



Information on economic trends

May 2020

Summary

Available monthly indicators show that real activity fell in the first quarter 2020 from the previous quarter and decelerated on an annual basis. Such projections are to a large extent based on data for March that reflect the first negative economic consequences arising from the novel coronavirus. Due to the economic lockdown and the high degree of uncertainty surrounding the future epidemiological situation, business and consumer confidence indices fell sharply in April. The annual consumer price inflation rate dropped from 1.5% February to 0.6% in March, primarily under the influence of refined petroleum product prices. Depreciation pressures on the kuna to euro exchange rate, which arose in early March, ended in mid-April and the exchange rate started to appreciate slightly. The liquidity of the domestic financial system, supported by the CNB's expansionary monetary policy, remained high, enabling continued favourable conditions for the financing of domestic sectors. Monetary institutions' net claims on the central government increased sharply in March, primarily due to the CNB's purchases of government securities in the secondary market. March also saw bank placements to other domestic sectors growing at an accelerated rate due to the faster growth of placements to non-financial corporations, while the annual growth of household placements decelerated slightly. The increased demand for foreign currency liquidity resulted in the strong growth of foreign currency deposits of domestic sectors. According to the fiscal report for April, the central government budget showed a surplus of 0.4% of GDP in 2019, which is an increase of 0.2 percentage points from 2018.

The GDP nowcasting model points to a fall in real economic activity in the first quarter of 2020 from the end of the previous year and a slowdown in its annual growth (Figure 1). It should be mentioned that the assessment of economic developments in the first quarter reflects adverse developments in March due to the consequences of the novel coronavirus pandemic and measures to contain it. Industrial production fell 2.8% in March from February and 0.9% in the first quarter from the previous quarter's average. Production decreased on a monthly basis in all main industrial groupings except in energy, while only energy and durable consumer goods recorded a quarterly decrease (Figures 3 and 4). Real retail trade turnover decreased as much as 11.7% in March from the previous month and 0.6% on a quarterly basis. This decrease could have been even larger if it had not been for favourable developments in January and February (Figure 7). Construction activity accelerated sharply in January and February this year from the end of the previous year, with the volume of construction works up at a quarterly rate of 5.6% (Figures 5 and 6).

The results of the Consumer Confidence Survey for April 2020 show a sharp deterioration in consumer expectations. The consumer confidence index stopped growing in March in response to the pandemic and in April, when economic activity came to a near standstill, the deterioration in expectations was the sharpest since the start of the Survey. Expectations worsened in all components of the index, with the highest decline recorded in expectations about the general economic situation in Croatia and the financial situation of households in twelve months from now. The Business Confidence Survey shows that business confidence declined sharply in April in all activities, most of all in services and trade (Figure 8).

Labour market developments also deteriorated considerably in March and April 2020 as a result of pandemic containment measures. Having increased in January and February, the number of employed persons dropped in March, with the result that the employment growth trend stopped. Employment decreased at an even faster rate in April, with the highest decrease recorded in accommodation and food service activities, which had been the hardest hit by restrictions (Figure 14). Due to the strong inflow of new unemployment entries into the CES register, unemployment increased in March 2020 despite continued clearings from the register. According to the latest available data (as at 30 April), the increase continued at an accelerated pace in April. The unemployment increase boosted the registered unemployment rate, which went up to 7.7% in March

2020 from an average of 6.9% in the previous two months, and is expected to exceed 9% in April (Figure 15). The growth of wages accelerated in the first quarter of 2020 from the last quarter of 2019 and it was broad-based (Figure 16.).¹

Consumer prices grew by 0.2% in March from the previous month (Table 1), primarily due to a seasonal increase in the prices of clothing and footwear and to a lesser extent due to the growth of fruit and meat prices. The consumer price increase in March was considerably moderated by a decline in refined petroleum product prices resulting from a sharp fall in global crude oil prices. The Brent crude oil price was USD 21 per barrel in late March, as against USD 50 in late February.² The fall in crude oil prices, which had an annual rate of change of -50% in March, was due to a decrease in demand caused by the global economic outlook worsening amid the pandemic and the failure of OPEC, Russia and other crude oil exporting countries to reach an agreement on the reduction of crude oil output. The annual consumer price inflation rate decelerated from 1.5% in February to 0.6% in March (Figure 18), mainly on account of refined petroleum product prices (-0.8 percentage points). The annual rate of core inflation decelerated by 0.2 percentage points, from 1.5% in February to 1.3% in March, primarily due to a decrease in the annual rate of change in the prices of footwear, milk, air transport and health insurance. In contrast, the annual rate of domestic non-energy producer prices accelerated from 0.3% in February to 0.5% in March, with food product prices rising the most.

Having decreased in the last quarter of 2019, foreign trade in goods picked up pace at the beginning of 2020. This was especially evident in goods exports, which increased by 5.5% in January from the previous quarter's average (Figure 10). Exports excluding energy grew by 4.8%, driven primarily by exports of other transport vehicles (mainly ships), capital goods (electrical machinery, apparatus and appliances) and food products. Total goods imports increased by 2.6% in January from their average value in the last quarter of 2019, while imports excluding energy went up 2.2% (Figure 11). The growth of the narrow aggregate was mostly driven by medical and pharmaceutical products, road vehicles (Figure 12), textiles and food products. The first available figures for February show that both goods exports and imports grew even more in the first two months of 2020 than in the previous quarter, 8.8% and 6.2% respectively.

Depreciation pressures on the exchange rate of the kuna versus the euro, begun in early March, continued into the first half of April. The CNB sold to banks smaller amounts of foreign exchange

¹ On 20 April 2020, the CBS released data on wages paid in March for February 2020 according to the full-time equivalent principle and, for analytical purposes, data on wages for 2019 reported according to a changed methodology.

² Although they rose to USD 30 at the beginning of April, crude oil prices fell again afterwards, standing at USD 23 at the end of the month.

(EUR 50.0m in total) outside auctions on three occasions in April, responding to major individual foreign exchange purchases in the market, otherwise characterised by a very low turnover, which could have increased demand and created depreciation expectations. The exchange rate stabilised and started appreciating slightly in mid-April. The foreign exchange market was also pacified by the agreement between the CNB and the ECB on establishing a precautionary currency swap line, allowing for the exchange of the kuna for the euro in the amount of EUR 2bn. The exchange rate stood at EUR/HRK 7.55 at the end of April, appreciating by 0.7% from EUR/HRK 7.61 at the end of March (Figure 21). Having strengthened slightly in April, the nominal effective exchange rate of the kuna was 0.5% lower at the end of the month than at the end of March. The strengthening of the kuna vis-à-vis the euro was offset by the weakening of the kuna versus the US dollar and the yuan renminbi due to the strengthening of these currencies against the euro in the global foreign exchange market.

Short-term interest rates on the European money market remained in negative territory in April, but exhibited varied trends. The overnight interest rate for the euro area banking market, EO-NIA, edged down, standing at -0.45% at the end of the month. In contrast, with the pandemic-induced tightening of financial conditions in the European interbank market, the six-month EURIBOR continued to rise and hit its four-year high of -0.17% at the end of the month (Figure 24). After having widened in March, risk premiums for all European emerging market countries remained relatively stable in April (Figure 25). The risk premium for Croatia was at 79 basis points at the end of April, close to its level at the end of March. However, the EMBI for Croatia continued to increase in April, which is an indication of the growth of foreign borrowing costs (Figure 29).

Supported by the CNB's expansionary monetary policy, the liquidity of the domestic financial system remained high. The average daily excess kuna liquidity was as high as HRK 32.8bn in April, thanks among other things to regular weekly operations. The domestic interbank market, after having had no turnover for ten months, recorded a turnover in overnight interbank loans at an average interest rate of 0.1% (Figure 27). The remaining overnight interbank market segments had lower trading volumes in April than in March, while the implied interest rate on interbank trading in foreign exchange swaps and the interest rate on banks' repo operations increased slightly. April also saw an auction of MoF T-bills, at which one-year kuna bills were auctioned at an interest rate of 0.06%, unchanged since October 2019 (Figure 28). At the end of April, the government also conducted an auction to refinance EUR 1.0bn in matured treasury bills by a new issue of the same amount, with a 364-day maturity. The interest rate of 0.06% was 0.06 percentage points higher than the rate on the issue of January 2019.

Bank interest rates on new corporate and household loans mostly decreased or held steady in March (Figures 28, 29 and 30). Interest rates on original new kuna working capital loans fell considerably, whereas interest rates on kuna investment loans indexed to foreign currency increased (Figure 31). Interest rates on original new housing and consumer loans to households remained almost unchanged from February (Figures 32 and 33). Interest rates on household time deposits did not change significantly in March, while interest rates on corporate time deposits decreased (Figures 34 and 35). The spread between interest rates on total new loans and deposits narrowed to 4.8 percentage points in March, while the spread between interest rates on the stocks of loans and deposits held steady at 4.2 percentage points (Figure 37).

Net domestic assets (NDA) of the monetary system grew strongly

in March 2020, while net foreign assets (NFA) decreased, with the result that total liquid assets (M4) went up by HRK 9.1bn (2.7%). The rise in NDA resulted from a sharp increase in monetary institutions' net claims on the central government, primarily generated by the CNB's purchase of HRK 4.5bn in government securities in the secondary market and the growth of placements to other domestic sectors. The growth of M4 was also due to the already mentioned weakening of the kuna versus the euro in March. The changes in the NFA structure resulted from CNB foreign exchange interventions in the market, which reduced the NFA of the central bank, while increasing the NFA of credit institutions. As regards M4 components, foreign currency deposits recorded the highest percentage monthly growth (transaction-based) since 2007. The growth was due to an increase in demand for foreign currency liquidity, caused by the uncertainty surrounding the economic consequences of the coronavirus pandemic, and much of it was generated by outflows from UCITS funds. Currency outside credit institutions also increased in March, whereas kuna deposits decreased. The transaction-based annual growth of M4 accelerated significantly to 7.6% (Figure 49), whereas the annual growth of money (M1) decelerated to 17.2% (Figure 48). Due to the growth of foreign currency deposits, quasi-money grew at an annual rate of 1.7% (transaction-based), after having recorded the negative rates of change for three successive years.

Total placements of monetary institutions to domestic sectors (except central government) increased by HRK 2.9bn in March, with their annual growth (transaction based) accelerating to 5.6% (Figure 40). Placements to non-financial corporations increased at an accelerated annual rate of 4.2% (Figure 41), partly due to the disappearance of the remaining negative effect caused by the activation of government guarantees to shipyards. In contrast, the annual growth of household placements slowed down to 6.1% (Figure 42), predominantly due to a slowdown in the annual growth of general purpose cash loans (9.1%), while the growth of housing loans slowed down only slightly, to 6.6%. As regards the currency structure, the weakening of the kuna in March slightly reduced the share of kuna placements in total household placements (Figure 47) for the first time since the beginning of 2015. The annual growth of the nominal stock of placements (5.0%) in March continued to be smaller than transaction based growth, mainly due to the sale of non-performing corporate placements.

Gross international reserves decreased by EUR 0.5bn (3.2%) in April, standing at EUR 16.0bn at the end of the month (Figure 56). As in the previous month, the decrease resulted from the sales³ of foreign exchange to banks aimed at preserving the stability of the exchange rate of the kuna versus the euro. Gross international reserves dropped by EUR 2.6bn (13.9%) from the end of the previous year. Net international reserves decreased by EUR 0.6bn (4.0%) in April, amounting to EUR 15.2bn at the end of the month.

The net external debt of domestic sectors rose by EUR 0.3bn (Figure 60) in the first two months of 2020, primarily due to the deterioration in the net external positions of the government and credit institutions and, to a considerably lesser extent, of the central bank. These negative developments were mitigated by a noticeable decrease in the net external debt of other domestic sectors. Gross external debt reached EUR 42.0bn at the end of February (Figure 62), which is an increase of EUR 1.1bn from the end of the previous year.

The Excessive Deficit Procedure report for April 2020 shows that the general government budget balance remained positive in 2019 and was even slightly higher than in the previous year. The general government budget surplus stood at 0.4% of GDP, which is an increase of 0.2 percentage points from 2018. The increase was

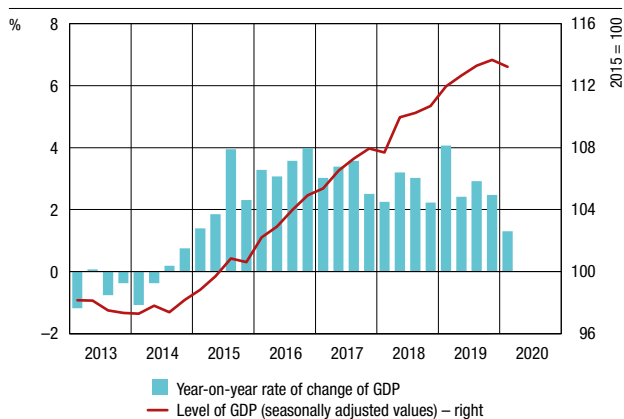
3 The foreign exchange auction conducted on the last day of March (EUR 618.15m) had an effect on monetary aggregates in April because the settlement date was 2 April 2020.

accounted for by the strong annual growth of 6.7% on the revenue side of the budget, driven by increases in all major revenue categories. As a result, the total revenue to GDP ratio grew by 1 percentage point from the previous year, to 47.5% of GDP. The rise on the expenditure side of the budget was only slightly lower (6.3%), reflecting the growth of all categories, except other current expenditures. The total expenditure to GDP ratio was also higher than in 2018, increasing by 0.8 percentage points to 47.1% of GDP. The growth of revenues and expenditures in 2019 was also related to the stronger

absorption of EU funds, but these transactions, as a rule, have a neutral impact on the general government budget balance. General government revenues from EU funds reached 1.5% GDP, which is an increase of 0.6 percentage points from the previous year.

As shown by monthly MoF data,⁴ the general government budget deficit was about HRK 1.6bn higher than in the same period in the previous year due to a slightly higher increase in expenditures than in revenues. Public debt stood at HRK 291.6bn in January 2020, down about HRK 1.4bn from December 2019.

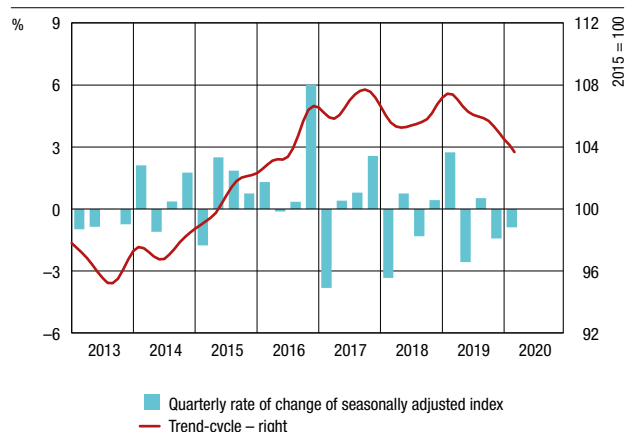
Figure 1 Quarterly gross domestic product
seasonally adjusted real values



Note: Data for the first quarter of 2020 are estimated with the use of the CNB's monthly indicator of real economic activity, on the basis of data published until 30 April 2020.

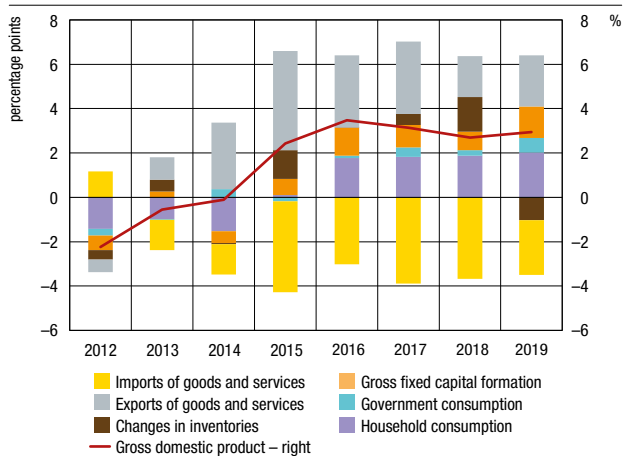
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

Figure 3 Industrial production



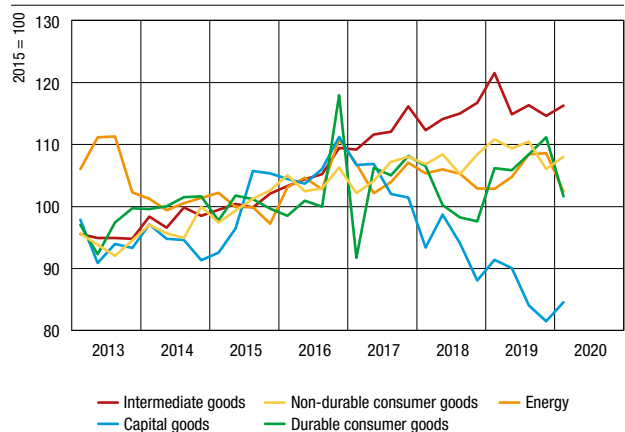
Source: CBS data seasonally adjusted by the CNB.

Figure 2 GDP rate of change
contributions by components



Source: CBS.

Figure 4 Industrial production by main industrial groupings
seasonally adjusted indices

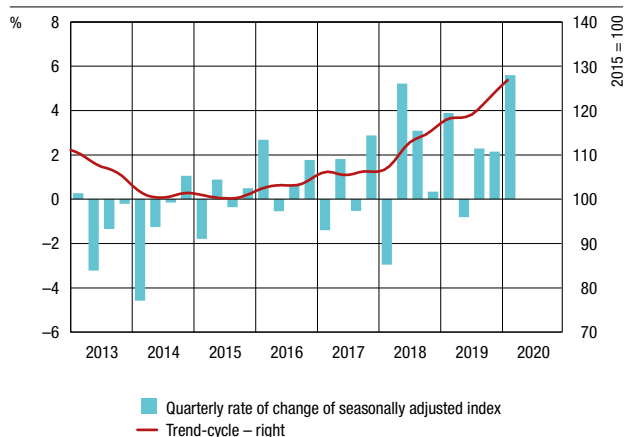


Note: Quarterly data are calculated as the average of monthly data.

Source: CBS data seasonally adjusted by the CNB.

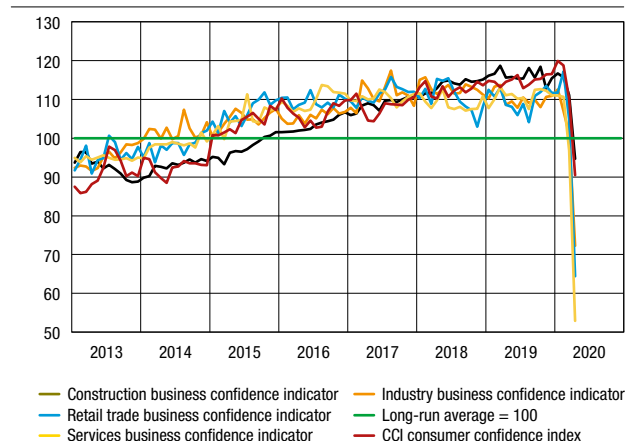
⁴ Monthly data for central government, state government and social security sub-sectors that, pursuant to Council Directive 2011/85/EU, must be published before the end of the following calendar month. The published data refer to general government units according to the scope of the ESA 2010 statistical methodology, except for data for local government, which are published on a quarterly basis.

Figure 5 Total volume of construction works



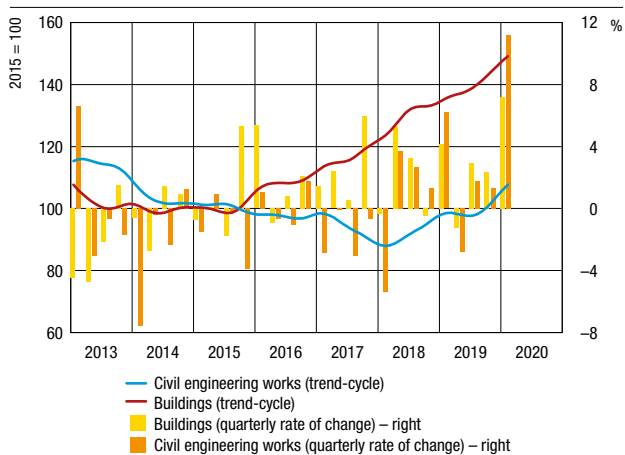
Note: Data for the first quarter of 2020 refer to January and February.
Source: CBS data seasonally adjusted by the CNB.

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



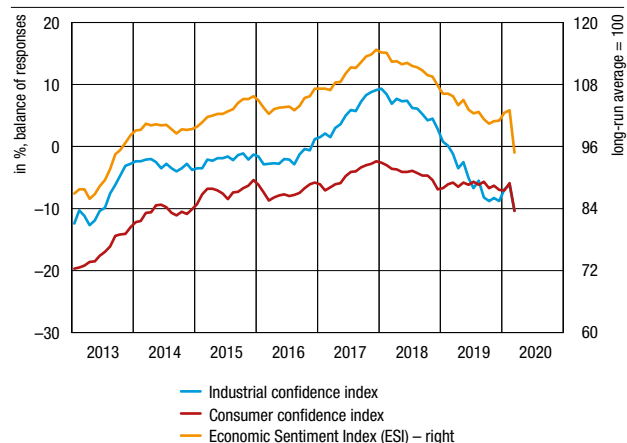
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



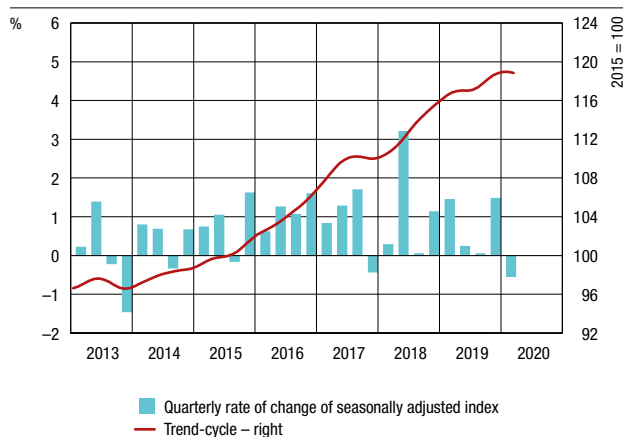
Source: CBS data seasonally adjusted by the CNB.

Figure 9 EU confidence indices seasonally adjusted series



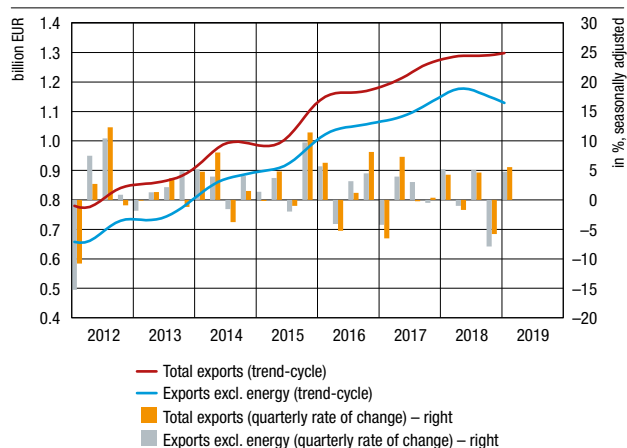
Source: Eurostat.

Figure 7 Real retail trade turnover



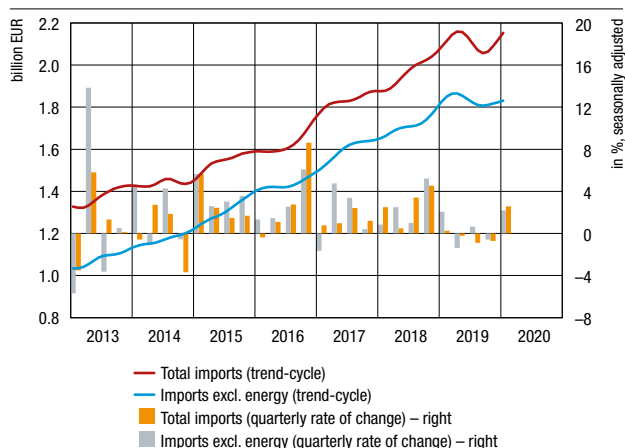
Source: CBS data seasonally adjusted by the CNB.

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



Source: CBS data seasonally adjusted by the CNB.

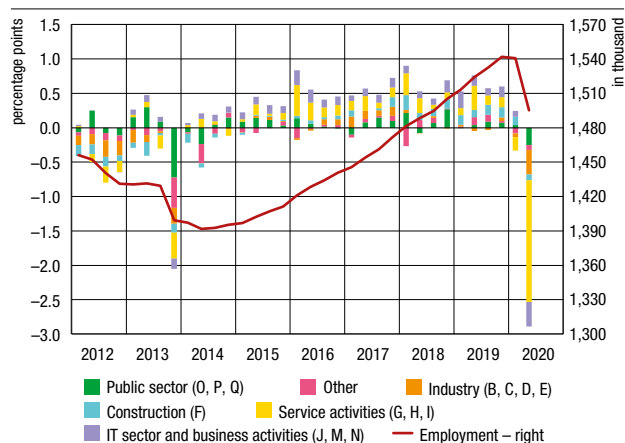
Figure 11 Goods imports (c.i.f.)



Source: CBS data seasonally adjusted by the CNB.

Figure 14 Employment by NCA activities

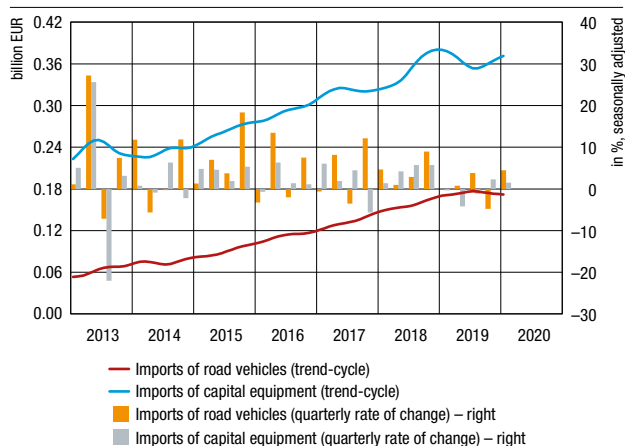
seasonally adjusted data, contributions to the quarterly rate of change



Note: Data for the second quarter of 2020 refer to April.

Source: CPII data seasonally adjusted by the CNB.

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

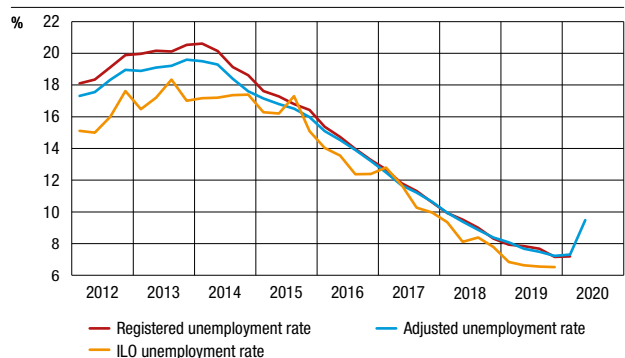


Note: Imports of capital equipment (SITC divisions 71 – 77). Data for the first quarter of 2020 refer to January.

Source: CBS data seasonally adjusted by the CNB.

Figure 15 Unemployment rates

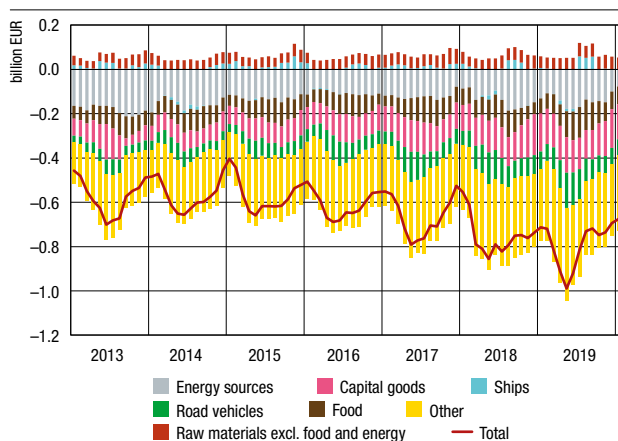
seasonally adjusted data



Note: Since January 2015, the calculation of the registered unemployed rate has used the data on employed persons from the JOPPD form. Data on the number of employed persons have been revised backwards for the period from January 2016 to July 2019. The adjusted unemployment rate is the CNB estimate and is calculated as the share of the number of registered unemployed persons in the working age population (unemployed persons and persons insured with the CPII).

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

Figure 13 Trade in goods balance

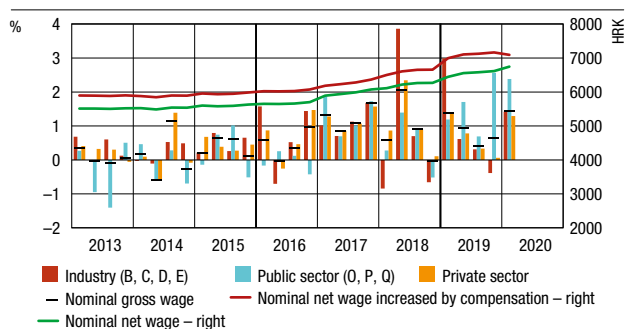


Note: Series are shown as three-member moving averages of monthly data. Data are up to January 2020.

Source: CBS.

Figure 16 Average nominal gross and net wage

seasonally adjusted data, 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 on average wages paid in February 2020 were reported in full-time equivalent, in contrast with the previous periods, when average wages were calculated by dividing total disbursements by the number of employees who received these disbursements, excluding all those who worked fewer than 80 hours per month. Data on wages in 2019 reported in full-time equivalent were released for analytical purposes. Data on disbursements paid before 2016 are CNB estimates.

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

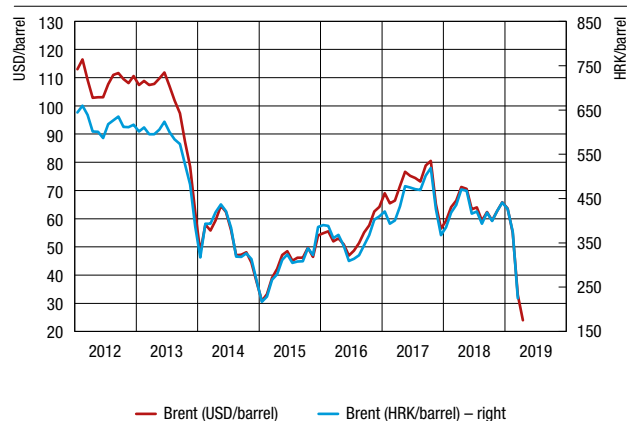
Table 1 Price indicators

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

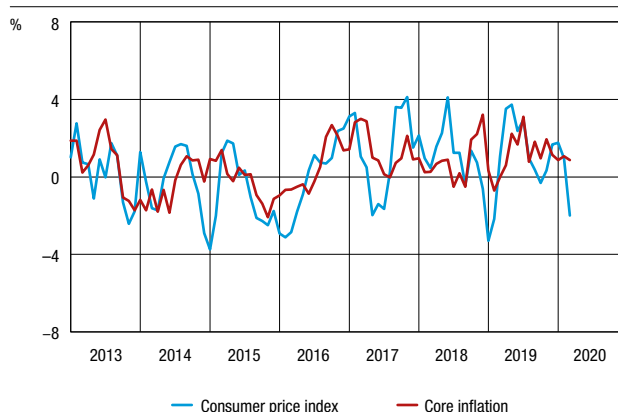
	Year-on-year rates		Month-on-month rates	
	2/20	3/20	3/19	3/20
Consumer price index and its components				
Total index	1.5	0.6	1.0	0.2
Energy	0.9	-3.8	1.5	-3.2
Unprocessed food	4.1	5.6	-0.6	0.8
Processed food	2.0	1.7	0.4	0.1
Non-food industrial goods without energy	0.2	-0.1	3.0	2.8
Services	1.9	1.6	0.1	-0.1
Other price indicators				
Core inflation	1.5	1.3	1.2	1.0
Index of industrial producer prices on the domestic market	1.3	-1.2	0.6	-1.9
Brent crude oil price (USD)	-14.2	-50.3	3.6	-40.0
HWWI index (excl. energy, USD)	-3.8	-4.5	-1.2	-2.0

Note: Processed food includes alcoholic beverages and tobacco.

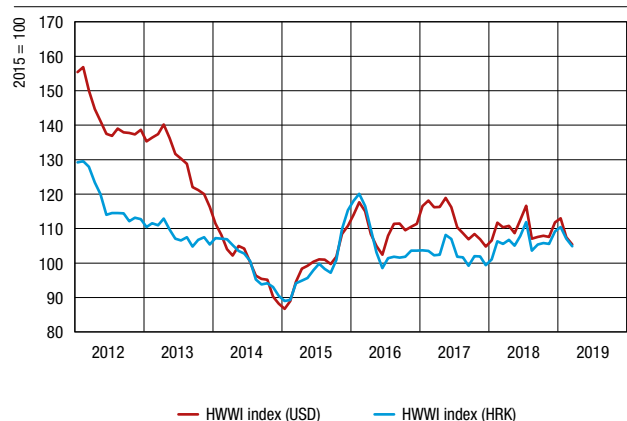
Sources: CBS, Bloomberg and HWWI.

Figure 19 Crude oil prices (Brent)

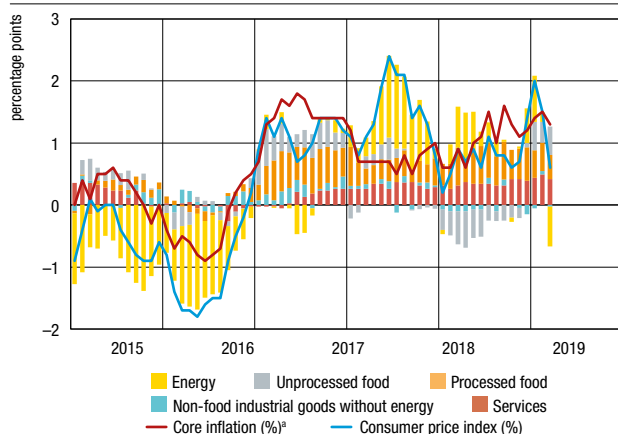
Sources: Bloomberg and CNB calculations.

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.

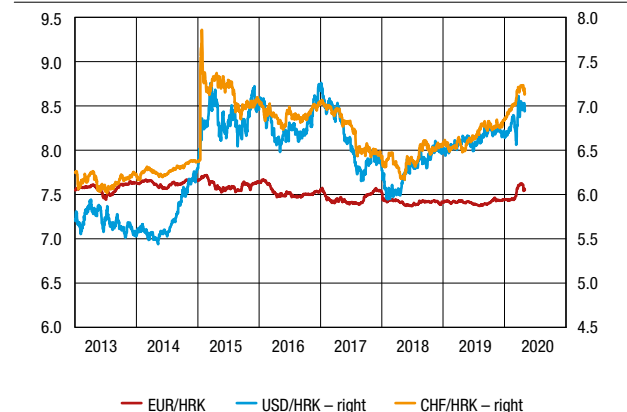
Sources: CBS and CNB calculations.

Figure 20 HWWI index (excl. energy)

Sources: HWWI and CNB calculations.

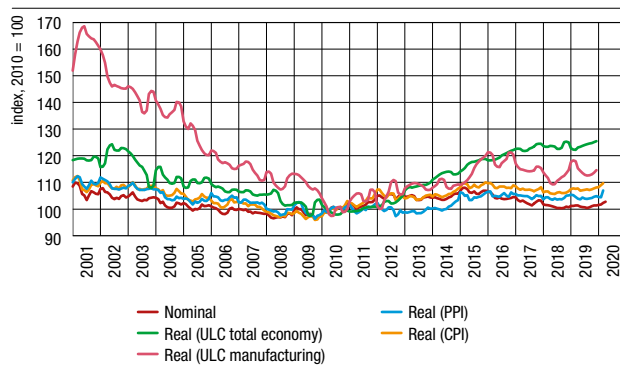
Figure 18 Year-on-year inflation rate and contributions of components to consumer price inflation^a Core inflation does not include agricultural product prices, energy prices and administered prices.

Sources: CBS and CNB calculations.

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

Source: CNB.

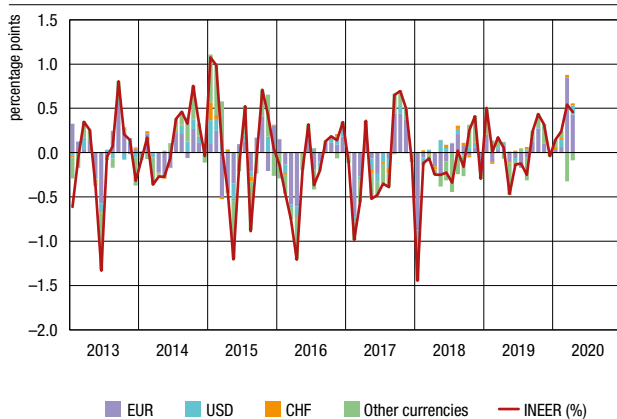
Figure 22 Nominal and real effective exchange rates of the kuna



Note: The real effective exchange rate of the kuna deflated by producer prices includes the Croatian index of industrial producer prices on the 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.

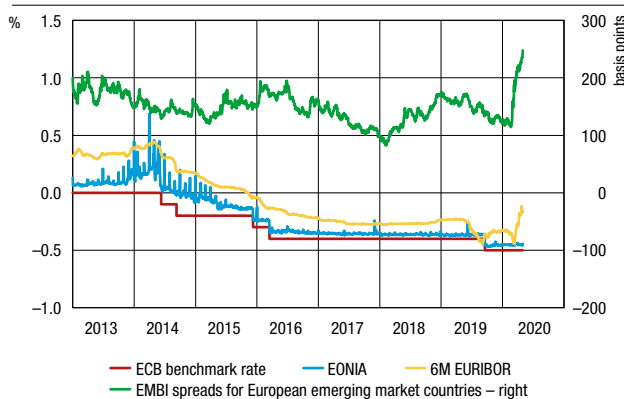
Figure 23 Contributions^a of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)



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

Source: CNB.

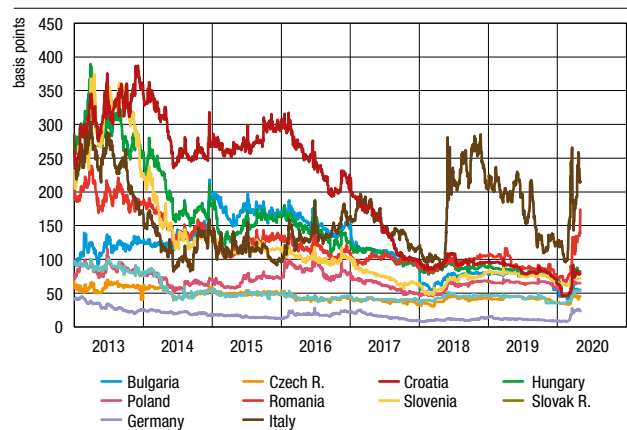
Figure 24 Interest rates on the euro and the average yield spread on bonds of European emerging market countries



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: ECB, Bloomberg and J.P. Morgan.

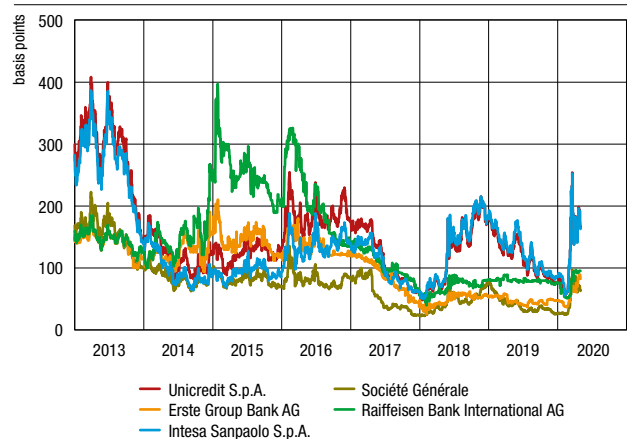
Figure 25 CDS spreads for 5-year government bonds of selected countries



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.

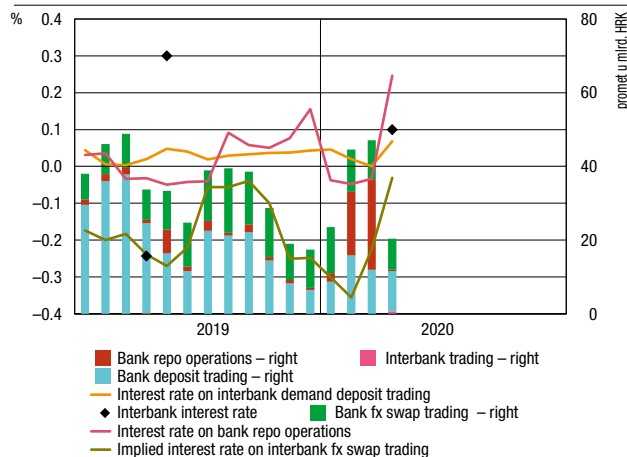
Source: S&P Capital IQ.

Figure 26 CDS spreads for selected parent banks of domestic banks



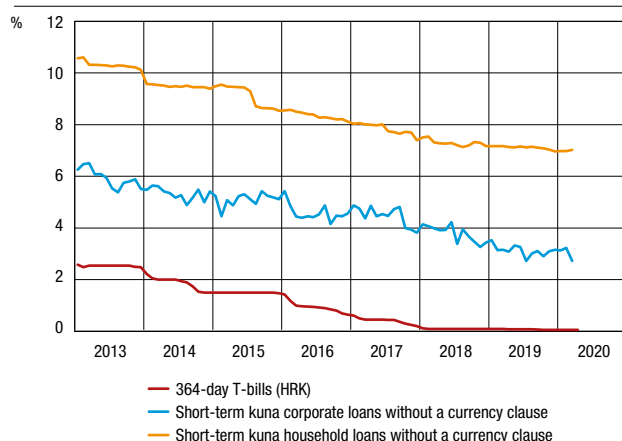
Source: S&P Capital IQ.

Figure 27 Overnight interest rates and turnovers



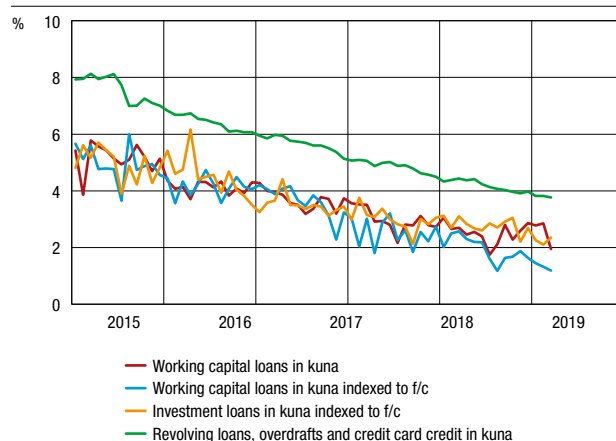
Source: CNB.

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



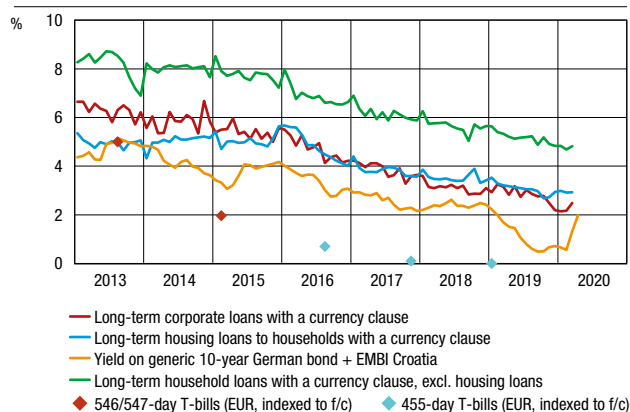
Sources: MoF and CNB.

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



Source: CNB.

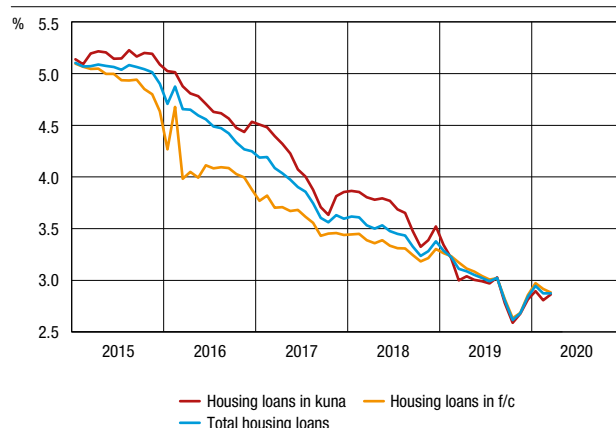
Figure 29 Long-term financing costs in kuna with a currency clause and in foreign currency



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

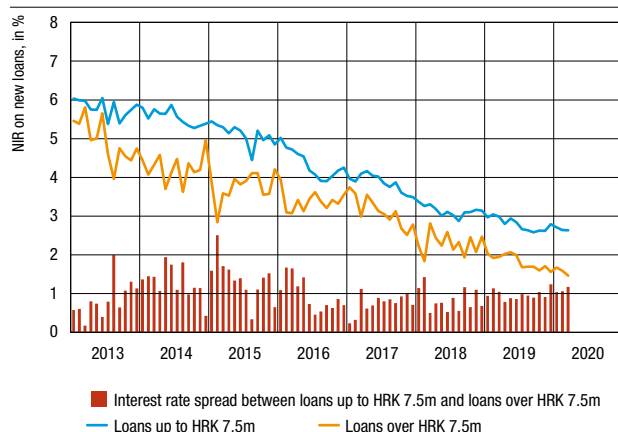
Sources: MoF, Bloomberg and CNB.

Figure 32 Interest rates on original new housing loans to households



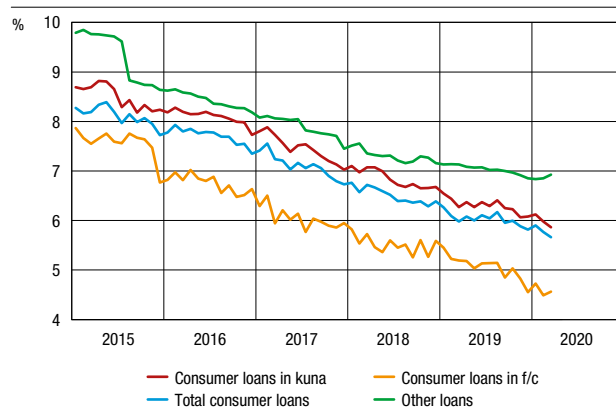
Source: CNB.

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



Source: CNB.

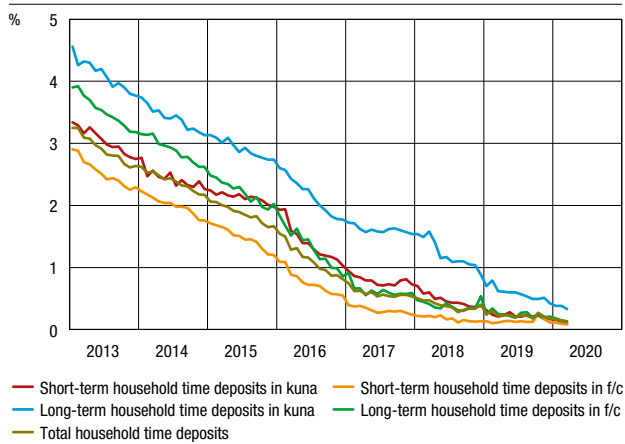
Figure 33 Interest rates on original new consumer and other loans to households



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.

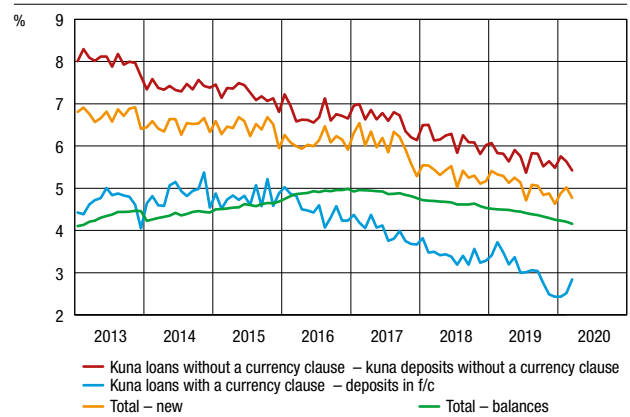
Source: CNB.

Figure 34 Interest rates on household time deposits



Source: CNB.

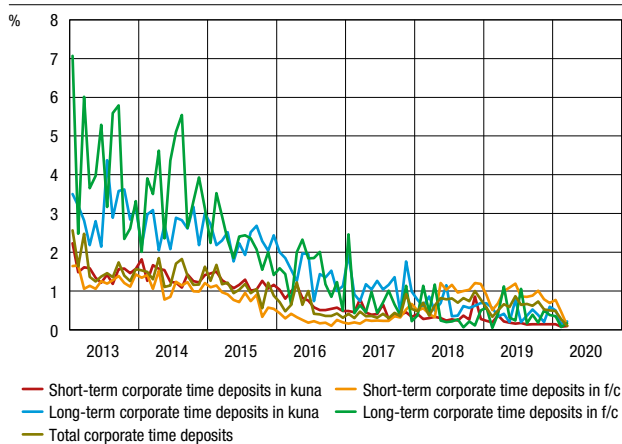
Figure 37 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits



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).

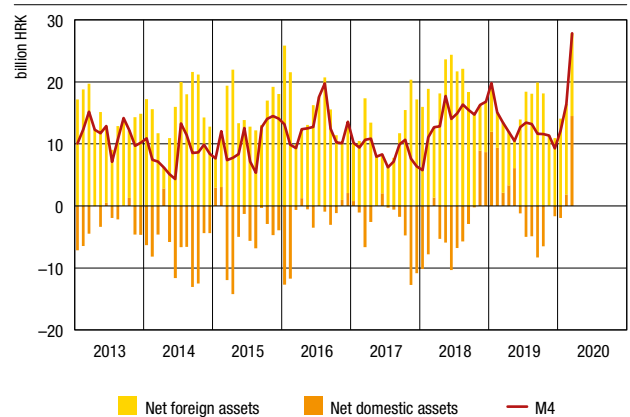
Source: CNB.

Figure 35 Interest rates on corporate time deposits



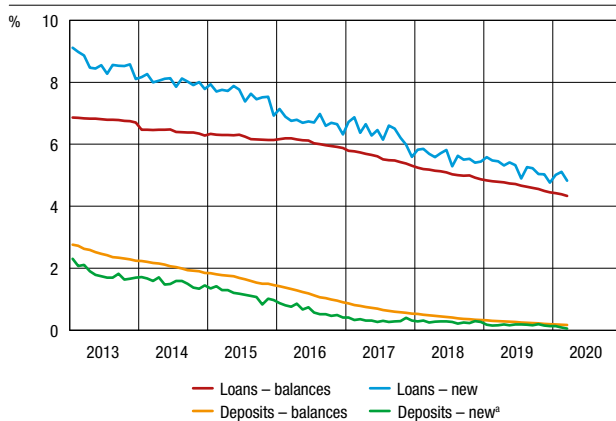
Source: CNB.

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



Source: CNB.

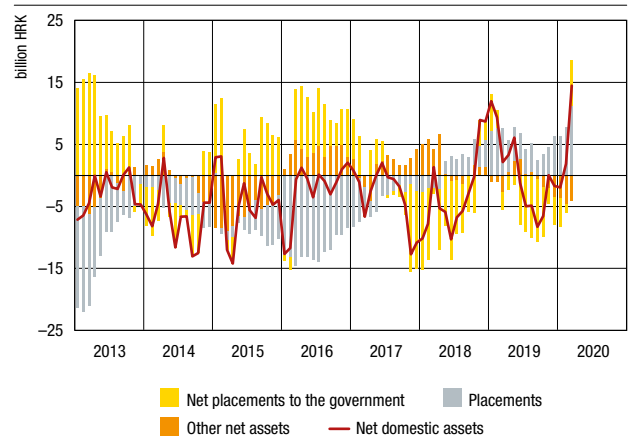
Figure 36 Average interest rates on loans (excl. revolving loans) and deposits



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

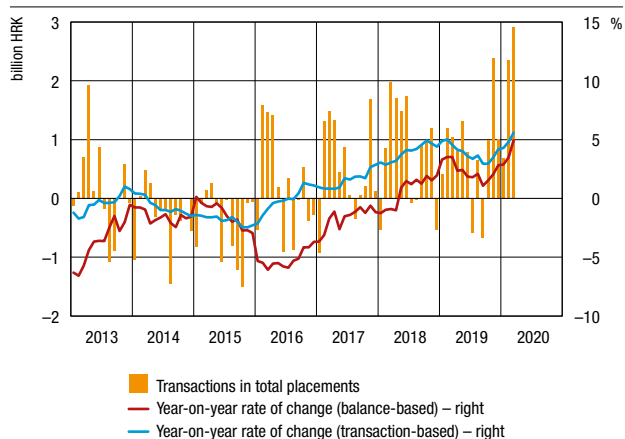
Source: CNB.

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



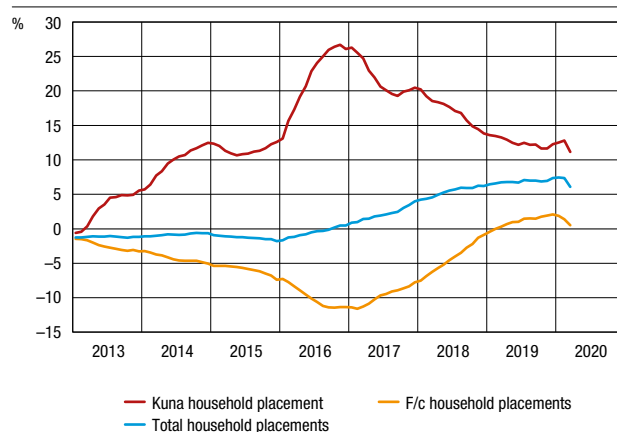
Source: CNB.

Figure 40 Placements



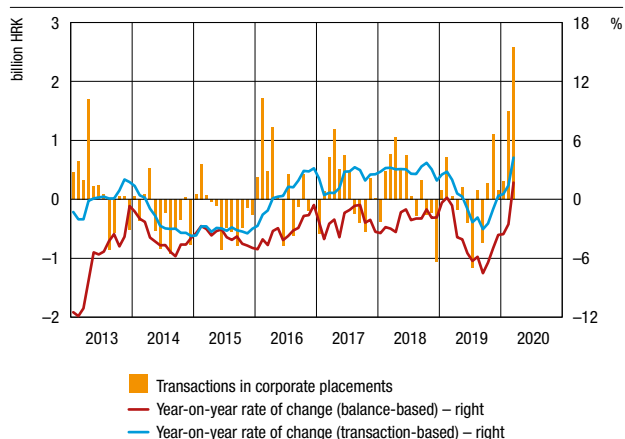
Source: CNB.

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



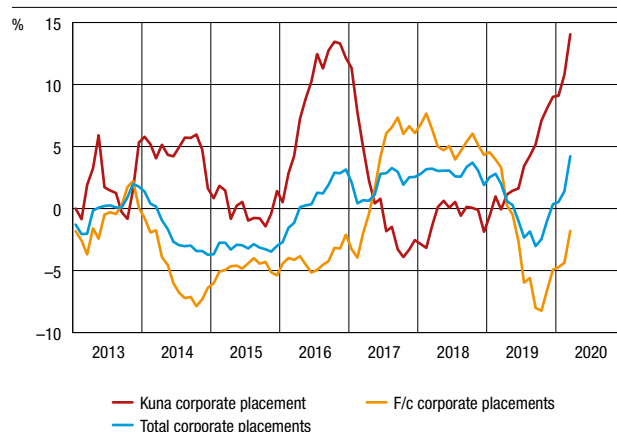
Source: CNB.

Figure 41 Placements to corporates



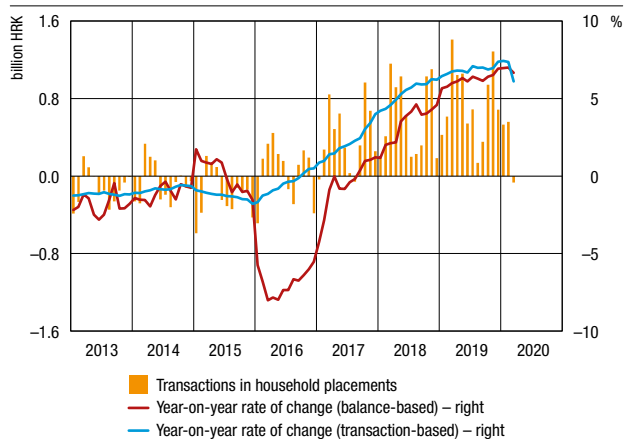
Source: CNB.

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



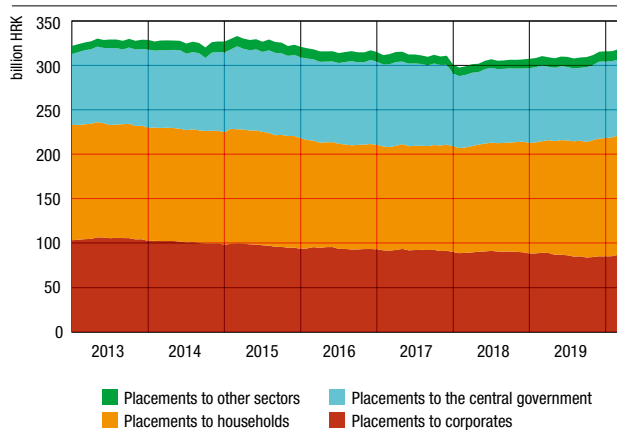
Source: CNB.

Figure 42 Placements to households

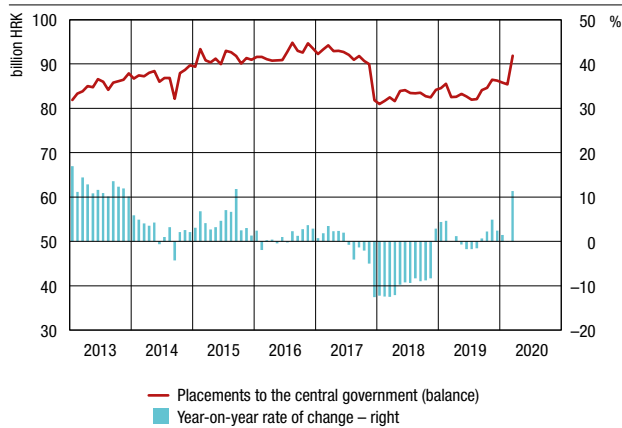


Source: CNB.

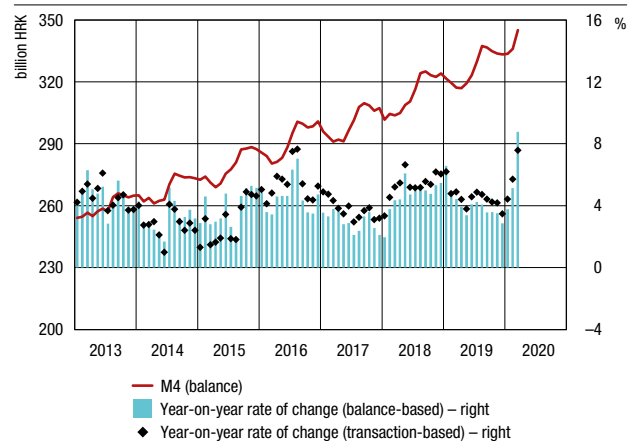
Figure 45 Structure of monetary institution placements



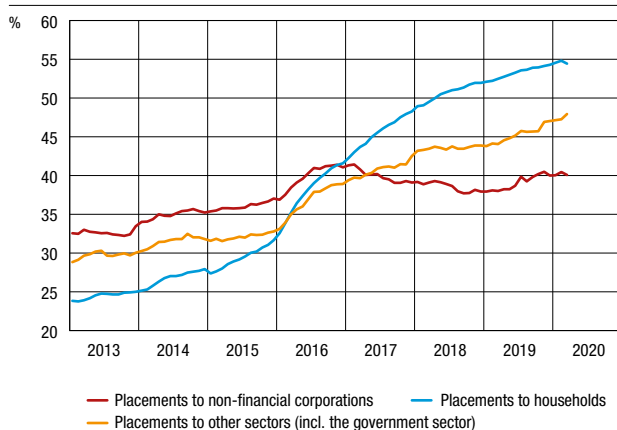
Source: CNB.

Figure 46 Placements of monetary financial institutions to the central government

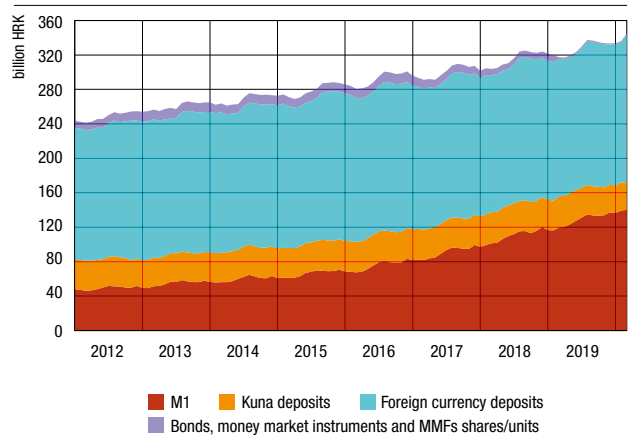
Source: CNB.

Figure 49 Total liquid assets (M4)

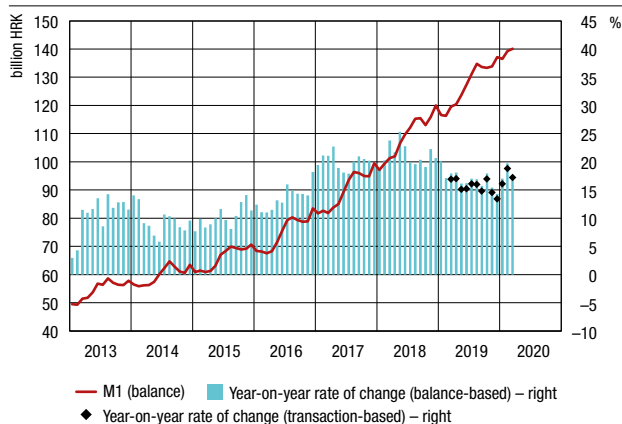
Source: CNB.

Figure 47 Share of kuna placements in total sector placements

Source: CNB.

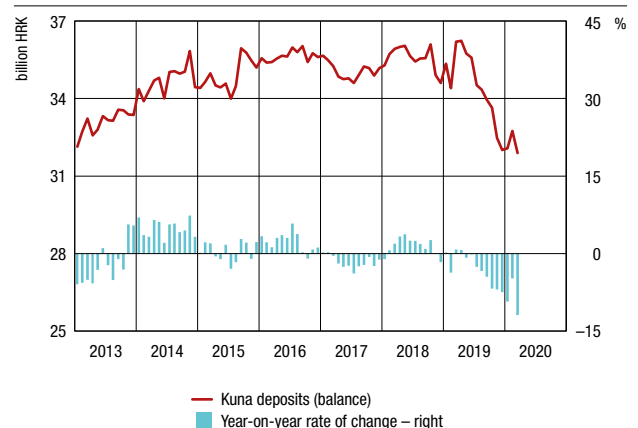
Figure 50 Structure of M4 monetary aggregate

Source: CNB.

Figure 48 Money (M1)

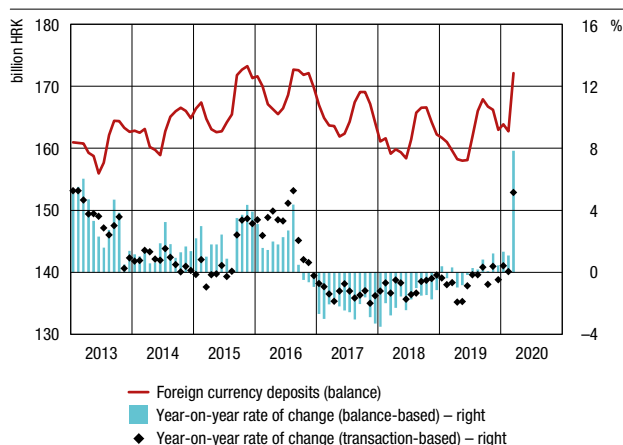
Note: From March 2019, the growth rate (transaction-based) excludes the effect of the reclassification of money market funds.

Source: CNB.

Figure 51 Kuna savings and time deposits

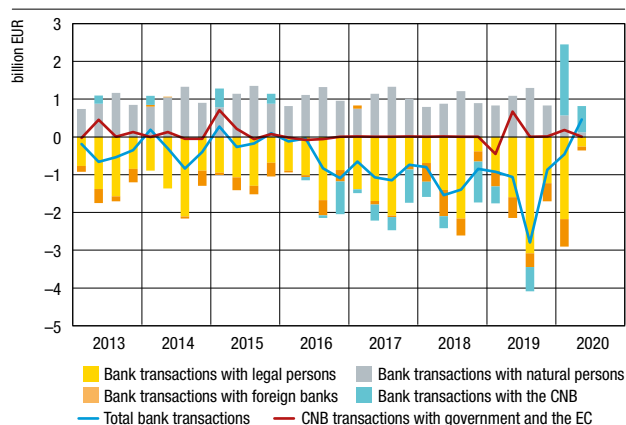
Source: CNB.

Figure 52 Foreign currency deposits



Source: CNB.

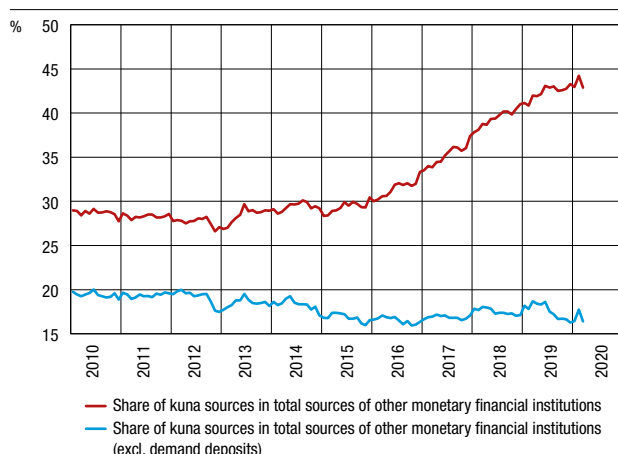
Figure 55 Spot transactions in the foreign exchange market (net turnover)



Note: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government. Data for the second quarter of 2020 refer to April.

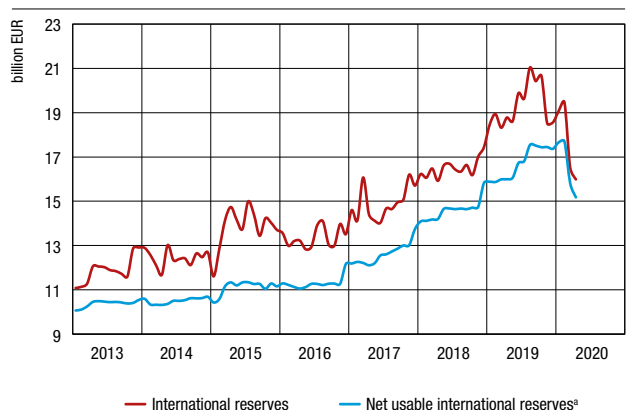
Source: CNB.

Figure 53 Share of kuna sources



Source: CNB.

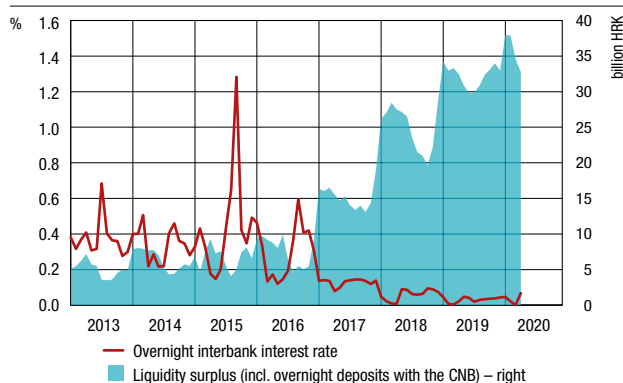
Figure 56 International reserves of the CNB at current rate of exchange



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

Source: CNB.

Figure 54 Bank liquidity and overnight interest rate on bank demand deposit trading



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. The overnight interest rate until the end of 2015 refers to the overnight interbank interest rate and as of the beginning of 2016 to the overnight interest rate on bank demand deposit trading.

Source: CNB.

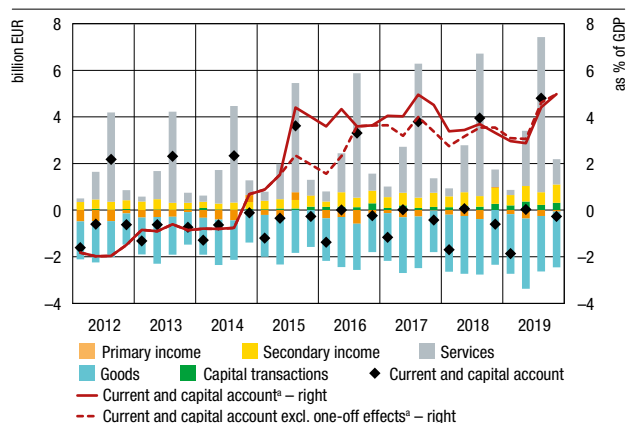
Table 2 Balance of payments preliminary data, in million EUR

	2018	2019	Indices	
			2018/ 2017	2019/ 2018
Current account	982.1	1,570.8	58.5	159.9
Capital account	729.8	1,117.1	135.7	153.1
Financial account (excl. reserves)	241.8	1,427.4	-114.5	590.2
International reserves	1,545.0	989.6	59.6	64.1
Net errors and omissions	75.0	-270.8	45.3	-361.2

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

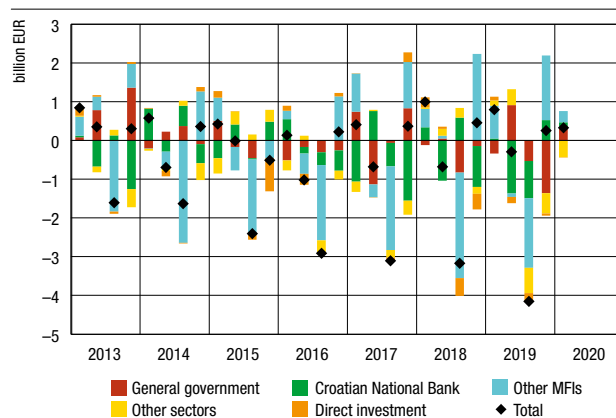


^a Sum of the last four quarters.

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.

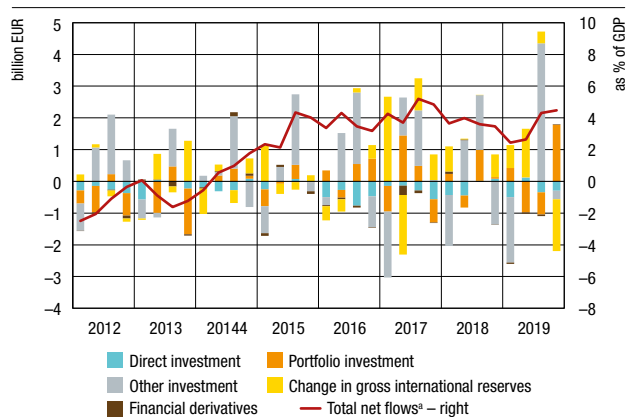
Figure 60 Net external debt transactions



Note: 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 first quarter of 2020 refer to January and February.

Source: CNB.

Figure 58 Financial account flows by type of investment

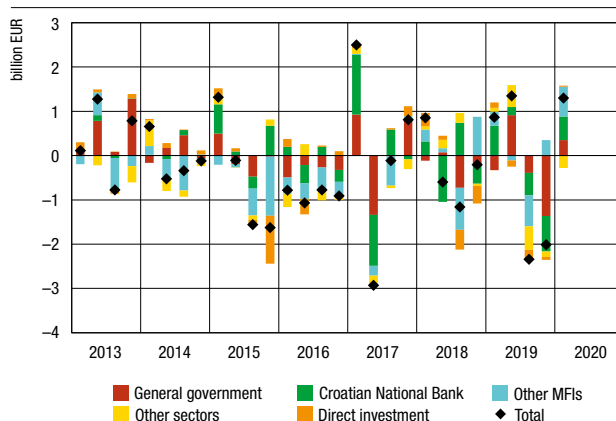


^a Sum of the last four quarters.

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

Source: CNB.

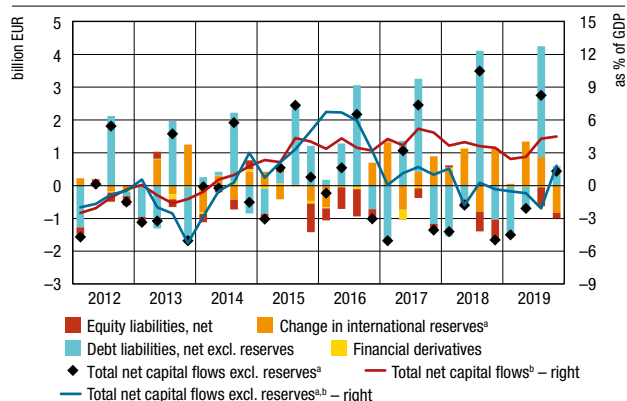
Figure 61 Gross external debt transactions



Note: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Data for the first quarter of 2020 refer to January and February.

Source: CNB.

Figure 59 Financial account flows by equity to debt ratio

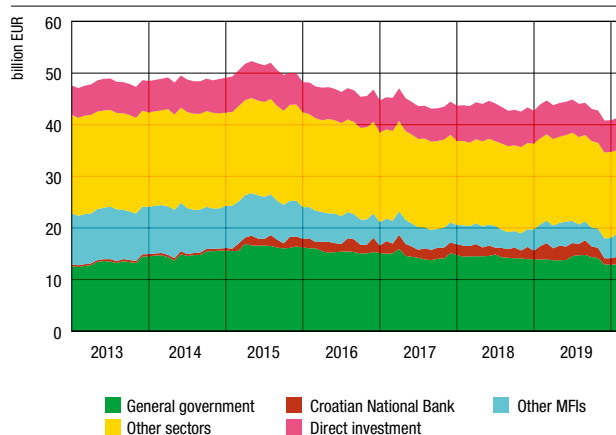


^a The change in gross international reserves is reported net of foreign liabilities of the CNB. ^b Sum of the last four quarters.

Note: 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.

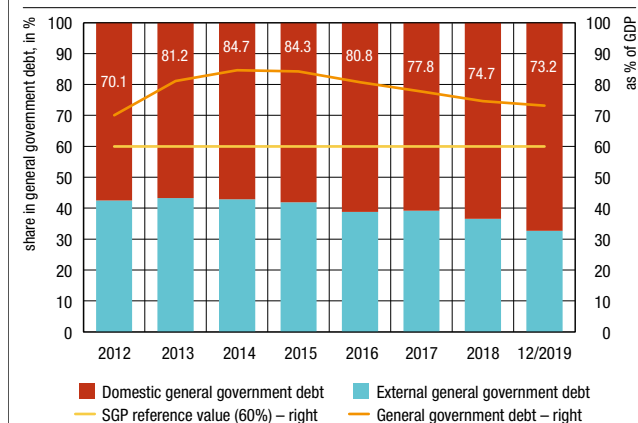
Figure 62 Gross external debt end of period



Note: Data are up to February 2020.

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. – Dec. 2018	Jan. – Dec. 2019
Total revenue	178,139	190,097
Direct taxes	24,776	26,661
Indirect taxes	76,666	81,289
Social contributions	45,911	47,363
Other	30,787	34,783
Total expenditure	177,290	188,543
Social benefits	59,516	62,205
Subsidies	6,132	6,195
Interest	8,870	8,882
Compensation of employees	45,121	47,486
Intermediate consumption	31,175	33,329
Investment	13,477	17,193
Other	12,997	13,254
Net lending (+)/borrowing (–)	850	1,553

Sources: Eurostat and CBS.

Table 4 Consolidated central government net borrowing

GFS 2001, in million HRK

	Jan. – Nov. 2018	Jan. – Nov. 2019
1 Revenue	136,049	145,610
2 Disposal of non-financial assets	504	772
3 Expenditure	126,510	135,487
4 Acquisition of non-financial assets	3,292	4,290
5 Net borrowing (1 + 2 – 3 – 4)	6,751	6,606

Sources: MoF and CNB calculations.

Table 5 General government debt

in million HRK

	Jan. 2019	Jan. 2020
Change in total debt stock	–778	–1,418
Change in domestic debt stock	–435	–1,870
– Securities other than shares, short-term	–521	–798
– Securities other than shares, long-term	135	–619
– Loans	–49	–453
Change in external debt stock	–343	453
– Securities other than shares, short-term	38	0
– Securities other than shares, long-term	–107	533
– Loans	–274	–80
Memo item:		
Change in total guarantees issued	14	–178

Source: CNB.

Abbreviations and symbols

Abbreviations

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

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

Three-letter currency codes

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

Two-letter country codes

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

Symbols

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