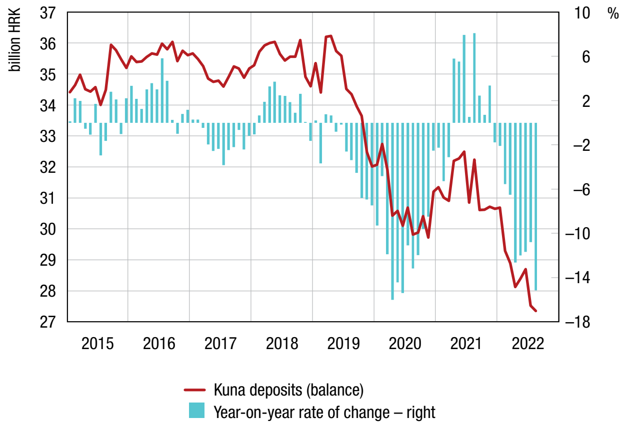
Source: CNB.

Figure 55 Money (M1)



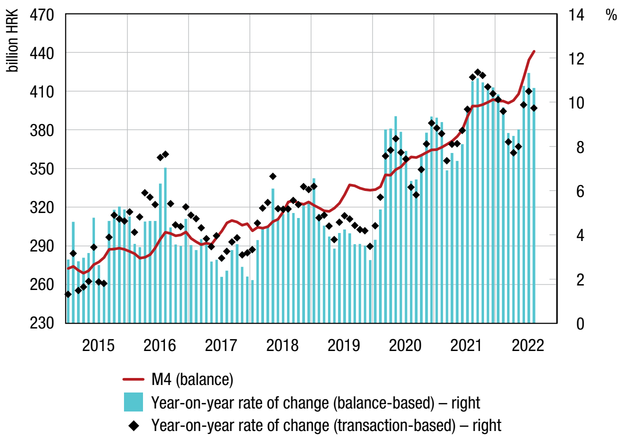
Note: From March 2019, the growth rate (transaction-based) excludes the effect of the reclassification of money market funds.
Source: CNB.

Figure 58 Kuna savings and time deposits



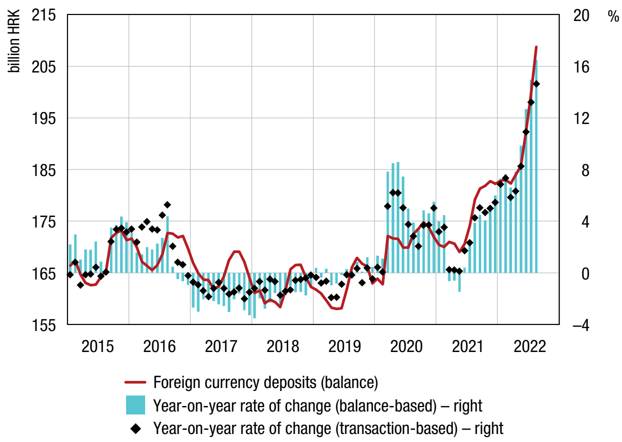
Source: CNB.

Figure 56 Total liquid assets (M4)



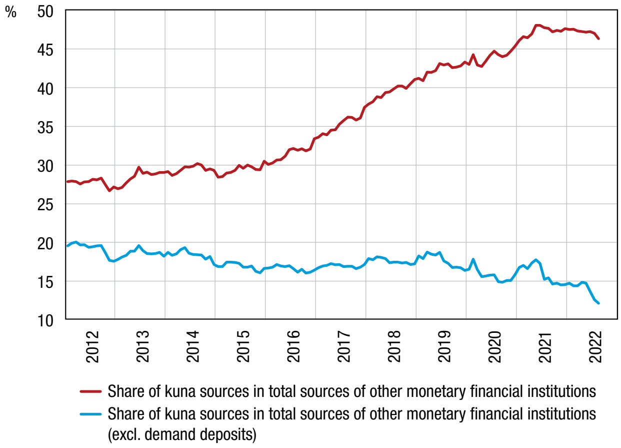
Source: CNB.

Figure 59 Foreign currency deposits



Source: CNB.

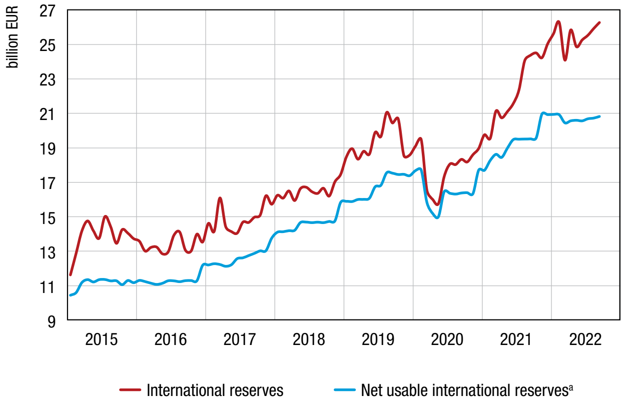
Figure 60 Share of kuna sources



Source: CNB.

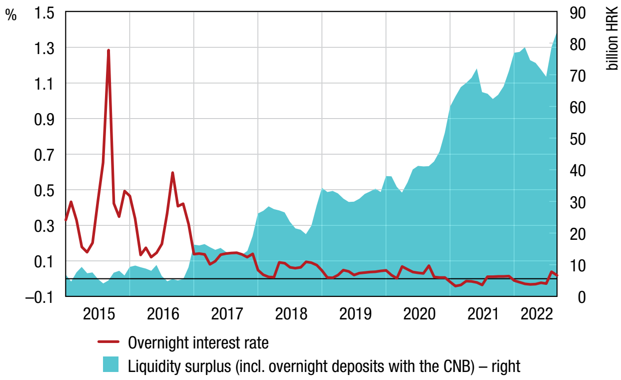
Figure 63 International reserves of the CNB

at current rate of exchange



[a] NUIR = international reserves – foreign liabilities – reserve requirements in f/c – foreign currency government deposits.
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.

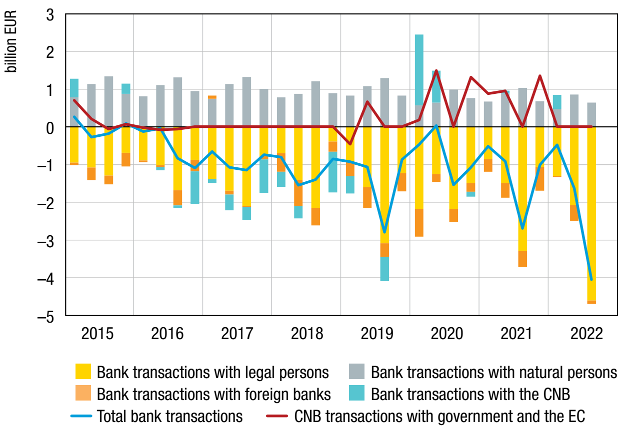
Table 2 Balance of payments

preliminary data, in million EUR

	2021	Q2/2022*	Indices 2021/ 2020	Indices Q2/2022*/ 2021
Current account	1,807.2	145.4	–	8.0
Capital account	1,368.0	1,375.2	127.3	100.5
Financial account (excl. reserves)	–1,204.1	–685.0	–	56.9
International reserves	6,030.7	3,641.4	999.7	60.4
Net errors and omissions	–988.3	–420.7	347.0	42.6

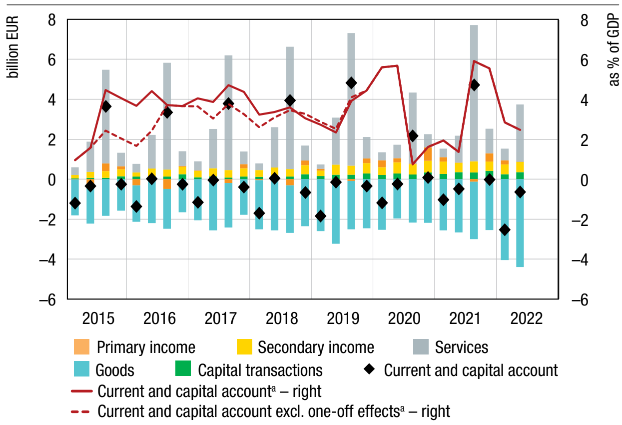
* Refers to the sum of the last four quarters.
Source: CNB.

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



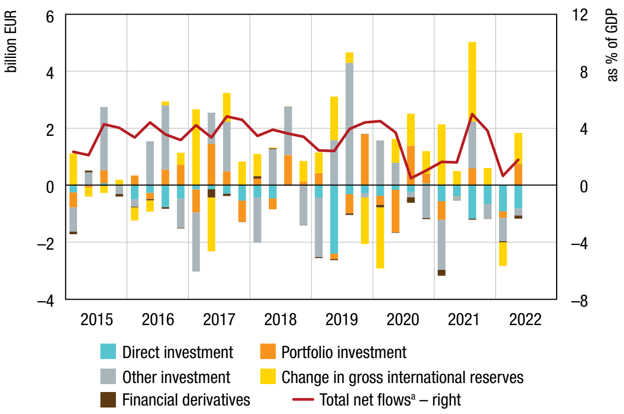
Notes: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government.
Source: CNB.

Figure 64 Current and capital account flows



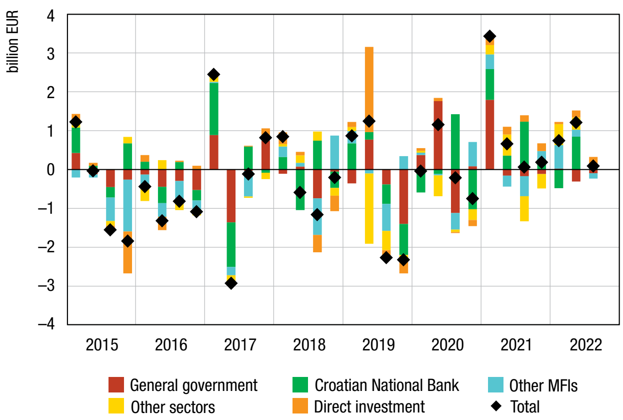
[a] Sum of the last four quarters.
Note: One-off effects include conversion of CHF-linked loans in 2015 and bank provisions for loans to the Agrokor Group in 2017 and 2018.
Source: CNB.

Figure 65 Financial account flows by type of investment



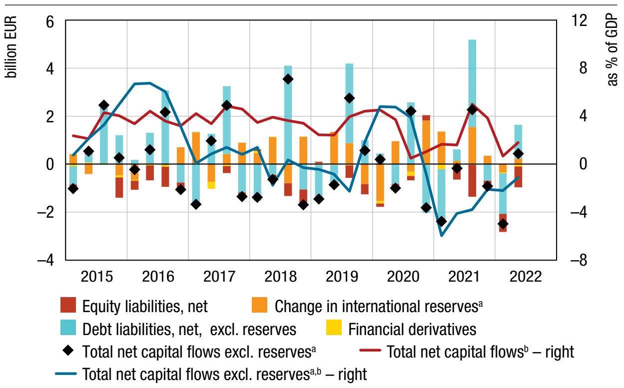
[a] Sum of the last four quarters.
Note: A positive value indicates net outflow of equity abroad (including on the basis of the growth in international reserves).
Source: CNB.

Figure 68 Gross external debt transactions



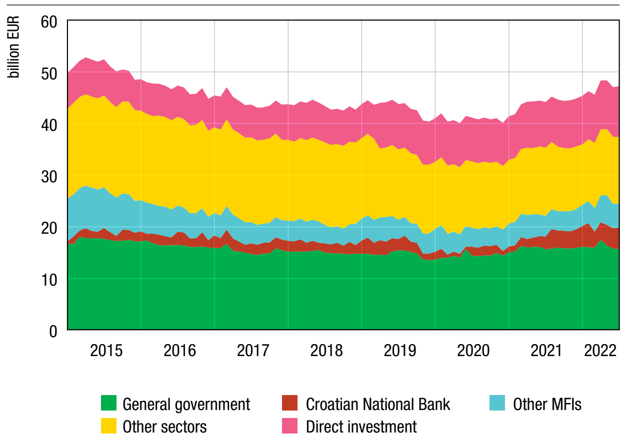
Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Data for the third quarter of 2022 refer to July.
Source: CNB.

Figure 66 Financial account flows by equity to debt ratio



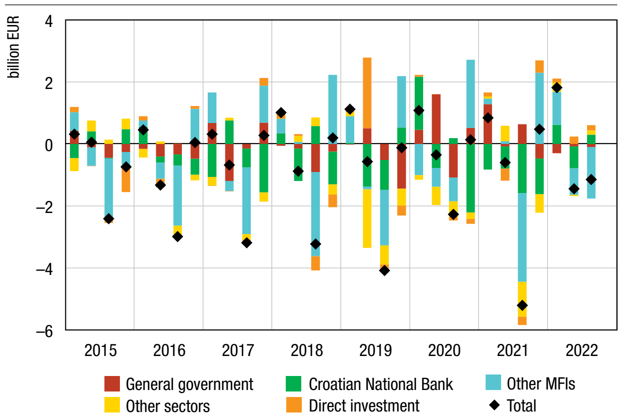
[a] The change in gross international reserves is reported net of foreign liabilities of the CNB.
[b] Sum of the last four quarters.
Notes: A positive value indicates net outflow of equity abroad. Net flows represent the difference between the change in assets and the change in liabilities.
Source: CNB.

Figure 69 Gross external debt
end of period



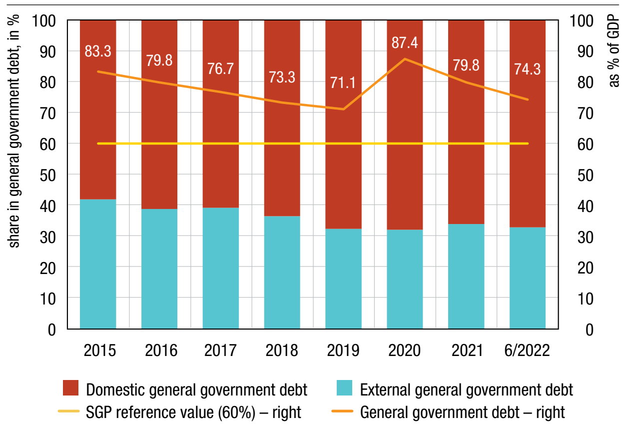
Note: Data are up to July 2022.
Source: CNB.

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. Data for the third quarter of 2022 refer to July.
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.–Mar. 2021	Jan.–Mar. 2022
Total revenue	**45,627**	**47,597**
Direct taxes	5,867	6,562
Indirect taxes	16,893	19,400
Social contributions	11,579	12,977
Other	11,288	8,657
Total expenditure	**49,604**	**48,849**
Social benefits	16,422	16,824
Subsidies	4,170	1,940
Interest	1,789	1,578
Compensation of employees	12,867	13,140
Intermediate consumption	7,186	7,801
Investment	3,877	3,475
Other	3,294	4,090
Net lending (+)/borrowing (–)	**–3,977**	**–1,253**

Sources: Eurostat and CBS.

Table 4 State budget

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

	Jan. – Jun. 2021	Jan. – Jun. 2022
1 Revenue	73,937	75,399
2 Disposal of non-financial assets	179	524
3 Expenditure	81,882	78,937
4 Acquisition of non-financial assets	2,079	3,121
5 Net lending (+) /borrowing (–) (1+2–3–4)	**–9,846**	**–6,135**

Sources: MoF and CNB calculations.

Table 5 General government debt

in million HRK

	June 2021	June 2022
Change in total debt stock	**10,887**	**–65**
Change in domestic debt stock	**–2,291**	**3,725**
– Currency and deposits	24	6
– Securities other than shares, short-term	–1,497	–973
– Securities other than shares, long-term	–2,142	2,910
– Short-term loans	–374	–844
– Long-term loans	1,609	2,252
Change in external debt stock	**13,177**	**–3,790**
– Currency and deposits	0	0
– Securities other than shares, short-term	1,485	–828
– Securities other than shares, long-term	8,135	–2,254
– Short-term loans	–34	–18
– Long-term loans	3,591	–690
Memo item:		
Change in total guarantees issued	1,309	–5

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