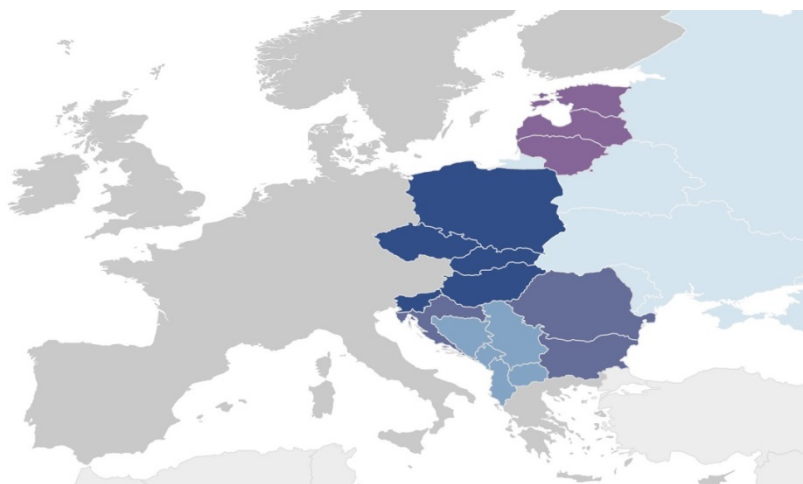


Financialization of the state in Croatia: a preliminary analysis

Marek Mikuš

2019

Version: Final



© **GEOFIN research**

Trinity College Dublin, the University of Dublin, Dublin, Ireland

<https://geofinresearch.eu/>



Trinity College Dublin
Coláiste na Tríonóide, Baile Átha Cliath
The University of Dublin

GEOFIN Working Paper No. 5

Financialization of the state in Croatia: a preliminary analysis

Marek Mikuš

Abstract:

This working paper offers a brief preliminary analysis of the financialization of the state in Croatia based on the analysis of secondary quantitative data and relevant literature. In general, Croatia tended to follow the dominant patterns and trends of financialization in East-Central Europe (ECE) but with the levels of multiple indicators of state financialization well above the regional average. This refers in particular to high levels and high-risk forms of sovereign public debt. The paper situates this development in the wider peripheral financialization of the Croatian political economy, characterized by the dependence on capital inflows promoting debt, consumption and imports, macroeconomic asymmetries, and marked vulnerability to external shocks due to the openness of the economy, the lack of independent monetary policy, and the dominance of foreign financial capital.

Keywords: Croatia; financialization; the state

Word count: 2,770 words (6,069 including bibliography and statistical annex)

JEL classification: E50, E60, F30, F40, F65, H50, H63

Contact:

Marek Mikuš, GEOFIN research, Trinity College Dublin (currently at the Max Planck Institute for Social Anthropology, Halle), email: mikus@eth.mpg.de* / geofin@tcd.ie

*corresponding author

Date: 2019

Version: Final

Document status: For public release.

Acknowledgements:

This project has received funding from the European Research Council (ERC) Consolidator Grant under the European Union's Horizon 2020 research and innovation programme (Grant agreement No. 683197).

How to cite:

Mikuš, M. (2019) Financialization of the state in Croatia: a preliminary analysis. *GEOFIN Working Paper No. 5*. Dublin: GEOFIN research, Trinity College Dublin. Available on-line at: <https://geofinresearch.eu/outputs/working-papers/>

Contents

1. Introduction	5
2. Analysis of secondary quantitative data: a summary	5
3. Peripheral financialization and state financialization in Croatia	7
4. Conclusions	10
References	12
Statistical Annex	14
Table 1. Monetary policy indicators, 1995–2017	14
Table 2. Public debt indicators, 1995–2017	16
Table 3. State ownership of financial assets, 1998–2017	18
Table 4. Funded pensions and net FDI positions with offshore centres, 2001–17	20
Figure 1. Deutsche Mark/euro – Croatian kuna exchange rate, 1992–2010	21

1. Introduction

The objective of this paper is to provide a brief preliminary analysis of the financialization of the state in Croatia on the basis of the analysis of secondary quantitative data and relevant literature. The first section summarizes findings on state financialization in Croatia obtained by the analysis of secondary quantitative data on eleven East-Central European member states of the EU (ECE-11) and presented in full in GEOFIN Working Paper No. 4 (Mikuš 2019b). Here I highlight the key features of state financialization emerging from the data and compare the latter to the corresponding indicators for the remaining ECE-11 countries as well as the fifteen EU member states before the enlargement of 2004 (EU-15). Overall, Croatia tended to follow the dominant patterns and trends in the ECE-11 region but with levels of multiple indicators of state financialization well above the regional average, as a result of which it was included in a subset of ECE-11 countries recommended for a deeper analysis (Mikuš 2019b: 36). The second section offers a more qualitative and historical account of the key characteristics and tendencies of peripheral financialization in Croatia and the role of the state therein. Throughout the paper, references are made to theoretical and methodological frameworks, literature analysis, and analysis of secondary quantitative data presented in two earlier GEOFIN Working Papers Nos. 4 and 3 (Mikuš 2019b, 2019c). The present Working Paper No. 5 needs to be read in conjunction with these earlier papers.

2. Analysis of secondary quantitative data: a summary

Table 1 compiles direct and indirect indicators of cross-border capital inflows and a monetary policy regime supportive of the latter, based on the model of peripheral financialization in postsocialist Eastern Europe developed in the literature (see Mikuš 2019c: 14–19). Between 1995 and 2017, Croatia has indeed received sizeable capital inflows – its average financial account deficit was actually the deepest in ECE-11. Croatia posted substantial financial account deficits already in the 1990s and continued to do so during the credit boom of the 2000s; only the three Baltic states, Bulgaria and Romania recorded larger deficits. In line with the regional boom-and-bust cycle, Croatia switched to financial account surpluses after the financial crisis. However, unlike in the above five countries and Hungary, net outflows occurred only after five years of gradually decreasing deficits, suggesting a less sudden capital flow reversal. Current account dynamics likewise followed the regional trend of large deficits before the crisis and moderate deficits or surpluses afterwards.

Data on most indicators of foreign exchange (FX) carry trade – daily FX market turnover, share of derivatives in total transactions, and share of short-term FX derivatives –

were not publicly available for Croatia.¹ However, we may note that official international reserves have been growing nearly continuously (with some larger increases for example in 1999–2000 and 2008–09) and reached the highest GDP share in the region by 2015 (Table 1). Such a build-up of international reserves has been linked to carry trade and peripheral financialization more broadly.

The remaining indicators of financialized monetary regimes compiled in Table 1 present mixed evidence. On the one hand, Croatia reduced price inflation dramatically, indicating disinflation and inflation targeting policies conducive to financialization. Croatia has done so even earlier and more successfully than other ECE-11 countries, moving from major hyperinflation to under 4% by 1995 and then maintaining inflation below 5% almost without interruptions. Real effective exchange rate has been growing during the credit boom and falling/stagnating after the crisis, again in line with the rest of ECE-11 and the model of peripheral financialization based on capital inflows. But the scale of the appreciation was smaller than in most ECE-11 countries – another indication that Croatia had created a stable monetary environment relatively early. On the other hand, in 2017, Croatia was one of the three ECE-11 countries with the lowest score of the financial openness index. However, this degree of external financial liberalization probably poses few obstacles to capital flows, considering that Poland (an EU member since 2004) has had an even lower score until 2014. There is no data on the use of collateral issued by the Croatian government in the European repo market, presumably because it was nil or insignificant.

Table 2 compiles indicators of public debt, which tends to operate as a particularly direct channel of state financialization. In general, Croatia shows signs of problematic levels and forms of sovereign indebtedness. Since 2013, its GDP share of government debt has been the highest in ECE-11 and close to the EU-15 average. The dynamics of sovereign debt measured as a GDP share was broadly in line with the regional trend: it oscillated in 1995–2000, grew moderately before the crisis and very fast in 2009–14. Since 2008, when data for Croatia begins, the average share of short-term debt (with residual maturity of one year or less) in sovereign debt was well above the regional average. In December 2017, the GDP share of debt service due in up to two years was the second highest in the region and exceeded even the EU-15 average. In recent years, the GDP share of interest payable on government debt has been the third highest in the region; unlike in most countries, it had been moderately growing even in the 2000s. Since 2008, when the time series starts, the

¹ The Bank for International Settlement (BIS) database contains no relevant data on Croatia while the Croatian National Bank (CNB) publishes only data on spot purchase and sale of foreign exchange in domestic foreign exchange market (confirmed by CNB Public Relations Department Chief Associate, personal communication, 13 March 2019).

share of FX debt in government debt has been the second highest in ECE-11, possibly partly accounting for the accumulation of international reserves. Unlike in most ECE-11 countries, the share of government debt held by non-residents stopped growing after 2000 and instead gradually dropped to the second lowest value in the region. However, the near-total foreign ownership of Croatian banks lessens the significance of this indicator. In 2014–17 (when the relevant data is available), the debts of Croatian local governments and social security funds represented insignificant GDP shares.

It appears that Croatia is subject to a relatively high level of pension system financialization, which is the only aspect of public service provision for which relevant secondary quantitative data were identified. The GDP share of assets of funded pension arrangements has been growing continually since 2002 when the time series starts. It reached 27% as of 2017, by far the highest value in the region, though still only a half of the EU-15 average (Table 4).

Only net FDI positions with offshore centres were identified as relevant secondary quantitative indicators of the financialization of regulation. Even this data is available for Croatia only since 2014 and reveals relatively small negative positions in this period (Table 4).

Croatia displayed signs of an above-average financialization of investment policy, though not uniformly instrument-wise. The relevant data is compiled in Table 3. Since 2008, when the time series starts, the GDP share of total government holdings of financial assets has been consistently above the regional average. Like in most ECE-11 countries, it has been mostly falling in the 2000s and growing in the 2010s, peaking at about 62% in 2015 – the second highest value in ECE-11 and well above the EU-15 average. Equity took up most of the holdings, standing at ca. 31% of GDP in 2015, the third highest value in the region. The GDP share of government holdings of other accounts receivable has been growing nearly continuously since 2013 and at 15% in 2017, it was by far the highest in the region. Croatia has also had the third highest average GDP share of government holdings of currency and deposits in 2002–17. Croatia was one of the four ECE-11 countries that recorded non-negligible (though still small) GDP shares of government holdings of financial derivatives at least in some years. However, the GDP share of government holdings of loans was below the group average and the one of debt securities nil or negligible.

3. Peripheral financialization and state financialization in Croatia

There is substantial literature on various aspects of financialization in Croatia, mostly by Croatian economists but also some sociologists and foreign scholars (e.g. Becker and

Ćetković 2015; Cvijanović and Kešeljević 2015; Ivanov 2011; Krnić and Radošević 2014; Radošević 2015; Mikuš 2019a; Rodik 2015, 2019; Rodik and Žitko 2015). However, so far scholars have not focused on the financialization of the state specifically. Review of the existing literature yields a general conclusion that the key dimensions of state financialization in Croatia have been developing in mutually reinforcing relationships with the wider peripheral financialization of the Croatian political economy, and that its dynamics are closely related to the boom-and-bust cycle the latter entrenched.

Building blocks of Croatia's current monetary and financial system were laid down in the first decade of postsocialist transition. After its declaration of independence in 1991, Croatia's initial monetary policy of maintaining a constant real effective exchange rate in an inflationary environment necessitated repeated devaluations of the nominal exchange rate, which fuelled inflation even more. In October 1993, the government reigned in hyperinflation by a stabilization programme based on pegging the Croatian kuna to the Deutschmark (Šonje and Škreb 1997: 220–221). Since then, the central bank has maintained an informal peg of the kuna to the Deutschmark and later the euro (see Fig. 1). This de facto fixed exchange rate has become a permanent disinflation tool, often described as a “nominal anchor” (*nominalno sidro*) of the monetary regime, guaranteeing price stability as the main objective of central bank policy (Ivanov 2011: 595; Krnić and Radošević 2014: 21–22). The persistently low inflation and gently appreciating real effective exchange rate noted above are direct effects of this policy.

Several critical economists argued that this policy amounted to a prioritization of an overvalued and rigid exchange rate (even at the cost of high domestic interest rates), which they identified as one of the main reasons for the peripheral financialization of the Croatian economy (Becker and Ćetković 2015; Ivanov 2011; Krnić and Radošević 2014; Radošević 2015). This process got fully under way only with large cross-border capital inflows in the 2000s, indicated by the large financial account deficits. Before this occurred, several other preconditions had to be met. The first was external financial liberalization initiated in the mid-1990s and resulting by the end of the decade in a regime with few limits on capital imports by banks (Babić 2002: 422–423; Radošević 2010). The second precondition was internal financial liberalization: in the 1990s, the central bank limited credit growth by high interest rates and reserve requirements, but the latter were reduced after the regime change in 1999 in the context of a stepped-up liberalization and internationalization (Ivanov 2011: 597–598). The third crucial precondition was the near-complete takeover of the Croatian banks by mainly Austrian, Italian and French banks in the late 1990s (Ćetković 2011: 8–10; Kraft et al. 2002: 2–3).

When all these preconditions had been in place, the banks proceeded to import large quantities of capital (mainly in the forms of loans and deposits) to profit from cross-border interest rate differentials. They channelled this liquidity mainly into lending to households, which they identified as more profitable and less risky than lending to companies, and as a side effect directed companies to direct foreign borrowing (Ćetković 2011: 13–14). Alongside privatization FDIs and tourism revenues, capital inflows contributed to large capital account surpluses (in nomenclature used here: financial account deficits), which compensated for current account deficits and buoyed an unsustainable growth model based on credit, imports, consumption and a major housing bubble (Ivanov 2011: 597–601). To prevent the kuna from an even larger appreciation, the central bank purchased foreign exchange from the banks and accumulated international reserves (see Table 1), conducting an ultimately pro-cyclical monetary policy despite relatively high reserve requirements (Ivanov 2011: 603, n. 25; Krnić and Radošević 2014: 14; cf. Kraft and Galac 2011: 5–6). Much of the household debt boom took place as FX lending, through which banks shifted their own exchange rate risk (stemming from their foreign borrowing) onto debtors (Mikuš 2019a; Rodik 2015, 2019; Rodik and Žitko 2015). The euroization of credits went hand in hand with a continued euroization of deposits: Croatia had inherited a high share of Deutschmark household deposits already at independence and households continued this practice in the 1990s and 2000s due to a lack of confidence in the kuna (Dvorsky et al. 2010: 88; Ivanov 2011: 596). This general euroization of the economy has largely reduced the kuna to a medium of exchange.

In addition to households, government borrowing was another major recipient of the capital inflows. Despite economic growth, government debt continued to grow in absolute numbers and for most of the time also as a share of GDP (some reduction occurred only in 2005–7) (see Table 2). In 1999–2003, direct foreign borrowing by the government grew rapidly. In 2003, a decision was made to rely more on domestic lenders, in particular the pension funds created a year earlier (Kraft and Galac 2011: 6). This explains much of the relatively high GDP share of funded pension arrangements compared to other ECE countries (Table 4) as well as the decline of the share of government debt held by non-residents after 2003 (Table 2). However, to the extent that the pension funds are owned by the foreign-owned banks, even this mode of government borrowing still indirectly stimulated capital inflows.

The global financial crisis, which resulted in a dramatic reductions of capital inflows across Eastern Europe (Radošević 2015: 161–163), revealed how peripheral financialization narrowed the room for manoeuvre for Croatia's monetary and fiscal policy. Constrained by the large vulnerabilities resulting from the large external and foreign exchange debt of all

sectors, the central bank implemented once again a pro-cyclical policy of defending the exchange rate (this time from depreciation) by increasing reserve requirements and implementing austerity policies of wage deflation and domestic demand reduction (Becker and Četković 2015: 78; Ivanov 2011: 602–603). However, the ensuing recession and fall in government revenues as well as insufficient fiscal consolidation resulted in the fast expansion of government debt in 2008–14 and the increase of debt service costs and the share of short-term debt (Table 2). After a five-year break, Croatia again started selling government bonds on international markets (Šimović and Batur 2017: 273). Also contributing to this process was the growth of interest payable on government debt, which reflected high government risk – CDS spreads on Croatian government bonds tended to be among the highest in Eastern Europe since the crisis (CNB 2017: 9). In addition to the high level of indebtedness and the macroeconomic imbalances, the dominance of FX debt in government debt (Table 2) and total debt of the economy has also contributed to the elevated government risk and ultimately a threat of entrapment in an unsustainable indebtedness (Radošević 2015: 161; Šimović and Batur 2017).

4. Conclusions

The analysis of secondary quantitative data has allowed a tentative identification of several dimensions of state financialization that are more advanced in Croatia than in most other ECE-11 countries. The most obvious and direct indicators are the relatively high levels of sovereign indebtedness and the higher incidence of high-risk forms of public debt. I argued that this development needs to be understood in the context of the wider peripheral financialization of the Croatian political economy, characterized by the dependence on capital inflows promoting debt, consumption and imports, macroeconomic asymmetries, and vulnerability to external shocks due to the openness of the economy, the lack of independent monetary policy and the dominance of foreign financial capital. This analysis indicates how the state may have been in some moments and some respects the subject rather than the object of financialization, but always under the constraints of the path-dependent trajectory shaped by its own policies and interventions. On the basis of these findings, we may conclude that the collection and analysis of primary data (mainly by the means of expert interviewing) in the next stage of this case study of state financialization in Croatia should be focused on: (a) verifying or rethinking the main features and tendencies identified so far; (b) adding detail and nuance to the existing arguments, including vital information on the relevant actors, their relations, modes of action, interests and motives, the intended and unintended outcomes of their actions etc.; (c) collecting data and interpretations of potential

aspects of (state) financialization for which we lack secondary data and/or relevant literature, such as FX trading or government holdings of financial assets.

References

- Babić, A. (2002) 'Liberalizacija kapitalnih i finansijskih transakcija u Hrvatskoj', *Ekonomski pregled*, 53 (5-6): 419–449.
- Becker, J., and P. Četković (2015) 'Patterns of financialisation in Southeast European and Visegrád countries', in: D. Radošević and V. Cvijanović (eds.) *Financialisation and financial crisis in South-Eastern European countries*, Frankfurt am Main: Peter Lang, pp. 71–90.
- Četković, P. (2011) 'Credit growth and instability in Balkan countries: the role of foreign banks'. Research on Money and Finance Discussion Paper 27.
- CNB (2017) 'Bulletin 235'. Zagreb: Croatian National Bank.
- Cvijanović, V., and A. Kešeljević (2015) 'Financialisation in Croatia and Slovenia', in: D. Radošević and V. Cvijanović (eds.) *Financialisation and financial crisis in South-Eastern European countries*, Frankfurt am Main: Peter Lang, pp. 171–184.
- Dvorsky, S., Scheiber, T., and H. Stix (2010) 'Real effects of crisis have reached CESEE households: euro survey shows dampened savings and changes in economic behavior', *Focus on European Economic Integration*, Q2/2010: 79–90.
- Ivanov, M. (2011) 'Zamke eksterne finansijske liberalizacije – pogled iz perspektive monetarnog sustava i modela privređivanja u Hrvatskoj', *Ekonomija* 18(3): 579–608.
- Kraft, E., and T. Galac (2011) 'Macroprudential regulation of credit booms and busts: the case of Croatia'. Policy Research Working Paper 5772. Washington, D.C.: World Bank.
- Kraft, E., Hofler, R., and J. Payne (2002) 'Privatization, foreign bank entry and bank efficiency in Croatia: a Fourier-flexible function stochastic cost analysis'. Working Paper 9. Zagreb: Croatian National Bank.
- Krnić, B., and D. Radošević (2014) 'Makroekonomske neravnoteže u hrvatskoj ekonomiji: dualitet između finansijskog i realnog sektora', *Ekonomski pregled*, 65(1): 3–34.
- Radošević, D. (2010) 'Strategija liberalizacije kapitalnih tokova Hrvatske s inozemstvom', *Ekonomski pregled* 61(12): 726–768.

- Radošević, D. (2015) 'Capital account mismanagement, deleveraging and unstable economy in the European Union periphery countries: the case of Croatia and Slovenia', in: D. Radošević and V. Cvijanović (eds.) *Financialisation and financial crisis in South-Eastern European countries*, Frankfurt am Main: Peter Lang, pp. 139–170.
- Mikuš, M. (2019a) 'Contesting household debt in Croatia: the double movement of financialization and the fetishism of money in Eastern European peripheries', *Dialectical Anthropology* 43(3): 295–315.
- Mikuš, M. (2019b) 'Financialization of the state in post-socialist East-Central Europe: analysis of secondary quantitative data'. *GEOFIN Working Paper No. 4*. Dublin: GEOFIN research, Trinity College Dublin. Available on-line at: <https://geofinresearch.eu/outputs/working-papers/>
- Mikuš, M. (2019c) 'Financialization of the state in post-socialist East-Central Europe: conceptualization and operationalization'. *GEOFIN Working Paper No. 3*. Dublin: GEOFIN research, Trinity College Dublin. Available on-line at: <https://geofinresearch.eu/outputs/working-papers/>
- Rodik, P. (2015) 'The impact of the Swiss franc loans crisis on Croatian households', in S. M. Değirmencioğlu and C. Walker (eds.) *Social and psychological dimensions of personal debt and the debt industry*, Basingstoke: Palgrave Macmillan, pp. 61–83.
- Rodik, P. (2019) *(Pre)zaduženi: Društveni aspekti zaduženosti kućanstava u Hrvatskoj*. Zagreb: Jesenski i Turk.
- Rodik, P. and M. Žitko (2015) 'Financialization, household debt and new vulnerabilities in post-socialist societies', in: D. Radošević and V. Cvijanović (eds.) *Financialisation and Financial Crisis in South-Eastern European Countries*, Frankfurt am Main: Peter Lang, pp. 49–70.
- Šimović, H. and A. Batur (2017) 'Fiskalna održivost i održivost javnog duga u Hrvatskoj', in: H. Blažić, M. Dimitrić and M. Pečarić (eds.) *Financije na prekretnici: Imamo li snage za iskorak?* Rijeka: Ekonomski fakultet Sveučilišta u Rijeci, pp. 271–287.
- Šonje, V. and M. Škreb (1997) 'Exchange rate and prices in a stabilization program: the case of Croatia', M. I. Blejer and M. Škreb (eds.) *Macroeconomic stabilization in transition economies*, Cambridge: Cambridge University Press, pp. 212–233.

Statistical Annex

Table 1. Monetary policy indicators, 1995–2017

indicator + country ↓ year →	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	avg.
FA/GDP - Croatia	-4.9	-7.9	-10.7	-5.9	-10.7	-5.8	-4	-7.6	-8.3	-7.3	-8.2	-9.7	-9.9	-11.6	-7.5	-3	-3.1	-1	-1	0.9	4.2	2.8	3.7	-5.1
FA/GDP - ECE-11	-2.5	-4.9	-4.4	-5.5	-5.8	-4.8	-3.7	-5.3	-5.3	-6.9	-7.2	-9.7	-11.3	-10.8	-0.7	-0.7	-1.1	0.6	1.6	1.8	3.2	2.1	1.8	-3.5
FA/GDP - EU-15	0.4	0.3	0.4	0	-0.6	-1.7	-0.9	0.3	0.3	1.7	1	0.3	-0.9	-2.6	-1.1	-0.8	-0.4	0.4	2.3	1.6	1.8	1	2.3	0.2
CA/GDP - Croatia	-5.8	-4	-10.4	-5.8	-6.4	-2.3	-3.1	-7.2	-6.1	-4.3	-5.3	-6.7	-7.3	-9.0	-5.3	-1.2	-0.8	-0.2	1.0	2.0	4.4	2.4	3.9	-3.4
CA/GDP - ECE-11	-2.5	-4.5	-4.4	-5.9	-5.7	-4.7	-4.9	-5.0	-6.0	-7.3	-7.0	-9.6	-11.3	-9.5	-1.6	-1.7	-2.1	-1.2	0.7	0.9	0.7	1.5	1.6	-3.9
CA/GDP - EU-15	1.8	1.5	1.8	1.2	0.9	0.5	0.6	1.1	0.8	1.4	0.5	0.3	-0.3	-1.1	-0.5	-0.2	0.3	1.3	2.2	2.1	2.3	1.9	3.0	1.0
ORA/GDP - Croatia	8.47	9.77	10.66	11.07	12.93	16.19	20.19	21.89	23.63	21.07	19.38	22.77	22.76	18.38	23.75	23.62	23.22	26.18	30.59	26.76	30.28	27.75	34.31	21.1
ORA/GDP - ECE-11	13.01	12.3	14.36	14.54	15.1	16.53	17.18	20.62	20.85	20.73	19.28	20.75	19.35	16.71	20.53	20.77	17.92	20.23	20.19	17.55	18.32	19.12	22.47	18.2
ORA/GDP - Germany	3.650	3.670	3.840	3.760	4.250	4.490	4.210	4.290	3.860	3.450	3.550	3.720	3.960	3.680	5.290	6.340	6.360	7.020	5.280	4.950	5.150	5.330	5.440	4.6
FCI - Croatia		-0.14	-0.14	-0.14	-0.14	-0.14	-0.14	-0.14	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07	1.07		0.67
FCI - ECE-11	-1.113	-0.033	0.134	0.157	0.157	0.29	0.534	0.8	1.16	1.374	1.491	1.792	1.885	1.862	1.839	1.792	1.745	-1.113	-1.113	-1.113	-1.113	-1.113		0.47
FCI - Germany	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36	2.36		2.36
CPI - Croatia	3.95	4.30	4.17	6.40	4.02	4.61	3.78	1.67	1.77	2.06	3.32	3.19	2.90	6.08	2.38	1.03	2.27	3.41	2.22	-0.22	-0.46	-1.10		2.81
CPI - ECE-11	25.51	27.06	118.33	13.93	8.63	10.27	8.21	5.05	3.82	5.00	3.95	4.20	5.29	8.18	2.74	2.23	3.79	3.42	1.66	0.03	-0.35	-0.22		11.85
CPI - EU-15	4.54	3.74	2.49	2.05	1.58	2.68	3.07	2.54	2.07	1.87	2.21	2.38	2.67	3.92	0.06	1.87	3.21	2.38	1.24	0.41	0.03	0.41		2.16
REER - Croatia (2010 = 100)	92.48	89.99	89.07	94.21	91.98	89.82	92.57	94.21	95.21	96.43	96.72	97.8	98.21	102.1	103.6	100	97.32	94.9	96.08	96.51	95.12	96.17	96.15	N/A
REER - ECE-11 (2010 = 100)	67.25	66.82	70.61	78.1	78.86	81.49	84.41	86.25	86.43	88.12	90.67	92.26	96.82	102.4	102	100	100.3	98.18	98.81	99.12	97.69	98.14	98.38	N/A
REER - EU-15 (2010 = 100)	102.6	102.2	99.51	100.3	99.89	99.06	96.12	97.89	102.5	103.9	102.4	102.1	103.1	103.3	103.1	100	100.4	98.31	99.67	100.1	96.81	97.08	97.23	N/A

Key:

FA/GDP = financial account balance as a share of GDP (%)

CA/GDP = current account balance as a share of GDP (%)

ORA/GDP = official international reserves as a share of GDP (%)

FCI = financial openness index

CPI = consumer price inflation, annual change (%)

REER = real effective exchange rate

Data sources:**1. Financial account:**

1.1. Data in normal font: Own calculations based on: 1. Eurostat. Financial account – annual, mil. national currency. Last updated 17 Jan 2018, extracted 19 Jan 2019.

<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&pcode=tipsbp18&language=en> and 2. Eurostat. Gross domestic product – annual, current prices, mil. national currency. Last updated 17 Jan 2019, extracted 19 Jan 2019. http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_10_gdp&lang=en

1.2. Data in italics: Own calculations based on: 3. International Monetary Fund (IMF). Balance of Payment Statistics. Net financial account – annual, mil. USD. Last updated 28 Nov 2018, extracted 19 Jan 2019. <http://api.worldbank.org/v2/en/indicator/BN.FIN.TOTL.CD?downloadformat=csv> and 4. World Bank (WB) and OECD national account data files. Gross domestic product – annual, current prices, mil. USD. Extracted 19 Jan 2019. <http://api.worldbank.org/v2/en/indicator/NY.GDP.MKTP.CD?downloadformat=csv>

2. Current account:

2.1. Data in normal font: 1. Eurostat. Current account balance as a share of GDP. Last updated on 11 Sep 2018, extracted on 29 Sep 2018.

http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=bop_gdp6_q&lang=en

2.2. Data in italics: 2. International Monetary Fund (IMF). World Economic Outlook October 2017. Current account balance as a share of GDP. Extracted on 29 Sep 2018.

https://www.imf.org/external/datamapper/BCA_NGDPD@WEO/OEMDC/ADVEC/WEOWORLD/HRV/CZE/LVA/LTU/POL/ROU/SVK

3. Official international reserves: Own calculations based on: 1. International Monetary Fund (IMF). International Financial Statistics. International reserves, official monetary assets, mil. USD dollars. Accessed at <http://data.imf.org/?sk=4C514D48-B6BA-49ED-8AB9-52B0C1A0179B&slid=1390030341854> on 9 Oct 2019 and 2. World Bank (WB) and OECD national account data files. Gross domestic product – annual, current prices, mil. USD. Extracted 9 Oct 2018. <http://api.worldbank.org/v2/en/indicator/NY.GDP.MKTP.CD?downloadformat=csv>

4. Financial openness index: Chinn-Ito Financial Openness Index. Last updated 7 Sep 2018. Accessed at http://web.pdx.edu/~ito/kaopen_2016.xls on 11 Oct 2018.

5. Consumer price inflation: International Monetary Fund (IMF). International Financial Statistics. Inflation, consumer prices (annual %). Accessed at <http://api.worldbank.org/v2/en/indicator/FP.CPI.TOTL.ZG?downloadformat=csv> on 15 Oct 2018.

6. Real effective exchange rate: Eurostat. Real effective exchange rate index (2010 = 100). Last updated 1 Aug 2018, extracted 3 Oct 2018.

<https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tipser13>

Table 2. Public debt indicators, 1995–2017

indicator+country ↓ year →	'95	'96	'97	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	avg.
GD/GDP - Croatia	22.6	25.5	24.9	22.9	29.1	35.8	37.1	36.3	37.7	39.4	41.3	38.5	37.3	38.3	48.5	56.6	63	69.1	79.9	83.7	83.4	79.9	77.7	48.2
GD/GDP - ECE-11	23.5	23.8	30	27	32.2	31.6	32.8	31.2	30.5	30.9	28.6	27.9	25.9	25.8	35.6	40.1	40.7	45.2	47.5	49.3	48.8	48.5	46.5	35
GGD/GDP - EU-15	70.3	70	66.8	64.6	62.9	59	58.4	57.6	57.6	57.5	57.7	55.8	53.4	58.1	68.9	75.8	81.9	85.4	88.4	89.1	86.1	85	83	69.3
LGD/GDP - Croatia																				1.2	1.4	1.2	1.2	1.3
LGD/GDP - ECE-11	0.4	0.3	0.5	0.7	0.7	0.8	0.9	1.0	1.1	1.1	1.3	1.5	1.7	2.0	2.5	2.8	3.0	2.9	2.7	2.6	2.6	2.3	2.2	1.6
LGD/GDP - EU-15	5.5	5.4	5.0	4.8	4.6	4.4	4.4	4.4	4.5	4.6	4.7	4.7	4.6	4.7	5.0	5.2	5.3	5.5	5.6	5.8	5.7	5.6	5.4	5
SSD/GDP - Croatia																				0	0	0	0	0
SSD/GDP - ECE-11	7.0	4.5	2.2	2.0	1.4	1.1	1.1	1.1	1.1	1.1	0.8	0.3	0.0	0.2	1.0	1.6	1.5	1.8	1.9	1.2	1.2	1.2	0.9	1.6
SSD/GDP - EU-15	1.0	1.0	1.0	1.0	1.0	0.9	0.8	0.8	0.8	0.7	0.7	0.5	0.5	0.6	0.9	0.9	1.0	1.2	1.4	1.7	1.7	1.5	1.5	1
-1YD/GDP - Croatia														7.52	13.82	12.08	10.74	14.44	17.18	14.40	13.77	17.02	12.41	13.34
-1YD/GDP - ECE-11	5.51	8.82	6.00	6.83	6.74	7.04	7.04	7.67	6.84	6.05	5.15	4.36	4.02	5.04	6.61	6.43	6.76	7.64	7.90	7.76	6.86	7.41	6.55	6.57
-1YD/GDP - EU-11*	18.44	18.94	17.68	15.47	13.91	13.51	13.65	14.51	14.09	14.17	13.93	13.44	12.63	14.68	15.60	16.80	17.35	15.91	16.58	16.74	16.65	17.05	15.68	15.54
DS2Y/GDP - Croatia																		14.49	18.8	18.97	22.35	22.52	20.27	19.95
DS2Y/GDP - ECE-10**															10.46	11.17	11.96	13.27	14.39	14.58	14.94	13.96	12.46	13.53
DS2Y/GDP - EU-15															19.87	21.4	21.51	20.51	20.66	19.6	18.8	17.82	17.4	19.49
IP/GDP - Croatia							1.8	1.8	1.8	1.9	1.9	1.9	1.9	2.0	2.3	2.4	2.7	3.1	3.2	3.4	3.5	3.1	2.7	2.4
IP/GDP - ECE-11	3.0	3.9	3.0	2.5	2.7	2.6	2.4	2.0	1.8	1.7	1.6	1.4	1.4	1.3	1.7	1.7	1.8	2.0	2.0	2.0	1.8	1.7	1.4	2.1
IP/GDP - EU-15	5.4	5.2	4.7	4.3	3.8	3.5	3.3	3	2.8	2.6	2.5	2.4	2.4	2.5	2.4	2.6	2.9	2.9	2.7	2.6	2.3	2.1	1.9	3.1
NR/GD - Croatia	37.87	48.46	56.94	57.84	62.85	64.01	62.31	56.95	58.51	56.56	49.66	47.77	50.38	47.3	47.61	44.84	41.86	42.14	42.92	42.5	41.63	38.55	39.02	49.5
NR/GD - ECE-11	45.42	46.76	46.01	46.7	49.14	50.93	49.2	46.54	47.92	48.88	48.2	49.18	47.05	46.57	50.69	51.01	51.65	55.63	56.6	57.76	55.46	54.31	53.45	50.22
NR/GD - EU-11***	33.32	33.9	35.76	37.83	42.17	44.89	47.87	50.87	51.61	53.37	54.27	54.66	56.14	57.12	56.16	53.75	52.98	53.01	53.51	55.29	53.1	48.91	46.18	48.99
FX/GD - Croatia														74.07	77.74	78.34	78.33	77.36	78.84	80.00	79.56	77.86	76.33	77.84
FX/GD - ECE-11	23.91	26.19	27.35	27.44	29.09	29.91	25.79	25.10	25.50	25.60	24.58	24.39	24.56	30.69	28.45	28.40	28.30	27.30	28.20	28.49	28.19	27.08	26.07	26.98
FX/GD - EU-14****	10.32	9.85	9.89	8.7	8.42	7.59	7.07	6.14	4.76	4.03	4.07	3.59	3.42	4.76	5.01	4	4.61	4.73	5.13	4.95	4.22	3.95	3.15	5.75

* EU-15 without Ireland, Luxembourg, the Netherlands and the United Kingdom (data not available). ** ECE-11 without Estonia (data not available).

*** EU-15 without Greece, Ireland, Luxembourg and the United Kingdom (data not available). **** EU-15 without Luxembourg (data not available)

Key:

GD/GDP = gross consolidated general government debt as a share of GDP (%)

LGD/GDP = gross local government debt as a share of GDP (%)

SSD/GDP = gross social security funds debt as a share of GDP (%)

-1YD/GDP = general government debt with residual maturity of one year or less as a share of GDP (%)

DSY/GDP = debt service due in up to two years as a share of GDP (%); data is for December of each year

IP/GDP = interest payable on general government debt as a share of GDP (%)

NR/GD = share of general government debt held by non-residents (%)

FX/GD = share of foreign currency debt in general government debt (%)

Data sources:**1. Gross consolidated general government debt:**

1.1. Data in normal font: Eurostat. General government consolidated gross debt as a share of GDP. Last updated 23 Oct 2018, extracted 21 Jan 2019.

http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=gov_10dd_edpt1&lang=en

1.2. Data in italics: Own calculations based on 1. Croatian National Bank (CNB). General government debt, mil. national currency. Last updated 31 Oct 2018, extracted 21 Jan 2019.

<https://www.hnb.hr/documents/20182/80efd9b4-1b2d-4191-b490-bc4c4cfb81ca> and 2. Eurostat. Gross domestic product – annual, current prices, mil. national currency. Last updated 17 Jan 2019, extracted 19 Jan 2019. http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=nama_10_gdp&lang=en

2. Gross local government and social security funds debt: Eurostat. Government consolidated gross debt, by sector of government, as a share of GDP mil. EUR. Last updated 23 Oct 2018, extracted 23 Oct 2018. http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=gov_10dd_edpt1&lang=en

3. General government debt by residual maturity: European Central Bank (ECB). Government Finance Statistics. Government debt (consolidated) (as % of GDP). Extracted 23 Oct 2018. http://sdw.ecb.europa.eu/browseSelection.do?df=true&ec=&dc=&oc=&pb=&rc=&DATASET=0&removeItem=&MATURITY=TS&MATURITY=TY15&MATURITY=TY5_&node=9691279&legendRef=reference&legendPub=published&legendNor=

4. Debt service due in up to two years: European Central Bank (ECB). Government Finance Statistics. Government debt (consolidated) (as % of GDP). Extracted 14 Nov 2018. https://sdw.ecb.europa.eu/browseSelection.do?df=true&ec=&dc=&oc=&pb=&rc=&DATASET=0&removeItem=&COUNTERPART_AREA=W2&REF_SECTOR=S13&node=9691279&legendRef=reference&legendPub=published&legendNor=

5. Interest payable on general government debt: Eurostat. Interest, payable (on general government debt) – as a share of GDP. Last updated 23 Oct 2018, extracted 24 Oct 2018. http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=gov_10dd_edpt1&lang=en

6. Share of general government debt held by non-residents: European Central Bank (ECB). Government Finance Statistics. Government debt (consolidated) (as % of GDP). Extracted 14 Nov 2018. https://sdw.ecb.europa.eu/browseSelection.do?df=true&ec=&dc=&oc=&pb=&rc=&DATASET=0&removeItem=&COUNTERPART_AREA=W2&REF_SECTOR=S13&node=9691279&legendRef=reference&legendPub=published&legendNor=

7. Share of foreign currency debt in general government debt: European Central Bank (ECB). Government Finance Statistics. Government debt (consolidated) (as % of GDP). Extracted 14 Nov 2018. https://sdw.ecb.europa.eu/browseSelection.do?df=true&ec=&dc=&oc=&pb=&rc=&DATASET=0&removeItem=&COUNTERPART_AREA=W2&REF_SECTOR=S13&node=9691279&legendRef=reference&legendPub=published&legendNor=

Table 3. State ownership of financial assets, 1998–2017

indicator + country ↓ year →	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	avg.
total/GDP - Croatia					58.3	54.3	52.7	51.3	53.3	56.1	49.4	47.5	51.6	53.4	53.5	57.8	60.8	61.6	61	57.8	55
total/GDP - ECE-11	72	63	55.9	51.2	48.5	45	43.7	40.2	38.4	39	36.6	36.1	35.4	35.2	37.5	37.6	39.7	40	39.9	38.7	43.7
total/GDP - EU-15		32.8	31.8	29.8	28	28.2	28.7	30.7	31.6	32	31.8	34.7	38.3	38.7	41.7	41.1	42.1	41.2	40.2	40.2	34.9
equity/GDP - Croatia					37.6	35.7	34.0	32.1	34.4	36.7	26.1	23.4	25.7	28.4	27.9	29.6	31.1	30.6	30.6	29.3	30.8
equity/GDP - ECE-11	38.3	32.8	29.8	26.5	26.3	24.3	23.3	22.1	20.3	21.0	18.8	18.1	18.2	18.2	18.5	18.3	18.6	19.1	18.7	18.4	22.5
equity/GDP - EU-15		13.8	12.2	11.3	10.0	10.6	11.1	12.4	13.0	13.4	11.9	13.0	14.1	13.9	15.4	15.3	15.7	15.3	14.9	15.0	13.3
OAR/GDP - Croatia					11.4	8.3	9.3	9.3	9.4	9.5	12.5	12.3	13.2	13.3	13.5	13.6	13.9	14.4	14.4	14.9	12.1
OAR/GDP - ECE-11	14	12.3	10.5	9.4	8.6	8	8.4	7.4	7.1	7	6.7	6.5	6.7	7.1	7	7.2	7.4	8	7.6	8	8.2
OAR/GDP - EU-15		6.4	6.2	6.3	6.3	6.4	6.2	6.3	6.4	6.3	6	6.3	6.4	6.5	6.8	6.9	7	6.9	6.6	6.6	6.5
currency/GDP - Croatia					5.6	6.2	5.4	5.9	5.3	5.3	7	8.5	9.3	7.8	8.2	11.4	10.7	9.1	7.5	7.5	7.5
currency/GDP - ECE-11	6.9	6.4	5.6	5.8	6.7	6.8	7	6.3	7	7.6	7.8	8.3	7.4	6.7	8.5	8	8.7	7.7	8.6	8.7	7.3
currency/GDP - EU-15		5.3	6	5	4.7	4.6	4.6	4.7	5	5.1	5.7	5.9	5.9	6.3	6.4	6	6.4	6.3	6.3	6.7	5.6
loans/GDP - Croatia					3	3.5	3.4	3.3	3.2	2.9	2.9	2.9	2.8	3	3.2	3.7	4	4.2	4.7	4.8	3.5
loans/GDP - ECE-11	11.7	10.4	8.7	7.9	5.8	4.5	3.8	3.1	2.6	1.8	2.1	2.1	2	2	2.4	3.3	3.9	3.4	3.2	2.9	4.4
loans/GDP - EU-15		4.8	4.6	4.6	4.4	4.2	4	4	3.7	3.6	4.2	5	6.2	6.5	7.4	7.6	7.4	7.1	6.7	6.4	5.4
securities/GDP - Croatia					0.1	0	0	0	0	0	0	0	0.1	0.1	0.1	0.1	0.1	0	0	0	0
securities/GDP - ECE-11	1	0.9	0.9	1.3	1.1	1.3	1.1	1.1	1.3	1.3	1	0.9	0.9	0.7	0.7	0.6	0.6	0.6	0.5	0.4	0.9
securities/GDP - EU-15		1.7	1.9	1.7	1.6	1.5	1.5	1.7	1.8	2	2.5	2.8	3.8	3.7	3.7	3.5	3.5	3.4	3.4	3.2	2.6
derivatives/GDP - Croatia					0	0	0	0	0	0	0	0	0	0.5	0.2	-1.1	0.4	2.7	3	0.6	0.4
derivatives/GDP - ECE-11	0	0.2	0.2	0.3	0.1	0	0	0	0	0	0.1	0.1	0.2	0.4	0.2	0	0.4	1.1	1.1	0.3	0.2
derivatives/GDP - EU-15		0	0	0	0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0	0	0	0	0	-0.2	-0.2	0

Key:

total/GDP = total general government holdings of financial assets as a share of GDP (%)

equity/GDP = total general government holdings of equity as a share of GDP (%)

OAR/GDP = total general government holdings of other accounts receivable as a share of GDP (%)

currency/GDP = total general government holdings of currency and deposits as a share of GDP (%)

loans/GDP = total general government holdings of loans as a share of GDP (%)

securities/GDP = total general government holdings of debt securities as a share of GDP (%)

derivatives/GDP = total general government holdings of financial derivatives and employee stock options as a share of GDP (%)

Data source: Eurostat. Consolidated general government assets – annual, as a share of GDP. Last updated 23 Oct 2018, extracted 23 Nov 2018.

http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=gov_10a_ggfa&lang=en

Table 4. Funded pensions and net FDI positions with offshore centres, 2001–17

indicator + country ↓ year →	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	avg.
pension/GDP - Croatia		1.1	2.27	3.5	4.32	5.56	6.77	6.77	9.25	11.58	12.91	16.19	18.39	21.23	23.29	25.5	26.79	12.21
pension/GDP - ECE-11	1.33	1.71	2.22	3.39	3.9	4.97	5.22	5.24	7.13	7.94	7.08	8.16	8.99	9.15	9.72	10.79	11.51	6.38
pension/GDP - EU-15	31.99	30.85	33.74	33.72	37.85	39.39	37.29	34.33	38.22	40.79	39.91	43.27	44.29	47.54	47.24	49.54	50.25	40.01
offshore - Croatia														-119.4	-215.8	-281.5	-233.3	-212.5
offshore - ECE-11								-4575.81	-5463.16	-4306.16	-3723.16	-3608.12	-1395.14	-1387.12	-933.85	-2016.70	-1895.44	-2930.47

Key:

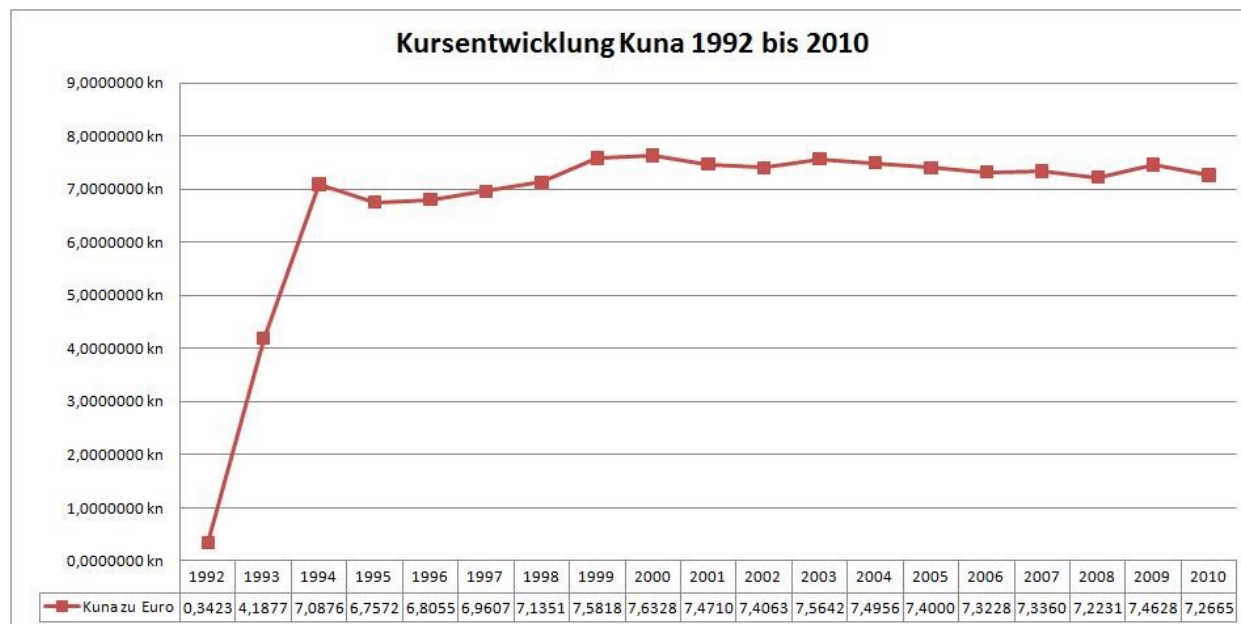
pension/GDP = investment in funded pension arrangements as a share of GDP (%)

offshore = net FDI positions with offshore centres (mil. euro)

Data sources:

- Investment in funded pension arrangements:** Organisation for Economic Co-operation and Development (OECD). Global Pension Statistics. Pension funds (autonomous) – investment – assets as a share of GDP. Extracted 22 November 2018. https://stats.oecd.org/Index.aspx?DatasetCode=PNNI_NEW
- Net FDI positions with offshore centres:** Eurostat. Financial account, direct investment – net positions at the end of the year with offshore financial centers, mil. EUR. Last updated 24 Oct 2018, extracted on 18 Nov 2018. http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=bop_iip6_q&lang=en

Figure 1. Deutsche Mark/euro – Croatian kuna exchange rate, 1992–2010



Source: Wikimedia Commons. Extracted 12 March 2019. <https://commons.wikimedia.org/wiki/File:Kursentwicklung.jpg>

GEOFIN

Western Banks in Eastern Europe: New Geographies of Financialisation

Postal address:

GEOFIN research
Department of Geography
Trinity College Dublin
Dublin 2
Ireland

Email: geofin@tcd.ie

Further information:

Website: <https://geofinresearch.eu/>

GEOFIN Working Papers: <https://geofinresearch.eu/outputs/working-papers/>

GEOFIN Blog: <https://geofinresearch.eu/outputs/blog/>

Follow us on social media:

GEOFIN Twitter: <https://twitter.com/GEOFINresearch>

GEOFIN Facebook: <https://www.facebook.com/GEOFINresearch/>

GEOFIN LinkedIn: <https://www.linkedin.com/company/geofin-research>

GEOFIN on ResearchGate: <https://www.researchgate.net/project/GEOFIN-Western-Banks-in-Eastern-Europe-New-Geographies-of-Financialisation>



Trinity College Dublin
Coláiste na Tríonóide, Baile Átha Cliath
The University of Dublin

