



HNB

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**Announcement on maintaining the announced countercyclical buffer rate
for the Republic of Croatia at 1.5%**

As bank lending continues to increase and residential real estate prices show visible signs of stabilising at high levels, the domestic financial cycle remains in a mature phase of expansion, which is characterised by an elevated level of accumulated systemic vulnerabilities. As a result, the Croatian National Bank has estimated that the countercyclical buffer rate of 1.5% announced in June 2023 remains appropriate for preserving banking system resilience to a possible systemic risk materialisation or sudden shocks. Relevant information pursuant to Articles 119 and 123 of the Credit Institutions Act is given below.

Specific credit gap indicators for the Republic of Croatia (Figure 1) and the composite indicator of the cyclical systemic risk (Figure 2), which comprises a larger group of indicators connected with developments in the financial cycle, remained elevated in the third quarter of 2023 (Table 1). Household lending continued to accelerate, with total loans to households in January rising by 10.4% on an annual level (transaction-based). Housing loans recorded a further sharp increase, with their annual growth rate standing at 10.5% in January, while the annual growth rate of general-purpose cash loans accelerated further to 12.2%. Lending to non-financial corporations remains subdued and the slowdown in the annual growth rate of these loans to 3.4% in January largely reflects the repayment of a large syndicated loan by a company from the energy sector. The residential real estate market, while recording a fall in activity, showed signs of price stabilisation, with its quarterly growth rate standing close to zero and its annual growth rate decelerating for the third consecutive quarter, standing at 10.9% at the end of September 2023.

Against such a background, the CNB will continue to pursue a macroprudential policy aimed at preserving banking system resilience. The announced countercyclical buffer rate will thus remain unchanged at the level of 1.5% effective of 30 June 2024 and until then the rate of 1% will apply. As the designated macroprudential body, the CNB will continue to monitor regularly the evolution of cyclical systemic risks against the backdrop of domestic and global economic and financial developments, so as to be able to timely adjust, if needed, the countercyclical buffer rate.

Table 1 Indicators of cyclical systemic risk and the associated benchmark countercyclical buffer rates for the third quarter of 2023

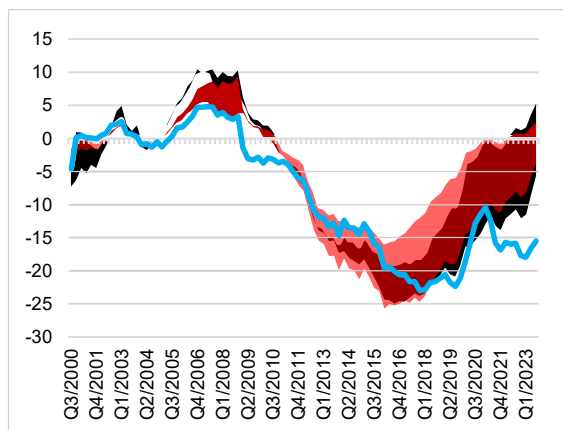
Indicator	Ratio/indicator value	Credit gap (deviation from the long-term trend)	Benchmark CCyB rate
Standardised (Basel) credit-to-GDP ratio	63.1%	-15.5 p.p.	0%
Specific credit-to-GDP ratio (absolute gap)	48.2% (narrow) and 63.1% (broad)	-3.8 p.p. to 2.4 p.p.	0% to 1.51%
Specific credit-to-GDP ratio (relative gap)		-5.6% to 5.2%	0% to 1.37%
Composite indicator	0.13 (62nd percentile of distribution)	/	0.78% to 1.08%

Notes: Specific ratio values differ depending on the definition of credit (48.2% for a narrow definition of credit, which includes only domestic bank credit, and 63.1% for a broad definition). Differences in gap values arise from different definitions of gap (absolute gap is calculated as the difference while the relative gap is calculated as the ratio of the following variables: the credit-to-GDP ratio and its trend) and estimated statistical trends.

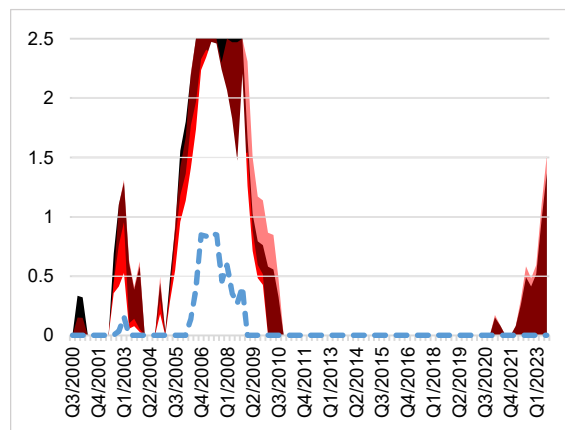
Source: CNB.

Figure 1 Range of credit gap indicators and affiliated benchmark CCyB rates

1.a Credit gap (% and p.p.)



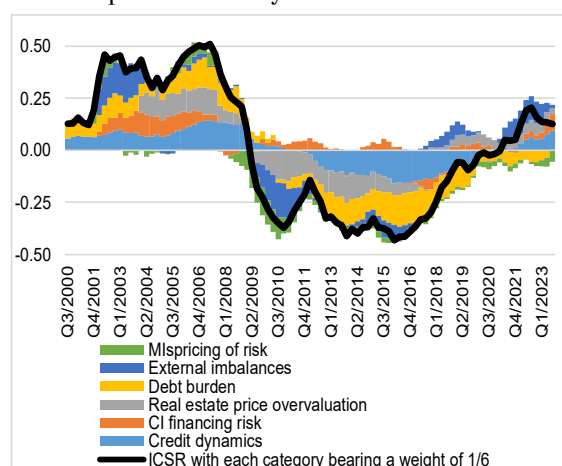
1.b Benchmark CCyB rates



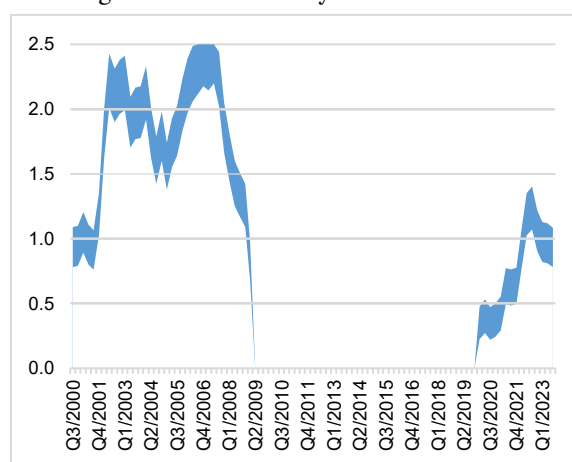
Notes: The left panel shows the Basel gap (blue curve) and the range of 12 credit gap indicators which have better signalling properties for the Republic of Croatia than the Basel gap. The red shaded areas indicate the range of absolute gaps, while the black shaded areas indicate relative gaps. The right panel shows the range of CCyB rates calibrated on the basis of the gaps in the left panel. The blue dashed curve indicates the calibration based on the Basel gap given in the left panel. For details on the methodology used to estimate credit gaps, see [Box 2](#) Improvements in the methodology of countercyclical buffer identification and calibration in Croatia, Macroprudential Diagnostics No. 16

Figure 2 Composite indicator of the cyclical systemic risk (ICSR) and the affiliated range of benchmark CCyB rates

2.a Composition and dynamics of ICSR



2.b Range of calibrated CCyB rates



Notes: CI indicates credit institutions. The lower threshold for the calibration of the CCyB rate has been chosen to enable the rate to become positive before indicators included in ICSR calculation (Figure 2.a) reach median level, while the upper threshold is determined by the highest percentiles of ICSR distribution.

Source: CNB.