



Information on economic trends

January 2019

Summary

The available monthly indicators for the fourth quarter of 2018 point to a further slowdown in economic activity growth on a quarterly level, with the expectations for real GDP growth in 2018 as a whole standing at 2.7%. Consumer price inflation fell from 1.3% in November to 0.8% in December, mostly as a result of a considerable fall in the annual rate of change in the price of petroleum products. The CNB continued to pursue an expansionary monetary policy and, amid pronounced appreciation pressures, continued to purchase foreign exchange from the banks. This resulted at the end of the December in the highest ever level of banks' free reserves. The annual growth of bank placements slowed down at the end of December, reflecting a slowdown in corporate lending and the fact that household lending held steady at the previous month's level. In October and November 2018, the central government balance continued to improve on an annual level, a development which will probably be cancelled out by the end of the year by outlays for activated guarantees issued to shipyards.

The GDP nowcasting model¹ points to a small increase in economic activity at the end of 2018 from the previous quarter despite unfavourable developments in industry (Figure 1). In the last quarter of last year, industrial production continued to fall (by 1.2% from the last quarter's average). Broken down by main industrial groupings, production of capital goods fell the most and unfavourable developments were also recorded in all other MIG components except non-durable consumer goods (Figures 3 and 4). Total construction activity also fell slightly in October and November (down 0.2% from the previous third quarter average). Data show further acceleration in civil engineering works, however this was not sufficient to compensate for the fall in construction works on buildings which recorded a fall on a quarterly level for the first time since mid-2016 (Figures 5 and 6). By contrast, the same period saw a fast growth in retail trade turnover (2.0%), which suggests the temporary character of stagnant developments in trade in the third quarter (Figure 7).

The results of the consumer confidence survey show that household expectations held steady from October to December 2018 at the average third quarter level, with the confidence index rising towards the end of the year. Throughout 2018, consumer confidence held steady on average at the high levels achieved at the beginning of the year. Consumer expectations regarding household financial situations were slightly more favourable in the fourth quarter than at the beginning of the year, while the expectations regarding the economic situation in Croatia were slightly less so. Data for January 2019 show that the consumer confidence index held steady at a high level at the beginning of the year. Business entities' expectations were higher in the fourth quarter of 2018 than in the previous three months in all activities except trade. However, the level of confidence remained lower in all activities, except construction, than at the beginning of the year. As regards the expectations at the beginning of 2019, the confidence index of business entities in construction continued to grow and optimism also improved in trade. By contrast, expectations in industry and service activities were less favourable than at the end of the previous year (Figure 8).

Favourable developments in the labour market continued in the fourth quarter of 2018 at a somewhat faster pace than during the previous three months. As a result, the total number of employed persons rose by 0.7% from the previous quarter. The number of employed persons rose in all activities, except in financial and insurance activities with the biggest contribution to total growth being the increase in the number of employed persons in the public sector and other service activities (Figure 14). Unemployment continued to decrease, driven slightly more by employment from the CES register than clearings from the records for the reasons other than employment (non-compliance with legal provisions, registration cancellation and failure to

report regularly). Registered unemployment (according to seasonally adjusted data for October and November) fell to 9.0%, from 9.8% in the third quarter. According to the latest available Labour Force Survey data for the third quarter of 2018, the unemployment rate stood at 8.3%, having increased slightly from the second quarter, when it stood at 8.1%, which might be explained by an upsurge in pre-season employment in the first half of the year (Figure 15). Nominal gross wages continued to grow in October and November from the previous quarter, though at a slower pace than three months before. Private sector wages grew (0.8%) while public sector wages held steady (Figure 16).

After falling by a slight 0.3% in November, consumer prices in December fell by 0.8% from the previous month (Table 1). The December fall in prices was mostly driven by the seasonal discounting of clothing and footwear prices, and, similarly as in November, the fall in retail prices of petroleum products (due to a fall in crude oil prices on the global market). The average price of a barrel of Brent crude oil reached USD 56 in December, having fallen by 30% from October (Figure 19). This was largely due to increased supply in November, increased production in the USA and other major crude oil producers and the prevailing expectations of decreased demand in December. The domestic market also saw a fall in the prices of food products (dairy products, eggs, meat, sugar, etc.) in December. The fall in consumer prices in December was partly offset by increased price of tobacco (due to increased producer prices of tobacco products and growth of excises), vegetables and passenger air transport. The annual overall consumer price inflation rate fell from 1.3% in November to 0.8% in December (Figure 18). This was mostly due to a slowdown in the annual growth in energy prices (as a result of the mentioned considerable fall in the price of petroleum products). Core inflation rose slightly to 1.0% in December, from 0.9% in November, mostly driven by acceleration in the annual tobacco price growth.

The dynamics of foreign trade in goods accelerated considerably in early fourth quarter of 2018. After growing moderately in the previous quarter, total goods exports in October rose by 7.5% from the preceding three month average (Figure 10), driven in particular by acceleration in energy exports growth (particularly oil and refined petroleum products). The growth in exports of the narrow aggregate excluding energy (4.0%) was mostly due to the increase in exports of electrical machinery, apparatus and appliances and chemical and food products. Acceleration of goods imports was even more pronounced than goods exports. Total goods imports in November rose by 9.9% from the previous quarter average (Figure 11) mirroring a sharp rise in imports of the narrow aggregate excluding energy (9.1%). Imports of chemical products rose the most (particularly imports of medicinal and pharmaceutical products), followed by

1 See Kunovac, D., and B. Špalat: *Nowcasting GDP Using Available Monthly Indicators* (WP-39, October 2014).

capital goods (Figure 12) and textile industry products.

The exchange rate of the kuna against the euro was exposed to appreciation pressures for most of December. To mitigate excessive strengthening of the kuna, the central bank intervened strongly in the foreign exchange market, purchasing at three interventions a total of EUR 1.1bn from the banks. In the last ten days of December, the nominal exchange rate of the kuna against the euro depreciated and stood at EUR/HRK 7.42 at the end of the month, the same as at end-November, having fallen 1.3% from the end of 2017 when it stood at EUR/HRK 7.51 (Figure 21). In December, the kuna depreciated slightly against most other currencies within the currency basket for the calculation of effective exchange rates, but this was offset by the strengthening of the kuna against the Turkish lira, American dollar and pound sterling, reflecting the strengthening of the euro against these currencies on the global foreign exchange market. The index of the nominal effective exchange rate of the kuna in December thus stood at the same level as at end-November.

Influenced by the expansionary monetary policy of the ECB and high euro area banking system liquidity, short-term interest rates on the European money market remained in negative territory until the end of 2018. The overnight interest rate on the euro area banking market, EONIA, ended the month of December at -0.36% , and the six-month EURIBOR at -0.24% (Figure 24). The risk premium for European emerging market countries did not change significantly over the last quarter of the previous year (Figure 25). At the end of 2018, the risk premium for Croatia of 96 basis points remained almost the same as the year before.

The liquidity of the domestic banking system, fuelled by the expansionary monetary policy of the CNB, reached its record high. A total of HRK 8.0bn was created in December by purchases of foreign exchange from the banks, which contributed to a record surplus of kuna liquidity of HRK 33.2bn at the end of 2018. At the level of 2018 as a whole, the average surplus kuna liquidity stood at HRK 24.9bn, and for the sake of comparison, a year before it stood at HRK 15.1bn. Amid such conditions, no turnover has been recorded on the domestic interbank overnight market since July 2018 (Figure 54). The interest rate on one-year kuna T-bills without a currency clause at the auctions of the Ministry of Finance stood at 0.09% in December, the level that had held steady since February of the same year (Figure 28). The interest rate on one-year kuna T-bills with a currency clause in euro also remained unchanged, standing at 0.00% , the level that had held steady since May 2018.

The interest rates on newly-granted bank loans to corporates and households did not change much on average in October and November 2018 (Figures 28, 29 and 30). The interest rates on short-term corporate kuna loans without a currency clause fell in November to their lowest level ever. As regards loans granted for the first time, the interest rates on loans to corporates fell in November (Figure 31), after having mostly risen in October. By contrast, the interest rates on housing loans granted for the first time rose slightly during the same period (Figure 32), while the costs of consumer credit continued to record favourable developments (Figure 33). The interest rates on time deposits rose in November, primarily driven by rising interest rates on corporate time deposits (Figures 34 and 35). The spread between interest rates on loans and deposits narrowed in November to 5.11 percentage points for new loans and deposits and to 4.58 percentage points for loans and deposits balances (Figure 37).

Monetary developments in November and December 2018 were marked by a fall in net foreign assets (NFA) and a sharp rise in net domestic assets (NDA) of the monetary system as a result of growth in net claims of monetary institutions against

the central government. As a result of such developments, total liquid assets (M4) rose by HRK 1.7bn or 0.5% in December 2018. Observed on an annual level, the growth in total liquid assets (M4) slowed down slightly to 6.1% in December 2018, excluding the effects of exchange rate changes (Figure 49). As regards the structure of M4, the annual growth in money (M1) slowed down to 20.7% (Figure 48) while the annual fall in quasi-money slowed down to 1.8% .

After rising in November, total placements of monetary institutions to domestic sectors (excluding the government) fell in December by HRK 0.5bn (transaction-based) reflecting a fall in loans to non-financial corporations, i.e. shipbuilding, due to the payment of guarantees issued by the general government. This also influenced the annual dynamics, with the growth of placements to non-financial corporations slowing down from 3.1% in November to 1.9% in December (Figure 41) and the growth of total placements slowing down from 4.7% to 4.4% (Figure 40). As regards households, the annual growth of placements to this sector held steady at end-November level of 6.2% (Figure 42). As regards the structure of household loans, the annual growth of housing loans continued to accelerate, reflecting, among other things, the effects of housing loan subsidy programme, while the annual growth of general-purpose cash loans slowed down slightly in December. In terms of currency structure, the share of kuna placements in total household placements continued to grow, reaching 51.9% at the end of December (Figure 47). The annual growth in the nominal stock of placements stood at 2.0% in December and was again considerably slower than the growth based on transactions, which is mostly the result of the sale of non-performing placements.

Gross international reserves rose in November and December and stood at EUR 17.4bn at the end of 2018 (Figure 56), mostly influenced by purchases of foreign exchange from the banks. Gross reserves rose by EUR 1.7bn or 11.0% from the end of the previous year. Net usable reserves rose by EUR 2.1bn or 15.2% from the end of the previous year and stood at EUR 15.8bn at the end of 2018.

After a marked fall during the summer months, the net external debt rose by EUR 0.3bn in October 2018 (Figure 60) as the fall in foreign claims exceeded the further fall in liabilities to foreign creditors (Figure 61). Observed by domestic sectors, the total growth in net foreign liabilities is the result of the worsening of the net foreign position of credit institutions (EUR 0.4bn) while other domestic sectors improved their net positions slightly. At the end of October 2018, the total gross external debt stood at EUR 38.4bn (Figure 62), a fall of EUR 0.4bn from the end of September.

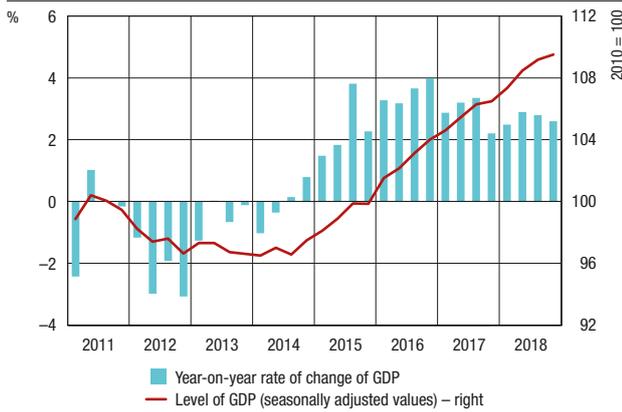
Data for the third quarter of 2018, according to the ESA 2010 methodology, showed a continuation of the favourable fiscal developments present in the first half of the year, with the general government surplus from July to September rising to HRK 5.4bn, from HRK 4.0bn in the same period of 2017. Such developments reflect a faster growth in total revenues than in expenditures. Total general government revenues thus increased by 8.6% in the period from July to September, largely due to a noticeable strong positive contribution of VAT (spurred by growth in personal consumption and favourable results in tourism), and growth in most other revenue categories. Total expenditures also grew (6.1%), mostly driven by expenditures for intermediate consumption and social benefits and investments, which brought to a halt the negative contribution of capital investments to changes in total expenditures present for the five consecutive quarters.

According to monthly data of the Ministry of Finance², in October and November a surplus of HRK 2.1bn was generated

on central government level, while, for purposes of comparison, the surplus generated in the same period of the previous year stood at HRK 0.2bn. The increase in the surplus reflects a faster growth in revenues than in expenditures. Nevertheless, the available data point to a possible widening of the general government deficit in the fourth quarter on an annual level due to the payment of government guarantees issued to shipyards. At the end of October 2018, the consolidated general government debt stood at HRK 280.3bn, a decrease of approximately HRK 3bn

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 October to a fall in the public debt to GDP ratio to 74.1%, from 77.5% at the end of the previous year (Figure 63). In early January 2019, the interest rates on kuna T-bills at Ministry of Finance auctions held steady at low levels, suggesting further favourable conditions and high liquidity on the domestic financial market.

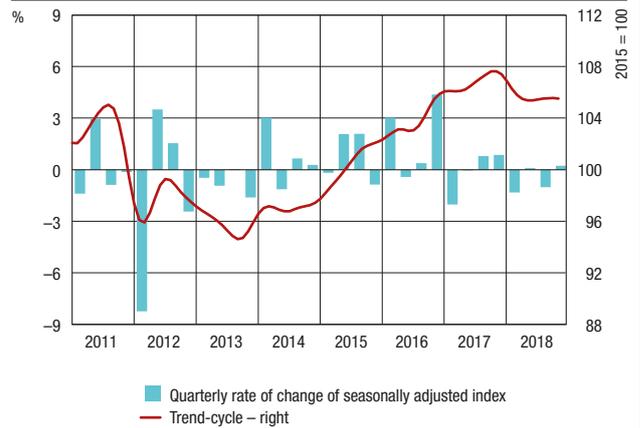
Figure 1 Quarterly gross domestic product
seasonally adjusted real values



Note: Data for the fourth quarter of 2018 are estimated with the use of the CNB's monthly indicator of real economic activity, on the basis of data published until 29 January 2019.

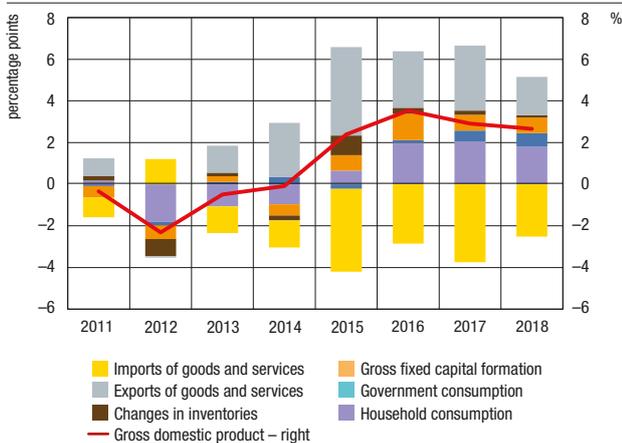
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

Figure 3 Industrial production



Source: CBS data seasonally adjusted by the CNB.

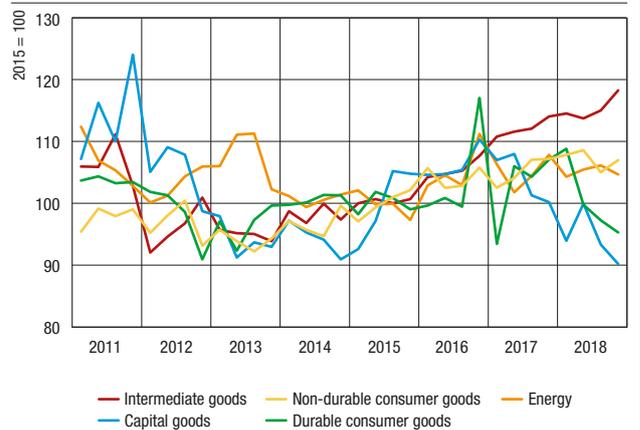
Figure 2 GDP rate of change
contributions by components



Note: The projection for 2018 refers to the official projection of the CNB from December 2018.

Source: CBS.

Figure 4 Industrial production by main industrial groupings
seasonally adjusted indices

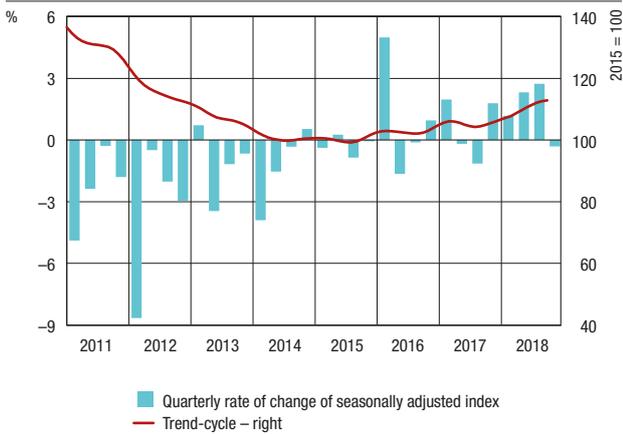


Note: Quarterly data are calculated as the average of monthly data.

Source: CBS data seasonally adjusted by the CNB.

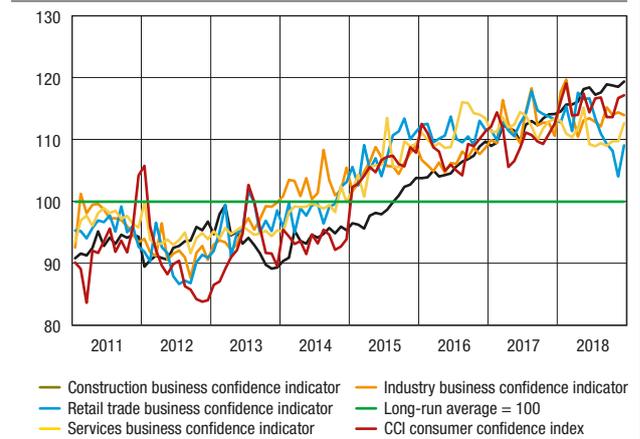
2 Monthly data for central government, state government and social security sub-sectors which, pursuant to Council Directive 2011/85/EU, have to be published before the end of the following calendar month. The published data refer to general government units according to the scope of the ESA 2010 statistical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

Figure 5 Total volume of construction works



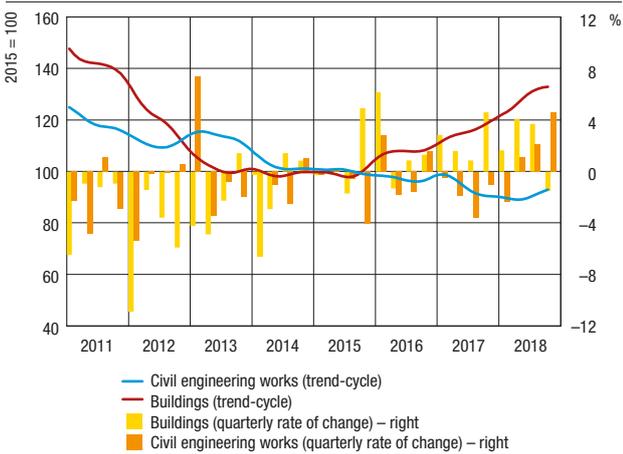
Note: Data for the fourth quarter of 2018 refers to October and November.
Source: CBS data seasonally adjusted by the CNB.

Figure 8 Business confidence indicators
standardised and seasonally adjusted values



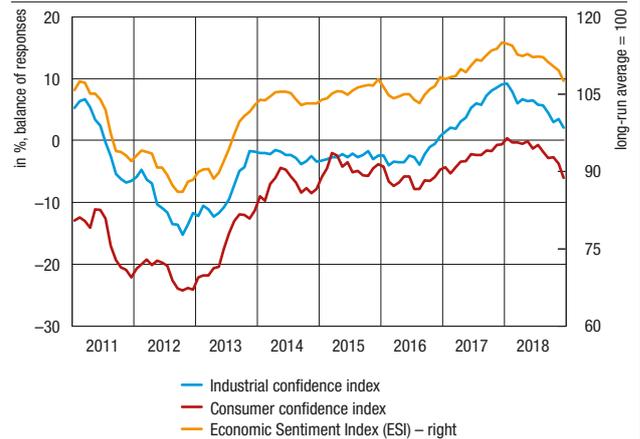
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



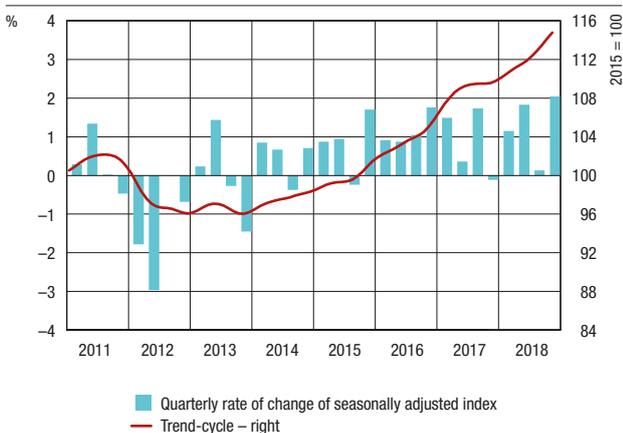
Note: Data for the fourth quarter of 2018 refers to October and November.
Source: CBS data seasonally adjusted by the CNB.

Figure 9 EU confidence indices
seasonally adjusted series



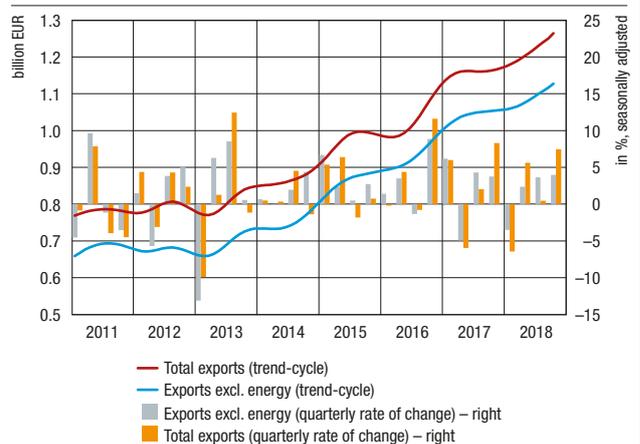
Note: Data are up to December 2018.
Source: Eurostat.

Figure 7 Real retail trade turnover



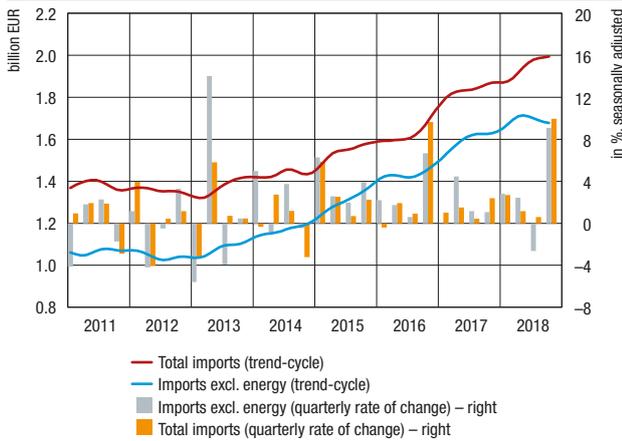
Note: Data for the fourth quarter of 2018 refers to October and November.
Source: CBS data seasonally adjusted by the CNB.

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



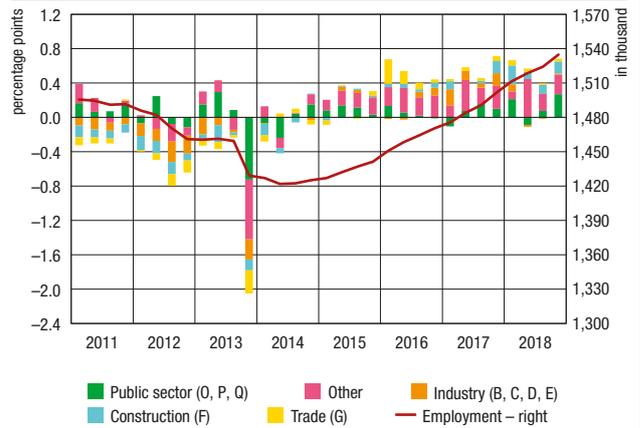
Note: Data for the fourth quarter of 2018 refer to October.
Source: CBS data seasonally adjusted by the CNB.

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



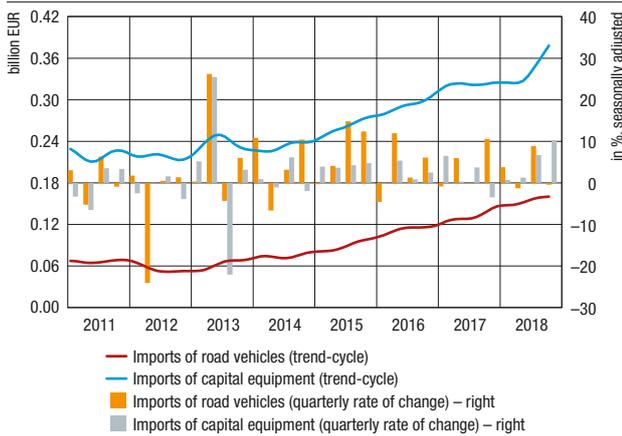
Note: Data for the fourth quarter of 2018 refer to October.
Source: CBS data seasonally adjusted by the CNB.

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



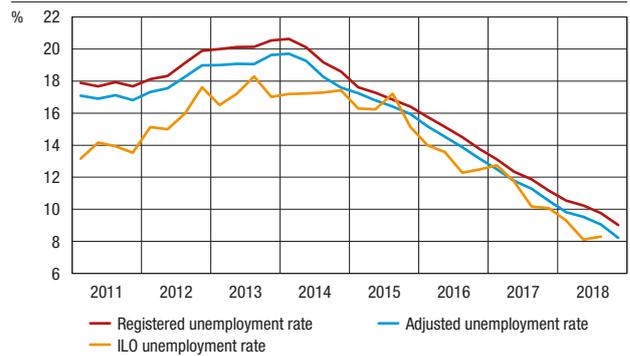
Source: CPII data seasonally adjusted by the CNB.

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



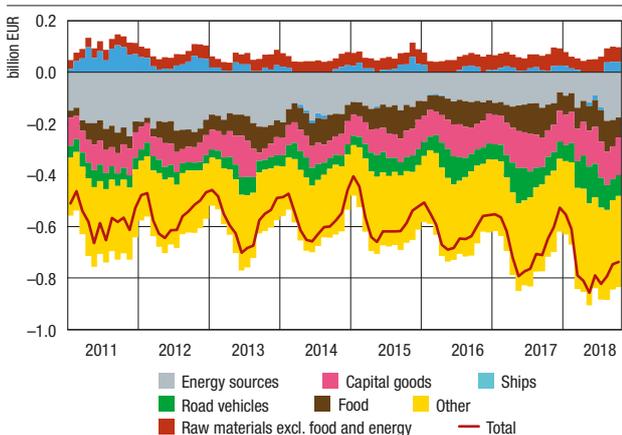
Notes: Imports of capital equipment (SITC divisions 71 - 77). Data for the fourth quarter of 2018 refer to October.
Source: CBS data seasonally adjusted by the CNB.

Figure 15 Unemployment rates
seasonally adjusted data



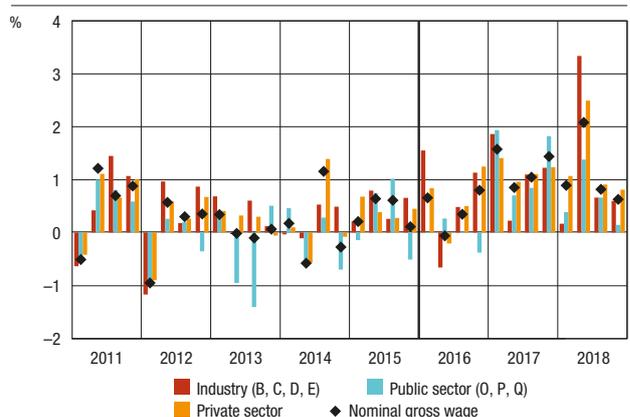
Notes: Since January 2015, the calculation of the registered unemployed rate has been made using the data on employed persons from the JOPPD form. The adjusted unemployment rate is the CNB estimate and is calculated as the share of the number of registered unemployed persons in the working age population (unemployed persons and persons insured with the CPII). Data on the registered unemployment rate for the fourth quarter of 2018 refer to October and November.
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

Figure 13 Trade in goods balance



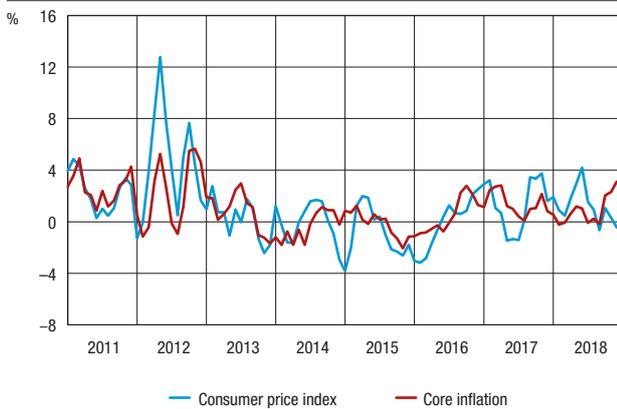
Notes: Series are shown as three-member moving averages of monthly data. Data are up to October 2018.
Source: CBS.

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 fourth quarter of 2018 refer to October and November.
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

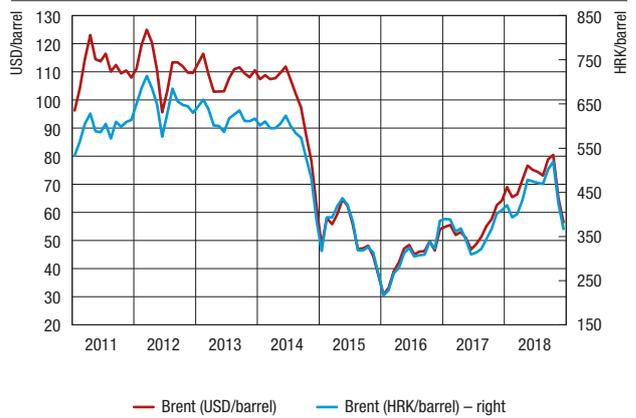
Figure 17 Consumer price index and core inflation
annualised month-on-month rate of change^a



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

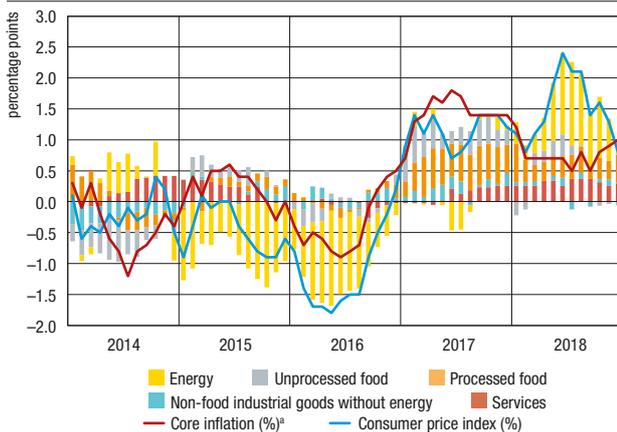
Sources: CBS and CNB calculations.

Figure 19 Crude oil prices (Brent)



Sources: Bloomberg and CNB calculations.

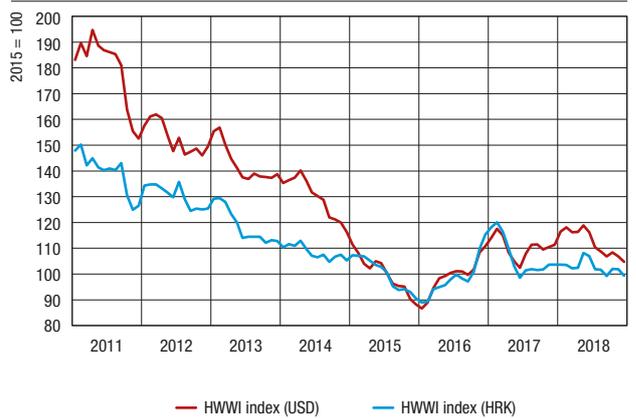
Figure 18 Year-on-year inflation rate and contributions of components to consumer price inflation



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

Sources: CBS and CNB calculations.

Figure 20 HWWI index (excl. energy)



Sources: HWWI and CNB calculations.

Table 1 Price indicators

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

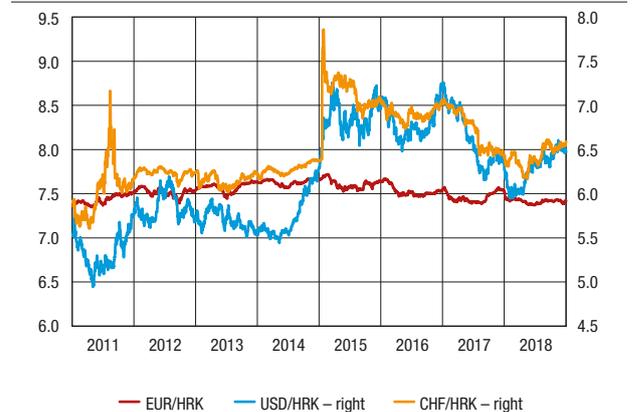
	Year-on-year rates		Month-on-month rates	
	11/2018	12/2018	12/2017	12/2018
Consumer price index and its components				
Total index	1.3	0.8	-0.3	-0.8
Energy	4.1	0.9	0.3	-2.8
Unprocessed food	-0.4	-0.6	1.1	0.8
Processed food	1.3	1.9	-0.5	0.0
Non-food industrial goods without energy	0.4	0.1	-1.6	-1.9
Services	1.0	1.1	0.1	0.2
Other price indicators				
Core inflation	0.9	1.0	-0.7	-0.6
Index of industrial producer prices on the domestic market	1.6	0.5	-0.1	-1.1
Brent crude oil price (USD)	4.2	-12.1	2.6	-13.4
HWWI index (excl. energy, USD)	-3.3	-5.9	0.8	-2.0

Note: Processed food includes alcoholic beverages and tobacco.

Sources: CBS, Bloomberg and HWWI.

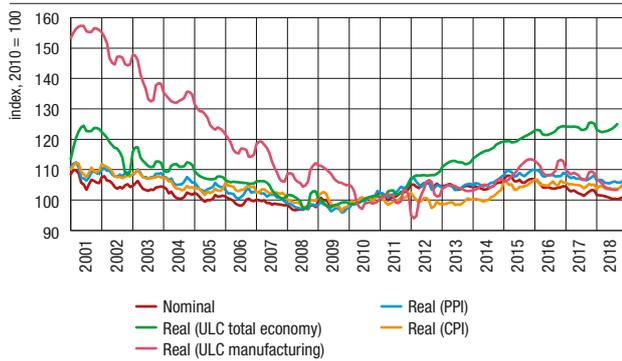
Figure 21 Daily nominal exchange rate – HRK vs. EUR, USD and CHF

CNB midpoint exchange rate



Source: CNB.

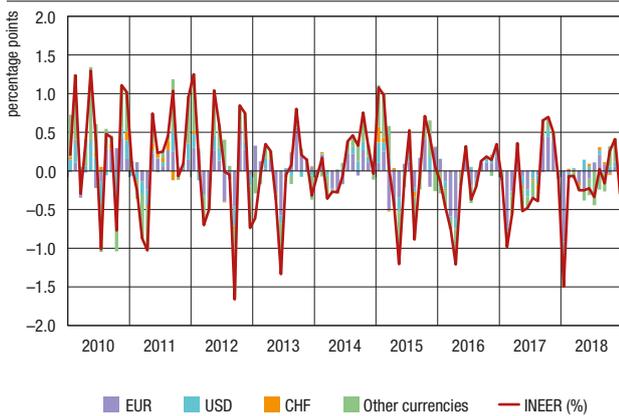
Figure 22 Nominal and real effective exchange rates of the kuna



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

Source: CNB.

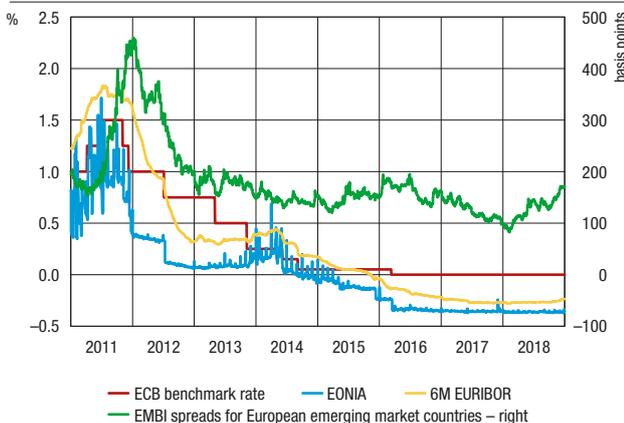
Figure 23 Contributions^a of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)



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

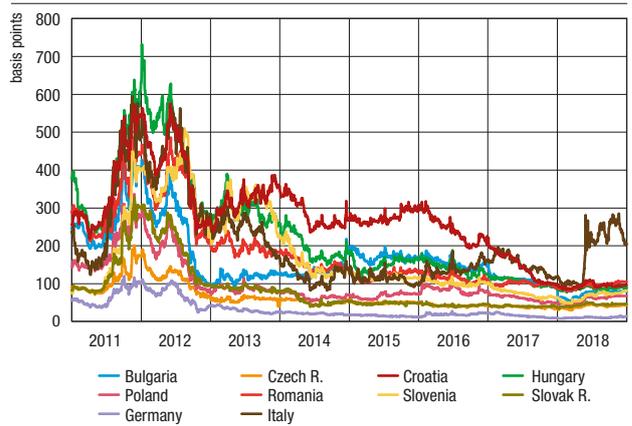
Source: CNB.

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



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

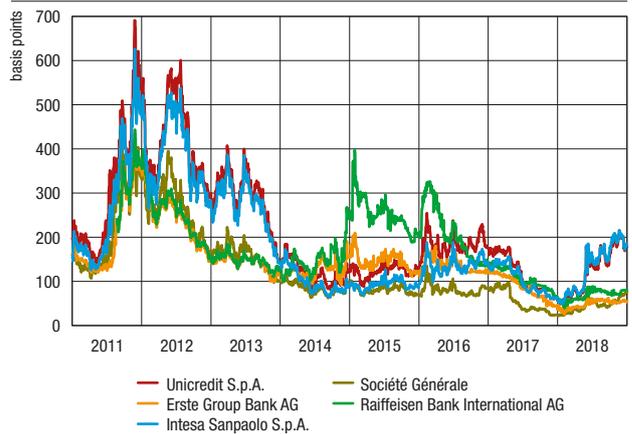
Figure 25 CDS spreads for 5-year government bonds of selected countries



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

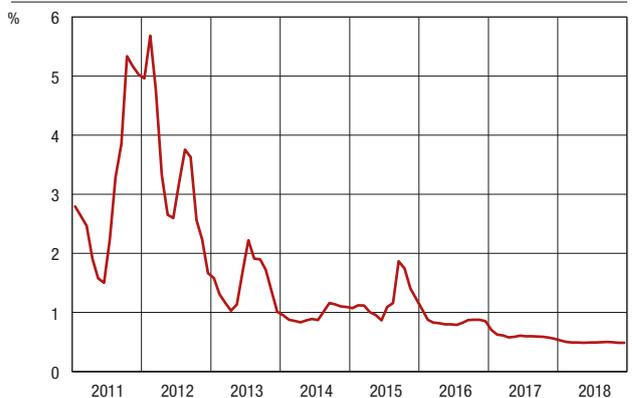
Source: S&P Capital IQ.

Figure 26 CDS spreads for selected parent banks of domestic banks



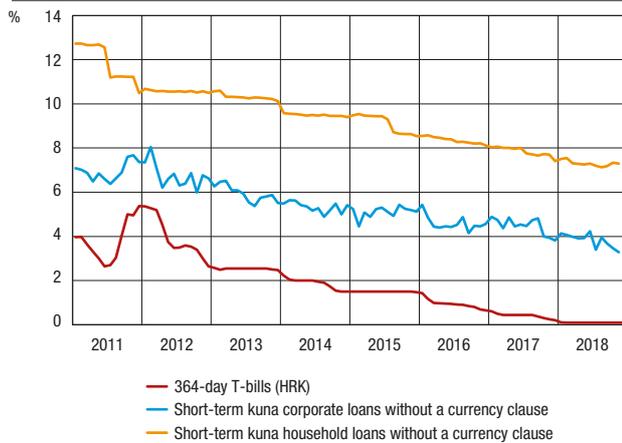
Source: S&P Capital IQ.

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



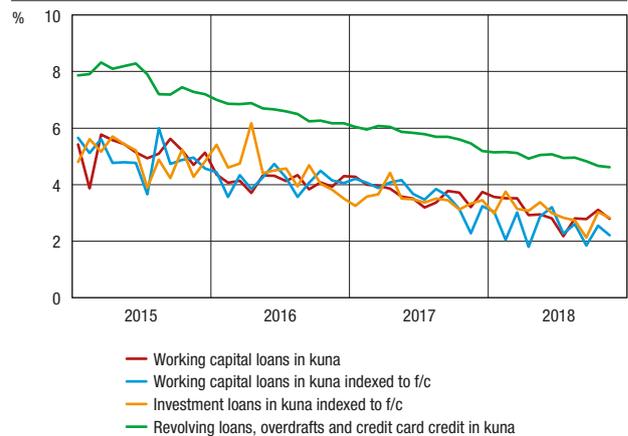
Source: CNB.

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



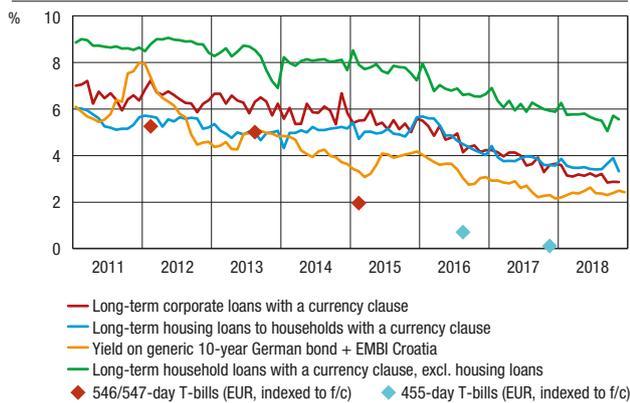
Sources: MoF and CNB.

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



Source: CNB.

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



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

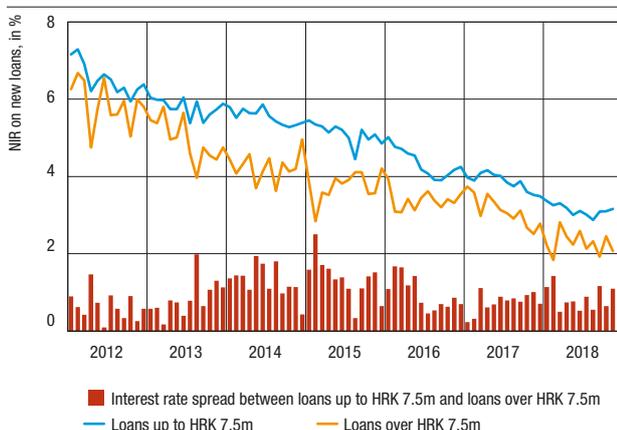
Sources: MoF, Bloomberg and CNB.

Figure 32 Interest rates on original new housing loans to households



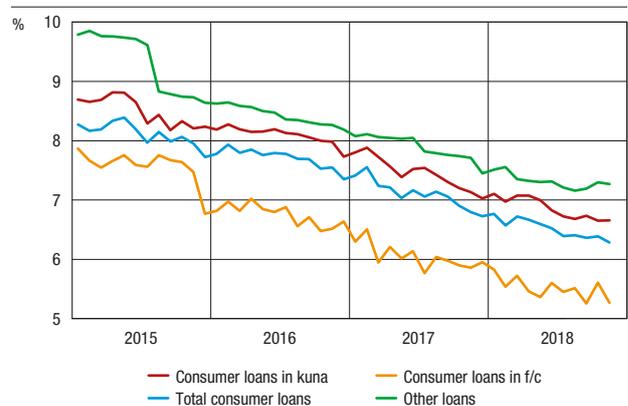
Source: CNB.

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



Source: CNB.

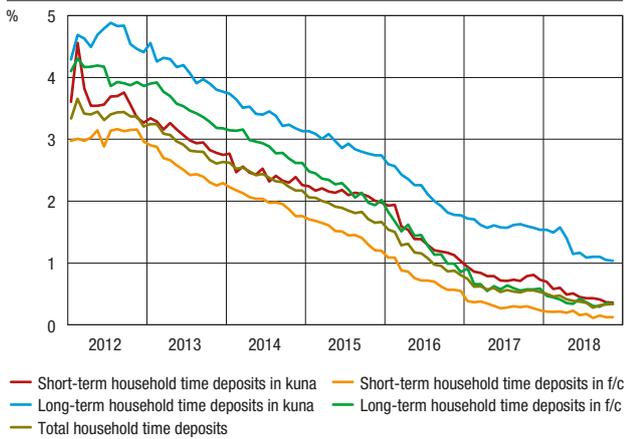
Figure 33 Interest rates on original new consumer and other loans to households



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

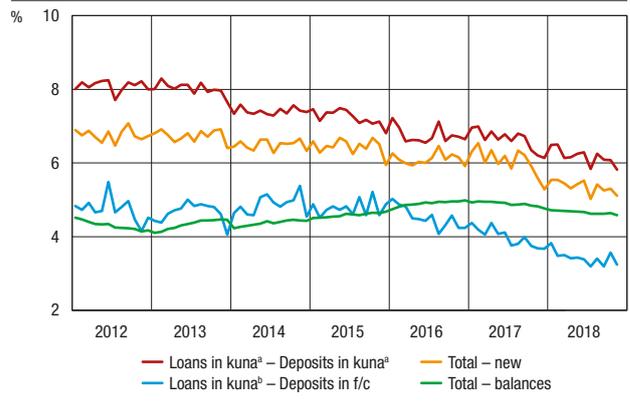
Source: CNB.

Figure 34 Interest rates on household time deposits



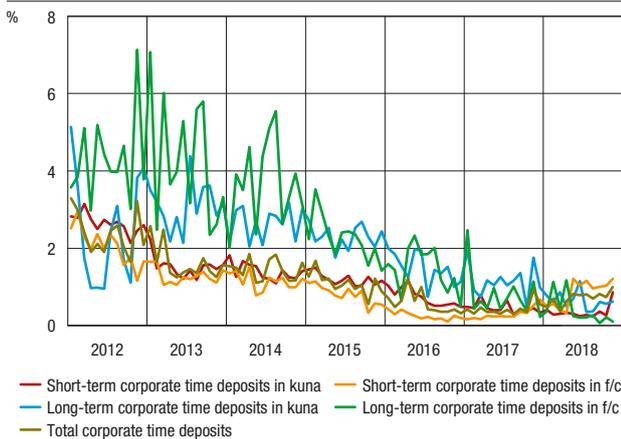
Source: CNB.

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



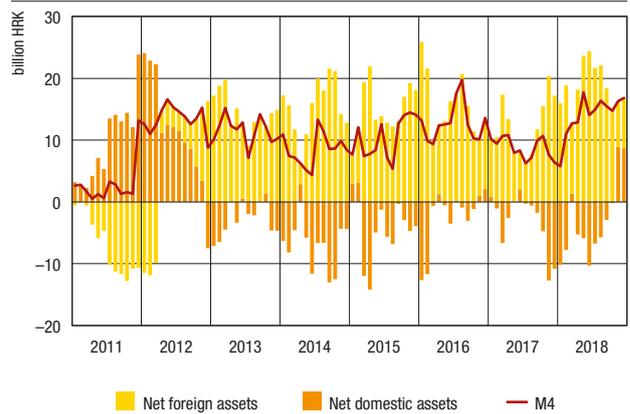
^a Non-indexed to f/c. ^b Indexed to f/c.
Note: Spread between average interest rates on loans and average interest rates on deposits should be differentiated from net interest margin (the ratio of the difference between interest income and interest expenses to total assets of credit institutions).
Source: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

Figure 35 Interest rates on corporate time deposits



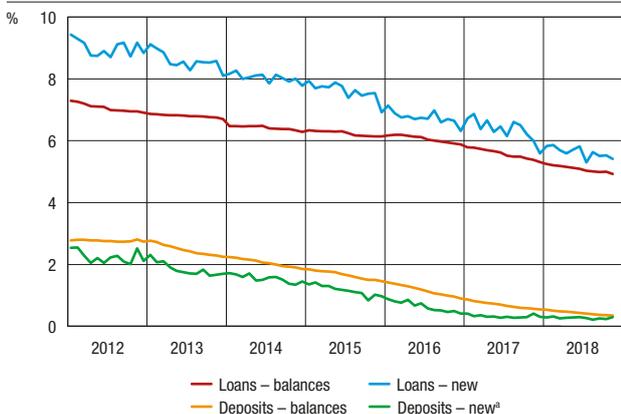
Source: CNB.

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



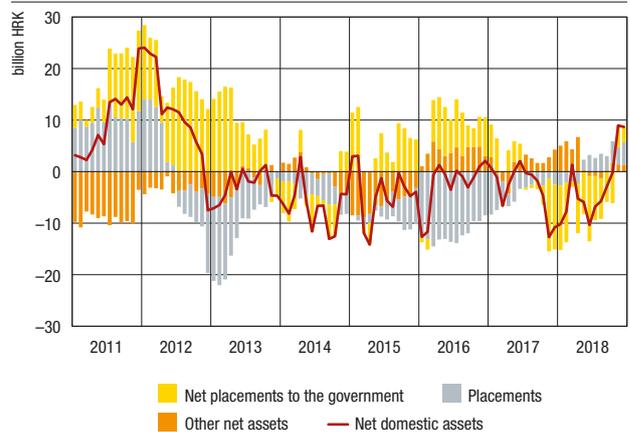
Source: CNB.

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



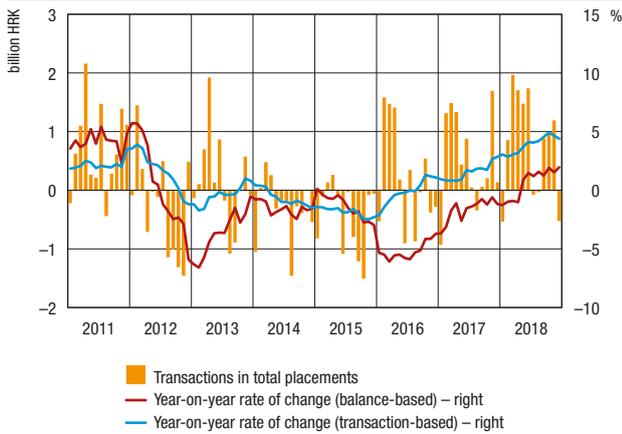
^a For time deposits, interest rates on newly received deposits are weighted by their balances.
Source: CNB.

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



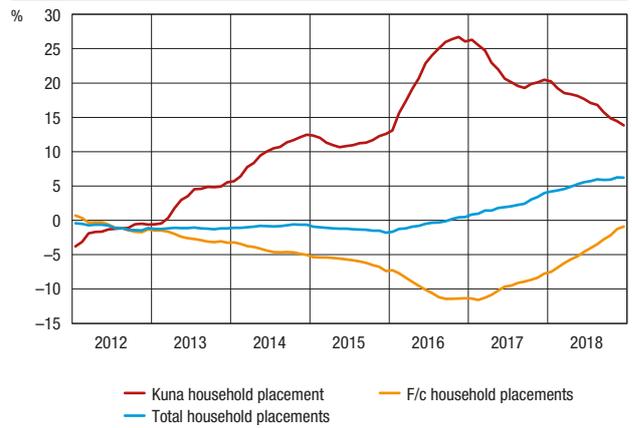
Source: CNB.

Figure 40 Placements



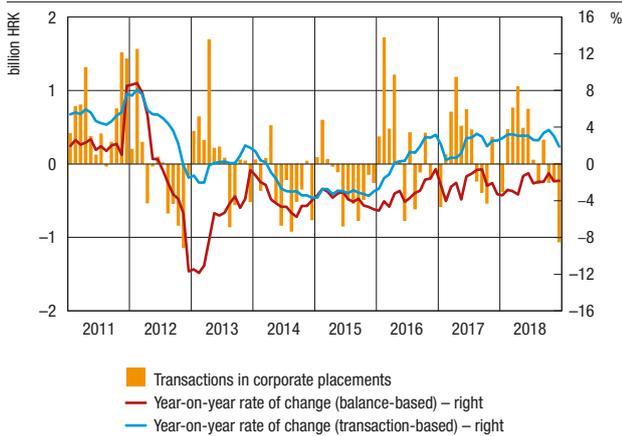
Source: CNB.

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



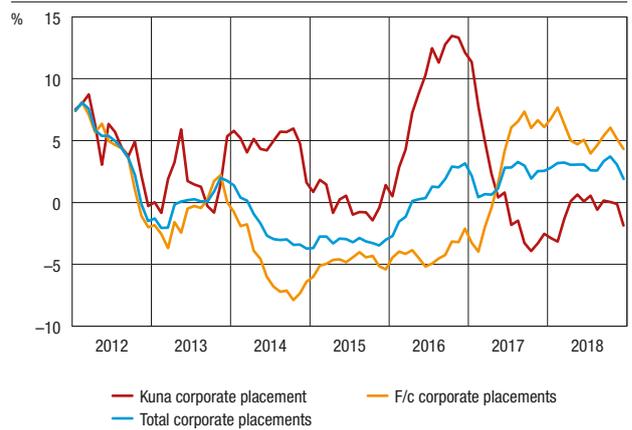
Source: CNB.

Figure 41 Placements to corporates



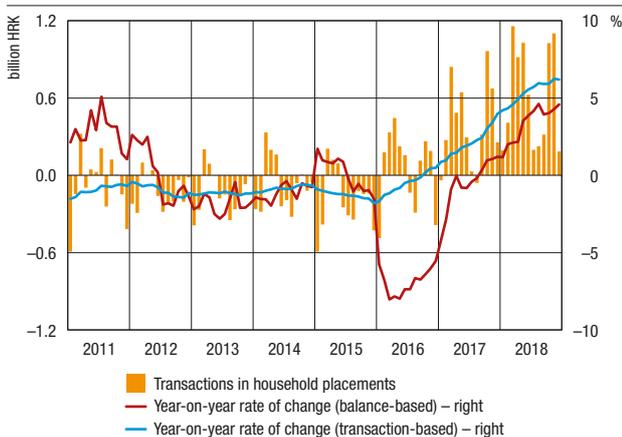
Source: CNB.

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



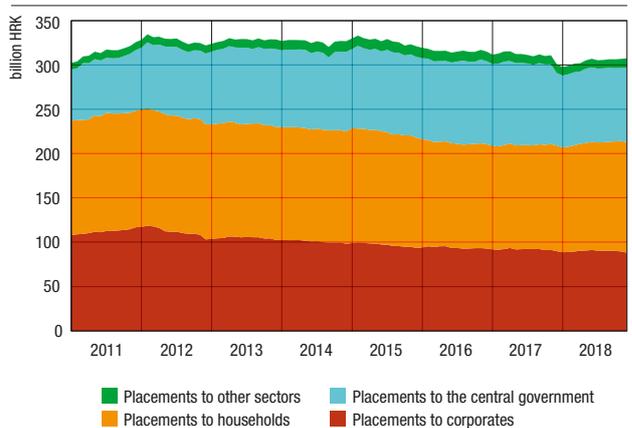
Source: CNB.

Figure 42 Placements to households



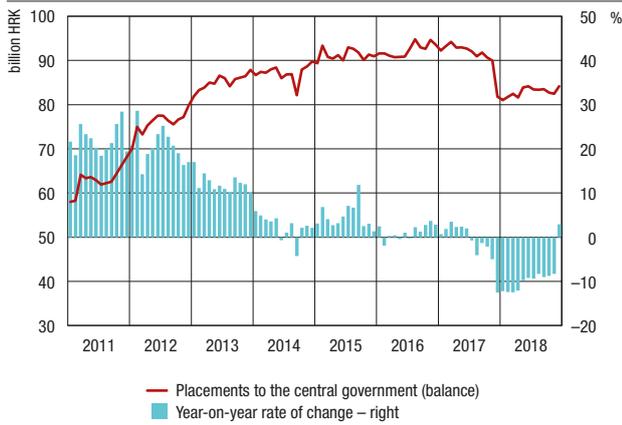
Source: CNB.

Figure 45 Structure of credit institution placements



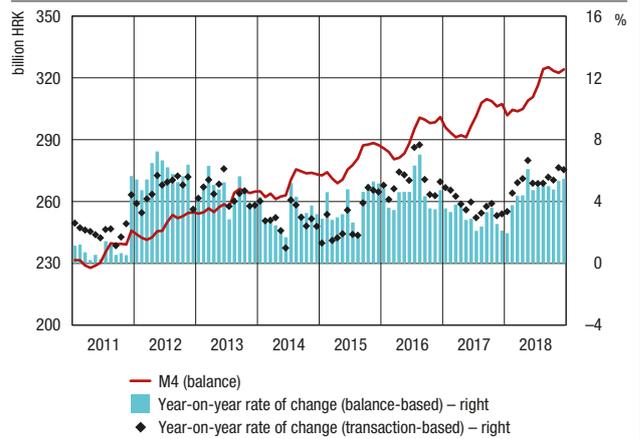
Source: CNB.

Figure 46 Credit institution and MMF placements to the central government



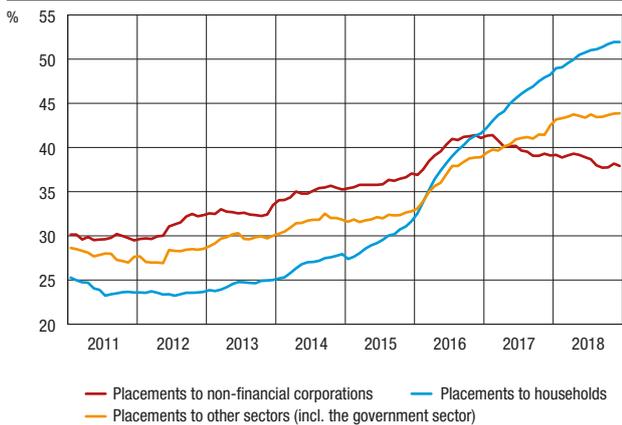
Source: CNB.

Figure 49 Total liquid assets (M4)



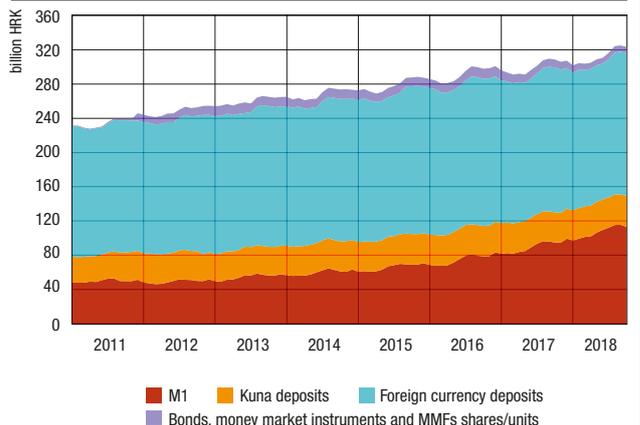
Source: CNB.

Figure 47 Share of kuna placements in total sector placements



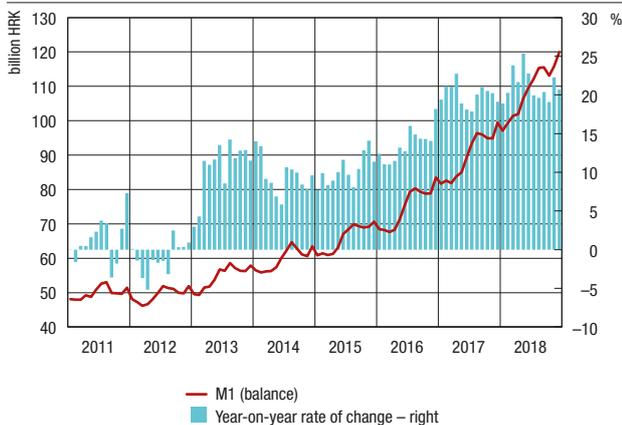
Source: CNB.

Figure 50 Structure of M4 monetary aggregate



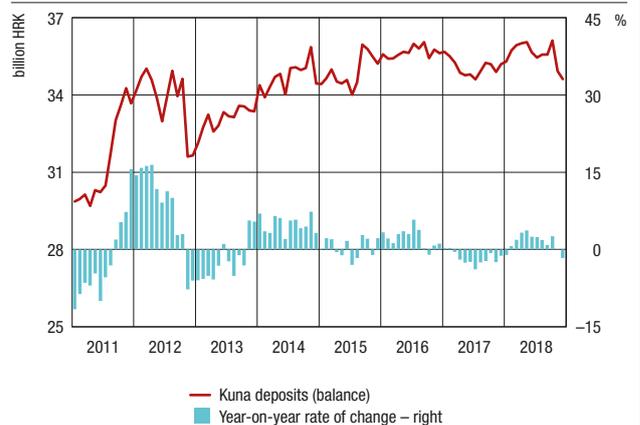
Source: CNB.

Figure 48 Money (M1)



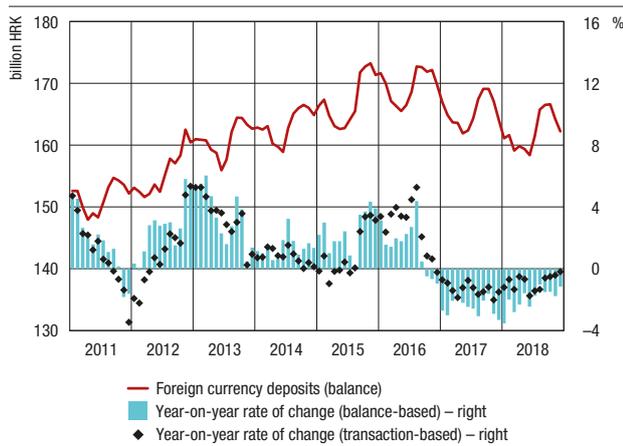
Source: CNB.

Figure 51 Kuna savings and time deposits



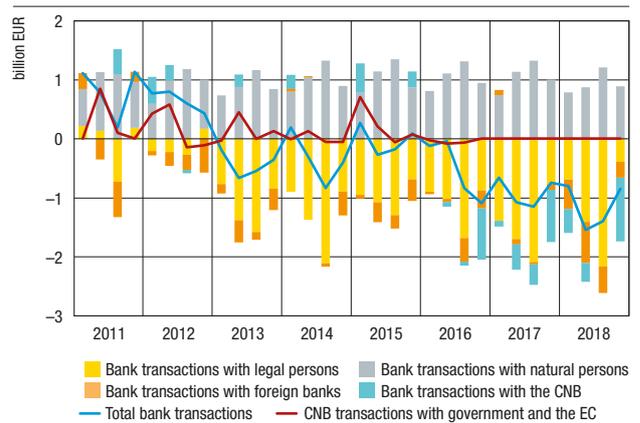
Source: CNB.

Figure 52 Foreign currency deposits



Source: CNB.

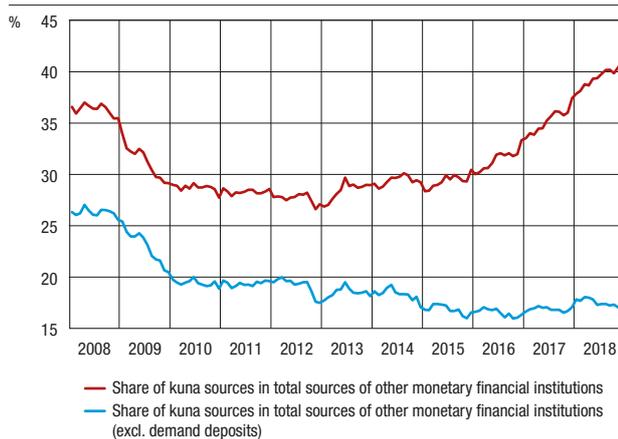
Figure 55 Spot transactions in the foreign exchange market (net turnover)



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

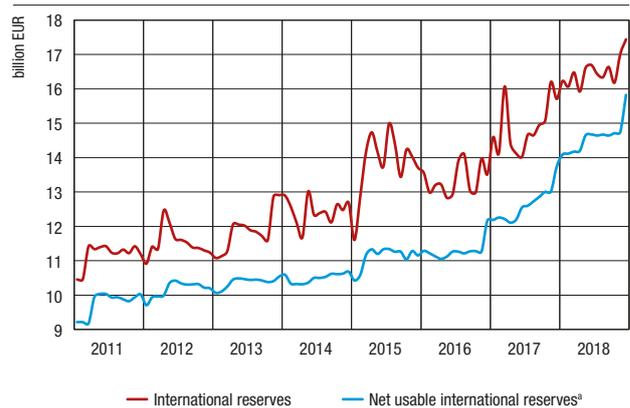
Source: CNB.

Figure 53 Share of kuna sources



Source: CNB.

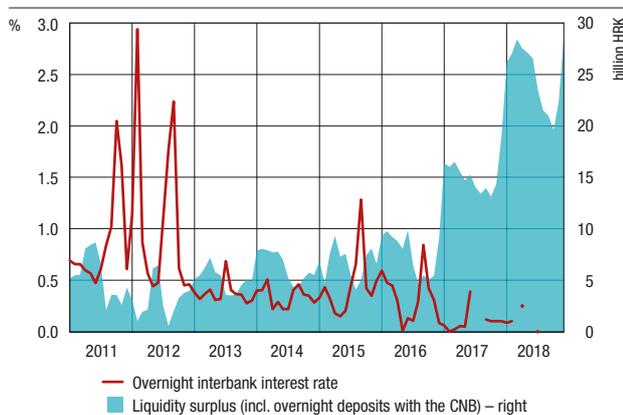
Figure 56 International reserves of the CNB at current rate of exchange



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

Source: CNB.

Figure 54 Bank liquidity and overnight interbank interest rate



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

Source: CNB.

Table 2 Balance of payments preliminary data, in million EUR

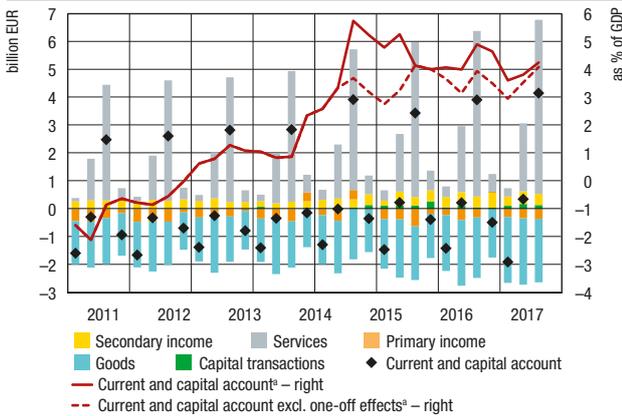
	2017	Q3/2018 ^a	Indices	
			2017/2016	Q3/2018 ^a /2017
Current account	1,983.6	1,652.2	164.4	83.3
Capital account	296.4	509.4	44.4	171.9
Financial account (excl. reserves)	-756.4	505.7	-46.6	-66.9
International reserves	2,593.1	1,636.3	-	63.1
Net errors and omissions	-443.2	-19.6	86.1	4.4

^a Sum of the last four quarters.

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

Source: CNB.

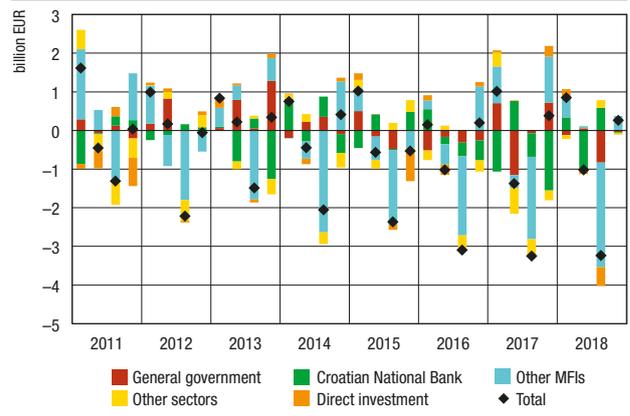
Figure 57 Current and capital account flows



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

Source: CNB.

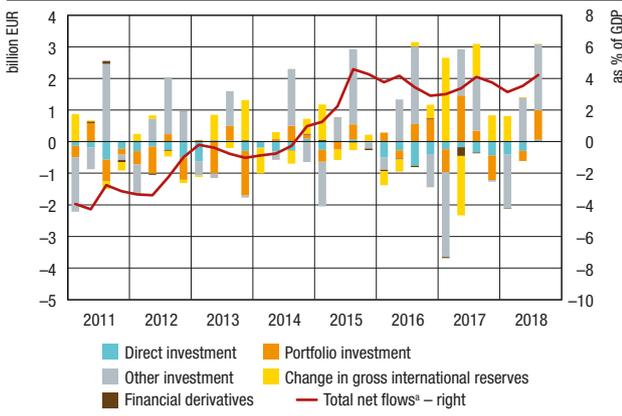
Figure 60 Net external debt transactions



Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Net external debt is calculated as the gross external debt stock net of foreign debt claims. Data for the fourth quarter of 2018 refer to October.

Source: CNB.

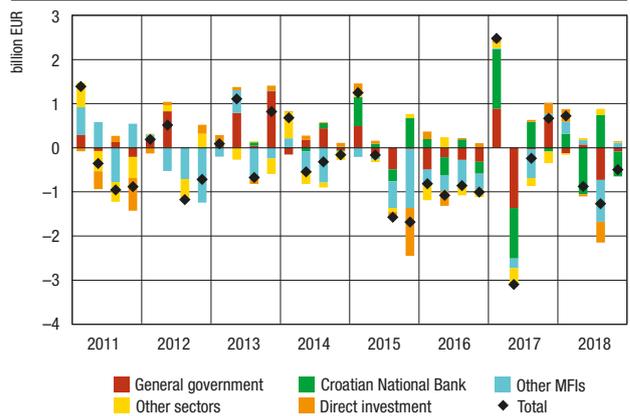
Figure 58 Financial account flows by type of investment



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

Source: CNB.

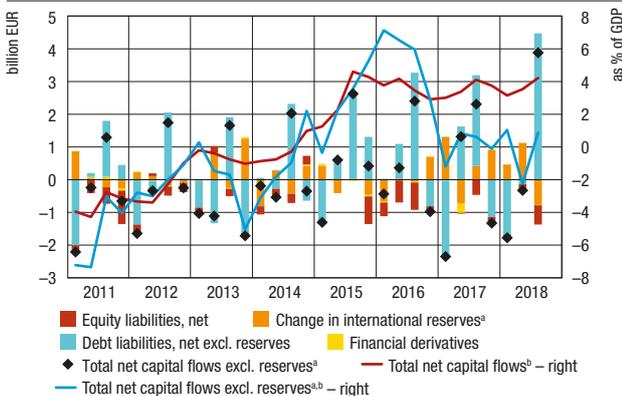
Figure 61 Gross external debt transactions



Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Data for the fourth quarter of 2018 refer to October.

Source: CNB.

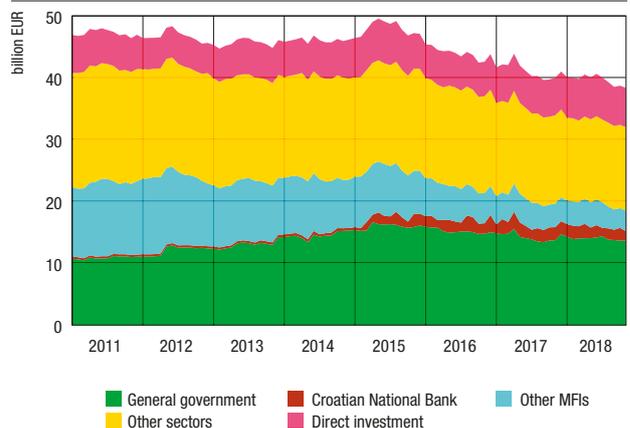
Figure 59 Financial account flows by capital structure



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

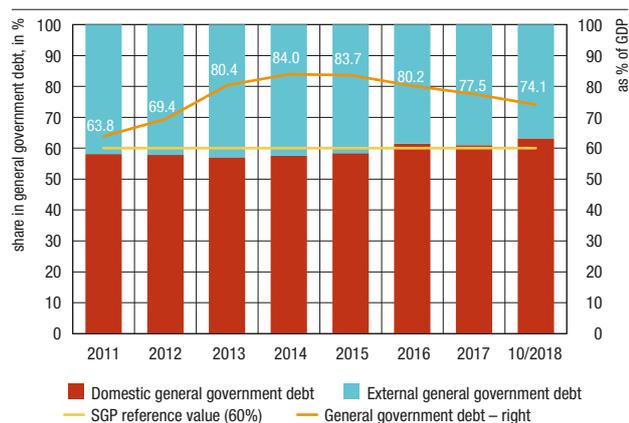
Source: CNB.

Figure 62 Gross external debt end of period



Note: Data are up to end-October 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
Total revenue	79,598	83,615
Direct taxes	11,396	11,809
Indirect taxes	32,804	35,024
Social contributions	21,083	22,164
Other	14,315	14,617
Total expenditure	82,023	82,469
Social benefits	28,495	28,957
Subsidies	3,926	3,787
Interest	4,900	4,698
Compensation of employees	19,888	21,153
Intermediate consumption	14,429	14,765
Investment	4,923	3,508
Other	5,461	5,600
Net lending (+)/borrowing (-)	-2,425	1,146

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. – Oct. 2017	Jan. – Oct. 2018
Change in total debt stock	1,689	-3,036
Change in domestic debt stock	5,167	4,324
– Securities other than shares, short-term	1,531	-1,092
– Securities other than shares, long-term	7,189	6,346
– Loans	-3,480	-866
Change in external debt stock	-3,478	-7,360
– Securities other than shares, short-term	121	-145
– Securities other than shares, long-term	-4,343	-3,311
– Loans	744	-3,904
Memo item:		
Change in total guarantees issued	438	-427

Source: CNB.

Abbreviations and symbols

Abbreviations

BIS	– Bank for International Settlements
bn	– billion
b.p.	– basis points
BOP	– balance of payments
c.i.f.	– cost, insurance and freight
CBRD	– Croatian Bank for Reconstruction and Development
CBS	– Croatian Bureau of Statistics
CCI	– consumer confidence index
CDCC	– Central Depository and Clearing Company Inc.
CDS	– credit default swap
CEE	– Central and Eastern European
CEFTA	– Central European Free Trade Agreement
CEI	– consumer expectations index
CES	– Croatian Employment Service
CHIF	– Croatian Health Insurance Fund
CLVPS	– Croatian Large Value Payment System
CM	– Croatian Motorways
CNB	– Croatian National Bank
CPF	– Croatian Privatisation Fund
CPI	– consumer price index
CPII	– Croatian Pension Insurance Institute
CR	– Croatian Roads
CSI	– consumer sentiment index
DAB	– State Agency for Deposit Insurance and Bank Resolution
dep.	– deposit
DVP	– delivery versus payment
EC	– European Commission
ECB	– European Central Bank
EFTA	– European Free Trade Association
EMU	– Economic and Monetary Union
ESI	– economic sentiment index
EU	– European Union
excl.	– excluding
f/c	– foreign currency
FDI	– foreign direct investment
Fed	– Federal Reserve System
FINA	– Financial Agency
FISIM	– financial intermediation services indirectly measured
f.o.b.	– free on board
GDP	– gross domestic product
GVA	– gross value added
HANFA	– Croatian Financial Services Supervisory Agency
HICP	– harmonised index of consumer prices
ILO	– International Labour Organization
IMF	– International Monetary Fund
incl.	– including
IPO	– initial public offering
m	– million
MIGs	– main industrial groupings
MM	– monthly maturity
MoF	– Ministry of Finance
NCA	– National Classification of Activities
NCB	– national central bank
NCS	– National Clearing System

n.e.c.	– not elsewhere classified
OECD	– Organisation for Economic Co-Operation and Development
OG	– Official Gazette
R	– Republic
o/w	– of which
PPI	– producer price index
RTGS	– Real-Time Gross Settlement
Q	– quarterly
RR	– reserve requirement
SDR	– special drawing rights
SITC	– Standard International Trade Classification
SGP	– Stability and Growth Pact
VAT	– value added tax
WTO	– World Trade Organization
ZMM	– Zagreb Money Market
ZSE	– Zagreb Stock Exchange

Three-letter currency codes

ATS	– Austrian schilling
CHF	– Swiss franc
CNY	– Yuan Renminbi
DEM	– German mark
EUR	– euro
FRF	– French franc
GBP	– pound sterling
HRK	– Croatian kuna
ITL	– Italian lira
JPY	– Japanese yen
USD	– US dollar

Two-letter country codes

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

Symbols

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