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# Information on economic trends

October 2018



## Summary

Available monthly indicators of real economic activity suggest that real GDP growth continued in the third quarter of 2018, albeit at a slower pace than in the quarter before. Favourable trends in the labour market also continued at weaker intensity than in the preceding part of the year. The annual consumer price inflation rate dropped to 1.4% in September. The CNB continued to pursue an expansionary monetary policy, maintaining high levels of liquidity in the domestic financial system in September. The annual growth of placements to non-financial corporations remained at the level recorded in the previous month, while the annual growth of placements to households picked up. In the second quarter, the surplus in the current and capital account of the balance of payments went up on an annual basis. MoF cash-basis data show that the general government budget ran a sizeable surplus in the second quarter of 2018, so that the general government debt-to-GDP ratio shrank even more.

The GDP nowcasting mode<sup>1</sup> shows that overall economic activity continued to grow in the third quarter of 2018, but at a lower rate than in the first half of the year (Figure 1). The slower economic growth is also evident in data on industrial output, which held steady in the second quarter and dropped in July and August on a quarterly level. Viewed by MIG components, the fall was seen in the production of capital goods, and durable and non-durable consumer goods (Figures 3 and 4). From the standpoint of the National Classification of Activities, the drop in capital goods production seems to be largely due to the steady steep decrease in the production of other transport equipment, evident since mid-2017, which was probably related to problems of shipyards. Furthermore, having grown strongly in the second quarter of 2018, real retail trade turnover levelled off in July and August compared with the average for the preceding three months (Figure 7). On the other hand, the real volume of construction works continued to grow sharply this July, with the steady increase in works on buildings and heightened civil engineering works suggesting partial recovery of general government investments (Figures 5 and 6).

The consumer confidence index was, on average, higher in the third than in the previous quarter, despite the September decrease triggered by unfavourable expectations regarding the economic situation in the year ahead. As regards business confidence, the upward trend in optimism in the construction activity, noticeable since 2016, continued, with the confidence index in industry also going up. By contrast, expectations of business entities deteriorated in trade and services from the second quarter of 2018 (Figure 8).

Favourable developments in the labour market continued throughout the third quarter, though at a weaker intensity than in the preceding part of the year. Employment growth was somewhat slower from July to September than in the quarter before. Employment was stagnant in industry and trade and continued to grow in construction and other activities (Figure 14). The fall in unemployment slowed down slightly in that period, so that the average registered unemployment rate (according to seasonally adjusted data for July and August) stood at 9.6%, 0.4 percentage points lower than the second quarter average (Figure 15). According to the latest available Labour Force Survey data for the second quarter of 2018, the ILO unemployment rate went down from 9.3% in the first quarter to 8.0%, due solely to the shrinking in the labour force, while employment stagnated on a quarterly basis according to the Survey data. As regards wages, average nominal and real gross wages continued to rise in the early third quarter of 2018, but at a slower pace than in the quarter before (Figure 16).

Following a stagnation in August, consumer prices went up by 0.8% in September on a monthly basis (Table 1). The August stagnation in prices was due to the seasonal decrease in the

prices of clothing and footwear (which was less pronounced than last year) on the one hand, and, on the other hand, the rise in the prices of processed food products (milk and dairy products, and bread). The seasonal increase in the prices of clothing and footwear contributed the most to the monthly growth in prices in September. After falling for three months, crude oil prices on the global market increased (Figure 19), triggering a rise in retail prices of refined petroleum products, while the growth in the consumer price index was mostly cushioned by the fall in food prices. The annual consumer price inflation rate dropped to 1.4% in September from 2.1% in August (Figure 18). The slower inflation was largely a result of the lower annual rate of increase in energy prices due to the negative base effect, i.e. the sharp increase in electricity prices in September 2017 fuelled by the growth in renewable energy sources tariffs. In addition, the contribution to overall inflation from processed food products and clothing and footwear decreased noticeably in September. Core inflation slowed to 0.5% in September. The annual growth of industrial producer prices on the domestic market went down from 4.0% in July to 3.4% in August and September, with the annual rate of change in energy prices decreasing the most.

In the second quarter of 2018, the surplus in the current and capital account of the balance of payments stood at EUR 0.4bn, or EUR 0.2bn more than in the same period a year ago (Figure 57). Favourable trends were mostly due to the rise in net services exports spurred by the ongoing increase in revenues from tourism (of 9.5%). While tourism consumption abroad by residents continued to grow sharply (by half), the balance of trade in services improved owing to the much lower absolute level. The balance in the primary income account improved at the same time, largely due to lower interest expenditures for foreign debts of domestic sectors (particularly the government) and larger revenues from compensation of persons temporarily employed abroad. Furthermore, the sum of balances in the secondary income account and in the account of capital transactions was slightly higher in the second quarter of 2018 than in the same period last year, owing to the rise in total net revenues from transactions with the EU budget. On the other hand, the foreign trade deficit remained almost unchanged in the second quarter of 2018 from the same period of 2017, with a slightly slower increase in exports (7.7% vs 8.4%), accompanied by noticeably slower growth in imports (4.4% vs 10.2%). If the last four quarters are observed, the surplus in the current and capital account decreased, standing at 3.9% of GDP at the end of the second quarter of 2018.

The nominal exchange rate of the kuna against the euro remained stable in September, moving within a range of -0.2% to +0.1%, around the average value of EUR/HRK 7.42 (Figure 21). It was the same at end-September. The kuna weakened against most other major trading partners' currencies in

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

September, which resulted in a depreciation of the nominal effective exchange rate of the kuna of 0.3% from the end of August. This was mostly due to the weakening of the kuna against the Turkish lira, reflecting the recovery of the latter currency on the global foreign exchange market that followed its sharp depreciation in the two preceding months.

On the European money market, short-term interest rates remained in negative territory in September influenced by abundant banking system liquidity. The six-month EURIBOR stood at  $-0.27\%$  at the end of September, and the overnight interest rate on the euro area banking market, EONIA, stood at  $-0.35\%$  (Figure 24). Risk premiums for European emerging market economies did not change much in September. The risk premium for Croatia stood at 96 basis points at end-September, the same as at end-2017 (Figure 25).

Liquidity in the banking system and on the domestic market remained high. The average liquidity surplus stood at HRK 21.0bn in September, edging down slightly from August (Figure 54). In such conditions, there was no turnover on the domestic interbank overnight market and there were no T-bill auctions.

Interest rates on newly-granted bank loans mainly continued to trend down slowly (Figures 28, 29 and 30). With regard to new loans to non-financial corporations, interest rates on some loan types increased but remained within their usual volatility range, while in the household sector, interest rates on original new housing and consumer loans in kuna continued to fall slowly (Figures 32 and 33). An increase in interest rates on original new kuna loans for working capital was seen in the corporate sector (Figure 31). Interest rates on received deposits also dropped marginally (Figures 34 and 35). As a result of such trends, the spread between interest rates on total new loans and deposits edged up to 5.4 percentage points in August, while the gap between interest rate spreads on loans and deposits remained at 4.6 percentage points (Figure 37).

In August 2018, monetary developments were marked by a sizeable seasonal increase in net foreign assets (NFA) and a fall in net domestic assets (NDA), which resulted in an increase in total liquid assets (M4) of HRK 7.8bn or 2.5% (Figure 49). The growth in net foreign assets of the monetary system was largely driven by the rise in net foreign assets of credit institutions and, to a lesser extent, growth in the net foreign assets of the CNB. By contrast, net domestic assets of the system dropped in August, mostly due to the fall in net claims on the central government triggered by the rise in government deposits and a stagnation in placements. If analysed on an annual basis, the growth in total liquid assets (M4) held steady at 5.2% in August 2018 (excluding the effects of exchange rate changes). As regards the components of total liquid assets, the annual growth in money (M1) slowed down slightly to 19.6% (Figure 48), while the annual fall in quasi-money decelerated to 1.2%.

Total placements of monetary institutions to domestic sectors (excluding the government) levelled off in August (transaction-based), standing at HRK 222.2bn at the month's end, with their annual growth rate being only slightly faster, at 4.2% (Figure 40). Annual growth in household placements continued to pick up pace, reaching 6.0% at the end of August (Figure 42). Two thirds of the increase were accounted for by general-purpose cash loans, which grew at an annual rate of 11.2% (transaction-based). As regards the currency structure, the trend towards growth in kuna and fall in foreign currency lending present for several years continued (Figure 43), causing the share of kuna

placements to households to reach its all-time high of 51.1% in late August (Figure 47). The annual growth in corporate placements held steady at 2.6% at the end of August (Figure 41). A strong positive contribution to this came from accommodation and food service activities as well as manufacturing, while construction continued to have a negative effect on the overall growth in corporate loans. As for the nominal stock of total placements, their annual growth stood at 1.6% at end-August and was significantly lower than the transaction-based growth, primarily as a result of the sale of non-performing placements.

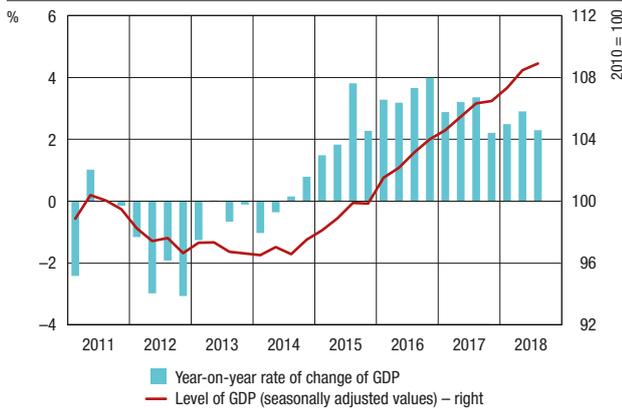
Gross international reserves expanded in September, reaching EUR 16.7bn at the end of the month (Figure 56), largely due to a higher level of agreed repo transactions. Compared with the end of 2017, gross reserves grew by EUR 1.0bn or 6.1%. Net usable reserves grew by EUR 0.9bn or 6.4% from the end of 2017, totalling EUR 14.6bn at the end of September.

The net foreign financial liabilities of domestic sectors increased by EUR 0.3bn in the second quarter of 2018 (excluding the change in gross international reserves and CNB liabilities). Net capital inflows were mostly attributable to foreign equity investment accompanied by a marginal increase in net debt liabilities of domestic sectors (Figure 59). The inflow of equity investments of only EUR 0.2bn was mostly related to direct equity investments in real estate and the food industry and, to a smaller extent, reinvested earnings of entities owned by non-residents. The bulk of a very modest net capital inflow seen in debt investments was attributable to the net borrowing of non-financial corporations, including the borrowing from affiliated enterprises abroad, while the lesser part was attributable to the central government. Although the central government issued bonds worth EUR 750m on the international market in June, the rise in its net liabilities was much lower in the second quarter of 2018 (only EUR 0.1bn) as domestic investors purchased a substantial amount of these bonds and previous issues of foreign bonds, whereas a part of long-term loans was repaid. The funds generated through the bond issue, which were temporarily deposited with the central bank and added to the rise in international reserves, were used in July for the repayment of another bond that had fallen due. July developments were also marked by the intensified deleveraging of banks, which led to a substantial reduction in the total net external debt.

MoF cash-basis data point to a sizeable general government surplus in the second quarter of 2018 (HRK 3.7bn), which more than offset the negative balance from the first quarter, so that a surplus of HRK 1.8bn was made in the first six months. Favourable developments in the second quarter reflected the continued favourable dynamics of consolidated general government revenues. All main categories of tax revenues increased, with particularly strong positive contributions coming from value added tax and income tax, which reflected generally favourable economic trends. Expenditures were slightly larger in the second quarter of 2018 than in the same period last year. They were driven up mostly by the rise in compensation of employees and social benefits. On the other hand, interest expenses and the so called other expenditures dropped sharply.

The general government debt stood at HRK 284.1bn at the end of June and was, notwithstanding the budget surplus, slightly larger than at the end of 2017. This was due to the June issue of government foreign bonds for the purpose of raising the funds needed for the repayment of EUR 750m worth of bonds that fell due in July.

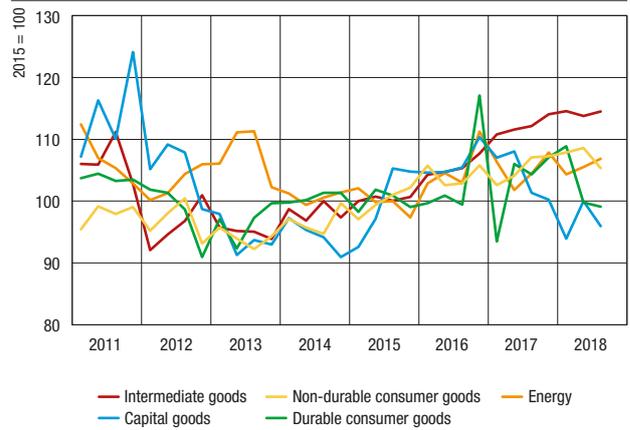
**Figure 1 Quarterly gross domestic product seasonally adjusted real values**



Note: Data for the third quarter of 2018 are estimated with the use of the CNB's monthly indicator of real economic activity, on the basis of data published until 28 September 2018.

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

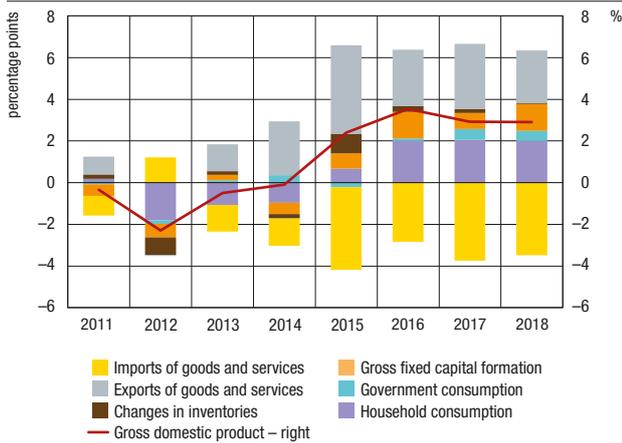
**Figure 4 Industrial production by main industrial groupings seasonally adjusted indices**



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

Source: CBS data seasonally adjusted by the CNB.

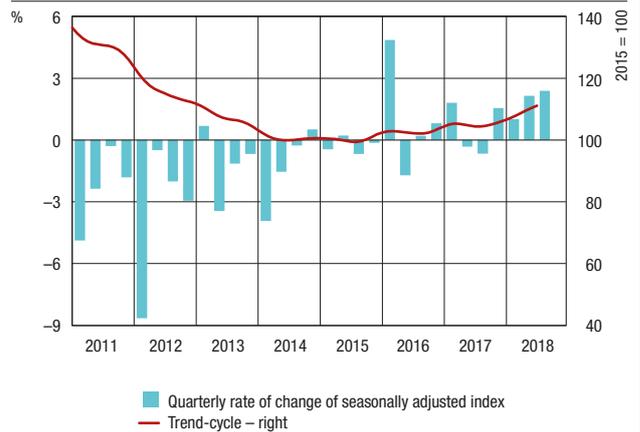
**Figure 2 GDP rate of change contributions by components**



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

Source: CBS.

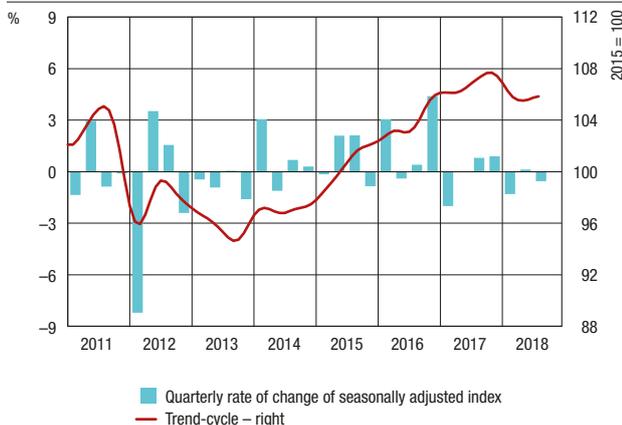
**Figure 5 Total volume of construction works**



Note: Data for the third quarter of 2018 refers to July.

Source: CBS data seasonally adjusted by the CNB.

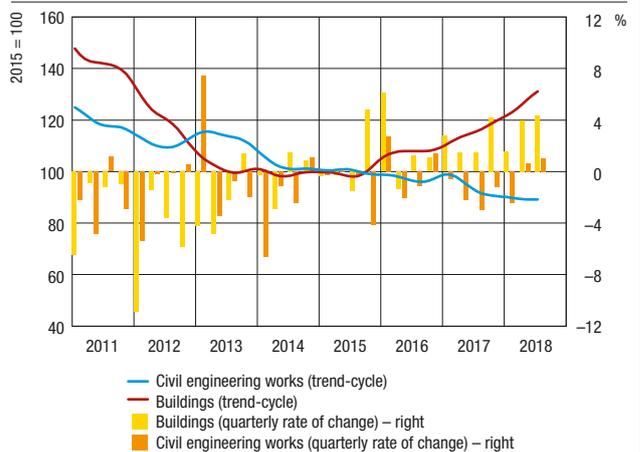
**Figure 3 Industrial production**



Note: Data for the third quarter of 2018 refers to July and August.

Source: CBS data seasonally adjusted by the CNB.

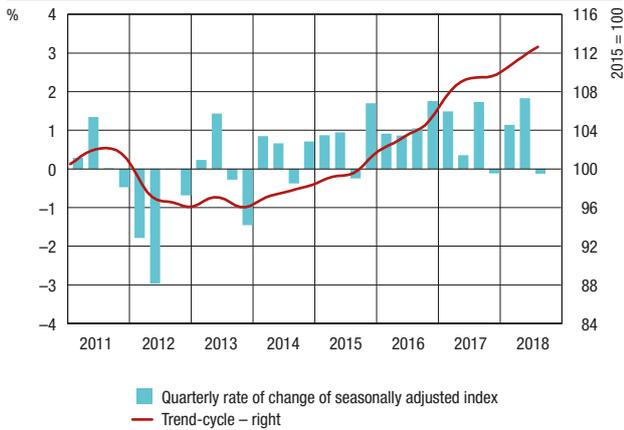
**Figure 6 Buildings and civil engineering works**



Note: Data for the third quarter of 2018 refers to July.

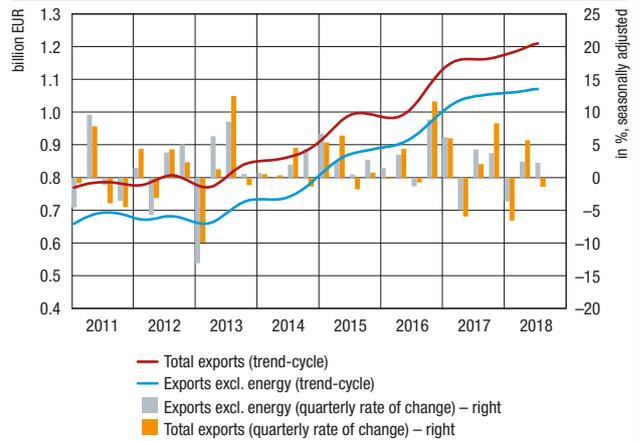
Source: CBS data seasonally adjusted by the CNB.

**Figure 7 Real retail trade turnover**



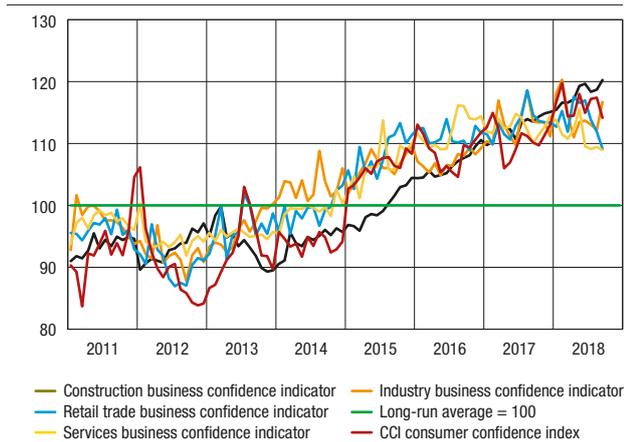
Note: Data for the third quarter of 2018 refers to July and August.  
Source: CBS data seasonally adjusted by the CNB.

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



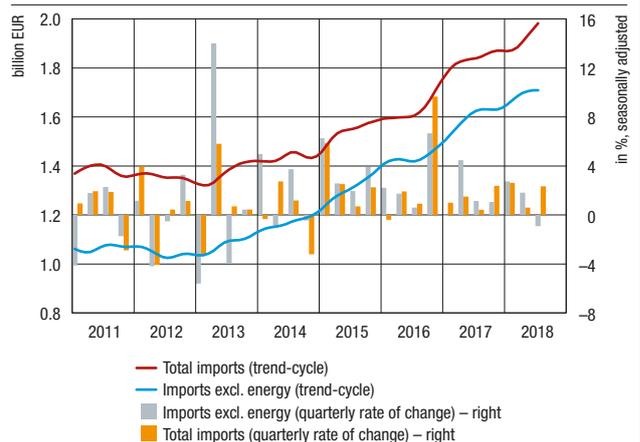
Note: Data for the third quarter of 2018 refer to July.  
Source: CBS data seasonally adjusted by the CNB.

**Figure 8 Business confidence indicators standardised and seasonally adjusted values**



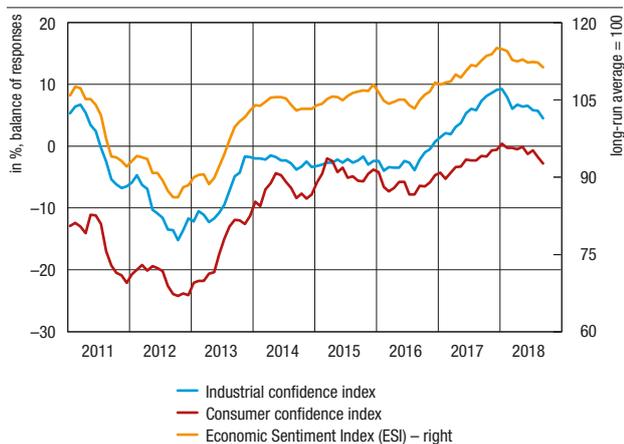
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

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



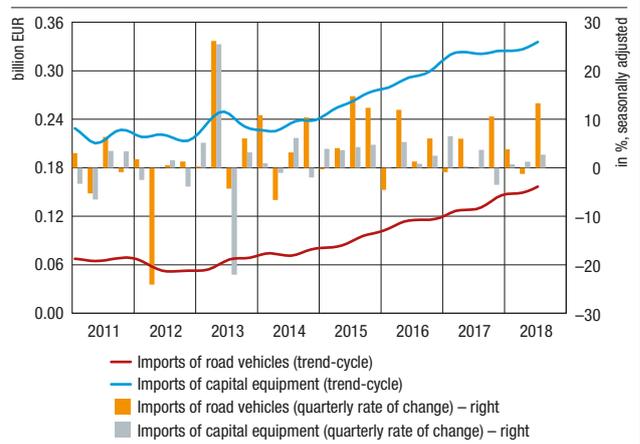
Note: Data for the third quarter of 2018 refer to July.  
Source: CBS data seasonally adjusted by the CNB.

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



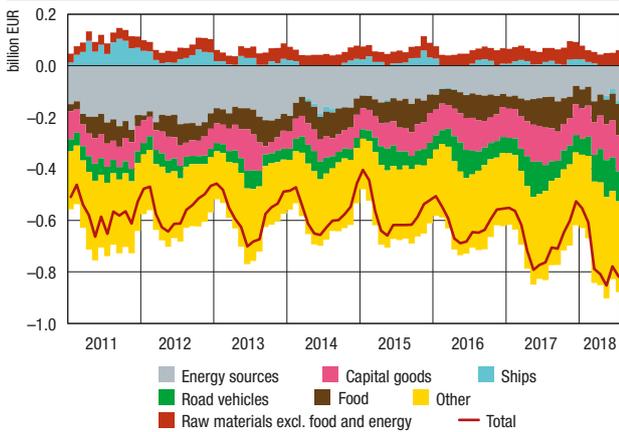
Note: Data are up to September 2018.  
Source: Eurostat.

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



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

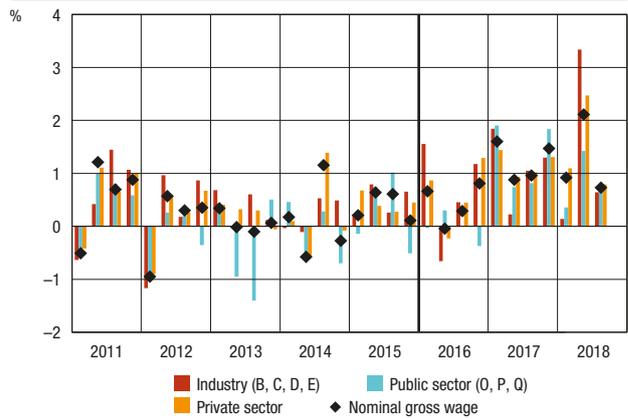
**Figure 13 Trade in goods balance**



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

Source: CBS.

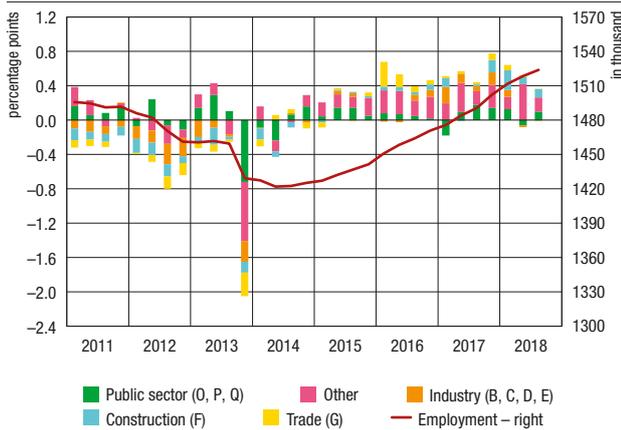
**Figure 16 Average nominal gross wage by NCA activities**  
seasonally adjusted data, quarterly rate of change



Notes: Data on the average nominal gross wage by activity refer to data from the RAD-1 form, and from January 2016 to data from the JOPPD form. Data for the third quarter of 2018 refer to July and August.

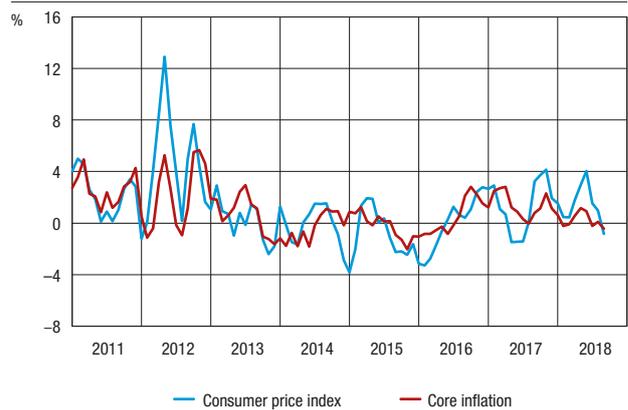
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

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



Source: CPII data seasonally adjusted by the CNB.

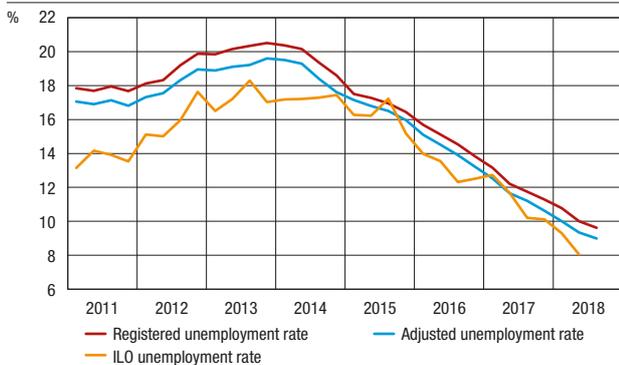
**Figure 17 Consumer price index and core inflation**  
annualised month-on-month rate of change<sup>a</sup>



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

Sources: CBS and CNB calculations.

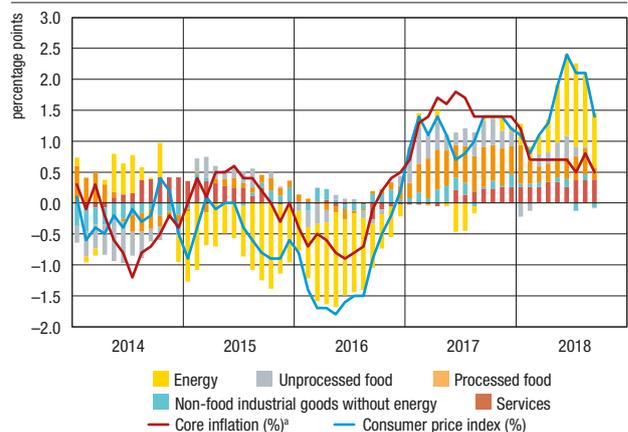
**Figure 15 Unemployment rates**  
seasonally adjusted data



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

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

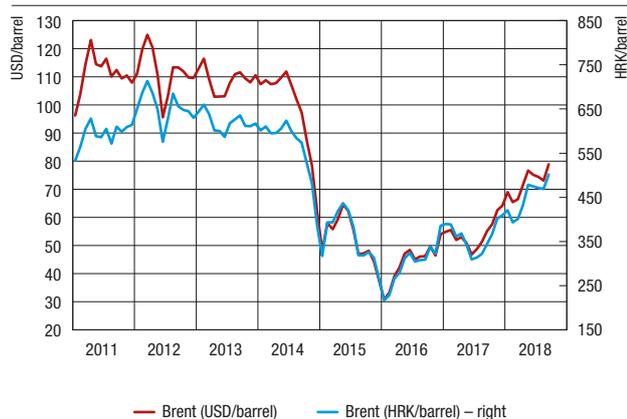
**Figure 18 Year-on-year inflation rate and contributions of components to consumer price inflation**



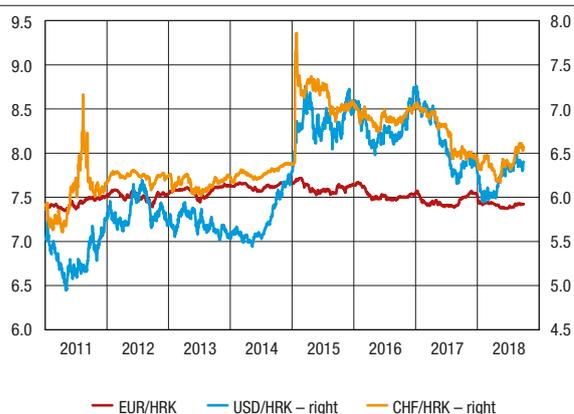
<sup>a</sup> Core inflation does not include agricultural product prices, energy prices and administered prices.

Sources: CBS and CNB calculations.

Figure 19 Crude oil prices (Brent)

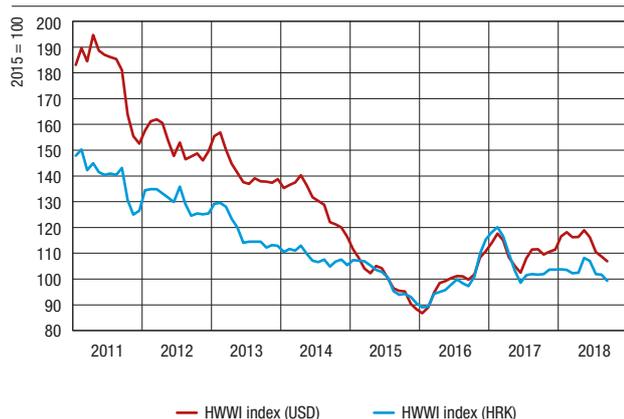


Sources: Bloomberg and CNB calculations.

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

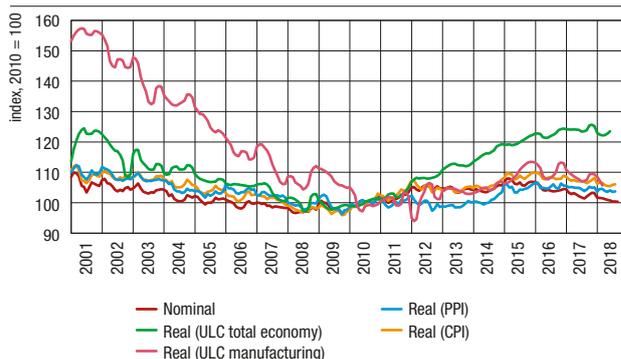
Source: CNB.

Figure 20 HWWI index (excl. energy)



Sources: HWWI and CNB calculations.

Figure 22 Nominal and real effective exchange rates of the kuna



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

Source: CNB.

Table 1 Price indicators

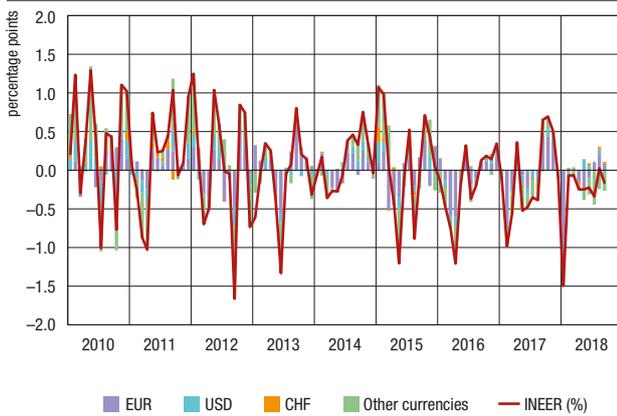
year-on-year and month-on-month rates of change

	Year-on-year rates			Month-on-month rates			
	7/2018	8/2018	9/2018	8/2017	9/2017	8/2018	9/2018
<b>Consumer price index and its components</b>							
Total index	2.1	2.1	1.4	0.0	1.5	0.0	0.8
Energy	8.1	7.0	5.3	0.9	2.5	-0.1	0.9
Unprocessed food	1.6	0.3	-0.1	0.2	0.0	-1.1	-0.3
Processed food	1.7	1.8	0.9	0.2	0.5	0.3	-0.4
Non-food industrial goods without energy	-0.5	0.4	-0.3	-1.1	4.3	-0.2	3.5
Services	1.4	1.4	1.4	0.2	-0.2	0.1	-0.2
<b>Other price indicators</b>							
Core inflation	0.5	0.8	0.5	-0.2	1.4	0.1	1.0
Index of industrial producer prices on the domestic market	4.0	3.4	3.4	0.7	0.4	0.1	0.4
Brent crude oil price (USD)	52.9	42.4	43.0	5.5	7.4	-1.8	7.8
HWWI index (excl. energy, USD)	2.3	-2.4	-4.1	3.2	0.1	-1.5	-1.7

Note: Processed food includes alcoholic beverages and tobacco.

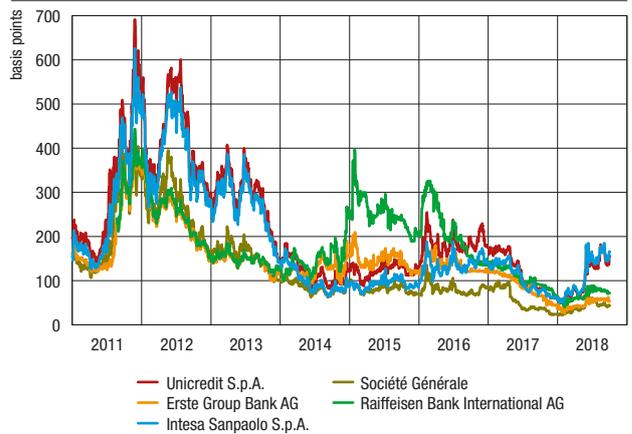
Sources: CBS, Bloomberg and HWWI.

**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)**



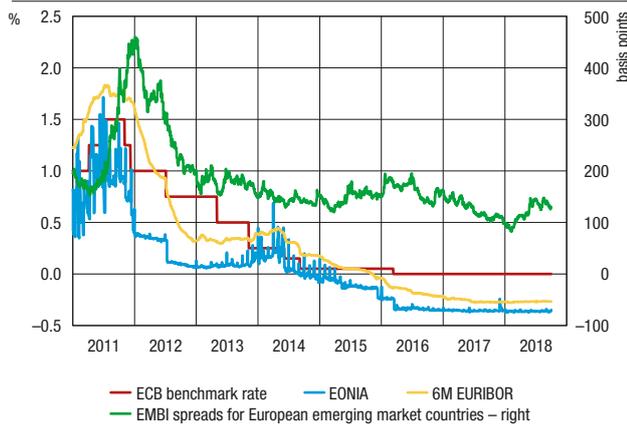
<sup>a</sup> Negative values indicate contributions to the appreciation of the INEER.  
Source: CNB.

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



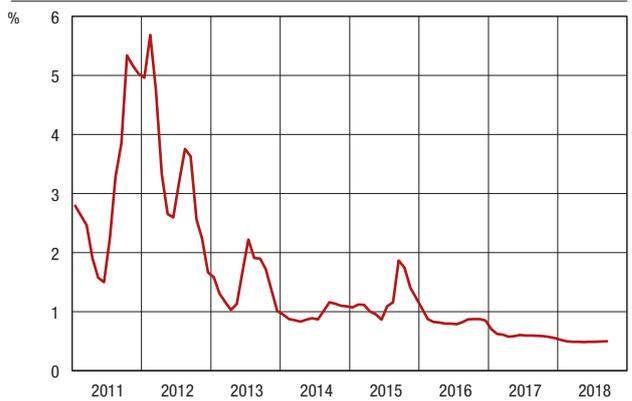
Source: S&P Capital IQ.

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



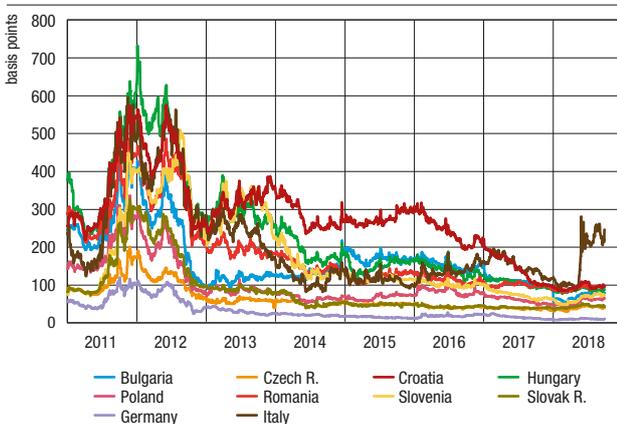
Sources: ECB, Bloomberg and J. P. Morgan.

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



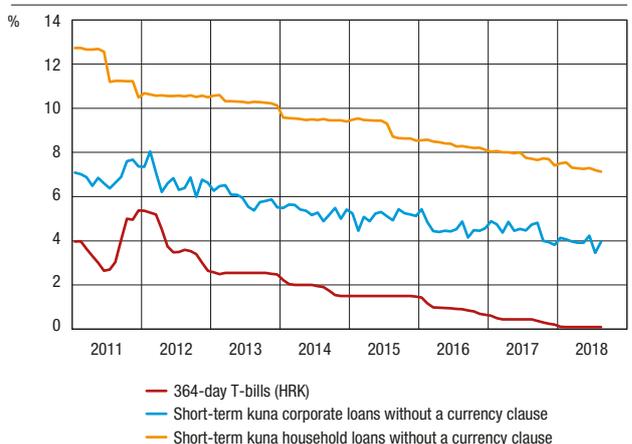
Source: CNB.

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



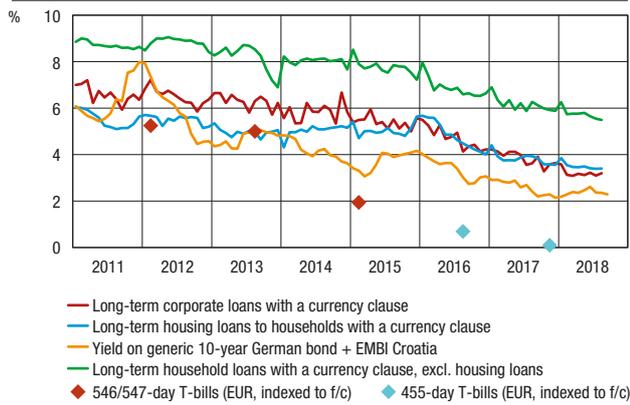
Note: Credit default swaps (CDS) spread is an annual premium that a CDS buyer pays for protection against credit risk associated with an issuer of an instrument.  
Source: S&P Capital IQ.

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



Sources: MoF and CNB.

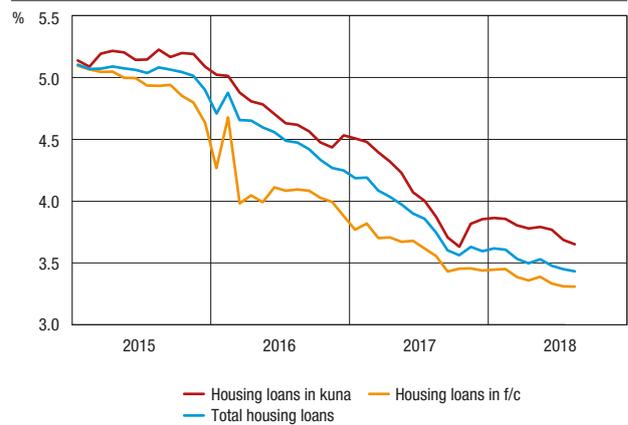
**Figure 29 Long-term financing costs in kuna with a currency clause and in foreign currency**



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

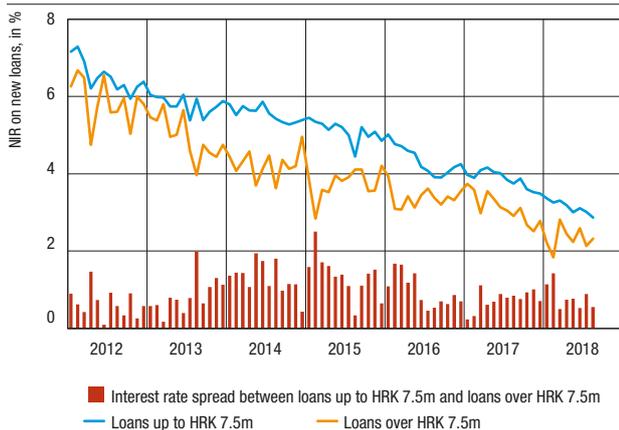
Sources: MoF, Bloomberg and CNB.

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



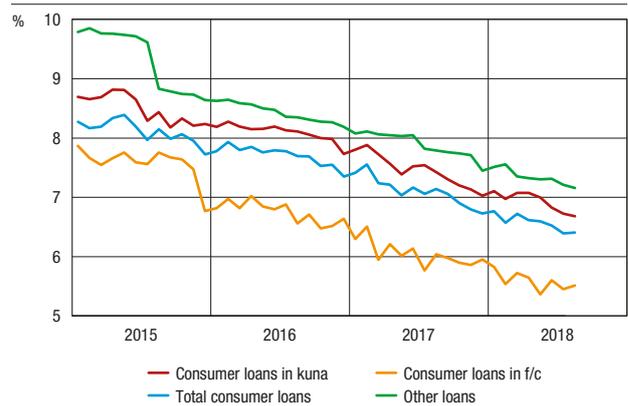
Source: CNB.

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



Source: CNB.

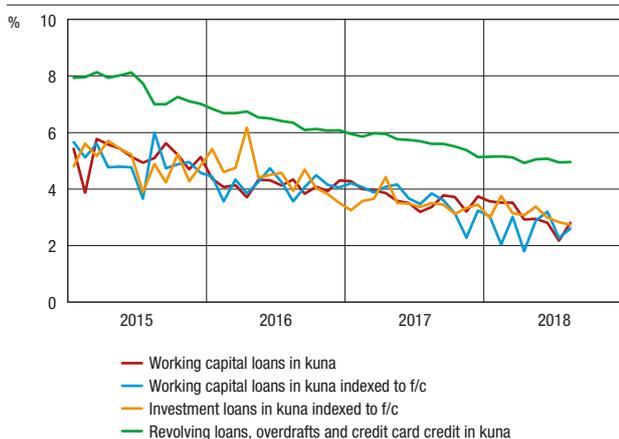
**Figure 33 Interest rates on original new consumer and other loans to households**



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

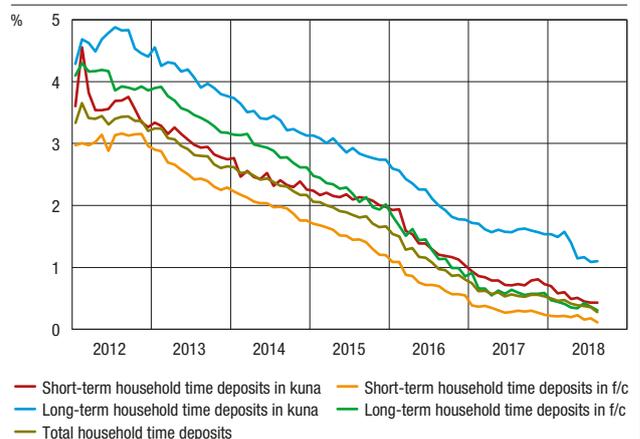
Source: CNB.

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



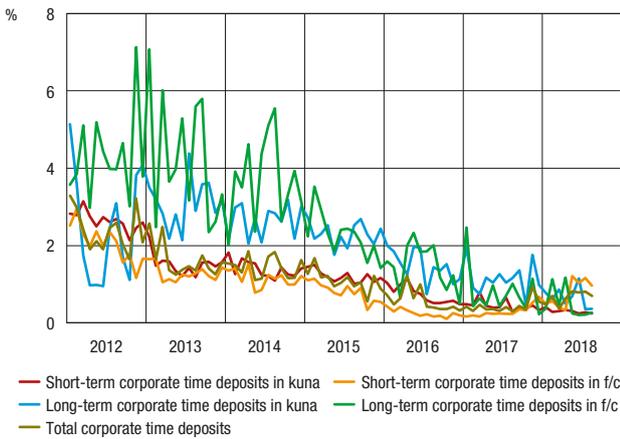
Source: CNB.

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



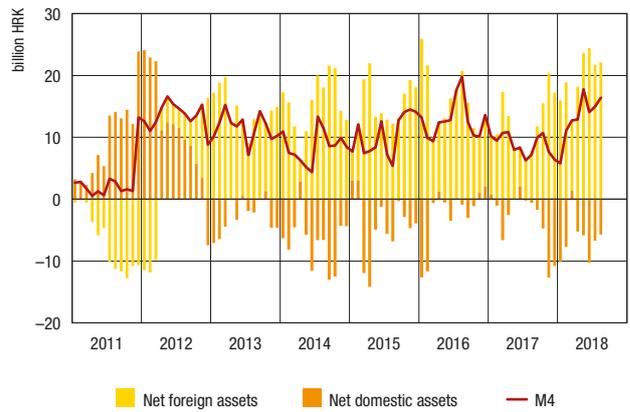
Source: CNB.

Figure 35 Interest rates on corporate time deposits



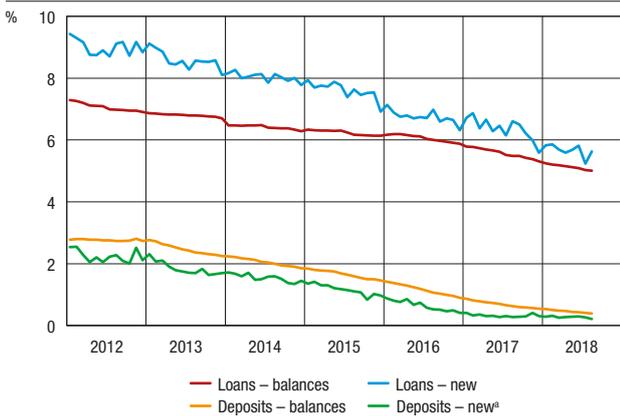
Source: CNB.

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



Source: CNB.

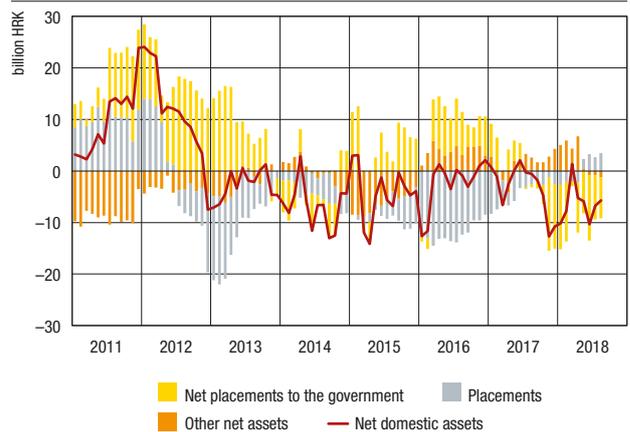
Figure 36 Average interest rates on loans (excl. revolving loans) and deposits



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

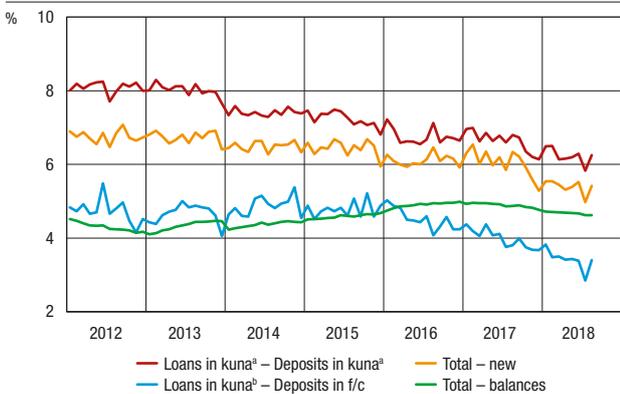
Source: CNB.

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



Source: CNB.

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

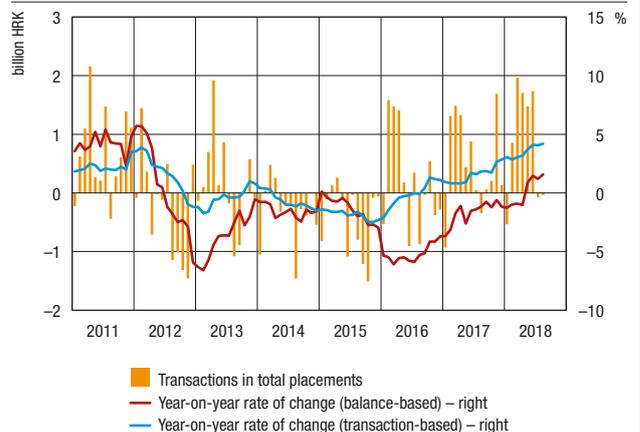


<sup>a</sup> Non-indexed to f/c. <sup>b</sup> Indexed to f/c.

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

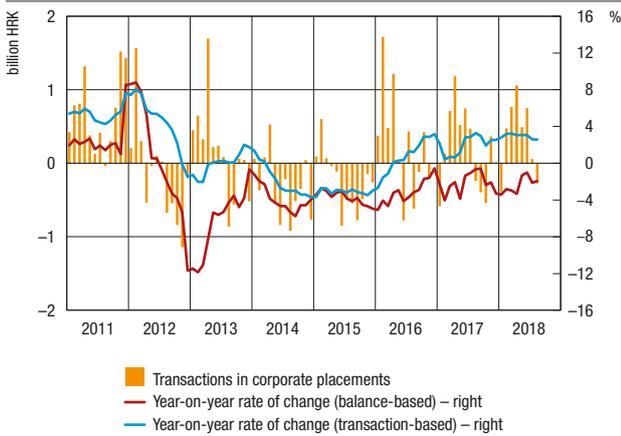
Source: CNB.

Figure 40 Placements



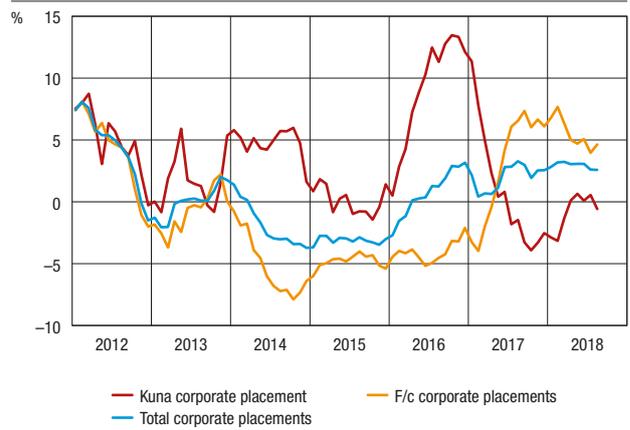
Source: CNB.

Figure 41 Placements to corporates



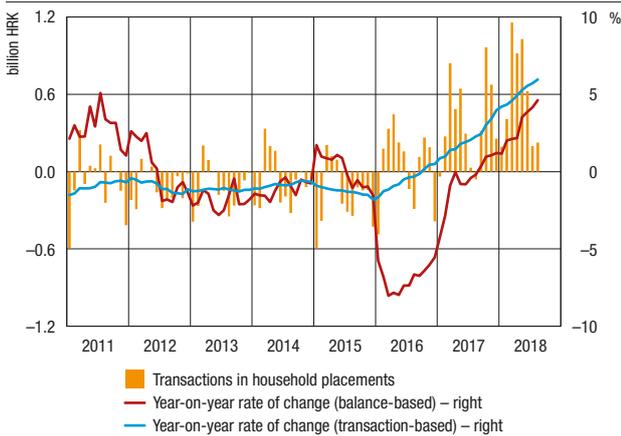
Source: CNB.

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



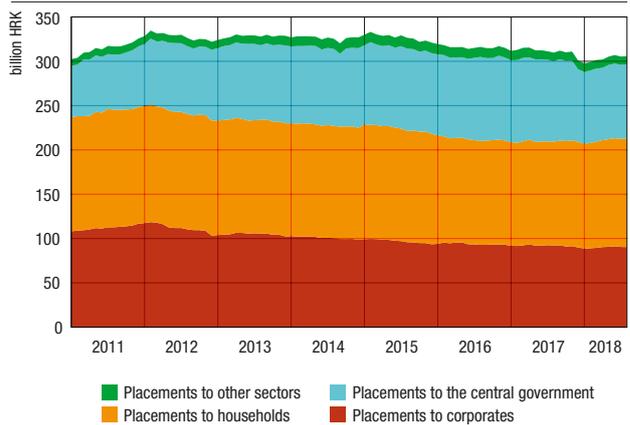
Source: CNB.

Figure 42 Placements to households



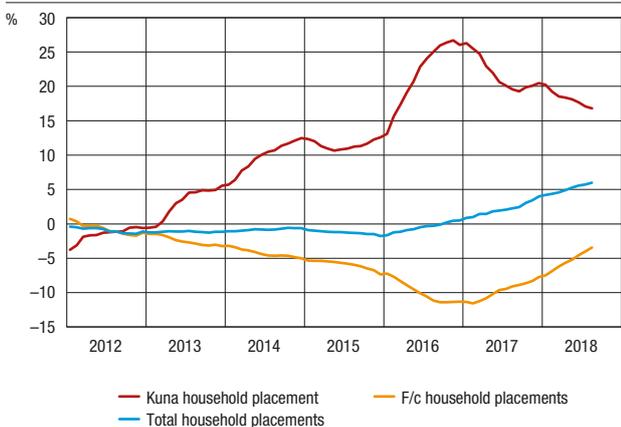
Source: CNB.

Figure 45 Structure of credit institution placements



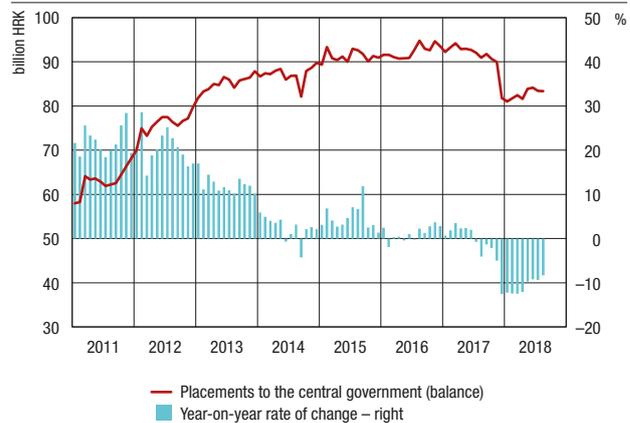
Source: CNB.

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



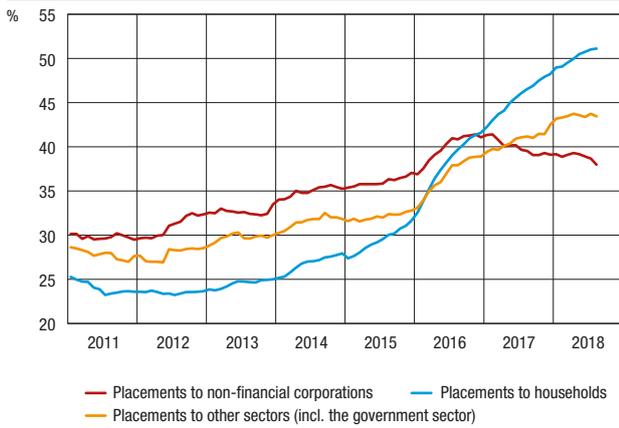
Source: CNB.

Figure 46 Credit institution and MMF placements to the central government



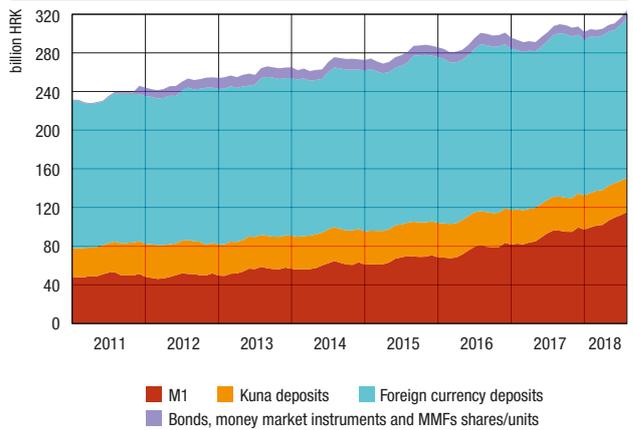
Source: CNB.

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



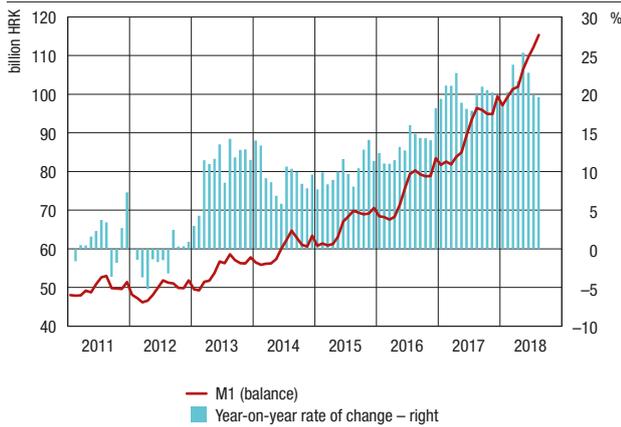
Source: CNB.

**Figure 50 Structure of M4 monetary aggregate**



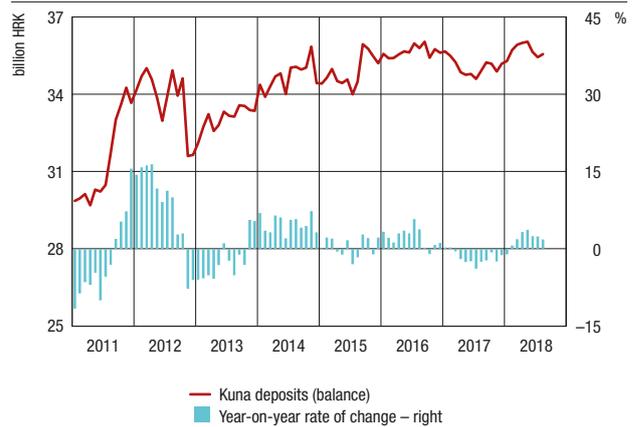
Source: CNB.

**Figure 48 Money (M1)**



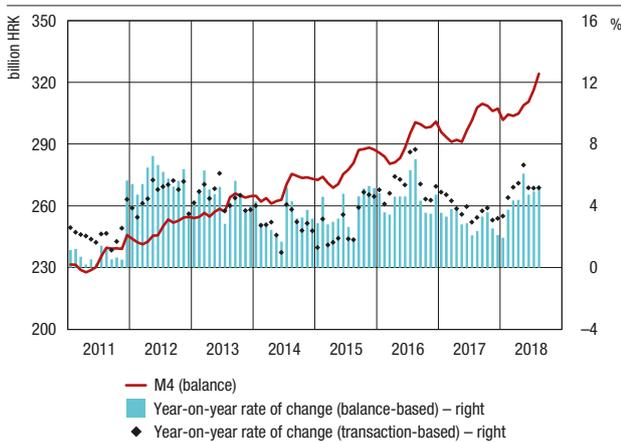
Source: CNB.

**Figure 51 Kuna savings and time deposits**



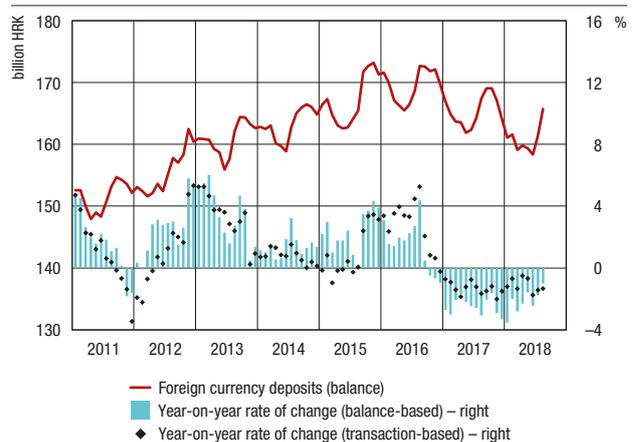
Source: CNB.

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



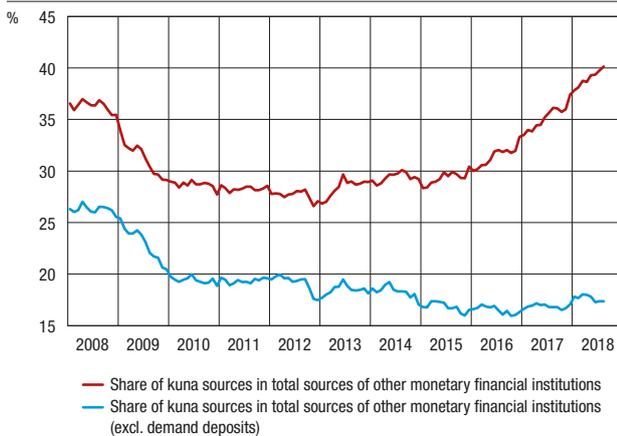
Source: CNB.

**Figure 52 Foreign currency deposits**



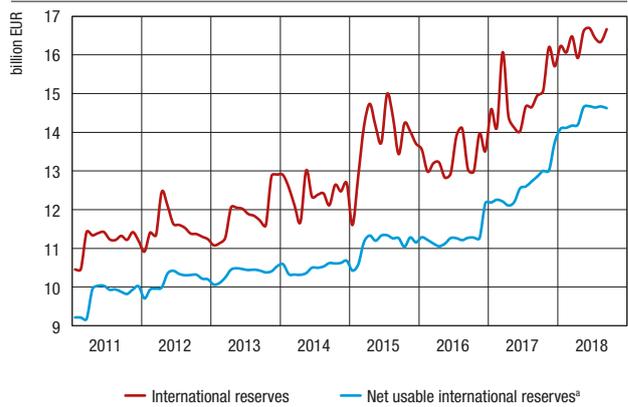
Source: CNB.

Figure 53 Share of kuna sources



Source: CNB.

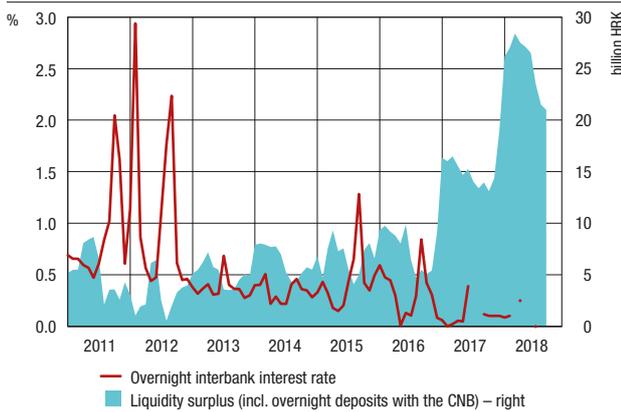
Figure 56 International reserves of the CNB at current rate of exchange



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

Source: CNB.

Figure 54 Bank liquidity and overnight interbank interest rate



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

Source: CNB.

Table 2 Balance of payments preliminary data, in million EUR

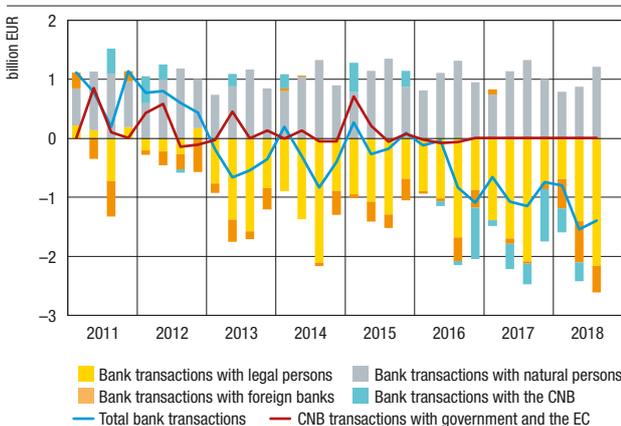
	2017	Q2/2018 <sup>a</sup>	Indices	
			2017/2016	Q2/2018 <sup>a</sup> /2017
Current account	1,962.8	1,528.1	162.8	77.9
Capital account	308.3	419.9	46.2	136.2
Financial account (excl. reserves)	-733.7	-695.2	-	94.8
International reserves	2,593.1	2,633.4	-	101.6
Net errors and omissions	-411.7	-9.9	81.2	-

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

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

Source: CNB.

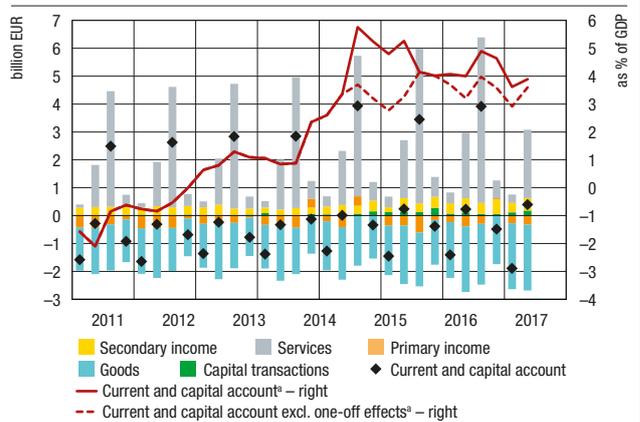
Figure 55 Spot transactions in the foreign exchange market (net turnover)



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

Source: CNB.

Figure 57 Current and capital account flows

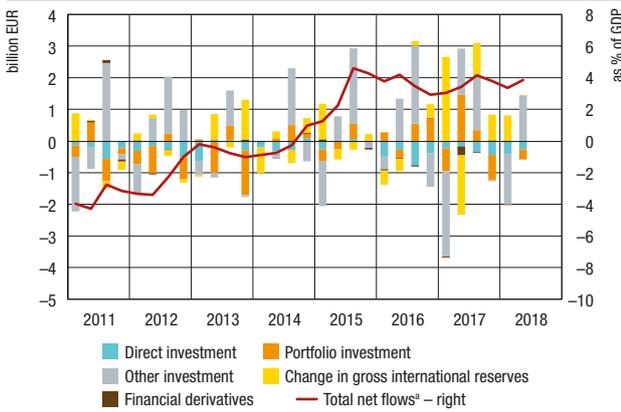


<sup>a</sup> Sum of the last four quarters.

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

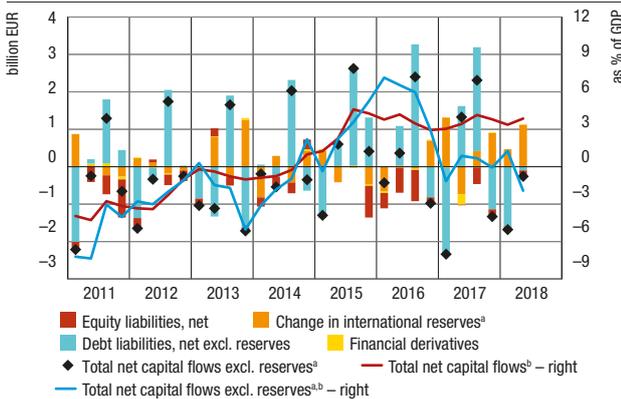
Source: CNB.

Figure 58 Financial account flows by type of investment



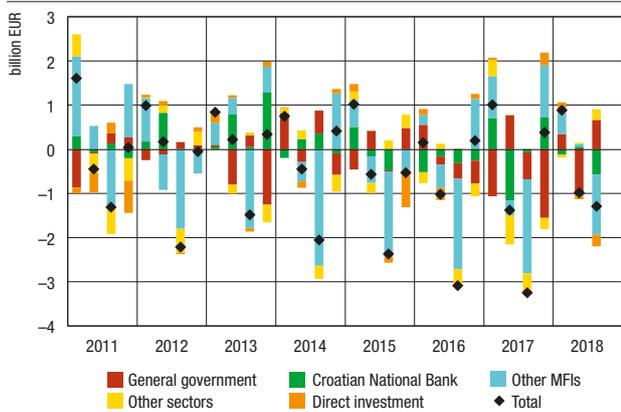
<sup>a</sup> Sum of the last four quarters.  
 Note: A positive value indicates net outflow of equity abroad (including on the basis of the growth in international reserves).  
 Source: CNB.

Figure 59 Financial account flows by capital structure



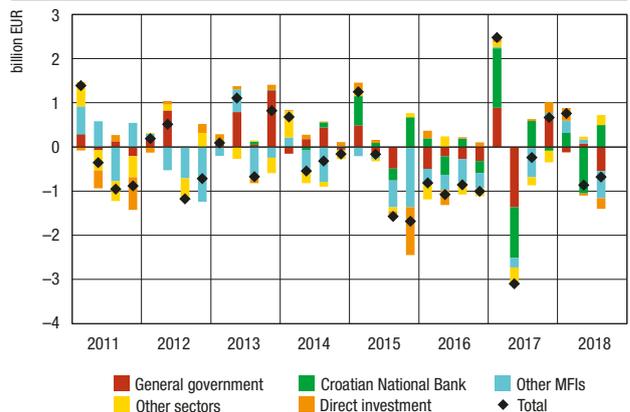
<sup>a</sup> The change in gross international reserves is reported net of foreign liabilities of the CNB. <sup>b</sup> Sum of the last four quarters.  
 Notes: A positive value indicates net outflow of equity abroad. Net flows represent the difference between the change in assets and the change in liabilities.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

Figure 60 Net external debt transactions



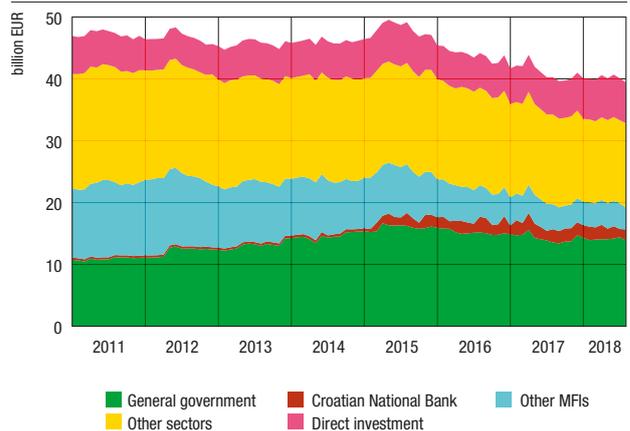
Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Net external debt is calculated as the gross external debt stock net of foreign debt claims. Data for the third quarter of 2018 refer to July.  
 Source: CNB.

Figure 61 Gross external debt transactions



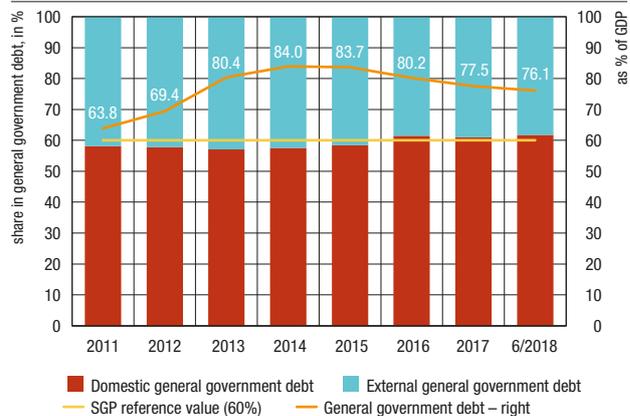
Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Data for the third quarter of 2018 refer to July.  
 Source: CNB.

Figure 62 Gross external debt end of period



Note: Data are up to end-July 2018.  
 Source: CNB.

Figure 63 General government debt



Note: Nominal GDP for the last four available quarters was used for the calculation of the relative indicator.  
 Source: CNB.

**Table 3 Consolidated general government balance**

ESA 2010, in million HRK

	Jan. – Mar. 2017	Jan. – Mar. 2018
<b>Total revenue</b>	<b>37,877</b>	<b>38,531</b>
Direct taxes	5,627	5,733
Indirect taxes	14,399	15,100
Social contributions	10,316	11,012
Other	7,536	6,686
<b>Total expenditure</b>	<b>39,496</b>	<b>40,139</b>
Social benefits	14,235	14,521
Subsidies	1,972	1,828
Interest	2,341	2,284
Compensation of employees	9,759	10,360
Intermediate consumption	6,288	6,221
Investment	2,714	1,740
Other	2,188	3,185
<b>Net lending (+)/borrowing (-)</b>	<b>-1,619</b>	<b>-1,608</b>

Sources: Eurostat and CBS.

**Table 4 Consolidated central government net borrowing**

GFS 2001, in million HRK

	Jan. – Jun. 2017	Jan. – Jun. 2018
1 Revenue	78,021	82,093
2 Disposal of non-financial assets	646	545
3 Expenditure	75,249	77,368
4 Acquisition of non-financial assets	3,355	3,450
5 Net borrowing (1 + 2 – 3 – 4)	64	1,819

Sources: MoF and CNB calculations.

**Table 5 General government debt**

in million HRK

	Jan. – Jun. 2017	Jan. – Jun. 2018
Change in total debt stock	-1,558	761
Change in domestic debt stock	2,931	2,559
– Securities other than shares, short-term	1,515	-367
– Securities other than shares, long-term	2,364	1,966
– Loans	-907	983
Change in external debt stock	-4,489	-1,798
– Securities other than shares, short-term	144	-126
– Securities other than shares, long-term	-3,827	1,238
– Loans	-806	-2,910
<b>Memo item:</b>		
Change in total guarantees issued	-461	-552

Source: CNB.

## Abbreviations and symbols

### Abbreviations

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

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

### Three-letter currency codes

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

### Two-letter country codes

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

### Symbols

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