First Release

Year: LIX. Zagreb, 28 October 2022 NR-2022-7-1

ISSN 1334-0557

# ANNUAL NON-FINANCIAL SECTOR ACCOUNTS OF TOTAL ECONOMY AND REST OF THE WORLD SECTOR, 2020 – 2021

**Total economy (S.1)**

In 2020, the total economy generated a surplus of 6.79 billion kuna, which is significantly less than in 2019, by 63.8%. More than half of the value added of the economy (54.5%) is generated by the non-financial corporations sector. It is followed by the general government sector (S.13), with a share of 20.6%, the household sector (S.14), with a share of 18.2%, and the financial corporations sector (S.12), which generated 5.6% of the value added in 2020.

The deficit in trade with the rest of the world sector reached about 26.68 billion kuna, or 7.02% of GDP. At the same time, it is the largest deficit (import of goods and services is greater than export of goods and services) after the record 2008, when it amounted to 35.48 billion kuna. By comparison, the deficit in 2019 amounted to 1.69 billion kuna.

In 2021, the trade deficit amounted to 6.44 billion kuna and was significantly lower than in 2020, and the increase in the import of goods and services was higher (+42.6%) than the increase in export of goods and services (+25.5%).

**Non-financial corporations sector (S.11)**

In 2020, the non-financial corporations sector generated a surplus of 8.17 billion kuna, or 2.1%. of GDP, which is three times more than in 2019, when a surplus of 2.38 billion kuna, or 0.6% of GDP, was generated. The gross investment rate of non-financial corporations (share of gross fixed capital formation in gross value added) decreased in 2020 to 25.6%, but was still above EU-27 average (24.9%) and EU-19 average (24.6%). This ratio connects the investments of non-financial corporations in fixed assets (buildings, machinery and other) with the value added generated in the production process.

**Financial corporations sector (S.12)**

In 2020, the financial corporations sector generated a surplus of 2.6 billion kuna, or 0.7% of GDP. At the same time, according to provisional data, it had a deficit of 2.19 billion kuna in 2021. The financial corporations sector paid out more dividends and retained reinvested earnings on foreign direct investment in 2021.

**General government sector (S.13)**

In 2020, the general government sector generated a deficit of 27.78 billion kuna, which is 7.3% of Croatia's GDP, while in 2019, surplus amounted to 0.896 billion kuna, or 0.2% of GDP. Compared to 2019, government expenditure increased (+7.9%), while revenue decreased (-7.1%).

In 2020, measures were taken to preserve jobs of employers whose economic activity was disrupted due to special circumstances and to finance the costs of preserving citizens' health.

In 2020, taxes on production and import were collected in the amount of 70.696 billion kuna, which is a decrease of 13.0% compared to 2019. Current taxes on income and wealth were collected in the amount of 24.707 billion kuna, which is 7.4% less than in 2019.

Despite the higher growth rate of government revenue in 2021 (+13.6%) than expenditure (+3.7%), the expenditure side of the budget continued to exceed the revenue side and led to a deficit of 11.34 billion kuna.

**Households sector (S.14) and Non-profit institutions serving households (NPISH) sector (S.15)**

In 2020, the households sector together with the NPISH sector generated a surplus of 23.8 billion kuna, or 6.3% of GDP. Gross disposable income amounted to 251.4 billion kuna and slightly decreased by 0.1%. The largest share in the disposable income belonged to compensations of employees, that is, earnings, while social transfers in kind also increased significantly. However, household consumption decreased by 4.5% in 2020 compared to 2019.

The households and NPISH sectors increased consumption by 12.5% in 2021, and gross disposable income also increased, by 10.3%.

**Gross saving rate of households and NPISHs in Croatia amounted to 14.0% in 2020 and to 12.1% in 2021**

Despite the slight decline in disposable income, gross savings increased significantly in 2020 compared to 2019, by 37.9%. Consequently, the gross household saving rate reached 14.0%, the highest level so far.

On the other hand, the gross household saving rate decreased in 2021 to 12.1%, as household consumption grew faster than disposable income.

**Gross national income 5.8% lower in 2020 than in the previous year, but 13.4% higher than in 2021**

The gross national income is an important aggregate of national accounts, which is also used to determine how much the Republic of Croatia will contribute to the EU budget. In 2020, the gross national income amounted to 388.06 billion kuna, which is 5.8% less than in 2019. In 2021, the gross national income increased by 13.4% compared to 2020, amounting to 440.16 billion kuna.

## 1 BALANCING ITEMS BY SECTORS, 2017-2021

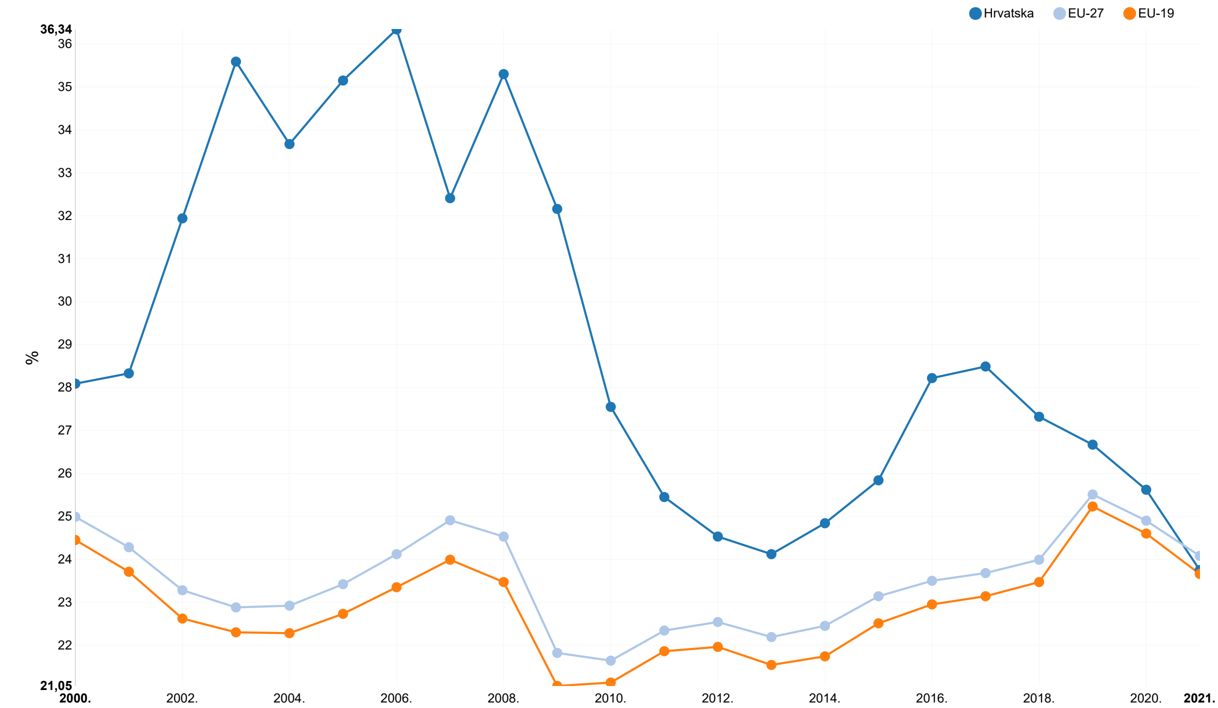
Mln kuna

| | 2017 | 2018 | 2019 | 2020 | 2021[1)] |
|---|---|---|---|---|---|
| **Households and NPISHs** | | | | | |
| Gross value added | 65.284 | 66.357 | 68.549 | 61.232 | 69.123 |
| Gross disposable income | 227.531 | 239.552 | 251.571 | 251.392 | 277.349 |
| Gross saving | 23.128 | 25.233 | 26.320 | 36.299 | 34.649 |
| Net lending (+)/net borrowing (–) | 14.637 | 14.876 | 13.803 | 23.788 | 19.824 |
| **Non-financial corporations** | | | | | |
| Gross value added | 169.273 | 177.971 | 189.568 | 173.426 | 207.650 |
| Gross disposable income | 48.285 | 48.579 | 53.190 | 53.556 | 67.351 |
| Gross saving | 48.285 | 48.579 | 53.190 | 53.556 | 67.351 |
| Net lending (+)/net borrowing (–) | -4.456 | -4.596 | 2.386 | 8.172 | 18.546 |
| **Financial corporations** | | | | | |
| Gross value added | 19.636 | 19.558 | 19.948 | 17.870 | 18.083 |
| Gross disposable income | 14.463 | 13.192 | 13.120 | 13.320 | 9.228 |
| Gross saving | 6.211 | 4.607 | 3.806 | 4.553 | 27 |
| Net lending (+)/net borrowing (–) | 3.523 | 1.485 | 1.663 | 2.620 | -2.192 |
| **General government** | | | | | |
| Gross value added | 55.044 | 58.716 | 61.875 | 65.394 | 69.570 |
| Gross disposable income | 92.969 | 99.859 | 108.516 | 87.018 | 105.299 |
| Gross saving | 15.754 | 18.718 | 23.098 | -4.274 | 7.817 |
| Net lending (+)/net borrowing (–) | 2.341 | -206 | 897 | -27.788 | -11.342 |

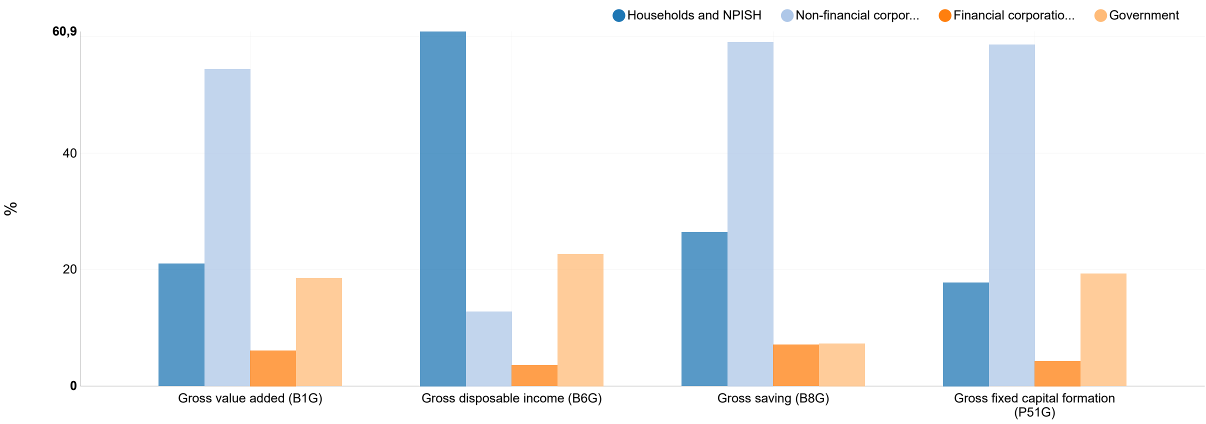
1) The data for 2021 are provisional.

**G-1 NET LENDING (+)/NET BORROWING (–), 2017 - 2021**

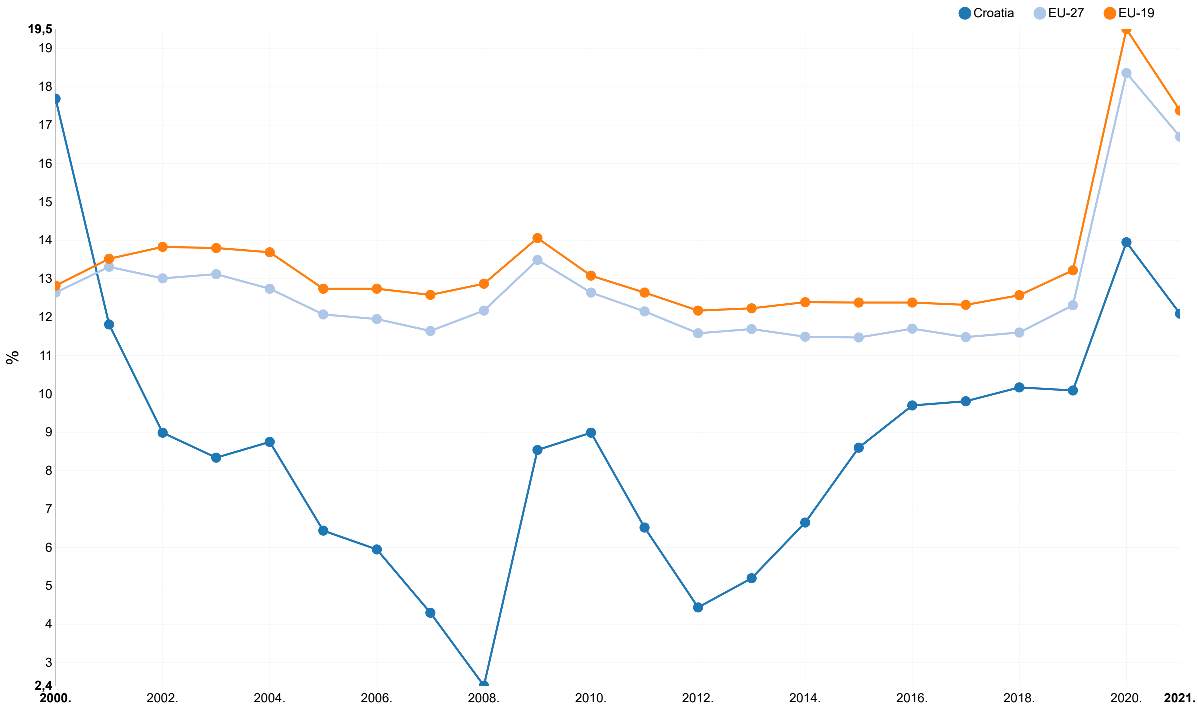
**G-2 GROSS INVESTMENT RATE OF NON-FINANCIAL CORPORATIONS (S.11), 2000 -2021**




**G-3 SHARE OF SECTORS IN MAIN AGGREGATES, 2010 – 2021 AVERAGE**



**G-4 GROSS HOUSEHOLD SAVING RATE (S1M), 2000 - 2021**




**NOTES ON METHODOLOGY**

**Sources and methods of data collection**

Data sources for the annual calculation of non-financial sector accounts are the data of national accounts, annual financial statements of entrepreneurs, annual financial statements of credit institutions, annual financial statement of the Central Depository and Clearing Company, annual financial statement of the Croatian Pension Insurance Company, annual financial statements of insurance and reinsurance companies, annual financial statements of credit unions, annual financial statements of representation companies and insurance and reinsurance intermediation companies, annual financial statements of leasing companies, annual financial statements of pension companies, annual financial statements of investment companies, annual financial statements of UCITS fund management companies, annual financial statements of alternative investment funds, annual financial statements of factoring companies, CNB – Balance of Payments, Croatian Financial Services Supervisory Agency – complete annual reports on pension funds and insurance companies, management fees, annual financial statements of UCITS (open investment funds), Regos – data on second pillar contributions and payments to successors, RMOD – Raiffeisen Pension Insurance Company, HRMOD (Croatian Pension Insurance Company), Croatian Bureau of Statistics: data from economic accounts of agriculture and forestry, INV-P surveys, Ministry of Finance − annual financial statements of the budget and budget users, and annual financial statements of non-profit institutions.

**Coverage**

The calculation covers all categories following the concept of the System of National Accounts (SNA 2008) and the European System of Accounts (ESA 2010). The sectoral classification is based on the European sectoral classification defined in the European System of Accounts (ESA 2010). This classification is in accordance with the international sectoral classification defined in the System of National Accounts (SNA 2008).

**Definitions**

Non-financial sector accounts are part of the national accounts system, which provide a description of the economy in general and transactions between persons, businesses and institutions. National accounts also include transactions between the Republic of Croatia and the rest of the world. Coherent annual time series have been available since 2000.

Sector non-financial accounts provide an overview of the activities and development of the Croatian economy and contain key indicators, such as gross value added (GVA), consumption, investments, exports and imports, earnings and income from assets, and profits in six major sectors.

The grouping of institutional units is carried out on the basis of their basic functions, behaviours and objectives for which they are established. These groups are called institutional sectors or, shorter, sectors. Each institutional unit belongs to only one sector, and each sector is divided into sub-sectors according to the criteria relevant to that sector. The basic division includes the following sectors:

- Total economy (S.1)

- Non-financial corporations (S.11)

- Financial corporations (S.12)

- General government (S.13)

- Households (S.14)

- Non-profit institutions serving households (NPISH) (S.15)

- Rest of the world (S.2).

Total economy (S.1) is defined as an entire set of the resident institutional units grouped into five institutional sectors (non-financial corporations, financial corporations, general government and households non-profit institutions serving households (NPISH).

The non-financial corporations sector (S.11) consists of institutional units that are independent legal entities and market producers, and whose principal activity is the production of goods and non-financial services.

The financial corporations sector (S.12) consists of institutional units that are independent legal entities and market producers, whose principal activity is the production of financial services. Such institutional units comprise all corporations that are principally engaged in financial intermediation and auxiliary financial activities.

The general government sector (S.13) consists of institutional units that are non-market producers, whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth.

The households sector (S.14) consists of individuals or groups of individuals, such as consumers and entrepreneurs producing market goods and non-financial and financial services (market producers). Households as consumers may be defined as small groups of persons who share the same living accommodation, who pool their income and wealth and who consume certain types of goods and services collectively, mainly housing and food. Households as entrepreneurs are sole proprietorships and partnerships without legal status, which are market producers.

The non-profit institutions serving households (NPISHs) sector (S.15) consists of non-profit institutions that are separate legal entities, which serve households and which are private non-market producers. Their principal resources are voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by the general government and from property income. Examples of NPISH are trade unions, professional societies or clubs, political parties, religious societies, cultural societies, sports clubs, charities, etc.

The rest of the world sector (S.2) consists of non-resident units that are engaged in transactions with resident institutional units, or have other economic links with resident units. Its accounts provide a general overview of the economic relationships between the national economy with the rest of the world. The institutions of the EU and international organisations are included.

**Classification of accounts**

For each of the six main sectors, sector accounts are drawn up that show all relevant transactions and balance sheet items. The following six accounts are relevant for institutional sectors:

1 Production account shows the value added that was created in resident production units.

2 Income generation account shows how much GVA remains per sector, in the form of operating surplus or mixed income, after paying employees and taxes, and before net property income.

3 Allocation of primary income account observes institutional sectors as recipients of primary income (income received by resident institutional units due to participation in the production process and property income from financial assets or tangible non-produced assets). This account shows how operating surplus (mixed income) and net primary income result in gross national income.

4 Allocation of secondary income account shows how the balance of the primary income of an institutional sector is allocated by redistribution of current taxes on income, wealth, social contributions and benefits (excluding social transfers in kind) and other current transfers.

5 The use of disposable income account includes the concept of final consumption expenditure financed by the various sectors concerned: households, general government, and non-profit institutions serving households. The balancing item in the use of disposable income account is savings.

6 Capital account records acquisitions less disposals of non-financial assets by resident units and measures the change in net value due to savings (final balancing item in current accounts) and capital transfers.

**Balancing items of non-financial sector accounts**

Balancing items are aggregate indicators for the purpose of macroeconomic analyses and comparisons in time and space. Non-financial sector accounts are based on a sequence of accounts by institutional sectors. These accounts are current accounts and are part of the accumulation account of capital accounts. Current accounts refer to the production, distribution and redistribution of income and its use in the form of final consumption. They make it possible to calculate savings, which is an essential factor of accumulation.

**Gross domestic product at market prices (GDP, B1GQ)** is the final result of the production activity of resident producer units. It can be defined in the following three ways:

1 Production approach: GDP is the sum of gross value added of the various institutional sectors or the various industries plus taxes and less subsidies on products. It is also the balancing item in the total economy production account.

2 Expenditure approach: GDP is the sum of final uses of goods and services produced by resident institutional units (final consumption and gross capital formation), plus exports and minus imports of goods and services.

3 Income approach: GDP is the sum of uses in the total economy generation of income account (compensation of employees, taxes on production and import less subsidies, gross operating surplus and mixed income of the total economy).

**Gross operating surplus (B2G)** is income that is a result of an activity before taking into account interests, rents and other costs payable or receivable by an institutional unit. It represents the part of income that derives from capital used in the production process. It is the basis for calculating the profit share, the key performance indicator of non-financial corporations in national accounts.

**Gross mixed income (B3G)** of total economy is equal to gross mixed income of the household sector.

**Gross national income (at market prices) (B5G)** represents the total primary income receivable by resident institutional units: compensation of employees, taxes on production and import less subsidies, property income (receivables less payables), (gross or net) operating surplus and (gross or net) mixed income. Gross national income (at market prices) equals GDP minus primary income payable by resident institutional units to non-resident institutional units, plus primary income receivable by resident institutional units from the rest of the world.

**Gross disposable income (B6G)** is income available to the total economy or to an individual sector for consumption and savings. Gross disposable income of the total economy is the sum of disposable incomes of all institutional sectors and is equal to the national income, adjusted for current transfers between resident units and non-resident units (plus received from abroad minus payable abroad). Current transfers are current taxes on income, wealth, social contributions and benefits, and other current transfers. Gross disposable income is of particular importance for the household sector as the level of income largely influences the level of household consumption, which is one of the key criteria of material wellbeing.

**Gross adjusted disposable income (B7G)** is derived from the gross disposable income of an institutional unit or sector by adding the value of social transfers in kind receivable by that unit or sector and subtracting the value of the social transfers in kind payable by that unit or sector.

**Gross saving (B8G)** is the part of the gross disposable income that is not spent as final consumption expenditure. Gross saving represents the link between current and accumulation accounts. Its value is positive if the value of disposable income is higher than the value of final consumption (surplus may be used to obtain funds or for repayment of liabilities), or negative if the value of disposable income is lower than the value of final consumption (assets may be liquidated or liabilities increased).

**External balance of goods and services (B11)** is the difference between imports of goods and services and exports of goods and services. A positive value indicates that the total economy has generated a surplus with the rest of the world in the trade in goods and services. The balance of goods and services is the balancing item of the external account of goods and services, which is part of the rest of the world sector. Its value (as well as the value of other indicators) is shown from the rest of the world perspective, with the opposite sign.

**Current external balance (B12)** is the surplus (if positive) or the deficit (if negative) of the total economy with the rest of the world in current transactions (trade in goods and services, primary incomes and current transfers). Current external balance is the balancing item of the external account of primary incomes and current transfers and is shown as all the other items in the rest of the world account from the rest of the world perspective.

**Net lending (+)/net borrowing (–) (B9)** is a balancing item of capital account and an important link between non-financial and financial accounts. The balancing item of the capital account is conceptually identical to the balancing item of the financial account. The discrepancy between them is mostly due to different data sources used in the calculation of non-financial and financial accounts. This indicator represents, if positive, net resources that the total economy makes available to the rest of the world, or if negative, net resources that the total economy receives from abroad. A positive value of the indicator for an institutional sector indicates that this sector is (directly or indirectly) financing other sectors and a negative that it borrows from other sectors. This indicator is also known as surplus (+)/deficit (**–**). Net lending (+)/net borrowing (**–**) of the total economy is equal to net lending (+)/net borrowing (**–**) of the rest of the world with the opposite sign.

**The profit share of non-financial corporations** is defined as gross operating surplus divided by gross value added. This profitability-type indicator shows the share of the value added created during the production process remunerating capital. Different profit shares in different economies can be explained by a number of factors, such as the relative importance of labour or capital-intensive industries, labour productivity and the level of labour costs.

**Gross investment rate of non-financial corporations** is the share of gross fixed capital formation (P51G) in gross value added (B1G) and is expressed as a percentage.

**Gross investment rate of households** is the share of gross fixed capital formation (P51G) in the sum of gross disposable income (B6G) and adjustment for the change in pension entitlements (D8) and is expressed as a percentage.

**Gross household saving rate** is the share of gross saving (B8G) in the sum of gross disposable income (B6G) and adjustment for the change in pension entitlements (D8) and is expressed as a percentage.

**Abbreviations**

| | |
|---|---|
| EU | European Union |
| EU-19 | European Union (19 Member States) |
| EU-27 | European Union (27 Member States) |
| CNB | Croatian national bank |
| S1M | household sector and non-profit institutions serving households (NPISH) |
| Regos | Central Registry of Affiliates |
| Mln | million |

**Published by the Croatian Bureau of Statistics, Zagreb, Ilica 3, P. O. B. 80**
Phone: (+385 1) 48 06 111
Press corner: press@dzs.hr

Persons responsible:
Suzana Šamec, Director of Macroeconomic Statistics Directorate
Lidija Brković, Director General

Prepared by:
Jelena Kelebuh Arambašić, Igor Knež and Vedran Ivković

**USERS ARE KINDLY REQUESTED TO STATE THE SOURCE.**

Customer Relations and Data Protection Department

Information and user requests
Phone: (+385 1) 48 06 138, 48 06 154
E-mail: stat.info@dzs.hr

Subscription
Phone: (+385 1) 48 06 115
E-mail: prodaja@dzs.hr