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The countercyclical capital buffer is adequate for now, but risks continue to be closely monitored.

The domestic financial cycle remains in the mature phase of expansion, characterised by strong credit activity and an increase in residential real estate prices from an already high level. At the end of 2025, credit gap indicators for the Republic of Croatia (Figure 1) and the composite indicator of cyclical risks (Figure 2) held steady at very high levels (Table 1). Against such a backdrop, the countercyclical capital buffer rate of 2.0%, announced in September 2025 and applicable as of 1 January 2027, has been assessed as still adequate for preserving banking system resilience in the case of materialisation of cyclical systemic risks, having also regard to the complementary effects of the macroprudential restrictions on consumer lending criteria applicable since July 2025.

The growth in residential real estate prices accelerated from 10.4% in 2024 to 14.1% in 2025, and it is estimated that the annual growth rate might accelerate further at the beginning of this year. The strong growth in prices was driven by further employment and wages growth, albeit slower than in the years before, lower interest rates on housing loans and tax incentives for house purchase.

Corporate and household loans rose relatively strongly in the first five months of 2026, although their growth slowed down slightly on an annual level from the end of 2025. Housing loans momentum slowed down from 13.9% in December 2025 to 12.7% in May and that of general-purpose cash loans more than doubled during that period, having risen from 6.3% to 15.2%, fuelled also by promotional interest rates of banks. On an annual level, household loans slowed down from 13.1% in December to 11.9% in May, while the growth in general purpose cash loans fell from 11.3% to 10.0% and that of housing loans from 15.5% to 14.4%. The slowdown on an annual level reflects the base effects, i.e. a very robust growth in these loans in the first half of the previous year. Corporate loans also continued to grow, with the momentum rising markedly from 13.7% in December 2025 to 23.0% in May, while their annual growth rate slowed down from 12.8% to 12.1%. Loans to corporates in accommodation and food service activities and trade rose the most.

The robust growth in loans and real estate prices, coupled with the underestimation of credit and other risks and current account deficit widening, held the composite indicator of the cyclical systemic risk at an elevated level towards the end of last year.

The CNB will continue to monitor closely the evolution of cyclical vulnerabilities in the light of domestic and global economic and financial developments and will adjust macroprudential measures as needed so as to achieve their optimal combination and ensure long-term stability of the financial system. Should the cyclical vulnerabilities deepen further, the macroprudential measures will be additionally tightened, and include, in addition to raising the capital buffer further restrictions on consumer lending criteria. On the other hand, the relatively high level of accumulated buffers provides considerable room for macroprudential policy action if systemic risks materialise.

Table 1 Indicators of cyclical systemic risk and associated benchmark countercyclical buffer rates for Q4/2025

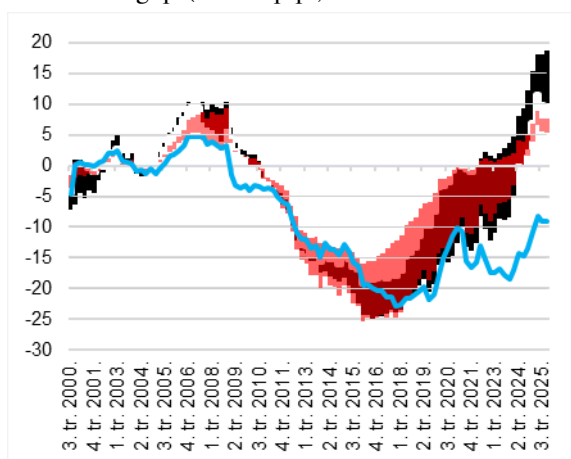
Indicator	Ratio/indicator value	Credit gap (deviation from the long-term trend)	Benchmark CCyB rate
Standardised (Basel) credit-to-GDP ratio	59.7% ↓	−9.1 p.p. ↓	0%
Specific credit-to-GDP ratio (absolute gap)	48.4% ↑ (narrow) and 59.8% ↓ (broad)	5.3 p.p. ↓ to 7.7 ↑ p.p.	1.57% ↓ to 2.50% →
Specific credit-to-GDP ratio (relative gap)		9.7% ↓ to 18.8% ↑	2.50% → to 2.50% →
Composite indicator	0.49 → (99th percentile of distribution)	/	2.14% ↑ to 2.50% →

Notes: Specific ratio values differ depending on the definition of credit (48.4% for a narrow definition of credit, which includes only domestic bank credit, and 59.8% 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.

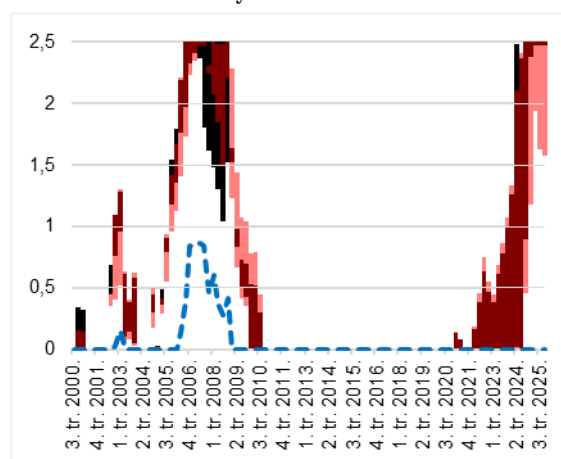
Source: CNB.

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

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



1.b. Benchmark CCyB rates

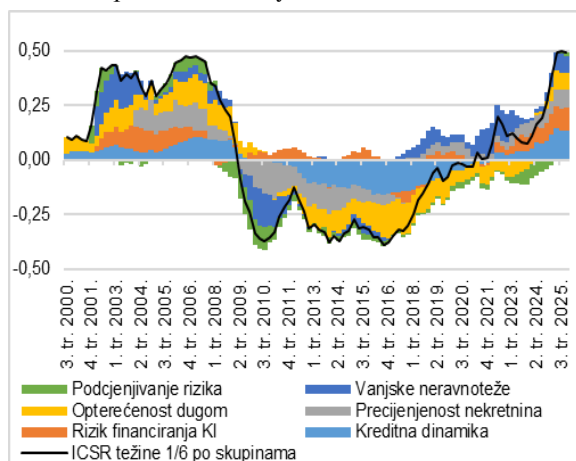


Notes: The left panel shows the Basel gap (blue curve) and the range of 12 credit gap indicators which have better signalling properties for the Republic of Croatia than the Basel gap. The red shaded areas indicate the range of absolute gaps, the black shaded areas indicate relative gaps, and the dark red areas indicate overlapping. The credit gap is estimated up to the last available quarter (t); however, due to the characteristic of one-sided HP filtering, which makes the last estimated value subject to revisions upon the arrival of new data, its trend up to the quarter (t-1) is shown. 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.

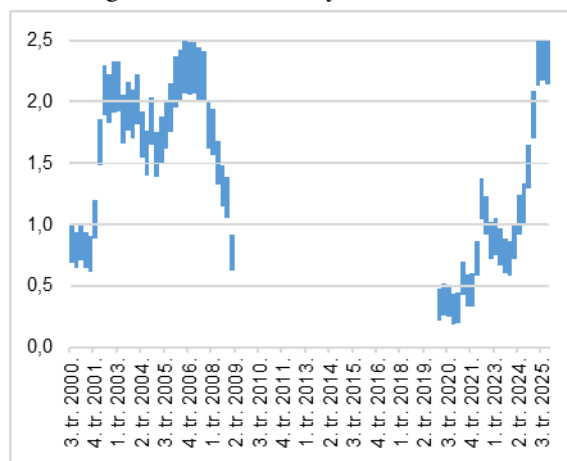
Source: CNB.

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.