Information on economic trends

November 2021

Summary

In the period from July to September, growth in economic activity accelerated relative to the previous quarter, accompanied by a continued growth in employment and decrease in unemployment. Owing to the continuation of favourable economic developments, the number of employed persons exceeded the level reached prior to the pandemic crisis. The number of unemployed persons decreased, but unemployment was still above the pre-pandemic level due to the imports of foreign seasonal workers. The annual consumer price growth rate accelerated from 3.1% in August to 3.3% in September, primarily due to the acceleration in the annual growth of energy prices (especially refined petroleum products). Core inflation also increased slightly in September, although it remained at the relatively low level of 1.9%. In October, banks' free reserves reached the average level of HRK 63.7bn, while the average daily surplus kuna liquidity in the domestic banking market was HRK 21.1bn higher than in the same month of the previous year. The annual growth of bank placements in September remained at the previous month's level (4.1%) as a result of the deceleration in the growth of corporate placements from 1.2% in August to 1.0% in September and a moderate acceleration in household placements to 4.7% from 4.6%. Growth in housing loans and the revival of general-purpose cash loans continued. In the first half of the year, the general government deficit, according to the ESA 2010 methodology, was reduced considerably from the same period of the previous year due to the recovery of tax revenues and a reduction in fiscal support.

The GDP nowcasting model for the third quarter shows that real growth accelerated from the period from April to June 2021, with the largest contribution to the acceleration of economic activity probably coming from the good performance in tourism (Figure 1). Monthly data show that real retail trade turnover increased by 3.2% in the period from July to September when compared to the average performance in the previous three months. The mentioned trend reflects the monthly growth in trade in July and August, while stagnant developments were recorded in September. In contrast, industrial production was 0.9% lower in the third quarter from the average performance in the previous three months, having decreased by 1.3% in September on a monthly level. Broken down by main industrial groupings, the decrease in production primarily reflects the decrease in the production of energy and non-durable consumer goods. The production of intermediate and capital goods did not change significantly from the performance in the previous quarter, while the production of durable consumer goods increased (Figures 3 and 4). The volume of construction works was 0.4% lower in July and August than the average performance of the second quarter, growth at a quarterly level, which had been uninterrupted since the short-term contraction in the first half of the previous year, having come to a halt. Although construction activity of both the private and the public sector increased in August from July (the monthly growth in construction works on buildings and civil engineering works was 3.6% and 2.0% respectively), it was not sufficient to offset the decline in July (Figures 5 and 6). The Business Confidence Survey results suggest that the dynamics in these two months reflects a labour shortage. At the same time, the number of entrepreneurs citing difficulties in material supply increased.

The Consumer Confidence Survey data show that the consumer confidence index worsened in October on both a monthly and a quarterly basis. Thus, consumer expectations in October were at the level from the beginning of this year. If analysed on a monthly basis, the worsening in the index was mostly the consequence of households having poorer assessment as regards their financial situation than they had 12 months ago as well as worsened expectations regarding the overall economic situation in Croatia in 12 months compared with the present situation. Business expectations worsened in all activities in October from September of this year so that the confidence index of business entities was below the average level from the previous three months in all activities. The largest share of respondents in construction still cite that the performance of construction activity is limited by labour shortage, in particular as regards building construction works. In industry, the shortage of labour and financial restrictions are emphasised as the limiting factors for operation, and smaller demand and financial restrictions in service activities (Figure 8).

The number of employed persons according to seasonally adjusted data grew by 0.4% in September from August, while in the period from July to September it grew by 1.0% from the previous quarter. The largest contribution to this growth came from employment outside the public sector. At the same time, the unemployment rate also declined; according to the seasonally adjusted data, it reached 7.7% of the labour force (originally 7.0%), with a larger number of unemployed persons in September than in the same period in 2019 (Figure 16). The high level of unemployment relative to the pre-crisis period, in addition to the simultaneous recovery of employment, which also remained above the level from the same month of 2019, points to the growing employment of workers from countries other than Croatia and outside the EU in order to partly meet the growth in demand for labour.

The average nominal gross wage paid in September 2021 was 0.8% higher than in August (seasonally adjusted data), when growth was less pronounced, at 0.2% (Figure 17). On an annual level, the average nominal gross wage paid in the third quarter was 4.2% higher than in the same period of the previous year, with wages rising at an equal pace in the public and in the private sector. There continued to be almost no payments of non-taxable compensations so that the annual rise of the average total income of employed persons (i.e. net wages increased by non-taxable compensations) in August 2021 was the same as the increase in the average nominal net wage.

The annual consumer price inflation rate accelerated moderately to 3.3% in September from 3.1% in August. This growth, as in the first half of the year, was mostly the result of the acceleration of the annual rise in energy prices and to a smaller extent of the prices of processed food products. The largest contribution to the acceleration of the rise in energy prices in September came from refined petroleum products, reflecting the increase in the price of a barrel of Brent crude oil on the world market from the average USD 70 in August to USD 75 in September. Therefore, energy prices still made the largest contribution to inflation, which in September stood at 1.6 percentage points, or almost half of overall inflation (of which refined petroleum products accounted for 1.4 percentage points). The acceleration in the rise in the prices of processed food products was mostly the result of the increase in the annual growth rate of the prices of bread and cereals as well as coffee, related to the spillover of the increase in the prices of food raw materials on the world market. In addition, the annual growth of the prices of unprocessed food products accelerated. By contrast, the annual growth in consumer prices of industrial products (excluding food and energy) slowed down from 1.0% in August to a mere 0.3% in September, so that there was still no significant spillover of the increase in energy prices and other raw materials on the world market, or the impact of the backlog in global supply chains and the increase in freight rates on the mentioned CPI component. In addition, the annual growth in the prices of services slowed down moderately in September, primarily due to the deceleration of the growth in the prices of telephone services. Amid the mentioned conditions, core inflation accelerated very slightly (to 1.9% in September from 1.8% in August) and remained at a relatively low level. The annual growth rate of producer prices in the domestic market also accelerated from 10.2% in August to 13.7% in September, mostly due to the acceleration of the annual growth of energy prices (predominantly in the activity of the extraction of crude oil and natural gas and the manufacture of refined petroleum products). This was the result of the spillover of imported inflationary pressures brought about by the rise in the prices of crude oil and natural gas in the world market. The annual growth rate of non-energy producer prices increased slightly from 2.7% in August to 3.0% in September.

In the beginning of the third quarter of 2021, goods exports fell and goods imports increased slightly. Goods exports thus decreased by 4.3% in July from the average of the previous three months (Figure 10), mainly due to the smaller exports of other transport equipment (mostly ships), and to a much smaller extent of medical and pharmaceutical products. Smaller exports of energy products, followed by textile industry products and road vehicles had an unfavourable impact on export results. At the same time, total goods imports increased moderately, by 1.0% (Figure 11), with the imports of certain categories of energy products, mainly natural and industrial gas and, to a smaller extent, electricity making the largest contribution. In addition, the imports of other transport equipment (mostly ships), food products and certain categories of capital goods (notably electrical machinery, apparatus and equipment) increased (Figure 12). In contrast, the imports of oil and refined petroleum products and medical and pharmaceutical products decreased strongly. In line with the described movements of goods exports and imports, the foreign trade deficit widened by 8.9% from the previous quarter's average (Figure 13). If initial data for August are included in the analysis, the decrease in goods exports was slightly smaller than in July (by 3.9%), while the growth of imports was stronger (by 2.9%), which resulted in a considerably faster growth in the deficit (of 17.0%).

Following a mild appreciation in early October, the nominal exchange rate of the kuna against the euro depreciated moderately and at the end of October stood at EUR/HRK 7.51 (Figure 23), representing a depreciation of 0.2% from the end of September. By contrast, the daily nominal exchange rate was 0.8% lower than at the end of October of the previous year, when uncertainty concerning the negative epidemiological situation additionally strengthened the seasonal depreciation of the exchange rate. In addition to the depreciation against the euro, the kuna also weakened against most of the other currencies of the countries of main trading partners, which resulted in the depreciation of the nominal effective exchange rate of the kuna, which was 0.2% higher at the end of October than at the end of September. A more pronounced depreciation of the effective exchange rate was mitigated by the appreciation of the kuna against the Turkish lira, mirroring the significant strengthening of the euro against that currency in the international foreign exchange market.

Short-term interest rates on the European money market did not change significantly in October. Thus, EONIA, the overnight interest rate on the banking market in the euro area, increased only slightly to the level of –0.49% at the end of October, while the six-month EURIBOR remained at –0.53% (Figure 25). The risk premiums for European emerging market economies mostly decreased in October (Figure 26). The risk premium for Croatia decreased by almost 10 basis points and dropped to the level of 76 basis points at the end of October. Despite a somewhat pronounced fall, Croatia continued to record slightly higher values than that in the peer CEE countries. If yields on ten-year government bonds are analysed, their growth continued in October, to the largest extent due to the still present expected change in the direction of monetary policy.

In October, banks' free reserves increased, mostly due to the seasonal fall in currency outside credit institutions so that surplus liquidity reached the average level of HRK 63.7bn. When compared with the same month of the previous year, the average daily surplus kuna liquidity of the domestic banking market was HRK 21.1bn higher in October of this year (Figure 55). Amid ample liquidity, there had been no turnover in the domestic interbank overnight market since April of the previous year, while the turnover in other money market segments continued to be modest in October. The implied interest rate derived from banks' foreign exchange swap trading agreements continued to rise and reached the average value of 0.16% in October, while the overnight interest rate on banks' demand deposit trading and the interest rate on banks' repo transactions remained unchanged at the level of 0.01% and 0.05% respectively (Figure 28). At the same time, the interest rate on one-year kuna T-bills without a currency clause and on euro T-bills with the same maturity continued to decrease and in October reached the historical low of 0.0% (Figure 29) and –0.15% respectively.

In September, banks' interest rates on new corporate and household loans, which include pure new loans and renegotiated loans, remained almost unchanged, with the exception of the increase in interest rates on long-term corporate loans with a currency clause (Figures 29 and 30). Their increase was mostly a result of the trends in interest rates on pure new investment loans with a currency clause (Figure 32). As regards households, the costs of housing financing did not change significantly relative to the previous month (Figure 33), while at the same time interest rates on consumer credit decreased only slightly (Figure 34). As regards deposits, interest rates on household and corporate time deposits increased moderately (Figures 35 and 36). In line with the described trends, the spread between interest rates on total new loans and deposits edged down to 4.4 percentage points, while the spread on their balance remained at 3.8 percentage points (Figure 37).

Monetary developments in September were marked by a decrease in total liquid assets (M4) of HRK 0.5bn or 0.1% (based on transactions). Net domestic assets (NDA) dropped sharply, while net foreign assets (NFA) of the monetary system increased strongly (Figure 39), mostly as a result of the inflow of foreign exchange funds from the European Commission's pre-financing payment under the National Recovery and Resilience Plan to the government account with the CNB. Money (M1) also decreased in September by HRK 0.5bn (0.3%) reflecting the decrease in currency outside credit institutions at the end of the main tourist season, in contrast to demand deposits, which increased. Quasi-money increased slightly from August owing to the growth in household and corporate foreign currency deposits, which was slightly stronger than the fall in kuna deposits. Despite the monthly fall, the annual growth rate of M4 accelerated from 11.1% in August to 11.4% in September (Figure 50), and M1 grew from 19.8% to 20.7% (Figure 49), due to the pronounced decline in all monetary aggregates in September of the previous year (base effect).

Total placements of monetary institutions to domestic sectors (excluding the central government) continued their downward trajectory and were down by HRK 0.2bn or 0.1% (based on transactions) in September from August. The annual growth rate of total placements held steady at the level of 4.1% for the third consecutive month (Figure 41). Corporate placements declined on a monthly basis (HRK 0.6bn or 0.7%) so that their annual growth rate slowed down from 1.2% to 1.0% (Figure 42). In contrast, household placements increased by HRK 0.5bn or 0.3%, with the largest contribution to their growth still coming from housing loans, which increased by HRK 0.4bn (0.6%), and the revival of general-purpose cash loans also continued (HRK 0.3bn or 0.6%). On an annual level, growth accelerated in housing loans from 10.8% in August to 11.2% in September, as well as in general-purpose cash loans (from 0.8% to 1.3%), which resulted in the acceleration of growth in total household placements from 4.6% to 4.7% (Figure 43).

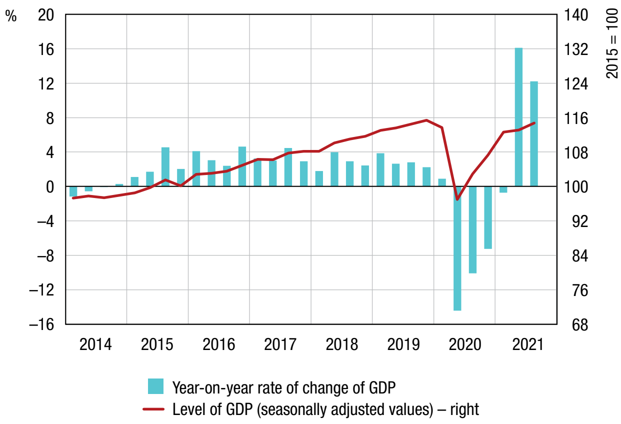
Gross international reserves increased very slightly (EUR 0.1bn or 0.6%) in October from September and ended the month at EUR 24.5bn (Figure 57). Compared with the end of 2020, gross international reserves grew by EUR 5.5bn or 29.3%. Net usable reserves stood at EUR 19.5bn at the end of October, as in the previous four months.

Net external debt declined strongly by EUR 4.2bn in July and August 2021, with the improvement in the net foreign position of all domestic sectors (Figure 61). However, this was mostly attributed to the seasonal improvement in the foreign position of banks, i.e. a perceptible increase in foreign assets due to the foreign exchange inflow during the peak tourist season. The improvement in the central bank's foreign position, which may be correlated with the increase in government deposits in the account with the CNB due to the higher inflow of EU funds, and other domestic sectors, mostly owing to the increase in debt claims, also contributed to overall developments, although to a much lesser extent. Government foreign liabilities also decreased, mostly due to the July repayment of a bond issued on the domestic market, which was partly owned by non-residents. The gross external debt stock stood at EUR 45.3bn at the end of August 2021 (Figure 63), or EUR 0.9bn higher than at the end of the second quarter, exclusively as the consequence of growth in central bank foreign liabilities as a result of the increased volume of repo transactions, as well as liabilities based on the new allocation of special drawing rights. However, the mentioned transactions raised gross international reserves by the same amount and thus have a neutral effect on the net foreign position of the CNB itself, as well as the total net external debt.

The consolidated general government deficit (ESA 2010) narrowed significantly in the first half of 2021 from the same period of the previous year (HRK 9.3bn when compared with HRK 19.6bn) (Table 3). The fall in the deficit reflects favourable developments in the second quarter that resulted in a perceptibly faster annual growth in revenues (19.4%) than expenditures (3.4%). Analysis of cumulative trends in the first half of the year shows that revenues increased by 13.7%, which was primarily a reflection of the increase in revenues from indirect taxes, i.e. the recovery of personal consumption and tourist activity as well as the changes introduced in the excise system, or the increase in excise duties on tobacco and tobacco products. In addition, a strong positive contribution to the growth of the revenue side was also made by other revenues largely linked to the higher inflows of EU funds. Social contributions also grew amid labour market recovery. Revenues from direct taxes (–3.4%) moved in the opposite direction as the consequence of disburdening in the tax system, mainly related to the reduced income tax rates. As regards the expenditure side of the budget, it increased by 5.5%, which was largely driven by growth in social security benefits, which may be explained by the increase in social support and higher expenditures in the health sector. Expenditures for investments and other expenditures increased strongly, which largely mirrors the intensified use of EU funds. Growth in expenses on employees was largely the consequence of the increase in the base for the calculation of wages for civil servants and government employees. Expenditures for intermediate consumption also increased. In contrast, the growth of total expenditures was considerably offset by the decrease in expenditures on subsidies in relation to job preservation grants paid and, despite growth in public debt, expenditures on interest also decreased due to the still favourable financing conditions on the capital market. The improvement in the balance reflects favourable cyclical developments and a decrease in temporary support to the economy.

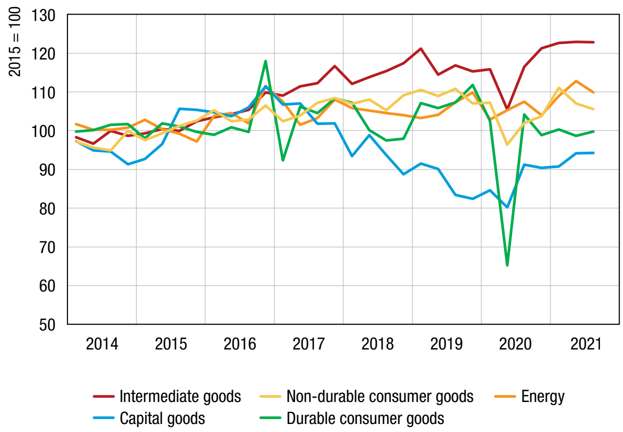
Consolidated general government debt stood at HRK 344.3bn at the end of July, having risen by HRK 14.1bn relative to the balance at the end of 2020 (Table 5), while the relative public debt to GDP ratio decreased to 87.0% from 87.3% at the end of 2020.

Figure 1 Quarterly gross domestic product
seasonally adjusted real values



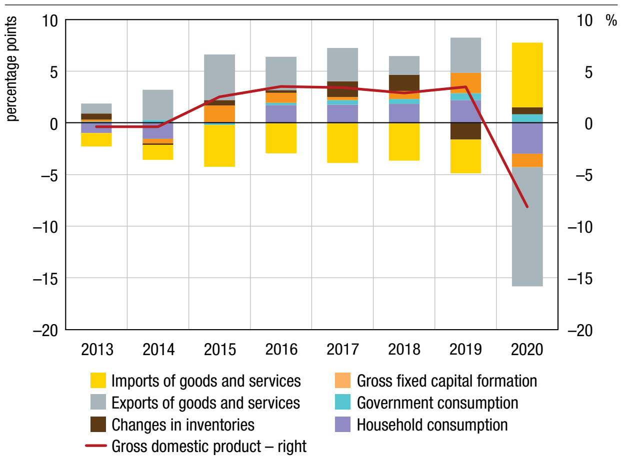
Note: Data for the third quarter of 2021 refers to the CNB's monthly indicator of real economic activity, estimated on the basis of data published until 29 October 2021.
Sources: CBS data seasonally adjusted by the CNB and CNB calculations.

Figure 4 Industrial production by main industrial groupings
seasonally adjusted indices



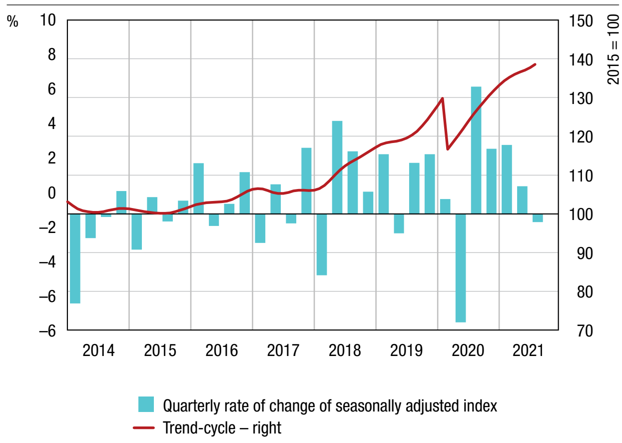
Source: CBS data seasonally adjusted by the CNB.

Figure 2 GDP rate of change
contributions by components



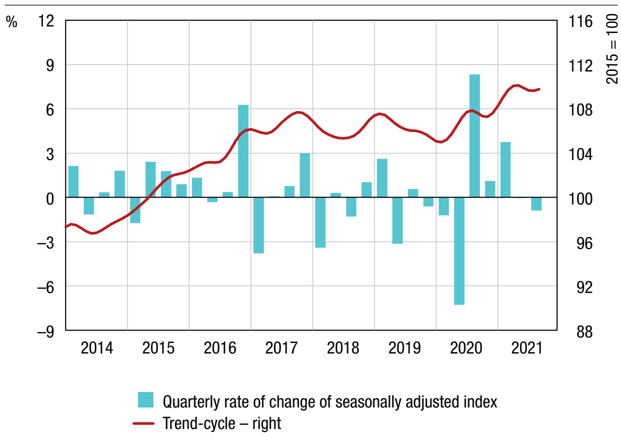
Source: CBS.

Figure 5 Total volume of construction works



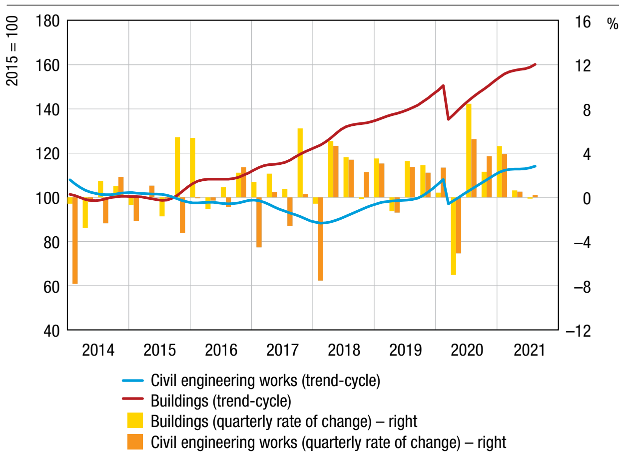
Note: Data for the third quarter of 2021 refer to July and August.
Source: CBS data seasonally adjusted by the CNB.

Figure 3 Industrial production



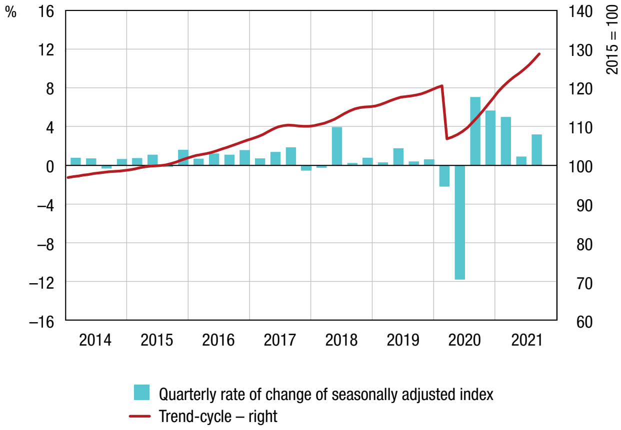
Source: CBS data seasonally adjusted by the CNB.

Figure 6 Buildings and civil engineering works



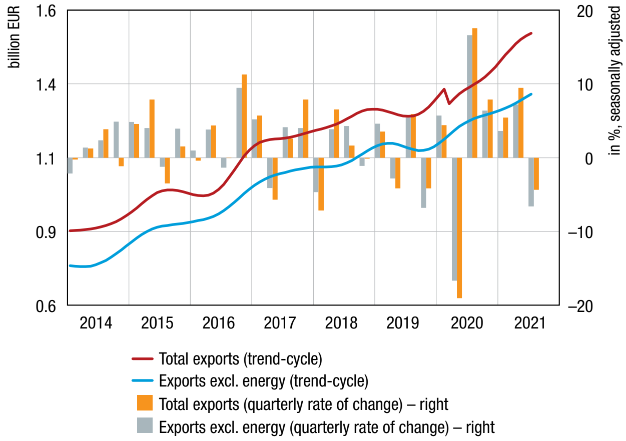
Source: CBS data seasonally adjusted by the CNB.

Figure 7 Real retail trade turnover



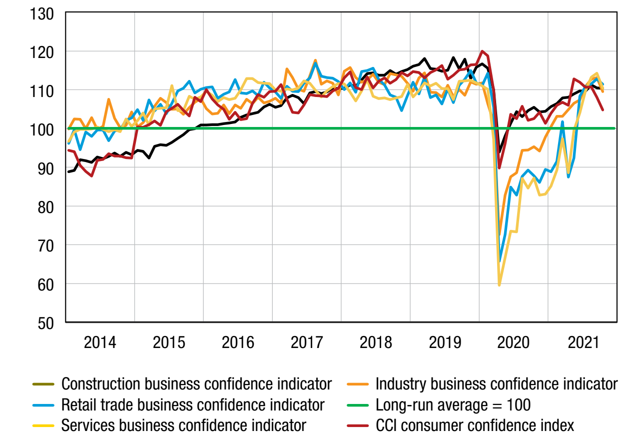
Source: CBS data seasonally adjusted by the CNB.

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



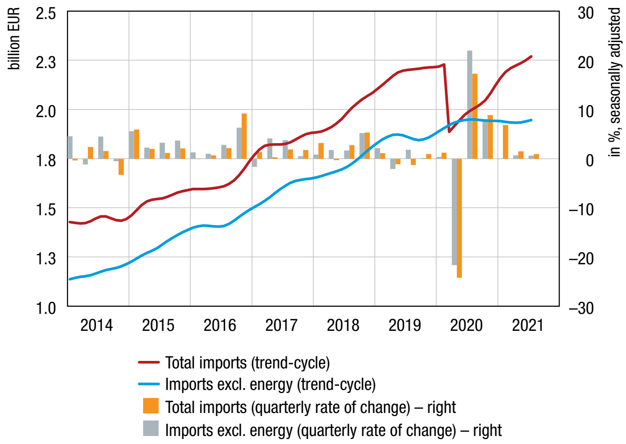
Note: Data for the third quarter of 2021 refer to July.
Source: CBS data seasonally adjusted by the CNB.

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



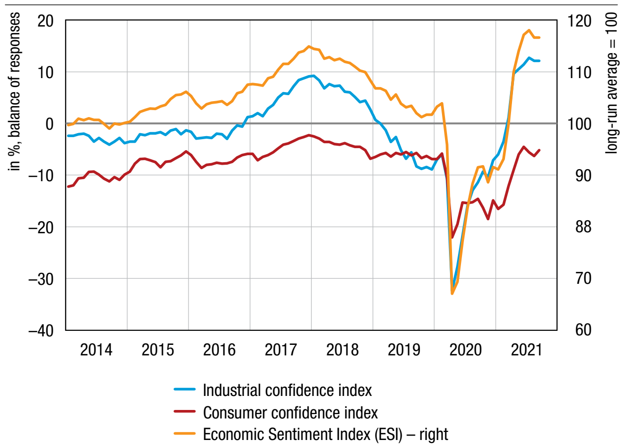
Sources: Ipsos and CNB data seasonally adjusted by the CNB.

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



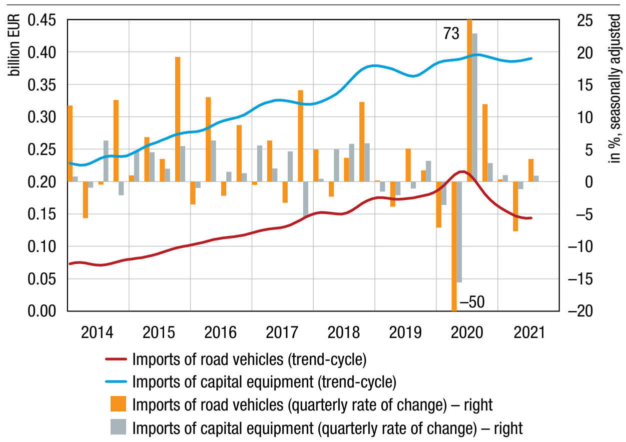
Note: Data for the third quarter of 2021 refer to July.
Source: CBS data seasonally adjusted by the CNB.

Figure 9 EU confidence indices
seasonally adjusted series



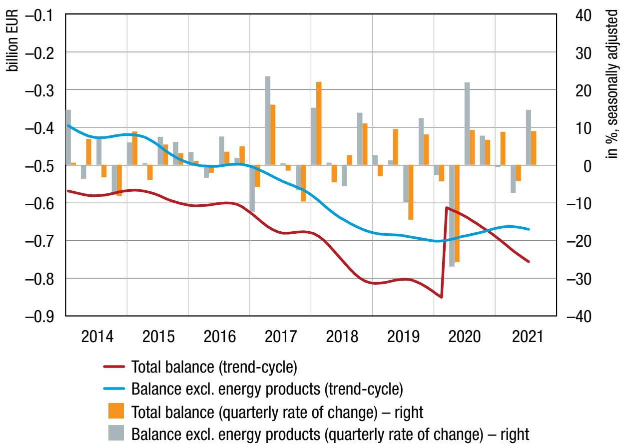
Note: Data are up to September 2021.
Source: Eurostat.

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 refer to July.
Source: CBS data seasonally adjusted by the CNB.

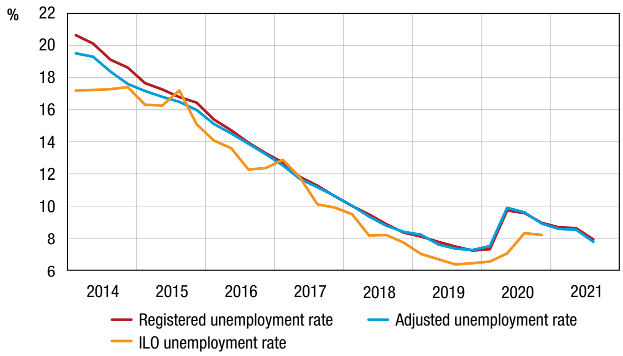
Figure 13 Trade of goods balance



Note: Data for the third quarter of 2021 refer to July.
Source: CBS data seasonally adjusted by the CNB.

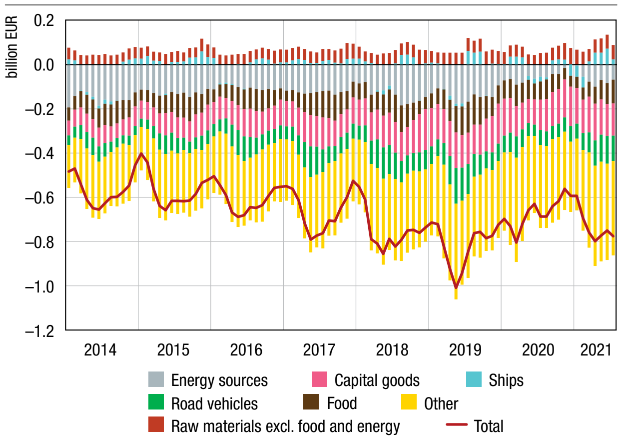
Figure 16 Unemployment rates

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

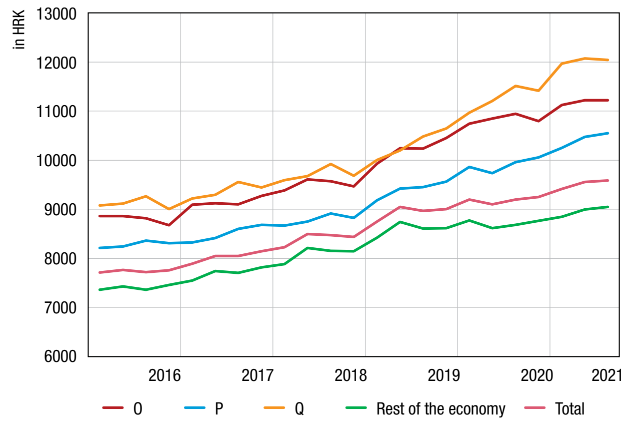
Figure 14 Trade in goods balance by product groups



Notes: Series are shown as three-member moving averages of monthly data. Data are up to July 2021.
Source: CBS.

Figure 17 Average nominal gross wage by NCA activities

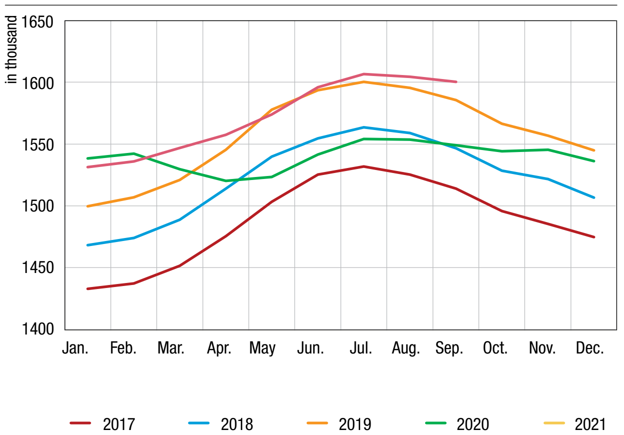
original data



Note: O – Public administration and compulsory social security, P – Education, Q – Human heatlh.
Sources: CBS and CNB calculations (seasonally adjusted by the CNB).

Figure 15 Employment

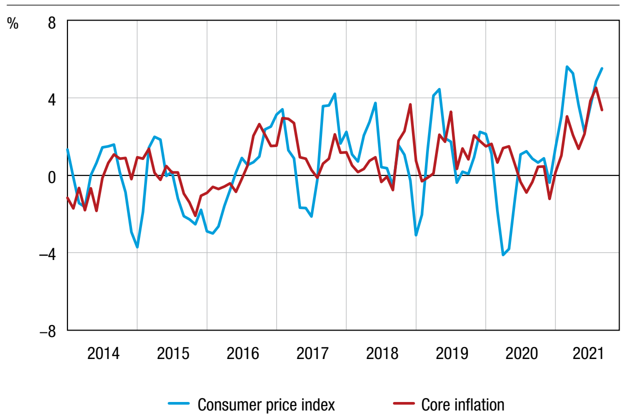
original data



Source: CPII.

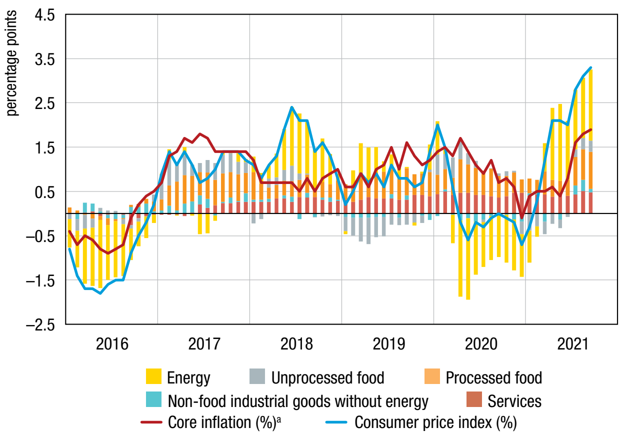
Figure 18 Consumer price index and core inflation

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.

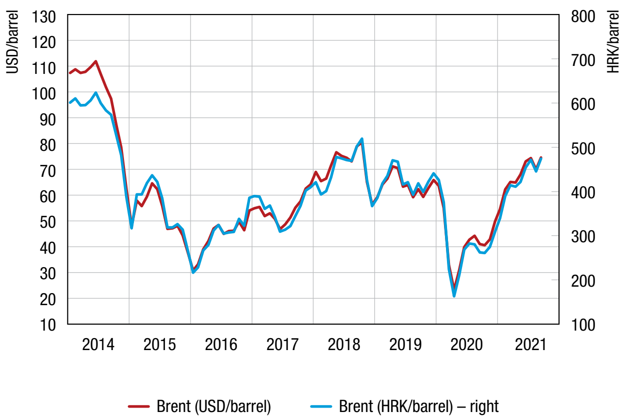
Table 1 Price indicators

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

	Year-on-year rates		Month-on-month rates	
	8/21	9/21	9/20	9/21
Consumer price index and its components				
Total index	3.1	3.3	0.8	1.0
Energy	8.3	9.8	–0.4	1.0
Unprocessed food	2.9	3.0	–0.8	–0.6
Processed food	2.9	3.5	–0.4	0.2
Non-food industrial goods without energy	1.0	0.3	4.5	3.8
Services	2.0	1.9	–0.3	–0.5
Other price indicators				
Core inflation	1.8	1.9	1.1	1.2
Index of industrial producer prices on the domestic market	10.2	13.7	0.0	3.2
Brent crude oil price (USD)	58.2	81.6	–7.2	6.5
HWWI index (excl. energy, USD)	36.8	22.8	5.5	–5.3

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

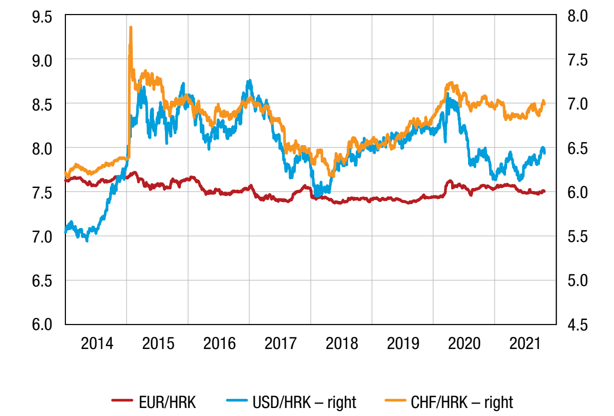
Figure 20 Crude oil prices (Brent)



Sources: Bloomberg and CNB calculations.

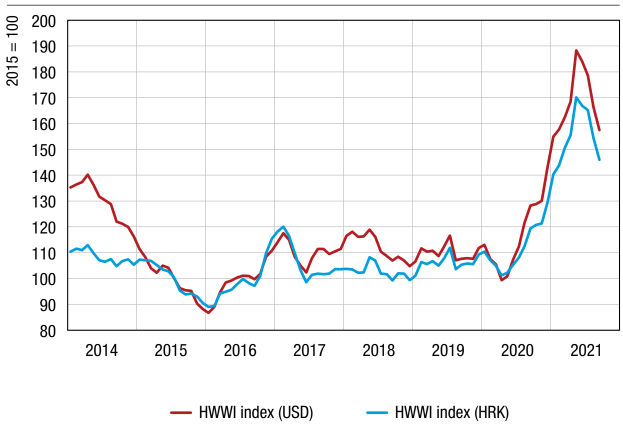
Figure 22 Daily nominal exchange rate – HRK vs. EUR, USD and CHF

CNB midpoint exchange rate



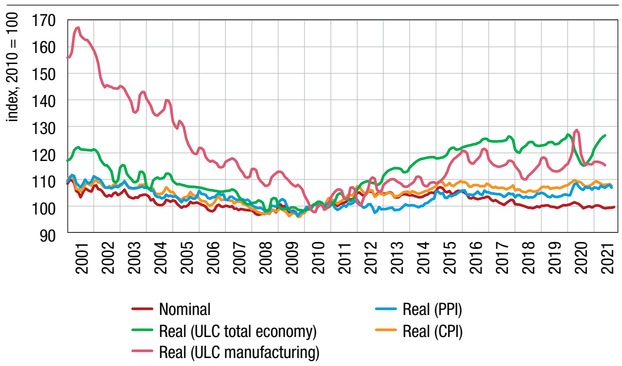
Source: CNB.

Figure 21 HWWI index (excl. energy)



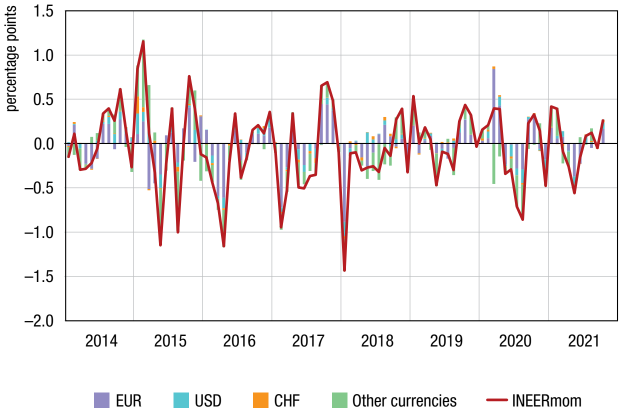
Sources: HWWI and CNB calculations.

Figure 23 Nominal and real effective exchange rates of the kuna



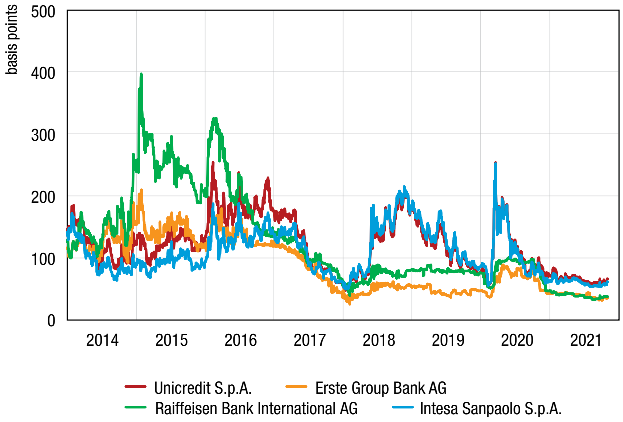
Notes: The real effective exchange rate of the kuna deflated by producer prices includes the Croatian index of industrial producer prices on the total market. The unit labour cost is calculated as the ratio between compensation per employee and labour productivity (defined as GDP per person employed), 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)



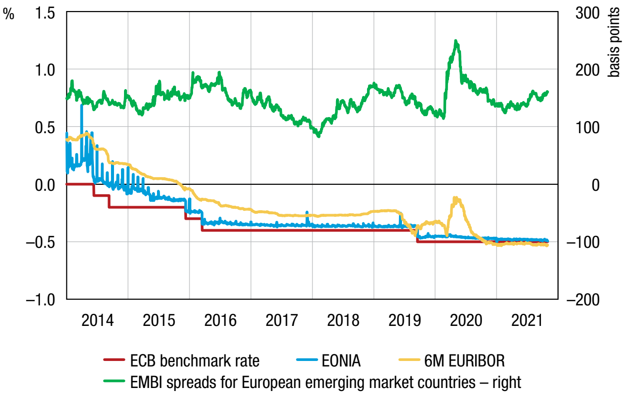
[a] Negative values indicate contributions to the appreciation of the INEER.
Source: CNB.

Figure 27 CDS spreads for selected parent banks of domestic banks



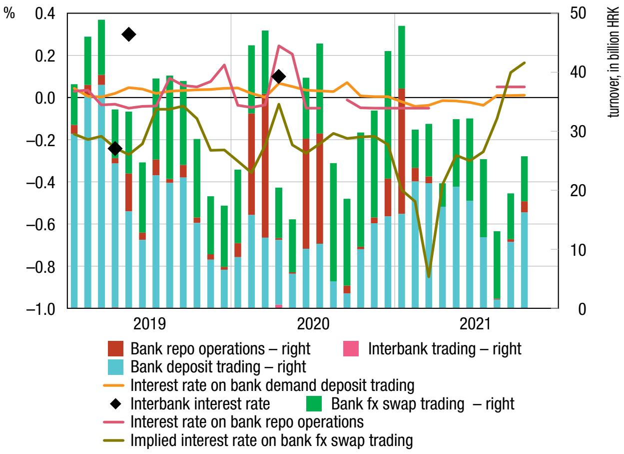
Source: S&P Capital IQ.

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



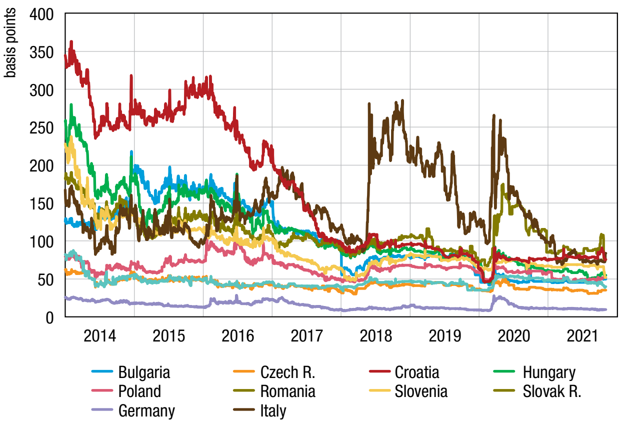
Note: EMBI, or the Emerging Market Bond Index, shows the spread between yields on government securities of emerging market economies, Croatia included, and risk-free securities issued by developed countries.
Sources: ECB, Bloomberg and J.P. Morgan.

Figure 28 Overnight interest rates and turnovers



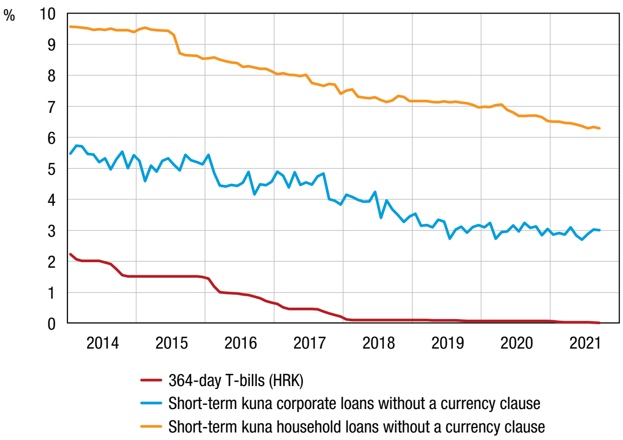
Source: CNB.

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



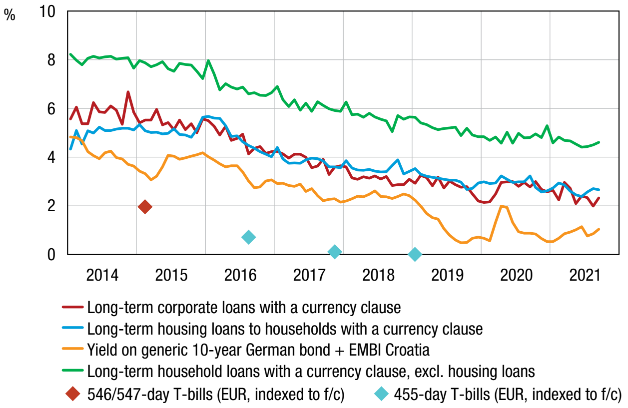
Note: Credit default swaps (CDS) spread is an annual premium that a CDS buyer pays for protection against credit risk associated with the issuer of an instrument.
Source: S&P Capital IQ.

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



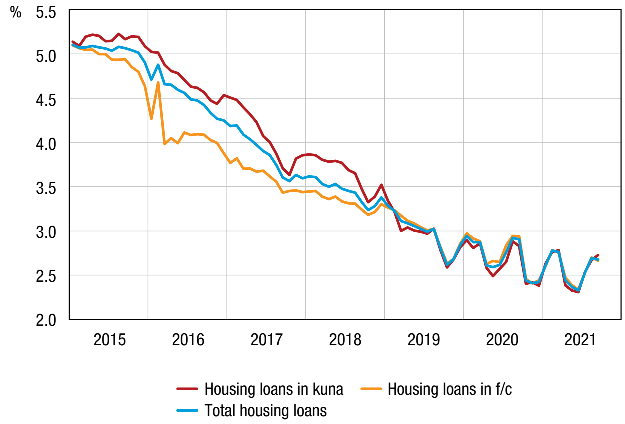
Sources: MoF and CNB.

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



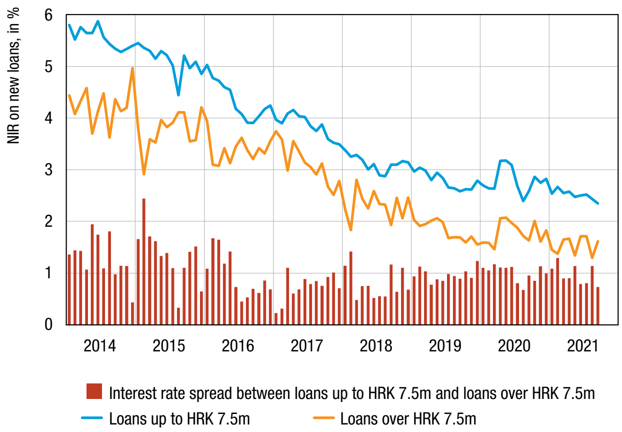
Note: EMBI, or the Emerging Market Bond Index, issued by developed countries, shows the spread between yields on government securities of emerging market economies, Croatia included, and risk-free securities of developed countries.
Sources: MoF, Bloomberg and CNB.

Figure 33 Interest rates on pure new housing loans to households



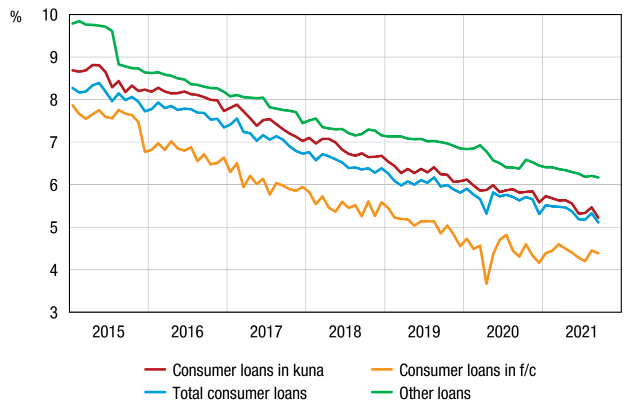
Source: CNB.

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



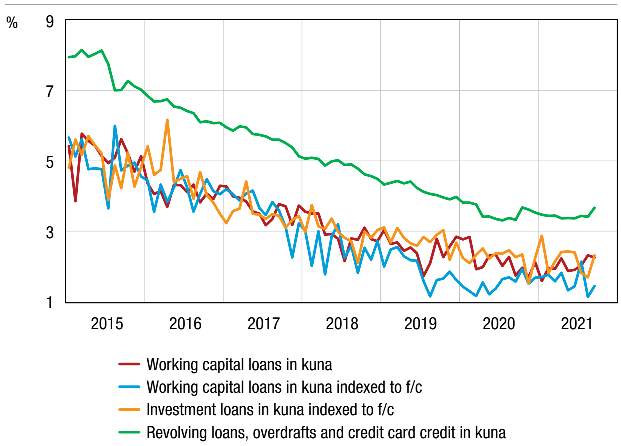
Source: CNB.

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



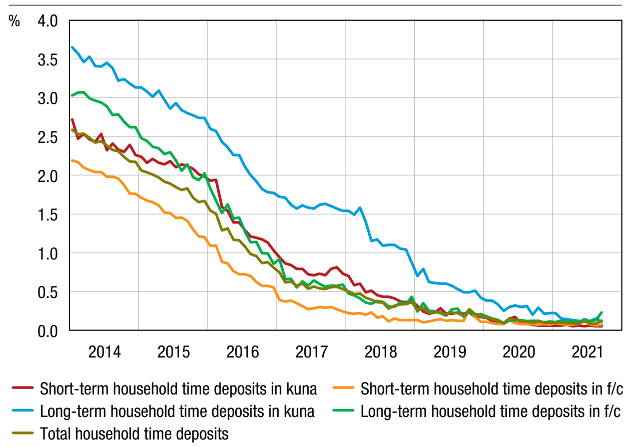
Notes: Consumer loans include total loans to households excl. housing and other loans. Other loans to households (denominated almost exclusively in kuna) include credit card loans, overdrafts, revolving loans and receivables on charge cards.
Source: CNB.

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



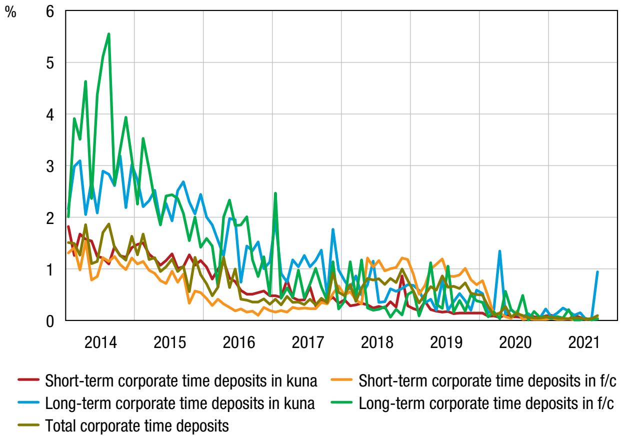
Source: CNB.

Figure 35 Interest rates on household time deposits



Source: CNB.

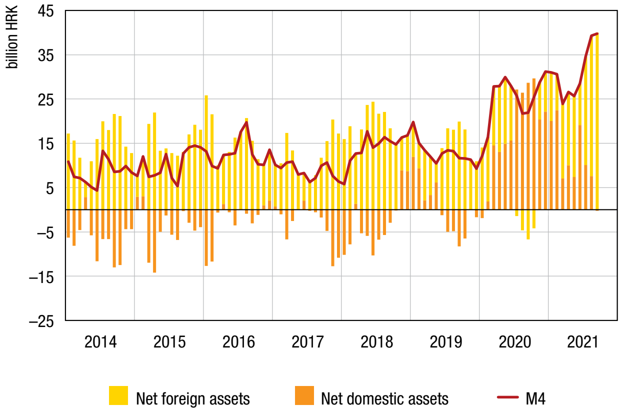
Figure 36 Interest rates on corporate time deposits



Source: CNB.

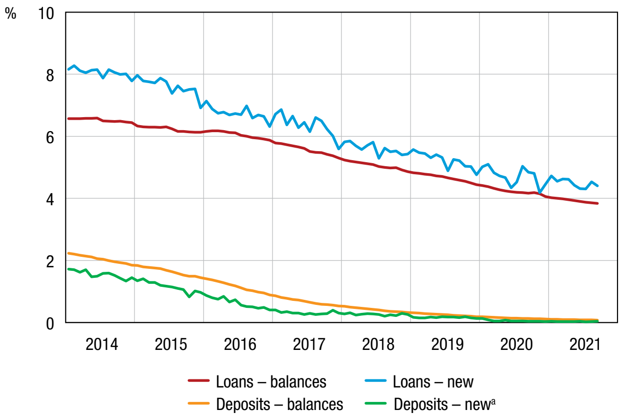
Figure 39 Net foreign assets, net domestic assets and total liquid assets (M4)

absolute change in the last 12 months



Source: CNB.

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

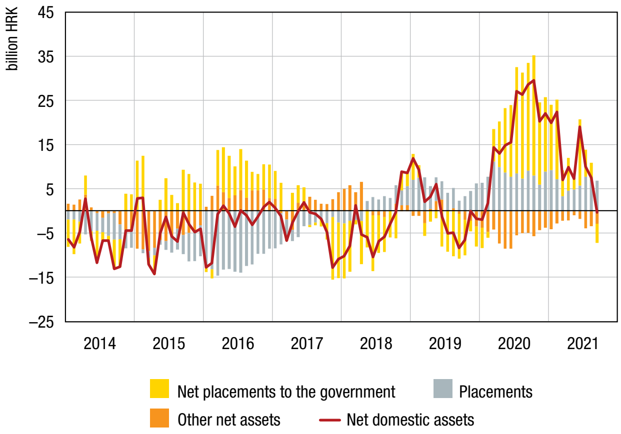


[a] For time deposits, interest rates on newly received deposits are weighted by their balances.

Source: CNB.

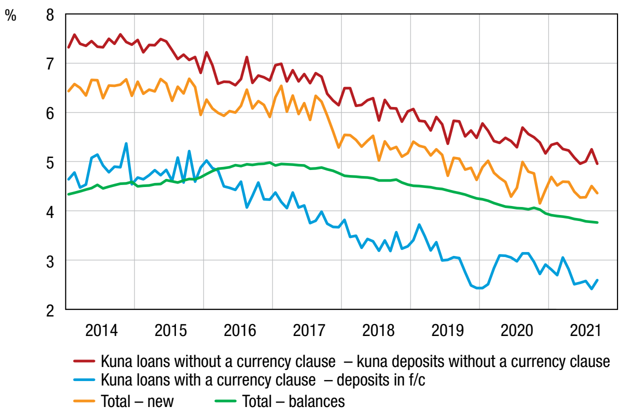
Figure 40 Net domestic assets, structure

absolute change in the last 12 months



Source: CNB.

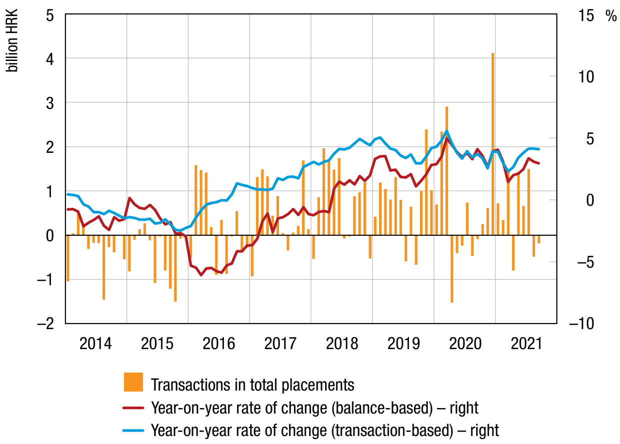
Figure 38 Spread between interest rates on loans (excl. revolving loans) and interest rates on deposits



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).

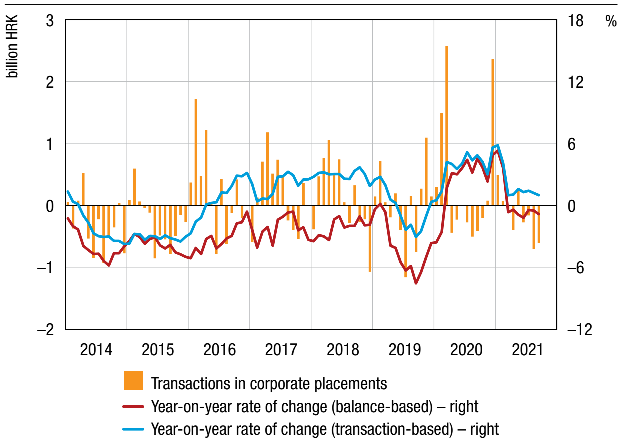
Source: CNB.

Figure 41 Placements



Source: CNB.

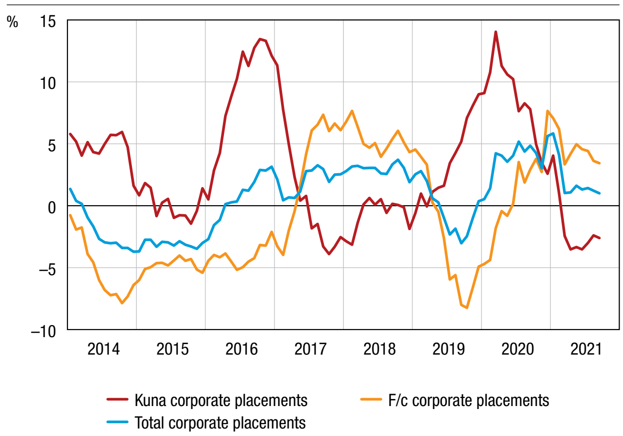
Figure 42 Placements to corporates



Source: CNB.

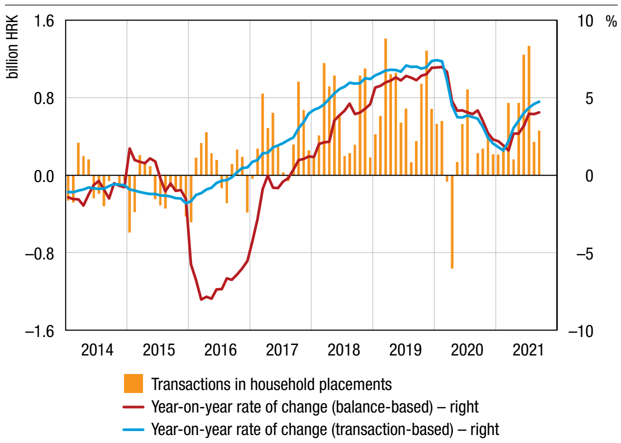
Figure 45 Annual rate of change in corporate placements

transaction-based



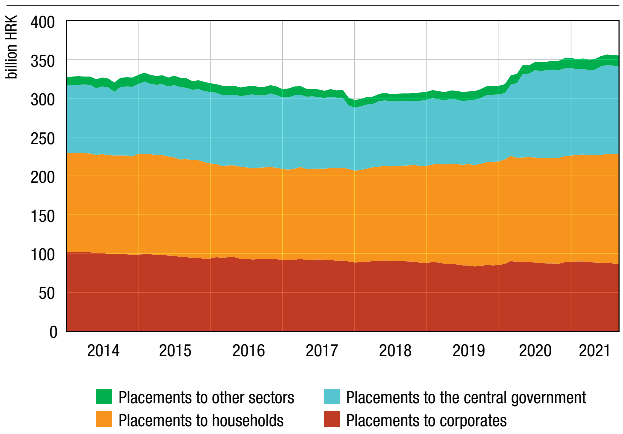
Source: CNB.

Figure 43 Placements to households



Source: CNB.

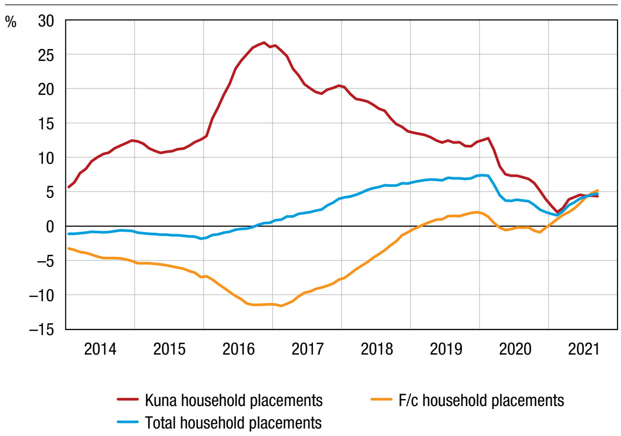
Figure 46 Structure of placements of monetary financial institutions



Source: CNB.

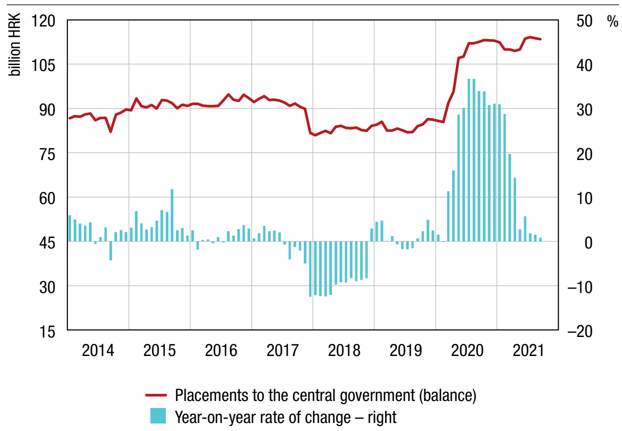
Figure 44 Annual rate of change in household placements

transaction-based



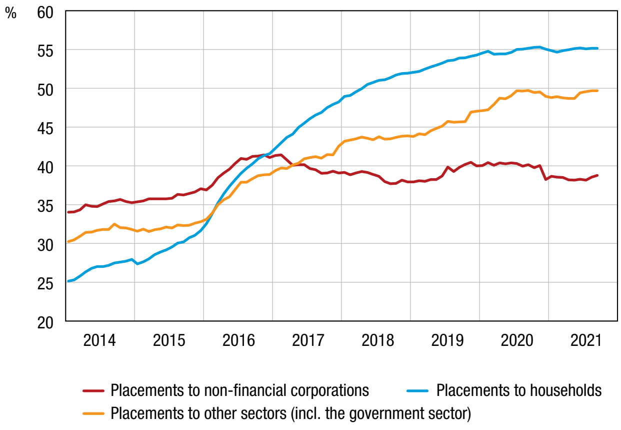
Source: CNB.

Figure 47 Placements of monetary financial institutions to the central government



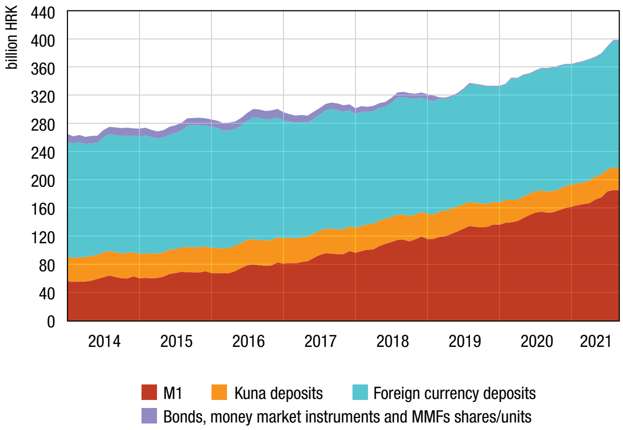
Source: CNB.

Figure 48 Share of kuna placements in total sector placements



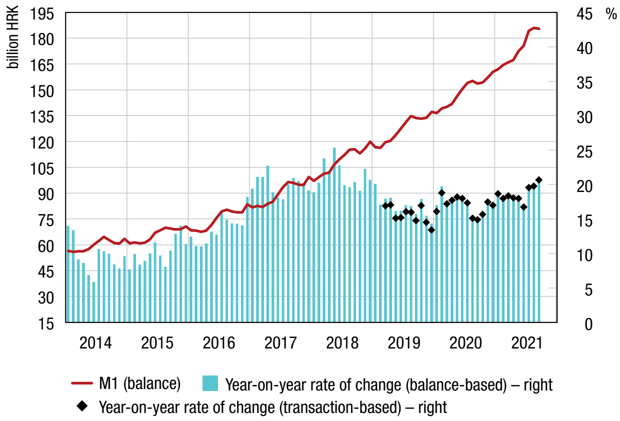
Source: CNB.

Figure 51 Structure of M4 monetary aggregate



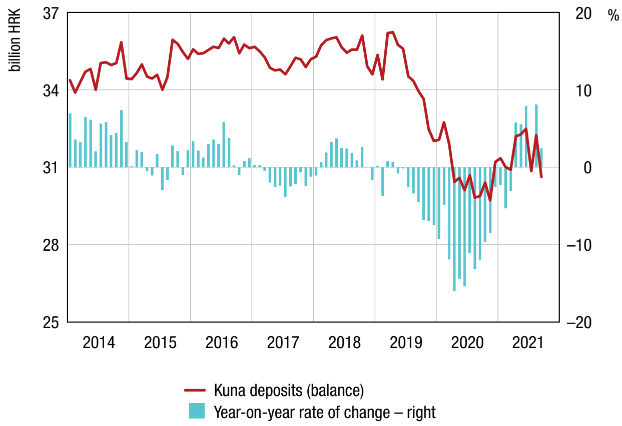
Source: CNB.

Figure 49 Money (M1)



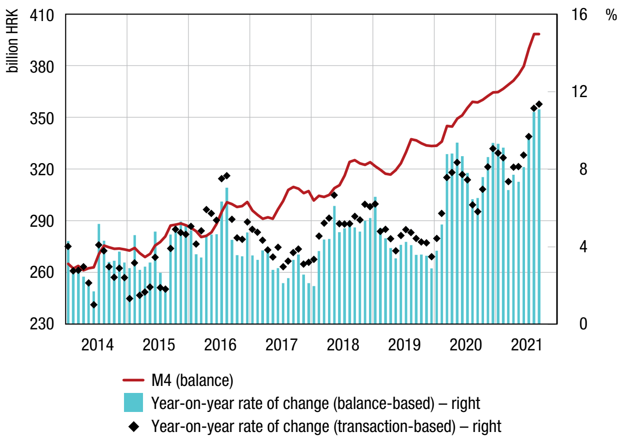
Note: From March 2019, the growth rate (transaction-based) excludes the effect of the reclassification of money market funds.
Source: CNB.

Figure 52 Kuna savings and time deposits



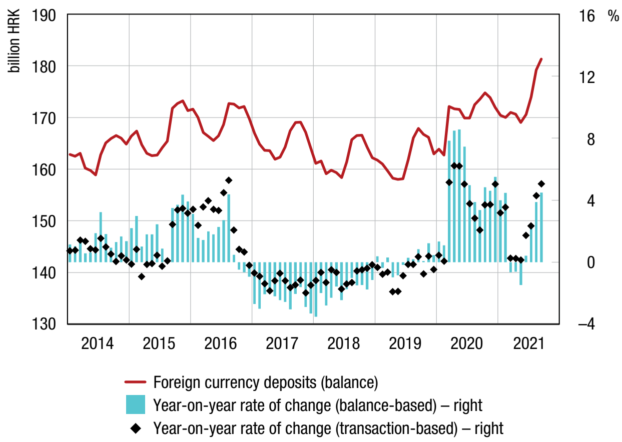
Source: CNB.

Figure 50 Total liquid assets (M4)



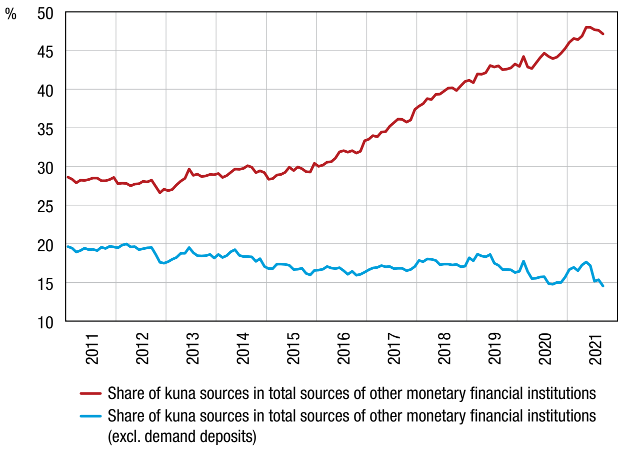
Source: CNB.

Figure 53 Foreign currency deposits



Source: CNB.

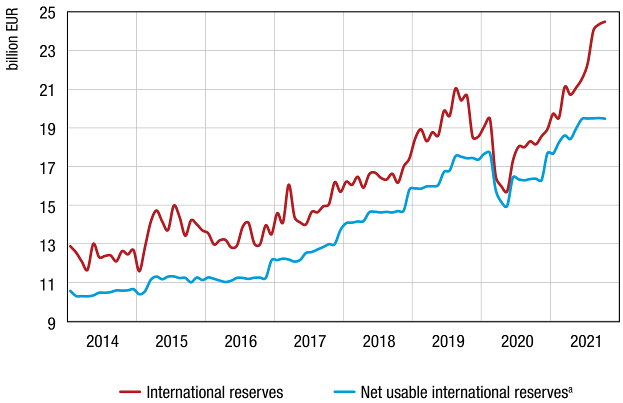
Figure 54 Share of kuna sources



Source: CNB.

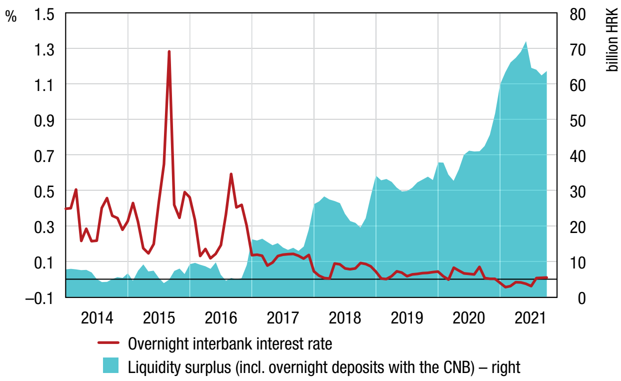
Figure 57 International reserves of the CNB

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.

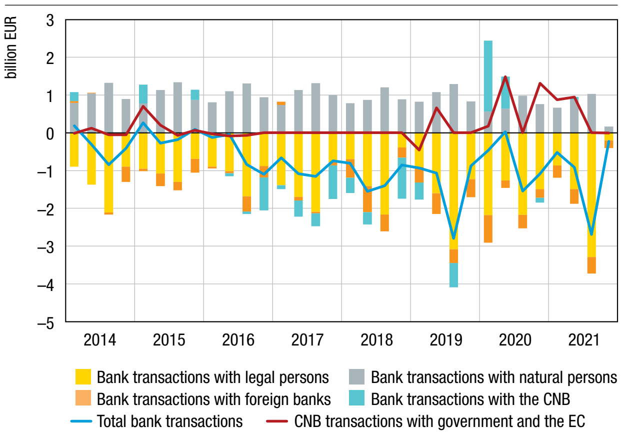
Table 2 Balance of payments

preliminary data, in million EUR

	2020	Q2/2021[a]	Indices	
			2020/ 2019	Q2/2021[a]/ 2020
Current account	–53.8	–326.5	–3.2	607.5
Capital account	1074.4	1175.3	120.8	109.4
Financial account (excl. reserves)	19.1	–3601.9	1.3	–
International reserves	603.5	4551.7	61.0	754.3
Net errors and omissions	–398.1	101.0	295.9	–

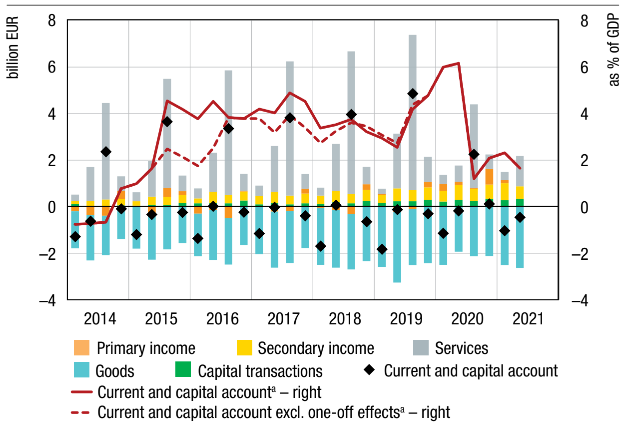
[a] Refers to the sum of the last four quarters.
Source: CNB.

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



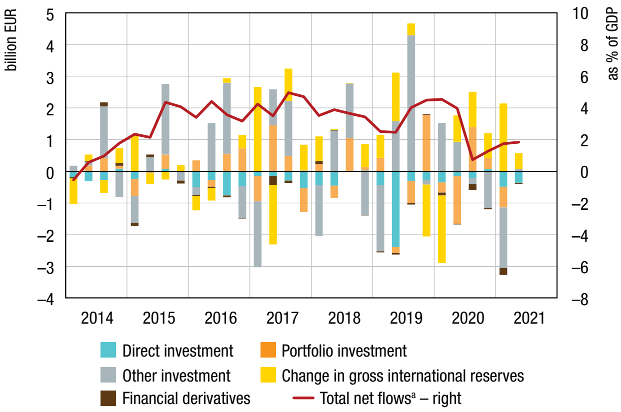
Notes: Positive values indicate net purchases and negative values indicate net sales. Legal persons include the government. Data for the fourth quarter refer to October.
Source: CNB.

Figure 58 Current and capital account flows



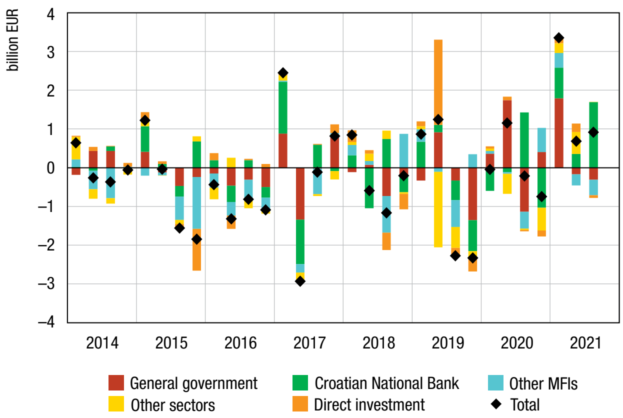
[a] Sum of the last four quarters.
Note: One-off effects include conversion of CHF-linked loans in 2015 and bank provisions for loans to the Agrokor Group in 2017 and 2018.
Source: CNB.

Figure 59 Financial account flows by type of investment



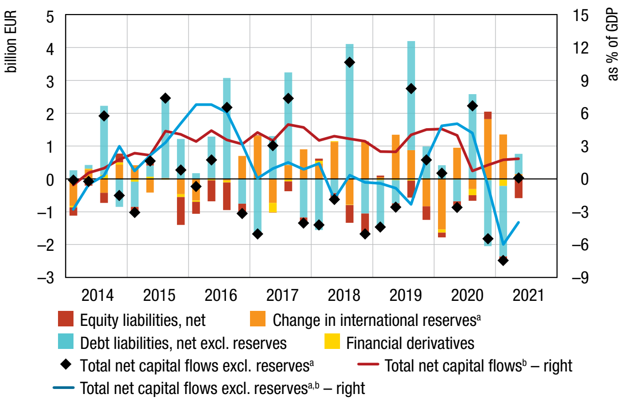
[a] Sum of the last four quarters.
Note: A positive value indicates net outflow of equity abroad (including on the basis of the growth in international reserves).
Source: CNB.

Figure 62 Gross external debt transactions



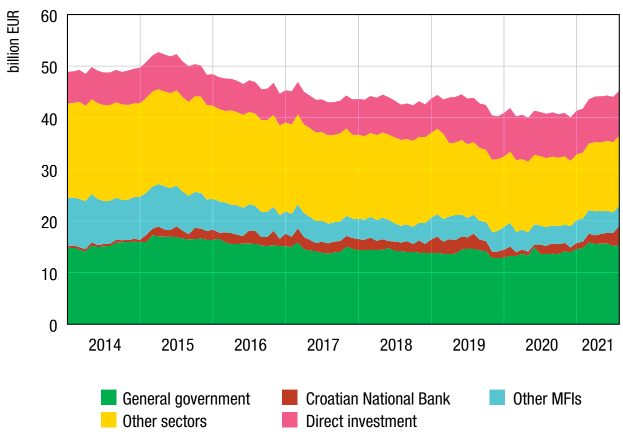
Notes: Transactions refer to the change in debt excl. cross-currency changes and other adjustments. Data for the third quarter of 2021 refer to July and August.
Source: CNB.

Figure 60 Financial account flows by equity to debt ratio



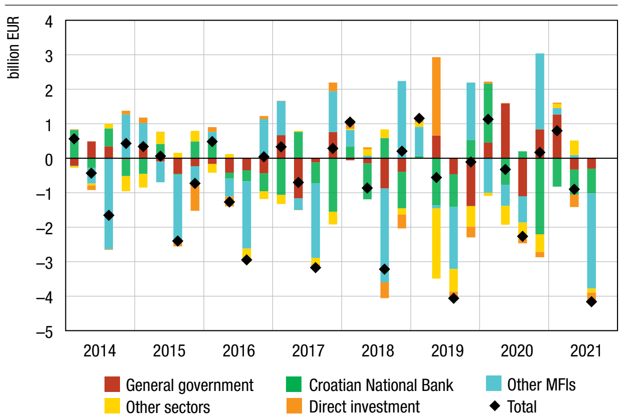
[a] The change in gross international reserves is reported net of foreign liabilities of the CNB. [b] Sum of the last four quarters.
Notes: A positive value indicates net outflow of equity abroad. Net flows represent the difference between the change in assets and the change in liabilities.
Source: CNB.

Figure 63 Gross external debt
end of period



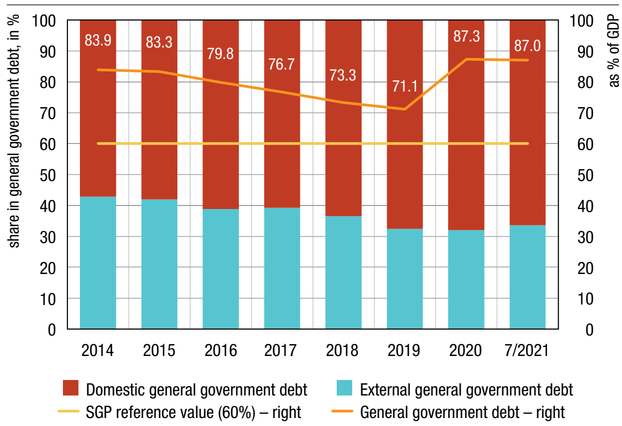
Note: Data are up to August 2021.
Source: CNB.

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 third quarter of 2021 refer to July and August.
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.–Jun. 2020	Jan.–Jun. 2021
Total revenue	**82,566**	**93,841**
Direct taxes	11,964	11,554
Indirect taxes	31,874	37,491
Social contributions	21,883	24,108
Other	16,845	20,687
Total expenditure	**97,762**	**103,111**
Social benefits	31,322	33,452
Subsidies	9,134	6,450
Interest	3,795	3,497
Compensation of employees	24,942	26,444
Intermediate consumption	14,942	15,967
Investment	7,506	9,311
Other	6,121	7,990
Net lending (+)/borrowing (–)	**–15,196**	**–9,270**

Sources: Eurostat and CBS.

Table 4 State budget

according to the national budgetary chart of accounts methodology, in million HRK

	Jan.–Aug. 2020	Jan.–Aug. 2021
1 Revenue	85,448	99,416
2 Disposal of non-financial assets	378	255
3 Expenditure	98,236	107,097
4 Acquisition of non-financial assets	2,834	2,909
5 Net lending (+)/borrowing (–)(1+2–3–4)	–15,245	–10,335

Sources: MoF and CNB calculations.

Table 5 General government debt

in million HRK

	Jul. 2020	Jul. 2021
Change in total debt stock	32,049	4,719
Change in domestic debt stock	22,255	–8,446
– Cash and deposits	43	–342
– Securities other than shares, short-term	5,961	–1,486
– Securities other than shares, long-term	10,662	–7,756
– Short-term loans	2,514	–278
– Long-term loans	5,925	1,324
Change in external debt stock	9,794	13,164
– Cash and deposits	0	0
– Securities other than shares, short-term	0	1,487
– Securities other than shares, long-term	7,941	7,943
– Short-term loans	0	–29
– Long-term loans	1,853	3,763
Memo item:		
Change in total guarantees issued	371	787

Note: Change in the domestic debt of general government = (change in individual categories – consolidation elements).
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
∅ – average
a, b, c,... – indicates a note beneath the table and figure
* – corrected data
( ) – incomplete or insufficiently verified data