Information on economic trends

April 2021

Summary

Available monthly indicators suggest that GDP might continue to grow in the first quarter of 2021 from the previous quarter. Employment held steady in February 2021, while the fall in the number of unemployed persons slowed down, which implies that labour market indicators had still failed to reach the levels from the same period last year (employment was 0.4% lower and unemployment was 17.7% higher). The annual rate of consumer price inflation went up to 0.3% in February (from –0.3% in January), largely as a result of the rise in the annual rate of change in energy prices, driven mostly by the current increase in the prices of refined petroleum products and the positive base effect. The highly expansionary monetary policy was reflected in banks' free reserves, which continued reaching historical highs, due also to the purchase of foreign exchange from the government and the decrease in government kuna deposits with the CNB. The annual growth in bank placements slowed down from 3.9% in January to 3.0% in February, with the rise in placements to non-financial corporations decelerating from 5.9% to 4.1% due to the base effect, that is, the sharp loan growth seen in February 2020. The growth in placements to households also slowed down, from 1.8% to 1.6%, as a result of a deeper fall in general-purpose cash loans, while the increase in housing loans accelerated, further reflecting the impact of the subsidy programme. As a result of the sharp fall in economic activity and the much larger financing needs, the share of general government debt in GDP grew from 72.8% at end-2019 to 89.1% at end-2020.

The GDP nowcasting model suggests that the annual rate of fall in real GDP further decelerated in the first quarter of 2021 (Figure 1). Industrial production picked up somewhat from the end of 2020 and was 2.7% higher in January and February 2021 than the average performance in the previous three months (0.8% at end-2020). In terms of MIG categories, the production of energy and the manufacturing of durable and non-durable consumer goods went up, while the production of capital goods went down. At the same time, the production of intermediate goods held steady at the previous quarter's level (Figure 3). Real retail trade turnover also grew faster in January and February this year than at the end of 2020, increasing by 6.7% on a quarterly basis (compared to 5.9% at end-2020). On a monthly level, retail trade turnover went up by 4.4% in February, after growing by 4.2% in January. Calendar adjusted data show that retail trade turnover was larger in February 2021 than a year ago, that is, before the outbreak of the coronavirus pandemic (Figure 7). Construction activity steadily increased in January 2021 at a pace similar to that of the previous three months and was 3.3% higher than the average in the last quarter of 2020, with growth seen in both construction works on buildings and civil engineering works (of 4.5% each) (Figures 5 and 6).

Consumer confidence grew from February to March, household optimism thus having grown on a monthly basis for four months in a row. Consumer Confidence Survey data show the greatest improvement in consumer expectations regarding the overall economic situation in Croatia in the next 12 months compared to the situation today. Business expectations in construction, trade and services improved, while expectations in industry held steady from February. As in the previous month, the biggest monthly growth in optimism was seen in trade and services, which means that the level of confidence in these activities almost reached that in industry and construction, which had recovered faster in previous periods. Observed on a quarterly basis, both consumer and business optimism improved from January to March 2021 compared with the last three months of 2020, but remained notably below pre-pandemic levels (Figure 8).

Favourable trends in the labour market lost momentum in February 2021; the number of persons employed held steady from January, and was somewhat below that in the same month of the previous year (Figure 15). The most recent data available show that in December 2020 employed persons covered by measures to preserve jobs accounted for 10.3% of total employment. Unemployment continued to fall in February 2021, albeit at a slower pace, with the number of unemployed persons being almost 25 thousand higher than in February last year. In line with the trends in unemployment figures, the registered unemployment rate stood at 8.4% of the labour force in February 2021 (8.5% in January 2021). The latest available data for the ILO unemployment rate refer to the fourth quarter of 2020, when this rate, according to the seasonally adjusted data, dropped to 8.2% of the labour force (from 8.3% in the third quarter of 2020), up 1.8 percentage points from the fourth quarter of 2019 (Figure 16). As regards wages, which had grown steadily for several months (starting from June 2020), the average nominal gross wage was almost the same in February 2021 as in the month before, with private sector wages decreasing and public sector wages increasing. The growth in public sector wages was due to a 4% rise in the wage calculation base for public and civil servants. The average nominal gross wage grew by 1.3% from the fourth quarter of 2020 to January and February 2021 (Figure 17). Viewed on an annual level, the average nominal gross wage was 2.3% higher in February 2021, while the nominal net wage was higher by 3.6% as a result of the reduction of income taxation in 2021.

Consumer prices were 0.3% higher in February 2021 than in the month before (Table 1), spurred mostly by the rise in the retail prices of refined petroleum products reflecting the 14% monthly growth of the prices of Brent crude oil in the global market (Figure 20). The February increase in crude oil prices was the consequence of the decision by OPEC+ countries to further cut production and of adverse weather conditions in the US, which caused difficulties in oil production and processing. In addition, the growth in crude oil prices was fuelled by expectations of increased demand for energy in response to the possible vigorous recovery of the global economy. The annual rate of consumer price inflation went up from –0.3% in January to 0.3% in February, returning to positive territory for the first time since March 2020 (Figure 19). The pickup in inflation was largely a result of the rise in the annual rate of change in energy prices, driven mostly by the current increase in the prices of refined petroleum products and the positive base effect, that is, the fading of the effect of the significant reduction in the prices of refined petroleum products at the onset of the pandemic. The annual rate of core inflation rose moderately, from 0.4% in January to 0.5% in February, thus remaining low and stable. Some inflationary pressures are coming from the sharp increase in the world prices of food and industrial raw materials, which went up by around 47% from mid-2020 to February 2021 (Figure 21). However, the prompt market trends in these prices suggest that their growth should be only transient, so that no significant spillovers of temporarily increased costs on core inflation growth are expected. Indicators of price developments in earlier phases of production point to a slight increase in the annual growth of domestic market prices of intermediate goods (from 0.6% in December 2020 to 1.4% in February 2021), whereas the annual increase in producer prices of consumer goods remained slightly negative in that period (–0.4%).

The current and capital account of the balance of payments recorded a surplus of EUR 0.1bn in the last quarter of 2020, which is a perceptible improvement (of EUR 0.4bn) from the same period in 2019 (Figure 57). This was largely a result of the decrease in the foreign trade deficit of 14.7% due to the rise in exports and the fall in imports. More specifically, foreign trade dynamics steadily improved for the second quarter in a row; exports grew by 2.6% in the fourth quarter of 2020, while imports had still not reached pre-crisis levels and were 4.8% lower than in the same period of the previous year. To a slightly lesser extent, favourable trends were also driven by the improvement in the primary income balance, mostly thanks to smaller expenditures on direct equity investments associated with a decline in profits of foreign-owned banks, with a positive contribution coming also from the larger total surplus in the secondary income and capital transaction accounts owing to a larger positive balance in net transactions with the EU budget. By contrast, the low level of tourism activity and the fall in revenues from tourism consumption of foreign guests continued to exacerbate the notable deterioration of the balance in the international trade in services. On the 2020 level, the current and capital account surplus was 1.9% of GDP, or 2.9 percentage points less than in 2019.

In March, the daily nominal exchange rate of the kuna against the euro moved within a narrow range of –0.1% to 0.2% around the average exchange rate of EUR/HRK 7.57 (Figure 22). The exchange rate stood at EUR/HRK 7.57 at the end of March, appreciating by 0.2% from EUR/HRK 7.58 at the end of February. The nominal exchange rate of the kuna against the euro was 0.5% lower in March 2021 than in the same month of 2020. The nominal effective exchange rate of the kuna strengthened by 0.2% during March, as the consequence of the kuna strengthening against the euro as well as against the Turkish lira, which depreciated sharply in the international foreign exchange market in the second half of the month.

Short-term interest rates on the European money market did not change much in March. The overnight interest rate on the euro area banking market, EONIA, edged down in March to –0.49%, and the six month EURIBOR edged up to –0.51% (Figure 25). Risk premiums for European emerging market economies grew slightly in March amid growing uncertainty regarding the third wave of the coronavirus pandemic (Figure 26). The risk premium for Croatia was 80 basis points at the end of March, up by 4 basis points from the end of February; it continued to record slightly higher values than the peer countries of Central and Eastern Europe, with the exception of Romania.

Influenced by the CNB's expansionary monetary policy, banks' free reserves continued reaching historical highs, due also to the purchase of foreign exchange from the government and the decrease in government kuna deposits with the CNB. Thus the average daily surplus kuna liquidity of the domestic banking market stood at HRK 66.1bn in March (Figure 55), whereas total kuna deposits of credit institutions with the CNB amounted to 76.9% of demand deposits. Amid ample kuna liquidity, there had been no turnover in the domestic interbank overnight market since April last year. With regard to other segments of the money market, the implicit interest rate on foreign exchange swap trading decreased significantly in March and fell to its record low of –0.85%[1] (Figure 28), while overnight interest rates on interbank demand deposit trading and repo transactions remained unchanged at –0.04% and –0.05% respectively. At the same time, the interest rate on one-year kuna T-bills without a currency clause continued to decrease and stood at 0.02% in March (Figure 29).

In February, bank interest rates on new corporate and household loans, which include pure new loans and renegotiated loans, mostly remained unchanged and within their usual volatility range (Figures 29 and 30). The decline in interest rates on long-term corporate loans indexed to foreign currency reflected the trends in interest rates on pure new investment loans with a currency clause (Figure 32). Interest rates on long-term housing loans to households grew modestly because the volume of subsidised housing loans was smaller than in the previous three months (Figure 33). As for deposits, interest rates on household time deposits remained unchanged in February from the month before, while those on corporate time deposits decreased slightly (Figures 35 and 36). In line with the described developments, the spread between interest rates on new loans and deposits fell to 4.5 percentage points in February, on the back of more favourable trends in corporate financing costs, while the spread between interest rates on loan and deposit balances stayed at 3.9 percentage points (Figure 38).

Net domestic assets (NDA) of the monetary system increased in February, whereas net foreign assets (NFA) decreased, which resulted in a rise in total liquid assets (M4) of HRK 1.3bn or 0.4% (based on transactions) (Figure 39). NDA growth was largely spurred by the strong increase in net claims on the central government (Figure 40). In contrast, the decrease in government foreign currency deposits with the CNB as well as the decrease in foreign currency deposits of credit institutions with the CNB (representing bank assets in the TARGET2 system) led to the fall in the NFA of the CNB. As regards the components of total liquid assets, money (M1) grew by HRK 2.4bn (1.5%) from the month before, due to the strong February growth in demand deposits of households, aided by a moderate increase in currency outside credit institutions. Quasi-money dropped by HRK 1.0bn (0.5% based on transactions) in the same period, due largely to the decrease in foreign currency deposits of non-financial corporations (Figure 53). On an annual level, the growth of M4 slowed down slightly, from 8.8% in January to 8.6% in February (Figure 50), while the growth of M1 went down from 18.7% to 18.0%, based on transactions (Figure 49).

Total placements of monetary institutions to domestic sectors (excluding the central government) grew marginally from January to February (by HRK 0.3bn or 0.1%, based on transactions), with their annual growth decelerating from 3.9% to 3.0% (Figure 41). Broken down by sector, placements to households increased (by HRK 0.3bn or 0.2%), while placements to corporations and other financial institutions remained almost unchanged from the previous month. Housing loans to households grew by HRK 0.5bn (0.7%) from January to February, further reflecting the impact of the subsidy programme, whereas general-purpose cash loans, which decreased on a monthly level in the last quarter of 2020, recorded an uptick of HRK 0.1bn (0.1%) in February. On the annual level, the growth in housing loans accelerated from 8.2% to 8.7%, whereas the fall in cash loans continued to deepen (from –2.3% to –3.0%), so that the annual growth in household placements slowed from 1.8% to 1.6%

1 The issuance of eurobonds by the Ministry of Finance fuels demand for euro funds, that is, a portion of euro liquidity is withdrawn from the market, which creates pressures on the foreign exchange swap market. Banks' demand for euro funds leads to the fall in the so-called swap points, which together with the fixed interest rate on the euro, results in a notable decrease in the implicit kuna interest rate.

(Figure 43). As regards the currency structure, the share of kuna placements in total household placements edged down from 54.9% to 54.7% in February (Figure 48). The annual growth of placements to corporations decelerated from 5.9% to 4.1% (Figure 42) due to the base effect, that is, a much stronger increase in lending to this sector in the same period of the previous year.

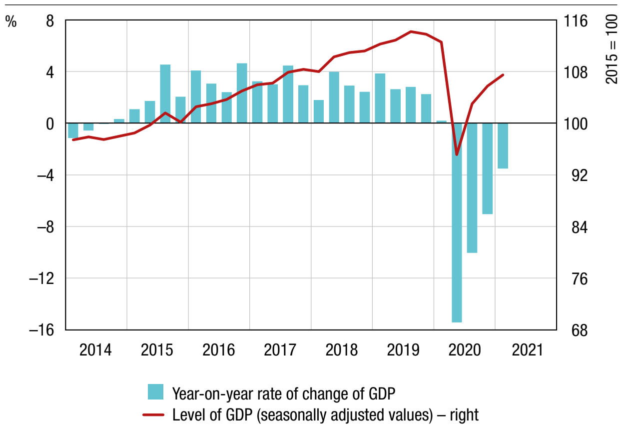
Gross international reserves grew sharply in March 2021 (by EUR 1.6bn or 8.1%), ending the month at EUR 21.1bn (Figure 57). The growth in reserves was predominantly driven by the inflow of foreign currency associated with government borrowing on the international capital market. From the end of the previous year, gross international reserves increased by EUR 2.2bn or 11.5%, while net usable reserves grew by EUR 0.9bn or 5.2%, standing at EUR 18.6bn at the end of March.

The financial account of the balance of payments, changes in gross international reserves and liabilities of the CNB excluded, saw a substantial net capital inflow of EUR 1.8bn (Figure 60) in the fourth quarter of 2020 as a result of the rise in net debt liabilities of domestic sectors. Particularly noteworthy was the worsening of the net foreign position of credit institutions (Figure 61), which simultaneously reduced their assets and, although to a lesser extent, increased their liabilities. Government liabilities also increased as a consequence of long-term borrowing within the framework of the European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE). By contrast, other domestic sectors, in particular private non-financial corporations, reduced their net debt liabilities, including those to affiliated creditors. At the same time, the net foreign position of the central bank improved strongly thanks to the increase in the government's foreign currency deposits with the CNB, as well as the sale of foreign currency to the CNB associated with larger inflows of EU funds to the government's account and government borrowing under the SURE instrument. As a final result, only a marginal total net capital outflow, of EUR 24.8m, was recorded in the financial account. Net equity liabilities remained almost unchanged as the growth in assets triggered by investments of institutional investors in foreign shares and equity holdings was equal to the growth in liabilities arising from reinvested earnings of banks and enterprises in foreign ownership and direct equity investments in Croatia. New direct equity investments in Croatia related mostly to investments in real estate and computer programming activities. Data for January 2021 show a modest decrease in net external debt.

As shown by monthly MoF data on a cash basis, general government showed a deficit of HRK 3.7bn in January and February 2021, an unfavourable performance compared with the deficit recorded in the same period in 2020 (HRK 2.2bn). Such developments reflect the annual increase in revenues (1.7%) and the parallel strong rise in expenditures (6.8%) resulting from a lower level of economic activity.

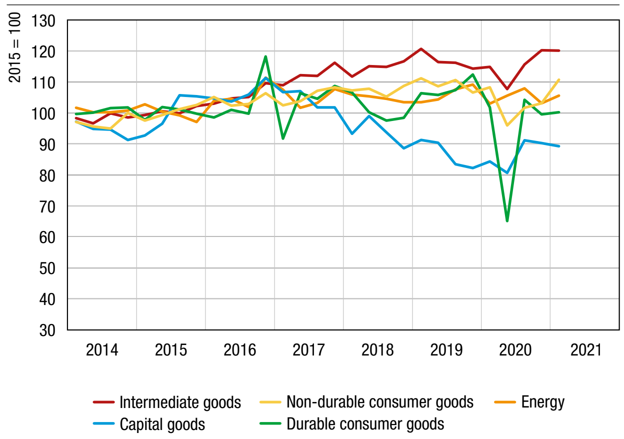
Consolidated general government debt totalled HRK 329.7bn at the end of December 2020, an increase of HRK 36.8bn from the end of 2019. The notable increase in public debt from end-2019 to end-2020 mostly mirrors the much larger financing needs associated with the unfavourable impact of the economic crisis on the budget and the enforcement of temporary measures and, to a lesser extent, unfavourable foreign exchange differences and the pre-financing of budgetary requirements for 2021. As for the relative indicator of public debt, the sharp fall in economic activity and the simultaneous growth of the public debt pushed the share of public debt in GDP significantly up, from 72.8% at end-2019 to 89.1% at end-2020 (Figure 64).

Figure 1 Quarterly gross domestic product
seasonally adjusted real values



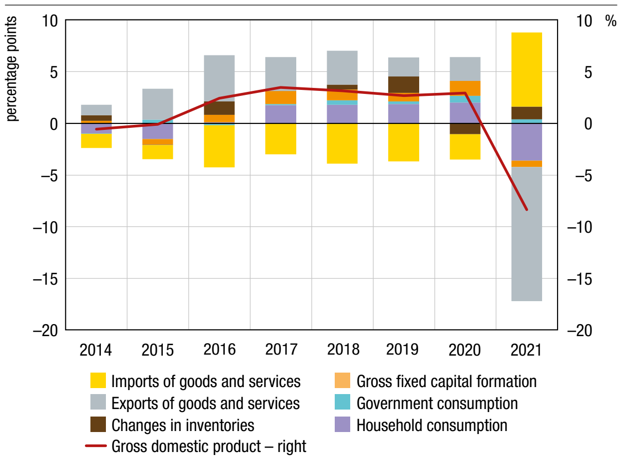
Note: Data for the first quarter of 2021 refers to the CNB's monthly indicator of real economic activity, estimated on the basis of data published until 31 March 2021.
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

Figure 4 Industrial production by main industrial groupings
seasonally adjusted indices



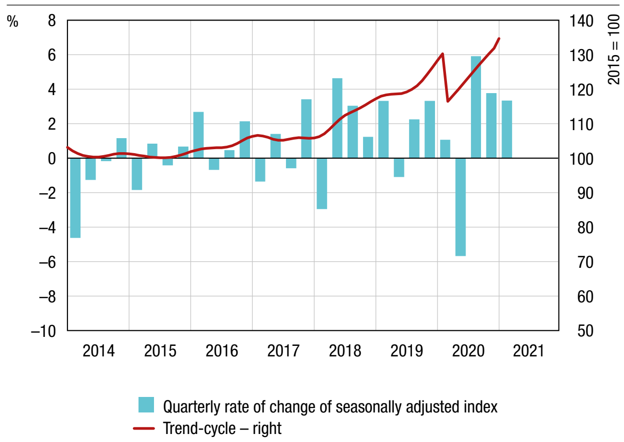
Source: CBS data seasonally adjusted by the CNB.

Figure 2 GDP rate of change
contributions by components



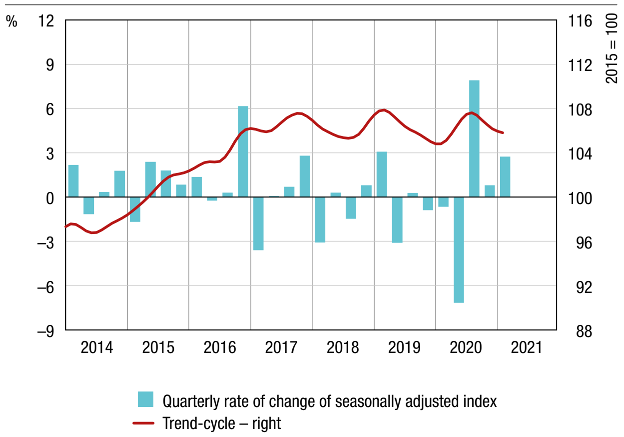
Source: CBS.

Figure 5 Total volume of construction works



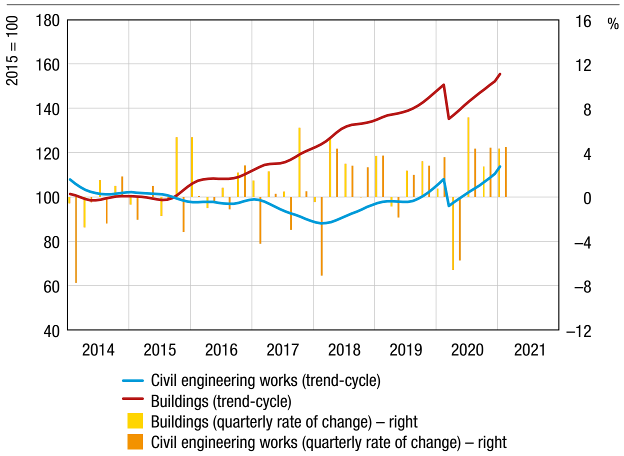
Note: Data for the first quarter of 2021 refers to January.
Source: CBS data seasonally adjusted by the CNB.

Figure 3 Industrial production



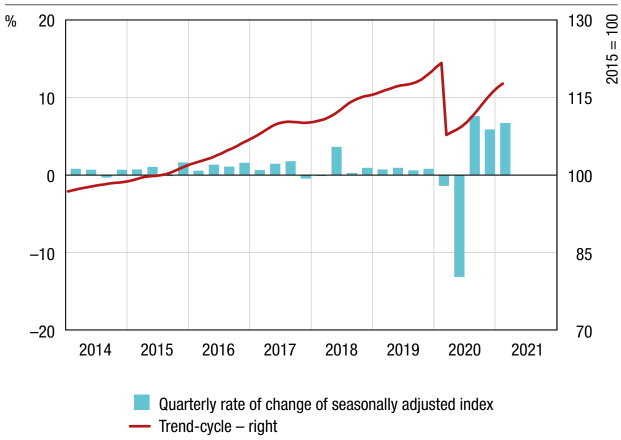
Note: Data for the first quarter of 2021 refers to January and February.
Source: CBS data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



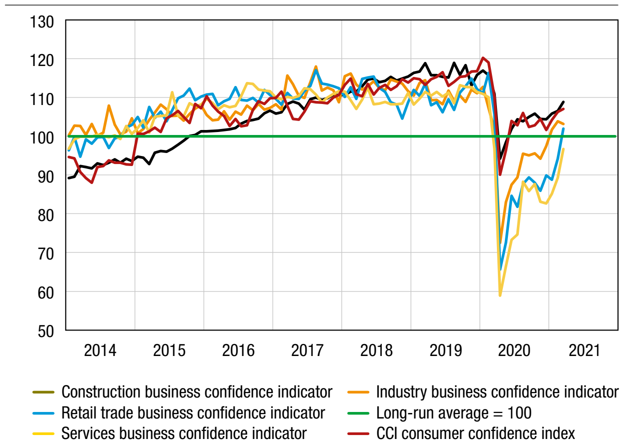
Source: CBS data seasonally adjusted by the CNB.

Figure 7 Real retail trade turnover



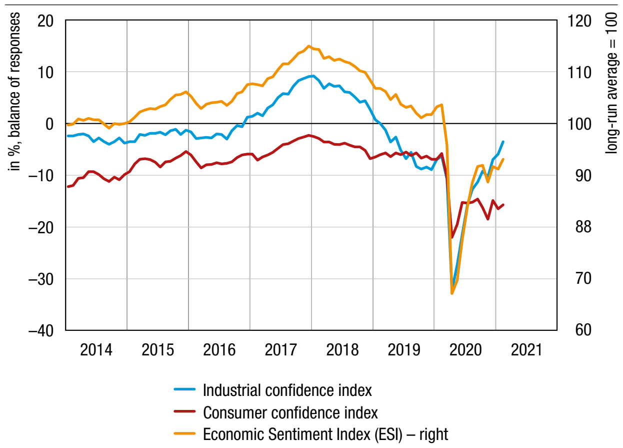
Source: CBS data seasonally adjusted by the CNB.

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



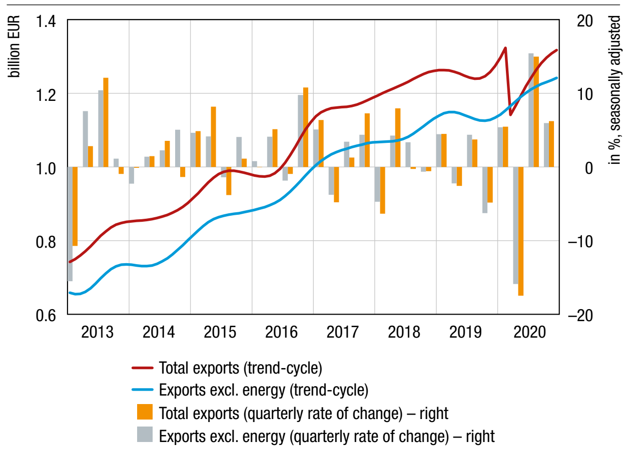
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

Figure 9 EU confidence indices
seasonally adjusted series



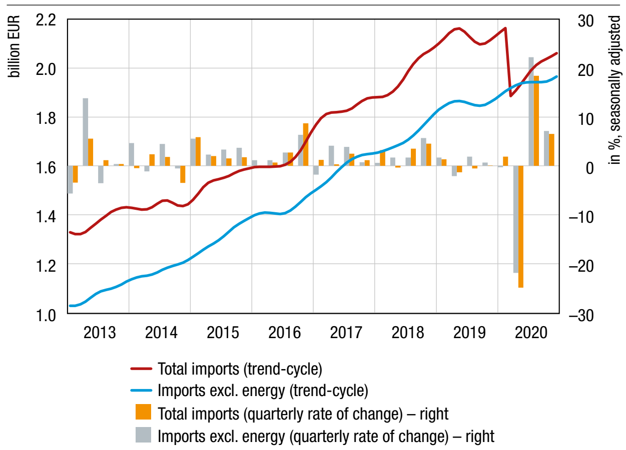
Note: Data are up to February 2021.
Source: Eurostat.

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



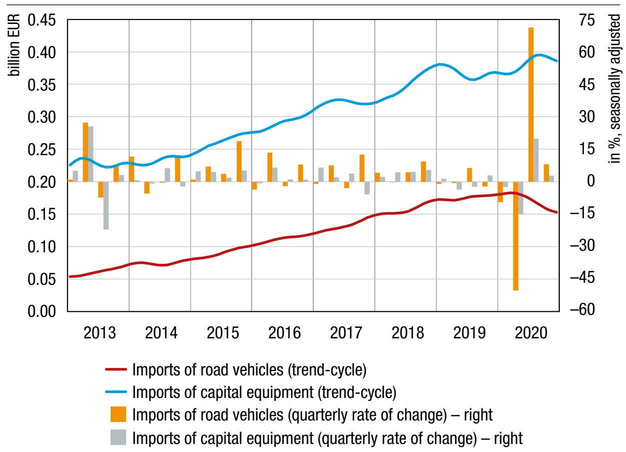
Source: CBS data seasonally adjusted by the CNB.

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



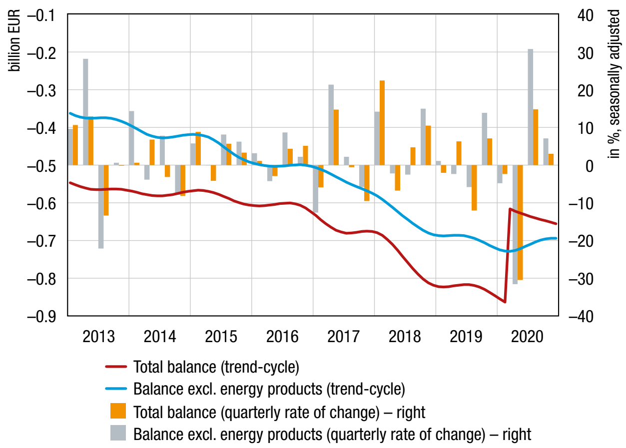
Source: CBS data seasonally adjusted by the CNB.

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



Source: CBS data seasonally adjusted by the CNB.

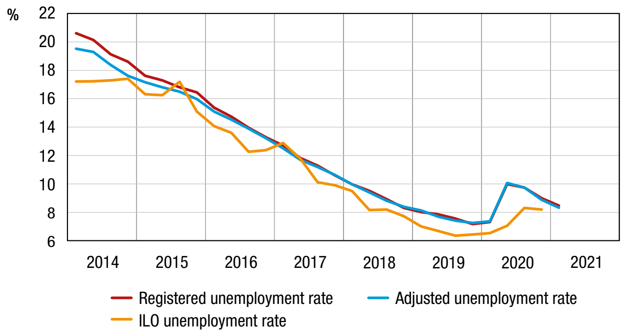
Figure 13 Trade of goods balance



Source: CBS data seasonally adjusted by the CNB.

Figure 16 Unemployment rates

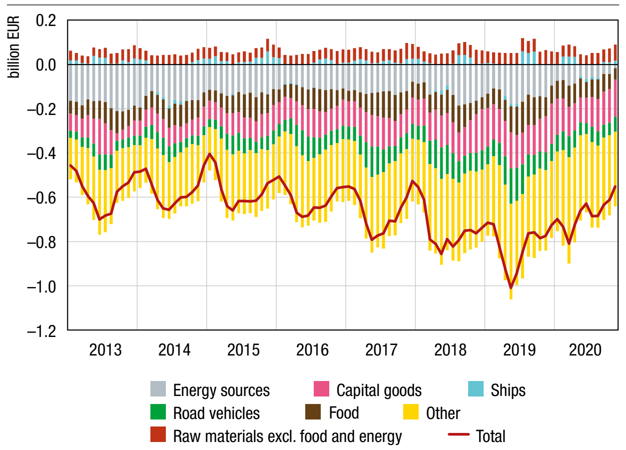
seasonally adjusted data



Notes: 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 December 2019. The adjusted unemployment rate is the CNB estimate and is calculated as the share of the number of registered unemployed persons in the working age population (unemployed persons and persons insured with the CPII). Data for the first quarter of 2021 refer to January and February.

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

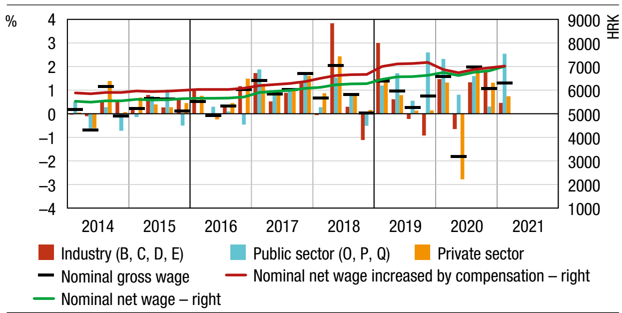
Figure 14 Trade in goods balance by product groups



Source: CBS.

Figure 17 Average nominal gross wage by NCA activities

seasonally adjusted data, quarterly rate of change

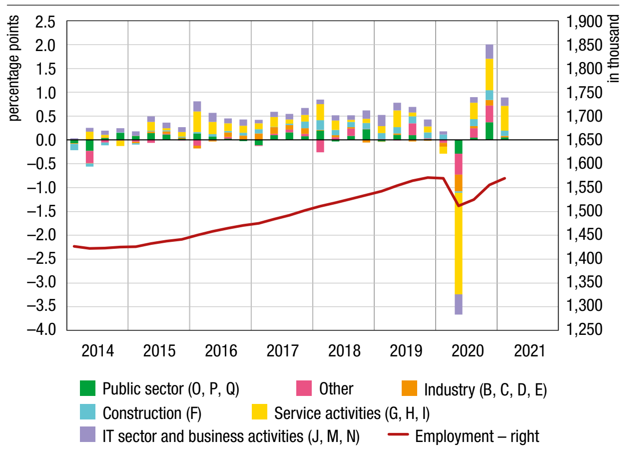


Notes: Data on the average nominal gross wage by activity refer to data from the RAD-1 form, and from January 2016 to data from the JOPPD form. Data on average wages paid in February 2020 were reported in full-time equivalent, in contrast with the previous periods, when average wages were calculated 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. Data for the first quarter of 2021 refer to January and February.

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

Figure 15 Employment by NCA activities

seasonally adjusted data, contributions to the quarterly rate of change

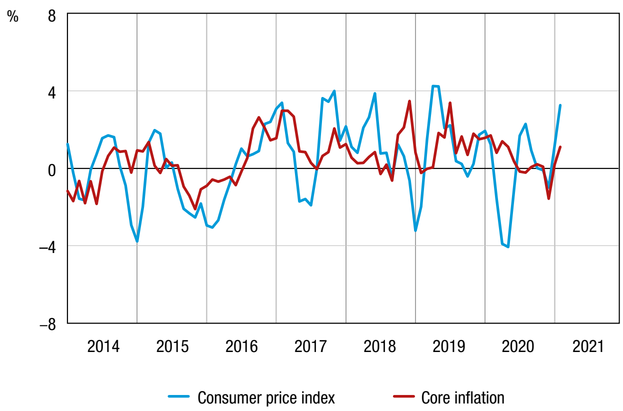


Note: Data for the first quarter of 2021 refer to January and February.

Source: CPII data seasonally adjusted by the CNB.

Figure 18 Consumer price index and core inflation

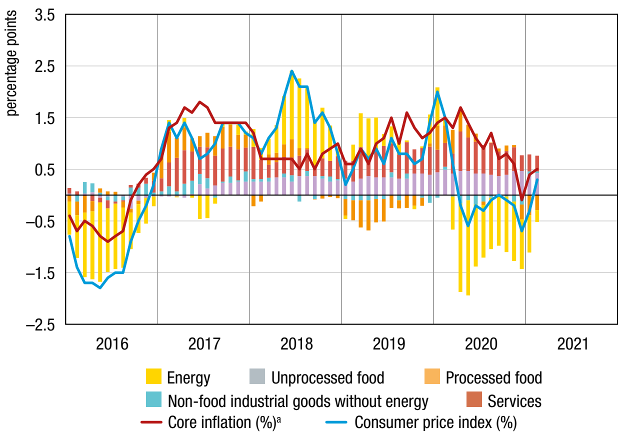
annualised month-on-month rate of change[a]



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

Sources: CBS and CNB calculations.

Figure 19 Year-on-year inflation rate and contributions of components to consumer price inflation



ª Core inflation does not include agricultural product prices, energy prices and administered prices.
Sources: CBS and CNB calculations.

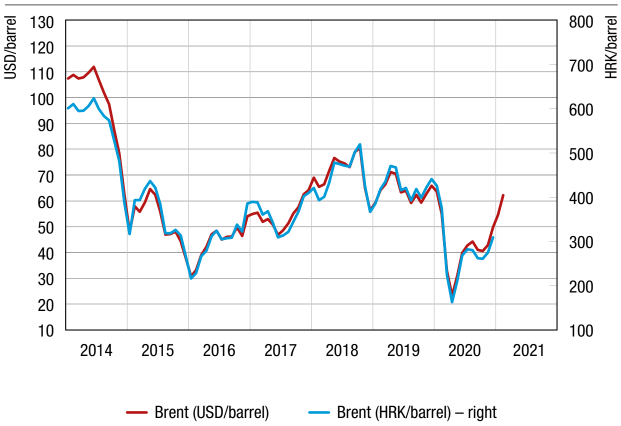
Table 1 Price indicators

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

	Year-on-year rates		Month-on-month rates	
	1/21	2/21	2/20	2/21
Consumer price index and its components				
Total index	–0.3	0.3	–0.3	0.3
Energy	–4.4	–1.4	–1.7	1.3
Unprocessed food	–4.5	–3.4	–0.6	0.6
Processed food	1.4	1.3	–0.2	–0.3
Non-food industrial goods without energy	0.2	0.1	0.2	0.1
Services	1.6	1.7	0.0	0.1
Other price indicators				
Core inflation	0.4	0.5	0.0	0.0
Index of industrial producer prices on the domestic market	–1.2	0.2	–0.1	1.4
Brent crude oil price (USD)	–14.1	13.2	–13.5	14.0
HWWI index (excl. energy, USD)	37.2	46.7	–4.9	1.7

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

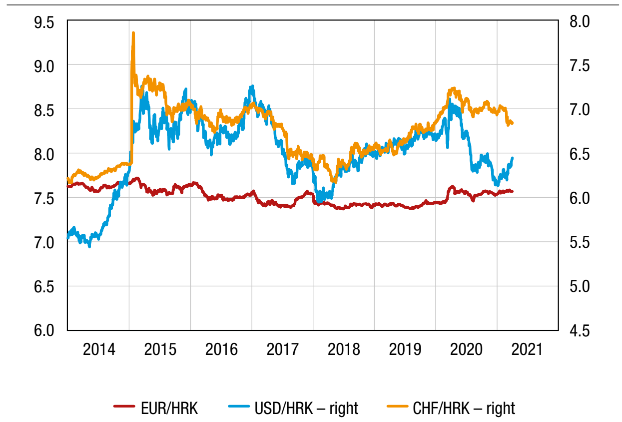
Figure 20 Crude oil prices (Brent)



Sources: Bloomberg and CNB calculations.

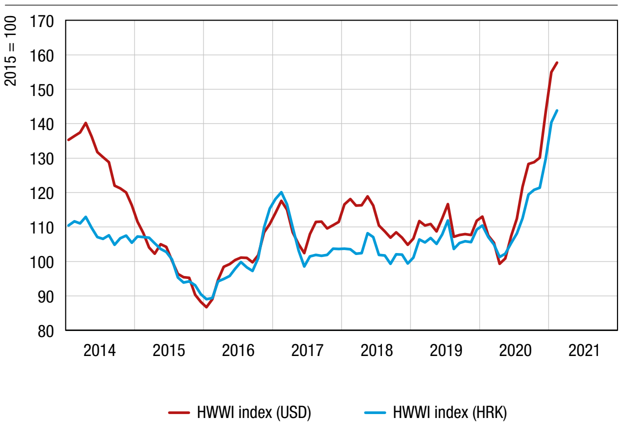
Figure 22 Daily nominal exchange rate – HRK vs. EUR, USD and CHF

CNB midpoint exchange rate



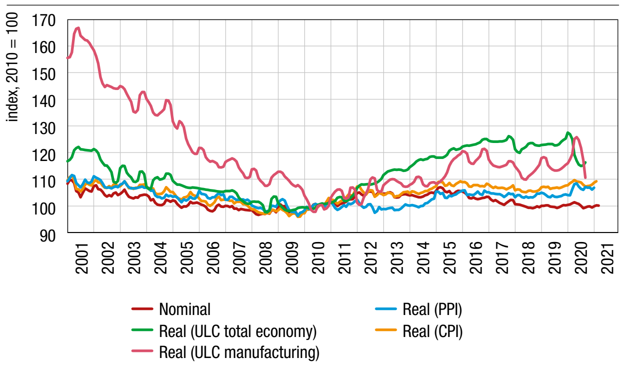
Source: CNB.

Figure 21 HWWI index (excl. energy)



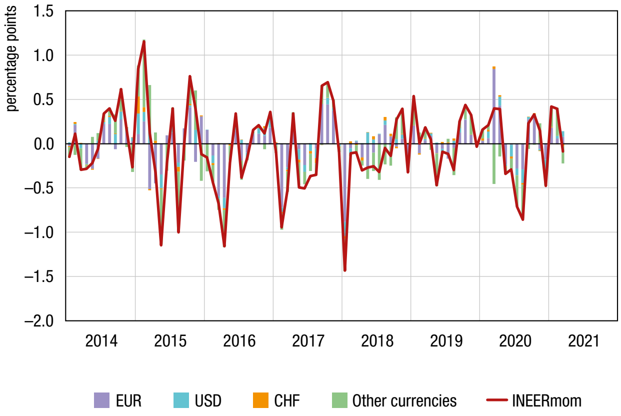
Sources: HWWI and CNB calculations.

Figure 23 Nominal and real effective exchange rates of the kuna



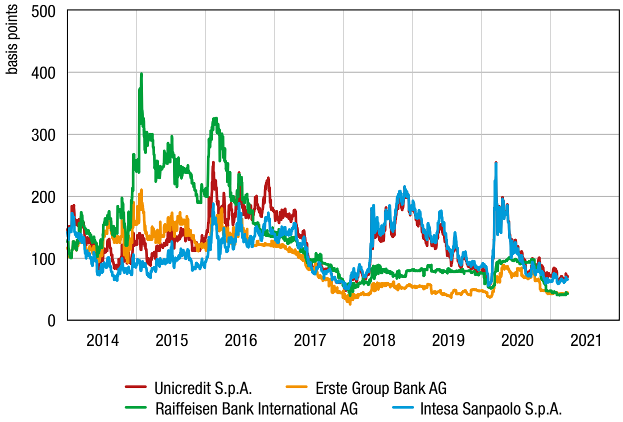
Notes: The real effective exchange rate of the kuna deflated by producer prices includes the Croatian index of industrial producer prices on the total market. The unit labour cost is calculated as the ratio between compensation per employee and labour productivity (defined as GDP per person employed),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

Figure 24 Contributions[a] of individual currencies to the monthly rate of change of the average index of the nominal effective kuna exchange rate (INEER)



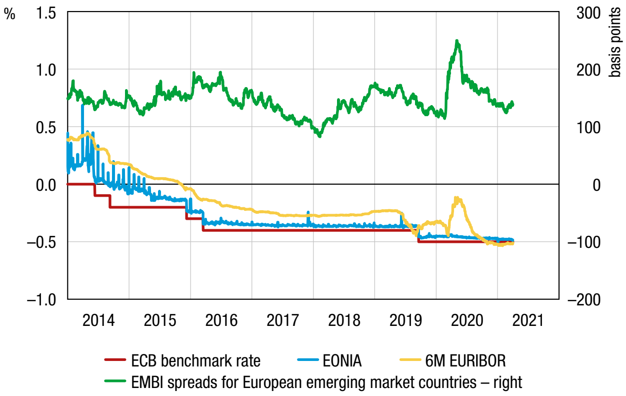
[a] Negative values indicate contributions to the appreciation of the INEER.
Source: CNB.

Figure 27 CDS spreads for selected parent banks of domestic banks



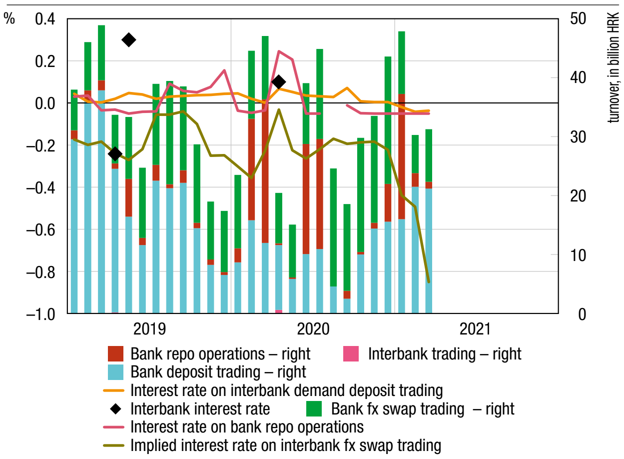
Source: S&P Capital IQ.

Figure 25 Interest rates on the euro and the average yield spread on bonds of European emerging market countries



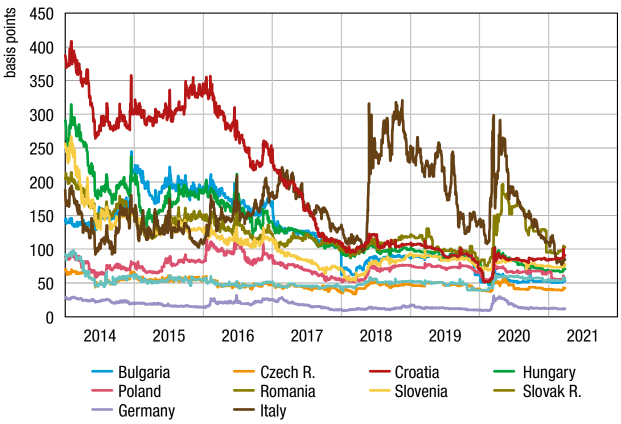
Note: EMBI, or the Emerging Market Bond Index, shows the spread between yields on government securities of emerging market economies, Croatia included, and risk-free securities issued by developed countries.
Sources: ECB, Bloomberg and J.P. Morgan.

Figure 28 Overnight interest rates and turnovers



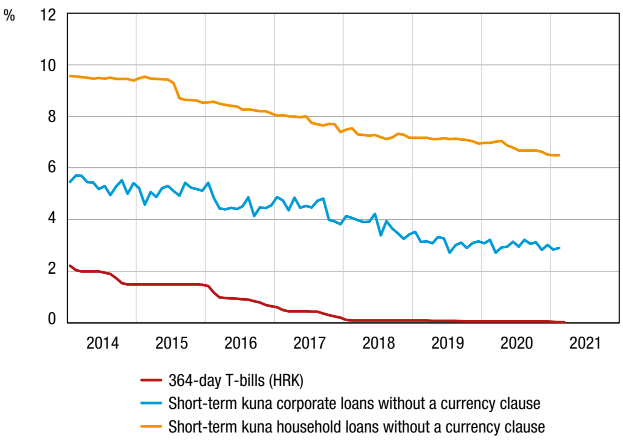
Source: CNB.

Figure 26 CDS spreads for 5-year government bonds of selected countries



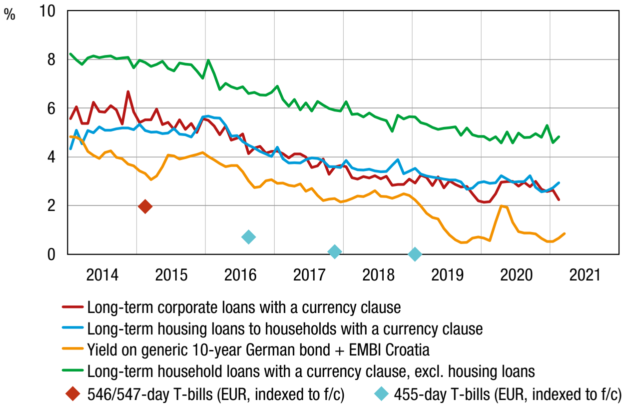
Note: Credit default swaps (CDS) spread is an annual premium that a CDS buyer pays for protection against credit risk associated with the issuer of an instrument.
Source: S&P Capital IQ.

Figure 29 Short-term financing costs in kuna without a currency clause



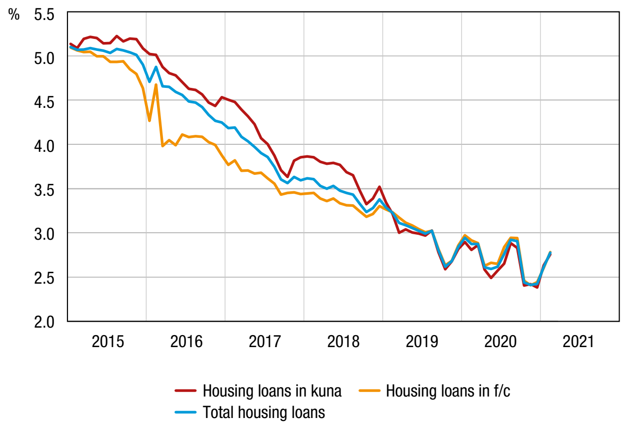
Sources: MoF and CNB.

Figure 30 Long-term financing costs in kuna with a currency clause and in foreign currency



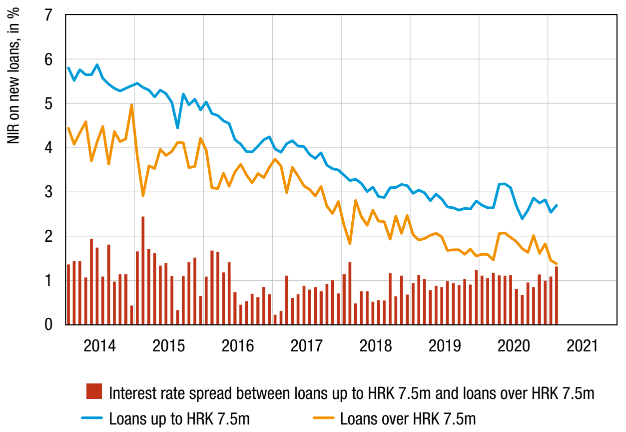
Note: EMBI, or the Emerging Market Bond Index, issued by developed countries, shows the spread between yields on government securities of emerging market economies, Croatia included, and risk-free securities of developed countries.
Sources: MoF, Bloomberg and CNB.

Figure 33 Interest rates on pure new housing loans to households



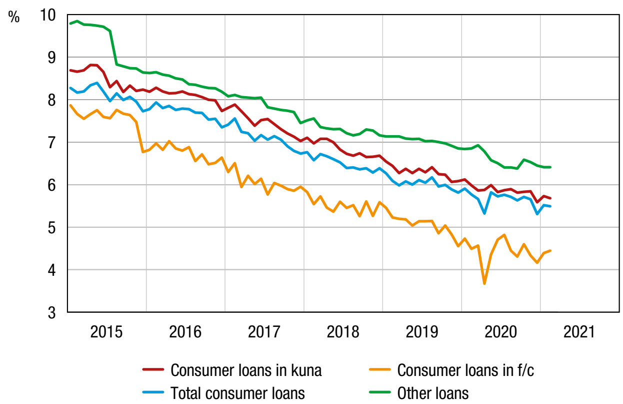
Source: CNB.

Figure 31 Bank interest rates on loans to non-financial corporations by volume



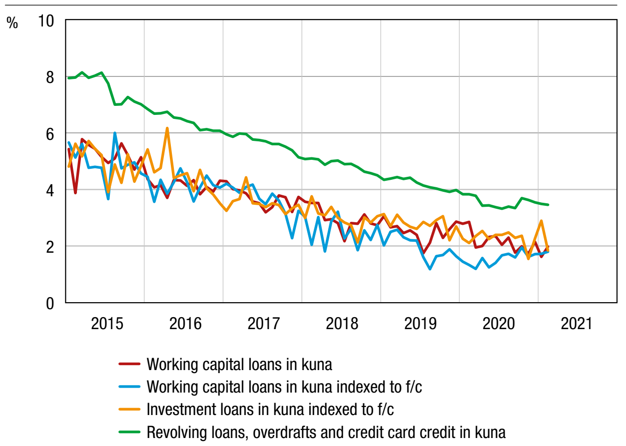
Source: CNB.

Figure 34 Interest rates on pure new consumer loans and other loans to households



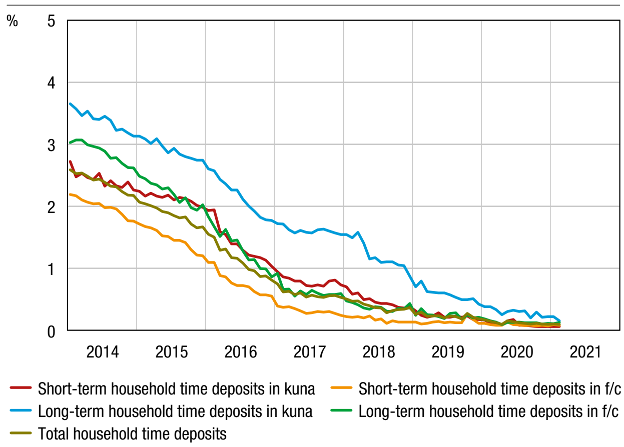
Note: Consumer loans include total loans to households excl. housing and other loans. Other loans to households (denominated almost exclusively in kuna) include credit card loans, overdrafts, revolving loans and receivables on charge cards.
Source: CNB.

Figure 32 Interest rates on pure new loans to non-financial corporations



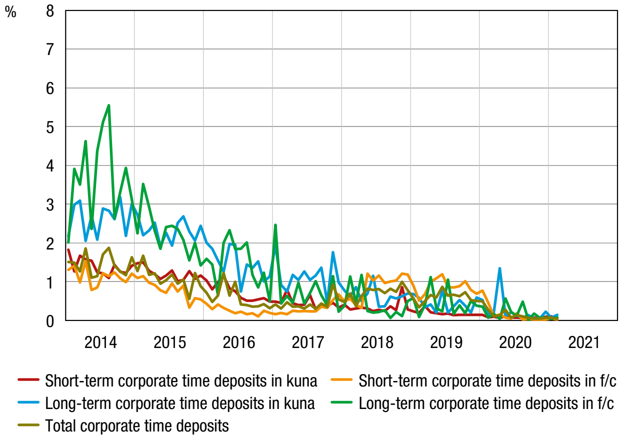
Source: CNB.

Figure 35 Interest rates on household time deposits



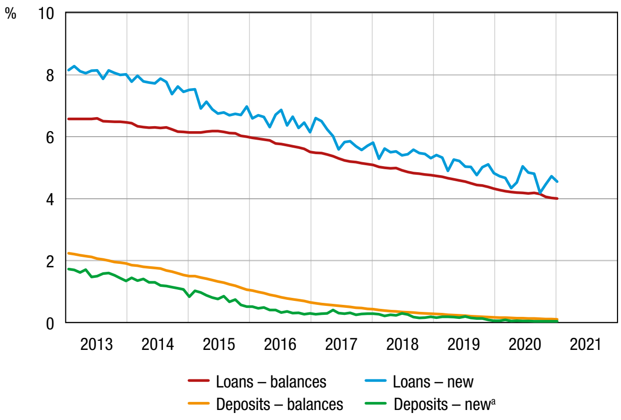
Source: CNB.

Figure 36 Interest rates on corporate time deposits



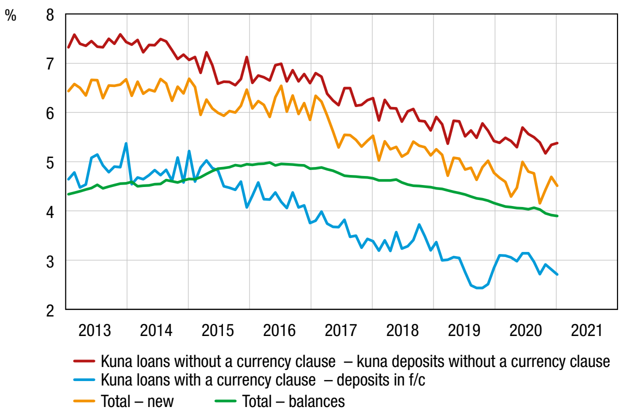
Source: CNB.

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



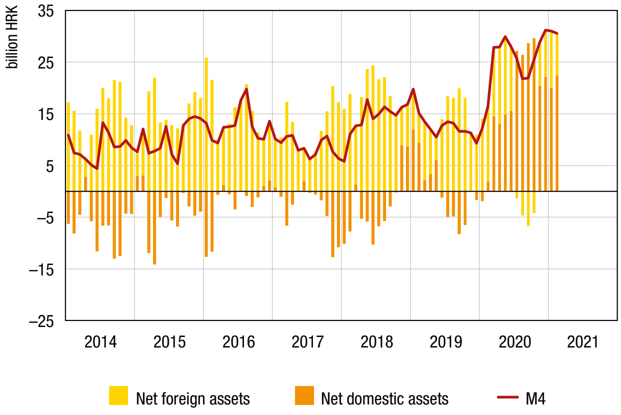
[a] For time deposits, interest rates on newly received deposits are weighted by their balances.
Source: CNB.

Figure 38 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits



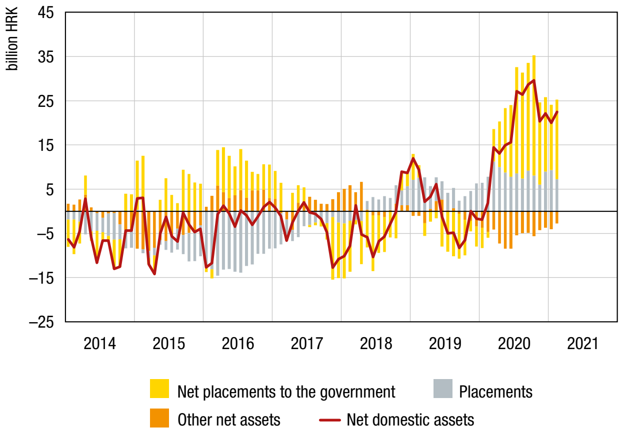
Note: Spread between average interest rates on loans and average interest rates on deposits should be differentiated from net interest margin (the ratio of the difference between interest income and interest expenses to total assets of credit institutions).
Source: CNB.

Figure 39 Net foreign assets, net domestic assets and total liquid assets (M4)
absolute change in the last 12 months



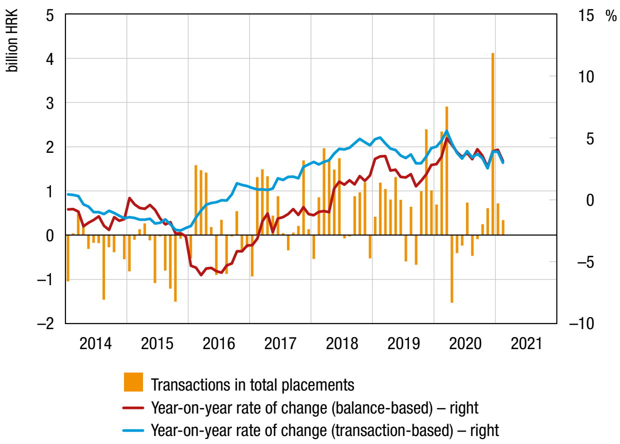
Source: CNB.

Figure 40 Net domestic assets, structure
absolute change in the last 12 months



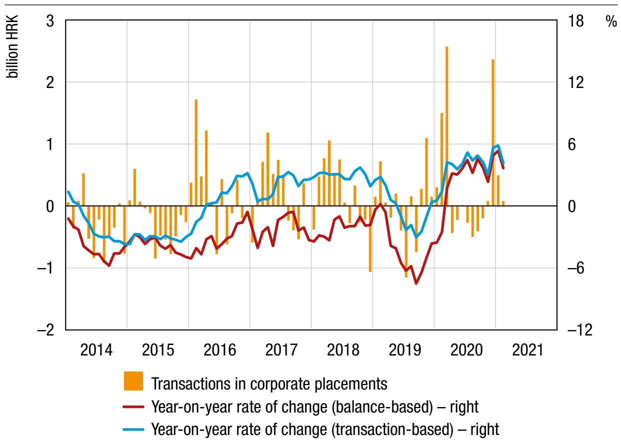
Source: CNB.

Figure 41 Placements



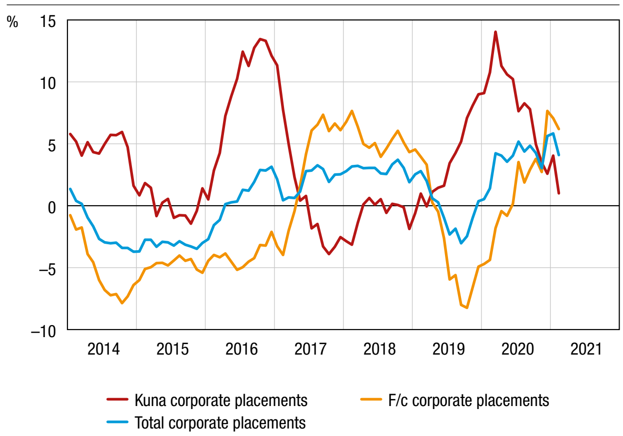
Source: CNB.

Figure 42 Placements to corporates



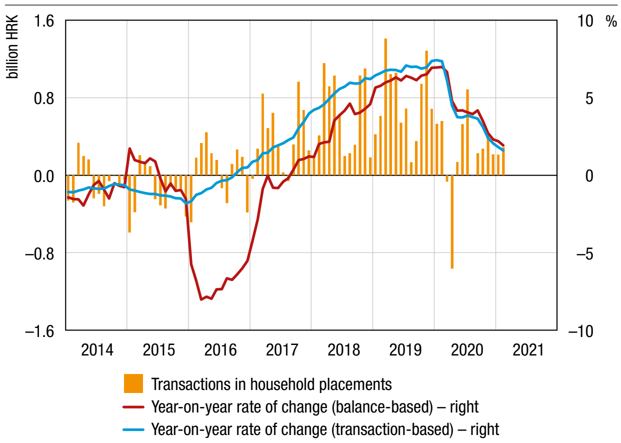
Source: CNB.

Figure 45 Annual rate of change in corporate placements
transaction-based



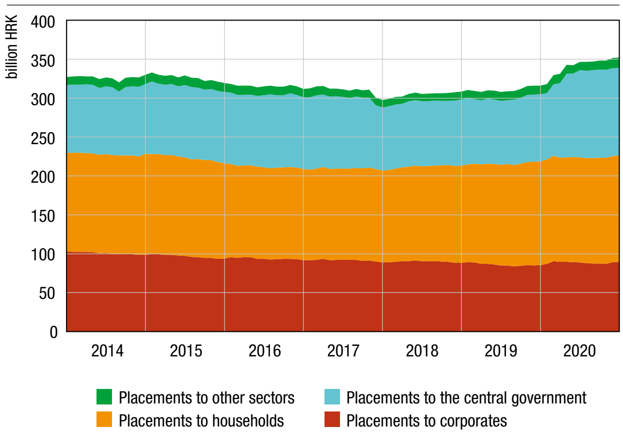
Source: CNB.

Figure 43 Placements to households



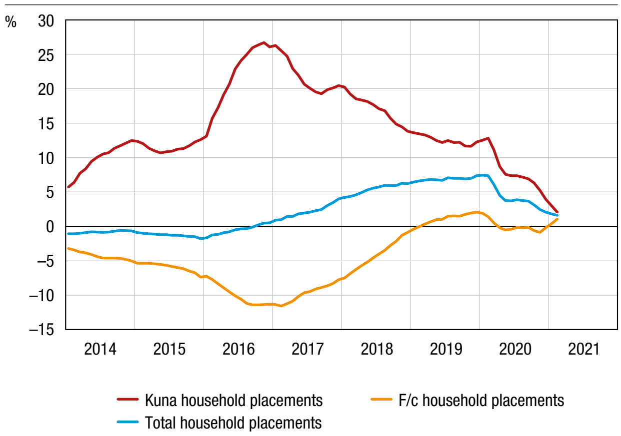
Source: CNB.

Figure 46 Structure of placements of monetary financial institutions



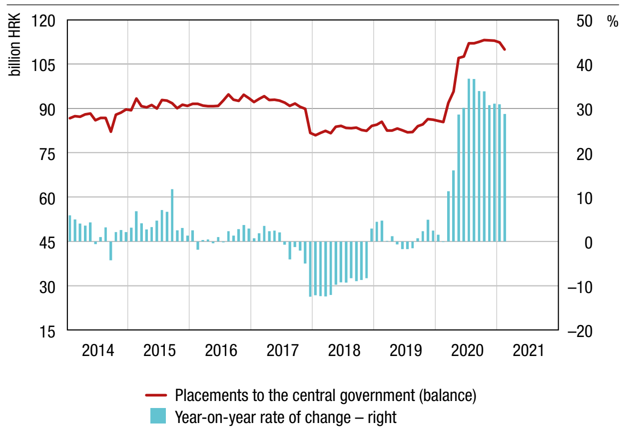
Source: CNB.

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



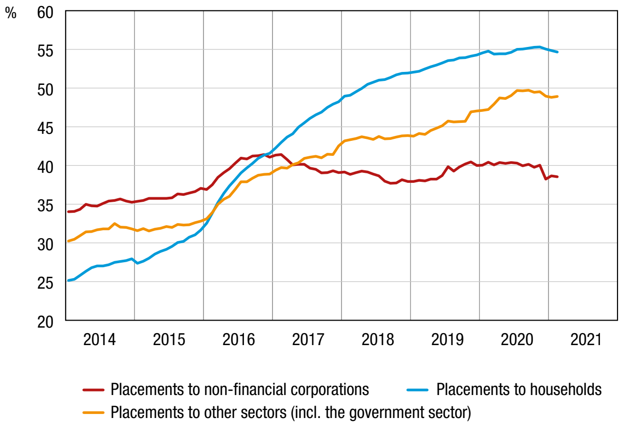
Source: CNB.

Figure 47 Placements of monetary financial institutions to the central government



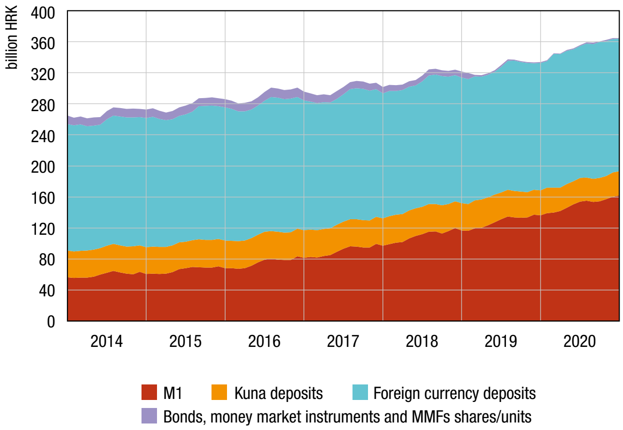
Source: CNB.

Figure 48 Share of kuna placements in total sector placements



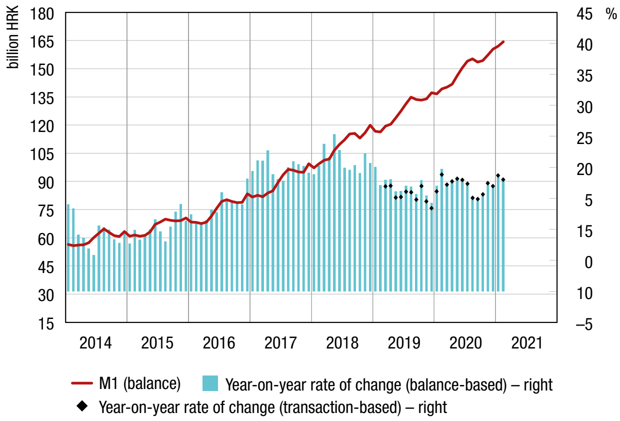
Source: CNB.

Figure 51 Structure of M4 monetary aggregate



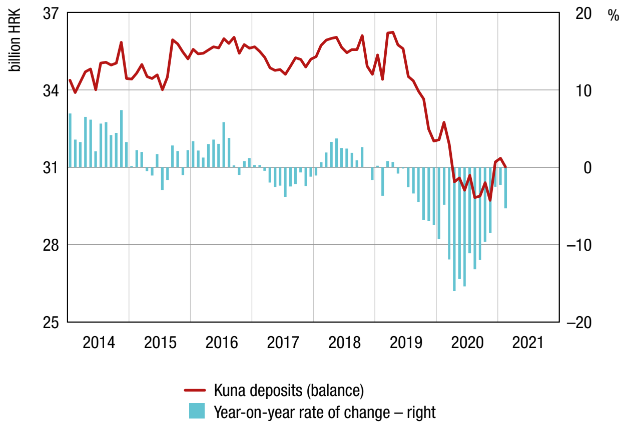
Source: CNB.

Figure 49 Money (M1)



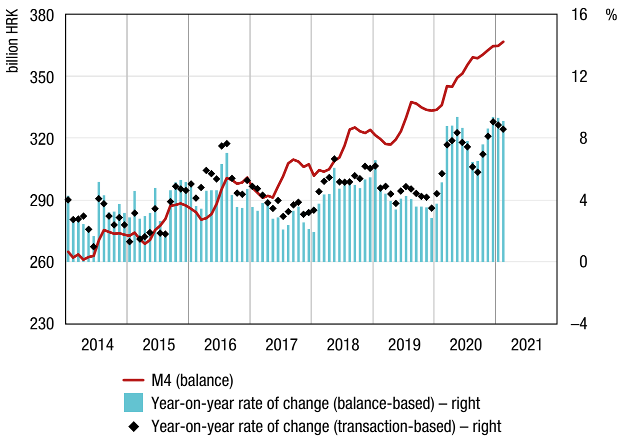
Note: From March 2019, the growth rate (transaction-based) excludes the effect of the reclassification of money market funds.
Source: CNB.

Figure 52 Kuna savings and time deposits



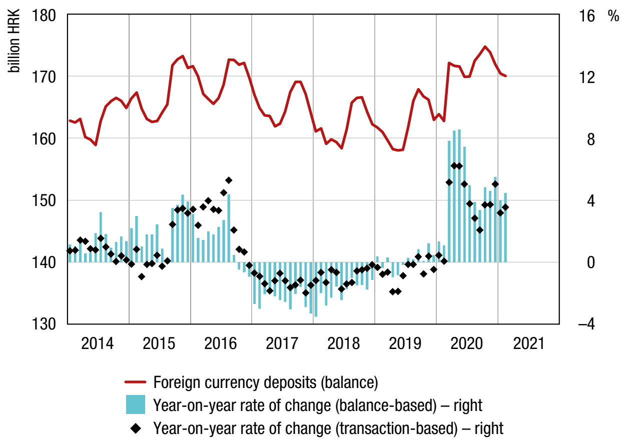
Source: CNB.

Figure 50 Total liquid assets (M4)



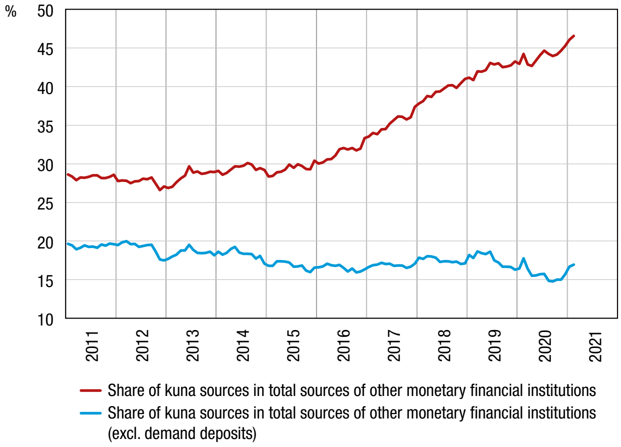
Source: CNB.

Figure 53 Foreign currency deposits



Source: CNB.

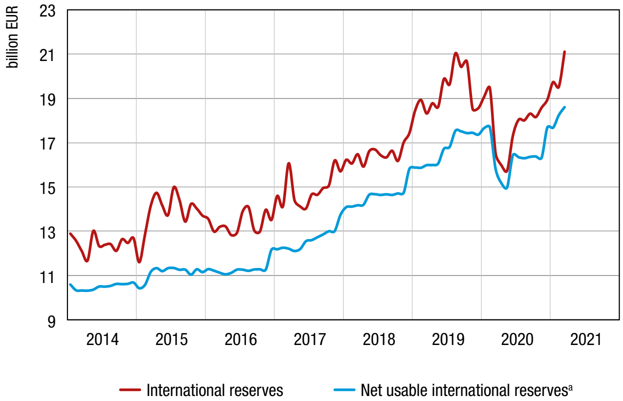
Figure 54 Share of kuna sources



Source: CNB.

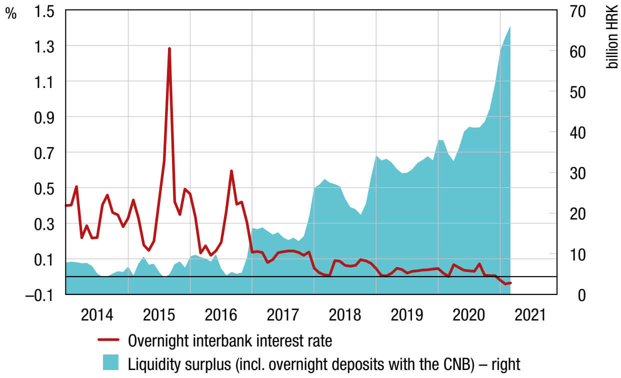
Figure 57 International reserves of the CNB

at current rate of exchange



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

Figure 55 Bank liquidity and overnight interest rate on bank demand deposit trading



Notes: Liquidity surplus is the difference between the balance in bank settlement accounts with the CNB and the amount that banks are required to hold in their accounts after the calculation of reserve requirements.The overnight interest rate until the end of 2015 refers to the overnight interbank interest rate and as of the beginning of 2016 to the overnight interest rate on bank demand deposit trading.
Source: CNB.

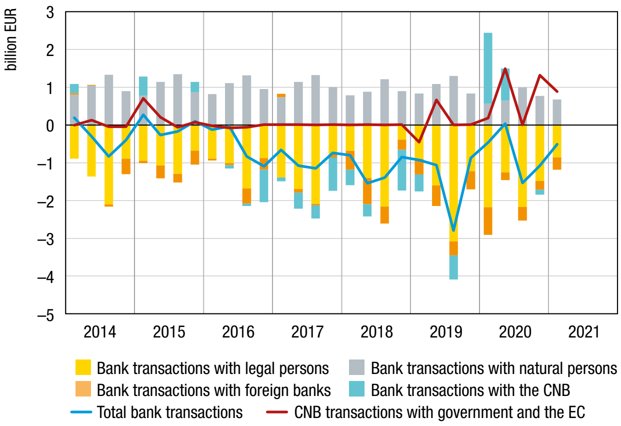
Table 2 Balance of payments

preliminary data, in million EUR

	2019	2020	Indices	
			2019/ 2018	2020/ 2019
Current account	1,519.9	–379.0	162.6	–24.9
Capital account	1,114.5	1,316.1	154.0	118.1
Financial account (excl. reserves)	1,473.8	176.9	741.4	12.0
International reserves	989.4	603.5	64.0	61.0
Net errors and omissions	–171.2	–156.7	–201.8	91.5

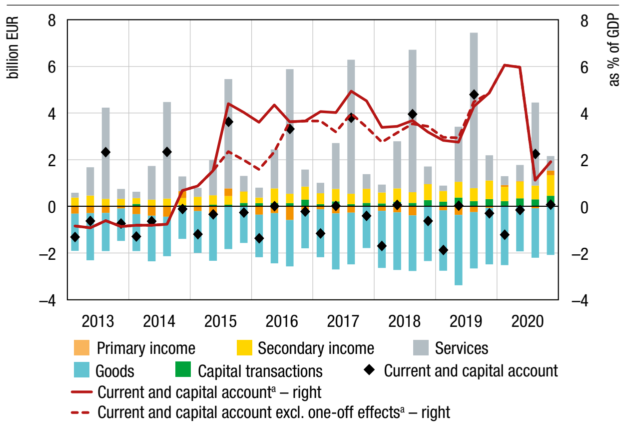
Source: CNB.

Figure 56 Spot transactions in the foreign exchange market (net turnover)



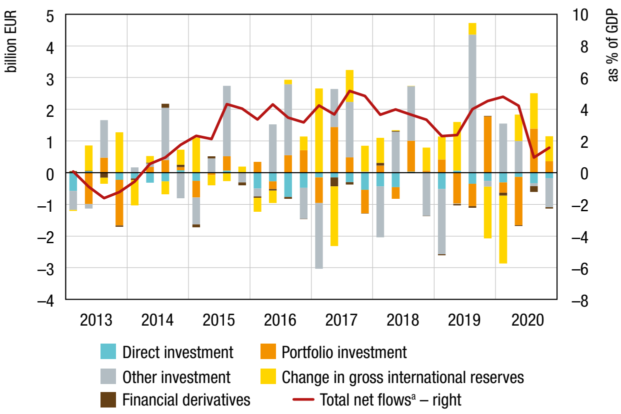
Notes: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government.
Source: CNB.

Figure 58 Current and capital account flows



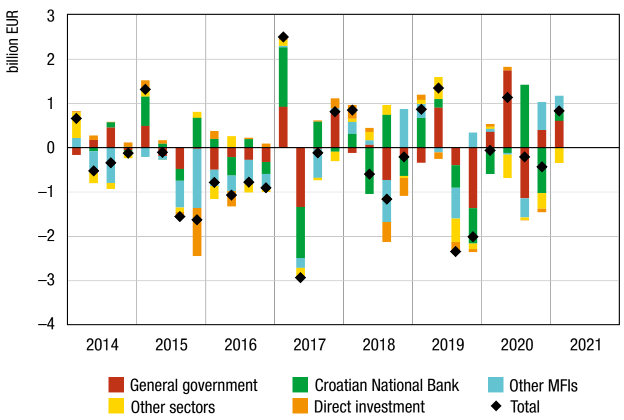
[a] Sum of the last four quarters.
Note: One-off effects include conversion of CHF-linked loans in 2015 and bank provisions for loans to the Agrokor Group in 2017 and 2018.
Source: CNB.

Figure 59 Financial account flows by type of investment



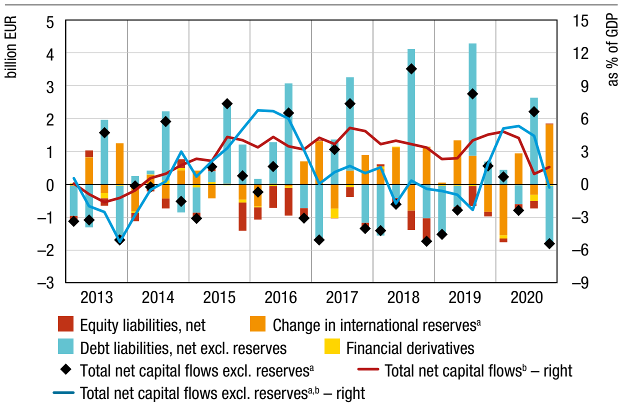
[a] Sum of the last four quarters.
Note: A positive value indicates net outflow of equity abroad (including on the basis of the growth in international reserves).
Source: CNB.

Figure 62 Gross external debt transactions



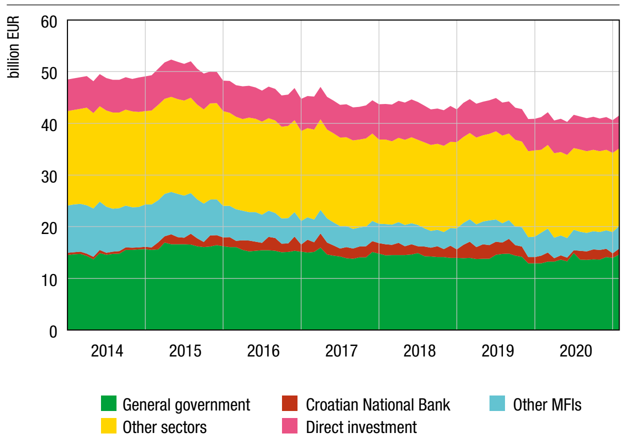
Note: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Data for the first quarter of 2021 refer to January.
Source: CNB.

Figure 60 Financial account flows by equity to debt ratio



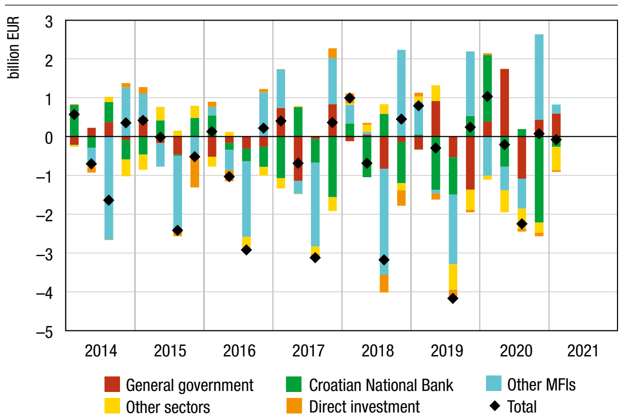
[a] The change in gross international reserves is reported net of foreign liabilities of the CNB. [b] Sum of the last four quarters.
Notes: A positive value indicates net outflow of equity abroad. Net flows represent the difference between the change in assets and the change in liabilities.
Source: CNB.

Figure 63 Gross external debt
end of period



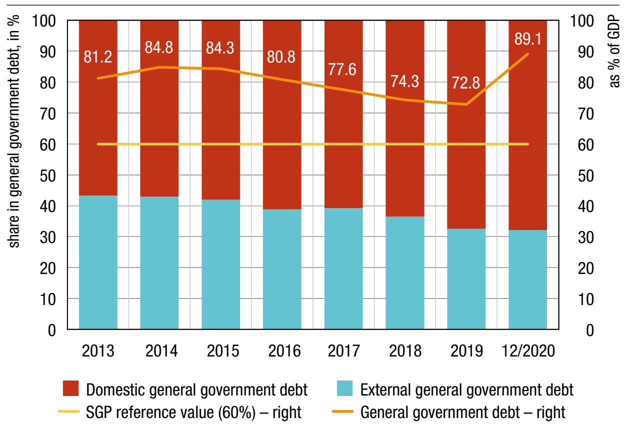
Note: Data are up to January 2021.
Source: CNB.

Figure 61 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 first quarter of 2021 refer to January.
Source: CNB.

Figure 64 General government debt



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

Table 3 Consolidated general government balance

ESA 2010, in million HRK

	Jan. – Sep. 2019	Jan. – Sep. 2020
Total revenue	**140,659**	**128,026**
Direct taxes	18,631	18,191
Indirect taxes	61,583	51,719
Social contributions	35,366	33,342
Other	25,080	24,774
Total expenditure	**136,584**	**146,673**
Social benefits	46,276	46,926
Subsidies	5,131	12,806
Interest	6,613	5,655
Compensation of employees	34,976	36,941
Intermediate consumption	24,357	22,844
Investment	10,943	12,428
Other	8,287	9,073
Net lending (+)/borrowing (–)	**4,075**	**–18,647**

Sources: Eurostat and CBS.

Table 4 Consolidated central government net borrowing

GFS 2001, in million HRK

	Jan. – Dec. 2018	Jan. – Dec. 2019
1 Revenue	148,629	160,186
2 Disposal of non-financial assets	605	1,069
3 Expenditure	142,139	152,827
4 Acquisition of non-financial assets	4,329	5,978
5 Net borrowing (1 + 2 – 3 – 4)	2,767	2,450

Sources: MoF and CNB calculations.

Table 5 General government debt

in million HRK

	Dec. 2019	Dec. 2020
Change in total debt stock	6,643	36,764
Change in domestic debt stock	16,068	26,005
– Securities other than shares, short-term	471	5,268
– Securities other than shares, long-term	14,148	10,578
– Loans	1,639	12,363
Change in external debt stock	–9,426	10,759
– Securities other than shares, short-term	–5	210
– Securities other than shares, long-term	–3,142	8,578
– Loans	–6,279	1,971
Memo item:		
Change in total guarantees issued	–902	2,281

Source: CNB.

Abbreviations and symbols

Abbreviations

BIS – Bank for International Settlements
bn – billion
b.p. – basis points
BOP – balance of payments
c.i.f. – cost, insurance and freight
CBRD – Croatian Bank for Reconstruction and Development
CBS – Croatian Bureau of Statistics
CCI – consumer confidence index
CDCC – Central Depository and Clearing Company Inc.
CDS – credit default swap
CEE – Central and Eastern European
CEFTA – Central European Free Trade Agreement
CEI – consumer expectations index
CES – Croatian Employment Service
CHIF – Croatian Health Insurance Fund
CLVPS – Croatian Large Value Payment System
CM – Croatian Motorways
CNB – Croatian National Bank
CPF – Croatian Privatisation Fund
CPI – consumer price index
CPII – Croatian Pension Insurance Institute
CR – Croatian Roads
CSI – consumer sentiment index
DAB – State Agency for Deposit Insurance and Bank Resolution
dep. – deposit
DVP – delivery versus payment
EC – European Commission
ECB – European Central Bank
EFTA – European Free Trade Association
EMU – Economic and Monetary Union
ESI – economic sentiment index
EU – European Union
excl. – excluding
f/c – foreign currency
FDI – foreign direct investment
Fed – Federal Reserve System
FINA – Financial Agency
FISIM – financial intermediation services indirectly measured
f.o.b. – free on board
GDP – gross domestic product
GVA – gross value added
HANFA – Croatian Financial Services Supervisory Agency
HICP – harmonised index of consumer prices
ILO – International Labour Organization
IMF – International Monetary Fund
incl. – including
IPO – initial public offering
m – million
MIGs – main industrial groupings
MM – monthly maturity
MoF – Ministry of Finance
NCA – National Classification of Activities
NCB – national central bank
NCS – National Clearing System
n.e.c. – not elsewhere classified
OECD – Organisation for Economic Co-Operation and Development
OG – Official Gazette
R – Republic
o/w – of which
PPI – producer price index
RTGS – Real-Time Gross Settlement
Q – quarterly
RR – reserve requirement
SDR – special drawing rights
SITC – Standard International Trade Classification
SGP – Stability and Growth Pact
VAT – value added tax
WTO – World Trade Organization
ZMM – Zagreb Money Market
ZSE – Zagreb Stock Exchange

Three-letter currency codes

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

Two-letter country codes

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

Symbols

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