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# Information on economic trends

January 2017



## Summary

Favourable developments in economic activity continued at the end of 2016. Industrial production and exports of goods grew at a fast pace, and real retail trade turnover and business and consumer confidence increased as well. On the other hand, the drop in construction activity continued. The upward trend in the annual rate of change of consumer prices went on, entering positive territory in December. The Croatian National Bank continued its expansionary monetary policy while maintaining the stability of the kuna exchange rate against the euro. This was especially noticeable at the end of the year when it prevented the appreciation of domestic currency by purchasing foreign currency in the market. Monetary developments in the last quarter of the year were marked by continued recovery in corporate and household lending, which had a positive impact on the increase in total placements (1.1%, based on transactions) in 2016 as a whole. Broken down by sector, placements to corporates grew by 3.1% in 2016. Simultaneously, for the first time after a seven-year deleveraging period, placements to households increased by 0.5%. Data available for the second half of the year indicate that favourable fiscal developments continued during the period so the general government deficit at the annual level might come in much lower than at the same time last year. At the end of October, the general government deficit was much lower than at the end of 2015, primarily due to the favourable impact of the exchange rate.

After a noticeable intensification of economic activity in the third quarter, monthly indicators signalled favourable developments again in the fourth quarter of 2016.<sup>1</sup> Industrial production rose by as much as 5.6% in October and November from the average of the preceding three months (Figure 3). Broken down by main industrial groupings, favourable movements in industry are a consequence of the increase in production in all MIG components, except non-durable consumer goods, with energy production boasting the strongest growth (Figure 4). Real retail trade turnover increased by 0.5% in October and November from the third quarter of 2016 (Figure 7). The results of business and consumer confidence surveys also suggested that expectations at the end of 2016 were better than in the period from July to September of the same year, especially regarding consumer expectations. The services sector also boasted a noticeable increase in confidence (Figure 8). On the other hand, available data indicate that construction continued shrinking over the last quarter of the past year. It was 1.3% lower in October than the average in the previous three months. Construction works on buildings and civil engineering decreased (Figures 5 and 6).

Employment growth accelerated again in the fourth quarter of 2016. The number of employed persons increased by 0.5% from the previous quarter, with employment growing across the board. For the most part, however, this growth reflected the increase in the number of persons employed in service activities of the private sector, with a noticeable contribution of industry (Figure 14). Unemployment continued to decrease during the same period as well but at a weaker intensity than in the first half of 2016. The reduction in the number of unemployed persons was primarily a result of clearings from the records for reasons other than employment. The registered unemployment rate, totalling 14.1% in the fourth quarter of 2016 (14.5% in the third quarter), continued decreasing in line with the reduction of the number of the unemployed.<sup>2</sup> The latest data from the Labour Force Survey for the third quarter 2016 also confirmed favourable developments in unemployment so the ILO unemployment rate in the period from July to September totalled 11.8%, as against the 13.3% in the second quarter (Figure 15). As for salaries, they grew strongly in October and November after a slight decrease in the third quarter (Figure 16). Nevertheless, their real growth was still slightly lower than the nominal due to the current increase in consumer prices.

The indicators of current development in inflation were positive over the last few months, increasing for the most part

(Figure 17). The increase in the annual consumer price inflation continued in November and December, aided primarily by the strengthening of the inflationary pressures reflected in higher prices of crude oil and other raw materials (Table 1) and an acceleration of inflation in EU countries. In addition, domestic inflationary pressures that arose from the strengthening of personal consumption increased slightly. The annual rate of change in consumer prices thus increased from -0.5% in October to -0.2% in November and 0.2% in December, the prices of energy and food (Figure 18) contributing the most to this increase. The negative contribution of energy to overall inflation went down due to the rise in the prices of refined petroleum products in December caused by the noticeable spike in global crude oil prices but also due to the base effect, i.e. a substantial drop in the price of refined petroleum products late in 2015. The core consumer price index, increased from 0.2% in October to 0.4% in November and 0.5% in December, primarily due to the rise in the price of tobacco products spurred by the increase in excise duties and the increase in the annual rate of change in the price of milk and dairy products, and meat.

Foreign trade figures registered a noticeable growth in exports and a slight decrease in imports early in the fourth quarter of 2016 relative to the third quarter average. After unfavourable results in the previous quarter, total exports of goods increased by 7.0% in October (Figure 10). More favourable development were under the influence of the growth in the exports of the narrow aggregate (excluding ships and oil) of 5.4%, especially the stronger exports of medical and pharmaceutical products, electricity, capital equipment and road vehicles. The exports of oil and refined petroleum products increased, while the exports of ships decreased. The negligible decrease in the total imports of goods by 0.2% in October (Figure 11) was, among other things, a consequence of the decline in the imports of medical and pharmaceutical products, some metal industry products and food (except coffee, tea, cocoa and spices). These developments, however, were partly offset by the growth in the imports of capital equipment (primarily telecommunications, sound recording and reproduction apparatus and machinery specialised for particular industries), mineral fuels and lubricants (excluding oil and refined oil products), and wearing apparel.

The exchange rate of the kuna against the euro was exposed to appreciation pressures for most of December. Late in

<sup>1</sup> The model estimate of economic growth in the last quarter of 2016 reflects a slight decrease in real GDP relative to the previous quarter due to the exceptionally high base in the third quarter when growth was greatly supported by exports of tourist services.

<sup>2</sup> The adjusted unemployment rate in the period, which uses the previously mentioned CPIA data instead of the data from the JOPPD form in the calculation of the unemployment rate, totalled 13.3% (relative to 13.8% in the third quarter).

December, following the CNB's interventions, the exchange rate of the kuna against the euro depreciated, ending the month at EUR/HRK 7.56, up 0.4% on the end of November, i.e. down 1.0% on the end of 2015 when it stood at EUR/HRK 7.64 (Figure 21). The kuna weakened against most other major trading partners' currencies in December, resulting in a depreciation of the nominal effective exchange rate of 0.3% compared to the end of November. In addition to the weakening of the kuna against the euro, this was mostly due to its weakening against the yuan renminbi and the US dollar, which continued its rise in the world market, spurred, among other things, by the Fed's December tightening of its monetary policy.

At the end of 2016, euro benchmark interest rates were still very low due to the ECB continuing its expansionary monetary policy. The overnight interest rate for the euro area, EONIA, ended the month at  $-0.33\%$ , while the six-month EURIBOR dropped to  $-0.22\%$  (Figure 24). After the outcome of the US presidential elections in November had underlined uncertainties in the financial market, which contributed to the growth in the average bond yield spread (Figure 24), as well as to the growth of the risk premium for most European countries, including Croatia (Figure 25), markets stabilised at slightly higher levels of risk premia at the end of the year relative to early November. Croatia's risk premium was thus noticeably lower at the end of 2016 than at the end of 2015, although it remained the highest among its CEE peers.

Amid the exceptionally high liquidity of the domestic financial system aided by the CNB's expansionary monetary policy, money market turnover was low in the last two months of 2016. In this period, the weighted interest rate on overnight interbank loans stood at  $0.13\%$  (Figure 50), while the three-month quoted ZIBOR averaged at  $0.88\%$  (Figure 27). The interest rate on one-year kuna T-bills without a currency clause additionally decreased in December to its all time low of  $0.65\%$  (Figure 28).

The downward trend in lending and deposit interest rates continued in the last quarter of 2016. Interest rates on all major types of corporate and household loans (Figures 28 and 29) decreased in 2016. Interest rates on housing loans granted for the first time went down the most, reaching  $4.4\%$  in November (Figure 32). As for deposit rates, interest rates on new time deposits of households, which account for the lion's share of total time deposits, declined from  $1.67\%$  at the end of 2015 to  $0.88\%$  at the end of November 2016 (Figure 34). The spread between interest rates on total new loans and deposits averaged lower than in the previous year, while the widening gap between interest rate spreads on loans and deposits was halted in the second half of the year at almost 5 percentage points (Figure 37).

Monetary developments in the last quarter of 2016 were marked by a decrease in the net foreign assets (NFA) of the monetary system, which, combined with a strong increase in net domestic assets (NDA), led to the rise in total liquid assets (M4). Banks made a contribution to the decrease in net foreign assets by noticeably reducing their foreign assets and deleveraging abroad in a smaller amount, while the net foreign assets of the CNB in the period increased due to the foreign exchange purchases. On an annual level, NFA went up significantly in 2016, which, with almost unchanged net domestic assets (NDA) of the monetary system (Figure 38), resulted in the  $5.3\%$  increase in total liquid assets (M4) (Figure 46), excluding the effect of exchange rate changes. Within the structure of total liquid assets, the greatest contribution to growth came from the increase in money (M1), whose growth rate reached as much as  $18.1\%$  at the end of 2016 (Figure 45), spurred particularly by the growth of demand deposits.

Credit institutions' placements to corporates and households

continued to edge up in the last quarter of 2016. However, since placements to other financial institutions declined in the same period, total placements (excluding the central government) remained almost unchanged (Figure 40). Positive developments in household and corporate lending were also visible on an annual level (Figures 41 and 42). As regards the household sector, placements to this sectors increased in 2016 ( $0.5\%$ ), for the first time in seven years, while placements to corporates increased by  $3.1\%$ . Thus, total placements to domestic sectors went up by  $1.1\%$  (based on transactions) in 2016. On the other hand, the nominal value of placements was  $3.4\%$  lower at the end of 2016 than at the end of 2015, reflecting a partial write-off of loans to households indexed to the Swiss franc and the sale by banks of their non-performing placements. As part of the conversion of household loans linked to the Swiss franc, banks wrote off a total of HRK 6.0bn in the period from November 2015 to December 2016, with the balance of these loans dropping from HRK 21.7bn before the conversion to HRK 1.6bn at the end of 2016. The sale of non-performing placements in the first nine months reached HRK 4.2bn, the majority being related to placements to non-financial corporations. As for lending to the government, bank placements to the central government also increased in the last quarter of 2016, which was reflected in the annual growth of  $3.0\%$  (based on transactions) in 2016.

The CNB continued to pursue an expansionary monetary policy in 2016 while maintaining the stability of the nominal kuna/euro exchange rate. Surplus liquidity went up for the fourth year in a row, averaging HRK 7.6bn in 2016 as against the HRK 6.7bn of 2015 (Figure 50). In 2016, the average balance of funds placed via the regular weekly reverse repo operations was HRK 0.2bn. As part of four structural repo operations, the CNB placed HRK 1.0bn to banks, with a four year maturity, thus supporting the upward trend in kuna lending.

In order to mitigate appreciation pressures the CNB strongly intervened in the foreign exchange market in December, contributing to a further increase of international reserves. It purchased EUR 866.3m from banks in December, EUR 716.3m in two foreign exchange auctions and EUR 150.0m out of auction. Its foreign exchange operations in December created HRK 6.5bn of reserve money. At the entire-2016 level, the CNB purchased EUR 1,018.8m from banks (Figure 51) and EUR 125.6m from the Ministry of Finance and sold EUR 277.8m to the European Commission, so its foreign exchange transactions in 2016 resulted in a net purchase of foreign currency of EUR 866.6m which created HRK 6.5bn.

Gross international reserves went down EUR 0.2bn in 2016 ( $1.4\%$ ), as a result of the suspension of the foreign currency reserve requirement allocation at the beginning of the year, the fall in government foreign currency deposits with the central bank and a lower level of agreed repo transactions at the very end of the year (Figure 52). On the other hand, net usable reserves saw a strong growth of EUR 1.0bn ( $9.0\%$ ), which was for the most part a consequence of the net foreign exchange purchases and to a smaller extent of the earnings from reserves management and the strengthening of the US dollar.

The net external debt of domestic sectors edged up slightly in October 2016 (Figure 56) after having dropped significantly in the period from May to September (EUR 4.2bn). Foreign assets thus decreased somewhat more than liabilities in October (Figure 57). As a result, net external debt of domestic sectors increased by a mere EUR 0.1bn. The net foreign position of the central bank thus deteriorated by EUR 0.2bn, predominantly due to the fall in foreign assets within the framework of the TARGET system and the withdrawal of a part of the central government's foreign currency deposit from international reserves.

The gradual decline in the external debt of the central government continued, while the improvement in the foreign position of credit institutions that was quite intensive over the summer was halted in October. As for other domestic sectors, external indebtedness also remained almost unchanged, after the deleveraging of the previous period.

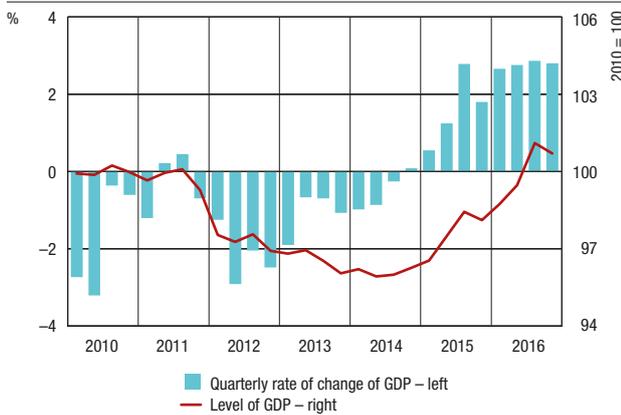
According to the available data pertaining to the monetary and public debt statistics, fiscal data for the third quarter of 2016 under the ESA 2010 methodology (to be published on 23 January 2017) should reflect a continuation of the strong fiscal consolidation from the first half of the previous year. This is also corroborated by the available Ministry of Finance data on a cash basis (GFS 2001 methodology). Total general government revenues thus increased by a sizeable 5.5% in the period from July to September relative to the same period a year earlier, while at the same time expenditures narrowed considerably. According to the October data on a cash basis, the growth in revenues and the parallel decline in expenditures continued at the beginning of the last quarter in 2016. As a result of these unexpectedly good

results, the amendments to the state budget and financial plans of extra budgetary users were adopted in November. They led to the substantial decrease in the expected deficit of the general government budget.

The government continued to refinance their liabilities at favourable conditions throughout the second half of the year, maintaining high liquidity. After interest rates reached their historical low at the latest kuna bond issue in July 2016, interest rates on T-bills issued in the third and the fourth quarter mostly remained at exceptionally low levels. The January issues of T-bills suggest that financing conditions remained favourable.

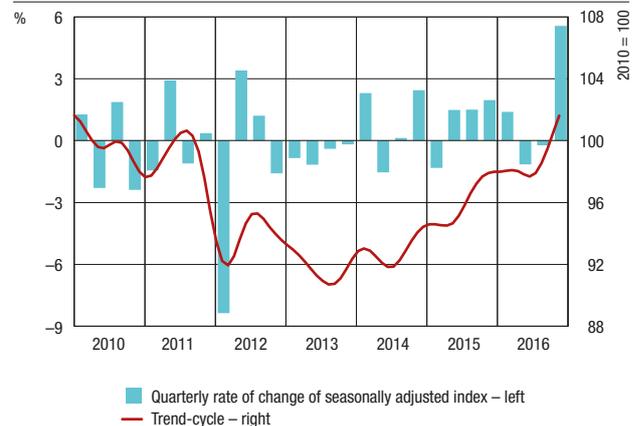
The consolidated general government debt went down in October on the end of the last year (due to favourable fiscal developments but also the appreciation of the kuna against the euro), reaching HRK 287.4bn (Figure 59). As for the public debt structure, 2016 saw some positive changes in the form of extended debt maturity and the growth in the share of kuna debt instruments.

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



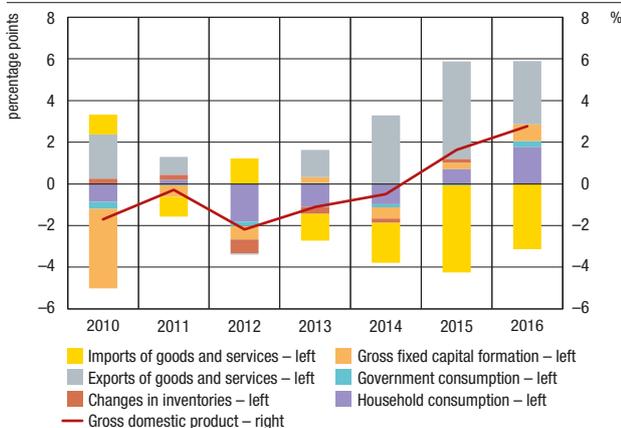
Note: Data for the fourth quarter of 2016 is the estimate derived using the CNB's Monthly indicator of real economic activity, on the basis of data published until 3 January 2017.  
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

**Figure 3 Industrial production**



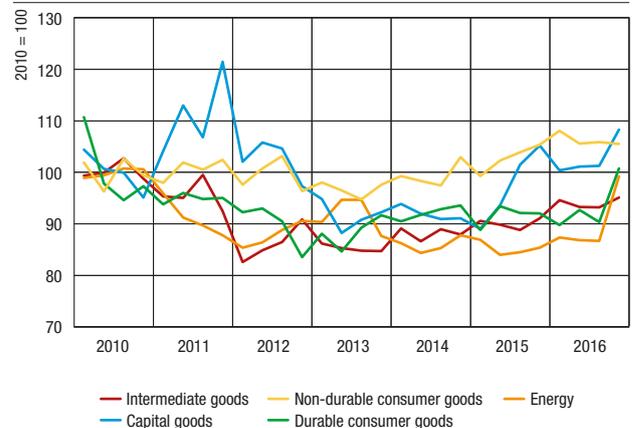
Note: Data for the fourth quarter of 2016 refers to October and November.  
Source: CBS data seasonally adjusted by the CNB.

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



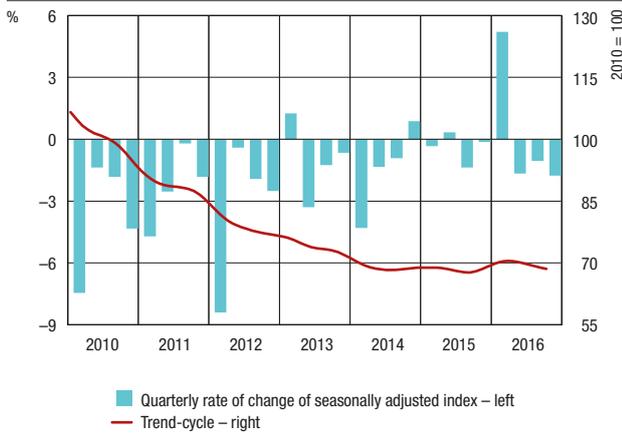
Note: The projection for 2016 refers to the official projection of the CNB from December 2016.  
Source: CBS.

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



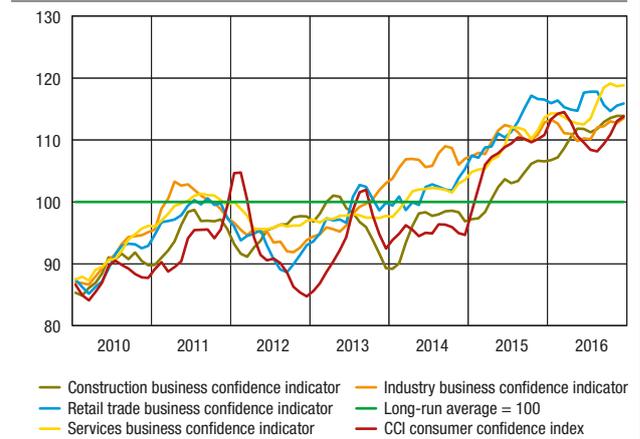
Note: Quarterly data are calculated as the average of monthly data.  
Source: CBS data seasonally adjusted by the CNB.

**Figure 5 Total volume of construction works**



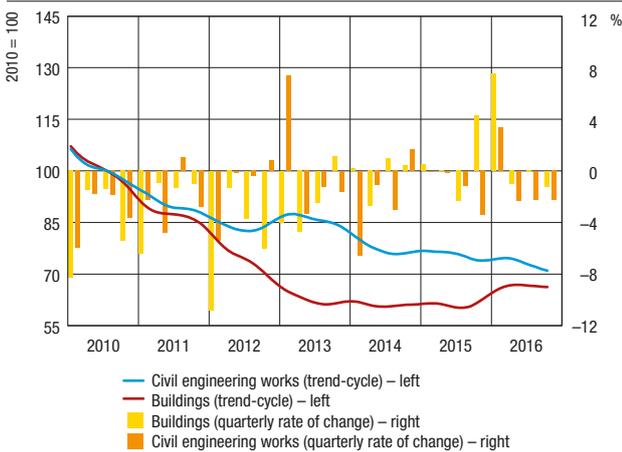
Note: Data for the fourth quarter of 2016 refers to October.  
Source: CBS data seasonally adjusted by the CNB.

**Figure 8 Business confidence indicators**  
standardised and seasonally adjusted values, three-member moving averages



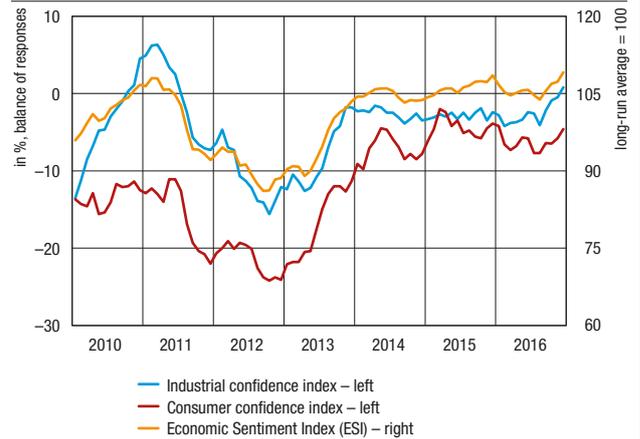
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

**Figure 6 Buildings and civil engineering works**



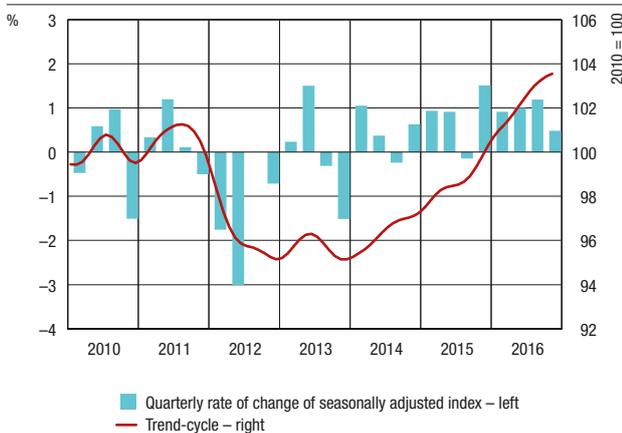
Source: CBS data seasonally adjusted by the CNB.

**Figure 9 EU confidence indices**  
seasonally adjusted series



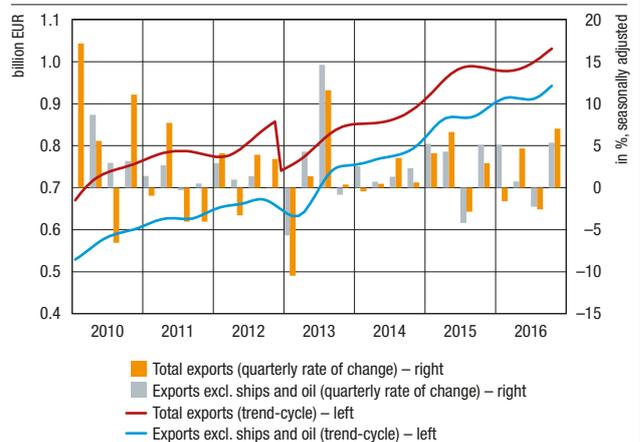
Source: Eurostat.

**Figure 7 Real retail trade turnover**



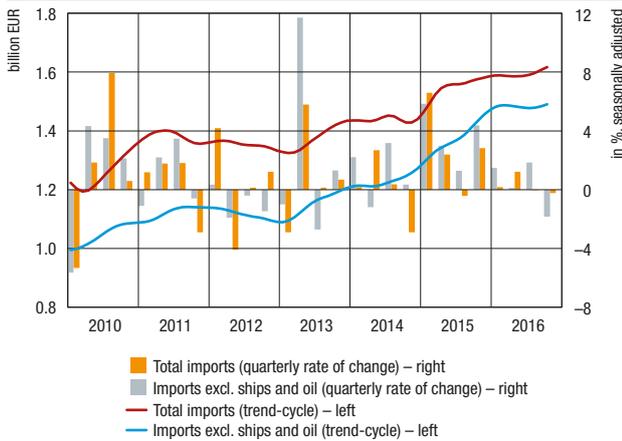
Note: Data for the fourth quarter of 2016 refers to October and November.  
Source: CBS data seasonally adjusted by the CNB.

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



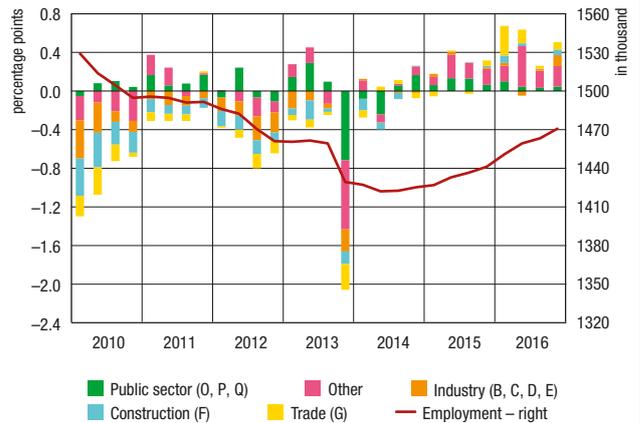
Note: Data for the fourth quarter of 2016 refer to October.  
Source: CBS data seasonally adjusted by the CNB.

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



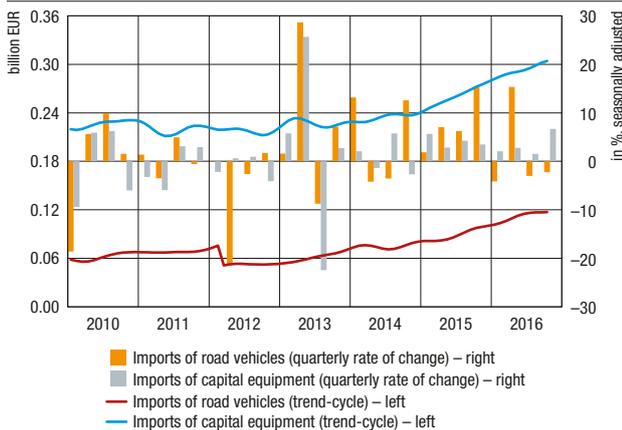
Note: Data for the fourth quarter of 2016 refer to October.  
Source: CBS data seasonally adjusted by the CNB.

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



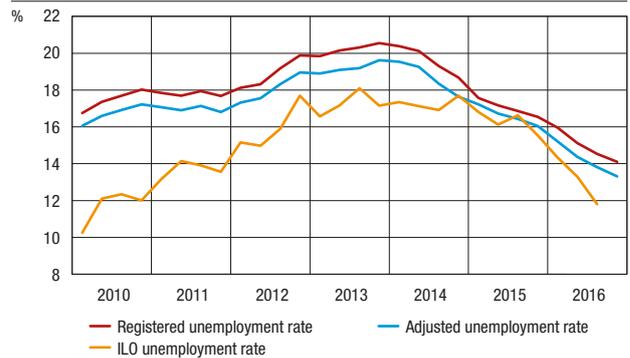
Sources: CPIA data seasonally adjusted by the CNB.

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



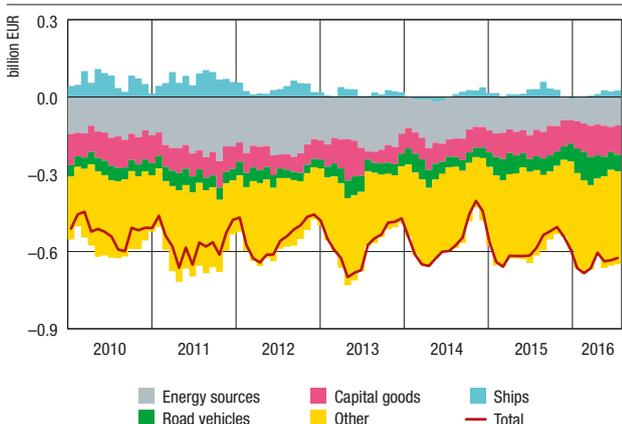
Note: Imports of capital equipment (SITC divisions 71 – 77). Data for the fourth quarter of 2016 refer to October.  
Source: CBS data seasonally adjusted by the CNB.

**Figure 15 Unemployment rates**  
seasonally adjusted data



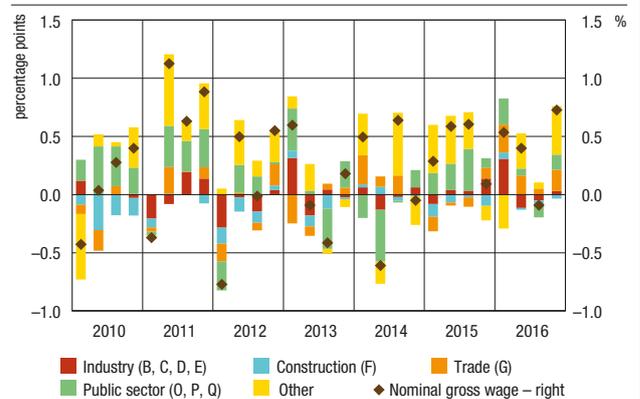
Note: Since January 2015, the calculation of the registered unemployed rate has been made using the data on employed persons from the JOPPD form. The adjusted unemployment rate is the CNB estimate and is calculated as the share of the number of registered unemployed persons in the working age population (unemployed persons and persons insured with the CPIA). Data on the registered unemployed rate in the fourth quarter of 2016 refer to October and November.  
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

**Figure 13 Trade in goods balance**  
three-member moving averages of monthly data



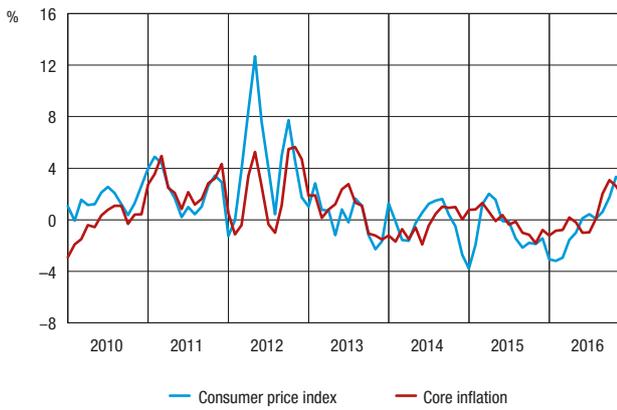
Note:  
Source: CBS.

**Figure 16 Average nominal gross wage by NCA activities**  
seasonally adjusted data, contributions to the quarterly rate of change



Note: 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 2016 refers 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<sup>a</sup>



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

Sources: CBS and CNB calculations.

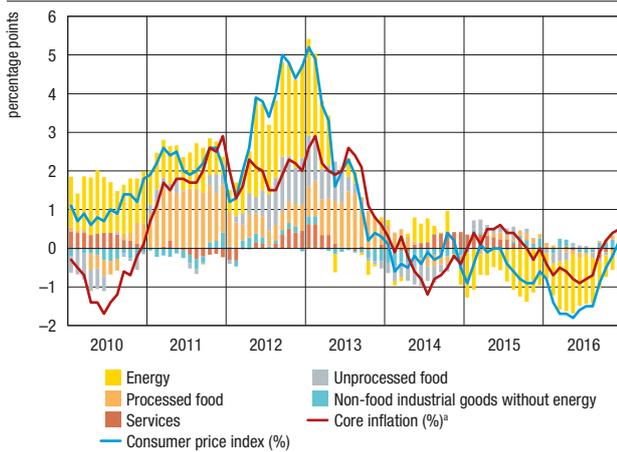
**Table 1 Price indicators**  
year-on-year and month-on-month rates of change

	Year-on-year rates		Month-on-month rates	
	11/16	12/16	12/15	12/16
<b>Consumer price index and its components</b>				
Total index	-0.2	0.2	-0.6	-0.2
Energy	-2.9	-1.1	-0.6	1.2
Unprocessed food	-0.1	1.7	-0.3	1.5
Processed food (incl. alcoholic drinks and tobacco)	0.5	1.0	-0.5	0.0
Non-food industrial goods without energy	0.9	0.2	-1.5	-2.2
Services	-0.2	-0.1	0.1	0.2
<b>Other price indicators</b>				
Core inflation	0.4	0.5	-0.7	-0.6
Index of industrial producer prices on the domestic market	-3.1	-0.1	-1.4	1.7
Brent crude oil price (USD)	4.5	43.3	-15.1	16.4
HWWI index (excl. energy) <sup>a</sup>	20.0	25.6	-2.3	2.2

<sup>a</sup> The index is calculated on the basis of raw materials prices expressed in US dollars.

Sources: CBS, Bloomberg and HWWI.

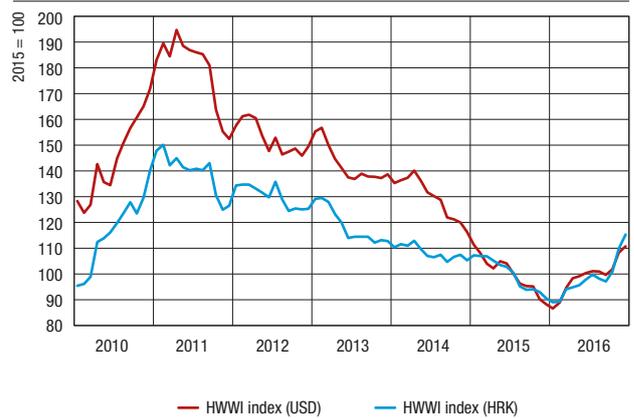
**Figure 18 Year-on-year inflation rates and components' contribution to consumer price inflation**



<sup>a</sup> Core inflation does not include agricultural product prices and administrative prices.

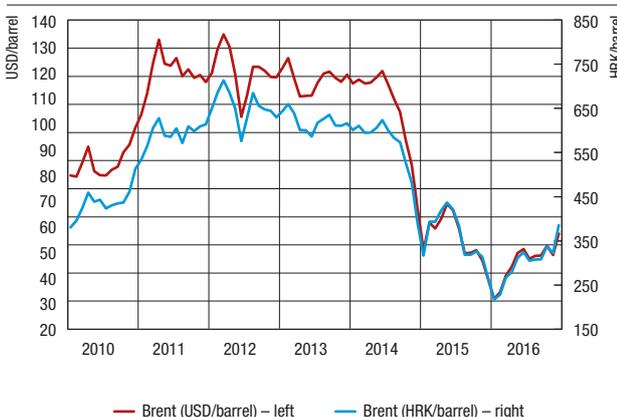
Sources: CBS and CNB calculations.

**Figure 20 HWWI index (excl. energy)**



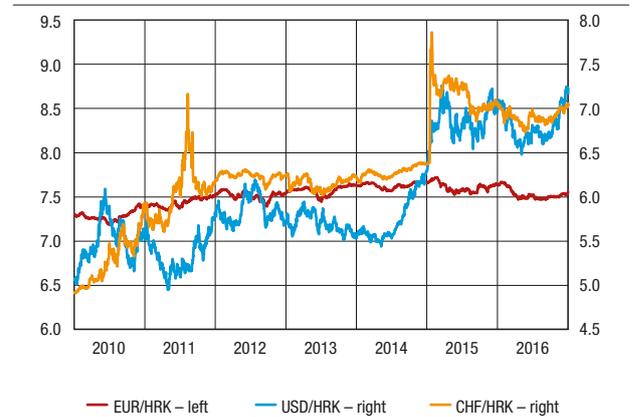
Sources: HWWI and CNB calculations.

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



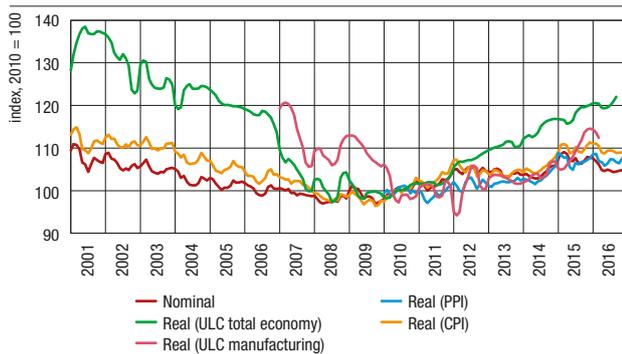
Sources: Bloomberg and CNB calculations.

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



Source: CNB.

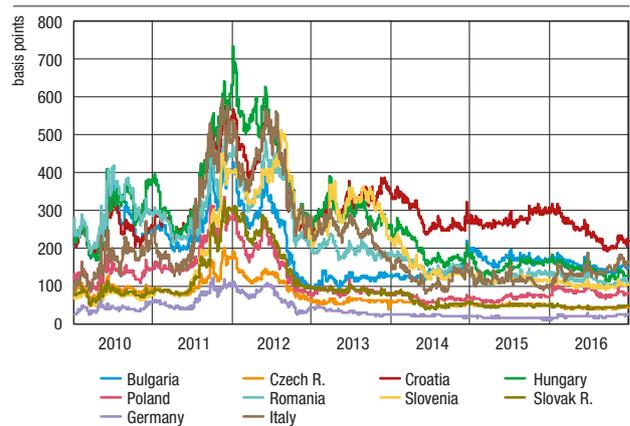
**Figure 22 Nominal and real effective exchange rates of the kuna**



Note: The real effective exchange rate of the kuna deflated by producer prices includes the Croatian index of industrial producer prices on the non-domestic market, which is available from January 2010. The unit labour cost is calculated as the ratio between compensation per employee and labour productivity (defined as GDP per person employed), while the real effective exchange rate of the kuna deflated by unit labour costs is the result of the interpolation of quarterly values. A fall in the index indicates an effective appreciation of the kuna.

Source: CNB.

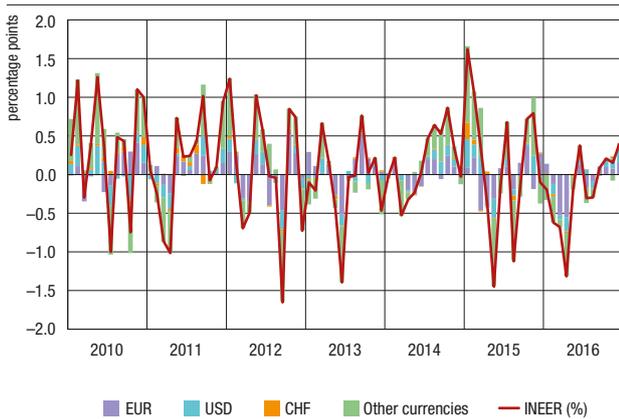
**Figure 25 CDS spreads for 5-year government bonds of selected countries**



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

Source: S&P Capital IQ.

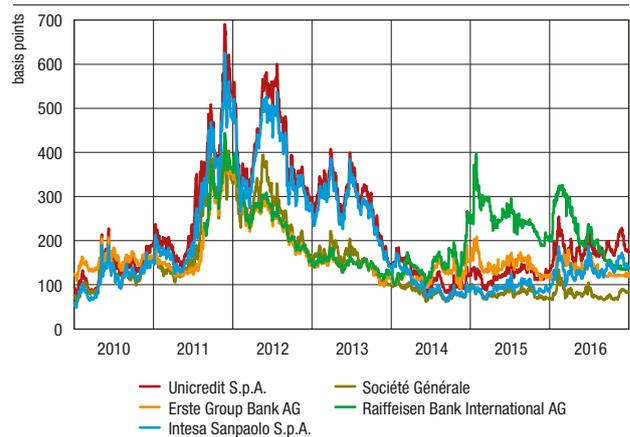
**Figure 23 Contributions<sup>a</sup> of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)**



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

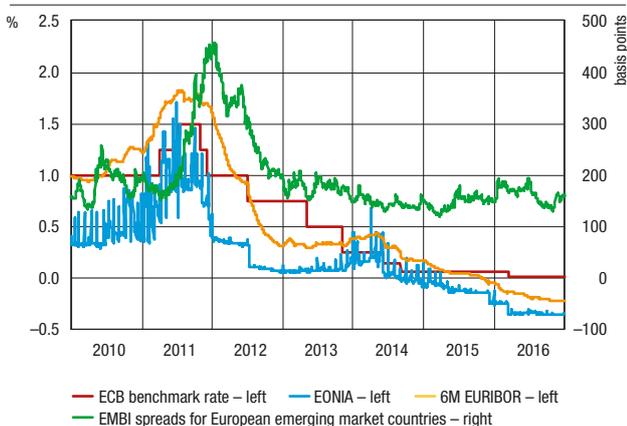
Source: CNB.

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



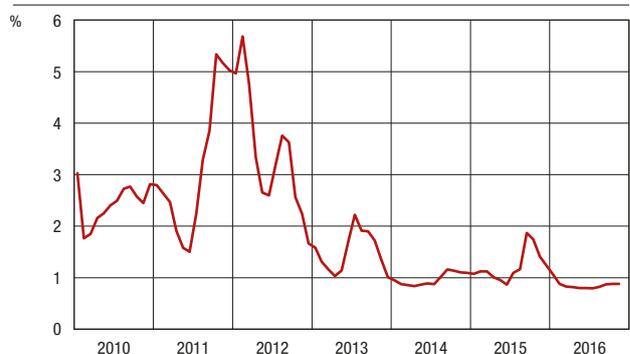
Source: S&P Capital IQ.

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



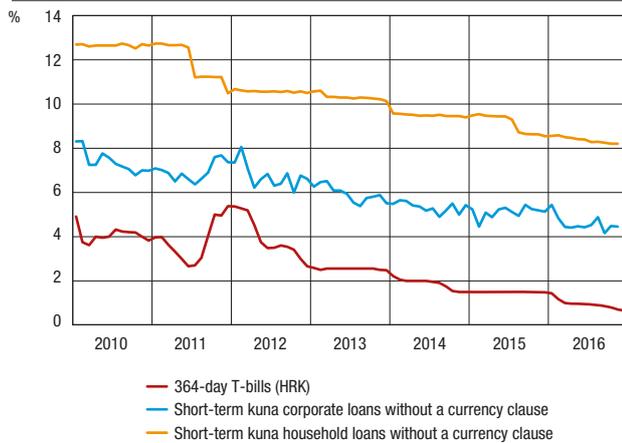
Sources: ECB, Bloomberg and J. P. Morgan.

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



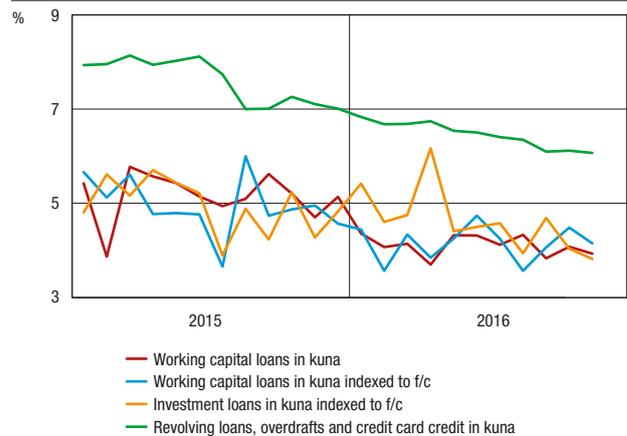
Source: CNB.

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



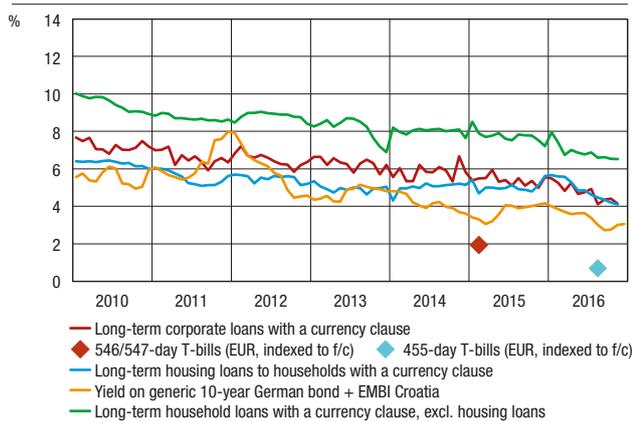
Sources: MoF and CNB.

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



Source: CNB.

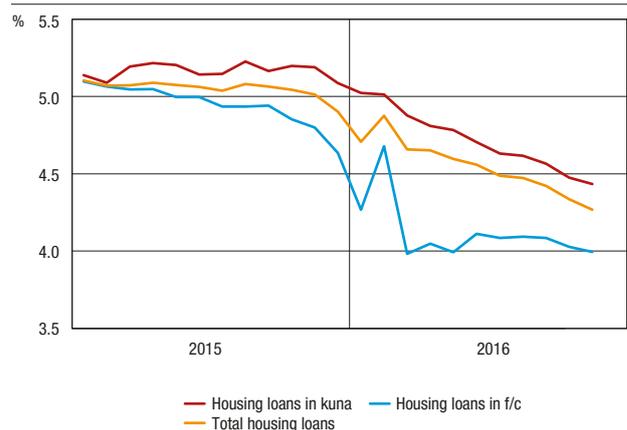
**Figure 29 Long-term financing costs in kuna with a currency clause and in foreign currency**



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.

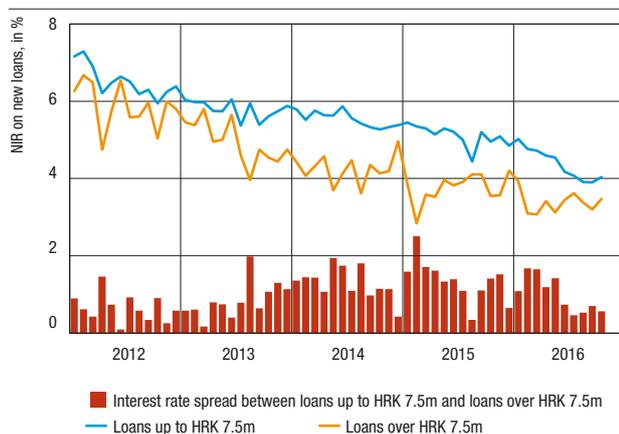
Source: CNB.

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



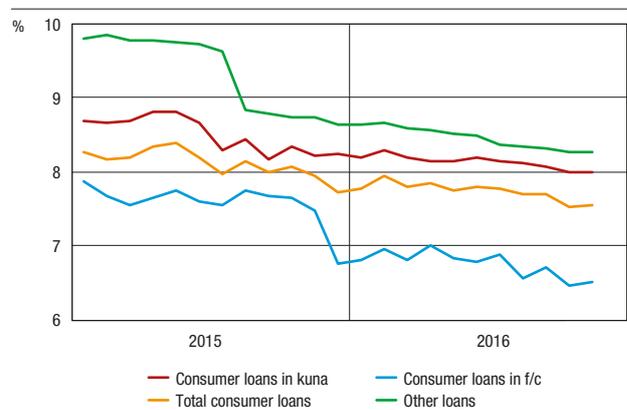
Source: CNB.

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



Source: CNB.

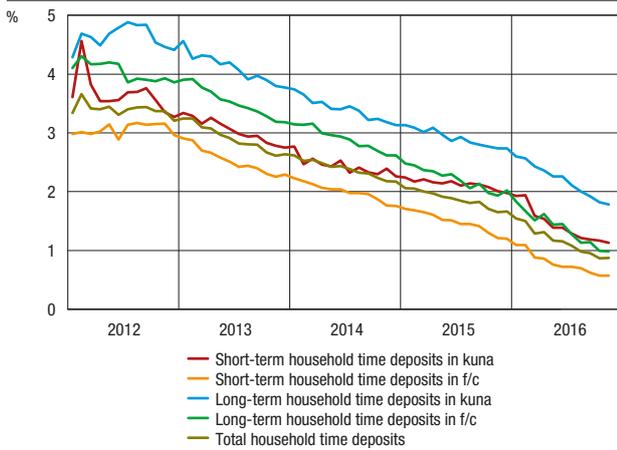
**Figure 33 Interest rates on original new consumer and other loans to households**



Note: 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.

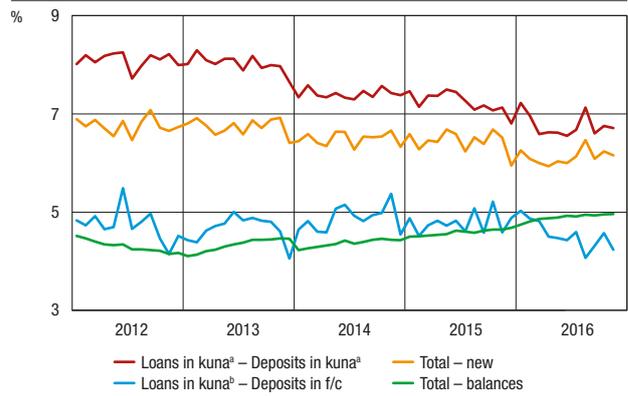
Source: CNB.

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 on annual basis

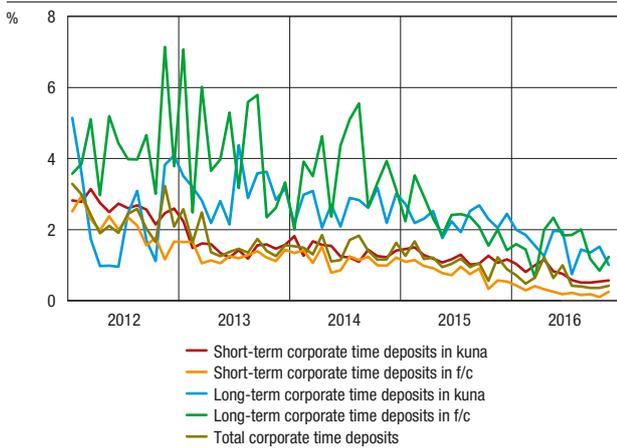


<sup>a</sup> Non-indexed to f/c. <sup>b</sup> Indexed to f/c.

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

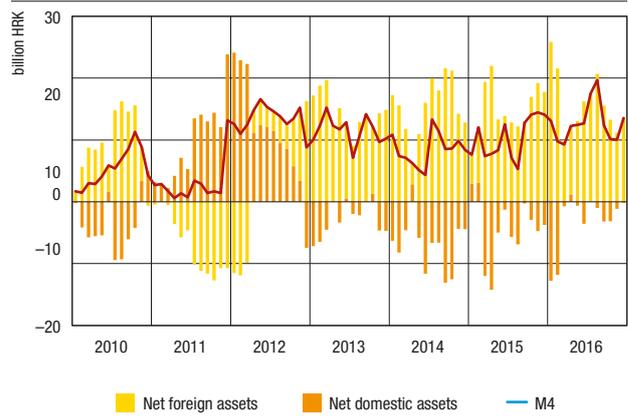
Source: CNB.

Figure 35 Interest rates on corporate time deposits



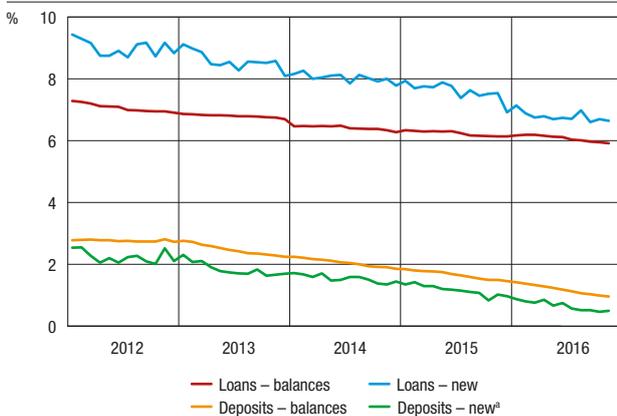
Source: CNB.

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



Source: CNB.

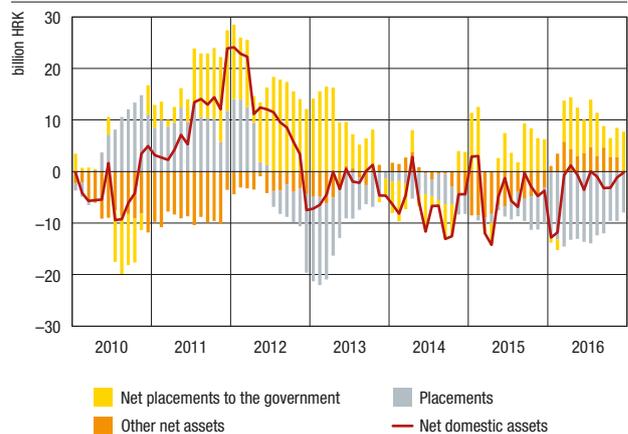
Figure 36 Average interest rates on loans (excl. revolving loans) and deposits



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

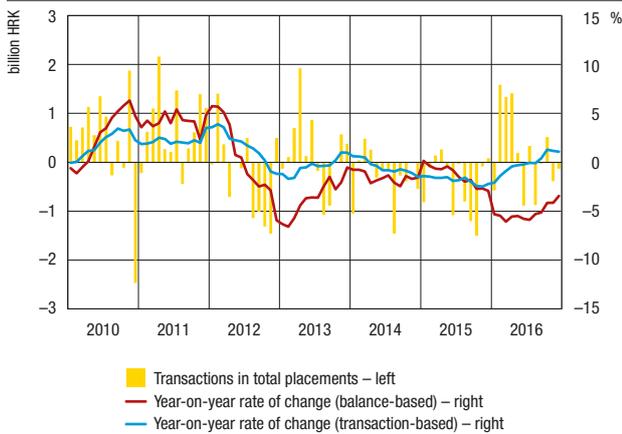
Source: CNB.

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



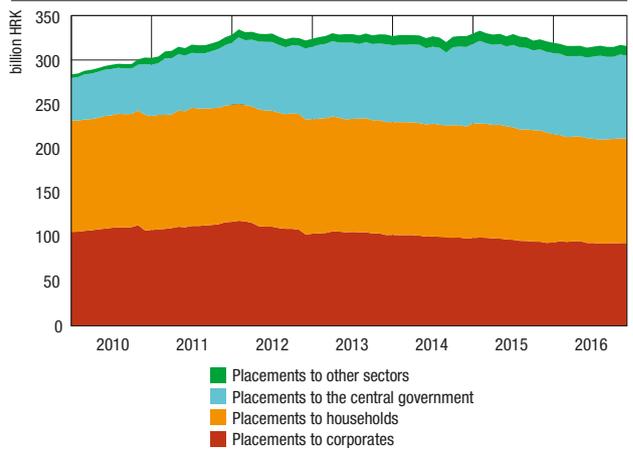
Source: CNB.

Figure 40 Placements



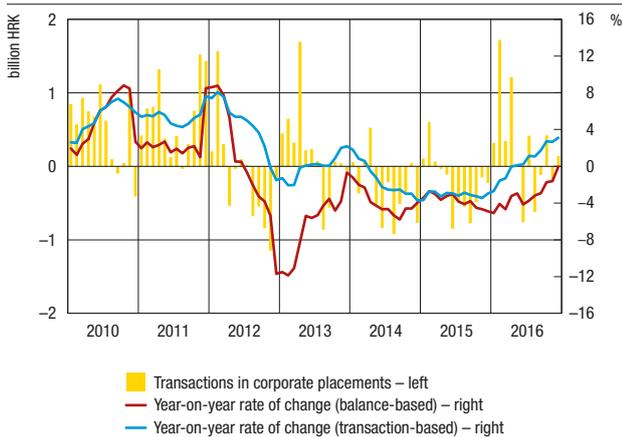
Source: CNB.

Figure 43 Structure of credit institution placements



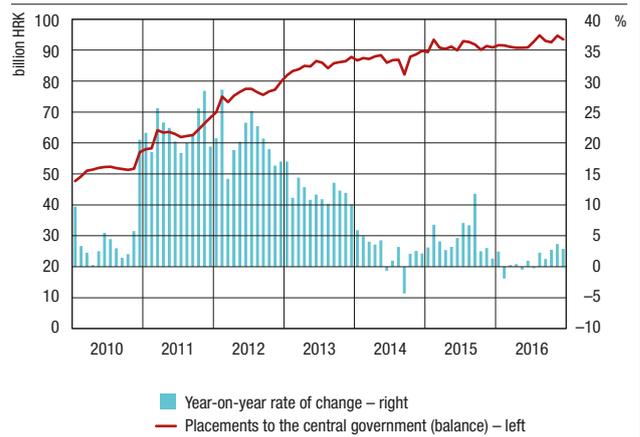
Source: CNB.

Figure 41 Placements to corporates



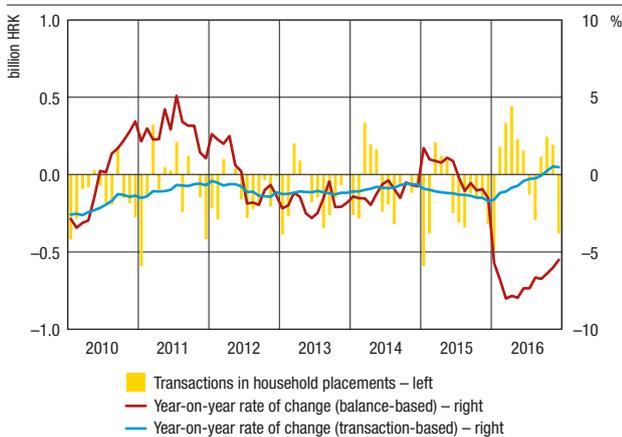
Source: CNB.

Figure 44 Credit institution and MMF placements to the central government



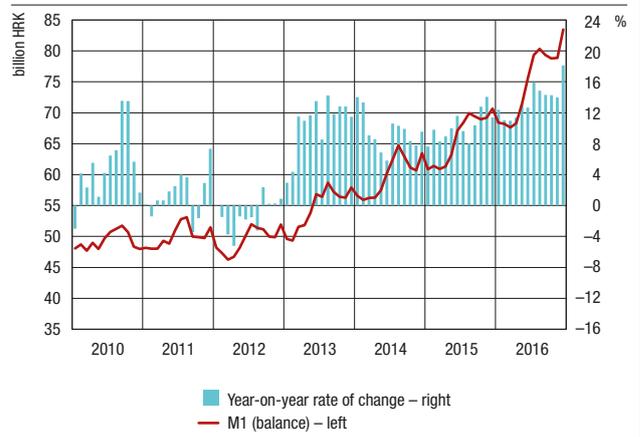
Source: CNB.

Figure 42 Placements to households



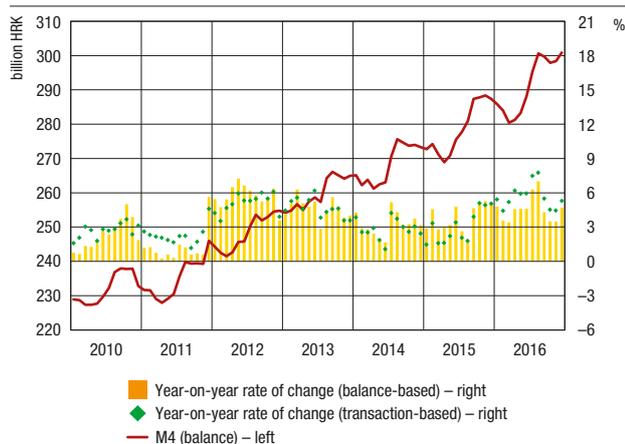
Source: CNB.

Figure 45 Money (M1)



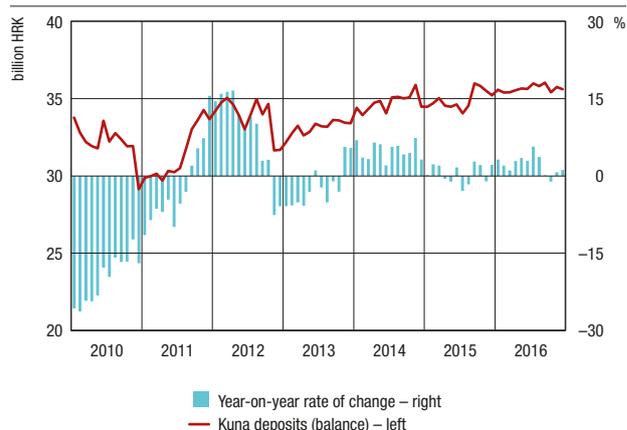
Source: CNB.

Figure 46 Total liquid assets (M4)



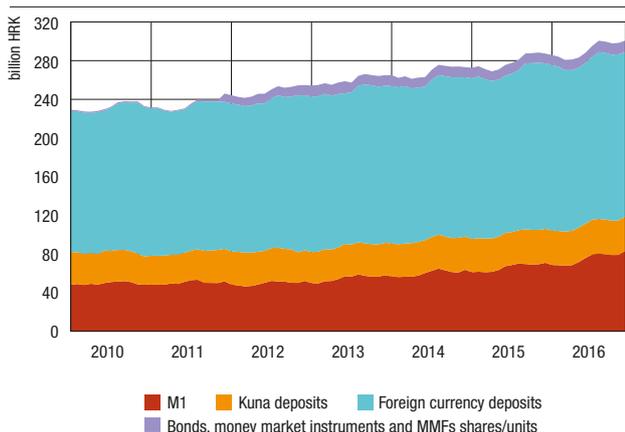
Source: CNB.

Figure 48 Kuna savings and time deposits



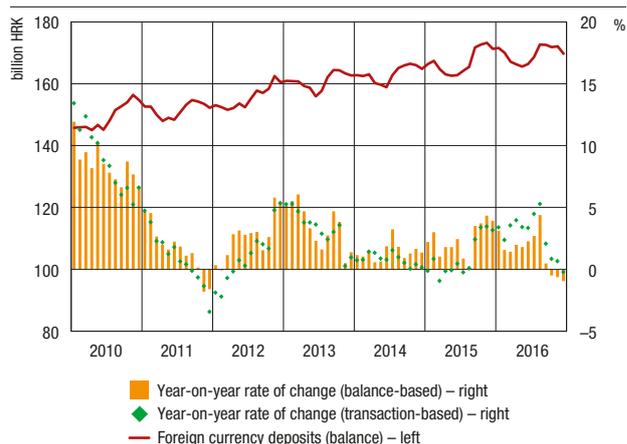
Source: CNB.

Figure 47 Structure of M4 monetary aggregate



Source: CNB.

Figure 49 Foreign currency deposits



Source: CNB.

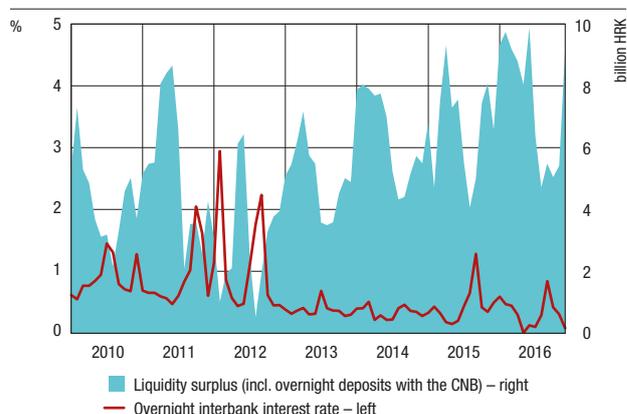
Table 2 Balance of payments<sup>a</sup>  
preliminary data, in million EUR

	2015	Jan. – Sep. 2015	Jan. – Sep. 2016	Indices	
				2015/2014	Jan. – Sep. 2016/Jan. – Sep. 2015
Current account	2,236.2	2,695.1	1,923.1	246.8	71.4
Capital account	310.6	161.7	304.2	442.0	188.2
Financial account (excl. reserves)	1,161.3	1,339.5	2,244.6	116.7	167.6
International reserves	745.3	550.5	-694.6	-	-
Net errors and omissions	-640.1	-966.8	-677.4	125.2	70.1

<sup>a</sup> In line with the 6th edition of the Balance of Payments and International Investment Position Manual (BPM6).

Source: CNB.

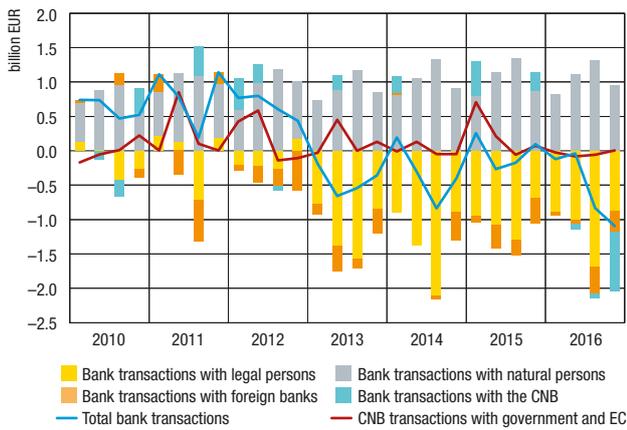
Figure 50 Bank liquidity and overnight interbank interest rate



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.

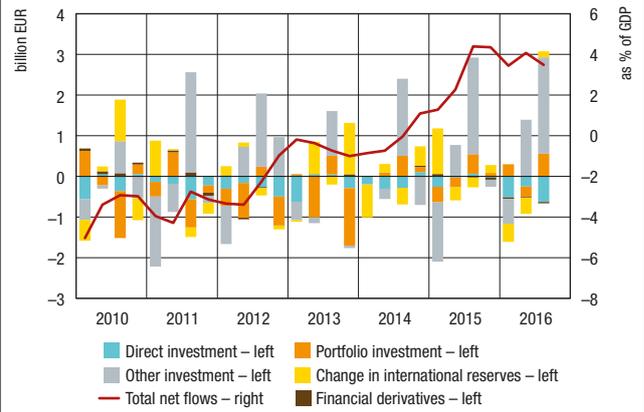
**Figure 51 Spot transactions in the foreign exchange market (net turnover)**



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

Source: CNB.

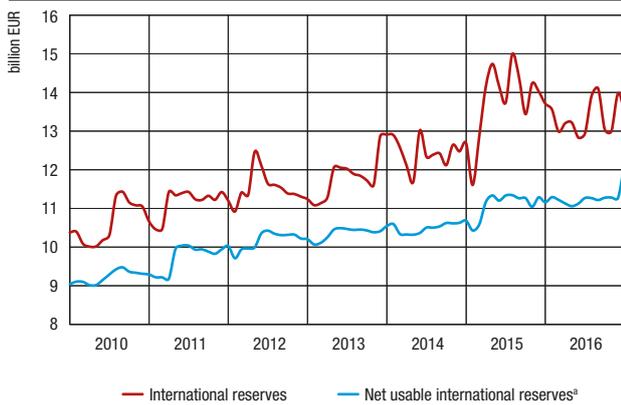
**Figure 54 Financial account flows**



Note: A positive value indicates net outflow of equity abroad (including on the basis of the growth in international reserves). Total net capital flow series are shown as a four-quarter moving average.

Source: CNB.

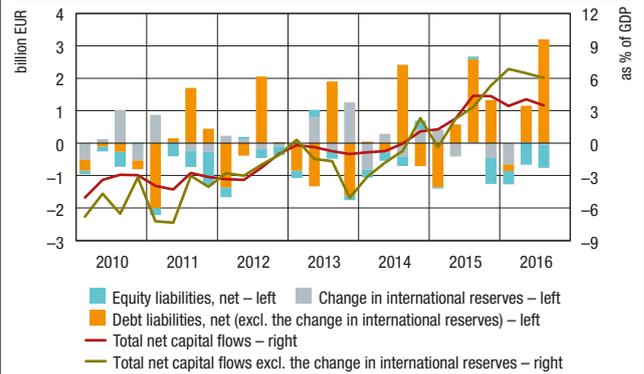
**Figure 52 International reserves of the CNB at current rate of exchange**



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

Source: CNB.

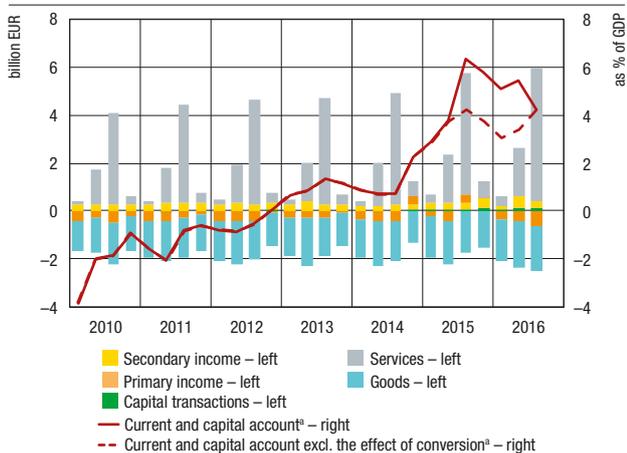
**Figure 55 Financial account flows by type of investment**



Note: A positive value indicates net outflow of equity abroad. The change in gross international reserves is reported net of the liabilities of the CNB. Net liabilities represent the difference between the change in assets and the change in liabilities. Total net capital flow series are shown as a four-quarter moving average.

Source: CNB.

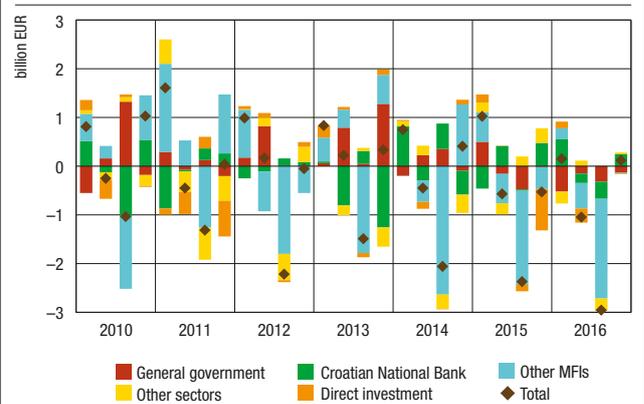
**Figure 53 Current and capital account flows**



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

Source: CNB.

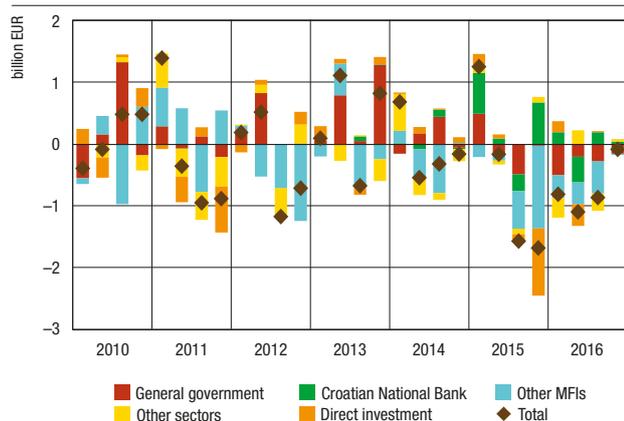
**Figure 56 Net external debt transactions**



Note: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Net external debt is calculated as gross external debt stock net of foreign debt claims. Data for the fourth quarter of 2016 refer to October.

Source: CNB.

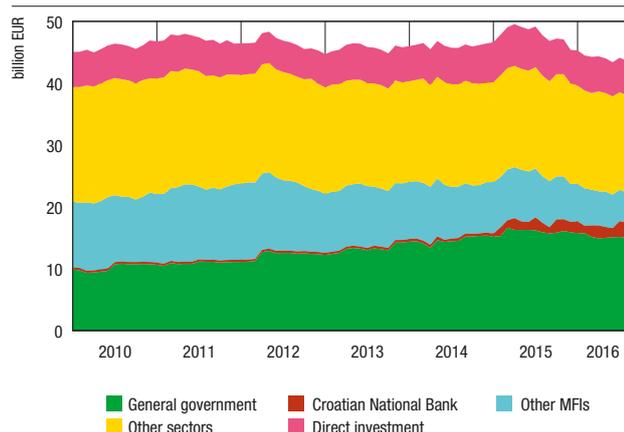
Figure 57 Gross external debt transactions



Note: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Data for the fourth quarter of 2016 refer to October.

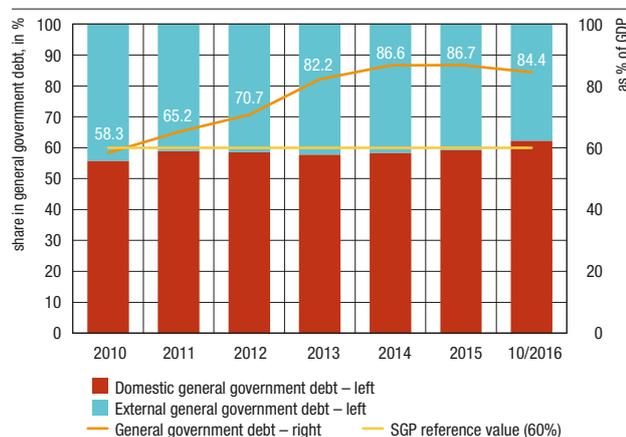
Source: CNB.

Figure 58 Gross external debt end of period



Source: CNB.

Figure 59 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. – Jun. 2015	Jan. – Jun. 2016
<b>Total revenue</b>	<b>69,208</b>	<b>77,529</b>
Direct taxes	8,905	11,055
Indirect taxes	30,884	32,952
Social contributions	19,437	20,035
Other	9,982	13,487
<b>Total expenditure</b>	<b>77,705</b>	<b>79,445</b>
Social benefits	26,058	27,281
Subsidies	3,591	3,801
Interest	5,909	5,856
Compensation of employees	18,768	19,275
Intermediate consumption	13,520	12,626
Investment	5,309	5,510
Other	4,549	5,096
<b>Net lending (+)/borrowing (-)</b>	<b>-8,497</b>	<b>-1,916</b>

Sources: Eurostat and CBS.

Table 4 Consolidated central government net borrowing

GFS 2001, in million HRK

	Jan. – Aug. 2015	Jan. – Aug. 2016
1 Revenue	104,763	113,442
2 Disposal of non-financial assets	408	94
3 Expenditure	108,552	109,854
4 Acquisition of non-financial assets	3,520	3,221
5 Net borrowing (1 + 2 – 3 – 4)	-6,902	461

Sources: MoF and CNB calculations.

Table 5 General government debt

in million HRK

	Jan.–Oct. 2015	Jan.–Oct. 2016
Change in total debt stock	4,011	-2,130
Change in domestic debt stock	4,471	7,432
– Securities other than shares, short-term	-5,092	-1,105
– Securities other than shares, long-term	9,230	14,323
– Loans	333	-5,786
Change in external debt stock	-460	-9,562
– Securities other than shares, short-term	-577	-49
– Securities other than shares, long-term	3,461	-8,445
– Loans	-3,344	-1,068
Memo item:		
Change in total guarantees issued	-794	1,647

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	– Central 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
CM	– Croatian Motorways
CIHI	– Croatian Institute for Health Insurance
CLVPS	– Croatian Large Value Payment System
CNB	– Croatian National Bank
CPF	– Croatian Privatisation Fund
CPI	– consumer price index
CPIA	– Croatian Pension Insurance Administration
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