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31/03/2025

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

The domestic financial cycle remains in an expansionary phase, reflecting strong bank lending activity and a protracted rise in residential real estate prices. Since the level of accumulated cyclical vulnerabilities remains elevated, the Croatian National Bank has assessed that the countercyclical buffer rate of 1.5% continues to be appropriate for maintaining banking system resilience to a possible cyclical systemic risk materialisation or sudden shocks. Relevant information in compliance with Articles 119 and 123 of the Credit Institutions Act is given below.

The indicators of the specific credit gap for the Republic of Croatia (Figure 1) and the composite indicator of cyclical systemic risk (Figure 2), combining a larger group of indicators associated with the developments in the financial cycle, remained elevated in the third quarter of 2024 (Table 1). Household loans have continued to grow sharply, at an annual growth rate of 12.3% in January 2025 (transaction-based). Growth continued to be particularly pronounced in the segment of general-purpose cash loans, which grew by 15.9% on an annual level in January 2025, while housing loans continued to trend up at elevated but stable rates, with their annual growth rate standing at 9.4%. Growth of corporate loans also accelerated in January (the annual growth rate reached 11.6%), with a syndicated loan to one large enterprise accounting for the largest share of this growth. Domestic housing market prices continued to grow at a faster pace than in most EU member states. Their annual rate of growth accelerated from an average of 9.6% in the first half of the year to 12.3% in the third quarter of 2024, mostly reflecting the base effect due to a stagnation of real estate prices in the third quarter of 2023.

The CNB will continue to monitor regularly the evolution of cyclical systemic risks against the backdrop of domestic and global economic and financial developments and to pursue a macroprudential policy aimed at maintaining banking system resilience and reducing systemic risks. For now, the countercyclical buffer rate remains 1.5%; however, any further deterioration of cyclical vulnerabilities in a favourable macrofinancial environment might call for the buffer's increase. Taking into account other macroprudential policy instruments, including the announced consumer lending criteria restrictions, the CNB will, as appropriate, make a timely adjustment of the countercyclical buffer rate so as to achieve the optimum combination of measures with regard to the systemic risks to financial system stability.

Table 1 Indicators of cyclical systemic risk and the associated benchmark countercyclical buffer rates for Q3/2024

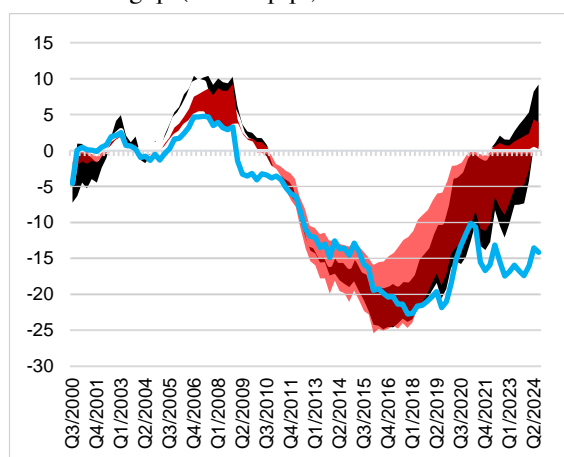
Indicator	Ratio/indicator value	Credit gap (deviation from the long-term trend)	Benchmark CCyB rate
Standardised (Basel) credit-to-GDP ratio	59.9% ↓	-14.2 p.p. ↓	0%
Specific credit-to-GDP ratio (absolute gap)	46.1% ↓ (narrow) and 59.9% ↓ (broad)	0.1 p.p. ↓ to 3.9 p.p. ↑	0.03% to 2.38% ↑
Specific credit-to-GDP ratio (relative gap)		0.2% ↓ to 9.2% ↑	0.06% to 2.32% ↓
Composite indicator	0.16 → (66th percentile of distribution)	/	0.90% to 1.21% →

Notes: Specific ratio values differ depending on the definition of credit (46.1% for a narrow definition of credit, which includes only domestic bank credit, and 59.9% 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. The arrows indicate the direction of the change in relation to the value of indicators and benchmark rates from the previous quarter.

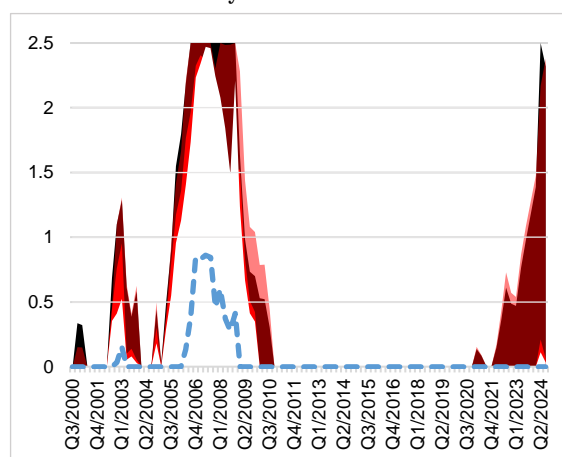
Source: CNB.

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

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



1.b Benchmark CCyB rates

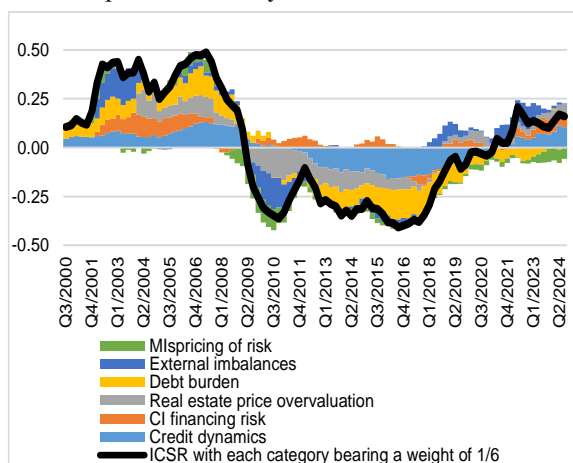


Notes: The left panel shows the Basel gap (blue curve) and the range of 12 credit gap indicators which have better signalling properties for the Republic of Croatia than the Basel gap. The red shaded areas indicate the range of absolute gaps, while the black shaded areas indicate relative gaps. The right 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, Macprudential Diagnostics No. 16.

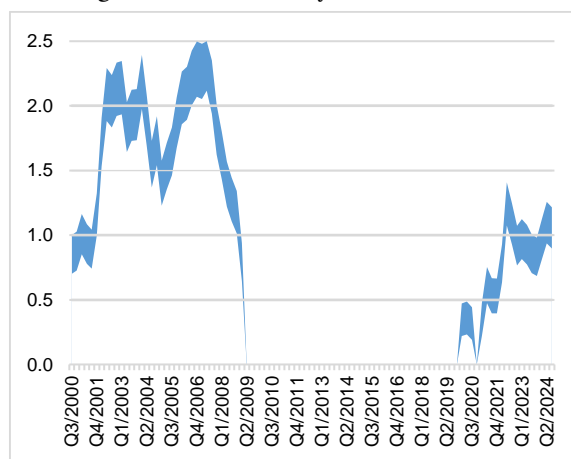
Source: CNB.

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.