

FINANCIAL STABILITY COUNCIL

Press Release, 14 July 2016

The 5th session of the Financial Stability Council was held today at the Croatian National Bank, chaired by Governor Boris Vujčić and attended by Vicegovernors Bojan Fras, Damir Odak and Vedran Šošić, Minister of Finance Zdravko Marić, President of the Board of HANFA Petar-Pierre Matek, Director of the State Agency for Deposit Insurance and Bank Resolution Marija Hrebac and their associates.

The Council discussed the vulnerabilities of the domestic economy and risks to financial stability in the Republic of Croatia, with special emphasis on the latest macroeconomic indicators, developments in the banking sector and non-banking financial intermediaries, as well as on the financial conditions in the country and in international financial markets.

It was concluded that, although still expressed, the structural vulnerabilities of the domestic economy decreased slightly on the back of the continued growth in economic activity and the start of the implementation of fiscal consolidation, as well as a moderate decline in the share of external debt in the GDP and positive balance of payments performances. In addition, the decrease in the vulnerability of households was also positively assessed, attributed to the rise in employment and disposable income, and of the corporate sector due to good business results in 2015 and in the first part of 2016. The banking system remained stable and highly capitalised, despite the losses related to the conversion of loans in Swiss francs. The indicators of operations and developments in non-banking financial intermediaries do not indicate increased vulnerabilities or risks from that segment of the financial system. Developments in the domestic capital market are stable and financial conditions in the domestic and international markets are still moderate, despite increased uncertainty following the United Kingdom's referendum decision to leave the European Union. In the forthcoming period, supported by the expansionary policy of the CNB and the European Central Bank, the (re)financing conditions of domestic sectors are expected to remain relatively favourable.

In addition to the assessment of developments and risks that may impact financial stability, the annual report on the Council's activity in 2015 and the minutes of the previous Council session were adopted at this session.