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Phone: 385-1-4564-555
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BULLETIN

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General Information on Croatia

Economic Indicators

	1999	2000	2001	2002	2003	2004	2005	2006	2007
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538.0	56,538
Population (million)	4.554	4.381	4.437	4.443	4.442	4.439	4.442	4.440	4.436
GDP (million HRK, current prices)	141,579	152,519	165,639	181,231	198,422	214,983	231,349	250,590	275,078
GDP (million EUR, current prices) ^a	18,674	19,979	22,171	24,468	26,232	28,681	31,263	34,220	37,497
GDP per capita (in EUR)	4,100	4,560	4,997	5,507	5,905	6,461	7,038	7,707	8,452
GDP – year-on-year rate of growth (in %, constant prices)	-0.9	2.9	4.4	5.6	5.3	4.3	4.3	4.8	5.6
Average year-on-year inflation rate ^b	4.0	4.6	3.8	1.7	1.8	2.1	3.3	3.2	2.9
Current account balance (million EUR)	-1,429	-568	-821	-2,099	-1,889	-1,434	-1,976	-2,702*	-3,233*
Current account balance (as of % GDP)	-7.7	-2.8	-3.7	-8.6	-7.2	-5.0	-6.3	-7.9	-8.6
Exports of goods and services (as of % GDP)	41.0	47.1	48.8	45.5	50.1	49.7	48.9	49.7	49.0
Imports of goods and services (as of % GDP)	49.3	52.3	54.6	56.4	57.9	56.5	55.9	57.4	57.3
External debt (million EUR, end of year) ^c	10,175	12,264	13,609	15,143	19,884	22,933	25,748	29,274	32,929
External debt (as of % GDP)	54.5	61.4	61.4	61.9	75.8	80.0	82.4	85.5	87.8
External debt (as of % exports of goods and services)	133.0	130.2	125.9	136.1	151.3	161.0	168.6	172.3*	179.5*
External debt service (as % of exports of goods and services) ^{c,d}	24.6	26.2	28.2	29.8	21.3	22.5	25.0	35.8	33.3
Gross international reserves (million EUR, end of year)	3,013	3,783	5,334	5,651	6,554	6,436	7,438	8,725	9,307
Gross international reserves (in terms of months of imports of goods and services, end of year)	3.9	4.3	5.3	4.9	5.2	4.8	5.1	5.3	5.2
National currency: Croatian kuna (HRK)									
Exchange rate on 31 December (HRK : 1 EUR)	7.6790	7.5983	7.3700	7.4423	7.6469	7.6712	7.3756	7.3451	7.3251
Exchange rate on 31 December (HRK : 1 USD)	7.6477	8.1553	8.3560	7.1457	6.1185	5.6369	6.2336	5.5784	4.9855
Average exchange rate (HRK : 1 EUR)	7.5818	7.6339	7.4710	7.4070	7.5642	7.4957	7.4000	7.3228	7.3360
Average exchange rate (HRK : 1 USD)	7.1220	8.2874	8.3392	7.8725	6.7044	6.0312	5.9500	5.8392	5.3660
Consolidated general government balance (as % of GDP) ^e	-7.1	-7.5	-6.8	-4.9	-6.2	-4.8	-4.0	-3.0	-2.3
Public debt (as % of GDP) ^f	....	48.7	49.8	48.8	48.6	48.9	49.2	46.7	44.4
Unemployment rate (ILO, persons above 15 years of age)	13.6	16.1	15.8	14.8	14.3	13.8	12.7	11.2	9.6
Employment rate (ILO, persons above 15 years of age)	44.8	42.6	41.8	43.3	43.1	43.5	43.3	43.6	44.2

^a Calculated by applying the average annual exchange rate (HRK/1 EUR) to the GDP in kuna terms.

^b From 1996 to 1998, the rate of inflation was measured by the retail price index. From 1999 on, it is measured by the consumer price index.

^c In accordance with the obligations assumed during the pre-accession negotiations with the European Commission, the new legislative provisions governing the monitoring of foreign borrowing entered into force early in 2008. The new system of reporting, applied to all non-banking financial institutions, public and mixed enterprises, and the selected sample of other non-financial enterprises, led to an upward adjustment in the external debt balance at the end of 2007, increasing it by EUR 335m or to EUR 33,264m.

^d Includes principal payments on bonds, long-term trade credits and long-term credits, as well as total interest payments net of interest payments on direct investments.

^e Total balance excluding capital revenues (GFS 1986) in the period from 1999 to 2001 is shown on a cash basis. From 2001 on, total balance is shown on a modified accrual basis and includes CM, CR CPF and DAB.

^f Public debt includes general government debt and issued government guarantees.

Sources: CBS, MoF and CNB.

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Quarterly Report

Introduction

The quarterly GDP estimate shows a growth rate of 3.8% in the first half of 2008, a considerable decrease compared with the same period in the previous year. This was for the most part due to negative changes in personal consumption resulting from the modest dynamics of disposable income and the weakening of consumer confidence. The same effect was produced by the decelerated dynamics of government consumption, which was mainly due to the effect of the provisional budget financing at the beginning of the year. In addition, external imbalances worsened in the first six months of 2008 due to a faster growth of goods imports than exports. In contrast with this, gross fixed capital formation grew strongly in the observed period, spurred by thriving private sector investments, and was the main driver of domestic economic growth.

The GDP estimate by the production approach shows that the growth rate of GVA in the economy was 4.4% higher in the first six months in 2008 than in the same period in the previous year. Activity wise, GVA grew at the highest annual rates in construction and financial intermediation. This was in contrast with a marked slowdown in the growth of GVA in industry, hotels and restaurants and trade compared with the previous year.

As shown by real and financial indicators of economic trends, available on a monthly basis, the economic activity decelerated further in the third quarter of 2008. The deceleration was due to accelerated inflation and, as a result of that, a modest growth of real disposable household income, coupled by strong consumer pessimism and negative economic changes in the external environment. Seasonally adjusted data point to an annual decline in real retail trade turnover in the July to September period and a contraction in real retail trade relative to the previous quarter. Construction works continued to grow at a strong annual rate in the period from July and August 2008, although more moderate than in the first half of the year. In the same period, industry saw a considerable drop in the current manufacture of consumer and investment goods and an accumulation of finished goods inventories. The total volume of industrial production therefore increased at a negligible annual rate. All this indicates that the downturn in household consumption and moderation of capital investment growth are to continue.

Labour market indicators suggest a continued decrease in unemployment and increase in employment. However, in line with the economic slowdown, both unemployment and employment showed slower dynamics in the observed period than in the first half of the year. The annual growth of nominal gross wages decelerated in the period from July to September 2008, whereas nominal net wages showed the opposite trends, which is primarily attributable to the effects of the increase in the basic personal tax exemption pursuant to the Act on Amendments to the Income Tax Act. On the other hand, real wages displayed a negative annual rate of change, primarily because of consumer prices growing at a steep annual rate of 7.4% in the third quarter.

Having reached 8.4% in July 2008, the annual consumer

price inflation rate dropped to a still relatively high level of 5.9% in October. The price decrease in crude oil and food raw material prices on the world market in the period from August to October 2008 led to a stabilisation, although not a significant decrease, in domestic food product prices which, in addition to the positive base effect, led to a slowdown in the annual growth rate of food prices. A marked drop in refined petroleum products prices also had a considerable effect on the domestic inflation decrease. The effect of the drop in world raw material prices on domestic inflation trends was to some extent offset by a marked depreciation of the kuna/US dollar exchange rate. In contrast, a slight appreciation of the kuna exchange rate against the euro resulted in the alleviation of domestic inflationary pressures. This is because such exchange rate trends stabilise inflationary expectations and the euro prices of goods. In addition, the available domestic economic indicators for the first half of this year point to a decline in demand-side inflationary pressures caused by a marked slowdown in the annual dynamics of personal consumption.

INA's takeover by a foreign investor and the spillover effect of the global financial crisis on Croatia marked the monetary policy environment early in the fourth quarter. INA's takeover generated strong foreign currency inflows which required sufficient kuna liquidity in order to be converted. The CNB maintained adequate liquidity levels by accepting large amounts of reverse repo bids and stood ready to further boost liquidity through a foreign exchange intervention. However, the banks that processed payments received for INA's takeover, having assessed their kuna liquidity as sufficient, did not participate in the auction. The central bank sterilised the ample liquidity supply generated via open market operations by adopting an amendment to the Decision on reserve requirements which provided for the exclusion of banks' vault cash from the reserve requirement maintenance obligation. The change in the reserve requirement instrument was pre-announced as part of the process of alignment with ECB regulations and was also meant to enable a partial sterilisation of the liquidity created through foreign exchange transactions related to INA's takeover. As a result of these CNB measures and activities, the kuna/euro exchange rate remained unchanged from the low level attained in the third quarter.

At the time of INA's takeover, in early October, and in direct consequence of adverse developments in the global financial markets, the banking system recorded a strong outflow of household foreign currency deposits. The prompt reaction of banks and the RC Government quickly put an end to the deposit outflow. Banks raised additional funds abroad and increased several times the balance of foreign cash in their vaults. The CNB abolished the marginal reserve requirement, releasing banks' funds allocated for this purpose. This and the loans extended by parent banks abroad facilitated smooth payments of foreign currency deposits required by some concerned banks' clients. With the deposit insurance amount increased by the RC Government from HRK 100,000 to HRK 400,000 and smooth payments of savings deposits, the public's confidence in the banking system was restored.

The second half of October saw an increase in foreign

exchange demand, among other things resulting from a greater demand by institutional investors, which invested the foreign exchange into foreign securities. The result of this was a relatively steep depreciation of the kuna, which prompted the central bank, pursuing its policy of maintaining a stable kuna exchange rate, to intervene in the foreign exchange market by selling to banks a total of EUR 271m. In addition, the CNB accepted none of the bids submitted at the last repo auction in October, allowing the kuna exchange rate to again slightly appreciate against the euro. As no central bank foreign exchange auctions were held in November, banks met their kuna liquidity needs through reverse repo auctions. Due to a strong growth in demand for the kuna in the first two months of the fourth quarter, the auctions' turnover increased and so did the marginal and weighted repo rates.

Despite a higher than usual level of banks' kuna liquidity, the large outflow of household foreign currency deposits pushed up interbank market interest rates. The overnight interbank interest rate was thus three times higher in November than in September. Also contributing to the interest rate growth was money market segmentation and the distribution of kuna liquidity resulting from the decision of banks not to participate in the foreign exchange auction organised by the CNB at the time of INA's takeover.

Due to such money market developments, and taking account of the financial needs of the government and domestic enterprises in the forthcoming period, the CNB in November amended the Decision on reserve requirements. The cut in the reserve requirement rate from 17% to 14% was to free considerable amounts of previously sterilised funds (over HRK 8.0bn) for banks in December calculations.

Monetary developments were in the third quarter and at the beginning of the fourth quarter marked by a moderate growth in bank placements to the non-banking sector. Their growth rate in the first nine months remained below the limits prescribed by the central bank and their annual growth rate stood at 12.0% at the end of October. The growth rate of household loans decelerated, primarily due to the slowdown in home loans, whereas that of corporate loans accelerated. Reflecting conditions on the global financial markets, dominated by the shortage of access to capital, these developments prompted enterprises to make an increasing use of domestic financing sources. This was accompanied by a sharp increase in interest rates on short-term and long-term corporate loans while interest rates on some long-term household loans decreased.

The trends prevailing in the Croatian capital market were also negative, with the decrease in the turnover of shares and the prices of most shares listed on the ZSE continuing into the third quarter and intensifying in October and November. In contrast, the domestic debt securities market turnover edged up in the third quarter despite few new debt securities issues in that period. The debt securities market was especially active in September so that the bond index, CROBIS, went up. However, this activity significantly subsided at the end of November 2008.

The current account balance was positive in the third quarter of 2008 due to strong tourism revenues, whose annual growth accelerated compared with the same period in

the previous year. In contrast, as the trade in goods deficit accelerated markedly, to a large extent because of developments in oil and refined petroleum products' trade, the said current account surplus narrowed from the third quarter of 2007. The balances in the factor income and current transfer accounts also worsened in the observed period due to the expenditure growth.

The trade in goods balance (in constant US dollars) decreased by one fourth in the first ten months of 2008 compared with the same period in 2007 because import growth was twice as high as that of exports. Total goods exports decelerated considerably in the observed period despite a marked contribution to their growth from energy products and a somewhat smaller from other transport equipment. In a similar vein as with exports, energy products and ships had the strongest impact on the acceleration of total goods imports. The exclusion of their respective divisions from total goods imports results in a halved growth rate, which is a reflection of the weakening imports of miscellaneous edible products and preparations, miscellaneous manufactured articles and wearing apparel.

The capital and financial account showed a net capital outflow in the third quarter of 2008. This was primarily due to a seasonal decrease in banks' external liabilities, but also to a net outflow of portfolio investments. Net foreign direct investments were significantly lower than in the third quarter of the previous year due to a decrease in investments in Croatia.

Total external debt reached EUR 37.7bn at the end of October 2008. Most of the debt increase was caused by continued strong foreign borrowing by enterprises, but it was also caused by the foreign borrowing by the government sector. In contrast, the external debt of banks stood only slightly below its end-2007 level as banks, having decreased their external debt by a substantial amount in the first nine months, borrowed an almost equal amount in October to compensate for the outflow of household deposits.

In the first eight months of 2008, fiscal developments were marked by a strong annual growth of consolidated central government revenues, whereas government expenditures grew at a slightly lower rate. Such revenue growth was for the most part due to the increases in consumer prices and goods imports, relatively favourable labour market developments and good business results of Croatian enterprises in 2007. In contrast, expenditures rose at a more moderate rate primarily because of the provisional budget financing which restricts government spending in the first quarter. With government investments markedly reduced from the same period in the previous year, the consolidated central government surplus stood at HRK 2.8bn in the first eight months of 2008.

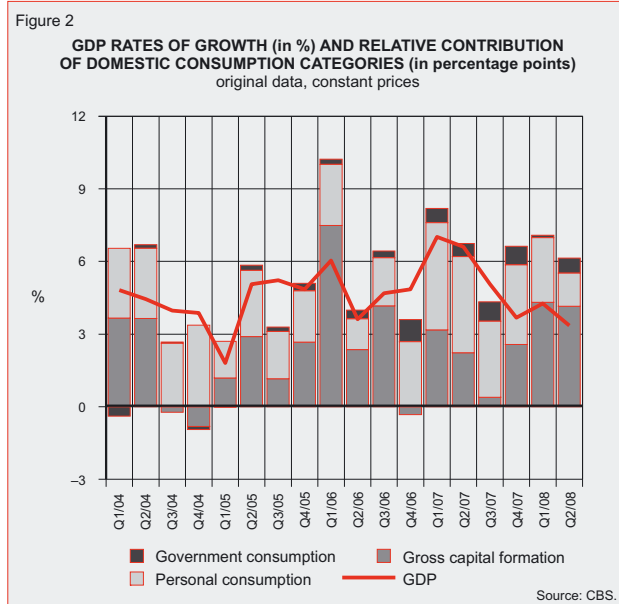
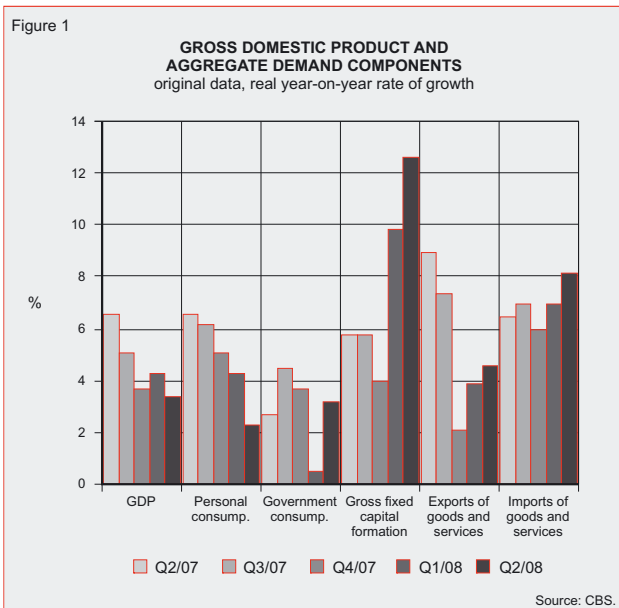
Demand

As suggested by quarterly GDP estimate, real economic activity grew at an annual rate of 3.8%,¹ much slower than in the same period in 2007. Slower economic activity dynamics

¹ The data for the period from the first quarter of 2005 to the second quarter of 2008 are preliminary and are based on the CBS's quarterly GDP estimate.

over the first six months of 2008 were mostly due to household consumption movements affected by unfavourable changes in disposable household income and a weakening of consumer optimism. Changes in government consumption had a similar impact, which can be largely attributed to the effects of provisional financing from the beginning of the year. Moreover, due to a considerably larger annual increase in goods imports relative to the exports, the January-June period was marked by a deepening of external imbalance. By contrast, the private sector investment activity was strong in the observed period, resulting in a large annual increase in gross fixed capital formation. This aggregate demand component was the main economic growth generator in the first half of 2008.

The available monthly economic indicators (both real and financial) for the third quarter of 2008 suggest further slowdown in economic activity. This is largely attributable to accelerated consumer price growth and the related low increase in real disposable household income, the prevailing consumer pessimism and adverse changes in international macroeconomic environment. According to seasonally adjusted data for the July-September period, real retail trade turnover decreased annually, accompanied by a contraction in real retail trade relative to the previous quarter, which suggests further weakening of private consumption. In July and August, the construction works dynamics was more moderate relative to the first half of 2008, indicating a slowdown in the annual growth of gross fixed capital formation. Unfavourable movements are also suggested by a decline in the current manufacture of consumer and investment goods, paralleled with accelerated accumulation of inventories of these goods. International trade was marked by a mild recovery of goods exports over the July-September period, supporting relatively stable growth in goods and services exports, despite moderate real consumption of foreign tourist. By contrast, real demand for foreign goods seems to have weakened slightly, and, given the dominant share of goods in total goods and services imports, the real annual growth of imports most probably slowed down.



Domestic Demand

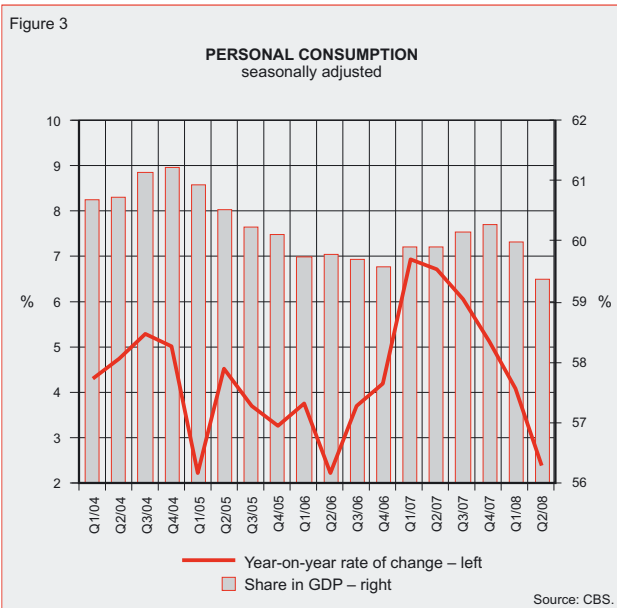
Over the first half of 2008, domestic demand contributed 6.8 percentage points to real GDP growth, particularly due to a sharp increase in gross fixed capital formation. By contrast, the contribution of final consumption to real growth was positive, but much more moderate than that recorded in the same period in 2007. The change in inventories also contributed positively to economic growth although it is worth noting that this category includes a statistical discrepancy arising from a mismatch between the expenditure and production GDP calculation methods.

Personal Consumption

Annual growth of household consumption slowed down gradually over the first half of the year, due to unfavourable changes in the sources of its financing, but also due to the weakening of consumer optimism. The average rate of change in this aggregate demand component stood at 3.2% in the first six months of 2008, its contribution to real GDP growth amounting to 2.0 percentage points.

Real and leading financial indicators of personal consumption, available at the monthly level, suggest further weakening of its dynamics over the third quarter. The observed period thus saw a negative rate of change in real retail trade turnover, as well as a decline in real imports and domestic manufacture of consumer goods. This was paralleled with unfavourable changes in the main regular and irregular sources of household consumption financing. As a result of acceleration of consumer price growth and a slowdown in employment dynamics (as reported by the CPIA),² the annual growth of real net wage bill remained moderate. A noticeable slowdown was observed in real bank placements to households in the form of consumer loans, probably due to the effects of both supply (more restrictive loan terms) and demand. Moreover, real

² The number of persons insured with the CPIA represents a more reliable short-term indicator of employment, given the preliminary nature of the recent CBS data on employment by activity (the final data will be published in April 2009).

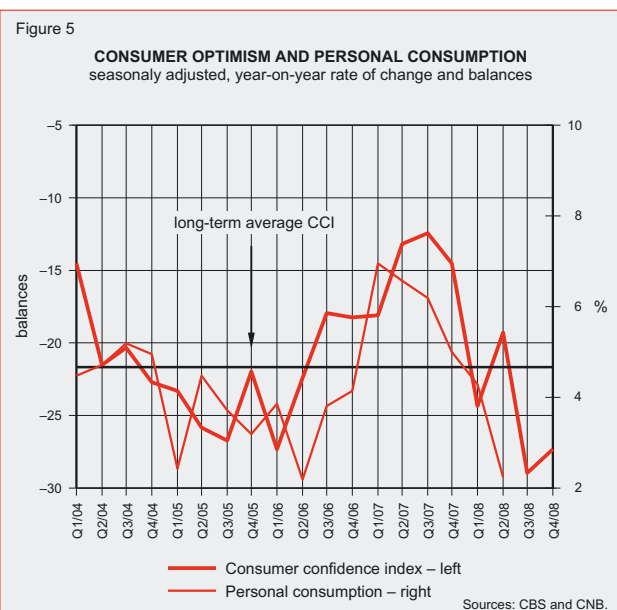
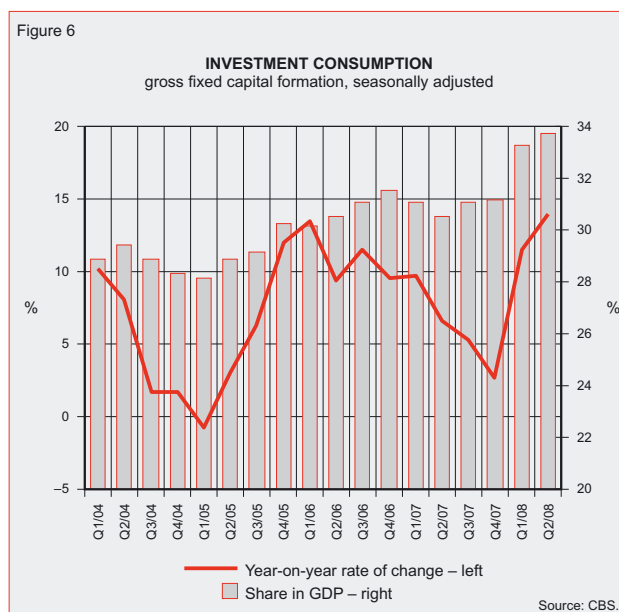
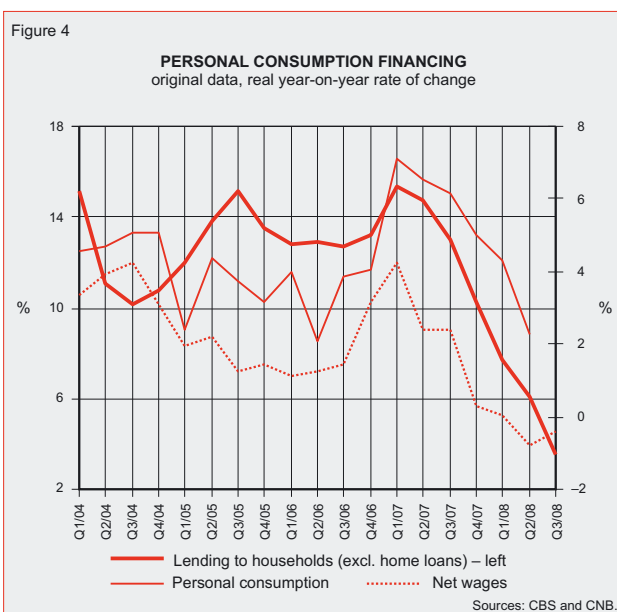


current transfers to households declined annually, and in the third quarter, private consumption was adversely affected by a marked annual decrease in transfers to households on account of debt repayment to pensioners (in June). It is worth noting that a serious fall in trader optimism, suggested by the Business Survey conducted by Privredni vjesnik at end-June, also pointed to a weakening of private consumption in the observed period.

In line with the movements in the sources of household consumption financing, Consumer Optimism Index remained considerably below its long-term average in the third quarter, with consumer pessimism continuing into the beginning of the last quarter (according to the CNB survey results for October 2008). This was probably also due to negative developments in the capital market.

Investment Consumption

Gross fixed capital formation grew at an average annual rate of 11.3% in the first half of the year, mostly due to



strong private sector investment in non-residential building construction. As a result, capital investments made the largest contribution to economic growth in the observed period, despite a decline in the net acquisition of non-financial fixed assets by the general government.

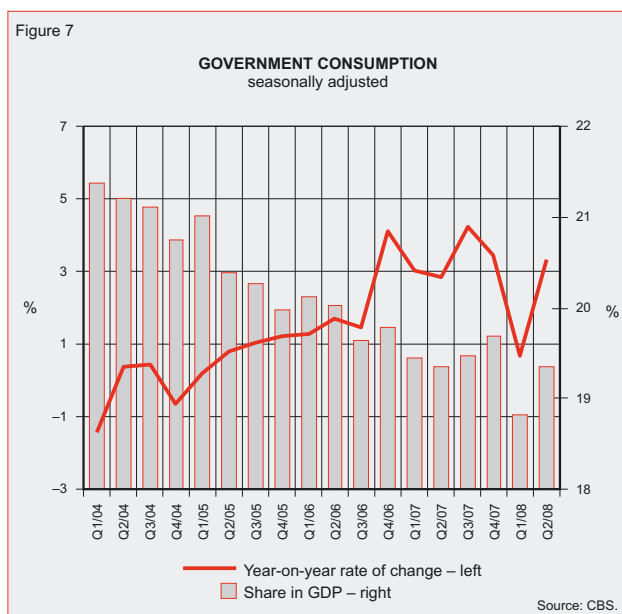
In July and August, construction activity continued its strong growth, although at a more moderate pace compared with the first semi-annual period.³ In addition to this, the third quarter saw a drop in the volume of current output, paralleled with a continued accumulation of investment goods inventories. The expectations for more moderate investment activity are additionally supported by unfavourable movements of net construction project orders and building permits issued during the first semi-annual period. In contrast to this, in accordance with the 2008 budget revision and

3 As investments in construction account for more than a half of total gross fixed capital formation, the observed performance of construction works is a relatively reliable indicator of capital investment movements.

changes in the financial plans of extrabudgetary users, the second half of the year probably saw a mild recovery of public investment dynamics (primarily due to the traffic infrastructure construction). This to some extent contributed to the growth of total capital investments in this period. In view of all this, gross fixed capital formation seems to have been the main generator of economic growth over the second half of 2008, though in a slightly smaller measure than in the first two quarters.

Government Consumption

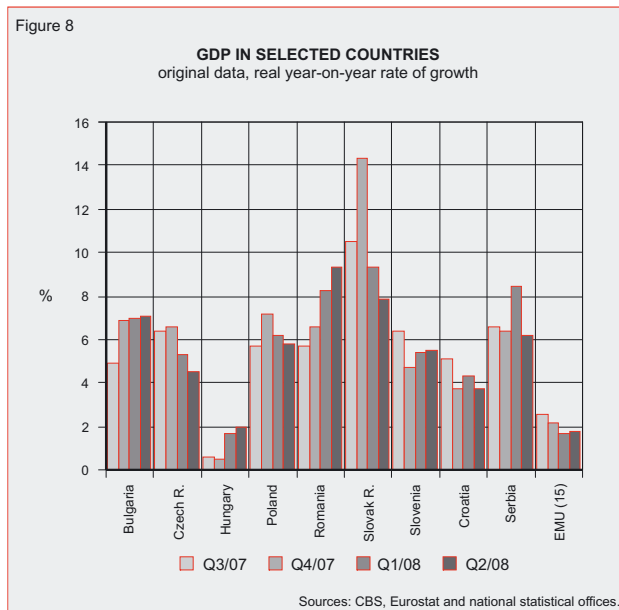
Government consumption rose by 1.8% in real terms over the first half of 2008 relative to the same period in the previous year, largely due to the effects of provisional financing from the beginning of the year. A noticeable acceleration of the annual government consumption growth over the second quarter was attributable to growing expenditures for the use of goods and services, with the real growth in expenditures for compensation of employees remaining stable.



As suggested by the MoF data on the consolidated general government revenues and expenditures, expenditures for the use of goods and services rose nominally by 9.1% (excluding CM). Given the high annual inflation over the entire third quarter of 2008, the annual increase in this government consumption category was considerable lower in real terms. Furthermore, preliminary CBS data on the number of employed persons by activity suggest a continuation of stable annual growth in real expenditures for compensation of civil servants and public administration employees. Accordingly, government consumption dynamics are likely to be somewhat slower in the observed period relative to the second quarter.

Net Foreign Demand

Foreign trade movements over the first half of 2008 worsened the external imbalance of domestic economy. This caused a negative contribution of net exports of 3.0 percentage points in the observed period, mainly due to a markedly



faster growth in goods imports over the exports, primarily the imports of ships, aircrafts and helicopters. Concurrently, foreign demand for domestic products weakened gradually. Unfavourable movements in goods trade over the observed period were in part mitigated by a considerable annual increase in services exports.

Adverse changes in the international environment from the first half of the year continued into the third quarter of 2008. As shown by Eurostat's flash estimate, the level of GDP in the eurozone declined for the second consecutive quarter in the July-September period, confirming economic recession in the eurozone. Moreover, the Economic Sentiment Index continued downwards over the third quarter, as a result of both consumer and business pessimism prevailing in the EU.

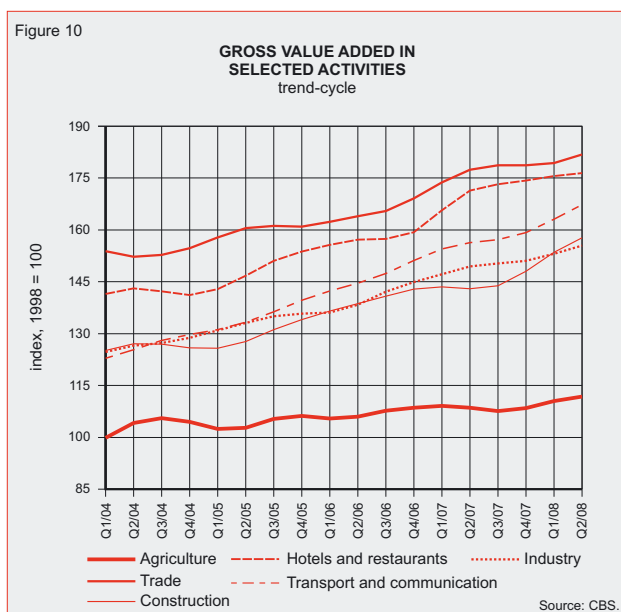
Despite these movements, seasonally adjusted CBS data on foreign goods trade suggest a recovery of domestic goods exports during the third quarter, mostly on account of stronger foreign demand for investment goods, primarily intermediate goods. Concurrently, domestic demand for imported



goods apparently declined compared with the previous quarter. By contrast, changes in the international macroeconomic environment impacted on the demand for domestic services, resulting in a relatively modest annual increase in the number of foreign tourist nights and arrivals over the July-September period. Similarly, the average real foreign tourist consumption decreased slightly, which is likely to have resulted in stagnant real services exports.

Output

GDP by production approach shows a rise in GVA in the economy by 4.4% in the first six months of 2008 relative to the same period a year before. The GVA dynamics slowed down over the second quarter compared with the beginning of 2008, mostly as a result of more moderate domestic demand for goods and services, as well as adverse incentives to demand coming from foreign markets. The services sector



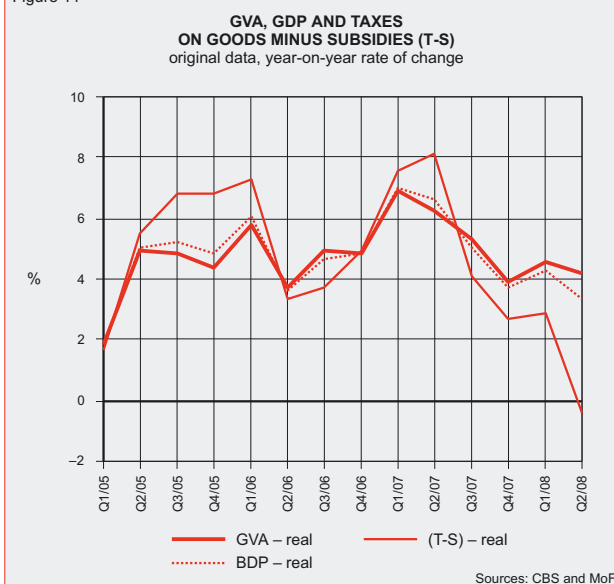
contributed 2.6 percentage points to real value added growth, and the total contribution of industry, construction and agriculture was 2.1 percentage points.⁴

Taken by activity, the strongest growth in the first half of the year was recorded in construction, which contributed the most to total GVA growth in the first half of 2008, together with financial intermediation. By contrast, hotels and restaurants and trade recorded noticeable slowdowns in GVA formation relative to the previous year. Similar changes in GVA dynamics were observed in industry.

In the first half of 2008, real GVA growth rate outstripped the GDP growth rate by 0.6 percentage points. This was largely stimulated by the second quarter movements, i.e. a noticeable slowdown in the annual growth of government revenues from indirect taxes, while the growth in subsidies to private enterprises and public corporations strengthened considerably.

⁴ The contribution of the category FISIM (financial intermediation services indirectly measured) was negative and amounted to 0.3 percentage points.

Figure 11



Economic slowdown continued during the third quarter. A decline was recorded in the levels of industrial production of all categories of products, with an only negligible annual increase in total industrial production. Concurrently, the accumulation of inventories of finished goods accelerated, indicating further weakening of demand for industrial products. Business optimism in this segment of economy declined mildly. The July-September period was marked by a negative annual rate of change in real retail trade turnover, announced by a sharp fall in traders' confidence at the beginning of the observed period. These movements were in part induced by adverse changes in real income, caused by inflation growth, but also by noticeable consumer pessimism. They were, to a certain extent, also caused by more moderate real demand of foreign tourists, whose arrivals and nights rose at a relatively slow annual pace. In contrast to this, construction activity continued strongly upwards in July and August, at a lower rate, however, than in the first half of 2008.

Industry

Value added in industry rose by 4.1% in the first six months of 2008 relative to the same period in 2007. Demand for industrial products, both domestic and foreign, slowed down gradually in the observed period. With its share of only slightly less than a third in total GVA in the economy, industry made the largest individual contribution to total economic growth in the January-June period.

As suggested by seasonally and calendar adjusted data, total industrial production continued to fall in the third quarter, its annual growth rate dropping to a low of 0.2%. Concurrently, the accumulation of inventories of finished goods accelerated, suggesting the weakening of demand, primarily of its domestic component. Preliminary CBS data on employment by activity for the observed period show increasingly strong negative movements of the number of employed persons in this economic segment, accompanied by a drop in business optimism.

Viewed by main industrial groupings (MIGs), output con-

traction relative to the previous quarter was observed in consumer and particularly investment goods. The manufacture of investment goods in the third quarter was paralleled with a strong build-up of their inventories, caused, particularly in the case of intermediate goods, by weakening domestic demand. A decrease in the current manufacture of non-durable consumer goods was somewhat slower than that in investment goods. However, a fast accumulation of inventories of these goods suggests a decline in demand. A drop was also recorded in the manufacture of durable consumer goods, accompanied by their reduced imports, which is probably attributable to greater sensitivity of this goods category to changes in real income and consumer confidence.

As usual, movements in industrial production over the third quarter reflected the changes in its most important segment, manufacturing which reported a negative annual rate of change in the observed period, due to a reduced volume of output in most of its activities. The third quarter saw a low annual growth rate of output in energy supply, in part due to

adverse base period effects. Output in mining and quarrying decreased annually. The output level was particularly low in September, when both activities within this category, namely extraction of crude oil and natural gas, as well as other mining and quarrying, reported negative annual rates of change. It is interesting to note the strong accumulation of inventories in other mining and quarrying in the July-September period, probably attributable to more moderate demand coming from construction.

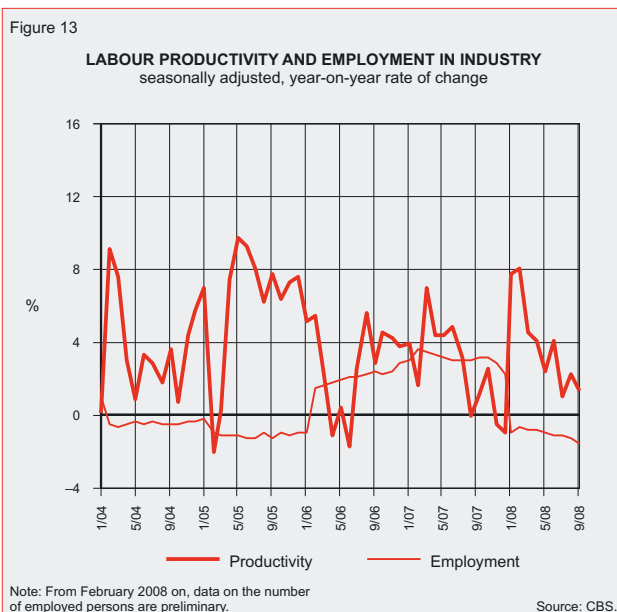
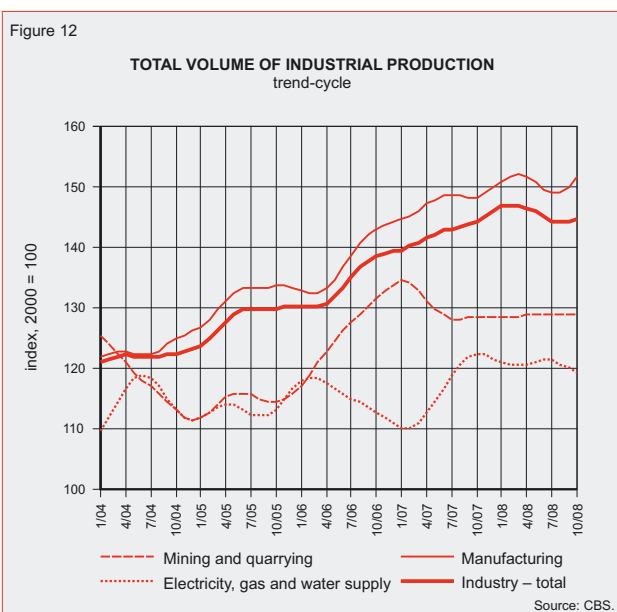
A slowdown in the labour productivity in industry, observed since the first quarter of 2008, continued in the July-September period. This was entirely due to deteriorated levels of industrial production. Employment in this economic segment declined, according to preliminary CBS data. After the review of preliminary data on the number of employed persons by activity, expected in April 2009, the rate of labour productivity growth recorded in the observed period (1.6%, seasonally adjusted) is likely to be lower.

Trade

GVA in trade rose by 2.9% in the first half of 2008 relative to the same period in 2007. Relatively slow growth of value added in this economic segment during the observed period (the average growth at the entire 2007 level was 7.5%) can be attributed to the weakening of domestic consumption. This was stimulated by adverse changes in the main regular and irregular sources of its financing, accompanied by a continued decline in consumer optimism.

Modest annual growth of the purchasing power of disposable household income in an environment of fast consumer price growth, and consumer pessimism impacted adversely on the movements of real retail trade turnover during the third quarter of 2008. In this period, real retail trade continued to fall, resulting in a negative annual rate of change (2.4%, seasonally adjusted). The mentioned annual decrease in retail trade turnover was probably stimulated by moderating foreign tourist consumption.

Viewed by branch, a noticeable decrease was noticed in



the sales of motor fuels and lubricants, probably due to a marked rise in refined petroleum products prices. Negative annual rate of change was also recorded in the sales of motor vehicles, as a consequence of reduced demand from both natural and legal persons. It is interesting to note that, according to the Ministry of the Interior data, the number of newly registered cars dropped sharply in the July-September period.

Construction

Spurred by strong private sector investment in non-residential building construction (sports, tourist and trade facilities), annual GVA in construction grew strongly, at a rate of 9.1% in the first six months of 2008. These investments fully offset the decline in investment in residential buildings, caused by a drop in demand, and in the volume of public investments.

Total volume index of construction works, measured by the number of hours worked at building sites continued strongly upwards in July and August. However, its dynamics slowed down relative to the first half of 2008. The strongest growth in the observed period was recorded in works on buildings, whereas civil engineering works grew at a more moderate pace. Leading indicators of construction activity point to its weak growth towards year-end. The number of building permits issued for the construction of buildings

dropped significantly over the first six months of 2008 relative to the same period a year before. More moderate construction activity in the future is also announced by the value of new construction project orders in the first six months of 2008. Similarly, the amount of home loans approved in the third quarter decreased markedly in annual terms. This, together with a downward trend in planned household investments in real estate (according to a CNB survey), points to a continued decline in demand for residential real estate. It is worth noting that this was in part caused by supply, i.e. more stringent lending conditions. In contrast to this, an increase in general government investments probably made a slight favourable impact on construction activity during the second half of 2008.

Hotels and Restaurants

Annual GVA growth in hotels and restaurants stood at 3.4% in the first half of 2008. The GVA growth rate was much higher in the first quarter compared with the April-May period, largely due the base period effect caused by “movable” Easter holidays. It is worth noting that tourist consumption generates a number of other, direct and indirect, effects on economic movements, so that GVA in hotels and restaurants underestimates, to a certain extent, the importance of tourism for domestic economy.

The full tourist season, including September, was marked

Figure 15

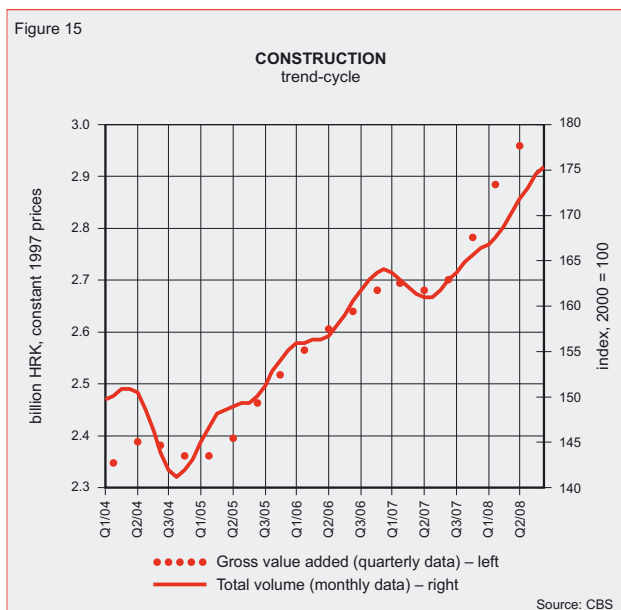
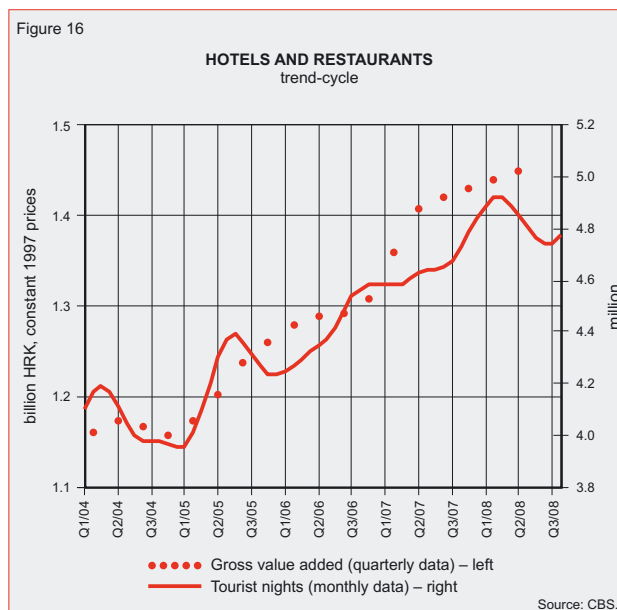


Figure 16



Box 1 Estimated Effect of the International Financial Market Crisis on the Croatian Economy

A large increase in the price of borrowing on the international capital market and a general decrease in demand on the international goods and services market are the most important consequences of the crisis on the international financial market. Taking into account substantial foreign borrowing of the Croatian economy, including the government, banks and enterprises, and a high share of exports of

goods and services in Croatia’s GDP, it can be expected that the consequences of the international financial crisis for the Croatian economy will primarily be reflected in the increase of interest rates on borrowing abroad and in a decrease of the Croatian exports of goods and services.

For the purpose of a more detailed insight into the transmission mechanism of the effect of a rise in foreign interest rates and a fall in the Croatian exports on the Croatian economy, a simulation was made by using a dynamic stochastic general equilibrium model, calibrated on the Croatian data.

Figure 17

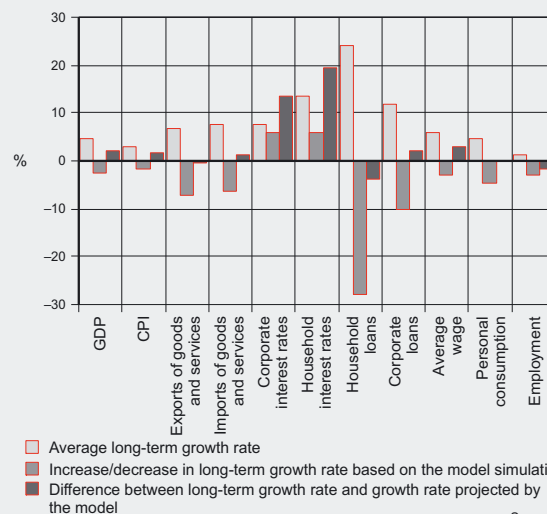
SPREAD BETWEEN THE CROATIAN GOVERNMENT EUROBOND AND GERMAN GOVERNMENT BOND FALLING DUE IN 2011



Source: CNB.

Figure 18

EFFECTS OF THE SHOCKS OF REDUCED EXPORTS AND OF AN INCREASE IN FOREIGN INTEREST RATES



Source: CNB.

The model strives to encompass mutual relationships between the main sectors of the Croatian economy in order to quantify the effect of a combined shock of an increase in foreign interest rates and exports reduction on the Croatian economy. The results of the model simulation are expressed as a deviation of the individual variables' growth rates from their long-term levels (the average values recorded in the 2000-2007 period).

In the last eight years, the average long-term growth rate of exports of goods and services was 6.7%. The model starts from the assumption that growth of Croatian exports will stagnate due to the international financial crisis. A negative shock on exports, amounting to 7 percentage points relative to a long-term growth rate of exports, can be interpreted as stagnation of exports of goods and services as a result of the international financial crisis. On the other hand, the spread between the Croatian government eurobond, falling due in 2011, and the German government bond with the same maturity is used as an approximate measure of an increase in prices of borrowing of the Croatian economy abroad. Since the spread went up from 113 basis points, on average, in the period from early 2007 to mid-September 2008 (peak of international financial crisis) to 550 basis points at end-November 2008 (Figure 17), an assumption has been incorporated into the model that the price of foreign borrowing will rise by 4 percentage points for Croatian banks, enterprises and government, due to the international financial crisis.

The model shows mechanisms through which the aforementioned shocks affect the Croatian economy. Accordingly, following an increase in foreign interest rates, domestic interest rates rise as well, since the price of foreign borrowing by banks also rises. An increase in domestic interest rates results in a smaller household and corporate demand for loans and thus decreased demand for goods and services, which eventually leads to a deceleration of the domestic economic activity and imports and to a fall in prices. As a result of reduced domestic production, growth of investments, employment and wages decelerates. On the other

hand, exports stagnation has a direct impact on slowing down of the economic activity, which results, with a time lag, in income decrease, smaller demand for goods, services and loans, which in turn contributes to a reduction of economic activity, fall in prices, imports, investments and employment.

The results of the simulation are shown in Figure 18. Since model parameters are calibrated, it should be noted that the results of the model simulation, i.e. quantitative effects of shocks on the Croatian economy, are sensitive to a change in the value of parameters. The main contribution of the model simulation relates to the explanation of the transmission mechanisms of shocks in the economy and a direction of change of individual variables reacting to shocks. The qualitative results of the model simulation should thus be considered with caution.

As a result of the joint effect of two negative shocks and the described transmission mechanisms, it can be expected that overall economic activity (in terms of GDP) will slow down by 2.6 percentage points, from a long-term average growth rate of 4.6% to approximately 2%. Reduced demand for goods and services is the main cause of a 1.5 percentage point inflation decrease (to 1.6%), 4.8 percentage point decrease in personal consumption (to 0%) and 6.5 percentage point decrease in imports (to 1.1%). On the other hand, owing to more expensive foreign sources of financing, commercial banks are increasing domestic interest rates (by 5.8 percentage points on household loans and by 5.9 percentage points on corporate loans), which eventually results in a decline in household loans of 28 percentage points and in a 10 percentage point fall in corporate loans. Since long-term growth rates of household and corporate loans amount to 24% and 12%, respectively, it can be assumed that the amount of household loans will be reduced by 4%, in real terms, whereas corporate loans will grow at a rate of 2%. Finally, smaller domestic production will contribute to a slowdown of employment and wage growth of 3.1 and 3 percentage points, respectively, relative to their long-term levels.

by relatively low annual increase in tourist nights and arrivals (by 2.1% and 0.5% respectively). Foreign tourist nights and arrivals rose by 2.2% and 0.6% respectively in the July-September period compared with the same period in 2007. As usual, most foreign tourists came from Germany, Slovenia, Italy and the Czech Republic. However, it should be noted that the number of nights stayed by tourists from the latter two countries dropped considerably relative to the same period in 2007. In contrast to this, nights stayed by tourists from the Netherlands and Russia rose sharply at the annual level. The modest dynamics of the volume indicators of tourist demand can in part be attributed to unfavourable economic changes in most of the major tourist-generating countries. Moreover, the appreciation of the kuna against the euro and accelerated inflation growth impacted negatively on foreign tourist consumption in the observed period relative to the same period in 2007.

Transport and Communications

GVA in transport, storage and communications rose by 6.5% in the first half of 2008 relative to the same period in 2007. The growth in this economic segment was fuelled by favourable movements of demand for transportation and telecommunication services.

Passenger transport (measured by the number of passengers carried), seasonally adjusted, rose at an annual rate of 6.4% in the third quarter of 2008. Viewed by type of transport, the largest increase was recorded in railway transport, primarily spurred by intra-city transport. This was in part due to strong growth of refined petroleum products prices in the observed period, motivating citizens to use public transportation services more frequently. The movements of goods transport cannot be assessed with certainty, due to a revision of the survey results on the road transport of goods inclusive of transport for hire or reward and for own account, made in January 2008. As a result, recent data are not comparable with those for the previous periods. However, an only slight annual increase in manipulated tonnes of goods recorded in

the observed period in the transshipment of goods indicates markedly slower growth of goods transport relative to the first half of the year, which is in line with the stated weakening of demand for industrial products.

In the period from July to September, telecommunication activity reported a considerable annual increase in minutes spent in fixed network. Minutes spent in mobile network also continued to grow, but at a more moderate pace relative to the previous two quarters.⁵

Labour Market

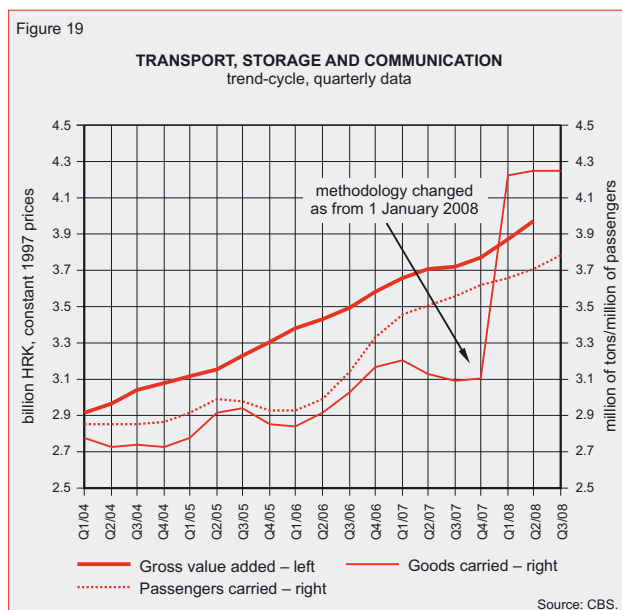
In the first half of 2008, labour market saw a continuous fall in unemployment and a rise in employment. Similar, but slightly more moderate movements were observed in the third quarter, mainly due to a slowdown in overall economic activity. Annual growth of nominal gross wages paid in the third quarter of 2008 decelerated, whereas the growth in nominal net wages speeded up. The wage movements were additionally influenced by amendments to the Income Tax Act involving an increase in the basic personal tax exemption, and the implementation of a Minimum Wage Act.

Unemployment and Employment

The results of the Labour Force Survey published in mid-November, which indicate the movements on the labour market in the second quarter of 2008, suggest a decrease in unemployment and an increase in employment at faster paces relative to the previous quarter. These results are at variance with administrative data for this period which indicated a slowdown in positive labour market movements. According to Labour Force Survey data, the number of unemployed persons stood at 140,000 in the second quarter, down 13.6% from the same period in 2007. As a result, the Labour Force Survey unemployment rate dropped to 7.9%.

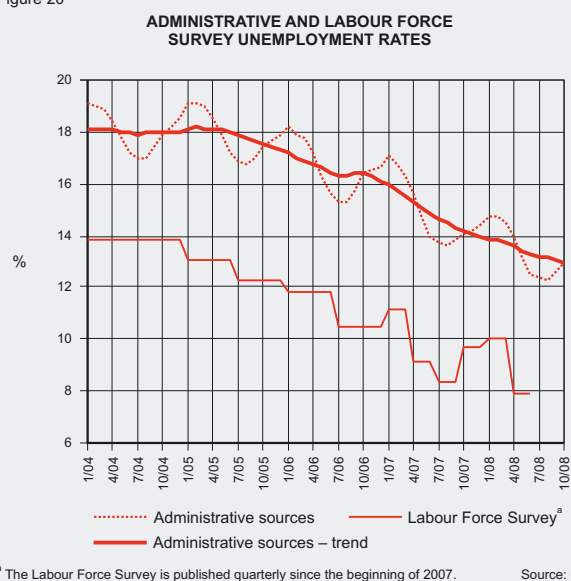
According to administrative data, a slower decrease in unemployment continued into the second half of 2008. These changes were supported by a rise in the number of unemployed persons at the monthly level at end-September, after its decline for seven consecutive months, when the number of unemployed persons registered with the CES reached 222,217. The registered unemployment rate was in line with its number, standing at 12.4% on average in the third quarter (1.3 percentage points below the rate in the same period in 2007). As suggested by the October data, the number of the unemployed, as well as the registered unemployment rate picked up relative to the previous month.

The level of registered unemployment in the third quarter of 2008 was influenced by stronger inflows into the CES register accompanied by reduced outflows, primarily due to a fall in employment from the records. In the July-September period, the number of the newly registered unemployed persons stood at 50,800, continuing to go up in October.



5 Starting from 2008, the CBS has obtained the data on the number of minutes spent in fixed and mobile networks from the Croatian Telecommunications Agency. The data time-series has been revised since 2006, so that the quarterly data have been available since the beginning of 2007.

Figure 20



Stronger inflows in this period were due to the return to the records of persons employed during the tourist season and entry into the CES register of persons who have completed their education.

By contrast, a decline in outflows from the register in the third quarter, relative to the previous quarter, was primarily due to a fall in employment from the records which totalled 28,900. A noticeable decrease in demand for workers from the CES register was corroborated by a smaller number of vacancies reported by employers to the CES in all activities except education, financial intermediation and construction, which is in line with overall economic developments.

Employment

Apart from the mentioned decline in unemployment, the latest available Labour Force Survey results point to an increase in employment during the second quarter of 2008. The Labour Force Survey employment thus averaged 1,638,000 in the second quarter, which represents an increase by 29,000 (1.8%) in annual terms. Consequently, the Labour Force Survey employment rate reached 44.8%.

According to administrative sources, annual growth of total employment continued into the third quarter of 2008, yet at a slightly slower pace relative to the first half of the year. In the third quarter, the number of persons insured with the CPIA, being a reliable short-term indicator of employment which is not subject to revision, rose by 2.2% at the annual level. Concurrently, preliminary CES data which significantly underestimated employment growth in the previous years, pointed to a 0.7% increase in total employment. It is worth noting that this annual rate of change is based on revised employment data for the period until January 2008 and preliminary data following this period, and it is therefore likely to be higher after the revision expected in April 2009.

As suggested by the CBS data, the largest contribution to total employment growth in the third quarter and at the entire 2008 level came from employment in legal persons, which accounts for 80% of total employment. Employment in crafts

Figure 21



Figure 22

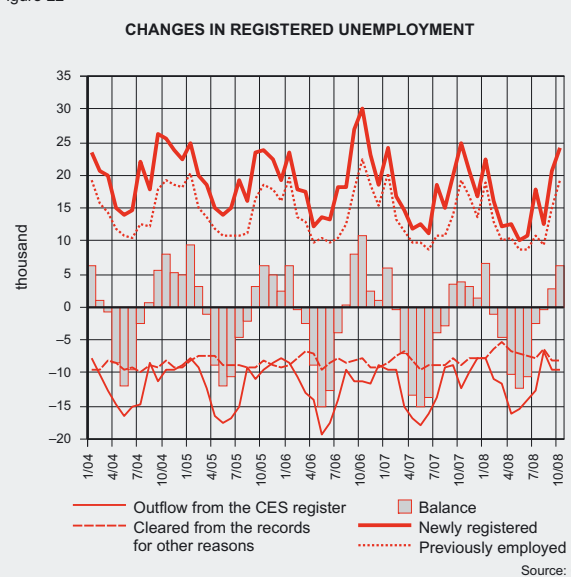
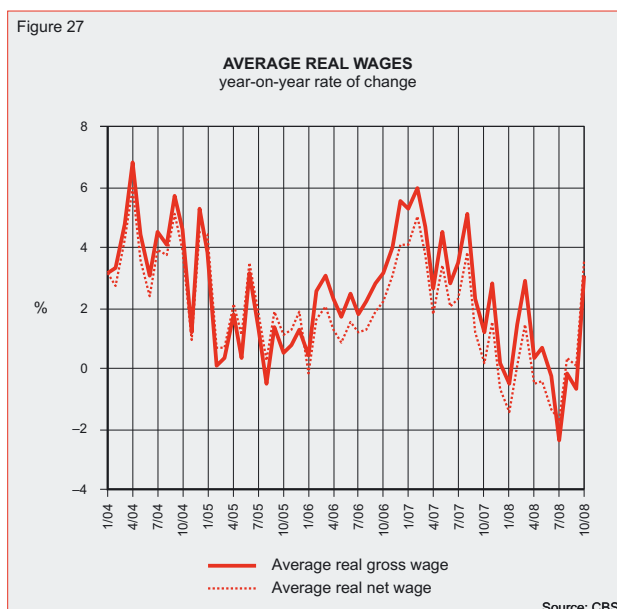
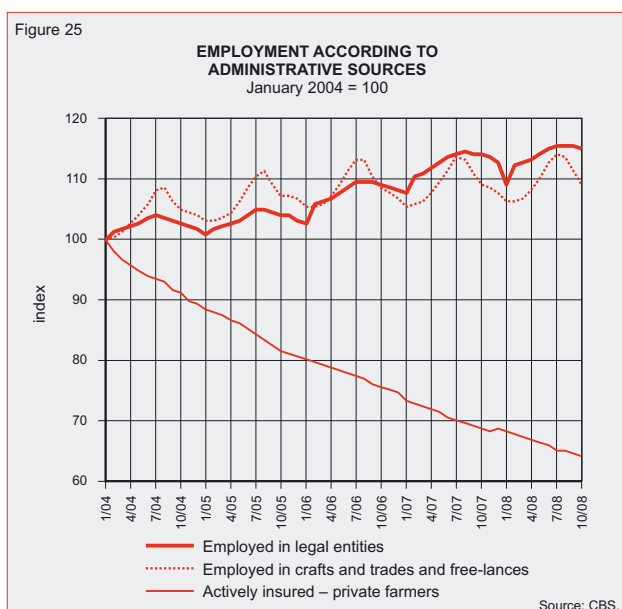
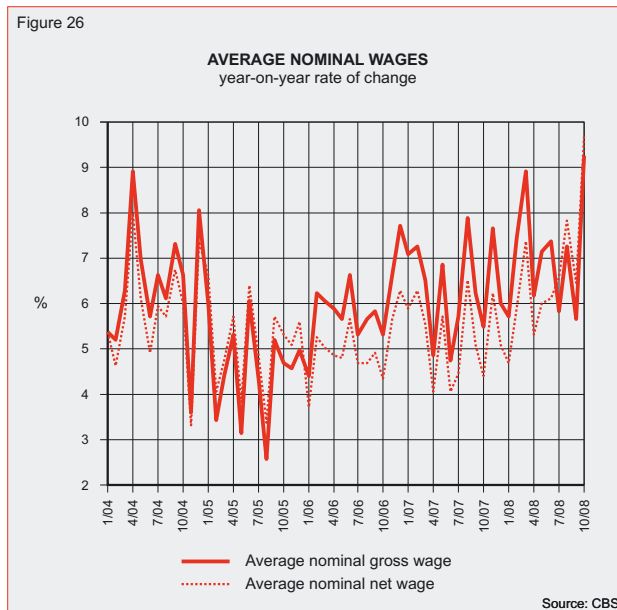


Figure 23





and trades and freelances rose slightly in annual terms (by 0.4%) in the observed period, whereas the number of individual farmers actively insured with the CPIA continued to fall.

Wages and Labour Costs

A slowdown in the annual growth of the average nominal gross wage observed in the second quarter continued into the July-September 2008 period, and was accompanied by an annual acceleration of the average nominal net wage. This was mainly due to amendments to the Income Tax Act, by which the basic personal tax exemption was increased from HRK 1,600 to HRK 1,800 with respect to all wages paid after 1 July 2008. In addition to this, according to the Minimum Wage Act that entered into force on 1 July, the minimum wage was raised by HRK 306, from HRK 2,441,25 to HRK 2,747,00. This Act, together with the before mentioned increase in personal tax exemption influenced the developments in wages paid in August and the period after that.

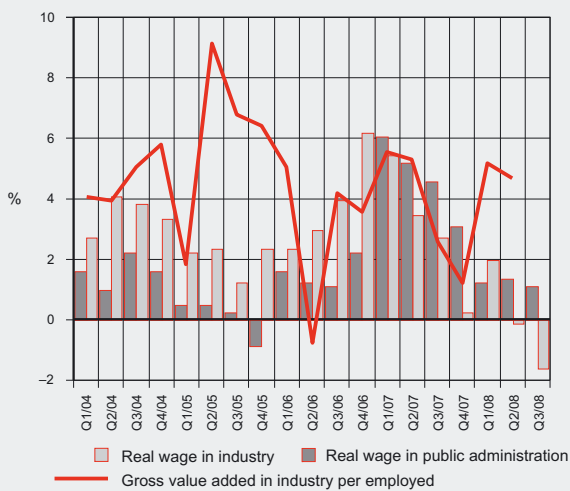
The annual acceleration of the consumer price index growth led to an annual decline in real gross wages. However, the above mentioned legal amendments slightly mitigated the negative changes in real net wages. The annual rate of change in real gross wages paid in the third quarter stood at -1.1%, whereas average real net wages declined annually (by 0.4%) in this period. October 2008 saw considerable growth in real wages, as a consequence of slower annual growth in consumer price inflation and a sharp increase in nominal wages (both gross and net).

The annual decline in the average real gross wage during the third quarter was due to negative movements in almost all economic activities. The main driving force of such movements were private sector activities, namely financial intermediation, hotels and restaurants, transport, storage and communications and construction.

The labour productivity growth in industry, measured by this activity's GVA dynamics, at constant prices per employee, reached a high of 4.7% in the second quarter of 2008.

Figure 28

AVERAGE REAL GROSS WAGE IN PUBLIC ADMINISTRATION AND INDUSTRY AND GROSS VALUE ADDED IN INDUSTRY PER EMPLOYED
year-on-year rate of change



Source: CBS.

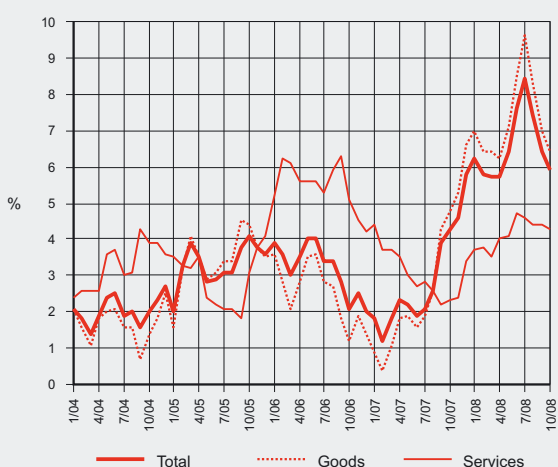
Real gross wages in industry followed the general real gross wage trend, so that the annual growth of the average real gross wage in industry slowed down from -0.2% in the second to -1.6% in the third quarter of 2008. This was largely due to decreases in manufacturing and electricity, gas and water supply.

Prices

The annual consumer price inflation rate dropped from 8.4% in July to 5.9% in October 2008. The price decrease in crude oil and food raw material prices on the world market in the period from August to October led to a stabilisation, although not a significant decrease, in domestic food products prices.⁶ This, and a positive base effect, led to a slowdown

Figure 29

CONSUMER PRICE INDEX
year-on-year rate of change



Source: CBS.

⁶ This can partly be attributed to a low price elasticity of the demand for food products.

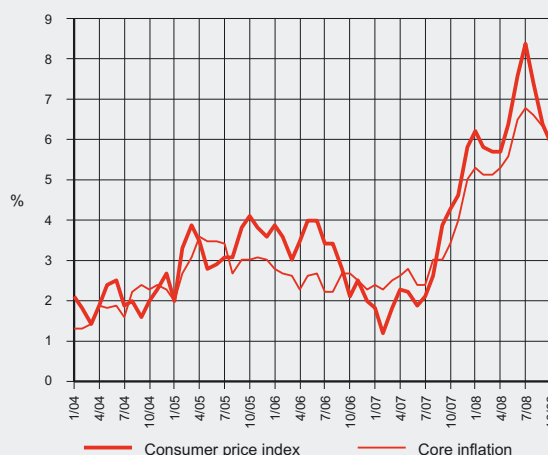
in the annual growth rate of food prices. A marked drop in refined petroleum products prices also had a considerable effect on the domestic inflation decrease.

Consumer Prices

Trends in some important factors influencing domestic inflation changed after July 2008, which primarily refers to a break in the growth trend of crude oil and other raw material prices on the world market. The effect of the drop in world raw material prices on domestic inflation trends was to some extent offset by a marked depreciation of the kuna/US dollar exchange rate. Domestic inflationary pressures were eased due to a slight appreciation of the kuna against the euro. Such exchange rate developments produce a positive effect on domestic inflationary trends by stabilising both inflationary expectations and prices of goods imported from the eurozone. In addition, the available indicators of domestic economic trends in the first half of 2008 point to subdued

Figure 30

CONSUMER PRICE INDEX AND CORE INFLATION^a
year-on-year rate of change



^a Core inflation is calculated by excluding agricultural product prices and administrative prices (which include, among others, electricity and refined petroleum product prices) from the CPI basket of goods and services.

Source: CBS.

Table 1: Consumer Price Index, classification of personal consumption by purpose, year-on-year rate of change

	Weight 2008	12/07	3/08	6/08	9/08	10/08
Total	100.0	5.8	5.7	7.6	6.4	5.9
Food and non-alcoholic beverages	31.8	10.7	9.6	13.1	9.4	9.0
Alcoholic drinks and tobacco	5.5	6.4	6.6	5.3	4.3	4.3
Clothing and footwear	8.4	5.1	3.8	2.8	2.8	2.3
Housing, water, energy, gas and other fuels	14.2	3.9	4.7	5.9	8.4	8.3
Furniture, equipment and maintenance	5.3	3.0	4.0	5.3	5.6	5.2
Health	2.8	1.3	3.9	5.5	7.6	7.7
Transport	11.4	4.7	5.7	10.0	5.9	3.4
Communication	4.2	-0.3	-1.3	-1.3	-1.5	-1.7
Recreation and culture	6.1	1.8	0.3	1.9	1.6	1.9
Education	1.0	2.3	2.8	2.6	2.0	2.1
Catering services	3.5	2.4	5.0	6.6	7.3	6.9
Miscellaneous goods and services	5.8	4.4	4.0	4.3	4.5	4.4
Goods	76.9	6.6	6.4	8.5	7.0	6.4
Services	23.1	3.4	3.5	4.7	4.4	4.3

Source: CBS.

Table 2: Consumer Price Index, the five main categories of products, year-on-year rate of change

	Weight 2008	12/07	7/08	8/08	9/08	10/08
Total	100.0	5.8	8.4	7.4	6.4	5.9
Energy	13.6	5.2	16.5	12.3	10.5	8.3
Fresh food	14.6	9.3	11.5	9.9	5.2	6.8
Processed food (incl. alcoholic drinks and tobacco)	22.8	10.5	12.7	11.7	10.8	9.3
Industrial non-food without energy	28.5	2.8	3.0	3.2	3.2	3.0
Services	20.5	2.8	4.4	4.2	4.2	4.3

Note: In order to analyse the consumer price inflation trends, the ECB uses the classification which divides the product basket into five main categories. In this classification, the basic product groups differ to some extent from those in the Classification of Individual Consumption by Purpose (COICOP). Hence, for example, the price of water is excluded from the index of services prices, calculated in accordance with the product basket divided into five main categories, and included in the index of goods prices.
Source: CBS.

demand-pull inflationary pressures. Specifically, due to the decelerated growth of household spending financing sources and the weakening of consumer optimism, the annual dynamics of personal consumption slowed down markedly in the first half of the year. In contrast, the annual growth rate of total economy unit labour cost accelerated in the same period, reflecting the acceleration in labour compensation per employee and concurrent deceleration in labour productivity. These trends suggest cost-push inflationary pressures.

Core inflation, which excludes agricultural product prices and administrative prices, gradually decreased from 6.8% in July to 5.9% in October. The decrease in the annual rate of change in some food product prices had the strongest effect on the core inflation slowdown in the observed period.

The annual rate of change in the prices of processed food products decreased from 12.7% in July to 9.3% in October, primarily due to the slowdown in the annual growth rate of prices of bread and other bakery products, oil, fat and milk and dairy products. The annual growth rate of fresh food product prices slowed down from 11.5% in July to 6.8% in October, to the greatest extent due to the drop in the annual rate of change in vegetables and fruit prices and to a smaller extent to the decrease in the annual rate of change in meat prices. Taken in aggregate, food product prices slightly

increased in October relative to July, whereas the said slowdowns in their annual growth rates were due to a positive base effect.

Furthermore, the drop in the annual rate of change in energy prices from 16.5% in July to 8.3% in October made a considerable contribution to the slowdown in the annual inflation rate. The drop was primarily due to the fall in refined petroleum products prices brought about by the decrease in world oil prices.

The annual rate of change in services prices slowed down slightly from 4.4% in July to 4.3% in October, primarily due to a deceleration in the annual growth rate of package holidays prices and prices in road passenger traffic and to some extent to the drop in the annual rate of change in communication services.

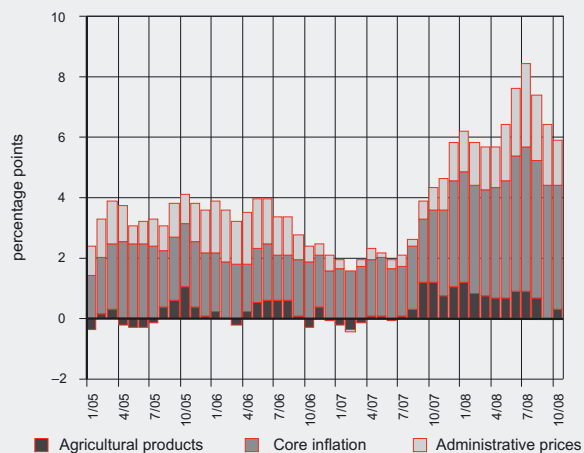
The annual rate of change in the prices of industrial non-food products (excluding energy) remained unchanged at 3.0% in October from July. The annual price growth rate of the said product group came under pressure to accelerate primarily due to the increase in the annual growth rate of medicines and newspapers prices, but the pressure was alleviated by the drop in the annual rate of change in the prices of household appliances and cars.

Import Prices

World crude oil prices started to drop after growing sharply in the second quarter and hitting record levels early in the third quarter. The average crude oil price was USD 72.7 a barrel in October, a decrease of 45.3% compared with July. Due to the nominal depreciation of the kuna/US dollar exchange rate, this decrease was lower expressed in kuna terms: 36.0%. The fall in world crude oil prices was due to the expected drop in crude oil demand, caused by the global economic slowdown, a fall in US demand for refined petroleum products and the strengthening of the US dollar against the euro. The plunge in oil prices prompted the OPEC to cut crude oil output, on 24 October, by 1.5 million barrels as of 1 November 2008. However, world oil prices continued

Figure 31

CONTRIBUTION^a OF CPI COMPONENTS TO YEAR-ON-YEAR INFLATION RATE

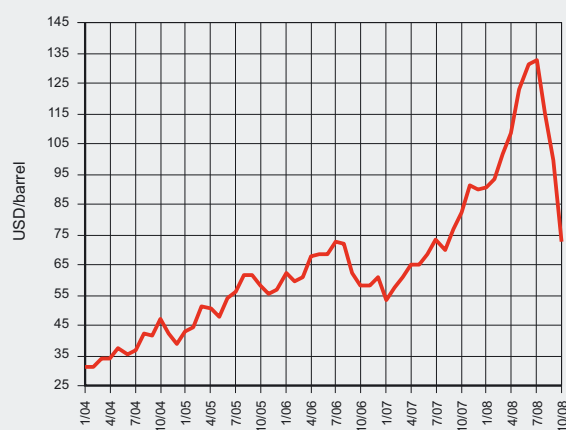


^a The contribution is defined as the relative importance of a CPI component for total inflation. The sum of contributions of all components expressed in percentage points in a relevant month is the amount of the annual consumer price inflation rate.

Sources: CBS and CNB calculations.

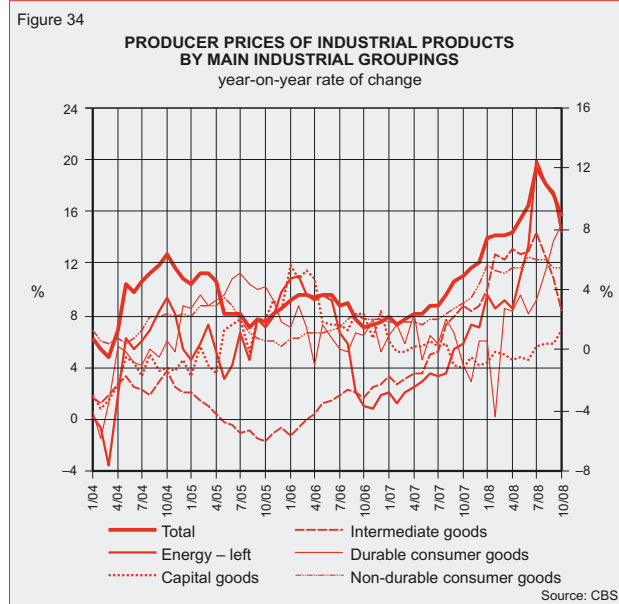
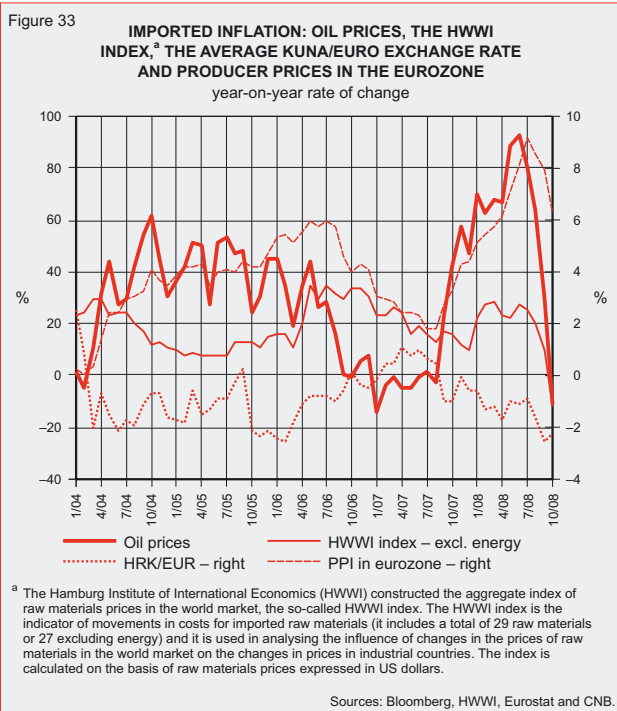
Figure 32

AVERAGE CRUDE OIL PRICES^a ON THE WORLD MARKET



^a Calculated as an average of the following oil prices (prompt delivery): Dubai Fateh, UK Brent and West Texas Intermediate.

Source: Bloomberg.



downwards in November, with the daily price of Brent crude down to USD 51.7 on 28 November.

Imported inflationary pressures declined after July this year on account of a break in the upward trend of other raw material prices on the world market. Specifically, the world prices of food raw materials (primarily oilseeds and cereals) and industrial raw materials (metal) plunged in the period from August to October 2008. The annual rate of change in the HWWI index, which measures commodity price trends in the world market (excluding energy, in US dollar terms), fell from 25.7% in July to -11.8% in October 2008. The decrease in the prices of metals was especially sharp, with their annual rate of change dropping to -35.9% in October 2008 due to concerns about a global economic slowdown. The world prices of food raw materials were 1.9% lower in October 2008 than in the same month in 2007, mainly due to supply-side factors (good harvest). In addition, the latest available data point to a slowdown in eurozone producer price inflation. The annual rate of change in eurozone producer prices went down from 9.2% in July to 6.3% in October 2008, for the most part due to a deceleration in the price growth rate of energy, intermediate goods and non-durable consumer goods.

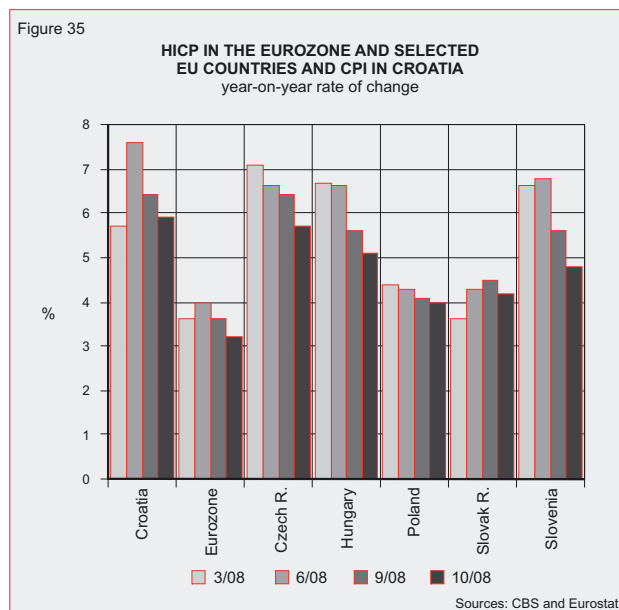
Industrial Producer Prices

Despite dropping from the July 12.0%, the annual rate of change in industrial producer prices remained at a still high level of 8.8% in October 2008. The drop was mainly caused by a significant decrease in the annual rate of change in the prices of energy and intermediate goods. These developments were due to a sharp decrease in the prices of crude oil and other raw materials on the world market. The annual rate of change in energy prices dropped from 20.0% in July to 14.3% in October because of a considerable fall in refined petroleum products prices. The annual rate of change in intermediate

goods prices fell from 14.3% in July to 8.3% in October primarily due to the price fall in metals, brought about by a drop in metal raw material prices on the world market. Additionally, the annual rate of change in non-durable consumer goods prices reduced from 6.0% in July to 5.4% in October, which is primarily attributable to the stabilisation of producer prices of food products, but also to a positive base effect. In contrast, the annual growth rate of durable consumer goods prices accelerated in the observed period, rising from 3.2% in July to 8.3% in October on the back of the price increase in the manufacture of radio, television and communication apparatus and furniture. The manufacture of capital goods also recorded a price rise as the annual rate of change in these products' prices went up from 0.2% in July to 1.4% in October.

International Comparison of Consumer Prices

The difference between Croatia's annual consumer price inflation rate and that of the eurozone reduced from 4.7

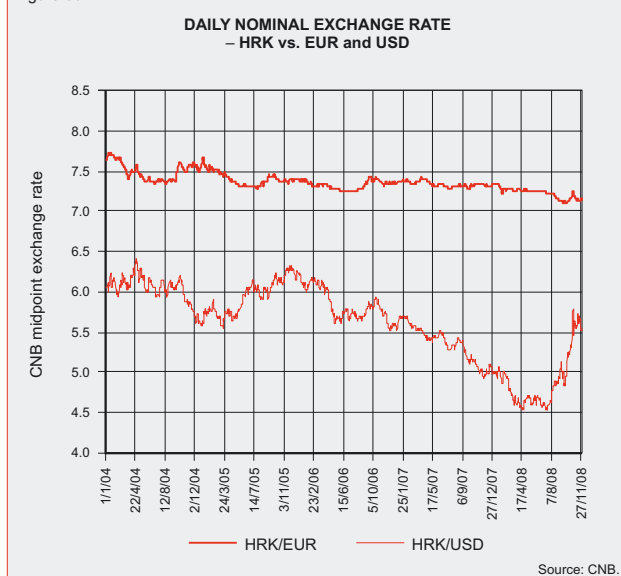


percentage points in July to 2.7 percentage points in October (Croatia's rate stood at 5.9% and the eurozone rate at 3.2%). This is largely a result of the reduced difference between the contribution of food prices to the overall annual inflation rate in Croatia and to the same rate in the eurozone. Specifically, the drop in the annual rate of change in food prices in the observed period was sharper in Croatia than in the eurozone due to a stronger base effect.⁷ However, the annual growth rates of food product prices have remained considerably higher in Croatia than in the eurozone.⁸

Exchange Rate

Foreign currency inflows from the sale of INA shares caused the kuna to appreciate early in the fourth quarter of 2008. In the first ten days of October, the kuna exchange rate moved around a level of HRK 7.11/EUR. With INA takeover contributing to abundant kuna liquidity, the second half of

Figure 36



October witnessed increased demand for foreign exchange due, inter alia, to increased demand of institutional investors who required foreign currency for the purchase of foreign securities. This led to a sudden depreciation of the kuna/euro exchange rate, reaching HRK 7.23/EUR on 25 October. In order to ease these developments and maintain a stable kuna exchange rate, the central bank sold a total of EUR 270.6m to banks on 27 October and withdrew from circulation HRK 2.0bn. In addition, the CNB accepted none of the bids submitted at the last repo auction in October. In line with reduced kuna liquidity, the kuna/euro exchange rate slightly appreciated at the end of October and early in November. As no central bank foreign exchange auctions were held in November, banks met their demand for kuna liquidity at reverse repo auctions. In October, the CNB purchased a total

⁷ Last year, food prices grew faster in Croatia than in the eurozone.

⁸ In October 2008, the annual growth rate of fresh food product prices stood at 6.8% in Croatia and 3.4% in the eurozone, while the annual growth rate of processed food product prices was 9.3% and 5.1% respectively.

Figure 37

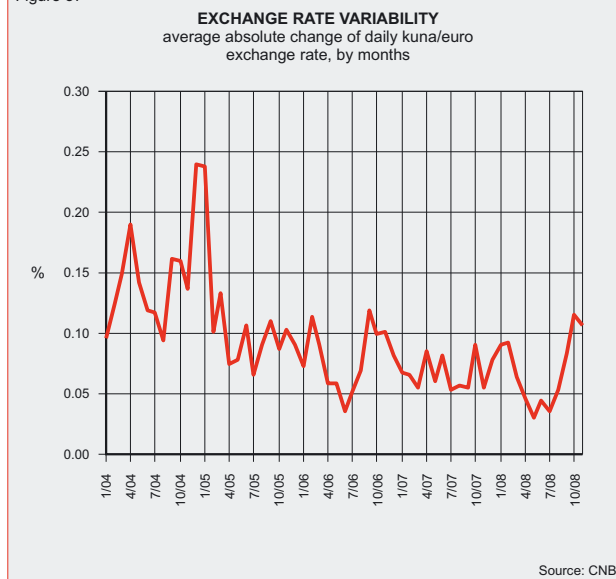
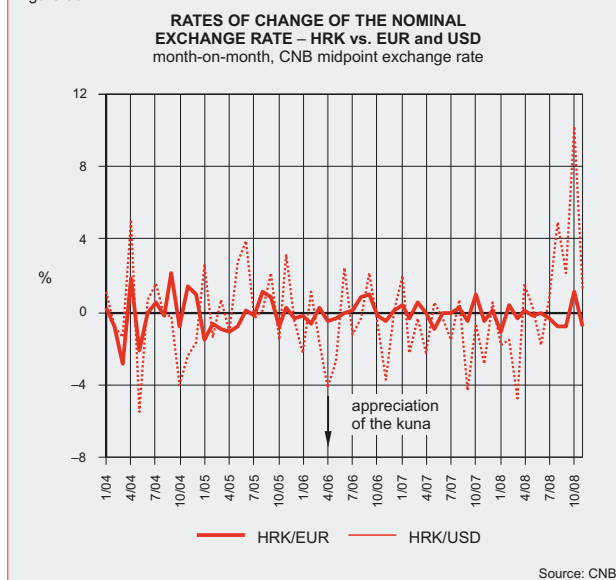


Figure 38



of EUR 155.2m from the MoF. In contrast, November saw a relatively low volume of transactions between the CNB and the MoF, with the CNB purchasing a total of EUR 3.0m. In the first two months of the fourth quarter, the nominal kuna exchange rate weakened by 0.3% against the euro, with the euro increasing from HRK 7.11 on 30 September to HRK 7.13 on 30 November. The exchange rate variability rose in October and November, as indicated by the average absolute change in the daily kuna/euro exchange rate which at 0.11% in these two months was considerably higher than in the first nine months of 2008 (0.6%).

The US dollar/euro exchange rate appreciated by 9.2% in the third quarter of 2008, continuing to strengthen in the foreign exchange market in the first two months of the fourth quarter. Specifically, the US dollar/euro exchange rate appreciated by a total 10.2% in the October-November period of 2008 or from USD 1.43/EUR at the end of September to USD 1.29/EUR at the end of November. These appreciation pressures were especially pronounced in October and, for the

most part, caused by unfavourable economic indicators in the eurozone and a change in the perception of investment risk, which prompted investors to play safe by investing in US treasuries and in dollar. Also in the same month, the ECB cut its key interest rate by 0.5 percentage points (to 3.75%) and the Fed reduced its key rate by 1.0 percentage point (to 1.00%). The US dollar/euro exchange rate continued to appreciate in the first half of November due mainly to the expected easing of monetary conditions in the eurozone and adverse economic indicators released in the eurozone suggesting considerable economic slowdown. In line with expectations, at its meeting held on 6 November, the ECB cut its key interest rate to 3.25% or by an additional 0.5 percentage points. In the second half of November, the US dollar weakened slightly against the euro, losing some of the strength it gained in the first half of the month. The kuna/US dollar exchange rate depreciated by as much as 11.6% in the first two months of the fourth quarter, from HRK 4.96/USD on 30 September to HRK 5.54/USD on November, moving in line with the kuna/euro and US dollar/euro exchange rates.

After depreciating by 0.3% against the euro and 11.6% against the US dollar, the kuna also weakened against the Swiss franc (by 2.7%) but strengthened against the pound sterling (by 4.5%) in the first two months of the fourth quarter. As a result, the index of the daily nominal effective kuna exchange rate depreciated by 3.2% from 30 September to 30 November.

According to the latest available data on the index of the real effective kuna exchange rate, the kuna appreciated in real terms against the basket of currencies by 3.7% (the index value in September relative to the index value in December 2007) deflated by consumer prices and by 3.0% deflated by producer prices in the first nine months of 2008. In the same period, the average monthly index of the nominal effective kuna exchange rate appreciated by 2.3%. The index of the effective kuna exchange rate appreciated more in real than in nominal terms in the reference period due to a faster growth of domestic consumer and producer prices compared to foreign prices.

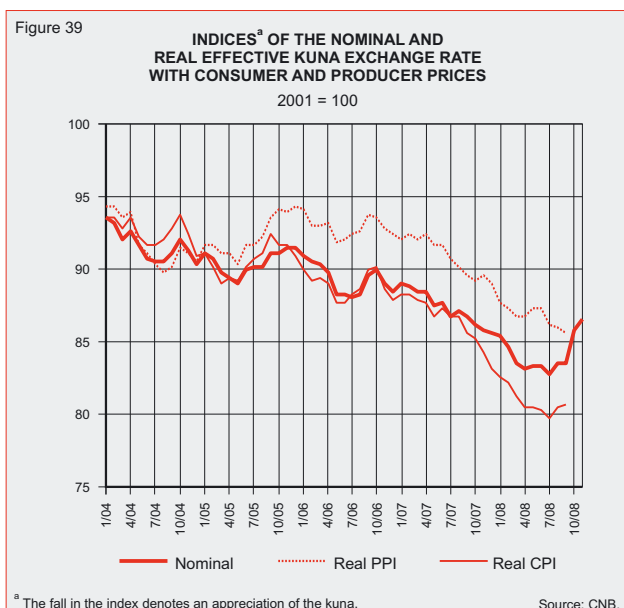
Monetary Policy and Instruments

Monetary Environment

The deepening financial crisis in the US led to the September failure of Lehman Brothers, one of the largest investment banks, the negative effects of which promptly spread to the European and other financial markets and created severe economic and financial problems worldwide. The scale and adverse effects of the financial crisis cannot yet be precisely determined. Its already observable consequences in Europe are strong and massive government-backed recapitalisation programmes for financial institutions due to a fear of the collapse of the financial system as well as considerably lower inflationary pressures. Currently less visible consequences of the crisis are related to the negative effects of a slower or even negative economic growth in the forthcoming period and their expected impact on the direction and volume of global capital flows.

The takeover of INA and the crisis spillover into Croatia marked the monetary policy environment early in the fourth quarter. INA's takeover by a foreign investor led to considerable foreign currency inflows from abroad, the conversion of which required sufficient kuna liquidity. The CNB maintained such a level of liquidity by accepting large amounts of bids at reverse repo auctions and was ready to increase kuna liquidity further by a foreign exchange intervention. However, the commercial banks through which payments related to INA's takeover were executed assessed that they have sufficient kuna liquidity and did not participate in the foreign exchange auction. The central bank sterilised abundant money supply created in open market operations by amending the Decision on reserve requirements to exclude the banks' vault cash from the reserve requirement maintenance obligation. The change in the reserve requirement instrument was pre-announced as part of the process of alignment with ECB regulations and was also meant to enable a partial sterilisation of the liquidity created through foreign exchange transactions related to INA's takeover.

Parallel to the INA's takeover, as a direct echo of the negative trends in global financial markets, early October saw a major outflow of household foreign currency deposits from the banking system. The prompt reaction of commercial banks and the Croatian government quickly put an end to the deposit outflow. Banks raised additional funds abroad and increased several times the balance of foreign cash in their vaults. The CNB abolished the marginal reserve requirement thus freeing foreign exchange funds allocated over a long period of time. Coupled with loans from foreign parent banks, this ensured that the foreign exchange deposit payout, which was triggered by the lack of confidence on the part of some savers, be carried out without interruptions. At end-October, the CNB also intervened by selling foreign exchange in the domestic foreign exchange market, mostly to halt kuna depreciation against the euro. The Croatian government increased the guaranteed amount of savings deposits,



from HRK 100,000 to HRK 400,000, which together with a smooth payout of savings deposits, strengthened public confidence in the banking system.

Notwithstanding higher-than-usual kuna liquidity of banks in October, strong outflows of household foreign currency deposits triggered a rise in interbank market rates. The interest rate in overnight interbank trading was thus three times higher in November than in September. The interest rate increase was also boosted by the segmentation of the money market and distribution of kuna liquidity resulting from the banks' decision not to participate in the foreign exchange auction organised by the CNB at the time of the INA's takeover.

In view of these money market trends and taking account of future funding needs of the government and domestic enterprises, the CNB amended the Decision on reserve requirements in November. As the reserve requirement rate was cut from 17% to 14%, the December calculation released a substantial share of previously sterilised bank funds (more than HRK 8.0bn).

Bearing all this in mind, it should be stressed that the changed environment in which the CNB operates has led to many changes in its instruments but has not changed the monetary policy itself. Even in these new circumstances, the stability of the kuna still serves as the main anchor to inflationary expectations and low inflation remains the main objective of the CNB.

Uses of Instruments of Monetary Policy

Similarly as in the first nine months of the year, regular reverse repo operations were the main instrument of kuna liquidity creation in the fourth quarter of 2008. The volume of trading at auctions increased due to a strong growth in the demand for kuna in October, which was caused by the conversion of foreign exchange funds for the purchase of INA shares. In addition, larger volumes of Lombard loans were used in the period just before the sale of INA shares. The average daily balance of funds placed at reverse repo auctions

Figure 41

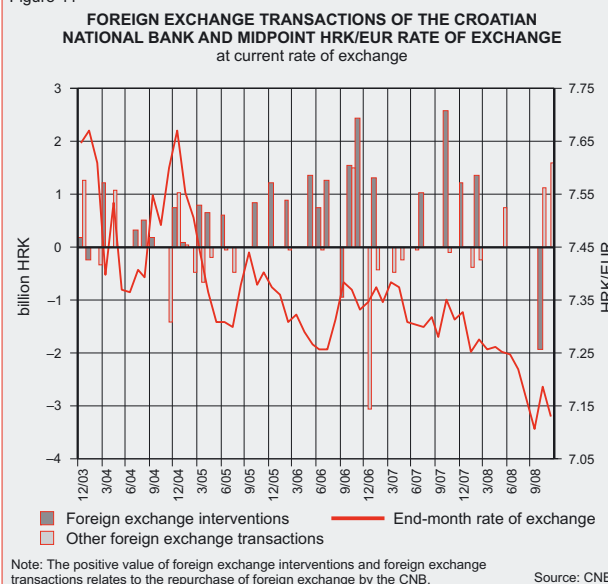


Figure 42

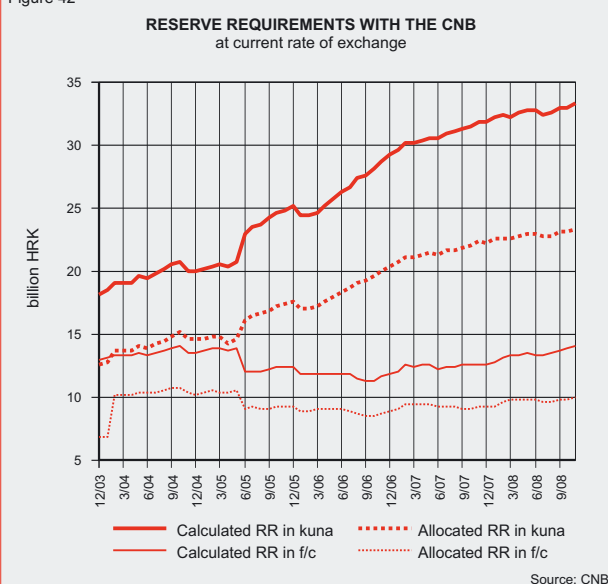


Figure 40

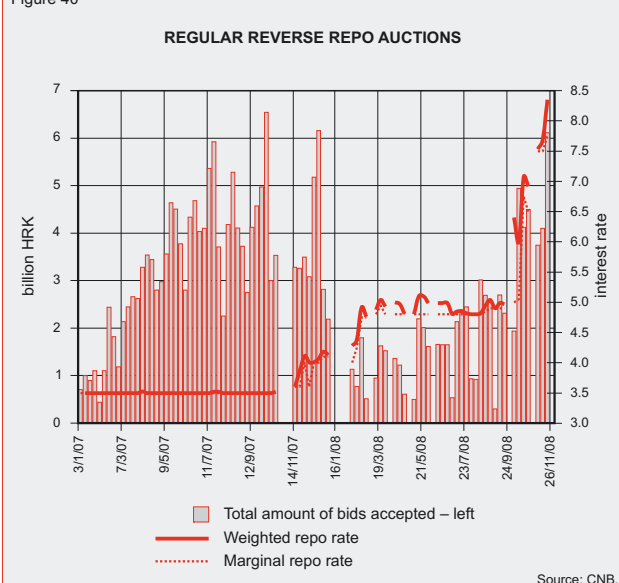
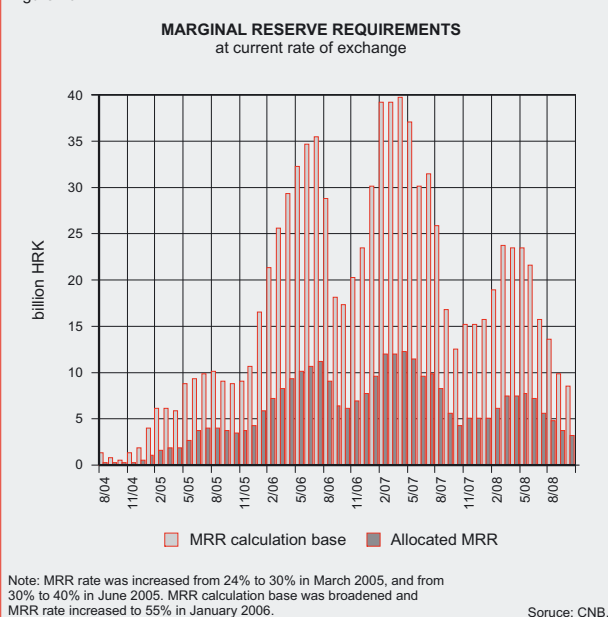


Figure 43



and by means of Lombard loans was a high HRK 3.8bn in October. The largest repo auction, of HRK 4.9bn, occurred in the week of the sale transaction of INA shares.

At the very end of October, following rapid exchange rate depreciation, the central bank withdraw a total of HRK 6.5bn from the system by refusing all the bids received at the repo auction and selling foreign exchange through a foreign exchange intervention. In that period, banks replaced kuna liquidity by an intensive use of Lombard loans and increased borrowing in the money market. Once the exchange rate stabilised in early November, the volume of repo operations continued to grow. The level of funds placed at regular reverse repo auctions stayed high until the end of November, i.e. the last auction held in that month. By not accepting any of the offers received, the central bank again refused to create kuna liquidity. On the other hand, it directly created HRK 1.6bn in its other foreign exchange transactions with banks in late November.

By its foreign exchange market interventions and occasional refusal to create kuna liquidity at reverse repo auctions, the CNB confirmed that, against the background of global financial turmoil and partly alleviated but persistent inflationary pressures, it would not depart from its policy of maintaining a stable exchange rate of the domestic currency.

The marginal and weighted repo rates grew substantially in October and November so that the highest rates which banks offered at auctions came close to the price of central bank's Lombard loans. The average weighted and marginal rates grew to 6.60% and 5.80% respectively in October and both exceeded 7.00% in November.

The last quarter saw further growth of the calculated reserve requirements of banks, with foreign currency reserve requirements growing faster than kuna reserve requirements. In the third quarter such trends were mostly the outcome of a strong increase in foreign currency deposits of domestic sectors, while October saw their decline and replacement by banks' foreign borrowing. In the November calculation, kuna reserve requirements reached HRK 33.4bn, growing annually by 4.8%, while foreign currency reserve requirements

were HRK 14.1bn, growing annually by 11.4%.

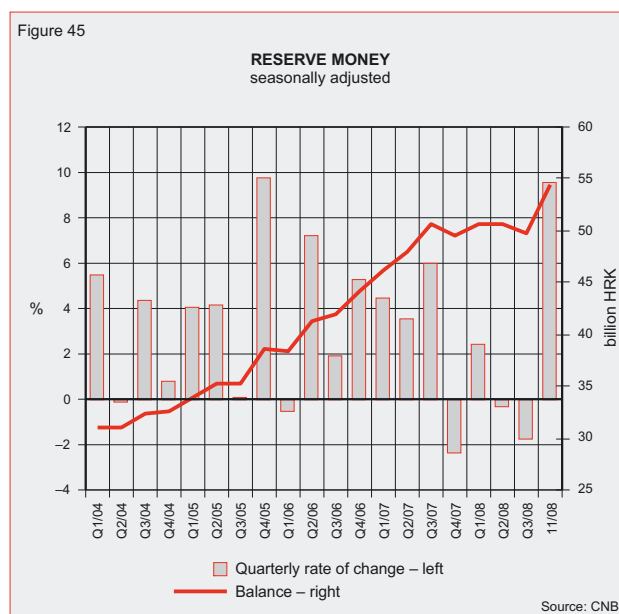
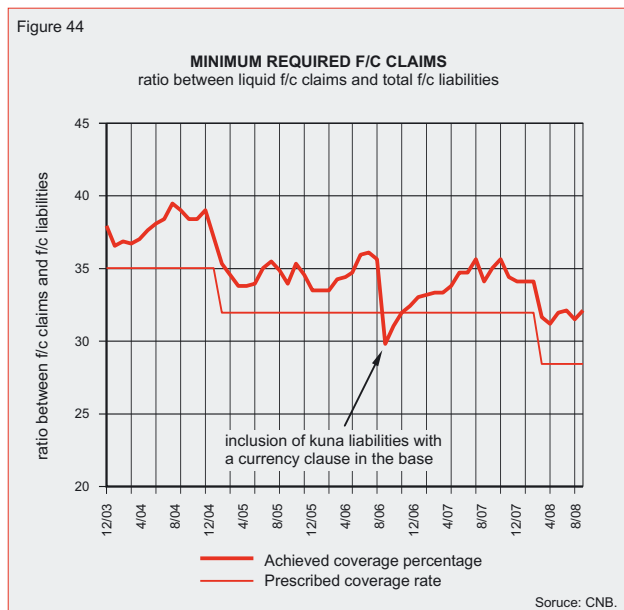
With the abolishment of the Decision on the marginal reserve requirement (MRR), total funds formerly allocated with the CNB under this requirement were returned to commercial banks (around EUR 532m). The MRR abolishment in the midst of the outflow of household foreign currency deposits from banks provided an immediate and strong boost to foreign exchange liquidity and enabled banks to smoothly meet their obligations to clients. In October, banks no longer had to allocate MRR with the CNB on the funds which they raised abroad to offset the outflow of domestic deposits.

The coverage of total foreign currency liabilities by liquid foreign currency claims averaged 31.9% in the second half of the year, 3.4 percentage points above the prescribed minimum. Let us remember that the central bank cut the prescribed minimum rate of foreign currency liquidity from 32.0% to 28.5% in May 2008. At end-October, total foreign currency liabilities of banks were HRK 169.5bn and the share of kuna liabilities with a currency clause in total foreign currency liabilities continued to trend down, standing at only 4.4% at the month-end.

Reserve Money and International Reserves

At end-November 2008, reserve money (M0) stood at HRK 55.2bn, up 10.3% over end-November 2007. This increase was due to the intensified creation of reserve money based on repo operations and Lombard loans, coupled with a parallel stronger demand for reserve money, which was spurred by the exclusion of vault cash from the reserve requirement maintenance obligation. More rapid reserve money growth in the fourth quarter is also confirmed by the trends in its seasonally adjusted value.

Average surplus liquidity⁹ stood at HRK 0.7bn in the first



9 The amount of funds in the settlement accounts (and in bank vaults prior to the reserve requirement calculation in October) above the calculated level needed for reserve requirement maintenance, increased by overnight deposits with the CNB.

Figure 46



two months of the last quarter and fell to only HRK 0.4bn in November. This continued the downward trend in surplus liquidity, which exceeded HRK 1.2bn in the first quarter and dropped to HRK 0.7bn in the third quarter.

Government deposits with the CNB in the last quarter stayed at a somewhat higher level than at the beginning of the year. Since June, the central government maintained the average balance of kuna deposits at HRK 0.5bn, with only minor fluctuations which had no major impact on the banking system's liquidity position.

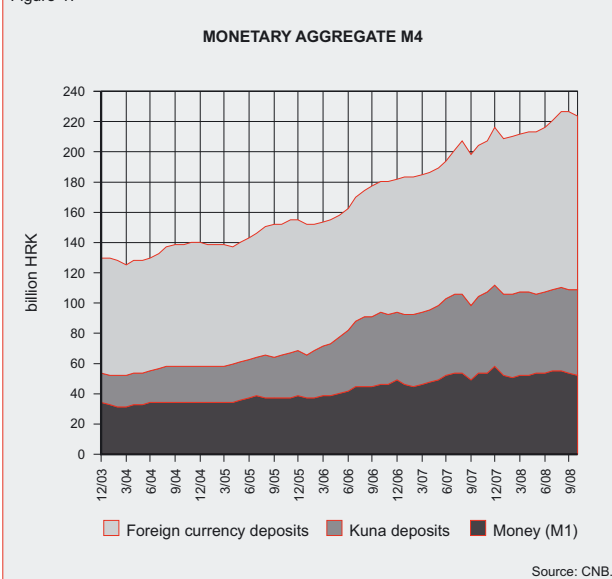
Gross international reserves recorded a decrease in the third quarter and the first two months of the fourth quarter of 2008. The third quarter decline was moderate and mostly due to a fall in marginal reserve requirements. The decline in the first two months of the fourth quarter was caused by the abolishment of the MRR and the net sale of foreign exchange to banks, which was partially offset by the purchase of foreign exchange from the government. At end-November 2008, gross international reserves stood at EUR 9.7bn, which is an increase of 4.0% over end-2007. Unlike gross international reserves, net usable international reserves steadily grew, standing at EUR 8.3bn at end-November, which is an increase of 12.6% compared with end-2007.

Monetary Developments

Monetary developments in the third quarter of 2008 were marked by moderate growth in net domestic assets and strong growth in net foreign assets of the monetary system. This led to a substantial increase in total liquid assets (M4). The trend reversed at the beginning of the fourth quarter when both total liquid assets and net foreign assets recorded a fall. Bank placements levelled off in October when banks mostly focused on their liquidity in the conditions of household deposit outflows, while they resumed growing in November.

The drop in total liquid assets early in the fourth quarter was the indirect impact of the global financial market turmoil and weakened confidence of some depositors, which was reflected in the outflow of household foreign currency depos-

Figure 47



its from the banking system. Regular payout of deposits on the part of commercial banks and an increase in the insured amount of savings on the part of the Croatian government reinvigorated confidence in the Croatian banking system. The deposit outflow was stopped as early as mid-October, and foreign currency deposits continued to grow in the last decade of the month.

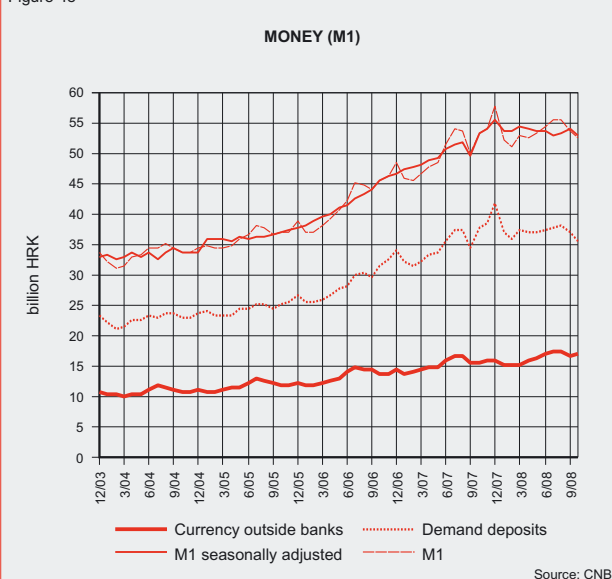
Total Liquid Assets

Total liquid assets (M4) grew strongly in the third quarter of 2008, but fell in October due to the outflow of household deposits. On an annual level, the increase in total liquid assets slowed from 11.1% at the end of the second quarter to 9.3% at end-October 2008.

Money

Due to stronger demand for currency outside banks and demand deposits, money (M1) seasonally increases in July and August and usually decreases in September. Develop-

Figure 48



ments in the third quarter of 2008 also followed this pattern. However, in contrast to previous years, the September fall was more pronounced this year and completely offset the increase in the two preceding months. The annual growth rate of money continued to decelerate.

Money contracted further early in the fourth quarter; M1 decreased by 0.9% in the period between end-October 2008 and the end of the same month last year. This is in line with available real and financial economic indicators which suggest an overall slowdown in economic activity in the second half of the year.

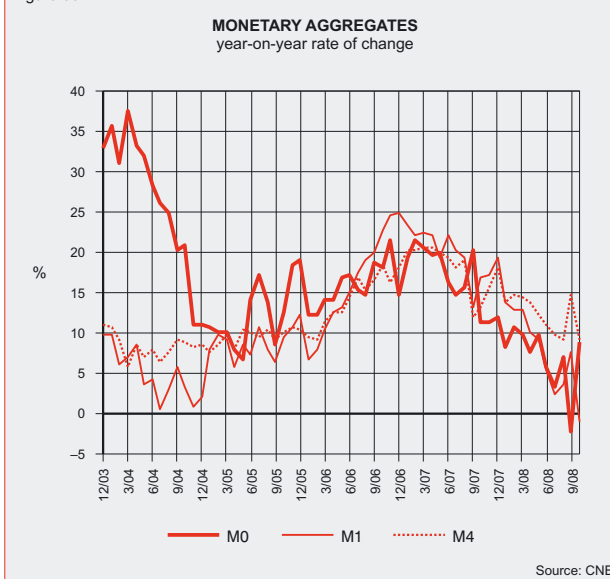
The trends in money were largely affected by changes in demand deposits. Total funds in current and giro accounts of domestic sectors held with commercial banks decreased by 5.3% between end-October 2007 and end-October 2008. Demand deposits of the corporate sector recorded the sharpest decline on an annual level, of almost 10.0%, while the increase in the other component of money, currency outside banks, was only slightly lower than in the same period of 2007.

Non-Monetary Deposits

Savings and time foreign currency deposits with commercial banks steadily grew in the third quarter. Their robust growth began in late 2007 and was largely due to household deposits. As a result of adverse capital market developments households increasingly turned towards safer bank deposits. The strong rise in foreign currency deposits was also boosted by this year's successful tourist season.

Foreign currency deposits went up by a total of HRK 14.8bn from the beginning of the year to end-September, nearly two-thirds of which was recorded in the third quarter. This growth was even more substantial if the exchange rate effects were excluded as appreciation of the kuna against the euro affected the decline in foreign currency deposits in kuna terms. The strong and steady increase in foreign currency deposits is also confirmed by their annual growth rate, which did not fall below 15% in 2008. The October outflow of household deposits almost entirely related to this sector's

Figure 50



Source: CNB.

foreign currency deposits. Excluding the exchange rate effect, household foreign currency deposits fell by some HRK 4.7bn or 4.4% in October.

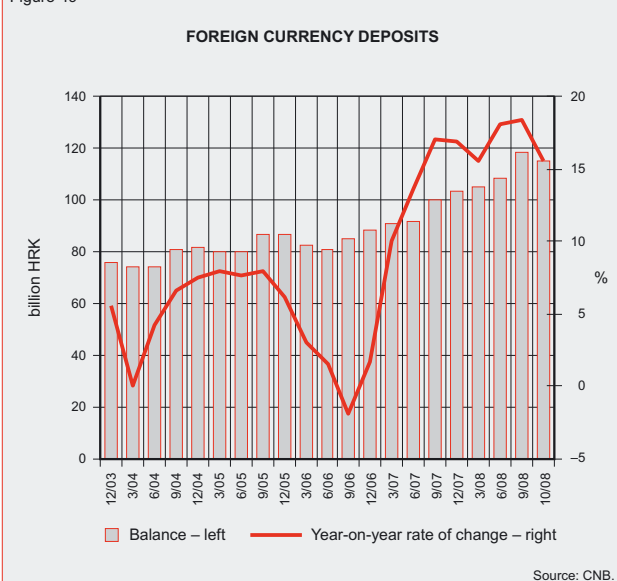
In contrast with foreign currency deposits, kuna savings and time deposits were almost stagnant in the first nine months of 2008; they contracted in the first half of the year and expanded in the third quarter. On an annual level, these deposits grew moderately and much slower in 2008 than last year. Such trends confirm that domestic sectors and households in particular, despite more favourable terms for kuna savings, still mostly opt for foreign currency savings. This is the reason why euroisation of the Croatian banking system, measured as the share of deposits denominated in or indexed to foreign currencies in total savings and time deposits, has remained at a high level, being above 72% at end-October 2008.

Placements

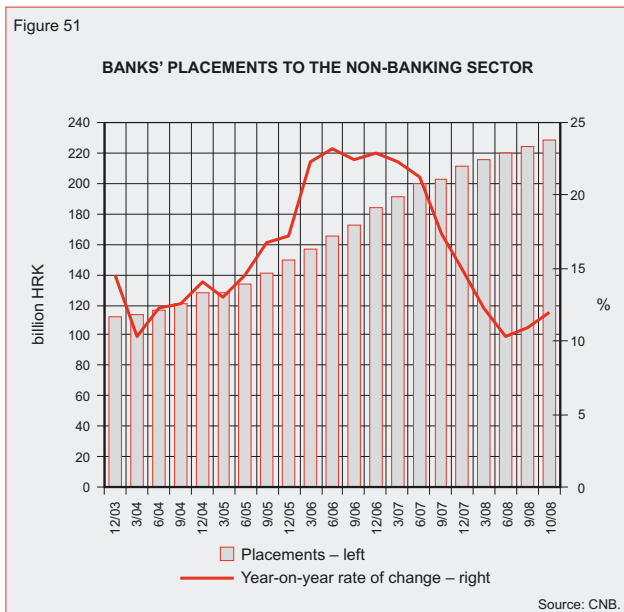
Like in the first half of the year, the growth of bank placements to the non-banking sector in the third quarter was moderate and much below the limits prescribed by the central bank. In the first nine months of the year, bank placements rose by 6.5%, 2.5 percentage points below the growth rate permissible for that period. These developments were due to more stringent financing terms and higher interest rates. In addition, the cumulative placement growth in the first nine months is somewhat underestimated due to appreciation of the exchange rate of the kuna against the euro, which led to a fall in euro-indexed placements when expressed in kuna terms.

While the increase in placements in the first nine months was underestimated due to the exchange rate, kuna depreciation in October overestimated their monthly change. In this instance, the most important change in the exchange rate was depreciation of the kuna against the Swiss franc since a substantial share of total bank loans is indexed to that currency. Hence, although placements recorded a high growth rate of 1.9% in nominal terms in October, they were almost stagnant if the exchange rate effect was excluded. This means

Figure 49



Source: CNB.



that their growth was still within the limits imposed by the central bank.

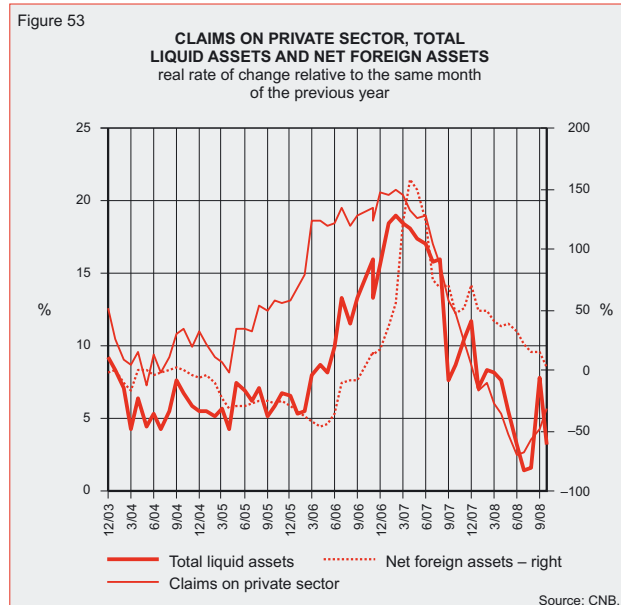
On an annual level, the rise in total placements to the non-banking sector in the third quarter and early in the fourth quarter held steady at the level recorded in the first half of the year, standing at 12.0% at end-October. The structure of placements shows that the growth pace of household loans decelerated while that of corporate loans accelerated. The annual growth rate of household loans was 12.6% at end-October 2008, falling by more than a third compared with the same period last year. Such trends were mostly due to slower growth in home loans, the growth rate of which nearly halved compared with the same period of 2007, standing at 13.5% at end-October. In addition to home loans, the major share of household loans is accounted for by other loans, including any-purpose cash loans. Their growth also slowed considerably, to 10.3% at the end of October 2008.

As international financial market conditions impede their access to foreign capital, enterprises increasingly turn to domestic banks for funding. The annual growth rate of placements to enterprises continued to rise and stood at 12.2% at end-October.

Banks' Placements to the Central Government

Banks' placements to the central government increased by HRK 0.3bn in the third quarter. Their structure slightly changed since a portion of banks' claims arising from money market instruments and long-term securities was replaced by loans granted. As government deposits with banks decreased in the same period, banks' net claims on the central government increased by HRK 0.5bn in the third quarter.

Early in the fourth quarter, banks granted additional loans to the government, while the balance of government deposits remained almost the same. Banks' net claims on the central government went up HRK 0.7bn in October and were 6.6% higher at end-October than at end-October 2007.



Foreign Assets and Liabilities

Robust growth in foreign currency deposits in the summer months made it possible for the banks to reduce their foreign liabilities. Banks' foreign liabilities decreased by more than HRK 6.6bn in the third quarter, while their foreign assets increased, which led to an improvement of HRK 11.7bn in net foreign assets of banks.

Following the outflow of household deposits at the beginning of the fourth quarter, banks borrowed from their parent banks to partially offset the outflow of domestic sources by external sources. As a result, banks' foreign liabilities grew by nearly HRK 7.1bn in October. Owing to the regulations on the minimum foreign currency liquidity, banks also had to increase their foreign assets. These developments led to a fall in net foreign assets of banks, which were 3.7% lower at end-October than at the end of 2007.

Money Market

Following favourable liquidity conditions in the domestic financial system in the third quarter, October and November 2008 saw an upsurge and increased volatility of money market interest rates. In the last two months instability was triggered by INA shareholder payout concerning the takeover transaction of a share package by MOL. In addition to increased demand for kuna, this led to the segmentation of the interbank market into banks with a substantial liquidity surplus or a liquidity shortfall. This money market structure provided a fertile soil for an interest rate hike. In addition, a withdrawal of deposits from commercial banks induced the banks to hold assets in more liquid forms and boosted demand for foreign exchange, which the CNB met by abolishing the marginal reserve requirement. Given the emergence of downward pressures on the kuna in late October, the CNB also undertook a foreign exchange intervention at which HRK 2.0bn was purchased from banks. At the same time, kuna liquidity was created by reverse repo auctions, where the largest amounts of the demanded and placed funds were recorded in 2008, by Lombard loans and foreign exchange transactions with the government. Furthermore, the reserve requirement rate was cut from 17% to 14%, which should be reflected in a fall in money market interest rates as early as mid-December.

As a result of poorer investor interest, interest rates at T-bill auctions in the period between July to November 2008 moved in line with money market interest rates, hitting their record high of mid-2004. The total stock of subscribed T-bills steadily decreased in the observed period. However, after the last November auction, where the government borrowed additional HRK 2.7bn on the basis of newly-introduced two-year T-bills, their stock went up to HRK 12.1bn.

Banks' lending rates continued to trend upward in the period from July to October 2008. Interest rates on short-term and long-term corporate loans grew strongly while interest rates on some types of long-term household loans decreased.

Interest rates on time deposits also grew substantially, particularly those on corporate kuna time deposits with a maturity of up to one month, which are closely related to the movements of interest rates in the money market.

Money Market Interest Rates

Good liquidity of the banking system in the third quarter of 2008 aided the maintenance of a somewhat lower level of turnover on the money market. Banks met their primary liquidity needs on this market in the average daily amount of HRK 2.2bn (a total of HRK 138.7bn in the entire quarter), which is equal to the average daily turnover in the previous quarter. Notwithstanding the stabilisation of turnover, the structure of money market trading significantly changed from the previous quarter. After reaching a record high share (35.3%) in demand deposit trading in the second quarter of 2008, demand deposit trading with other legal persons decreased by HRK 18.0bn and its share fell below the multi-year average, to 20.8%. On the other hand, an increase was recorded by trading in the traditionally most important category – interbank trading in demand deposits, and banks' demand deposit trading with non-banking financial institutions, of HRK 12.3bn and HRK 8.7bn respectively. By far the largest share of the total HRK 138.7bn in loans received by the banks on the money market, as usual, went to loans in demand deposit trading (HRK 131.7bn), while the purchase of repo agreements and the sale of securities raised HRK 6.6bn and HRK 0.4bn, respectively.

Due to the increase in direct interbank trading in demand deposits from HRK 46.0bn in the second quarter to HRK 56.2bn in the third quarter of 2008, the dominance of this category in direct interbank demand deposit trading continued. Compared with the quarter before, bank trading with ZMM intermediation also increased, to HRK 7.5bn.

Overnight loans continued to be the most liquid instrument in direct interbank trading in reserve money, accounting for HRK 41.9bn. The average daily turnover in these loans went up from HRK 425.5m in June to HRK 568.7m in September

Figure 54

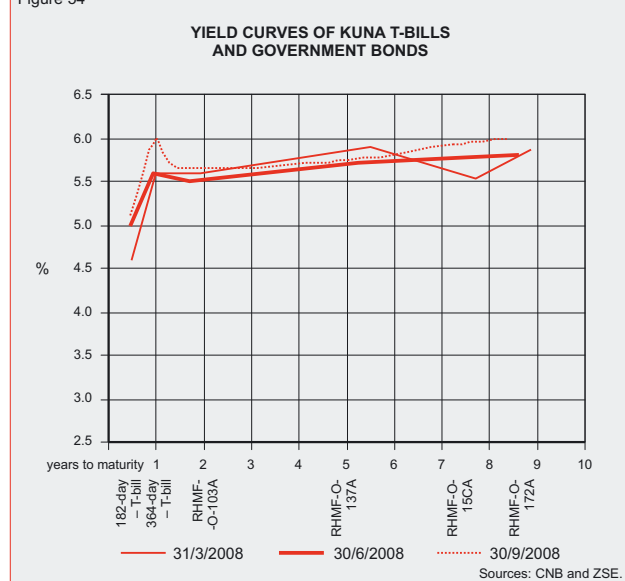
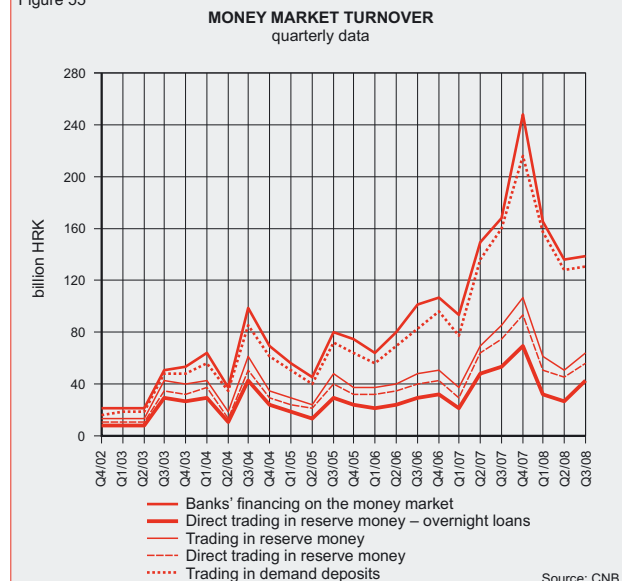


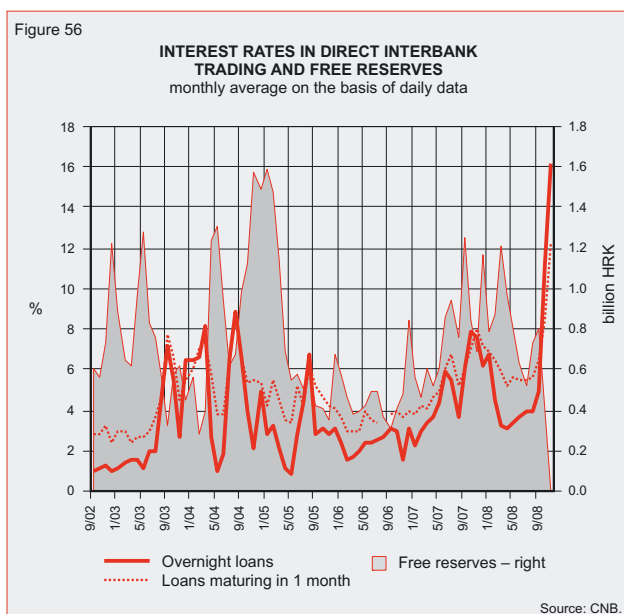
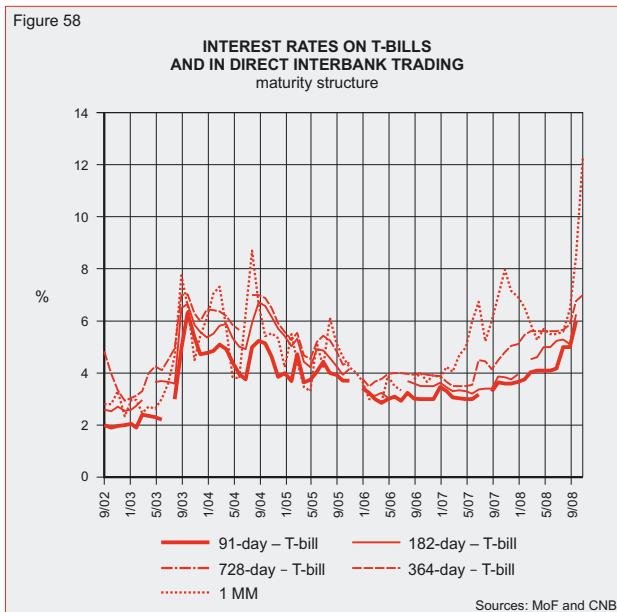
Figure 55



and HRK 893.0m in November 2008. The weighted interest rate on these loans gradually grew during the quarter, from 3.60% in June to 4.93% in September and soared to as high as 16.10% in November, reaching its highest level since the late 1990s. Such rapid growth in money market interest rates was predominantly due to disrupted distribution of liquidity in the banking sector, as well as a somewhat lower level of banks' free reserves in kuna.

The average daily turnover in overnight loans intermediated by the ZMM grew from HRK 63.3m in June to HRK 80.6m in September and fell to HRK 75.5m in November 2008. Having grown moderately from 3.20% in June to 4.50% in September, the weighted interest rate on these loans jumped to a high of 17.40% in October.

The Ministry of Finance held twelve T-bill auctions in the third quarter of 2008, which attracted much lower investor interest, with the average amount of bids received per auction falling by HRK 190.2m from the previous quarter, totalling HRK 280.3m. The amount of bids accepted was high (87.8%



on average). The total amount of subscribed T-bills was HRK 3.0bn, HRK 208.0m less than in the second quarter and as much as HRK 795.0m less than the planned amount of issue. Weakened investor interest was also observed in October and at the first three auctions held in November. Only a high interest rate of 8.50% at the last November auction motivated buyers to subscribe newly-introduced T-bills maturing in two years.

Interest rates at auctions of T-bills of other maturities reached their highest levels since mid-2004, thus moving in the same direction as those in the money market. Weighted interest rates on 91 and 182 day T-bills surged from 4.10% and 4.99%, respectively, in June to 5.00% and 5.10% in September, and 6.00% and 6.25% in October, whereas November saw no new issues of T-bills. The weighted interest rate on one-year T-bills, which grew slightly between June and September, from 5.60% to 5.86% respectively, jumped to 7.00% in November.

Due to falling investor interest, the total stock of subscribed T-bills decreased noticeably, from HRK 11.7bn at end-June to HRK 9.7bn at end-October but increased to HRK 12.1bn at end-November owing to the issue of two-year T-bills. Accounting for 21.9% of total T-bills subscribed, the newly-introduced securities hold the second largest share in the structure of total T-bills, coming after one-year T-bills, the share of which decreased from 92.6% at the end of the second quarter to 73.3% in November. The share of 91 and 182 day T-bills stood at 2.7% and 2.1%, respectively, in November.

Banks' Interest Rates

Banks' lending rates continued growing in the third quarter and October 2008. Interest rates on corporate loans grew the most, while interest rates on some types of long-term household loans dropped. The weighted interest rate on short-term corporate loans without a currency clause, which started trending up in late 2006, gradually increased, from 7.38% in June to 7.84% in September. It jumped to 8.81% in

October on account of a sizeable increase in interest rates on its most-widely represented subcategory, overdraft facilities. Although the weighted interest rate on short-term household loans without a currency clause also increased compared with the previous quarter, from 11.91% in June to 12.20% in September and 12.27% in October, its movements remained within its usual short-term volatility bands.

Most interest rates on long-term loans remained on a strong upward trend in the July-October period. In contrast with the first quarter of 2008 when interest rates on long-term household loans were leading the way, by mid-year they were caught up on by interest rates on long-term corporate loans. Thus, the weighted interest rate on long-term corporate loans with a currency clause went up from 6.74% in June to 7.21% in September and 7.40% in October. Similarly, a slight increase was recorded by most interest rates included in the calculation of the weighted interest rate on long-term household loans with a currency clause, such as those on home and car loans. However, interest rates on most-widely

Figure 61

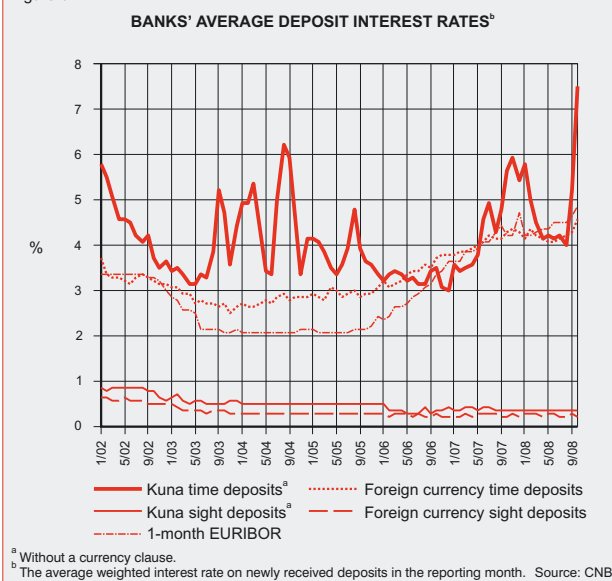
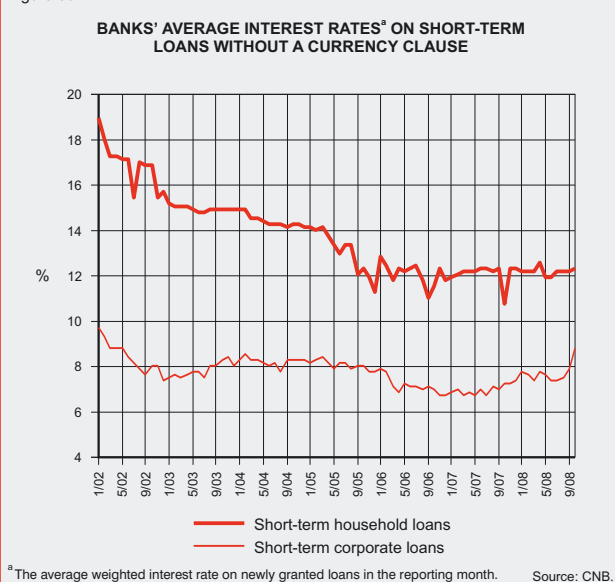


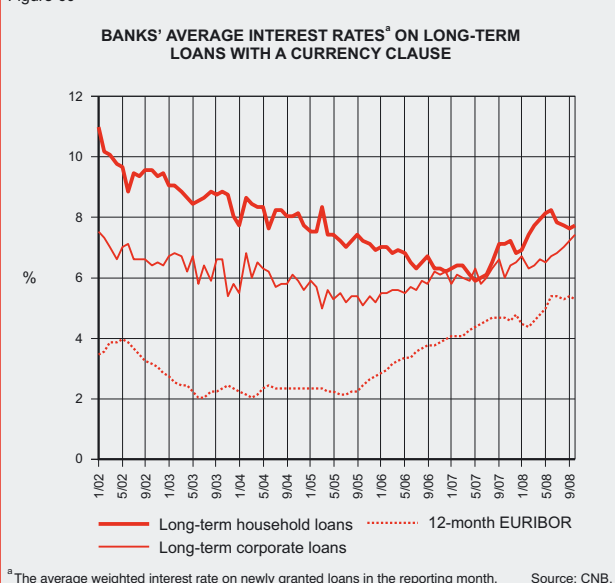
Figure 59



represented other long-term loans, including any-purpose loans, fell by more than 1 percentage point. This reduced the weighted interest rate on long-term household loans with a currency clause from 8.25% in June to 7.63% in September. By October, this weighted interest rate went up to 7.74%.

Interest rates on time deposits grew substantially in the third quarter and October 2008. The weighted interest rate on kuna time deposits without a currency clause went up strongly from 4.16% in June to 5.20% in September and 7.52% in October, thus following the trends in money market interest rates. The steep rise in this interest rate was mostly affected by a sudden increase in the interest rate on the most common corporate kuna time deposits with a maturity of up to one month, which is strongly related to the movements of interest rates in the money market. The weighted interest rate on foreign currency time deposits recorded a noticeable half-percentage-point increase in the period between June and October when it reached 4.54%. This can be explained by banks' efforts to attract deposits, which were withdrawn in fear of the spillover of the global financial crisis to domestic banks, and prevent their possible additional outflows. Interest rates on sight deposits were relatively stable. The weighted interest rate on kuna sight deposits without a currency clause was four basis points higher in October than in June while the weighted interest rate on foreign currency sight deposits was lower, standing at 0.39% and 0.24% respectively.

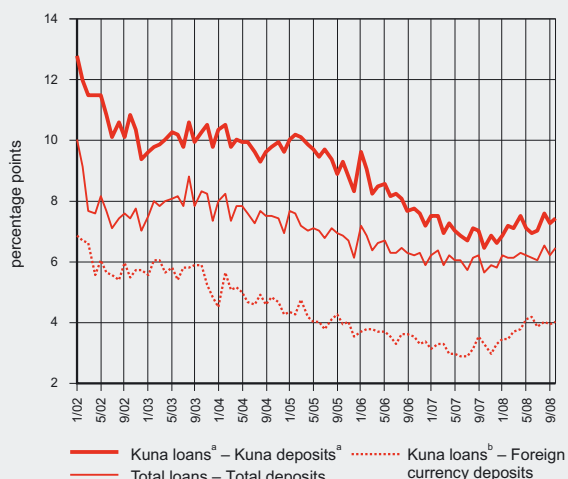
Figure 60



After the years-long trend of lending and deposit rates' spread narrowing reversed at the end of 2007, most spreads continued widening in the third quarter of the year and in October 2008. The spread between the weighted interest rate on total loans and the weighted interest rate on total deposits thus rose from 6.11 percentage points in June to 6.22 percentage points in September and 6.44 percentage points in October. The spread between the weighted interest rate on kuna loans without a currency clause and the weighted interest rate on kuna deposits without a currency clause increased from 6.95 percentage points in June to 7.25 percentage points in September and 7.42 percentage points in October. The spread between the weighted interest rate on kuna loans

Figure 62

SPREAD BETWEEN BANKS' AVERAGE INTEREST RATES ON LOANS AND DEPOSITS



^a Without a currency clause. ^b With a currency clause. Source: CNB.

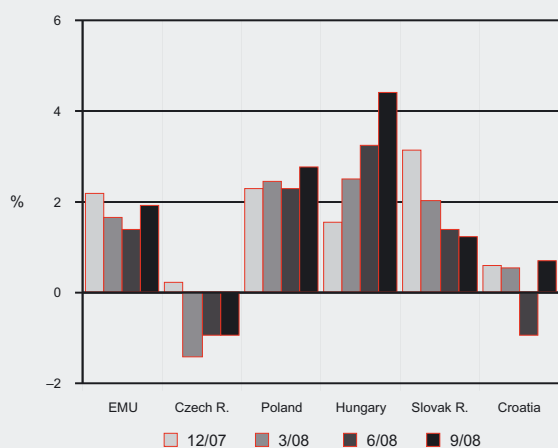
with a currency clause and the weighted interest rate on foreign currency deposits was relatively stable in the observed period, standing at some 4.00 percentage points.

Due to a parallel increase in nominal interest rates on long-term kuna corporate loans in Croatia and a fall in the inflation rate from its high recorded in mid-year, the real interest rate on these loans again turned positive towards the end of the third quarter of 2008. Owing to slower inflation, the real interest rate on long-term corporate loans increased also in the majority of selected Central and Eastern European countries and in the eurozone countries. The interest rate in Slovakia departed from this general trend since inflation in that country has not yet started trending down.

A lower rate of inflation compared with the previous quarter was also the main reason for the increase in the real interest rate on three-month household deposits in most of the countries under review. Although this effect was most prominent in Croatia, this interest rate registered negative values for four consecutive quarters. A slight increase in this interest rate was seen only in Slovakia.

Figure 63

REAL INTEREST RATES ON LONG-TERM CORPORATE LOANS IN SELECTED COUNTRIES



Note: Due to the differences between some countries' statistical coverage interest rates cannot be directly compared, but their development can be analysed. Sources: Central banks' bulletins and CNB.

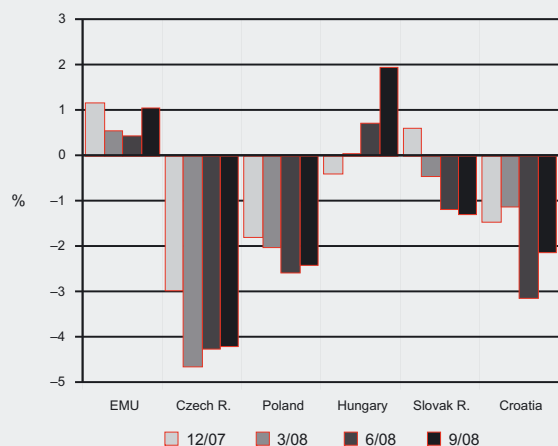
Capital Market

Unfavourable developments in the Croatian capital market that were observed in the first half of 2008 continued throughout the third quarter, which saw a substantial decrease in the turnover of shares and a downfall in the prices of most shares listed on the ZSE. The decline in the domestic share index, the CROBEX, additionally accelerated in October and November.

The influence of negative developments on almost all of the world's financial markets, caused by substantial losses that were sustained by some of the world's largest financial institutions and altered risk perception by investors throughout world, additionally intensified in the third quarter 2008. In most countries, unfavourable developments were accompanied by inflationary pressures caused by the strong growth of crude oil prices and mounting fears due to the weakening

Figure 64

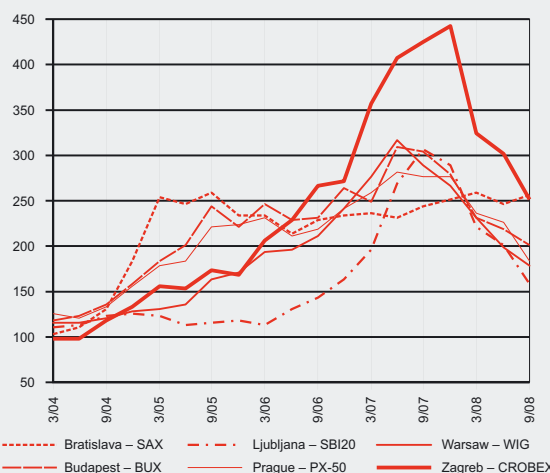
REAL INTEREST RATES ON SHORT-TERM HOUSEHOLD DEPOSITS IN SELECTED COUNTRIES



Note: Due to the differences between some countries' statistical coverage interest rates cannot be directly compared, but their development can be analysed. Sources: Central banks' bulletins and CNB.

Figure 65

SELECTED STOCK EXCHANGE INDICES
end of period, December 2003 = 100



Sources: Bloomberg and reports from BSSE, BSE, PSE, LJSE, WSE and ZSE.

Table 3: Comparison of Capital Market Indicators

September 2008	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million EUR)	0.07	90.64	3.39	185.23	543.79	11.70
Average daily turnover, bonds (million EUR)	130.26	9.06	0.77	85.29	3.24	14.18
Turnover ^a /GDP ^c , annual level (%)	0.03	21.88	2.43	33.27	40.18	7.44
Turnover ^b /GDP ^c , annual level (%)	55.05	2.19	0.55	15.32	0.24	9.02
Turnover velocity ^d	0.39	98.16	6.88	75.30	n.a.	12.23
Market capitalisation ^a (million EUR), end month	4,766	23,271	12,425	61,987	n.a.	24,116
Market capitalisation ^b (million EUR), end month	14,741	40,251	6,526	n.a.	n.a.	5,204
Market capitalisation ^a /GDP ^c , end month (%)	8.0	22.3	35.3	44.2	n.a.	59.4
Market capitalisation ^b /GDP ^c , end month (%)	24.7	38.5	18.5	n.a.	n.a.	12.8
Share index movement from the beginning of the year (%)	1.7	-28.1	-45.6	-33.6	-32.9	-42.9
Share index movement from the beginning of the month (%)	2.0	-10.2	-16.2	-18.5	-7.7	-14.4

^a Shares, ^b Bonds, ^c The sum of the GDP realised in the last two quarters of 2007 and the first two quarters of 2008. ^d Annualised monthly share turnover × 100/market capitalisation of shares. Sources: Bloomberg, BSSE, BSE, PSE, LJSE, WSE and ZSE.

of the world's economy. These global factors and increased risk aversion of domestic investors contributed to the deflation of the price bubble in the domestic capital market, which reflected itself in the substantial downfall in the liquidity and the prices of most shares listed on the ZSE in July and August 2008. MOL's public bid for the purchase of the remaining package of INA shares not owned by the government had a dominant influence on developments in the domestic capital market in September. Although domestic investors were disgruntled at first, deeming the price offered for the share lower than its fundamental value, a fall in the value of the world's main stock exchange indices and in the value of the domestic stock exchange index paired with the OMV's decision to pass up the opportunity to take over INA, prompted them to accept the offer. The world's financial crisis spilling over the rims of the financial sector paired with the strengthening of recession pressures, fears of a decline in demand and bad operating results contributed to further decline in the value of most shares listed on the ZSE until November 2008.

The turnover in the domestic market for debt securities mildly increased in the third quarter of 2008, despite the small number of new bond issues during the period. Activity in the domestic securities market intensified in September, pushing up the value of the ZSE bond index, the CROBIS. However, by the end of November 2008 it reduced substantially.

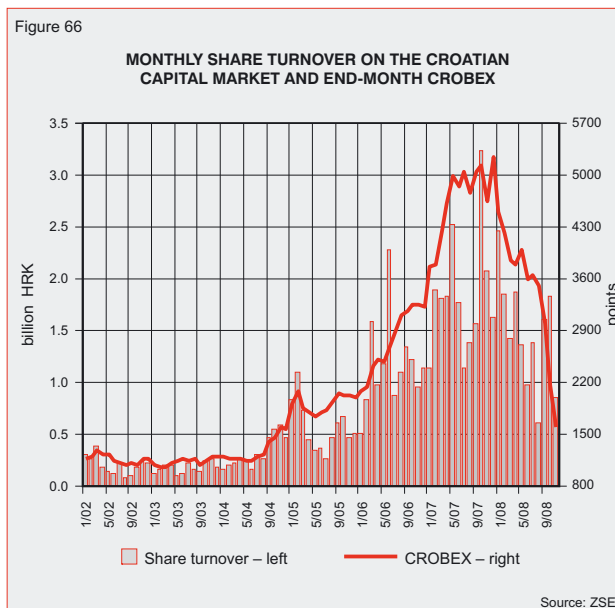
Negative developments and declining stock exchange indices in the third quarter 2008 were seen at most major stock exchanges of CEE countries. The greatest fall in the period concerned was registered by the Ljubljana Stock Exchange index, which went down the most compared with the end of the previous quarter, by 21.4%, followed by the Prague (-18.8%), Zagreb (-16.6%), Warsaw (-9.2%) and Budapest (-7.4%) stock exchange indices. In the period in question, only the Bratislava Stock Exchange index went up (3.6%).

All reference CEE stock exchanges reported an increase in the average daily share turnover in September compared with June 2008, with most of them also registering substantial increases in the average daily bond turnover. Due to the drop in value of almost all reference stock exchange indices, most reference stock exchanges saw a decrease in market capitalisation of shares at the end of September 2008 relative to June 2008. Bond market capitalisation mildly increased in that period at the Bratislava, Ljubljana and Zagreb Stock Exchanges,

and decreased at the Budapest Stock Exchange. Despite a further sharp decline, the ZSE's share market capitalisation to GDP ratio continued to exceed the ratios of all reference stock exchanges in the third quarter 2008. However, its bond market capitalisation to GDP ratio remained the lowest.

Equity Securities Market

Share turnover reduction¹⁰ in the Croatian capital market seen in the first half of 2008, continued in the third quarter. Total share turnover in that period thus reduced by HRK 0.6bn relative to the previous quarter, standing at HRK 3.6bn. Accounting for 23.6% of the share turnover, INA shares were the most traded in the observed quarter, followed by T-HT (11.2%) and Atlantska plovidba d.d. (8.7%). In addition to T-HT (20.1%), the most traded shares in October and November were those of Atlantske plovidba d.d. (13.6%) and the civil engineering institute, Institut građevinarstva Hrvatske d.d. (8.1%).



¹⁰ The data on the total share turnover from January 2002 to February 2007 are the sum of individual shares' turnovers at the VSE and ZSE. The unified ZSE's data have been used since the VSE and ZSE merger in March 2007.

Figure 67

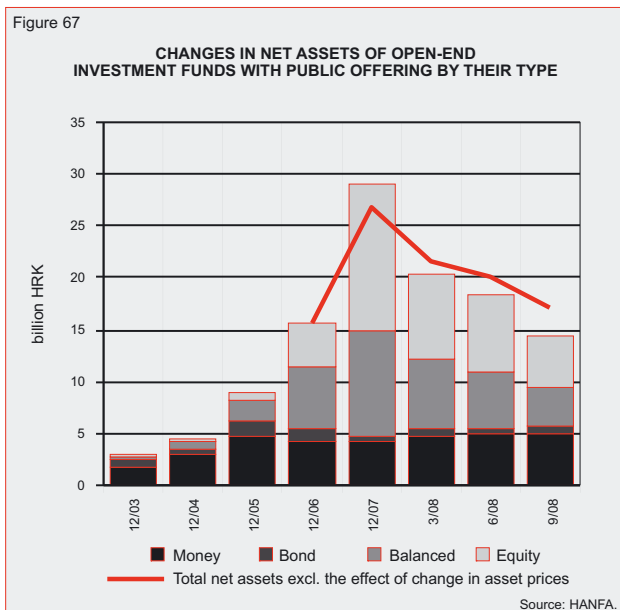
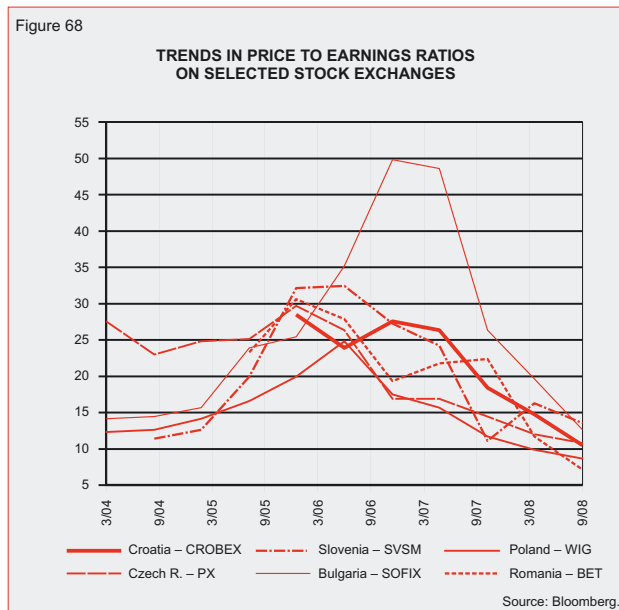


Figure 68



Continued decline in the prices of most shares in the third quarter 2008, additionally reduced the value of the ZSE share index, the CROBEX,¹¹ which decreased by 16.6% at the end of June compared with the end of the previous quarter, standing at 2991 points. In the following two months, the CROBEX fell further (- 46.3%) reaching 1607 points at the end of November, its record monthly low since 2004.

The net assets of open-end investment funds with a public offering continued decreasing in the third quarter of 2008, reaching the lowest level since the end of 2005. Due to their exposure to negative trends in the domestic capital market, the decline was largest in the net assets of the riskiest funds, equity and balanced funds. Only money investment funds recorded a slight increase in net assets at the end of September compared with the end of June 2008. The sizeable reduction in net assets of open-end investment funds in the period under review was not only negatively affected by downward movements in the prices of domestic shares and bonds but also by investors withdrawing sizeable funds from investment funds. Rising risk aversion prompted investors to withdraw the most funds from the riskiest, equity and balanced funds.

Due to the drop in prices of most shares listed on the ZSE, market capitalisation of shares¹² decreased by 13.2% at the end of the third quarter 2008 compared with the end of the previous quarter, standing at HRK 214.4bn. The prices of most shares continued to drop in the following two months, further reducing share market capitalisation to HRK 138.9bn at the end of November 2008.

The price/earnings ratio for the CROBEX was 10.3 at the end of September 2008, which was a decline of 30.6% rela-

tive to the end of the previous quarter. The P/E ratio reduced substantially in the observed period for the indices of all other CEE reference stock exchanges.

Debt Securities Market

At end-October 2008, 36 bonds were listed on the domestic capital market, of which nine government bonds, eight municipal bonds, one CBRD bond and eighteen corporate bonds. This was one municipal bond more than at the end of the previous quarter. On the last day of September 2008, there were 22 commercial bills at the ZSE, issued by 17 issuers, which was four commercial bills and three issuers more than at the end of the previous quarter. Their total nominal value was HRK 1.2bn.

In the third quarter 2008, two new bonds were issued in the domestic debt securities market, one municipal and one corporate bond. A three-year euro bond of Medika d.d. matured in the period, nominally valued at EUR 15.6m.

At the beginning of July 2008, the City of Split issued a new nine-year euro bond nominally valued at EUR 8.2m, having a yield to maturity at issue of 6.00%. In addition, a three-year kuna corporate bond of Linijska nacionalna plovidba d.d., issued in mid-January 2007, was listed at the ZSE at end-August, with a nominal value of HRK 15m.

Strong fall of the total quarterly turnover of bonds¹³ in the first two quarters of 2008 was interrupted in the third quarter, when the total turnover of bonds increased by HRK 546.3m to HRK 2.4bn. The largest share in bond turnover in the observed period (23%) was accounted for by a foreign currency indexed kuna bond of the RC due in 2012, followed by the kuna government bond maturing in 2017 (16%) and a foreign currency indexed kuna government bond maturing

11 Since 19 March 2007, the CROBEX has been calculated based on the new methodology including only the amount of market capitalisation actually available for trading, as opposed to the previous CROBEX weighting based on full market capitalisation. In addition, new procedures have been set providing for the accelerated listing of new most liquid shares.

12 The ZSE market capitalisation is calculated including the total market capitalisation of shares traded regularly in the previous three months, half of the market capitalisation of shares not traded in the previous month and a quarter of the market capitalisation of shares not traded in the previous three months.

13 The data on the total bond turnover from January 2004 to February 2007 are the sum of the respective bond turnovers on the VSE and ZSE, with the unified ZSE data used since the VSE and ZSE merger in March 2007. It needs emphasising that the bond turnover on the VSE had been negligible, standing below 0.4% of the total turnover on both stock exchanges in all the observed years.

Table 4: Bond Issues in the Domestic Market, stock as at 31 October 2008

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price ^a	Current yield 31/10/2008
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	99.45	6.913%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	102.50	6.707%
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	650,000,000	5.500%	98.90	5.561%
RHMF-O-19BA	Republic of Croatia	29/11/2004	29/11/2019	EUR	500,000,000	5.375%	98.05	5.482%
RHMF-O-103A	Republic of Croatia	8/3/2005	8/3/2010	HRK	3,000,000,000	6.750%	100.00	6.750%
RHMF-O-157A	Republic of Croatia	14/7/2005	14/7/2015	EUR	350,000,000	4.250%	91.30	4.655%
RHMF-O-15CA	Republic of Croatia	15/12/2005	15/12/2015	HRK	5,500,000,000	5.250%	94.01	5.585%
RHMF-O-137A	Republic of Croatia	11/7/2006	11/7/2013	HRK	4,000,000,000	4.500%	93.30	4.823%
RHMF-O-172A	Republic of Croatia	8/2/2007	8/2/2017	HRK	5,500,000,000	4.750%	90.60	5.243%
GDKC-O-116A	City of Koprivnica	29/6/2004	29/6/2011	HRK	60,000,000	6.500%	101.30	6.417%
GDZD-O-119A	City of Zadar	1/9/2004	1/9/2011	EUR	18,500,000	5.500%	98.00	5.612%
GDRI-O-167A	City of Rijeka	18/7/2006	18/7/2016	EUR	24,574,513	4.125%	–	–
GDST-O-137A	City of Split	24/7/2006	24/7/2013	EUR	8,000,000	4.563%	100.30	4.549%
GRVI-O-17AA	City of Vinkovci	23/10/2007	23/10/2017	HRK	42,000,000	5.500%	–	–
GROS-O-17AA	City of Osijek	30/10/2007	30/10/2017	HRK	25,000,000	5.500%	–	–
GDST-O-15BA	City of Split	27/11/2007	27/11/2015	EUR	8,100,000	4.750%	–	–
GDST-O-177A	City of Split	8/7/2008	8/7/2017	EUR	8,200,000	6.000%	–	–
HBOR-O-112A	CBRD	11/2/2004	11/2/2011	EUR	300,000,000	4.875%	–	–
BLSC-O-091A	Belišće d.d.	14/1/2005	14/1/2009	EUR	8,000,000	5.500%	101.60	5.413%
RBA-O-112A	Raiffeisenbank Austria d.d.	10/2/2006	10/2/2011	HRK	600,000,000	4.125%	97.50	4.231%
PODR-O-115A	Podravka d.d.	17/5/2006	17/5/2011	HRK	375,000,000	5.125%	90.00	5.694%
NEXE-O-116A	Nexe grupa d.d.	14/6/2006	14/6/2011	HRK	750,000,000	5.500%	95.50	5.759%
MTEL-O-097A	Metronet telekomunikacije d.d.	28/7/2006	28/7/2009	HRK	120,000,000	8.500%	101.90	8.342%
HOTR-O-941A	Hospitalija trgovina d.o.o.	5/10/2006	5/10/2009	HRK	75,000,000	8.250%	99.50	8.291%
HEP-O-13BA	Hrvatska elektroprivreda d.d.	29/11/2006	29/11/2013	HRK	500,000,000	5.000%	92.70	5.394%
ATGR-O-11CA	Atlantic grupa d.d.	6/12/2006	6/12/2011	HRK	115,000,000	5.750%	98.35	5.846%
INGR-O-11CA	Ingra d.d.	6/12/2006	6/12/2011	HRK	200,000,000	6.125%	94.00	6.516%
OPTE-O-142A	Optima telekom d.o.o.	1/2/2007	1/2/2014	HRK	250,000,000	9.125%	84.99	10.737%
JDGL-O-126A	Jadran Galenski laboratorij d.d.	11/6/2007	11/6/2012	HRK	125,000,000	5.650%	–	–
JDRA-O-129A	Jadranska d.d.	13/9/2007	13/9/2012	HRK	75,000,000	6.475%	–	–
JRLN-O-12AA	Jadrolinija d.d.	25/10/2007	25/10/2012	HRK	70,000,000	6.500%	99.50	6.533%
OIV-O-14BA	Odašiljači i veze d.o.o.	20/11/2007	20/11/2014	HRK	100,000,000	7.250%	–	–
HEP-O-17CA	Hrvatska elektroprivreda d.d.	7/12/2007	7/12/2017	HRK	700,000,000	6.500%	–	–
RPRO-O-181A	Rijeka promet d.d.	25/1/2008	25/1/2018	HRK	192,000,000	6.813%	–	–
PLOR-O-133A	Plodine d.d.	4/3/2008	4/3/2013	HRK	100,000,000	9.000%	–	–
SEM-O-101A	Linjska nacionalna plovidba d.d.	12/1/2007	12/1/2010	HRK	15,000,000	7.000%	67.49	10.372%

^a Regularly traded shares.
Source: ZSE.

in 2019 (15%), which marked the turnover of debt securities in October 2008 (25%). The share of all government bonds in the total quarterly turnover mildly declined from the previous quarter to 94.2%, further reducing in October 2008 to 94.1%. The value of the ZSE bond index stood at 96.1 points at the end of the third quarter 2008, which was an increase of 0.8 points on the end of the previous quarter. However, in October and November, the value of the CROBIS fell sizeably, to 89.6 points.

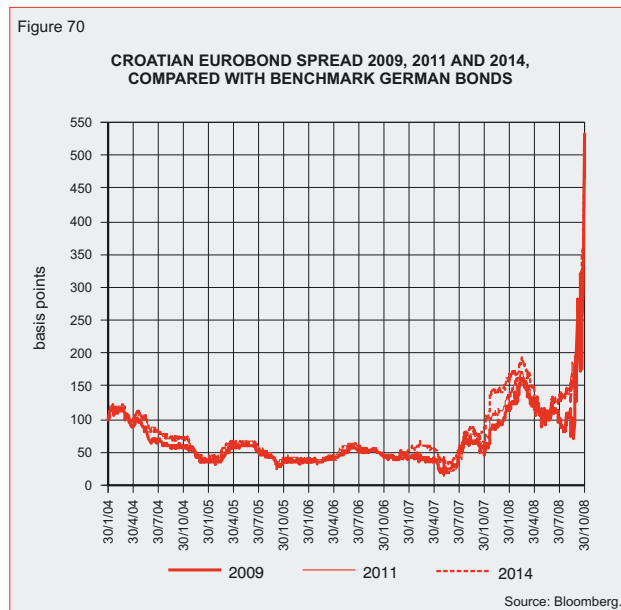
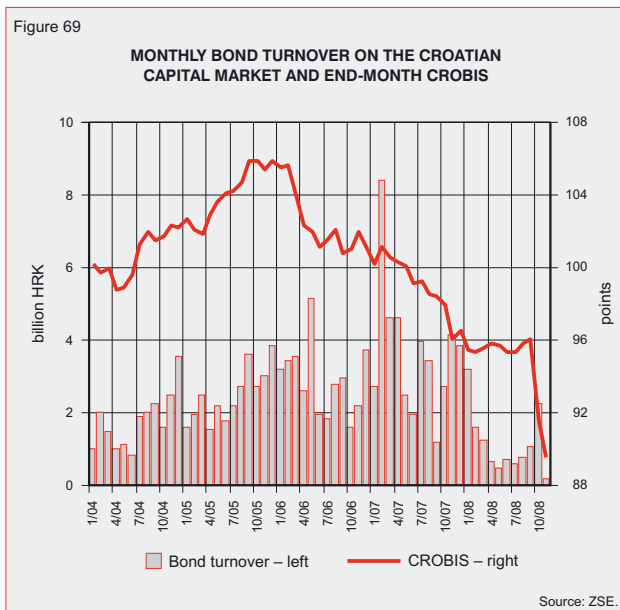
The decrease in the bond index in October 2008 reduced the market capitalisation of government bonds, municipal bonds and the CBRD bond by 3.6% relative to end-June 2008, so it totalled EUR 4.4bn, or approximately 11.2% of the realised GDP.¹⁴ The market capitalisation of corporate bonds also reduced by 3.8% compared with the end of the previous quarter, totalling EUR 555m or some 1.4% of the

realised GDP.

In accordance with its strategy of replacing external debt by borrowing in the domestic market, the Republic of Croatia issued no new bonds in the foreign markets in the third quarter, and October and November 2008. Thus, six Croatian bonds were listed on foreign markets at the end of November 2008, of which four were euro-denominated bonds, one yen-denominated bond and one bond denominated in US dollars. Their total nominal value at the end of November 2008 was EUR 3.1bn.

Unfavourable developments in financial markets all over the world continued in the third quarter 2008. The beginning of the period under review was marked by strong growth in prices of energy products, particularly oil, which reached its highest level in July and increased inflationary pressures in most countries. However, a substantial slowdown in global economic activity in the second part of the year reduced demand for oil and relieved inflationary pressures but at the same time increased the danger of recession in the world's

¹⁴ Gross domestic product is calculated as the sum of the GDP realised in the last two quarters of 2007 and the first two quarters of 2008.



leading economies. As a result, aiming at boosting economic growth Fed lowered its key interest rate on two occasions, each time by 50 basis points, so it ended October at its lowest level since June 2003 (1.00%). After increasing its key interest rate to 4.25% in July 2008 due to mounting danger of high inflation, which subsided in the meantime, in October the ECB lowered its key interest rate, for the first time in five years, to 3.75%, trying to spur growth in the weakening European economy. In line with the reduction of the ECB's key interest rate, an increase in investor interest for safer investments and a rise in demand for government bonds of most developed countries, the third quarter of 2008 was marked by a fall in required yields on the benchmark German bonds. In the same period, required yields on Croatian eurobonds mildly decreased. Since their decline was milder than the decline in required yields on benchmark German bonds, the spreads between their yields widened. The spreads between required yields on Croatian eurobonds due in 2009, 2011 and 2014 and benchmark German bonds widened to 196, 195 and 186 basis points respectively, which was a marked increase compared with 106, 115 and 110 basis points at the end of June. In October 2008, required yields on Croatian eurobonds went up intensively, with the parallel faster decline of yields on benchmark German bonds, so their spreads widened to as much as 467, 494 and 456 basis points.

In the third quarter 2008, Croatian eurobond yields continued mimicking the movements of yields on eurobonds of

new EU Member States. As the decrease in required yields on eurobonds of new EU Member States in the third quarter of 2008 was milder than the decline in required yields on the benchmark German bond, their yield spreads widened by the end of September 2008 relative to the end of the previous quarter. The highest increase in yield spreads was recorded by Romanian, Bulgarian and Slovene bonds. Yield spreads

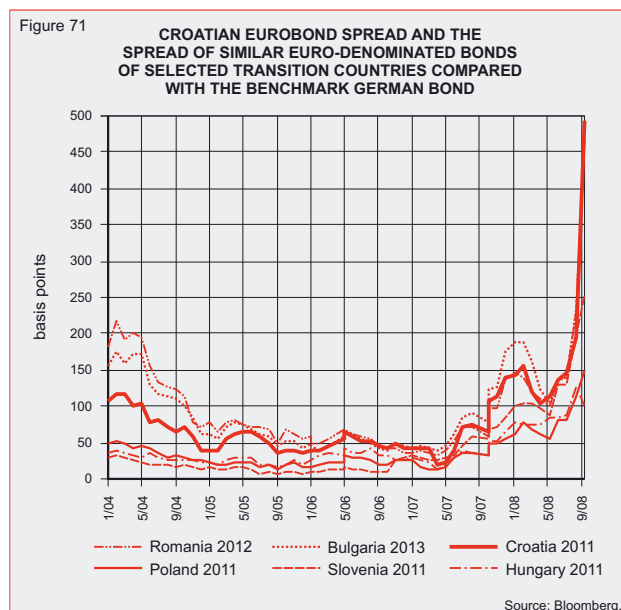


Table 5: Republic of Croatia International Bond Issues, stock as at 30 September 2008

Bonds	Issue date	Currency	Amount	Nominal interest rate	Yield on issue date	Spread on issue date	Spread ^a 31/12/2007	Spread ^a 31/3/2008	Spread ^a 30/6/2008	Spread ^a 30/9/2008
London Club A, 2010	31/7/1996	USD	857,796,000	6-month LIBOR + 81.25 b.p.			142	176	200	286
Eurobonds, 2011	14/3/2001	EUR	750,000,000	6.75%	6.90%	215	114	157	115	195
Eurobonds, 2009	11/2/2002	EUR	500,000,000	6.25%	6.45%	158	94	154	106	196
Eurobonds, 2010	14/2/2003	EUR	500,000,000	4.625%	4.65%	102	95	126	83	173
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	5.11%	101	147	178	110	186
Samurai bonds, 2009	26/6/2003	JPY	25,000,000,000	1.23%	1.23%	99	66	96	99	116

^a In relation to benchmark bond.
Source: Bloomberg.

for all observed countries additionally increased in October 2008, except for the Hungarian bond, due to a strong decline of required yields on the benchmark German bond, which outstripped the decline of required eurobond yields of some of the observed new EU Member States. Yields on Bulgarian, Romanian and Croatian eurobond grew strongly in the period.

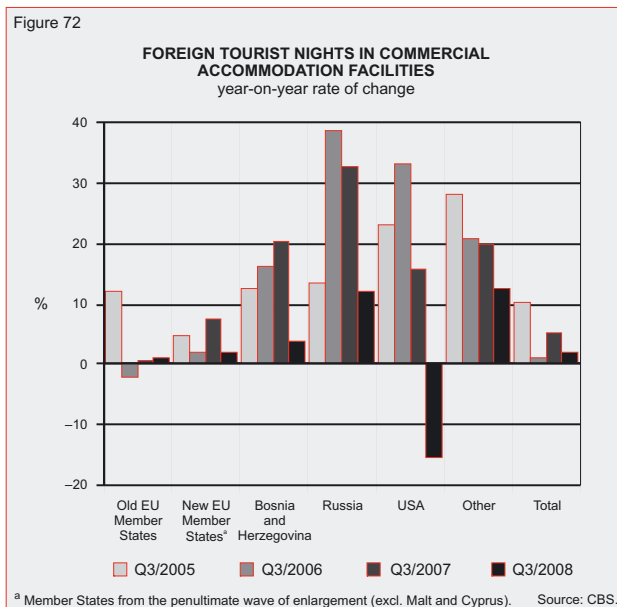
International Transactions

Tourism revenues rose slightly in the third quarter of 2008 over the same period last year, providing a positive balance in the current account. In contrast, as the trade in goods deficit accelerated markedly, to a large extent because of developments in oil and refined petroleum products' trade, the said current account surplus narrowed from the third quarter of 2007. The balances in the factor income and current transfer accounts also worsened in the observed period due to the expenditure growth.

The continued growth of external debt in the third quarter of 2008 is mainly attributed to strong corporate borrowing, which slowed down over the same period last year. Specifically, October witnessed significant growth of external debt, chiefly generated by rapid bank borrowing abroad. The index of exchange market pressure (IEMP) did not diverge significantly from its long-term average value in the third quarter of 2008, while it surged in October due to the fall in international reserves. The difficulties in the settlement of international payments are unlikely to be encountered as the IEMP stayed within its critical values.

Current Account

According to the preliminary data, the current account showed a surplus of EUR 1.9bn in the third quarter of 2008. Yet in comparison to the same period last year, it fell by 10.7% due to strong growth of the negative goods trade balance (from 8.1% to 18.2%). This was largely the consequence of weaker trade in energy products, notably oil whose prices



were market-dominated. This division excluded, the growth of the foreign trade deficit was half as strong in the reference period and decreased over the same period last year.

Net services income grew by 6.4% year-on-year in the third quarter of 2008 over the same period last year. The key factors behind this were net income from tourism (up 6.4%) and better performance in trade in other business services, notably architectural and construction services. In contrast, transportation services showed somewhat weaker results in the third quarter of 2008 over the same quarter in 2007.

The 6.9% growth in tourism revenues in the third quarter of 2008 is mainly attributed to the increased average consumption of tourists while, according to the CBS data, the number of tourist arrivals and nights in commercial accommodation facilities increased only slightly in the reference quarter over the same period last year (by 0.6% and 2.2% respectively). The main contributors to the rise in average tourist consumption were higher prices of food and fuel which account for a large share in overall tourist consumption. Tourist nights by the country of residence show sharpest

Table 6: Current Account, in million EUR

	2006	2007	Jul.–Sep. 2007	Jul.–Sep. 2008 ^a	Indices	
					2007/2006	Jul.–Sep. 2008 ^a / Jul.–Sep. 2007
CURRENT ACCOUNT	-2,702	-3,233	2,072	1,850	119.7	89.3
1. Goods	-8,344	-9,434	-2,311	-2,732	113.1	118.2
1.1. Credit (f.o.b.)	8,464	9,193	2,361	2,679	108.6	113.5
1.2. Debit (f.o.b.)	-16,808	-18,626	-4,671	-5,411	110.8	115.8
2. Services	5,705	6,293	4,309	4,586	110.3	106.4
2.1. Credit	8,529	9,152	5,029	5,410	107.3	107.6
2.2. Debit	-2,824	-2,859	-721	-824	101.2	114.4
3. Income	-1,170	-1,136	-189	-262	97.1	138.5
3.1. Credit	892	1,296	321	356	145.3	111.1
3.2. Debit	-2,061	-2,431	-510	-618	117.9	121.3
4. Current transfers	1,107	1,043	263	259	94.2	98.3
4.1. Credit	1,640	1,576	388	400	96.1	103.1
4.2. Debit	-532	-533	-125	-141	100.2	113.3

^a Preliminary data. Source: CNB.

increase in the number of nights stayed by tourists from Poland, Germany and the Netherlands and a substantial decline in the number of nights stayed by tourist from Italy and the Czech Republic.

In the third quarter of 2008, the negative balance in the factor income account grew by as much as 38.5%, largely due to an almost two times greater growth in expenditures than in revenues. The considerable increase in expenditures was the consequence of higher interest expenses on foreign borrowing (especially corporate interest expenses) which were generated by the rise in interest rates in the world financial markets and high growth of external debt. Dividends paid out to the foreign owners of domestic enterprises and to the domestic owners of foreign enterprises also grew in the reference quarter. The same trend was observed in compensations to employees who work abroad.

In the third quarter of 2008, the positive balance in the account of current transfers dropped by 1.7%. This was due mainly to significant growth in expenditures of domestic sectors which was, to a great extent, caused by higher government expenditures on non-resident pensions and, to a smaller extent, by higher workers' remittances paid abroad by other sectors. In addition, workers' remittances from abroad trended down in the reference period. However, higher intergovernmental subsidies contributed to slight increase of transfer revenues.

Trade in Goods

The trade balance in goods, in constant US dollars, deteriorated by 24.8% in the first ten months of 2008 or two times more than in the same period last year (12.4%). Contributing to this increase were accelerations in trade deficits in SITC divisions 'oil and refined petroleum products' and 'other transport equipment' (mostly ships), which together caused the total deficit to increase by 12.0 percentage points. It should be noted that negative trends in oil trade were above all the result of high crude oil prices in the world market. The positive trade balance in other transport equipment fell by

67.9% in the January-October period of 2008 over the same period last year due to the reporting of ship finishing works on a gross basis. If these two SITC divisions are excluded, the growth of the trade deficit slightly decelerates, from 14.3% to 12.8%.

Total exports of goods, in constant US dollars, fell to 9.8% in the first ten months of 2008 over the same period last year or by 3.7 percentage points. The factors that did make a positive contribution to its growth were accelerated exports of natural and manufactured gas and oil and refined petroleum products. With reference to this, it should be noted that strong growth of gas exports is attributed to the base-period effect (i.e. the fall in gas exports in the first ten months of 2007) and that exports of oil and refined petroleum products were affected by their high prices in the world market. In addition, the growth in exports of other transport equipment (notably ships, as well as vehicles on trails and air transportation and similar equipment) contributed significantly to the increase in total exports.

If oil, gas and other transport equipment are excluded, the growth rate of exports is much lower and stands at only 3.5%, which is a multi-fold decrease over the same period in 2007 (13.4%). SITC divisions with poor export results included 'cereals and cereal preparations', 'miscellaneous manufactured articles' and 'sugars, sugar preparations and honey'. The deceleration of exports was also observed in 'furniture and parts thereof' and 'cork and wood'. Speaking of cereals, it should be noted that the fall in their exports was the result of the base-period effect (exports of this product increased strongly in July and August 2007 due to the announced introduction of export taxes). Exports of coffee, tea, cocoa, spices, fertilisers (crude fertilisers excluded) and electricity continued to show good results.

Total imports of goods, in constant US dollars, grew by 17.6% in the first ten months of 2008, up 4.7 percentage points over the same period last year. This trend was the result of accelerated increase in import values of energy products, above all oil and refined petroleum products and natural and manufactured gas. The factors behind this accelerated

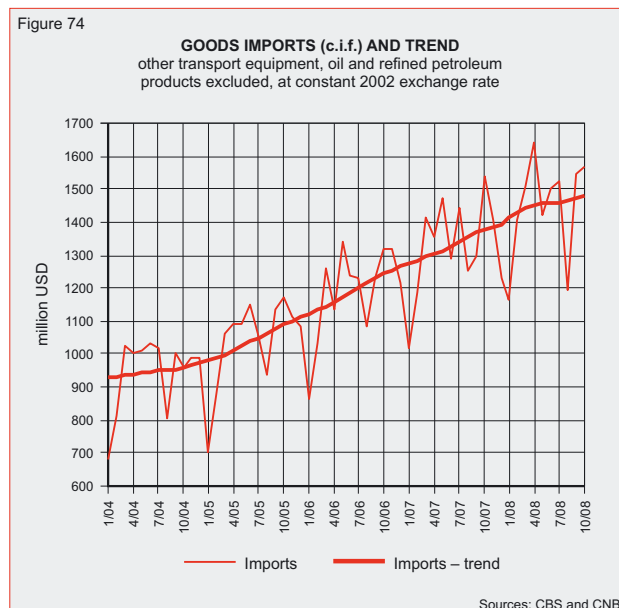
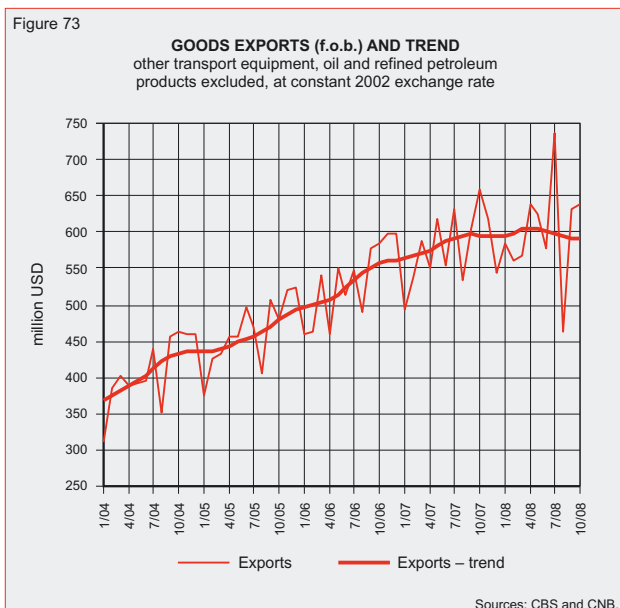


Table 7: Exports and Imports by Economic Classification of Countries, in %

	Exports				Imports			
	2006	2007	Jan.–Oct. 2007	Jan.–Oct. 2008 ^a	2006	2007	Jan.–Oct. 2007	Jan.–Oct. 2008 ^a
Developed countries	71.7	69.3	70.0	67.4	72.6	71.8	72.2	71.1
EU-25	63.2	59.1	59.8	59.8	65.0	63.3	63.7	62.8
Slovenia	8.2	8.3	8.2	7.9	6.3	5.9	6.1	5.5
Hungary	1.7	2.2	2.1	2.3	3.0	2.9	2.7	3.2
EU-15	48.8	43.7	44.2	44.2	50.1	48.7	49.6	48.4
Austria	6.0	6.1	6.2	5.8	5.4	5.3	5.3	4.9
Italy	23.1	19.1	19.6	18.8	16.7	16.0	16.7	17.1
Germany	10.3	10.0	10.0	10.9	14.5	14.4	14.5	13.3
EFTA	1.5	1.2	1.3	1.2	1.7	1.9	1.9	1.6
Developing countries	28.3	30.7	30.0	32.6	27.4	28.2	27.8	28.9
Bosnia and Herzegovina	12.6	14.4	14.4	16.0	2.8	2.8	2.9	2.7
Serbia, Montenegro	5.4	6.6	6.3	6.8	1.1	1.3	1.3	1.4
Russia	1.2	1.3	1.2	1.3	10.1	10.1	9.9	10.8
China	0.2	0.2	0.2	0.2	5.3	6.2	6.2	6.0

^a Preliminary data.

Source: CBS.

increase were the same as those observed in exports. Imports of other transport equipment also surged in the reference period on account of stronger imports of ships previously exported for finishing purposes and in part on account of higher imports of fishing-boats intended for finishing operations in the domestic market early in the year. Imports of air transportation and similar equipment also accelerated, including in particular imports of helicopters from Russia (the settlement of the clearing debt) and imports of passenger aircrafts from Canada by Croatia Airlines d.d. (the fleet renewal).

If oil, gas and other transport equipment are excluded, the growth rate of imports is significantly lower and stands at 7.7%, which is almost a two-fold decrease over the same period in 2007. This trend is attributed to lower imports of miscellaneous edible products and preparations, miscellaneous manufactured articles, wearing apparel and non-ferrous metals. In contrast, imports of crude fertilisers and crude minerals, electricity and machinery specialised for particular industries accelerated in the reference period. Imports of machinery specialised for particular industries also helped maintain high growth rates of imports of capital goods (machinery and transport equipment excluding other transport equipment and road vehicles).

According to the geographic structure of Croatia's exports of goods, the share of exports to developing countries increased in the first ten months of 2008 on account of two times stronger growth of exports to this group of countries than to the group of developed countries. Specifically, exports to Bosnia and Herzegovina (oil, refined petroleum products, fertilisers and electricity) and to Serbia (electrical machinery, apparatus and appliances and oil seeds and oleaginous fruits) rose most, while exports to developed countries were predominantly determined by lower exports to the USA (miscellaneous manufactured articles and medical and pharmaceutical products) and Japan (fish and preparations). Concurrently, exports to old EU Member States and to new EU Member States grew at almost the same rates, with no significant changes being observed in their shares in the overall structure of exports.

Imports from developing countries increased their share in the overall structure of imports, although not as much as exports. This is mainly attributed to higher imports from Rus-

sia which tripled in the reference period and almost entirely comprised oil and refined petroleum products. Although still high, imports from China halved in the first ten months of 2008 over the same period last year. Imports from new EU Member States slightly accelerated, due mainly to a multi-fold increase in the rate of imports from Hungary (oil and refined petroleum products). Despite slight acceleration, imports from old EU Member States declined in the reference period, in particular imports from Italy (oil, refined petroleum products and other transport equipment) and Germany (road vehicles).

Capital and Financial Account

The capital and financial account recorded a net outflow of capital in the third quarter of 2008. In contrast, in the same period last year this account saw a net inflow of capital. In terms of volume, outflows from the account of other investment (loans, trade credits, currency and deposits) were the largest but significantly lower than in the third quarter of 2007. Net outflows were also observed in the account of portfolio investment. Net inflows to the account of direct investment were considerably lower in the third quarter of 2008 than in the same quarter last year, due mainly to smaller investment in Croatia. International reserves went down by EUR 0.4bn in the third quarter of 2008 on account of a seasonal fall in marginal reserve requirements.

Net foreign direct investment totalled EUR 0.2bn in the third quarter of 2008, accounting for one third of total foreign direct investment in the same period last year. The volume of direct investment in Croatia decreased considerably and domestic investment abroad rose. Equity investment, the most significant of which was the sale of equity holding in Sunce concern d.d., accounted for the most significant share in non-resident investment in Croatia. In addition to hotel industry, substantial investments were made in real estate, retail trade and construction. Retained earnings from direct investment were also substantial, while debt equity investment in Croatia (i.e. debt to affiliated enterprises abroad) decreased, notably in the financial intermediation sector.

Net portfolio outflows in the third quarter of 2008 were mainly accounted for by the decrease in liabilities of domestic

Table 8: Capital and Financial Account, in million EUR

	2006	2007	Jul.–Sep. 2007	Jul.–Sep. 2008 ^a	Indices	
					2007/2006	Jul.–Sep. 2008 ^a / Jul.–Sep. 2007
CAPITAL AND FINANCIAL ACCOUNT	3,687	4,123	115	-209	111.8	-
1. Capital account	-134	35	13	9	-	68.5
2. Financial account, excl. reserves	5,233	4,810	-208	-600	91.9	288.6
2.1. Direct investment	2,571	3,469	533	170	134.9	31.9
2.1.1. Abroad	-175	-180	-18	-54	103.4	295.2
2.1.2. In Croatia	2,745	3,649	552	225	132.9	40.7
2.2. Portfolio investment	-543	-5	185	-77	0.8	-
2.2.1. Assets	-472	-414	69	-20	87.6	-
2.2.2. Liabilities	-70	409	117	-57	-	-
2.3. Financial derivatives	0	0	0	0	-	-
2.4. Other investment	3,205	1,346	-927	-694	42.0	74.8
2.4.1. Assets	-692	-1,653	-1,085	-919	238.8	84.6
2.4.2. Liabilities	3,898	3,000	158	225	77.0	142.1
3. Reserve assets (CNB)	-1,412	-722	310	383	51.1	123.4

^a Preliminary data.
Source: CNB.

sectors and the increase in investment abroad. Specifically, the decrease in liabilities is attributed to the withdrawal of funds invested by non-residents in Croatian bonds and equity holdings as well as to the regular payment of central government obligations to the London Club. In addition, resident portfolio investment abroad grew mainly on account of larger investment of domestic investment funds in foreign securities.

The account of other investment (loans, trade credits, currency and deposits) saw a net outflow of EUR 0.7bn in the third quarter of 2008. The foreign assets, mainly currency and deposits of domestic banks, rose substantially in the reference period. The outflow was partially offset by the increase in foreign liabilities, notably corporate liabilities and, to a smaller extent, central government liabilities, while banks decreased their foreign liabilities in line with seasonal movements.

According to the balance of payments data (cross-currency changes excluded), international reserves fell by EUR 0.4bn in the third quarter of 2008 due mainly to a seasonal decrease in marginal reserve requirements allocated by banks. The MRR abolishment (EUR 0.5bn) and the sale of an additional

Table 9: Composition of CNB Reserve Assets, end of period, in million EUR

	2005	2006	2007	Oct. 2008
Official reserve assets	7,438	8,725	9,307	9,387
1. Foreign currency reserves	7,337	8,163	8,911	8,516
1.1. Securities	3,603	4,198	4,773	6,748
1.2. Total currency and deposits with:	3,735	3,965	4,138	1,767
1.2.1. Other national central banks, BIS and IMF	407	199	191	1,116
1.2.2. Banks headquartered outside Croatia	3,327	3,767	3,948	651
2. IMF reserve position	0	0	0	0
3. SDRs	1	1	1	1
4. Gold	-	-	-	-
5. Reverse repo	100	562	395	870

Note: Expressed at the approximate market value.
Source: CNB.

EUR 271m to banks at the foreign exchange auction held by the CNB contributed to further fall in international reserves in October. In contrast, the purchase of EUR 155m from the central government helped offset the decline in international reserves. According to the monetary statistics data (cross-currency changes included), international reserves stood at EUR 9.4bn at the end of October, increasing by 0.9% over the end of 2007.

External Debt

Croatia's gross external debt rose by EUR 4.4bn or 13.3%¹⁵ in the first ten months of 2008, reaching a total of EUR 37.7bn at the end of October. Most of the debt increase was caused by continued strong foreign borrowing by enterprises, which slowed down over the same period last year. The government sector increased its external debt liabilities in the reference period. In contrast, the external debt of banks decreased slightly from the end of 2007. Moreover, the euro-denominated external debt grew at the end of October also on account of cross-currency changes (EUR 0.7bn), with the euro/US dollar and euro/Swiss franc exchange rates reaching their lowest in that month.

¹⁵ Relative to the balance at the end of 2007 calculated in accordance with the new system of reporting.

Figure 75

STRUCTURE OF DIRECT EQUITY INVESTMENT AND RETAINED EARNINGS IN THE REPUBLIC OF CROATIA IN Q3 2008

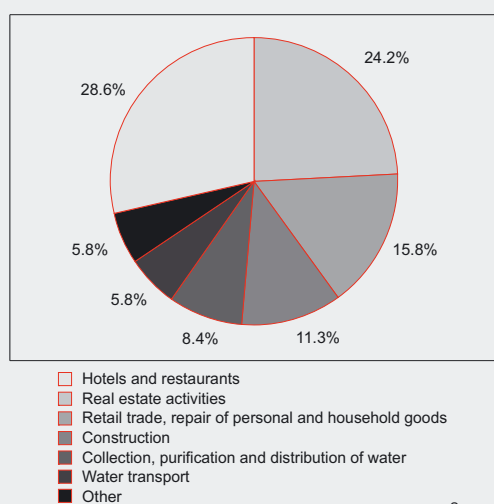


Table 10: Gross External Debt by Domestic Sectors, end of period, in million EUR and %

	2006	2007 ^a	2007 ^b	Oct. 2008	Structure		Indices	
					2007 ^b	Oct. 2008	2007 ^a /2006	Oct. 2008/2007 ^b
1. Government	6,668	6,663	6,727	6,975	20.2	18.5	99.9	103.7
2. Croatian National Bank	3	2	2	2	0.0	0.0	91.4	75.6
3. Banks	10,223	8,879	8,918	8,853	26.8	23.5	86.9	99.3
4. Other sectors	9,503	13,452	13,726	17,162	41.3	45.5	141.6	125.0
5. Direct investment	2,878	3,933	3,891	4,694	11.7	12.5	136.6	120.6
o/w: Hybrid and subordinated instruments	167	56	56	217	0.2	0.6	33.5	387.0
Total (1 + 2 + 3 + 4 + 5)	29,274	32,929	33,264	37,685	100.0	100.0	112.5	113.3

^a Old reporting system. ^b New reporting system.
Source: CNB.

Table 11: Current and Contingent External Debt of the Public Sector and the Private Sector Debt, end of period, in million EUR and %

	2006	2007 ^a	2007 ^b	Oct. 2008	Structure		Indices	
					2007 ^b	Oct. 2008	2007 ^a /2006	Oct. 2008/2007 ^b
1. Public sector debt	8,257	9,259	9,401	10,269	28.3	27.2	112.1	109.2
2. Publicly guaranteed private sector debt	204	140	138	85	0.4	0.2	68.5	61.6
3. Non-publicly guaranteed private sector debt	20,813	23,530	23,725	27,331	71.3	72.5	113.1	115.2
Total (1 + 2 + 3)	29,274	32,929	33,264	37,685	100.0	100.0	112.5	113.3

^a Old reporting system. ^b New reporting system.
Source: CNB.

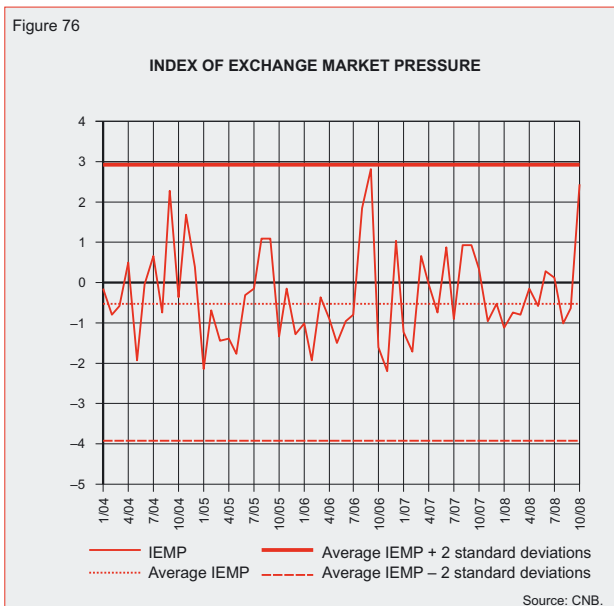
The foreign borrowing of other sectors (notably enterprises) continued to grow strongly in the first ten months of 2008. The external debt of this sector rose by EUR 3.4bn in the first ten months of 2008 or slightly more than in the same period last year (EUR 3.3bn), ending October at EUR 17.2bn. Within this sector, public enterprises were the only group of debtors that reported lower absolute growth in external debt liabilities in the first ten months of 2008 over the same period last year. In contrast, other (mostly privately-owned) enterprises considerably increased their debt liabilities, while mixed-ownership enterprises and non-banking financial institutions reported only a slightly increase in their borrowing in the reference period compared with the same period last year. Direct investment debt also continued to expand, although at a weaker pace than in the same period last year. As a result, these debt liabilities grew by EUR 0.8bn in the first ten months of 2008, reaching EUR 4.7bn or 12.5% of total external debt.

The external debt of the government sector (i.e. the central government, central government funds, CBRD and local government) rose by EUR 0.2bn in the first ten months of 2008, standing at EUR 7.0bn at the end of October. The key factors contributing to its growth were central government funds (notably CM) and the CBRD that received a syndicated loan of EUR 230m early in June. In contrast, the central government reduced its foreign liabilities in the first ten months of 2008, due mainly to the repayment of Samurai bonds in June and obligations towards the London and Paris Clubs. The external debt of the public sector, which in addition to the government sector comprises public and mixed-ownership enterprises, grew at an accelerated pace in the first ten months of 2008, primarily on account of the above-mentioned increase in the debt of the CBRD and central government funds, while the debt of public and mixed-ownership enterprises grew at a lower rate than a year ago. In contrast, the contingent debt of the public sector (i.e. the publicly guaranteed private sector debt) declined further in the reference period.

In contrast to other sectors and the government sector, banks reported a slight decline of debt in the first ten months of 2008 over the end of 2007. As a result, the external debt of banks stood at EUR 8.9bn at the end of October, down 0.7% over the end of 2007. Monetary policy measures, recapitalisations in the first half of the year and inflows of foreign currency tourism receipts in the summer months caused the external debt of banks to drop by a significant EUR 1.0bn in the first nine months of 2008. However, banks reversed this trend in October to compensate for the outflow of household deposits, increasing their external debt liabilities by a considerable EUR 0.9bn. Broken down by debt instruments, liabilities on currency and deposits and short-term loans rose most vigorously – notably to parent banks.

International Liquidity

The IEMP¹⁶ moved around its long-term average value



in the third quarter of 2008, indicating no potential difficulties in the settlement of international payments. In October, it edged up but stayed within its critical values. Two factors were behind this trend: the fall in international reserves and the depreciation of the kuna exchange rate. The decreased in reserves was mainly the consequence of the MRR abolishment that provided strong boost to foreign exchange liquidity and enabled banks to smoothly meet their obligations to clients. The CNB intervention at the end of October also contributed to the fall in international reserves. It was undertaken due to the increased demand for foreign exchange in mid-October which led to the depreciation of the kuna exchange rate and further increase in the IEMP.

Government Finance

Fiscal Policy Features in the First Eight Months of 2008

In the first eight months of 2008, fiscal developments were marked by strong growth in consolidated central government revenues, which largely resulted from an increase in consumer prices and stronger imports of goods, relatively favourable labour market trends and the good business performance of Croatian enterprises in 2007. By contrast, the growth of government expenditures was more moderate, mainly as a result of low first-quarter growth and provisional financing applicable at the time, which restricted government consumption. As government gross capital formation considerably decreased in the observed period, the surplus generated was much higher than a year ago. However, these developments had no major impact on the balance of consolidated central government debt. According to MoF data, the entire surplus and a portion of the funds raised through disposals of financial and non-financial assets were deposited to government accounts with the banks. Consolidated central government debt fell only slightly in the observed period, which was also due to appreciation of the exchange rate of the kuna against the euro, with most of the new borrowing being used for the purpose of refinancing the liabilities that fell due during that period or bridging the usual short-term illiquidity.

Several legal and methodological changes in the public finance area marked the observed period. The MoF changed the coverage of the consolidated central government in July. In accordance with ESA 95, the methodology employed by the EU Member States in their reports to Eurostat, Croatian Motorways (CM) were excluded from the government sector. The MoF revised the data for the entire 2008 accordingly. However, as the data for previous years have not been revised they are not, in terms of the total aggregate, entirely comparable with the 2008 data.¹⁷

¹⁶ IEMP is calculated as a weighted average of the monthly growth rate of the kuna/euro exchange rate (at end-period) and the monthly growth rate of gross international reserves (in euro terms), using standard deviations as weights. The value of the index above the critical level (plus two standard deviations) indicates potential difficulties in the settlement of international payments.

¹⁷ To enable the analysis of developments in revenues, expenditures and transactions in non-financial and financial assets and liabilities, MoF data

Furthermore, under the Act on Amendments to the Income Tax Act,¹⁸ applied as of July 2008, the basic personal tax exemption has been raised from HRK 1,600 to HRK 1,800 a month, which also changed income tax brackets. Due to these legal changes, income tax revenues could, according to MoF estimates, be some HRK 0.5bn lower than planned. As these revenues are the main funding source for local and regional self-government units, the Act on Amendments to the Act on the Financing of Local and Regional Self-Government Units,¹⁹ which also came into force in July, additionally increased the share of income tax revenues allocated to these units.

Consolidated Central Government Revenues

Consolidated central government revenues were 10.4% higher in the January-August period of 2008 than in the same period of 2007, standing at HRK 80.4bn. The structure of total revenues remained almost the same as in the comparable period last year. Tax revenues accounted for almost 60% of total revenues, social contributions accounted for one third of total revenues, while the rest related to other revenues including, among others, revenues from dividends, concessions and administrative fees.

The steep rise in tax revenues in the observed period was mostly due to the growth in VAT revenues. As real retail trade turnover recorded a modest increase in the first eight months, the robust increase in VAT revenues is largely attributable to the rise in the general price level and noticeable growth in goods imports. Revenues from excises stood at HRK 8bn in the first eight months of 2008, which represents a slight fall compared with the same period of 2007. This was mostly due to a decrease in revenues from excises on refined petroleum products, which was largely the outcome of a lower growth in the real retail trade turnover in motor fuels and lubricants and the Croatian government decision of May 2007 under which excises on all types of unleaded petrol were reduced by 25 lipa per litre. Revenues from excises on beer and tobacco products also decreased while the increase in excises on cars and alcohol acted in the opposite direction.

Developments in direct tax revenues in the first eight months of 2008 show that profit tax revenues increased the most (16.3%). This was mostly due to favourable business performance of domestic enterprises in 2007, which triggered an increase in advance profit tax payments per month. Furthermore, income tax revenues decreased in nominal terms due to the regulatory changes in July and August of the current year. Still, positive labour market trends in the first eight months led to a slight increase in this type of revenues (2.2%).

An increase in both employment and the average gross wage was reflected in revenues from social contributions, which include contributions for health insurance, contributions for pension insurance, employment contributions and contributions for work accident insurance. These revenues

on the consolidated central government in 2007 were adjusted to exclude CM from the total aggregate.

¹⁸ OG 73/2008.

¹⁹ OG 73/2008.

Table 12: Operating Balance and Transactions in Non-Financial Assets and Financial Assets and Liabilities, GFS 2001, in million HRK and %

	Consolidated central government		
	Jan.–Aug. 2007	Jan.–Aug. 2008	Jan.–Aug. 2008 / Jan.–Aug. 2007
1. Change in net worth (net operating balance)	3,931.8	5,522.7	140
1.1. Revenue	72,814	80,380	110
1.2. Expense	68,883	74,858	109
2. Change in net non-financial assets	2,246.7	1,889.6	84
2.1. Acquisition of non-financial assets	2,651	2,242	85
2.2. Disposal of non-financial assets	404	352	87
3. Net lending (+) / borrowing (-) (1 – 2)	1,685.1	3,633.2	216
3. Financing (5 – 4) Transactions in financial assets and liabilities	1,685.1	3,633.2	216
4. Change in financial assets	1,525.0	3,406.0	223
4.1. Domestic	1,517	3,399	224
4.2. Foreign	8	7	89
5. Change in liabilities	-160.1	-227.2	142
5.1. Domestic	2,677	1,176	44
5.2. Foreign	-2,837	-1,403	49

Note: On a cash basis.

Sources: MoF and CNB calculations.

came to HRK 26.7bn in the observed period, up 8.9% over the first eight months of 2007.

The major contribution to the January-August rise in other central government revenues was made by revenues from administrative fees, with the largest increase being recorded by revenues of Croatian Waters and the Fund for Environmental Protection and Energy Efficiency. A noticeable growth in revenues of quasi-corporations was due to the fact that CNB profit allocated to the government budget was larger than in the same period last year (HRK 0.5bn vs. HRK 0.1bn in 2007).²⁰

Consolidated Central Government Expenditures

Expenditures of the consolidated central government were HRK 6bn higher in absolute terms in the first eight months of 2008 than in the same period last year. The largest contribution to this increase was provided by expenditures on social benefits and compensation of employees, whereas the contribution of expenditures on subsidies increased substantially.

Expenditures on social benefits, which account for almost half of total central government expenditures and comprise, among others, expenditures for pensions, health care, child's allowance and Croatian war veterans' permanent rights, recorded an annual growth of 7.3% in the observed period. This was mostly due to payments of previous period arrears of the health care system, and an increase in the number of pension beneficiaries and the average pension paid.

Expenditures on employee compensations went up HRK 1.4bn or 7.6% from January to August 2008. Wages and salaries of civil servants and employees accounted for the major share of this amount, while social contributions paid by central government units accounted for its smaller share. The increase in this type of expenditures was to a large extent due to the increase in the basis for the calculation of wages²¹ in

²⁰ Under the Act on the Croatian National Bank (OG 75/2008), the surplus of CNB income over expenditures is allocated to general reserves and the state budget.

²¹ The basis for the calculation of wages was increased under the Agreement on the Wage Base in the Civil Service and the Agreement on Wage Supplements in the Education and Science Sectors, which were signed by the Croatian government and unions of civil servants and public administration employees in November 2006.

public administration and, to a lesser extent, an increase in the number of employees.

Interest expense increased by 3.6% in the first eight months, mostly on account of interest payments to residents, while interest payments to non-residents decreased by 8.6%. This was due to government preference for domestic funding sources and the rise in interest rates in the domestic financial market.

Expenditures on subsidies continued to grow strongly (HRK 0.7bn or 18.4%). Subsidies to private enterprises grew the most (21.3%), while the increase in subsidies to public corporations was somewhat less, but still strong (15.1%). Under the revised budget for 2008, most subsidies went to agricultural production incentives and market interventions, railway infrastructure maintenance and traffic regulation, incentives for railway passenger transport and shipyards.

Operating Balance and Transactions in Non-Financial Assets and Financial Assets and Liabilities

As the annual revenue growth outstripped expenditure growth in the first eight months of 2008, the positive net operating balance increased compared with the previous year (from HRK 3.9bn in 2007 to HRK 5.5bn in 2008). At the same time, non-financial assets increased by HRK 1.9bn, which led to government net borrowing of HRK 3.6bn.²² A part of the surplus was used to finance due liabilities, while the rest was deposited to government accounts with the banks and the CNB.

The net acquisition of non-financial assets, which is largely indicative of developments in capital investments, amounted to HRK 1.9bn in the observed period, which is a decrease of 15.9% compared with the same period of 2007. The largest share of funds was used for the acquisition of buildings and structures, categories which according to GFS 2001 methodology include residential buildings, office buildings, schools, hospitals, motorways, roads, bridges, tunnels,

²² Such a large surplus compared with the data published in previous issues of the CNB Bulletin is the result of changes in the coverage of the consolidated central government, i.e. the exclusion of CM, since CM itself generates a substantial portion of public investments and considerably increases the acquisition of non-financial assets item.

railways, etc. HRK 0.6bn was spent on the construction of road infrastructure by CR, while more than HRK 1bn was spent for that purpose in 2007.

Financial assets of the consolidated central government rose by HRK 3.4bn in the observed period, largely as a result of domestic assets growth, which was mostly spurred by the increase in currency and deposits (HRK 3.7bn), coupled with a slight growth in loans granted (HRK 0.2bn). The sale of shares in state ownership had an opposite effect. According to available data, 4.2% of T-HT shares and 12.5% of shares of Petrokemija d.d. were sold to employees of these companies.

Balance of the Consolidated Central Government on a Cash Basis

The consolidated central government surplus (GFS 1986) on a cash basis stood at HRK 2.8bn in the January to August 2008 period. Out of this amount, HRK 3.0bn relates to the government budget surplus and the difference is accounted for by the deficit of extrabudgetary users. The deficit was generated by CR (HRK 0.7bn) and the Croatian Privatisation Fund (HRK 0.1bn), while DAB and Croatian Waters generated the largest surplus (a total of HRK 0.5bn) among other funds.

Compared with the same period of 2007, the surplus increased by as much as HRK 2.1bn, which is mostly the re-

sult of favourable trends at the state budget level, i.e. robust growth in revenues and more moderate growth in expenditures. The deficit of extrabudgetary users slightly decreased on an annual level in the observed period.

Government Debt

As shown by CNB data, consolidated central government debt, exclusive of CBRD debt, but including CM data, stood at HRK 102.0bn at the end of August 2008. Compared with the end of 2007, debt fell by HRK 0.4bn, mainly owing to a fall in the external debt at the level of the Republic of Croatia as well as appreciation of the exchange rate of the kuna against the currencies in which the bulk of the debt is denominated (euro and American dollar), which contributed to its fall in statistical terms. At the same time, contingent debt based on issued government guarantees for domestic and foreign liabilities stood at HRK 18.1bn at the end of the observed period, up HRK 0.6bn over the end of 2007.

Domestic debt of the central government stood at HRK 64.0bn at end-August, which was an increase of HRK 1.2bn compared to end-2007. One should also notice the continuation of the upward trend in the share of the domestic component of the central government debt. Debt at the level of the Republic of Croatia went up HRK 0.6bn, mostly on account of bank loans received, while the debt arising from issued T-bills and bonds decreased. The MoF is attempting to increase

Table 13: Consolidated Central Government Balance, GFS 1986, in million HRK and %

	Consolidated central government		
	Jan.–Aug. 2007	Jan.–Aug. 2008	Jan.–Aug. 2008 / Jan.–Aug. 2007
1. Net lending (+) / borrowing (–) GFS 2001	1,685	3,633	216
2. Disposal of non-financial assets	404	352	87
3. Net acquisition of financial assets – loans	392	176	45
4. Acquisition of shares and other equity	129	265	206
5. Acquisition of securities other than shares	0	–	–
6. Acquisition of other accounts receivable	–	–	–
7. Balance without capital revenues, on a cash basis (1 – 2 – 3 – 4 – 5 – 6)	760	2,840	374

Note: On a cash basis.
Source: MoF.

Table 14: Consolidated Central Government Debt, end of period, in million HRK

	Stock				Change	
	Dec. 2006	Aug. 2007	Dec. 2007	Aug. 2008	Jan.–Aug. 2007	Jan.–Aug. 2008
A. Central government debt (1 + 2)	100,880	102,991	102,431	102,005	2,111	–426
1. Domestic central government debt	59,385	63,846	62,839	64,012	4,461	1,173
1.1. Domestic debt of the Republic of Croatia	54,217	57,812	56,506	57,148	3,595	641
1.2. Domestic debt of central government funds	5,168	6,034	6,333	6,864	866	532
2. External central government debt	41,495	39,145	39,592	37,993	–2,350	–1,599
2.1. External debt of the Republic of Croatia	32,557	29,470	29,405	27,245	–3,086	–2,160
2.2. External debt of central government funds	8,938	9,675	10,187	10,748	737	561
Supplement:						
B. Total guarantees issued by the Republic of Croatia	14,278	15,008	17,492	18,097	730	605
1. Domestic	7,313	8,113	7,920	7,829	800	–90
2. Foreign	6,965	6,896	9,572	10,268	–69	696
C. CBRD debt (1 + 2)	7,686	9,140	9,662	10,044	1,453	381
1. CBRD domestic debt	348	260	191	161	–87	–30
2. CBRD external debt	7,339	8,879	9,472	9,883	1,540	412

Source: CNB.

the share of longer-term instruments in the structure of debt (bonds maturing in five and/or ten years) to ensure equal dynamics of liabilities' maturities. However, due to uncertainties in international capital markets in the observed period, the MoF has given up on its planned foreign eurobond issue. Instead, the MoF agreed a syndicated foreign currency loan worth EUR 760m nominally in May 2008. The loan falls due in 2010, with an option to extend principal repayments to 2013. To ensure sufficient liquidity and avoid squeezing out of the private sector from the loan market, as well as to curb banks' foreign borrowing, the CNB lowered the rate of the minimum required foreign currency claims from 32% to 28.5%. As the government generated a surplus in the observed period, the funds made available were or will be used partly to refinance the liabilities due (HRK 1bn worth of five-year bonds issued in the domestic market that fell due in May, JPY 25bn worth of Samurai bonds that fell due in June, EUR 200m worth of bonds issued in the domestic market that fall due in December and EUR 200m worth of the short-term foreign currency loan that a domestic bank syndicate

granted to the government in early March this year) and to bridge the usual short-term illiquidity. In addition to Samurai bonds, the obligations falling due in the first eight months of the year include this year's two instalments payable to the London and Paris Clubs.

Domestic debt of central government funds stood at HRK 6.9bn at the end of August, up HRK 0.5bn over the end of 2007. Almost the entire debt growth was due to CR borrowing in the form of bank loans.

External debt of the central government was reduced by HRK 1.6bn in the period from January to August, standing at HRK 38.0bn at end-August. The fall in external debt was almost entirely the result of a decrease in external debt at the level of the Republic of Croatia, which was due to the mentioned repayment of Samurai bonds and obligations towards the London and Paris Clubs, coupled with government preference for domestic funding sources. External debt of central government funds went up HRK 0.6bn in the observed period, to HRK 10.7bn at end-August.

Statistical Survey

Classification and Presentation of Data on Claims and Liabilities

Data on financial institutions' claims and liabilities are classified according to institutional sectors and financial instruments. Institutional sectors are: financial institutions, central government and funds, other domestic sectors and foreign sector.

The financial institutions sector includes the following subsectors: monetary authorities (the central bank), banks, other banking institutions and non-banking financial institutions. The central bank is the Croatian National Bank (CNB). Banks are institutions to which the Croatian National Bank has issued a license to perform banking business services in accordance with the Banking Act, including savings banks during a transition period. Data on banks do not include claims and liabilities of banks undergoing bankruptcy proceedings, nor former branches of banks headquartered outside the Republic of Croatia. Other banking institutions comprise housing savings banks, savings and loan cooperatives and investment funds. Non-banking financial institutions are financial institutions not classified as banks or other banking institutions (e.g. insurance companies, pension funds).

The central government and funds consists of two subsectors, the Republic of Croatia and central government funds. Until December 2005, the subsector Republic of Croatia included government authorities, comprising the Croatian Roads, the Croatian Motorways

and the State Agency for Deposit Insurance and Bank Rehabilitation, and the subsector central government funds included the Croatian Institute for Health Insurance, the Croatian Pension Insurance Administration, the Croatian Employment Service, the Croatian Privatisation Fund, the Croatian Waters and the Croatian Bank for Reconstruction and Development.

Since January 2004, the Croatian Roads, the Croatian Motorways, and the State Agency for Deposit Insurance and Bank Rehabilitation have been reclassified, from the subsector Republic of Croatia to the subsector central government funds.

Other domestic sectors include local government authorities, public and other enterprises and households, including craftsmen and non-profit institutions providing services to households. The subsector other enterprises also comprises banks undergoing bankruptcy proceedings. In some tables other domestic sectors are divided into the following subsectors: local government (which comprises units of local and regional self-government), public and other enterprises, and households (including craftsmen and non-profit institutions).

Foreign sector includes foreign legal and natural persons.

All data on claims and liabilities refer to balances at the end of the reporting period. Foreign currency items are reported in their kuna equivalent at the CNB's midpoint exchange rate at the end of the reporting period.

Table A1: Monetary and Credit Aggregates

end of period, million kuna and %

Year	Month	Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth					
								Reserve money	Money M1	Money M1a	Broadest money M4	Net domestic assets	Domestic credit
1994	December	4,714.2	6,642.6	6,996.7	17,679.9	16,540.1	27,661.5	11.73	2.20	3.83	2.26	11.84	3.45
1995	December	6,744.1	8,234.9	8,503.2	24,623.0	21,576.3	32,819.5	2.97	0.89	1.54	3.41	1.00	1.88
1996	December	8,770.4	11,368.9	11,494.9	36,701.1	24,960.4	33,831.2	11.35	7.83	7.67	4.88	-5.41	-11.61
1997	December	10,346.1	13,731.4	13,848.8	50,742.0	33,829.0	48,863.4	7.86	3.93	3.85	2.16	4.98	4.96
1998	December	9,954.2	13,531.4	13,615.2	57,340.3	44,626.8	59,792.0	7.24	6.92	6.59	2.51	3.73	0.25
1999	December ^a	10,310.0	13,858.9	13,965.7	56,659.3	40,003.8	55,875.8	4.53	5.46	5.48	2.28	0.35	-4.58
2000	December	11,717.3	18,030.3	18,256.4	73,061.1	44,043.9	60,883.8	7.32	10.04	9.89	3.66	10.46	2.66
2001	December	17,803.2	23,703.5	23,936.5	106,071.4	57,410.0	74,964.5	8.01	13.00	11.96	11.65	3.40	1.16
2002	December	23,027.9	30,869.8	31,876.7	116,141.8	83,324.4	97,463.7	10.72	6.11	6.79	1.65	7.92	2.15
2003	December	30,586.2	33,888.7	34,630.9	128,893.1	96,121.7	111,661.4	8.90	1.78	1.93	0.14	3.11	0.66
2004	December	33,924.4	34,562.1	35,186.5	139,947.7	108,205.1	127,308.6	8.69	2.86	2.68	0.23	2.15	1.99
2005	December	40,390.8	38,817.1	39,855.4	154,647.0	131,343.2	149,168.3	9.38	4.34	3.87	-0.02	1.84	1.94
2006	December	46,331.2	48,521.0	49,141.7	182,458.6	154,844.1	183,379.5	3.17	4.75	4.07	1.57	3.38	2.99
2007	November	50,055.2	54,237.8	55,022.9	207,629.0	160,693.7	205,380.1	3.68	1.98	1.98	1.57	1.41	0.54
	December	51,923.9	57,878.3	58,663.4	215,822.1	166,375.5	210,828.4	3.73	6.71	6.62	3.95	3.54	2.65
2008	January	47,405.3	52,247.9	53,025.1	208,400.5	164,016.4	209,357.2	-8.70	-9.73	-9.61	-3.44	-1.42	-0.70
	February	49,095.1	51,224.9	51,909.7	209,602.6	165,568.9	211,926.6	3.56	-1.96	-2.10	0.58	0.95	1.23
	March	49,977.8	52,807.2	53,387.0	211,620.2	168,073.0	215,026.9	1.80	3.09	2.85	0.96	1.51	1.46
	April	49,011.4	52,720.0	53,290.5	212,882.5	168,815.9	216,245.9	-1.93	-0.17	-0.18	0.60	0.44	0.57
	May	51,169.9	53,193.2	53,789.3	212,929.3	168,417.3	217,536.4	4.40	0.90	0.94	0.02	-0.24	0.60
	June	51,173.5	54,400.5	55,022.9	216,046.6	170,686.6	220,228.6	0.01	2.27	2.29	1.46	1.35	1.24
	July	50,631.4	55,452.9	56,207.8	221,249.4	171,529.8	221,589.9	-1.06	1.93	2.15	2.41	0.49	0.62
	August	52,228.3	55,652.7	56,462.4	226,435.4	171,626.0	222,951.4	3.15	0.36	0.45	2.34	0.06	0.61
	September	49,771.0	53,677.3	54,458.2	226,852.5	172,079.4	224,512.8	-4.70	-3.55	-3.55	0.18	0.26	0.70
	October	52,549.8	52,693.8	53,325.5	223,451.1	174,031.6	228,871.1	5.58	-1.83	-2.08	-1.50	1.13	1.94

^a Domestic credit decreased by a one-off HRK 2,759.4m.**Table A1: Monetary and Credit Aggregates**

The table shows data on some basic monetary and credit aggregates, including their monthly growth rates. In September 1999, all the monetary aggregates were revised. In previous publications of the CNB, data on claims and obligations of savings banks were not included in the compilation of the monetary aggregates.

Reserve money is taken over in its entirety from the Monetary Authorities Accounts (Table C1).

Money (M1) is defined in the same way as the corresponding item in the Monetary Survey (Table B1). It comprises currency outside banks, deposits with the CNB by other banking institutions and other domestic sectors as well as banks' demand deposits. Money (M1a) comprises currency outside banks and banks' demand deposits, increased by the demand deposits of the central government and funds with banks.

Broadest money (M4) comprises Money (M1), savings and time deposits, foreign currency deposits as well as bonds and money market instruments (all components are taken over from the Monetary Survey, Table B1).

Net domestic assets are defined as a difference between total liquid assets and foreign assets (net).

Domestic credit comprises banks' claims on other domestic sectors, other banking institutions and non-banking financial institutions.

In May 1999, bankruptcy proceedings have been initiated against several banks so their assets and liabilities are excluded from monetary statistics. In April 1999, those banks' share in monetary aggregate M1 amounted to HRK 259.3m and in monetary aggregate M4 amounted to HRK 4,055.8m. Data for June 1999 are comparable with data for July 1999 if Domestic credit is increased by HRK 3,513.5m.

Table B1: Monetary Survey

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
ASSETS										
1. Foreign assets (net)	32,817.4	32,771.4	31,742.6	23,303.8	27,614.5	49,446.5	43,547.2	45,360.0	54,773.1	49,419.5
2. Domestic credit	112,518.9	126,372.0	141,278.1	168,427.7	200,328.9	226,076.1	231,039.6	234,626.1	239,395.1	244,488.2
2.1. Claims on central government and funds (net)	15,055.2	14,710.6	13,969.6	19,259.4	16,949.4	15,247.7	16,012.7	14,397.5	14,882.3	15,617.1
2.2. Claims on other domestic sectors	96,329.0	110,467.8	125,790.7	147,414.3	181,031.9	207,398.7	213,428.2	218,495.7	222,686.4	227,261.8
2.3. Claims on other banking institutions	219.5	431.8	624.0	592.2	1,029.5	1,640.0	657.6	691.5	688.1	539.2
2.4. Claims on non-banking financial institutions	915.3	761.8	893.9	1,161.8	1,318.1	1,789.7	941.1	1,041.4	1,138.3	1,070.1
Total (1+2)	145,336.3	159,143.4	173,020.7	191,731.5	227,943.3	275,522.6	274,586.8	279,986.1	294,168.2	293,907.7
LIABILITIES										
1. Money	30,869.8	33,888.7	34,562.1	38,817.1	48,521.0	57,878.3	52,807.2	54,400.5	53,677.3	52,693.8
2. Savings and time deposits	13,001.1	18,370.7	22,479.2	27,992.1	44,836.8	53,644.9	53,120.9	52,001.2	53,976.0	52,774.4
3. Foreign currency deposits	72,054.6	76,035.3	81,742.9	86,760.8	88,256.7	103,090.1	104,760.9	108,678.4	117,937.6	115,314.4
4. Bonds and money market instruments	216.3	598.4	1,163.5	1,077.0	844.1	1,208.8	931.1	966.5	1,261.5	2,668.5
5. Restricted and blocked deposits	1,729.5	1,721.6	2,067.0	2,092.3	2,504.5	2,280.9	2,388.8	2,890.2	4,005.1	3,666.3
6. Other items (net)	27,465.1	28,528.7	31,006.1	34,992.2	42,980.2	57,419.6	60,577.8	61,049.3	63,310.6	66,790.3
Total (1+2+3+4+5+6)	145,336.3	159,143.4	173,020.7	191,731.5	227,943.3	275,522.6	274,586.8	279,986.1	294,168.2	293,907.7

Table B1: Monetary Survey

The monetary survey shows consolidated data from the Monetary Authorities Accounts (Table C1) and Banks' Accounts (Table D1).

Foreign assets (net) are the difference between total foreign assets and total foreign liabilities of the CNB and banks.

Domestic credit is the sum of corresponding items from Monetary Authorities Accounts and Banks' Accounts. Claims on central government and funds are reported on a net basis, i.e. decreased by central government and funds' deposits with the CNB and banks.

Money is the sum of currency outside banks, deposits by other

banking institutions with the CNB, deposits by other domestic sectors with the CNB and banks' demand deposits (item Demand deposits in Banks' Accounts, Table D1).

Items Savings and time deposits, Foreign currency deposits as well as Bonds and money market instruments are entirely taken over from the Banks' Accounts, while item Restricted and blocked deposits represents the sum of corresponding items from the Monetary Authorities Accounts (excluding banks' blocked deposits with the CNB) and Banks' Accounts. Other items (net) are unclassified liabilities decreased by unclassified assets.

Table B2: Number of Reporting Banks and Savings Banks and their Classification by Total Assets

Year	Month	Total number of reporting banks	Reporting banks classified according to their total assets						Total number of reporting savings banks	Savings banks classified according to their total assets		
			Less than 100 million kuna	100 million kuna to less than 500 million kuna	500 million kuna to less than 1 billion kuna	1 billion kuna to less than 2 billion kuna	2 billion kuna to less than 10 billion kuna	10 billion kuna and over		Less than 10 million kuna	10 million kuna to less than 100 million kuna	100 million kuna and over
1	2	3	4	5	6	7	8	9	10	11	12	13
1994	December	50	13	21	6	6	2	2	33	22	9	2
1995	December	53	15	20	7	7	2	2	21	7	13	1
1996	December	57	10	26	6	9	4	2	22	10	11	1
1997	December	60	4	28	9	8	9	2	33	12	18	3
1998	December	60	3	26	8	11	10	2	33	4	25	4
1999	December	53	4	23	7	7	10	2	30	5	21	4
2000	December	45	3	15	9	6	10	2	29	5	19	5
2001	December	44	3	13	7	7	10	4	21	4	12	5
2002	December	46	4	13	7	9	8	5	10	3	5	2
2003	December	42	2	13	8	5	8	6	7	3	2	2
2004	December	39	1	12	9	6	5	6	6	3	3	–
2005	December	36	1	10	6	8	5	6	3	2	1	–
2006	December	35	2	6	5	10	4	8	3	2	1	–
2007	November	35	2	5	4	10	5	9	2	1	1	–
	December	35	2	5	2	12	5	9	2	1	1	–
2008	January	35	2	5	3	11	5	9	2	1	1	–
	February	35	2	5	4	10	5	9	2	1	1	–
	March	35	2	5	3	11	5	9	2	1	1	–
	April	35	2	5	3	11	5	9	2	1	1	–
	May	35	2	5	3	11	5	9	2	1	1	–
	June	35	2	5	3	11	5	9	2	1	1	–
	July	35	2	5	3	10	6	9	2	1	1	–
	August	36	2	7	2	10	6	9	2	1	1	–
	September	36	2	7	2	10	6	9	2	1	1	–
	October	36	2	7	2	10	6	9	2	1	1	–

Table B2: Number of Reporting Banks and Savings Banks and their Classification by Total Assets

The table shows the total number of banks and savings banks during the transition period which report monthly to the CNB. Their operations are shown in the Banks' Accounts. Monetary statistics includes reporting institutions under winding-up and, until February 2005, institutions whose operating licences have been revoked, but

which have not initiated winding-up proceedings.

Special reporting requirements applied to savings banks until June 1995. Savings banks were not legally obliged to report on their operations, so that data up to June 1995 relate only to those savings banks that reported voluntarily to the CNB. From July 1995 on, the data cover all registered savings banks.

The table also shows the classification of reporting banks and savings banks according to their total assets.

Table C1: Monetary Authorities Accounts

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
ASSETS										
1. Foreign assets	42,058.8	50,118.6	49,373.4	54,862.5	64,088.2	68,177.8	71,417.7	72,036.6	69,718.0	67,457.1
1.1. Gold	–	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	17.4	5.0	4.8	6.3	5.3	5.6	8.3	6.0	4.7	7.9
1.3. Reserve position in the IMF	1.6	1.5	1.4	1.4	1.3	1.3	1.2	1.2	1.2	1.3
1.4. Currency and demand deposits with foreign banks	6.4	5.8	5.7	7.7	7.2	7.2	9.3	8.9	9.0	1,459.4
1.5. Time deposits with foreign banks	28,183.2	25,580.7	24,337.7	28,274.1	33,243.0	33,204.4	35,943.9	25,421.8	21,856.9	17,496.3
1.6. Securities in f/c	13,850.0	24,525.5	25,023.7	26,573.0	30,831.2	34,959.3	35,454.9	46,598.6	47,846.1	48,492.3
1.7. Non-convertible foreign exchange	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	0.5	1.4	3.3	1.4	0.9	–	–	1.0	–	–
2.1. Claims in kuna	0.5	1.4	3.3	1.4	0.9	–	–	1.0	–	–
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	110.6	93.6	82.9	73.4	64.0	67.9	67.8	65.3	65.2	65.2
4. Claims on banks	17.9	972.0	408.9	4,215.6	3,911.5	4,178.3	1,538.0	1,666.5	13.7	3,629.9
4.1. Credits to banks	17.6	968.9	408.9	4,215.6	3,911.5	4,178.3	1,538.0	1,666.5	13.7	3,629.9
Lombard credits	–	954.4	–	–	–	1,349.1	–	–	–	3,616.2
Short-term liquidity credits	–	–	–	–	–	–	–	–	–	–
Other credits	17.6	14.5	15.0	14.5	14.5	14.7	14.4	14.1	13.7	13.7
Reverse repo transactions	–	–	394.0	4,201.1	3,897.0	2,814.5	1,523.6	1,652.4	–	–
4.2. Overdue claims	0.3	3.1	–	–	–	–	–	–	–	–
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	42,187.7	51,185.6	49,868.5	59,153.0	68,064.6	72,424.1	73,023.5	73,769.3	69,796.8	71,152.3
LIABILITIES										
1. Reserve money	23,027.9	30,586.2	33,924.4	40,390.8	46,331.2	51,923.9	49,977.8	51,173.5	49,771.0	52,549.8
1.1. Currency outside banks	9,680.9	10,573.1	10,955.6	12,163.8	14,609.3	16,007.5	15,336.6	16,908.8	16,556.3	17,032.7
1.2. Banks' cash in vaults	1,214.8	1,683.2	1,871.0	2,210.7	2,698.0	3,305.8	2,959.3	3,340.4	3,117.4	3,121.4
1.3. Banks' deposits	12,109.4	18,329.3	21,082.6	26,016.3	29,023.9	32,610.6	31,681.9	30,924.4	30,097.3	32,395.8
Settlement accounts	3,923.4	5,616.0	6,408.2	8,411.1	8,535.7	7,553.9	8,913.8	7,508.6	6,559.3	8,812.2
Statutory reserves	8,186.0	12,603.9	14,674.4	17,605.2	20,478.2	22,275.6	22,623.7	22,981.1	23,092.0	23,137.5
CNB bills on obligatory basis	–	109.4	–	–	–	1,991.1	0.3	434.7	446.0	446.0
Overnight deposits	–	–	–	–	10.0	790.0	144.0	–	–	–
1.4. Deposits of other banking institutions	19.1	–	–	–	–	–	–	–	–	–
1.5. Deposits of other domestic sectors ^b	3.5	0.6	15.1	–	–	–	–	–	–	–
2. Restricted and blocked deposits	7,091.2	6,699.2	10,777.1	13,551.8	16,633.5	14,286.0	17,056.6	16,890.8	13,372.7	10,002.3
2.1. Statutory reserve in f/c	7,042.3	6,686.6	10,764.7	13,495.9	16,576.7	14,257.5	17,001.4	16,829.1	13,314.5	9,945.8
2.2. Restricted deposits	49.0	12.6	12.4	55.9	56.9	28.6	55.2	61.7	58.2	56.4
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	195.7	2,798.0	18.1	18.9	18.9	17.2	12.6	14.7	13.0	12.8
3.1. Use of IMF credit	2.8	0.0	–	–	–	–	–	–	–	–
3.2. Liabilities to international organisations	12.6	19.6	18.1	18.9	18.9	17.2	12.6	14.7	13.0	12.8
3.3. Liabilities to foreign banks ^a	180.2	2,778.5	–	–	–	–	–	0.1	0.0	0.0
4. Central government and funds' deposits	768.1	1,551.1	263.2	332.2	188.0	199.1	307.7	596.7	441.2	619.3
4.1. Demand deposits	608.3	600.2	228.0	319.0	174.5	125.8	266.1	576.3	436.2	442.2
Central government demand deposits	569.5	548.5	123.0	246.3	138.6	100.3	120.4	130.9	110.6	79.7
Central government funds' demand deposits	38.7	51.7	105.0	72.7	35.9	25.4	145.6	445.4	325.6	362.4
4.2. Central government f/c deposits	–	950.9	35.2	13.2	13.5	73.3	41.6	20.4	5.0	177.1
4.3. CNB bills	159.9	–	–	–	–	–	–	–	–	–
5. CNB bills	6,212.4	4,920.2	–	–	–	–	–	–	–	–
5.1. CNB bills in kuna	4,986.2	–	–	–	–	–	–	–	–	–
5.2. CNB bills in f/c	1,226.3	4,920.2	–	–	–	–	–	–	–	–
6. Capital accounts	5,353.5	5,039.0	5,096.5	5,357.4	5,408.8	6,674.8	6,250.5	5,788.1	6,640.2	8,672.6
7. Other items (net)	–461.1	–408.1	–210.8	–498.2	–515.8	–676.9	–581.7	–694.5	–441.4	–704.4
Total (1+2+3+4+5+6+7)	42,187.7	51,185.6	49,868.5	59,153.0	68,064.6	72,424.1	73,023.5	73,769.3	69,796.8	71,152.3

^a From October 2001 to May 2003, Liabilities to foreign banks include also liabilities based on CNB bills subscribed by non-residents. ^b In December 2002, CDA accounts with the CNB for the gross and net settlement of purchased securities have been reclassified from the sector central government to the sector other financial organisations.

Table C1: Monetary Authorities Accounts

The table reports data on claims and liabilities by monetary authorities.

Foreign assets include the following forms of foreign currency and kuna claims on foreign legal and natural persons: monetary gold, holdings of special drawing rights, foreign cash in vault, reserve position in the International Monetary Fund, current account balances with foreign banks, time deposits with foreign banks and accrued interest, foreign currency security investments and other claims.

Claims on central government and funds are loans and overdue claims on the budget of the Republic of Croatia. In accordance with the Croatian National Bank Act that entered into force in April 2001, the Croatian National Bank may not extend credit to the Republic of Croatia. Hence, this item comprises only overdue claims on the budget of the Republic of Croatia based on the payment system operations and the liabilities to the IMF and foreign banks. Until April 2001, Claims in kuna were short-term loans granted for the purpose of overcoming timing differences between incoming revenues and execution of budgetary expenditures, long-term loans granted by special regulations by the government of the Republic of Croatia, and overdue claims on the budgetary central government, while Claims in foreign currency was a counter-entry to the liability to the IMF based on the succession of membership in that institution.

Claims on other domestic sectors are loans and overdue claims on other domestic sectors, including banks in bankruptcy proceedings.

Claims on banks are credits to banks and overdue claims on banks. Credits to banks comprise Lombard credits, short-term liquidity credits, other credits and reverse repo transactions. Item Lombard credits comprises credits to banks for regular maintaining of the day-to-day liquidity, which were replaced by Lombard credits in December 1994. Short-term liquidity credits, which have been granted since the beginning of 1999, also serve to bridge liquidity problems. Other credits include intervention credits, special credits for bridging liquidity problems granted in the past (initial credits, prerehabilitation credits), due but unpaid credits and deposits of the CNB with banks. From April 2005 on, reverse repo transactions are conducted on a weekly basis. Overdue claims on banks comprise settlement account overdrafts (until mid-1994) and banks' failure to correctly and promptly allocate and maintain statutory reserve requirements.

Since May 1999, Claims on other domestic sectors include overdue claims on banks against which bankruptcy proceedings have been initiated. Due to the reclassification of savings banks from the

subsector other banking institutions to the subsector banks, data for Claims on banks and Claims on other banking institutions have been revised.

Reserve money consists of currency outside banks, cash in banks' vaults, banks' deposits with the CNB, other banking institutions' deposits and other domestic sectors' deposits with the CNB. Banks' deposits are: settlement account balances, statutory reserves deposited on a special account with the CNB (including, from March 2006, special reserve requirement on liabilities arising from issued securities), CNB bills on an obligatory basis and overnight deposits. Deposits by other banking institutions included, until September 2003, settlement account balances of housing savings banks. Deposits by other domestic sectors are other domestic sectors' giro account balances which are deposited with the Croatian National Bank in accordance with law or other regulation.

Restricted and blocked deposits include required foreign currency reserves and accrued interest, restricted deposits and blocked foreign currency deposits. Banks are required to set aside the reserve requirements against certain foreign currency sources of funds and the marginal reserve requirements (from August 2004 on) in special accounts at the Croatian National Bank. Restricted deposits are kuna funds set aside on the basis of a court order or regulations, kuna funds set aside in the period between May 1999 and April 2002 and deposits of banks against which bankruptcy proceedings have been initiated. Blocked foreign currency deposits are funds that were set aside in special accounts at the Croatian National Bank for repaying unpaid amounts due to foreign creditors.

Foreign liabilities include use of IMF credits, liabilities to international financial institutions and foreign banks and accrued interest.

Central government and funds' deposits are demand deposits and foreign currency deposits of the Republic of Croatia and central government funds with the CNB, and CNB bills purchased by central government institutions.

CNB bills are kuna and f/c CNB bills on a voluntary basis, excluding CNB bills voluntarily purchased by central government institutions.

Capital accounts include reserves, provisions and the income and cost accounts.

Other items (net) are unclassified liabilities decreased by unclassified assets of the Monetary Authorities Accounts.

Due to the reclassification of savings banks from the subsector other banking institutions to the subsector banks, data for Currency outside banks, Banks' cash in vaults, Banks' deposits and Deposits of other banking institutions were revised.

Table D1: Banks' Accounts

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
ASSETS										
1. Reserves with the CNB	20,373.5	26,783.7	33,718.2	41,775.2	48,384.7	50,178.9	51,640.1	51,102.5	46,531.4	45,459.7
1.1. In kuna	13,340.0	20,103.4	22,962.9	28,283.1	31,814.1	35,929.1	34,645.7	34,279.1	33,223.2	35,521.1
1.2. In f/c	7,033.5	6,680.2	10,755.3	13,492.1	16,570.6	14,249.8	16,994.4	16,823.4	13,308.2	9,938.6
2. Foreign assets	25,977.8	35,382.9	43,551.0	35,572.5	39,621.2	46,438.5	41,544.2	37,562.2	42,645.4	46,636.5
3. Claims on central government and funds	21,917.7	21,543.6	21,051.3	28,877.2	27,936.8	28,971.5	29,984.5	30,658.5	31,003.4	32,029.7
4. Claims on other domestic sectors	96,218.4	110,374.3	125,707.9	147,340.9	180,967.8	207,330.7	213,360.3	218,430.4	222,621.2	227,196.6
4.1. Claims on local government	1,422.4	1,563.1	1,787.9	1,767.2	1,892.0	2,140.8	2,029.2	2,022.3	1,969.1	1,980.8
4.2. Claims on enterprises	51,723.4	53,809.8	58,643.3	67,017.9	83,386.5	92,265.1	94,325.3	96,311.7	98,914.2	99,961.4
4.3. Claims on households	43,072.6	55,001.4	65,276.7	78,555.7	95,689.3	112,924.9	117,005.8	120,096.3	121,737.8	125,254.4
5. Claims on other banking institutions	219.5	431.8	624.0	592.2	1,029.5	1,640.0	657.6	691.5	688.1	539.2
6. Claims on non-banking financial institutions	915.3	761.8	893.9	1,161.8	1,318.1	1,789.7	941.1	1,041.4	1,138.3	1,070.1
Total (1+2+3+4+5+6)	165,622.2	195,278.0	225,546.2	255,319.8	299,258.1	336,349.4	338,127.9	339,486.6	344,627.8	352,931.8
LIABILITIES										
1. Demand deposits	21,166.2	23,315.0	23,591.3	26,653.3	33,911.7	41,870.8	37,470.7	37,491.7	37,121.0	35,661.1
2. Savings and time deposits	13,001.1	18,370.7	22,479.2	27,992.1	44,836.8	53,644.9	53,120.9	52,001.2	53,976.0	52,774.4
3. Foreign currency deposits	72,054.6	76,035.3	81,742.9	86,760.8	88,256.7	103,090.1	104,760.9	108,678.4	117,937.6	115,314.4
4. Bonds and money market instruments	216.3	598.4	1,163.5	1,077.0	844.1	1,208.8	931.1	966.5	1,261.5	2,668.5
5. Foreign liabilities	35,023.5	49,932.0	61,163.7	67,112.3	76,076.0	65,152.6	69,402.1	64,224.1	57,577.3	64,661.4
6. Central government and funds' deposits	6,094.9	5,283.3	6,821.8	9,287.0	10,800.4	13,525.8	13,664.1	15,665.3	15,679.9	15,793.3
7. Credit from central bank	17.6	968.9	408.9	4,215.6	3,911.4	4,178.3	1,538.0	1,666.5	13.7	3,630.0
8. Restricted and blocked deposits	1,680.5	1,709.0	2,054.6	2,036.4	2,447.6	2,252.3	2,333.7	2,828.5	3,946.9	3,609.9
9. Capital accounts	26,323.2	27,389.5	28,666.4	32,665.7	40,805.1	53,178.9	56,451.5	57,883.3	59,225.1	59,475.8
10. Other items (net)	-9,955.6	-8,324.2	-2,546.3	-2,480.4	-2,631.7	-1,753.2	-1,545.1	-1,918.9	-2,111.1	-657.0
Total (1+2+3+4+5+6+7+8+9+10)	165,622.2	195,278.0	225,546.2	255,319.8	299,258.1	336,349.4	338,127.9	339,486.6	344,627.8	352,931.8

Table D1: Banks' Accounts

Banks' Accounts include data on banks' claims and liabilities. Banks' mutual claims and liabilities are consolidated.

Required reserves held at the central bank include kuna and foreign currency reserves. Kuna reserves include vault cash and kuna funds held in accounts at the central bank. Foreign currency reserves include foreign currency held in the CNB's foreign currency accounts.

Foreign assets are the following forms of kuna and foreign currency claims on foreign legal and natural persons: foreign cash in vaults, current account balances with foreign banks and time deposits with foreign banks (including loro letters of credit and other forms of collateral), securities, loans, and equities.

Claims on central government and funds are the following forms of claims in kuna and foreign currency: securities and loans.

Claims on other domestic sectors include the following claims in kuna and foreign currency: money market instruments, bonds, loans (including acceptances), and equities.

The same forms of kuna and foreign currency claims are included in claims on other banking institutions and non-banking financial institutions, with one difference: Claims on other banking institutions also include deposits with those institutions.

Items Demand deposits, Savings and time deposits, Foreign currency deposits as well as Bonds and money market instruments comprise banks' liabilities to other domestic sectors, other banking institutions and non-banking financial institutions.

Demand deposits include giro and current accounts balances and banks' obligations arising from kuna payment instruments issued, minus currency in the payment system, i.e. checks in banks' vaults and checks in collection.

Savings and time deposits are kuna sight deposits as well as kuna time and notice deposits.

Foreign currency deposits are foreign currency sight deposits as

well as foreign currency time and notice deposits.

Bonds and money market instruments are banks' liabilities for securities issued (net) and loans received. Issued subordinated and hybrid instruments, purchased by foreign investors, are excluded from this item.

Foreign liabilities comprise the following forms of kuna and foreign currency liabilities to foreign legal and natural persons: giro and current accounts, savings deposits (including loro letters of credit and other forms of collateral), time deposits, loans received and liabilities due. Issued subordinate and hybrid instruments, purchased by foreign investors, are also included in loans received.

Central government and funds' deposits are all forms of banks' kuna and foreign currency liabilities (except restricted and blocked deposits) to the central government and funds.

Credit from central bank comprises loans received from the CNB and deposits by the CNB with banks. Repurchase of securities is also considered and treated as a loan.

Restricted and blocked deposits comprise the following banks' liabilities: kuna and foreign currency restricted deposits by other domestic sectors, other banking institutions, non-banking financial institutions, central government and funds as well as foreign legal and natural persons, and households' blocked foreign currency deposits, regulated by the Act on Converting Households' Foreign Currency Deposits into the Public Debt of the Republic of Croatia.

Capital accounts are share capital, profit or loss for the previous and current year, retained earnings (loss), legal reserves, reserves provided for by the articles of association and other capital reserves, hedging reserves, unrealised gains (losses) from financial assets classified as available-for-sale assets, value adjustments and collectively assessed impairment provisions.

Other items (net) are unclassified liabilities decreased by unclassified assets, including the fair value of derivative financial instruments.

Tables: D2 – D12

This group of tables (with the exception of Table D5) provides a detailed analysis of the relevant asset and liability items from Table D1 (Banks' Accounts).

Table D2: Banks' Foreign Assets

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Foreign assets in f/c	25,924.4	35,261.9	43,428.1	35,457.9	39,454.5	45,837.2	40,997.4	37,071.2	42,067.0	46,040.7
1.1. Claims on foreign financial institutions	21,333.5	31,877.6	35,911.0	27,228.5	30,404.1	37,824.9	33,070.0	29,468.5	34,694.9	36,464.0
Foreign currencies	1,019.8	1,268.6	1,190.0	1,136.1	1,232.1	1,245.5	1,254.3	1,571.4	1,200.8	2,444.2
Demand deposits	757.7	1,057.0	906.2	860.2	870.1	1,305.2	879.0	930.6	784.9	937.7
Time and notice deposits	17,569.8	27,969.4	30,943.7	20,874.6	23,509.4	31,726.1	27,877.8	24,390.6	30,163.4	30,636.8
Securities	1,690.2	1,364.2	2,674.1	4,197.0	4,441.5	3,210.4	2,739.2	2,221.2	2,203.8	2,225.3
Loans and advances	278.7	203.1	189.0	152.9	339.2	195.9	179.0	182.8	178.6	180.7
Shares and participations	17.2	15.4	8.1	7.8	11.8	141.9	140.7	171.8	163.4	39.4
1.2. Claims on foreign non-banks	4,590.8	3,384.4	7,517.1	8,229.4	9,050.4	8,012.3	7,927.3	7,602.8	7,372.1	9,576.6
Claims on foreign governments	3,855.5	2,905.0	7,066.6	7,735.7	8,217.0	6,696.1	6,436.7	6,042.8	5,791.5	7,917.7
Claims on other non-residents	733.7	478.9	450.2	493.1	798.1	1,295.2	1,448.1	1,460.6	1,497.6	1,576.4
Securities	191.3	32.1	77.4	68.0	141.5	180.9	193.7	245.2	186.7	206.3
Loans and advances	542.4	446.8	372.8	425.2	656.6	1,114.3	1,254.5	1,215.4	1,310.9	1,370.1
Shares and participations	1.6	0.4	0.3	0.5	35.3	20.9	42.4	99.4	82.9	82.6
2. Foreign assets in kuna	53.4	120.9	122.9	114.6	166.7	601.3	546.8	491.0	578.4	595.8
2.1. Claims on foreign financial institutions	19.6	99.1	77.8	71.3	96.9	408.1	327.7	240.7	249.9	235.5
2.2. Claims on foreign non-banks	33.8	21.9	45.1	43.4	69.8	193.3	219.2	250.3	328.6	360.4
o/w: Loans and advances	33.0	21.0	44.3	42.6	69.2	192.7	218.6	249.7	328.0	359.8
Total (1+2)	25,977.8	35,382.9	43,551.0	35,572.5	39,621.2	46,438.5	41,544.2	37,562.2	42,645.4	46,636.5

Table D2: Banks' Foreign Assets

This table shows banks' claims on foreign legal and natural persons.

Foreign assets of banks' comprise foreign assets in kuna and for-

eign currency.

Claims on foreign banks and Claims on foreign non-banks (total and by financial instruments) are shown separately within both foreign assets in kuna and in foreign currency.

Table D3: Banks' Claims on the Central Government and Funds

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. In kuna	18,444.4	18,007.1	16,270.2	20,532.7	22,703.0	24,081.8	24,396.2	22,801.0	22,107.0	21,658.9
1.1. Claims on central government	16,443.4	16,032.6	14,465.6	17,352.6	18,361.2	19,057.3	19,160.9	17,267.0	17,026.6	16,623.4
Securities	13,989.1	11,770.0	11,779.1	16,037.7	14,546.7	16,099.8	15,258.8	14,547.8	14,080.7	13,757.2
o/w: Bonds (c'part to f/c savings deposits)	2,473.5	1,531.9	532.0	20.6	8.3	6.4	5.3	5.5	6.4	6.3
Loans and advances	2,454.3	4,262.6	2,686.5	1,314.9	3,814.5	2,957.5	3,902.1	2,719.2	2,945.9	2,866.1
1.2. Claims on central government funds	2,001.0	1,974.5	1,804.6	3,180.1	4,341.9	5,024.5	5,235.2	5,534.0	5,080.4	5,035.5
Securities	560.7	723.6	621.1	–	–	–	–	4.2	–	–
Loans and advances	1,440.3	1,250.9	1,183.5	3,180.1	4,341.9	5,024.5	5,235.2	5,529.7	5,080.4	5,035.5
2. In f/c	3,473.3	3,536.4	4,781.1	8,344.5	5,233.8	4,889.7	5,588.3	7,857.5	8,896.4	10,370.8
2.1. Claims on central government	2,359.1	3,196.9	3,548.4	7,241.0	4,624.4	4,388.6	5,128.9	7,047.1	7,877.8	9,342.6
Securities	1,733.4	1,805.4	1,117.0	1,248.1	429.0	268.4	227.7	209.3	207.9	246.2
Loans and advances	625.7	1,391.5	2,431.3	5,992.8	4,195.4	4,120.1	4,901.2	6,837.8	7,669.9	9,096.4
2.2. Claims on central government funds	1,114.2	339.5	1,232.8	1,103.5	609.4	501.2	459.4	810.4	1,018.6	1,028.2
Securities	195.0	96.4	163.1	144.2	109.2	82.1	65.8	63.7	63.1	62.9
Loans and advances	919.2	243.1	1,069.7	959.3	500.2	419.1	393.7	746.6	955.5	965.3
Total (1+2)	21,917.7	21,543.6	21,051.3	28,877.2	27,936.8	28,971.5	29,984.5	30,658.5	31,003.4	32,029.7

Table D3: Banks' Claims on the Central Government and Funds

The table shows banks' kuna and foreign currency claims on the central government and funds. The item Securities, shown under

Claims in kuna on the Republic of Croatia, also comprises bonds arising from blocked foreign currency savings deposits issued in accordance with the Act on Converting Households' Foreign Currency Deposits into the Public Debt of the Republic of Croatia.

Table D4: Banks' Claims on Other Domestic Sectors

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Claims in kuna	85,418.7	100,365.0	114,635.7	133,603.5	166,755.1	194,476.7	200,365.0	205,478.4	209,653.9	213,688.6
1.1. Money market instruments	1,394.7	1,314.1	2,510.0	2,329.9	1,980.7	2,147.4	2,384.7	2,440.1	2,492.4	2,683.9
1.2. Bonds	72.4	56.2	559.8	361.6	1,088.8	1,366.0	1,575.2	1,388.8	1,419.0	1,398.1
1.3. Loans and advances	80,887.6	96,081.7	109,523.9	128,882.3	161,694.2	188,462.5	194,078.4	199,333.3	203,527.2	207,522.8
1.4. Shares and participations	3,064.0	2,912.9	2,042.0	2,029.6	1,991.4	2,500.8	2,326.8	2,316.3	2,215.3	2,083.7
2. Claims in f/c	10,799.8	10,009.3	11,072.2	13,737.4	14,212.8	12,854.0	12,995.3	12,952.0	12,967.3	13,508.0
2.1. Securities	243.2	130.6	213.5	307.6	221.1	249.2	180.6	164.5	104.6	117.2
2.2. Loans and advances	10,556.6	9,878.7	10,858.6	13,429.8	13,991.6	12,604.9	12,814.7	12,787.6	12,862.7	13,390.9
Total (1+2)	96,218.4	110,374.3	125,707.9	147,340.9	180,967.8	207,330.7	213,360.3	218,430.4	222,621.2	227,196.6

Table D4: Banks' Claims on Other Domestic Sectors

The table shows banks' kuna and foreign currency claims on other domestic sectors, classified according to financial instruments:

money market instruments (including factoring and forfaiting since January 2004), loans and advances (including acceptances and purchased claims), and equities.

Table D5: Distribution of Banks' Loans by Domestic Institutional Sectors

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
LOANS IN KUNA										
1. Loans to central government and funds	3,894.6	5,513.5	3,870.0	4,495.0	8,156.4	7,982.0	9,137.3	8,248.9	8,026.3	7,901.7
1.1. Loans to central government	2,454.3	4,262.6	2,686.5	1,314.9	3,814.5	2,957.5	3,902.1	2,719.2	2,945.9	2,866.1
1.2. Loans to central government funds	1,440.3	1,250.9	1,183.5	3,180.1	4,341.9	5,024.5	5,235.2	5,529.7	5,080.4	5,035.5
2. Loans to local government	1,202.9	1,485.1	1,701.9	1,613.9	1,720.3	1,867.5	1,776.6	1,737.8	1,690.4	1,698.4
3. Loans to enterprises	36,708.1	39,777.4	42,844.7	49,105.9	64,666.3	74,001.7	75,635.8	77,841.2	80,435.1	80,894.5
4. Loans to households	42,976.6	54,819.3	64,977.2	78,162.4	95,307.6	112,593.3	116,666.0	119,754.3	121,401.7	124,930.0
o/w: Housing loans	12,363.4	16,896.2	21,397.9	27,571.1	36,927.3	45,218.6	47,476.4	48,271.9	48,904.3	51,197.2
5. Loans to other banking institutions	17.6	82.3	154.5	46.5	304.4	213.6	95.2	177.6	144.1	142.6
6. Loans to non-banking financial institutions	521.3	427.9	558.0	591.8	854.4	947.6	654.5	736.8	832.0	776.9
A. Total (1+2+3+4+5+6)	85,321.1	102,105.4	114,106.4	134,015.6	171,009.4	197,605.7	203,965.4	208,496.7	212,529.6	216,344.0
LOANS IN F/C										
1. Loans to central government and funds	1,544.9	1,634.7	3,501.0	6,952.1	4,695.6	4,539.2	5,294.8	7,584.4	8,625.3	10,061.7
1.1. Loans to central government	625.7	1,391.5	2,431.3	5,992.8	4,195.4	4,120.1	4,901.2	6,837.8	7,669.9	9,096.4
1.2. Loans to central government funds	919.2	243.1	1,069.7	959.3	500.2	419.1	393.7	746.6	955.5	965.3
2. Loans to local government	152.3	47.1	31.9	63.0	11.3	8.7	7.4	7.4	6.0	6.7
3. Loans to enterprises	10,308.3	9,649.4	10,527.3	12,973.5	13,598.5	12,264.5	12,467.5	12,438.2	12,520.7	13,059.8
4. Loans to households	96.0	182.1	299.5	393.3	381.8	331.6	339.8	342.0	336.0	324.4
5. Loans to other banking institutions	1.2	174.3	52.9	19.9	68.1	74.0	0.0	48.0	34.0	26.7
6. Loans to non-banking financial institutions	28.3	58.8	255.3	512.3	360.5	668.0	104.4	105.4	120.2	114.0
B. Total (1+2+3+4+5+6)	12,131.0	11,746.4	14,667.8	20,914.1	19,115.9	17,886.0	18,214.0	20,525.4	21,642.2	23,593.3
TOTAL (A+B)	97,452.1	113,851.8	128,774.2	154,929.7	190,125.3	215,491.7	222,179.4	229,022.1	234,171.8	239,937.3

Table D5: Distribution of Banks' Loans by Domestic Institutional Sectors

The table shows data on kuna and foreign currency loans granted

by banks to domestic sectors, including acceptances, financial leases, payments made on the basis of guarantees and similar instruments, purchased claims, and until December 2003 factoring and forfaiting.

Table D6: Demand Deposits with Banks

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Local government	1,910.4	2,006.2	2,020.7	1,688.7	1,803.8	2,689.4	1,974.4	1,776.0	1,997.9	2,177.3
2. Enterprises	12,344.5	12,872.9	12,036.9	13,344.2	16,668.6	19,599.3	16,179.8	15,914.6	16,203.9	14,319.7
3. Households	6,307.4	7,873.1	8,773.0	10,728.3	14,257.8	17,896.7	17,418.4	17,904.5	17,806.2	17,584.4
4. Other banking institutions	42.1	98.9	245.4	322.1	485.1	481.1	556.9	426.5	312.3	305.0
5. Non-banking financial institutions	568.1	468.1	517.5	571.3	697.6	1,205.2	1,342.1	1,472.6	801.6	1,275.6
6. Less: Checks of other banks and checks in collection	-6.4	-4.2	-2.2	-1.3	-1.2	-0.9	-0.9	-2.5	-0.8	-0.8
Total (1+2+3+4+5+6)	21,166.2	23,315.0	23,591.3	26,653.3	33,911.7	41,870.8	37,470.7	37,491.7	37,121.0	35,661.1

Table D6: Demand Deposits with Banks

The table shows demand deposits with banks, classified by domestic institutional sectors.

Demand deposits are the sum of other domestic sectors', other

banking institutions' and non-banking financial institutions' giro and current accounts balances, minus currency in the payment system (i.e. checks in banks' vaults and checks in collection). Banks' obligations arising from kuna payment instruments issued are included in the household sector.

Table D7: Time and Savings Deposits with Banks

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Savings deposits	2,236.2	2,527.9	2,233.9	2,493.6	2,905.6	3,086.1	3,022.1	2,983.3	2,929.8	2,826.5
1.1. Local government	14.8	14.4	4.6	2.7	2.8	2.5	2.4	2.0	1.6	0.4
1.2. Enterprises	213.3	190.5	38.8	101.6	110.3	154.7	158.7	139.3	124.1	146.6
1.3. Households	1,996.3	2,288.8	2,190.5	2,388.3	2,792.4	2,929.0	2,860.9	2,838.0	2,800.0	2,670.5
1.4. Other banking institutions	0.0	–	–	–	–	–	–	4.0	4.0	9.0
1.5. Non-banking financial institutions	11.8	34.2	0.0	1.0	0.0	–	–	–	–	–
2. Time and notice deposits	10,764.9	15,842.9	20,245.4	25,498.4	41,931.3	50,558.8	50,098.8	49,017.9	51,046.3	49,947.9
2.1. Local government	482.8	551.6	550.8	508.7	491.8	549.5	1,336.8	1,534.6	1,787.1	1,773.7
2.2. Enterprises	4,633.6	7,165.3	8,698.5	8,222.5	14,715.4	18,414.8	16,543.1	13,987.1	16,129.1	16,287.8
2.3. Households	3,793.8	6,194.5	9,321.4	13,254.9	20,755.0	20,479.1	22,779.2	23,412.0	23,074.2	22,177.8
2.4. Other banking institutions	58.4	129.3	215.9	931.9	2,697.9	6,386.5	4,537.5	3,983.3	3,901.7	3,262.1
2.5. Non-banking financial institutions	1,796.3	1,802.2	1,458.8	2,580.4	3,271.3	4,728.9	4,902.2	6,100.9	6,154.2	6,446.4
Total (1+2)	13,001.1	18,370.7	22,479.2	27,992.1	44,836.8	53,644.9	53,120.9	52,001.2	53,976.0	52,774.4

Table D7: Time and Savings Deposits with Banks

The table shows kuna savings and time deposits by other domestic sectors, other banking institutions and non-banking financial institutions with banks.

Table D8: Foreign Currency Deposits with Banks

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Savings deposits	21,074.4	21,547.0	22,144.6	22,641.0	22,698.6	22,845.0	22,321.8	22,797.1	23,772.6	22,467.3
1.1. Local government	12.2	14.7	15.6	11.9	30.8	27.5	9.8	26.1	9.2	9.4
1.2. Enterprises	3,346.7	3,620.2	4,273.2	4,408.3	4,589.7	5,543.6	5,326.3	5,896.7	5,910.0	5,409.2
1.3. Households	17,537.3	17,690.2	17,708.9	17,933.6	17,609.9	16,720.8	16,139.1	16,265.5	17,154.5	16,529.0
1.4. Other banking institutions	34.7	9.0	15.4	116.0	276.7	251.7	355.8	224.0	176.0	156.5
1.5. Non-banking financial institutions	143.5	212.9	131.6	171.3	191.4	301.5	490.8	384.9	522.9	363.2
2. Time deposits	50,980.3	54,488.4	59,598.3	64,119.7	65,558.1	80,245.1	82,439.1	85,881.3	94,165.0	92,847.1
2.1. Local government	9.5	3.8	0.3	3.2	1.9	2.1	1.9	2.0	2.1	2.4
2.2. Enterprises	6,009.6	7,154.0	8,518.6	8,154.2	7,086.2	10,391.9	9,597.6	9,959.0	11,617.3	12,059.4
2.3. Households	44,159.2	46,805.1	50,636.0	55,036.1	57,210.8	66,465.7	69,660.4	73,044.5	79,055.2	77,261.5
2.4. Other banking institutions	41.5	21.7	20.7	242.0	366.2	1,038.6	1,039.3	764.6	1,062.1	980.5
2.5. Non-banking financial institutions	760.5	503.7	422.7	684.2	892.9	2,346.8	2,139.9	2,111.2	2,428.3	2,543.3
Total (1+2)	72,054.6	76,035.3	81,742.9	86,760.8	88,256.7	103,090.1	104,760.9	108,678.4	117,937.6	115,314.4

Table D8: Foreign Currency Deposits with Banks

The table shows foreign currency savings and time deposits by other domestic sectors, other banking institutions and non-banking

financial institutions with banks. Foreign currency savings deposits are all foreign currency sight deposits and foreign currency payment instruments issued, while foreign currency time deposits also include foreign currency notice deposits.

Table D9: Bonds and Money Market Instruments

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Money market instruments (net)	5.1	–	–	–	0.8	0.8	0.8	0.8	0.8	0.8
2. Bonds (net)	92.8	151.9	170.5	164.9	340.9	632.0	637.8	452.4	434.3	482.6
3. Other domestic borrowing	118.4	446.5	993.0	912.1	502.5	576.0	292.5	513.3	826.4	2,185.2
3.1. Local government	–	0.9	–	–	–	–	–	–	–	–
3.2. Enterprises	46.3	92.7	40.3	40.8	0.0	152.9	0.0	0.0	3.7	3.6
3.3. Other banking institutions	10.0	222.1	842.8	828.1	492.8	266.4	265.8	496.3	820.7	2,073.8
3.4. Non-banking financial institutions	62.0	130.9	109.9	43.2	9.6	156.6	26.6	17.0	2.0	107.7
Total (1+2+3)	216.3	598.4	1,163.5	1,077.0	844.1	1,208.8	931.1	966.5	1,261.5	2,668.5

Table D9: Bonds and Money Market Instruments

The table shows banks' liabilities for securities issued (net) and loans received from other domestic sectors, other banking institutions and non-banking financial institutions.

Money market instruments (net) comprise banks' net liabilities for CNB bills, bills of exchange (issued and accepted) and other se-

curities issued.

Bonds (net) comprise banks' net liabilities for kuna and foreign currency bonds issued, as well as issued subordinated and hybrid instruments, excluding those purchased by foreign investors.

Other domestic borrowing comprises loans received, which are reported in the total amount and classified by institutional sectors.

Table D10: Banks' Foreign Liabilities

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	May	Jun.	Sep.	Oct.
1. Foreign liabilities in f/c	34,198.5	44,574.3	54,536.7	52,073.3	55,114.3	48,461.3	51,479.8	47,828.7	41,487.8	46,963.4
1.1. Liabilities to foreign financial institutions	28,662.3	38,623.1	48,967.5	45,747.7	48,561.3	41,483.1	44,727.4	41,061.5	34,684.4	40,152.9
Demand deposits	130.9	266.6	127.6	156.3	195.0	258.8	245.8	223.3	152.3	158.9
Time and notice deposits	9,002.9	12,885.2	16,056.8	12,523.1	12,174.1	10,562.9	12,694.1	9,302.1	7,527.4	9,912.2
Loans and advances	19,528.5	25,471.4	29,369.5	29,775.6	32,903.9	27,373.0	28,528.7	28,280.3	23,810.4	26,869.4
o/w: Subordinated and hybrid instruments	2,801.4	2,949.2	2,399.4	1,167.4	820.7	405.9	1,396.3	1,568.2	1,538.2	1,555.2
Bonds	–	–	3,413.6	3,292.6	3,288.3	3,288.4	3,258.7	3,255.8	3,194.3	3,212.4
1.2. Liabilities to foreign non-banks	5,536.2	5,951.2	5,569.2	6,325.6	6,553.0	6,978.2	6,752.5	6,767.3	6,803.4	6,810.5
Savings and time deposits	4,160.2	4,753.2	5,002.2	5,846.3	6,192.4	6,729.9	6,562.9	6,579.0	6,672.8	6,676.6
Sight deposits	875.6	898.6	1,052.5	1,172.9	1,635.8	1,537.2	1,582.6	1,643.6	1,560.7	1,605.9
Time and notice deposits	3,284.6	3,854.6	3,949.6	4,673.4	4,556.7	5,192.7	4,980.2	4,935.4	5,112.1	5,070.8
Loans and advances	1,376.0	1,198.0	567.1	479.3	360.5	248.3	189.6	188.3	130.6	133.9
o/w: Subordinated and hybrid instruments	39.7	39.1	0.2	–	–	–	–	–	–	–
2. Foreign liabilities in kuna	825.0	5,357.7	6,627.0	15,039.1	20,961.8	16,691.3	17,922.2	16,395.4	16,089.4	17,698.0
2.1. Liabilities to foreign financial institutions	690.9	5,087.8	6,103.9	14,099.6	20,087.0	16,093.8	17,198.1	15,756.2	15,523.5	17,166.6
Demand deposits	53.6	86.4	145.1	179.6	1,438.1	519.0	640.3	537.8	397.4	563.2
Time and notice deposits	635.8	2,664.1	2,846.9	6,979.5	11,198.8	11,423.7	12,406.6	11,069.6	10,977.4	12,454.6
Loans and advances	1.5	2,337.3	3,111.9	6,940.5	7,450.2	4,151.2	4,151.2	4,148.8	4,148.8	4,148.8
o/w: Subordinated and hybrid instruments	–	–	–	405.7	404.0	0.4	0.4	–	–	–
2.2. Liabilities to foreign non-banks	134.1	269.9	523.1	939.5	874.8	597.5	724.1	639.2	565.9	531.4
Demand deposits	56.2	76.8	95.9	180.3	170.1	253.2	250.7	302.9	277.2	266.4
Time and notice deposits	77.9	191.4	419.2	755.2	703.3	340.6	469.7	334.8	287.2	263.5
Loans and advances	–	1.7	8.0	4.0	1.4	3.7	3.7	1.5	1.5	1.5
o/w: Subordinated and hybrid instruments	–	–	–	–	–	–	–	–	–	–
Total (1+2)	35,023.5	49,932.0	61,163.7	67,112.3	76,076.0	65,152.6	69,402.1	64,224.1	57,577.3	64,661.4

Table D10: Banks' Foreign Liabilities

The table shows banks' total foreign currency and kuna liabilities to foreign legal and natural persons, with the exception of restricted kuna and foreign currency deposits by foreign legal and natural persons.

Banks' foreign liabilities comprise foreign currency liabilities and

foreign kuna liabilities.

Within foreign kuna and foreign currency liabilities, liabilities to foreign banks are reported separately from liabilities to foreign non-banks (total and by financial instruments). Loans and advances also include issued subordinated and hybrid instruments purchased by foreign investors.

Table D11: Central Government and Funds' Deposits with Banks

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. In kuna	4,036.8	4,104.4	5,627.2	7,596.1	9,030.0	11,535.0	11,746.5	14,142.6	14,247.3	14,566.0
1.1. Central government deposits	634.3	506.4	445.1	605.0	497.5	666.4	590.0	1,391.5	1,305.2	1,414.6
Demand deposits	476.4	448.0	373.3	458.1	366.2	454.9	352.8	233.4	293.1	208.8
Savings deposits	3.3	3.0	4.2	1.8	2.1	1.2	1.1	0.9	0.8	0.8
Time and notice deposits	153.6	54.2	66.5	144.0	128.1	209.3	235.1	1,156.2	1,011.3	1,205.0
Loans and advances	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0	–	–
1.2. Central government funds' deposits	3,402.5	3,598.0	5,182.2	6,991.1	8,532.6	10,868.6	11,156.5	12,751.1	12,942.1	13,151.4
Demand deposits	553.2	294.8	266.3	580.2	254.6	330.1	227.0	389.1	487.8	422.9
Savings deposits	0.0	0.3	3.5	1.9	14.6	2.4	2.2	2.2	4.0	3.9
Time and notice deposits	144.3	156.2	262.3	251.7	496.7	413.6	481.9	712.6	791.3	740.3
Loans and advances	2,705.0	3,146.7	4,650.0	6,157.3	7,766.7	10,122.4	10,445.5	11,647.2	11,659.1	11,984.2
2. In f/c	2,058.1	1,178.9	1,194.6	1,690.9	1,770.4	1,990.8	1,917.6	1,522.7	1,432.6	1,227.3
2.1. Central government deposits	1,938.9	1,158.2	891.0	906.2	811.7	759.4	686.8	729.4	642.3	698.8
Savings deposits	263.0	198.5	189.7	340.6	264.8	527.4	264.7	325.7	381.7	341.9
Time and notice deposits	293.1	–	23.2	38.7	275.0	49.7	282.1	263.7	139.6	223.4
Refinanced loans and advances	1,382.8	959.6	678.1	527.0	271.9	182.3	140.0	140.0	121.0	133.4
2.2. Central government funds' deposits	119.2	20.8	303.6	784.7	958.6	1,231.4	1,230.8	793.3	790.3	528.5
Savings deposits	114.1	20.8	156.5	139.4	93.4	85.7	125.7	167.2	136.2	151.6
Time and notice deposits	5.0	–	147.1	25.8	356.2	153.8	174.2	65.2	512.0	376.9
Loans and advances	–	–	–	619.6	509.0	991.8	931.0	560.9	142.2	–
Total (1+2)	6,094.9	5,283.3	6,821.8	9,287.0	10,800.4	13,525.8	13,664.1	15,665.3	15,679.9	15,793.3

Table D11: Central Government and Funds' Deposits with Banks

The table reports total banks' kuna and foreign currency liabilities to the central government and funds, with the exception of restricted (kuna and foreign currency) deposits by the central government and funds with banks.

Kuna and foreign currency deposits by the Republic of Croatia and central government funds are shown separately. Kuna deposits comprise demand deposits, savings deposits, time and notice deposits, and loans received from the central government and funds. Foreign currency deposits comprise savings deposits, time and notice deposits, and refinanced loans and advances.

Table D12: Restricted and Blocked Deposits with Banks

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
1. Restricted deposits	1,361.2	1,541.2	2,014.6	2,036.4	2,447.6	2,252.3	2,333.7	2,828.5	3,946.9	3,609.9
1.1. In kuna	789.6	730.1	1,267.4	1,277.1	1,427.0	1,322.8	1,296.2	1,551.8	1,364.7	1,634.0
1.2. In f/c	571.6	811.1	747.2	759.3	1,020.5	929.5	1,037.5	1,276.6	2,582.2	1,975.9
2. Blocked f/c deposits of households	319.3	167.8	40.0	–	–	–	–	–	–	–
Total (1+2)	1,680.5	1,709.0	2,054.6	2,036.4	2,447.6	2,252.3	2,333.7	2,828.5	3,946.9	3,609.9

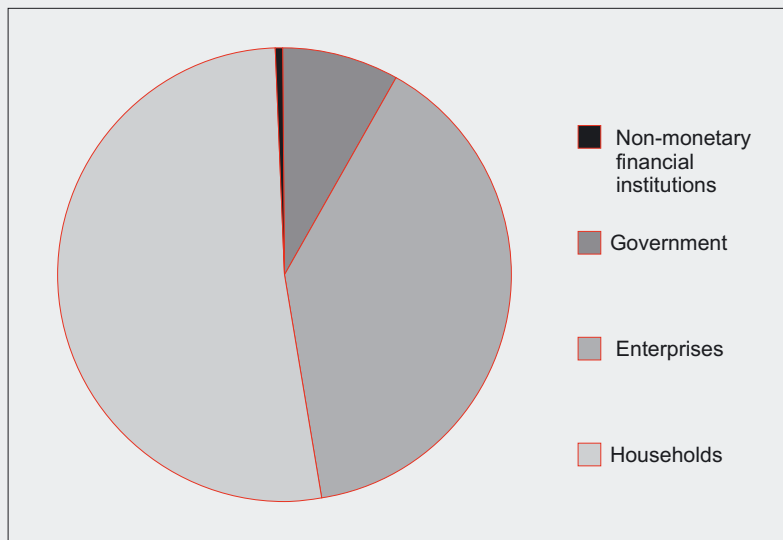
Table D12: Restricted and Blocked Deposits with Banks

The table shows households' restricted (kuna and foreign currency) deposits and blocked deposits.

Blocked foreign currency deposits include households' foreign currency deposits, regulated by the Act on Converting Households' Foreign Currency Deposits into the Public Debt of the Republic of Croatia.

Figure D1

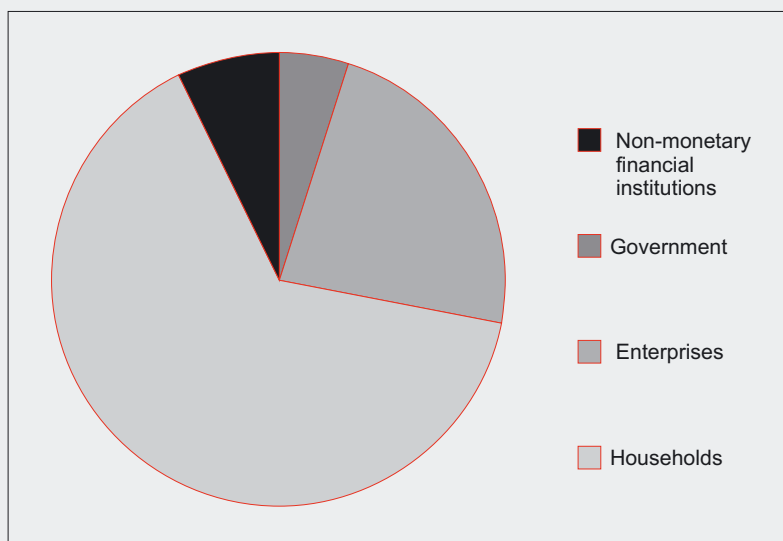
DISTRIBUTION OF BANKS' LOANS BY DOMESTIC INSTITUTIONAL SECTORS



October 2008

Figure D2

DISTRIBUTION OF BANKS' DEPOSITS BY DOMESTIC INSTITUTIONAL SECTORS



October 2008

Note:
Sector "Non-monetary financial institutions" includes other banking institutions and non-banking financial institutions.
Sector "Government" includes the central government and funds and local government.

Table E1: Housing Savings Banks' Accounts

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
ASSETS										
1. Reserves with the CNB	19.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	1,983.9	3,033.5	3,779.1	4,274.3	4,674.8	4,036.5	3,750.6	3,658.2	3,586.2	3,560.6
3. Claims on other domestic sectors	93.3	187.9	373.2	575.5	1,296.0	2,220.4	2,389.9	2,545.3	2,643.9	2,719.6
o/w: Claims on households	91.3	187.9	373.2	575.5	1,296.0	2,220.4	2,389.9	2,545.3	2,643.9	2,719.6
4. Claims on banks	37.2	247.2	824.2	994.4	181.4	133.6	78.6	187.5	217.6	204.5
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	2,133.6	3,468.6	4,976.6	5,844.2	6,152.3	6,390.5	6,219.1	6,391.1	6,447.7	6,484.7
LIABILITIES										
1. Time deposits	2,012.9	3,265.2	4,728.2	5,514.7	5,803.6	6,037.9	5,886.8	5,906.0	5,853.3	5,902.0
2. Bonds and money market instruments	–	11.1	10.7	10.3	61.7	40.1	44.8	91.0	153.8	190.7
3. Capital accounts	141.1	159.7	206.7	258.0	244.7	303.0	298.7	348.3	389.0	336.1
4. Other items (net)	–20.4	32.6	30.8	61.1	42.2	9.6	–11.2	45.8	51.6	55.8
Total (1+2+3+4)	2,133.6	3,468.6	4,976.6	5,844.2	6,152.3	6,390.5	6,219.1	6,391.1	6,447.7	6,484.7

Table E1: Housing Savings Banks' Accounts

Housing savings banks' accounts include data on claims and liabilities of the Croatian housing savings banks. All housing savings banks' claims and liabilities refer exclusively to domestic sectors.

Housing savings banks' required reserves held at the central bank include funds in vaults. Until September 2003, they also included kuna funds held in accounts at the central bank.

Claims on central government and funds are claims in kuna on the Republic of Croatia and central government funds.

Claims on other domestic sectors include kuna loans to local government and households.

Claims on banks include loans to banks, as well as deposits with banks, including, from October 2003 on, accounts for regular opera-

tions with banks.

Claims on other banking institutions include investments in investment funds.

Item Time deposits includes local government and households' time deposits.

Bonds and money market instruments are housing savings banks' liabilities for securities issued (net) and loans received.

Capital accounts are share capital, profit or loss for the previous and current year, retained earnings (loss), legal reserves, reserves provided for by the articles of association and other capital reserves, hedging reserves, unrealised gains (losses) from financial assets classified as available-for-sale assets, value adjustments and specific reserves for unidentified losses. Other items (net) are unclassified liabilities decreased by unclassified assets.

Table F1: Credit Rates of the Croatian National Bank

in percentage, on annual basis

Year	Month	CNB discount rate	CNB repo rate ^a	Credit rates					
				On Lombard credits ^b	On intervention credits	On intra-day refinancing facility ^b	On short-term liquidity credits	On inaccurately calculated statutory reserves ^b	On arrears
1	2	3	4	5	6	7	8	9	10
1994	December	8.50	–	18.00	19.00	17.00	14.00	19.00	22.00
1995	December	8.50	–	25.49	19.00	17.00	–	19.00	22.00
1996	December	6.50	–	11.00	19.00	17.00	–	19.00	18.00
1997	December	5.90	–	9.50	19.00	17.00	–	19.00	18.00
1998	December	5.90	–	12.00	19.00	7.00	14.00	19.00	18.00
1999	December	7.90	–	13.00	19.00	–	14.00	19.00	18.00
2000	December	5.90	–	12.00	18.00	–	13.00	18.00	18.00
2001	December	5.90	–	10.00	–	–	11.00	15.00	18.00
2002	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2003	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2004	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2005	December	4.50	3.50	7.50 ^c	–	–	8.50 ^c	15.00	15.00
2006	December	4.50	3.50	7.50	–	–	8.50	15.00	15.00
2007	November	4.50	3.86	7.50	–	–	8.50	15.00	15.00
	December	9.00 ^d	4.06	7.50	–	–	8.50	15.00	15.00
2008	January	9.00	4.13	7.50	–	–	10.00	15.00	15.00
	February	9.00	4.63	9.00	–	–	10.00	15.00	15.00
	March	9.00	4.96	9.00	–	–	10.00	15.00	15.00
	April	9.00	4.95	9.00	–	–	10.00	15.00	15.00
	May	9.00	5.05	9.00	–	–	10.00	15.00	15.00
	June	9.00	4.99	9.00	–	–	10.00	15.00	15.00
	July	9.00	4.83	9.00	–	–	10.00	15.00	15.00
	August	9.00	4.92	9.00	–	–	10.00	15.00	15.00
	September	9.00	4.98	9.00	–	–	10.00	15.00	15.00
	October	9.00	6.60	9.00	–	–	10.00	15.00	15.00

^a Weighted averages of weighted repo rates achieved at regular reverse repo auctions of the CNB in the reporting month.^b Breaks in the series of data are explained in notes on methodology.^c Since 14 December 2005.^d Since 31 December 2007.**Table F1: Credit Rates of the Croatian National Bank**

The table shows interest rates used by the CNB to calculate and charge interest on credits from the primary issue and on all other claims.

Credit rates of the CNB are set by decisions of the Council of the Croatian National Bank, on a yearly basis. Exceptionally, from June 1995 interest rate charged by the CNB on Lombard credits was 1.5 percentage points higher than the weighted average interest rate on CNB bills on a voluntary basis (which serve as collateral for Lombard credits) in cases when the weighted average interest rate was higher than 16.5%. Congruently, from June 1995 to August 1996 the table reports the weighted average interest rate on Lombard credits.

Time series presented in the table contain certain breaks, due to changes in the CNB's monetary policy instruments.

Data shown in column 4 refer to the weighted averages of the weighted repo rates achieved at regular reverse repo auctions of the CNB in the reporting month.

Data shown in column 7 refer, until September 1994, to interest rates on special credits for savings deposits' payments and for pay-

ments from households' current accounts, and from October 1994 until September 1997 to interest rates on daily credits for savings deposits and households' current accounts in kuna. Daily credits, as opposed to special credits, are paid back on the same day. In October 1997, this instrument was replaced by daily credits for overcoming short-term liquidity problems that are collateralised by CNB bills. From December 1998 to April 1999, this credit is incorporated in Lombard credit, applying different interest rate for its usage within one day.

Data shown in column 8 refer, until December 1994, to interest rate on initial credits, and since 18 March 1998, to credits for overcoming liquidity problems of banks under evaluation for entry into rehabilitation and restructuring procedures and since February 1999, to interest rates on short-term liquidity credits. From December 1999 on, data show interest rates on short-term liquidity credit with a maturity over 3 months which is 1 percentage point higher than interest rate on Lombard credits. Interest rate on short-term liquidity credit up to 3 months is 0.5 percentage point higher than interest rate on Lombard credits.

Table F2: Deposit Rates of the Croatian National Bank

in percentage, on annual basis

Year	Month	Interest rates on statutory reserves dep. with the CNB	Interest rates on CNB bills on an obligatory basis	Interest rates on CNB bills on a voluntary basis ^a				Interest rates on f/c CNB bills on a voluntary basis					Interest rates on overnight deposits
				Due in 7 days	Due in 35 days	Due in 70 days	Due in 105 days	Due in 35 days	Due in 63 days	Due in 91 days	Due in 182 days	Due in 364 days	
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1994	December	5.15	–	9.00	12.00	14.00	–	–	–	–	–	–	–
1995	December	5.50	16.50	12.00	25.54	27.00	–	–	–	–	–	–	–
1996	December	5.50	–	–	8.00	9.50	–	–	–	–	–	–	–
1997	December	4.50	–	–	8.00	9.00	10.00	–	–	–	–	–	–
1998	December	5.90	–	–	9.50	10.50	11.00	–	4.60	3.12	3.08	–	–
1999	December	5.90	–	–	10.50	11.55	12.50	–	4.83	3.56	–	–	–
2000	December	4.50	–	–	6.65	7.00	7.70	–	5.51	4.83	–	–	–
2001	December	2.00	–	–	3.36	4.26	4.85	–	2.62	3.06	–	–	–
2002	December	1.75	–	–	2.08	–	–	2.30	2.68	–	–	–	–
2003	December	1.25	0.50	–	–	–	–	1.75	1.48	–	–	–	–
2004	December	1.25	–	–	–	–	–	–	–	–	–	–	–
2005	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2006	December	0.75	–	–	–	–	–	–	–	–	–	–	0.50
2007	November	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	December	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
2008	January	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	February	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	March	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	April	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	May	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	June	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	July	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	August	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	September	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	October	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50

^a Breaks in the series of data are explained in notes on methodology.

Table F2: Deposit Rates of the Croatian National Bank

The table shows interest rates used by the CNB to calculate and pay interest on funds deposited with the CNB and on issued securities.

Interest rates paid by the CNB for appropriated statutory reserve funds are set by a decision of the Council of the Croatian National Bank. Until April 2005, the appropriated statutory reserve funds included the calculated statutory reserve funds that were deposit in a special statutory reserve account with the CNB, or maintained (in average) in banks' settlement accounts, or deposited in a special account with the CNB for the settlement of net positions in the National Clearing System (NCS). From April 2005, they include the calculated statutory reserve funds allocated to a special statutory reserve account with the CNB (column 3).

Interest rates on CNB bills on an obligatory basis are set by a decision of the Council of the Croatian National Bank.

Interest rates on CNB bills on a voluntary basis are set at CNB bills' auction sales. Congruently, columns 5, 6 and 7 report the weighted average interest rates attained at auctions of CNB bills. From November 1994 through January 2001, columns 7 and 8 report interest rates on CNB bills on a voluntary basis due in 91 and 182 days respectively.

From April 1998 on, columns 9 through 13 report the weighted average interest rates on CNB bills on a voluntary basis in EUR and USD (until December 1998, in DEM and USD) attained at CNB bills' auctions as a weighted average of subscribed amounts in those two currencies.

Column 14 reports the interest rate on overnight deposits with the CNB.

Table F3: Banks' Reserve Requirements

daily averages and percentages, million kuna and %

Year	Month	Weighted average res. requirement in % on res. base	Reserve requirement (RR)			Other obligatory deposits with the CNB	Statutory reserves deposited with the CNB		Weighted avg. remuneration rate on immobilised funds in kuna	Weighted avg. remuneration rate on allocated funds in f/c
			Total	In kuna	In f/c		In kuna	In f/c		
1	2	3	4=5+6	5	6	7	8	9	10	11
1994	December	26.20	1,826.0	1,826.0	–	188.3	1,779.2	–	5.63	–
1995	December	30.90	2,431.8	2,431.8	–	826.5	2,215.9	–	7.93	–
1996	December	35.91	3,652.9	3,652.9	–	–	3,312.0	–	4.99	–
1997	December	32.02	4,348.8	4,348.8	–	–	3,914.2	–	4.05	–
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.28	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.62	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.05	....
2001	December	19.67	21,187.1	8,691.5	12,495.5	–	6,287.8	5,950.0	1.97	2.73
2002	December	19.00	25,985.1	11,447.1	14,538.0	–	8,156.7	7,139.9	1.72	2.16
2003	December	19.00	31,009.4	18,023.8	12,985.6	109.4	12,459.8	6,850.2	1.17	1.47
2004	December	18.00	33,615.7	20,040.9	13,574.8	430.1	14,664.1	10,171.3	1.22	1.36
2005	December	18.00	37,424.5	24,997.9	12,426.6	3,940.2	17,497.7	9,271.4	0.52	0.92
2006	December	17.00	40,736.4	28,966.1	11,770.4	7,332.5	20,257.0	8,780.9	0.52	1.06
2007	November	17.00	44,318.8	31,692.2	12,626.7	5,500.1	22,184.5	9,162.5	0.53	1.55
	December	17.00	44,465.9	31,809.1	12,656.8	6,641.1	22,266.4	9,203.5	0.53	1.29
2008	January	17.00	44,828.6	32,068.2	12,760.4	5,207.2	22,447.7	9,274.6	0.52	1.17
	February	17.00	45,269.3	32,262.1	13,007.2	5,521.6	22,580.7	9,482.8	0.52	1.41
	March	17.00	45,550.5	32,293.9	13,256.6	6,778.8	22,604.0	9,701.4	0.52	1.05
	April	17.00	45,815.3	32,440.9	13,374.4	7,654.2	22,708.6	9,794.0	0.52	0.84
	May	17.00	46,172.4	32,701.9	13,470.5	8,075.3	22,891.3	9,851.7	0.52	1.00
	June	17.00	46,264.6	32,807.9	13,456.7	7,906.1	22,965.5	9,806.9	0.52	0.83
	July	17.00	45,952.0	32,547.1	13,404.9	6,627.5	22,783.0	9,695.6	0.52	0.80
	August	17.00	46,045.8	32,586.8	13,459.0	5,733.9	22,810.8	9,688.3	0.52	1.08
	September	17.00	46,495.1	32,862.2	13,632.9	4,741.9	23,003.5	9,731.1	0.52	0.99
	October	17.00	46,766.9	32,996.1	13,770.8	2,046.7	23,097.3	9,731.9	0.52	1.17

Table F3: Banks' Reserve Requirements

This table shows data on monthly averages of day-to-day balances of banks' kuna and foreign currency reserve requirements with the CNB. Savings banks are included beginning in July 1999.

Column 3 shows the weighted average reserve requirement ratio as a percentage of the kuna and foreign currency reserve requirements (column 4) in the reserve base.

Reserve requirement (column 4) represents the prescribed amount of funds banks are required to deposit in a special statutory reserve account with the CNB, or to maintain (in average) in their settlement accounts and in vaults, or in accounts of liquid foreign currency claims (which include foreign cash and checks in foreign currency, liquid foreign currency claims maintained in the accounts with the high-grade foreign banks and foreign currency CNB bills).

Column 5 shows the amount of kuna reserve requirements. Between January 1995 and December 2000, this amount corresponded with the statutory reserve requirement instrument, while until December 1994 it comprised two instruments: statutory reserves and liquid assets requirement – LAR (except for the part in which banks were conforming to this requirement by registering CNB bills on a voluntary basis). In December 2000, reserve requirements in kuna and in foreign currency were unified, i.e. reserve requirements rate, periods for calculating, allocating and maintaining reserve requirements were unified, as well as a minimum percentage of the total reserve requirements deposited with the Croatian National Bank. From September 2001 on, column 5 includes also the f/c component of reserve requirements that is set aside/maintained in kuna.

Column 6 shows the amount of foreign currency reserve requirements, i.e. the prescribed amount of funds banks are required to deposit in the CNB's foreign currency accounts, or to maintain (in

average) in accounts of liquid claims. Until November 2000, the calculation base consisted of the average daily balances of household foreign currency savings deposits with a remaining maturity of up to 3 months, while starting from December 2000 the base consists of foreign currency sources of funds, including: ordinary foreign currency accounts, special foreign currency accounts, foreign currency accounts and foreign currency sight deposits, received foreign currency deposits and received foreign currency loans, as well as obligations arising from securities issued in foreign currency (excluding banks' equity securities). From November 2001 on, the base includes also hybrid and subordinated instruments.

Column 7 shows the total amount of other obligatory deposits with the CNB, including CNB bills on an obligatory basis, those CNB bills on a voluntary basis used by banks to maintain the prescribed minimal liquidity (LAR), special statutory reserves until July 1995, special reserve requirement on liabilities arising from issued securities from March 2006, statutory reserves on f/c deposits, f/c credits from foreign banks and guarantees for such credits and marginal reserve requirement (from August 2004).

Column 8 shows the portion of the kuna reserve requirement which banks deposit in a statutory reserve account with the CNB (until December 1994, this amount corresponded with the statutory reserve instrument, while since January 1995 a minimum percentage of the total reserve requirement banks are required to deposit in a special statutory reserve account with the CNB has been prescribed). In April 2005, this percentage was set at 70%.

Column 9 shows the portion of the foreign currency reserve requirement which banks deposit in the CNB's foreign currency accounts. The percentage for allocating the foreign currency component of reserve requirements calculated on the basis of foreign currency funds of non-residents and foreign currency funds received

Table F4: Banks' Liquidity Indicators

daily averages and percentages, million kuna and %

Year	Month	Free reserves		Primary liquidity ratio	Secondary liquidity sources	Kuna CNB bills	F/c CNB bills	Kuna MoF treasury bills
		In kuna	In f/c					
1	2	3	4	5	6	7	8	9
1994	December	119.5	....	1.72	393.7	210.2	–	–
1995	December	49.4	....	0.63	199.4	218.7	–	–
1996	December	267.9	....	2.63	98.5	780.9	–	183.8
1997	December	396.3	....	2.92	32.7	728.9	–	260.7
1998	December	221.9	....	1.65	445.5	850.4	1,377.4	141.3
1999	December	179.6	....	1.30	1,183.6	1,311.1	1,507.6	373.9
2000	December	638.8	10,721.4	3.32	80.1	2,485.3	1,692.7	2,006.5
2001	December	794.4	17,247.4	3.23	2.6	2,656.2	2,630.8	3,360.9
2002	December	1,225.0	10,398.0	3.53	0.6	4,965.5	1,273.9	4,279.5
2003	December	451.6	20,561.4	0.98	501.6	0.0	4,316.0	3,073.2
2004	December	1,495.5	26,126.1	2.64	0.0	0.0	0.0	4,581.7
2005	December	672.5	20,493.4	0.96	0.2	0.0	0.0	4,163.3
2006	December	840.8	20,239.1	0.83	0.0	0.0	0.0	5,993.7
2007	November	694.8	29,523.2	0.62	1,195.3	0.0	0.0	6,642.4
	December	1,161.5	30,412.6	1.03	330.4	0.0	0.0	4,449.4
2008	January	791.6	29,493.9	0.70	670.3	0.0	0.0	7,990.6
	February	866.1	28,898.6	0.76	251.0	0.0	0.0	7,100.2
	March	1,209.2	27,133.6	1.08	1.7	0.0	0.0	6,771.8
	April	970.7	24,928.8	0.87	0.0	0.0	0.0	6,934.5
	May	799.1	23,353.8	0.71	0.0	0.0	0.0	6,463.4
	June	633.7	22,088.0	0.56	0.0	0.0	0.0	6,266.8
	July	517.9	24,730.7	0.46	0.0	0.0	0.0	5,786.2
	August	733.5	27,287.8	0.65	2.7	0.0	0.0	5,280.1
	September	802.7	28,409.0	0.71	0.0	0.0	0.0	6,014.5
	October	411.7	28,675.2	0.36	366.6	0.0	0.0	3,542.4

from legal persons in a special relationship with a bank amounts to 100%, while the percentage for allocating the remaining portion of the foreign currency component of reserve requirements amounts to 60%.

Column 10 shows the weighted average remuneration rate on all forms of immobilised kuna funds which include reserve requirements and other obligatory deposits with the CNB.

Column 11 shows the weighted average remuneration rate on allocated funds in foreign currency, including the marginal reserve requirement funds (from August 2004 on). From June 2005 on, the CNB pays remuneration equalling 50% of the US Federal Funds Target Rate for the funds allocated in US dollars and 50% of the ECB Minimum Bid Refinance Rate for the funds allocated in euros. In both cases the rate in effect on the day of allocation is applied.

Table F4: Banks' Liquidity Indicators

The table reports monthly averages of day-to-day balances of some indicators of banks' liquidity. Savings banks are included beginning in July 1999.

Column 3 shows free reserves in kuna, defined as bank's total reserves (in settlement accounts and in vaults) decreased by the minimal average settlement account and vault balance, as prescribed by instruments of the CNB.

Column 4 shows free reserves in foreign currency, defined as funds for the maintenance of foreign currency reserve requirements (foreign cash and checks in foreign currency, liquid foreign currency claims maintained in the accounts with the high-grade foreign banks and foreign currency CNB bills) decreased by the minimal required balance of these funds in the same period.

Column 5 shows the primary liquidity ratio as a percentage of monthly day-to-day kuna free reserves averages (column 3) in monthly day-to-day averages of deposits which constitute the reserve base.

Column 6 shows the monthly average of day-to-day balances of secondary liquidity sources used. Secondary liquidity sources comprise: Lombard credits (since December 1994), short-term liquidity credits (since February 1999) and overdue liabilities to the CNB.

Column 7 reports the monthly average of day-to-day balances of kuna CNB bills on a voluntary basis (until December 1994, this amount is decreased by the portion of voluntarily registered CNB bills used by banks to maintain the prescribed minimal liquidity).

Column 8 reports the monthly average of day-to-day balances of foreign currency CNB bills on a voluntary basis (in EUR and USD).

Column 9 reports the monthly average of day-to-day balances of kuna MoF treasury bills. Until September 2002, it shows the discounted value of treasury bills, while starting from October 2002, it shows their nominal value.

Table G1: Banks' Interest Rates on Kuna Credits Not Indexed to Foreign Currency

weighted averages of monthly interest rates, in % on annual basis

Year	Month	Money market interest rates			Interest rates on kuna credits not indexed to foreign currency								
		On overnight credits	On other credits	Total average	On short-term credits						On long-term credits		
					Total average	Enterprises	Households			Total average	Enterprises	Households	
							Total average	Credit lines	Other				
1	2	3	4	5	6	7	8	9	10	11	12	13	
1994	December	8.50	17.76	15.39	15.43	....	....	....	....	13.82	....	....
1995	December	27.26	27.15	22.32	22.56	22.23	23.81	23.75	25.58	13.48	13.39	14.38	
1996	December	9.66	10.72	18.46	19.35	19.18	20.18	19.90	23.12	11.51	11.29	14.28	
1997	December	8.46	9.49	14.06	14.12	13.17	19.26	19.34	18.11	13.24	12.98	13.75	
1998	December	10.00	15.91	16.06	16.22	14.89	20.77	20.80	19.92	11.73	11.48	13.16	
1999	December	9.92	12.78	13.54	13.52	10.55	20.83	20.84	20.39	15.14	15.31	14.16	
2000	December	2.39	4.45	10.45	10.45	6.81	20.30	20.33	19.05	9.90	9.64	12.97	
2001	December	2.49	2.18	9.51	9.49	5.43	18.81	18.85	14.88	11.42	10.06	13.14	
2002	December	1.58	1.89	10.91	11.24	7.44	15.16	15.28	9.84	7.32	6.48	7.88	
2003	December	5.47	7.02	11.45	11.80	8.02	14.89	15.01	12.38	8.51	6.14	10.69	
2004	December	3.55	6.02	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16	
2005	December	2.29	3.61	9.91	9.99	7.71	11.26	13.18	5.35	8.75	6.48	10.35	
2006	December	2.02	3.52	9.07	9.37	6.75	11.84	13.21	4.67	7.53	5.86	9.44	
2007	November	6.41	7.47	9.52	10.00	7.24	12.36	13.22	4.97	7.43	6.83	7.74	
	December	5.33	6.71	9.32	9.74	7.39	12.34	13.19	4.95	7.50	6.66	8.01	
2008	January	6.67	6.97	9.90	10.21	7.81	12.17	12.89	4.91	8.16	7.40	8.42	
	February	4.07	6.42	9.95	10.27	7.62	12.18	12.92	5.29	8.43	7.55	8.99	
	March	2.69	5.78	9.69	9.92	7.36	12.15	12.90	4.92	8.40	7.20	9.02	
	April	2.44	5.85	10.11	10.45	7.78	12.59	13.42	5.66	8.43	7.30	9.03	
	May	2.66	5.20	9.66	9.90	7.58	11.93	12.72	5.36	8.36	7.17	9.28	
	June	3.20	5.31	9.47	9.65	7.38	11.91	12.68	5.56	8.43	7.32	9.32	
	July	3.40	5.30	9.63	9.79	7.44	12.16	12.91	5.34	8.72	7.96	9.45	
	August	3.49	5.14	10.01	10.16	7.56	12.25	12.91	4.50	8.85	7.89	9.71	
	September	4.51	5.42	10.07	10.21	7.84	12.20	12.91	5.22	8.90	7.74	9.66	
	October	9.87	9.60	10.66	10.82	8.81	12.27	12.93	4.57	9.23	8.22	9.76	
	Relative significance ^a	–	–	75.59	67.92	28.49	39.42	36.33	3.09	7.67	2.66	5.01	

^a Relative significance is calculated as a percentage of corresponding credit category in total credits disbursed in the reporting month (according to data for the last period included in the table).
 Note: A break in the time series occurred due to changes in the methodology used in interest rate statistics as of 1 January 2001. This especially refers to interest rates shown in columns 5, 6 and 7. Interbank credits, which bear relatively low interest rates, were, among others, excluded from short-term credits to enterprises. The increase in interest rates was also caused by the weighting method: all categories are weighted by the amounts of newly-granted credits, except credit lines whose relative share grew in the new coverage, which are weighted by book balances.

Table G1: Banks' Interest Rates on Kuna Credits Not Indexed to Foreign Currency

The table contains the weighted averages of banks' monthly interest rates on kuna credits not indexed to f/c, reported on a yearly basis.

Up to December 2001, data refer to the weighted averages of banks' monthly interest rates on kuna credits not indexed to f/c granted to legal persons (which included enterprises, the public sector, financial institutions, non-profit institutions and non-residents) and households, reported on a yearly basis. Savings banks are not covered.

From January 2002 on, data refer to the weighted averages of banks' monthly interest rates on kuna credits not indexed to f/c granted only to enterprises (public and other) and households, reported on a yearly basis.

Up to February 1996, columns 3 and 4 show interest rates on the interbank money market, according to information published by

the Zagreb Money Market (ZMM). From March 1996 on, interest rates on the money market are calculated as the weighted monthly averages of the weighted daily interest rates and shown separately for trading in overnight credits and trading in other credits on the ZMM. In the period between May 1998 and January 2001, the repayment of credits granted on the interbank overnight market was guaranteed by banks' required reserves with the CNB.

Columns 5 through 13 show the weighted averages of banks' monthly interest rates classified by maturity and sectors. Interest rates on short-term credits to enterprises also include interest rates on callable loans.

Data on banks' interest rates on kuna credits not indexed to f/c are based on banks' periodic reports. The basis for the calculation of the weighted averages are amounts of credits bearing corresponding interest rates, which were disbursed during the reporting month, with the exception of interest rates on giro and current account credit lines, for which the weighted averages were calculated based on the balance of these loans at the end of the reporting month.

Table G2: Banks' Interest Rates on Kuna Credits Indexed to Foreign Currency and on Credits in Euros

weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on kuna credits indexed to foreign currency									Interest rates on credits in euros			
		On short-term credits						On long-term credits			Total average	On short-term credits	On long-term credits	
		Total average	Total average	Enterprises	Households	Total average	Enterprises	Households						
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
1994	December	11.99	12.38	11.65
1995	December	19.56	21.62	21.09	18.10	14.33	15.79	10.48	....	....	17.18	19.06	12.27
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	19.50	21.46	10.77
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	13.61	14.95	9.71
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44	
2003	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	5.62	6.22	5.18	
2004	December	6.89	7.25	7.09	8.47	6.77	5.55	7.73	5.71	8.79	5.34	5.92	4.83	
2005	December	6.18	6.52	6.34	7.91	6.07	5.18	6.98	4.95	8.10	5.29	5.28	5.30	
2006	December	6.30	6.56	6.29	8.33	6.22	6.21	6.22	4.75	7.57	5.65	6.19	5.34	
2007	November	6.37	5.85	5.84	6.19	6.88	6.37	7.23	5.23	8.59	6.63	6.96	6.34	
	December	6.73	6.86	6.86	6.84	6.66	6.51	6.80	5.12	8.24	6.79	6.59	7.10	
2008	January	6.86	6.99	7.01	6.92	6.83	6.75	6.87	4.82	8.47	6.51	6.83	6.23	
	February	6.97	6.98	7.09	6.15	6.97	6.35	7.45	5.44	8.65	7.11	7.23	6.82	
	March	7.16	6.83	6.91	6.46	7.26	6.39	7.75	5.65	8.79	6.83	7.00	6.63	
	April	7.31	7.21	7.06	8.35	7.34	6.62	7.90	5.75	8.92	6.96	7.06	6.82	
	May	7.60	7.32	7.21	8.26	7.68	6.53	8.16	5.84	9.23	6.77	7.05	6.37	
	June	7.67	7.47	7.35	8.70	7.73	6.74	8.25	5.85	9.46	6.97	7.22	6.69	
	July	7.42	7.45	7.37	8.52	7.41	6.83	7.79	5.90	8.92	7.15	7.18	7.13	
	August	7.57	7.77	7.63	8.81	7.51	7.00	7.75	5.96	8.70	7.14	7.18	7.10	
	September	7.54	7.67	7.57	8.69	7.49	7.21	7.63	5.98	8.47	7.36	7.51	7.11	
	October	7.79	8.26	8.23	8.68	7.62	7.40	7.74	6.04	8.52	7.61	7.87	7.13	
Relative significance ^a		19.79	5.46	5.01	0.45	14.33	5.20	9.13	2.90	6.23	4.62	3.02	1.59	

^a Relative significance is calculated as a percentage of corresponding credit category in total credits disbursed in the reporting month (according to data for the last period included in the table).

Table G2: Banks' Interest Rates on Kuna Credits Indexed to Foreign Currency and on Credits in Euros

The table contains the weighted averages of banks' monthly interest rates on kuna credits indexed to f/c and on credits in euros, reported on a yearly basis.

Up to December 2001, data refer to the weighted averages of banks' monthly interest rates on kuna credits indexed to f/c and on credits in euros (or German marks) granted to legal persons (which included enterprises, the public sector, financial institutions, non-profit institutions and non-residents) and households, reported on a yearly basis. Savings banks are not covered.

From January 2002 on, data refer to the weighted averages of banks' monthly interest rates on kuna credits indexed to f/c and on credits in euros granted only to enterprises (public and other) and households, reported on a yearly basis.

Data on banks' interest rates on kuna credits indexed to f/c and on credits in euros are based on banks' periodic reports. The basis for the calculation of the weighted averages are amounts of credits bearing corresponding interest rates, which were disbursed during the reporting month.

Columns 3 through 11 show the weighted averages of banks' monthly interest rates classified by maturity and sectors. Interest rates on short-term credits to enterprises also include interest rates on callable loans.

Up to December 2001, interest rates on credits in euros (columns 12, 13 and 14) refer to credits released in German marks in the reporting month, and starting from January 2002, they refer to credits released in euros, while the weighted averages are calculated based on their kuna equivalent using the current exchange rate. Credits released in other currencies are not included in this table.

Table G3: Banks' Interest Rates on Kuna Deposits Not Indexed to Foreign Currency

weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on kuna deposits not indexed to foreign currency								
		Total average	In giro and current accounts	On time deposits						
				Total average	On short-term deposits			On long-term deposits		
					Total average	Households	Enterprises	Total average	Households	Enterprises
1	2	3	4	5	6	7	8	9	10	11
1994	December	5.03	3.55	9.65	....	....	....	....	....	....
1995	December	6.10	3.88	13.65	13.80	10.56	14.28	9.88	10.67	9.62
1996	December	4.15	2.19	10.19	10.11	9.84	10.26	12.36	15.49	9.88
1997	December	4.35	2.19	9.10	9.08	9.30	8.96	9.48	11.24	8.06
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	December	1.55	0.94	3.64	3.53	4.39	2.86	6.05	7.24	3.23
2003	December	1.66	0.75	4.46	4.46	3.62	4.69	4.58	4.90	2.82
2004	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	December	1.58	0.61	3.36	3.34	3.89	3.23	4.12	5.04	3.49
2006	December	1.91	0.56	2.98	2.94	4.10	2.69	4.32	4.98	3.11
2007	November	2.64	0.47	5.94	5.91	4.41	6.21	6.24	5.40	6.45
	December	2.67	0.49	5.42	5.34	4.47	5.48	6.28	5.45	6.45
2008	January	3.00	0.47	5.79	5.63	4.57	5.80	7.84	5.56	8.49
	February	2.79	0.46	5.01	4.92	4.80	4.95	5.92	5.35	6.04
	March	2.62	0.46	4.48	4.32	4.69	4.22	5.82	5.43	5.91
	April	2.62	0.45	4.11	3.98	4.69	3.82	5.78	5.45	5.92
	May	2.57	0.44	4.20	4.08	4.68	3.93	5.28	5.41	5.26
	June	2.52	0.44	4.16	4.16	4.64	4.02	4.17	5.46	3.86
	July	2.57	0.44	4.23	4.24	4.65	4.12	4.11	5.36	3.81
	August	2.39	0.42	4.01	4.31	4.61	4.23	1.96	5.26	1.37
	September	2.82	0.43	5.20	4.88	4.53	4.97	7.12	5.21	7.59
	October	3.24	0.43	7.52	7.55	4.97	8.07	7.28	5.91	7.87
Relative significance ^a		55.55	28.51	24.36	22.35	3.74	18.62	2.01	0.61	1.41

^a Relative significance is calculated as a percentage of corresponding deposit category in total deposits received in the reporting month (according to data for the last period included in the table).

Table G3: Banks' Interest Rates on Kuna Deposits Not Indexed to Foreign Currency

The table contains the weighted averages of banks' monthly interest rates on kuna deposits not indexed to f/c, reported on a yearly basis.

Up to December 2001, data refer to the weighted averages of banks' monthly interest rates on kuna deposits not indexed to f/c received from legal persons (which included enterprises, the public sector, financial institutions, non-profit institutions and non-residents) and households, reported on a yearly basis. Savings banks are not covered.

From January 2002 on, data refer to the weighted averages of banks' monthly interest rates on kuna deposits not indexed to f/c received from enterprises (public and other) and households, reported on a yearly basis.

Data on banks' interest rates on kuna deposits not indexed to f/c are based on banks' periodic reports.

Column 3 reports the weighted averages of monthly interest rates

on total kuna deposits (giro and current accounts, household savings deposits and time deposits) not indexed to f/c.

Column 4 shows the weighted averages of monthly interest rates on deposits in giro and current accounts not indexed to f/c received from enterprises (until December 2001, all legal persons) and households, and column 5 shows the weighted averages of monthly interest rates on total time deposits not indexed to f/c.

The basis for the calculation of the weighted averages for kuna time deposits not indexed to f/c are the amounts of those deposits received during the reporting month. The basis for the calculation of the weighted averages for deposits in giro and current accounts are the end-of-month book balances of those deposits. The averages of interest rates on total kuna deposits not indexed to f/c (column 3) are weighted by the end-of-month balances of all categories included in the calculation.

Kuna and foreign currency deposits used as collateral for credit are included, while restricted deposits (deposits used for payment of imports and other restricted deposits) are not included into the calculation of the weighted averages.

Table G4a: Banks' Interest Rates on Kuna Deposits Indexed to Foreign Currency and on Foreign Currency Deposits

weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on savings and time deposits indexed to f/c			Interest rates on foreign currency deposits					
		Total average	On short-term deposits	On long-term deposits	Total average	Savings deposits				
						Households		Enterprises		
1	2	3	4	5	6	7	EUR	USD	EUR	USD
1994	December	6.95	....	....	....	....	....	....	....	....
1995	December	12.69	11.46	19.36	4.57	2.82	3.53	4.20	1.10	1.53
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40
2002	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38
2003	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15
2004	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21
2005	December	3.99	3.63	4.77	2.61	0.27	0.27	0.17	0.27	0.76
2006	December	3.67	3.30	4.07	2.94	0.25	0.23	0.17	0.32	0.44
2007	November	3.85	4.18	4.30	3.41	0.27	0.22	0.15	0.41	0.65
	December	3.98	3.76	4.35	3.44	0.25	0.22	0.15	0.36	0.43
2008	January	4.00	3.66	4.47	3.36	0.26	0.22	0.15	0.38	0.36
	February	4.25	3.91	5.36	3.49	0.25	0.23	0.15	0.36	0.49
	March	4.12	3.84	4.57	3.46	0.27	0.22	0.16	0.43	0.36
	April	3.89	4.27	4.34	3.56	0.25	0.22	0.15	0.38	0.32
	May	4.03	3.98	5.15	3.50	0.25	0.21	0.15	0.41	0.28
	June	4.13	4.02	5.32	3.45	0.28	0.21	0.15	0.53	0.26
	July	3.95	3.80	4.49	3.57	0.24	0.21	0.15	0.38	0.26
	August	3.81	3.79	4.95	3.56	0.25	0.21	0.15	0.37	0.40
	September	4.18	3.77	4.71	3.61	0.25	0.21	0.15	0.41	0.21
	October	3.71 ^b	4.08	4.41	3.79	0.24	0.21	0.15	0.36	0.24
	Relative significance ^a	0.64	0.55	0.08	43.81	19.02	12.83	1.67	4.13	0.40

^a Relative significance is calculated as a percentage of corresponding deposit category in total deposits received in the reporting month (according to data for the last period included in the table).

^b Of the total amount of deposits to which this interest rate refers, 20.55% refers to enterprises.

Table G4a and b: Banks' Interest Rates on Kuna Deposits Indexed to Foreign Currency and on Foreign Currency Deposits

The table contains the weighted averages of banks' monthly interest rates on kuna deposits indexed to f/c and on foreign currency deposits, reported on a yearly basis.

Up to December 2001, data refer to the weighted averages of banks' monthly interest rates on kuna deposits indexed to f/c and on foreign currency deposits received from legal persons (which included enterprises, the public sector, financial institutions, non-profit institutions and non-residents) and households, reported on a yearly basis. Savings banks are not covered.

From January 2002 on, data refer to the weighted averages of banks' monthly interest rates on kuna deposits indexed to f/c and on foreign currency deposits received from enterprises (public and other) and households, reported on a yearly basis.

Data on banks' interest rates on kuna deposits indexed to f/c and on foreign currency deposits are based on banks' periodic reports.

Column 3 reports the weighted averages of monthly interest rates on total kuna savings and time deposits indexed to f/c received from enterprises (until December 2001, all legal persons) and households, whereas the weighted averages of monthly interest rates on time deposits are shown in column 4 (short-term deposits) and column 5 (long-term deposits) respectively.

Up to December 2001, interest rates on foreign currency deposits refer to deposits received in German marks or US dollars, and start-

ing from January 2002, they refer to deposits received in euros and US dollars, while the weighted averages are calculated based on their kuna equivalent using the current exchange rate. Deposits received in other currencies are not included in this table.

The basis for the calculation of the weighted averages for kuna time deposits indexed to f/c and foreign currency time deposits are the amounts of those deposits received during the reporting month. The basis for the calculation of the weighted averages for savings deposits indexed to f/c are the end-of-month book balances of those deposits. From January 2002 on, the averages of interest rates on total kuna deposits indexed to f/c (column 3) are weighted by the end-of-month balances of all categories included in the calculation.

The average interest rate on total foreign currency deposits (column 6) refers to the weighted average of monthly interest rates on savings and foreign currency time deposits, which are weighted by the end-of-month balances of all categories included in the calculation.

The basis for the calculation of the weighted averages of monthly interest rates on total foreign currency savings deposits (column 7) are the end-of-month balances of those deposits.

The basis for the calculation of the weighted averages of monthly interest rates on total foreign currency time deposits (column 12) are the amounts of those deposits received during the reporting month. The same basis is applied in calculating the weighted averages of monthly interest rates on total short-term foreign currency deposits (column 13) and on total long-term foreign currency deposits (column 18).

Table G4b: Banks' Interest Rates on Kuna Deposits Indexed to Foreign Currency and on Foreign Currency Deposits

weighted averages of monthly interest rates, in % on annual basis

Year	Month	Interest rates on foreign currency deposits										
		On time deposits										
		Total average	On short-term deposits				On long-term deposits					
			Total average	Households		Enterprises		Total average	Households		Enterprises	
EUR	USD	EUR		USD	EUR	USD	EUR		USD			
1	2	12	13	14	15	16	17	18	19	20	21	22
1994	December	....	....	....	....	....	....	....	....	....	....	....
1995	December	6.83	6.66	7.10	6.97	5.86	6.68	8.73	8.78	8.81	3.27	4.50
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23
2002	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30
2003	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64
2004	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65
2005	December	3.07	2.94	2.99	1.76	2.63	4.34	3.69	4.25	0.48	4.39	-
2006	December	3.82	3.76	3.16	2.05	4.24	5.84	4.25	4.47	2.26	4.79	4.61
2007	November	4.34	4.28	3.50	2.49	5.00	5.61	4.74	4.79	3.58	4.84	3.11
	December	4.32	4.25	3.47	2.60	5.10	5.33	4.80	4.83	3.84	5.13	2.19
2008	January	4.17	4.09	3.45	2.60	4.83	5.01	4.70	4.75	3.69	4.31	5.92
	February	4.32	4.25	3.53	2.60	5.11	4.34	4.79	4.84	3.88	4.52	4.87
	March	4.18	4.10	3.51	2.53	4.93	3.97	4.73	4.78	3.46	4.99	2.70
	April	4.15	4.06	3.62	2.56	4.64	3.81	4.83	4.88	3.82	4.22	2.29
	May	4.06	3.98	3.63	2.56	4.51	3.55	4.71	4.72	3.96	5.61	3.01
	June	4.05	3.95	3.51	2.60	4.60	3.70	4.73	4.77	3.75	4.60	2.95
	July	4.14	4.01	3.65	2.75	4.82	3.35	5.00	4.80	3.76	6.77	5.19
	August	4.24	4.17	3.68	2.66	5.01	3.52	4.72	4.76	3.94	4.57	3.15
	September	4.29	4.17	3.71	2.74	4.89	3.42	4.94	4.98	4.04	4.96	1.82
	October	4.54	4.37	3.88	2.80	5.00	4.07	5.32	5.33	3.94	6.38	3.13
	Relative significance ^a	24.79	20.33	8.92	0.68	9.30	1.44	4.46	4.03	0.19	0.24	0.00

^a Relative significance is calculated as a percentage of corresponding deposit category in total deposits received in the reporting month (according to data for the last period included in the table).

Table G5: Banks' Trade with Foreign Exchange

million euros, current exchange rate

	2002	2003	2004	2005	2006	2007	2008			
							Mar.	Jun.	Sep. ^a	Oct.
A. Purchase of foreign exchange										
1. Legal persons	4,727.8	6,433.1	7,465.3	8,443.5	14,442.7	26,365.0	2,776.6	2,394.9	2,775.4	2,715.4
2. Natural persons	3,342.6	3,571.6	3,934.4	4,931.8	6,262.7	6,151.3	327.0	436.1	425.2	458.3
2.1. Residents	2,842.0	3,103.3	3,586.1	4,662.6	5,909.4	3,184.0	306.3	375.3	380.4	436.9
2.2. Non-residents	500.7	468.2	348.3	269.2	353.2	326.3	20.7	60.8	44.8	21.4
3. Domestic banks	4,104.5	6,324.4	10,799.3	9,069.9	14,380.1	20,141.3	1,339.1	872.4	1,683.8	2,637.1
4. Foreign banks	697.9	1,430.6	1,426.2	2,602.3	5,056.8	5,194.1	427.1	576.1	807.4	907.5
5. Croatian National Bank	294.3	438.3	33.0	0.0	125.5	0.0	–	–	–	270.6
Total (1+2+3+4)	13,167.1	18,197.9	24,110.1	25,106.0	40,439.5	57,851.7	4,869.8	4,279.6	5,691.8	6,989.0
B. Sale of foreign exchange										
1. Legal persons	9,029.3	10,852.4	11,280.3	13,022.3	17,515.0	28,564.1	2,860.6	2,620.9	3,262.7	3,027.4
2. Natural persons	1,333.6	1,403.1	1,671.1	2,722.5	4,109.1	3,712.5	307.6	262.1	472.6	616.3
2.1. Residents	1,329.7	1,393.1	1,654.5	2,693.9	4,056.4	2,071.3	305.9	259.9	469.2	612.7
2.2. Non-residents	3.9	10.0	16.6	28.6	52.6	40.0	1.8	2.2	3.5	3.6
3. Domestic banks	4,104.5	6,324.4	10,799.3	9,069.9	14,380.1	20,141.3	1,339.1	872.4	1,683.8	2,637.1
4. Foreign banks	334.3	765.3	1,001.1	1,407.1	3,526.1	4,072.6	206.9	480.7	758.7	907.5
5. Croatian National Bank	745.3	84.5	543.2	670.8	1,329.5	839.0	–	–	–	–
Total (1+2+3+4)	15,547.0	19,429.7	25,295.0	26,892.7	40,859.7	57,329.5	4,714.2	4,236.1	6,177.9	7,188.4
C. Net purchase (A-B)										
1. Legal persons	-4,301.5	-4,419.4	-3,815.1	-4,578.8	-3,072.3	-2,199.1	-84.0	-226.0	-487.3	-312.0
2. Natural persons	2,009.0	2,168.4	2,263.3	2,209.3	2,153.6	2,438.9	19.4	174.0	-47.4	-158.0
2.1. Residents	1,512.3	1,710.2	1,931.6	1,968.7	1,853.0	1,112.7	0.4	115.4	-88.8	-175.9
2.2. Non-residents	496.7	458.2	331.7	240.6	300.6	286.3	18.9	58.5	41.3	17.9
3. Foreign banks	363.6	665.3	425.1	1,195.2	1,530.7	1,121.4	220.3	95.5	48.7	–
4. Croatian National Bank	-451.0	353.8	-510.2	-670.8	-1,204.0	-839.0	–	–	–	270.6
Total (1+2+3)	-2,379.9	-1,231.8	-1,636.9	-1,845.2	-592.1	522.2	155.6	43.5	-486.0	-199.4
Memo items: Other Croatian National Bank transactions										
Purchase of foreign exchange	197.5	570.9	145.1	–	3.1	5.1	0.2	0.4	1.3	155.2
Sale of foreign exchange	3.4	94.9	239.3	167.6	441.3	176.7	–	–	0.0	–

^a Revised data.

Table G5: Banks' Trade with Foreign Exchange

Data on trade with foreign exchange between banks comprise the spot purchase and sale of foreign exchange in domestic foreign exchange market. Spot transactions are contracted obligations to buy/sell foreign currency within maximally 48 hours.

The transactions are classified by category of participants (legal and natural persons, domestic and foreign banks and the CNB). Sources of data are banks' reports on trading with foreign exchange and statistical data on external payment operations.

Other Croatian National Bank transactions include foreign exchange sales and purchases on behalf of the Ministry of Finance.

Table H1: Balance of Payments – Summary

million euros

	2002	2003	2004	2005	2006 ^a	2007 ^a	2008		
							Q1 ^a	Q2 ^a	Q3 ^b
A. CURRENT ACCOUNT (1+6)	-2,098.7	-1,888.8	-1,433.7	-1,975.6	-2,702.1	-3,233.4	-2,516.8	-1,818.9	1,850.1
1. Goods, services, and income (2+5)	-3,250.8	-3,133.3	-2,625.5	-3,159.5	-3,809.5	-4,276.4	-2,738.2	-2,099.5	1,591.3
1.1. Credit	11,590.1	13,590.1	14,952.8	15,990.2	17,883.6	19,640.2	3,404.6	5,413.3	8,444.9
1.2. Debit	-14,841.0	-16,723.5	-17,578.3	-19,149.7	-21,693.2	-23,916.6	-6,142.8	-7,512.7	-6,853.6
2. Goods and services (3+4)	-2,673.1	-2,038.1	-1,955.3	-2,200.2	-2,639.6	-3,140.7	-2,466.0	-1,300.1	1,853.6
2.1. Credit	11,127.9	13,140.6	14,243.5	15,272.9	16,992.1	18,344.7	3,072.6	5,043.4	8,088.9
2.2. Debit	-13,801.0	-15,178.7	-16,198.8	-17,473.2	-19,631.7	-21,485.4	-5,538.6	-6,343.5	-6,235.2
3. Goods	-5,957.9	-6,971.2	-6,724.2	-7,518.0	-8,344.2	-9,434.0	-2,565.0	-3,106.6	-2,732.2
3.1. Credit	5,295.6	5,574.7	6,606.8	7,220.3	8,463.6	9,192.5	2,226.2	2,491.9	2,678.6
3.2. Debit	-11,253.5	-12,545.9	-13,330.9	-14,738.3	-16,807.8	-18,626.5	-4,791.2	-5,598.5	-5,410.9
4. Services	3,284.8	4,933.0	4,768.9	5,317.7	5,704.6	6,293.2	99.0	1,806.4	4,585.8
4.1. Credit	5,832.3	7,565.9	7,636.7	8,052.6	8,528.5	9,152.1	846.5	2,551.5	5,410.2
4.2. Debit	-2,547.5	-2,632.8	-2,867.8	-2,734.9	-2,823.9	-2,858.9	-747.4	-745.0	-824.4
5. Income	-577.7	-1,095.2	-670.2	-959.2	-1,169.9	-1,135.7	-272.2	-799.3	-262.3
5.1. Credit	462.3	449.5	709.3	717.3	891.5	1,295.6	331.9	369.9	356.1
5.2. Debit	-1,040.0	-1,544.7	-1,379.6	-1,676.5	-2,061.5	-2,431.3	-604.1	-1,169.2	-618.3
6. Current transfers	1,152.2	1,244.5	1,191.8	1,183.8	1,107.4	1,043.0	221.4	280.6	258.7
6.1. Credit	1,453.2	1,538.7	1,584.6	1,628.4	1,639.5	1,576.1	349.7	417.7	400.0
6.2. Debit	-301.1	-294.2	-392.8	-444.6	-532.1	-533.1	-128.3	-137.2	-141.2
B. CAPITAL AND FINANCIAL ACCOUNT	2,538.0	2,716.9	2,560.4	3,013.5	3,687.2	4,123.2	2,191.3	1,814.3	-208.6
B1. Capital account	521.6	101.9	31.4	53.8	-133.8	34.5	4.8	12.0	8.8
B2. Financial account, excl. reserves	2,758.3	3,850.5	2,572.0	3,781.6	5,233.2	4,810.3	2,882.4	1,898.0	-600.5
1. Direct investment	530.8	1,656.9	670.8	1,276.1	2,570.7	3,468.5	1,064.2	902.7	170.4
1.1. Abroad	-607.1	-105.5	-278.8	-191.8	-174.5	-180.4	154.4	-139.8	-54.2
1.2. In Croatia	1,137.9	1,762.4	949.6	1,467.9	2,745.2	3,648.9	909.8	1,042.5	224.6
2. Portfolio investment	-437.7	867.6	287.1	-1,177.9	-542.8	-4.6	152.1	-29.1	-77.2
2.1. Assets	-650.5	121.6	-736.1	-571.2	-472.5	-413.7	270.4	60.1	-20.4
2.2. Liabilities	212.9	746.0	1,023.2	-606.7	-70.4	409.1	-118.2	-89.2	-56.8
3. Financial derivatives	0.0	0.0	0.0	-88.4	0.0	0.0	0.0	0.0	0.0
4. Other investment	2,665.1	1,326.0	1,614.1	3,771.8	3,205.4	1,346.4	1,666.1	1,024.4	-693.6
4.1. Assets	460.0	-2,216.9	-498.3	982.0	-692.3	-1,653.5	520.1	168.8	-918.8
4.2. Liabilities	2,205.0	3,542.9	2,112.4	2,789.7	3,897.7	2,999.9	1,146.0	855.6	225.1
B3. Reserve assets	-741.9	-1,235.5	-43.0	-821.8	-1,412.2	-721.6	-696.0	-95.8	383.1
C. NET ERRORS AND OMISSIONS	-439.3	-828.1	-1,126.7	-1,037.9	-985.1	-889.8	325.4	4.6	-1,641.4

^a Revised data. ^b Preliminary data.

Note: The item net errors and omissions also comprises the counter-entry of a part of revenues from travel services which relates to such revenues not stated in the banks' records.

Table: H1-H6: Balance of Payments

The balance of payments of the Republic of Croatia represents a systematic overview of the value of economic transactions performed by the Croatian residents with foreign countries within a particular period. It is compiled in accordance with the recommendations of the International Monetary Fund (Balance of Payments Manual, Fifth Edition, 1993). Data sources include: 1. reports of the government institutions (Central Bureau of Statistics and Croatian Institute for Health Insurance), 2. special reports of the Croatian National Bank (International Transaction Reporting System (ITRS), external debt relations, monetary statistics and reserve assets) and 3. estimates and statistical research carried out by the Croatian National Bank.

Balance of payments of the Republic of Croatia data are reported in three currencies: in euros (EUR), US dollars (USD) and domestic currency (HRK). In all cases, the same data sources are used and the same principles regarding the scope of transactions and the procedures for compiling particular items are applied. Since the original data are reported in different currencies, the transaction values are converted from the original currency into the reporting currency by applying the exchange rate from the CNB exchange rate list in one of the following manners:

- by applying the midpoint exchange rate on the date of the transaction;
- by applying the average monthly or quarterly midpoint exchange rate in the case the transaction date is not available;
- by applying the end-of-period exchange rate for the calculation of a change in the transaction value between the two periods; the end-of-period balances reported in the original currency serve as a basis for calculating the change in the original currency value, which is converted, by applying the average midpoint exchange rate in the observed period, into the value of change in the reporting currency.

The Report of the Central Bureau of Statistics on foreign trade in goods of the Republic of Croatia represents the basic data source for the balance of payments items related to exports and imports. These data are adjusted, in accordance with the recommended compilation method, for coverage and classification. Accordingly, goods exports and imports in the balance of payments are reported at f.o.b. parity. The value of exports at this parity is already contained in the previously mentioned CBS Report, whereas the value of imports f.o.b. is estimated on the basis of research studies of the CNB on the stratified sample of importers. The resulting value serves as a basis for the estimate of the share of transportation and insurance services by

Table H2: Balance of Payments – Goods and Services

million euros

	2002	2003	2004	2005	2006 ^a	2007 ^a	2008		
							Q1 ^a	Q2 ^a	Q3 ^b
Goods	-5,957.9	-6,971.2	-6,724.2	-7,518.0	-8,344.2	-9,434.0	-2,565.0	-3,106.6	-2,732.2
1. Credit	5,295.6	5,574.7	6,606.8	7,220.3	8,463.6	9,192.5	2,226.2	2,491.9	2,678.6
1.1. Exports (f.o.b.) in trade statistics	5,188.2	5,464.4	6,453.8	7,069.4	8,251.6	9,001.6	2,176.7	2,441.8	2,601.9
1.2. Adjustments for coverage	107.4	110.4	153.0	150.9	212.0	191.0	49.5	50.1	76.8
2. Debit	-11,253.5	-12,545.9	-13,330.9	-14,738.3	-16,807.8	-18,626.5	-4,791.2	-5,598.5	-5,410.9
2.1. Imports (c.i.f.) in trade statistics	-11,327.0	-12,538.0	-13,354.4	-14,949.5	-17,104.7	-18,826.6	-4,860.0	-5,657.8	-5,447.0
2.2. Adjustments for coverage	-348.9	-475.6	-474.7	-346.4	-341.1	-370.4	-78.5	-112.2	-128.9
2.3. Adjustments for classification	422.5	467.7	498.1	557.6	638.0	570.4	147.3	171.4	165.0
Services	3,284.8	4,933.0	4,768.9	5,317.7	5,704.6	6,293.2	99.0	1,806.4	4,585.8
1. Transportation	172.0	252.2	299.3	376.1	443.5	487.6	95.8	135.8	180.2
1.1. Credit	622.8	696.3	791.3	880.3	1,006.7	1,122.4	246.8	320.4	371.5
1.2. Debit	-450.8	-444.1	-492.0	-504.2	-563.2	-634.8	-150.9	-184.6	-191.2
2. Travel	3,138.6	4,976.6	4,822.3	5,394.9	5,708.7	6,035.2	118.9	1,723.1	4,396.4
2.1. Credit	3,960.8	5,572.7	5,505.6	5,998.9	6,293.3	6,752.6	307.8	1,886.6	4,612.5
2.1.1. Business	341.2	260.9	328.2	504.0	388.4	389.2	46.6	147.6	106.8
2.1.2. Personal	3,619.7	5,311.8	5,177.4	5,494.9	5,904.9	6,363.4	261.3	1,738.9	4,505.7
2.2. Debit	-822.2	-596.1	-683.3	-604.1	-584.6	-717.3	-189.0	-163.5	-216.2
2.2.1. Business	-482.6	-292.3	-297.3	-267.4	-229.5	-266.9	-61.7	-62.8	-66.3
2.2.2. Personal	-339.6	-303.8	-386.0	-336.7	-355.1	-450.4	-127.2	-100.7	-149.9
3. Other services	-25.9	-295.8	-352.7	-453.3	-447.6	-229.6	-115.7	-52.4	9.3
3.1. Credit	1,248.6	1,296.9	1,339.8	1,173.4	1,228.5	1,277.2	291.9	344.5	426.2
3.2. Debit	-1,274.5	-1,592.7	-1,692.5	-1,626.6	-1,676.0	-1,506.7	-407.5	-396.9	-417.0

^a Revised data. ^b Preliminary data.

which the original value of imports c.i.f., stated in the CBS Report, is reduced. In the 1993-2001 period, this share stood at 7.10% (estimated only on the basis of the largest and large importers), while from 2002 on it has amounted to 3.73%. The same research study, conducted by the CNB at the end of 2006 (comprising the imports in the previous year), showed that the share of transportation and insurance costs, after continuing to decrease, has reached 3.03%. This share was first applied in the calculations for the first quarter of 2007. In the period from 1993 to 1996, the value of imports was modified by estimates of imports in duty free zones, which have been included in the merchandise trade statistics since 1997. From 1996 on, goods exports and imports are modified by the data on repairs on goods and goods procured in ports by carriers. In addition, since 1999, based on the Survey on Consumption of Foreign Travellers in Croatia and Domestic Travellers Abroad, the item of goods exports has been modified by the estimated value of goods sold to foreign travellers and tourists and taken out of the Republic of Croatia. The item of goods imports is adjusted for the estimated value of goods imported personally by the Croatian citizens from the neighbouring countries (shopping expenditures).

Transportation, travel and other services are reported separately under service account. Revenues and expenditures on the basis of transportation, in the 1993-1998 period, were adopted from the ITRS. From 1999 on, revenues and expenditures arising from transportation of goods and passengers, as well as the value of accompanying services, which together constitute the total value of these services, are compiled on the basis of the results of the Research on transactions related to international transportation services, carried out by the CNB. Owing to an exceptionally large population of road carriers, revenues and expenditures on the basis of road transportation are not adopted from this research. They are compiled by using ITRS data. As regards transportation of goods, expenditures are supplemented by a portion of transportation and insurance costs related to imports of goods which belongs to non-residents and which is estimated by adjusting the value of imports at c.i.f. parity to the value of imports f.o.b.

Revenues from services rendered to foreign travellers and tourists, as well as expenditures incurred by domestic travellers and tourists abroad are shown under the position Travel. In the 1993-1998 period, this position was assessed by using various data sources which did not provide for a full coverage in accordance with the recommended methodology. Accordingly, in the second half of 1998, the Croatian National Bank started to carry out the Survey on Consumption of Foreign Travellers in Croatia and Domestic Travellers Abroad and use its results for compiling the Travel position. Since early 1999, the results of this Survey, based on carrying out a survey of travellers (stratified sample) at border crossings, have been combined with the Ministry of the Interior data on total number of foreign and domestic travellers, along with the data on distribution of foreign travellers by countries contained in the CBS Report on tourism, in order to assess the corresponding balance of payment items.

Other services position is compiled by using different data sources: apart from revenues and expenditures related to insurance and communication services, which have been determined by the CNB special statistical research since 2001, the values of all other services are adopted from the ITRS.

Transactions in the income account are classified into four main groups. Compensation of employees item is compiled on the basis of the ITRS. Income from direct investment, portfolio investment and other investment are reported separately. Data on reinvested earnings are reported separately, under direct investment income, calculated on the basis of the CNB Research on direct and other equity investment. In contrast to data on dividends, these data are not available for the 1993-1996 period, since at that time they were not reported separately. On the basis of statistical data on external debt relations, starting from 1997, income from direct investment includes data on interest arising from credit relations between residents and non-residents directly related through ownership. Income from equity portfolio investment is compiled on the basis of the same research, whereas data on debt portfolio investment income have been compiled since 1999, based on statistics on foreign credit relations, which also encompass income related to debt securities owned by

Table H3: Balance of Payments – Income and Current Transfers

million euros

	2002	2003	2004	2005	2006	2007 ^a	2008		
							Q1 ^a	Q2 ^a	Q3 ^b
Income	-577.7	-1,095.2	-670.2	-959.2	-1,169.9	-1,135.7	-272.2	-799.3	-262.3
1. Compensation of employees	167.6	183.9	233.9	259.7	373.2	494.2	130.4	138.5	139.9
1.1. Credit	187.2	217.3	268.3	289.2	404.3	527.8	137.4	147.4	148.9
1.2. Debit	-19.5	-33.4	-34.4	-29.5	-31.1	-33.6	-7.0	-8.9	-9.0
2. Direct investment income	-353.3	-854.7	-441.6	-739.0	-989.0	-927.2	-192.0	-707.2	-157.3
2.1. Credit	25.1	35.2	175.6	112.7	79.5	177.1	42.8	80.9	61.8
o/w: Reinvested earnings	8.3	31.7	165.8	63.8	64.0	125.3	29.4	64.2	31.9
2.2. Debit	-378.5	-889.9	-617.3	-851.8	-1,068.5	-1,104.3	-234.8	-788.1	-219.1
o/w: Reinvested earnings	-160.9	-587.9	-291.7	-570.5	-703.3	-489.8	-9.4	-387.9	-102.9
3. Portfolio investment income	-219.1	-238.7	-250.0	-217.6	-175.9	-162.4	-38.2	-38.0	-36.2
3.1. Credit	0.0	0.0	32.7	46.2	57.4	74.5	16.9	16.6	17.8
3.2. Debit	-219.1	-238.7	-282.7	-263.8	-233.3	-236.9	-55.1	-54.6	-54.0
4. Other investment income	-173.0	-185.7	-212.5	-262.3	-378.2	-540.3	-172.4	-192.7	-208.6
4.1. Credit	249.9	197.0	232.6	269.1	350.4	516.2	134.8	125.0	127.6
4.2. Debit	-422.9	-382.7	-445.2	-531.5	-728.6	-1,056.5	-307.2	-317.6	-336.1
Current transfers	1,152.2	1,244.5	1,191.8	1,183.8	1,107.4	1,043.0	221.4	280.6	258.7
1. General government	32.2	70.5	2.6	9.7	-8.6	-16.7	-24.7	-22.7	-5.2
1.1. Credit	143.4	213.1	180.1	219.6	255.7	260.2	48.3	57.4	76.0
1.2. Debit	-111.2	-142.6	-177.5	-209.9	-264.4	-276.8	-72.9	-80.1	-81.2
2. Other sectors	1,120.0	1,174.0	1,189.2	1,174.1	1,116.0	1,059.6	246.1	303.2	263.9
2.1. Credit	1,309.8	1,325.6	1,404.5	1,408.8	1,383.8	1,316.0	301.5	360.3	324.0
2.2. Debit	-189.8	-151.6	-215.3	-234.6	-267.7	-256.3	-55.4	-57.1	-60.1

^a Revised data. ^b Preliminary data.

non-residents. Income from other investments includes the calculation of interest in accordance with the foreign credit relations statistics. The methodology for compiling the statistics on debt investment income has been changed in 2007 to include the reporting of income on an accrual basis. This basically means that income from debt investment and interest are reported at the point in time when they accrue and not at the point in time when they mature or when they are paid. As a result, the historical data for the 1999-2006 period have been revised.

Current transfers are reported separately for the general government sector and other sectors. The ITRS is used as the main data source on current transfers for both sectors. In addition to taxes and excise duties, pensions, monetary support and donations, which are included in current transfers of both sectors, the government sector also encompasses data on multilateral cooperation, whereas other sectors include data on workers' remittances. Current transfers of the general government sector also include data on exports and imports of goods without a payment obligation, provided by the CBS. In the 1993-1998 period, current transfers of other sectors also encompassed an estimate of unregistered foreign currency remittances, which accounted for 15% of the positive difference between unclassified inflows and outflows of the household sector. From 1993 to the second quarter of 1996, the CNB also assessed a portion of the outflow based on current transfers. From 2002 on, inflows and outflows based on current transfers of other sectors are supplemented by the data of the CNB special statistical research on international transactions related to insurance services.

Capital account is compiled on the basis of the ITRS, particularly on their part related to transfers of migrants. In addition, capital account includes transfers that cannot be classified into current transfers, such as allocation of gold of the former SFRY or investments in patents and rights.

Foreign direct investments include equity capital, reinvested earnings and debt relations between ownership-related residents and non-residents. Direct investments are investments whereby a foreign

owner acquires a minimum of 10% interest in equity capital of a company, regardless of whether a resident invests abroad or a non-resident invests in Croatian residents. The CNB Research on foreign direct investments started in 1997 when companies included in the survey also delivered data on direct investments for the 1993-1996 period. For the same period, no data are available on reinvested earnings and other capital under direct investment position, where all debt relations between related residents and non-residents are classified (excluding the banking sector). Such data actually became available only after the stated research has been launched. Since 1999, data on debt relations within direct investments have been collected on the basis of external debt relations statistics. From 2007 on, the CNB Statistics Department conducts the research on the purchase and sale of the real estate by non-residents on the territory of the Republic of Croatia. Persons obliged to submit reports are the public notaries who learn about these transactions in the course of their business. Data on the purchase and sale of the real estate by Croatian non-residents abroad are compiled on the basis of the ITRS. These purchase and sale transactions are also a constituent part of direct investments.

Data on equity portfolio investments are collected from the same data source as the data on direct investments. Debt portfolio investments include all investments in short-term and long-term debt securities that cannot be classified under direct investments. In the 1997-1998 period, these data were collected through the CNB Research on direct and portfolio investments, and since 1999 data on external debt relations and monetary statistics data for bank investment have been used. Starting from 2002 and 2004, this position has also been compiled for investment funds and pension funds, respectively.

Other investment encompasses all other debt investments that have not been mentioned, apart from investment constituting reserve assets. Other investments are classified by instruments, maturity and sectors. Trade credits, in the 1996-2002 period, included the CNB estimates of advance payment and deferred payments, made on the basis of the sample of the largest and large importers and export-

Table H4: Balance of Payments – Direct and Portfolio Investments

million euros

	2002	2003	2004	2005	2006	2007 ^a	2008		
							Q1 ^a	Q2 ^a	Q3 ^b
Direct investment	530.8	1,656.9	670.8	1,276.1	2,570.7	3,468.5	1,064.2	902.7	170.4
1. Abroad	-607.1	-105.5	-278.8	-191.8	-174.5	-180.4	154.4	-139.8	-54.2
1.1. Equity capital and reinvested earnings	-601.0	-101.9	-259.6	-121.0	-179.0	-236.0	121.2	-165.3	-98.2
1.1.1. Claims	-603.1	-101.9	-260.0	-122.2	-179.0	-239.3	121.2	-165.3	-98.2
1.1.2. Liabilities	2.1	0.0	0.4	1.3	0.0	3.3	0.0	0.0	0.0
1.2. Other capital	-6.1	-3.6	-19.2	-70.9	4.4	55.6	33.3	25.5	44.1
1.1.1. Claims	-7.7	-15.3	-23.6	-59.8	-13.2	21.7	29.2	17.4	48.8
1.2.2. Liabilities	1.6	11.7	4.4	-11.1	17.6	33.9	4.1	8.1	-4.8
2. In Croatia	1,137.9	1,762.4	949.6	1,467.9	2,745.2	3,648.9	909.8	1,042.5	224.6
2.1. Equity capital and reinvested earnings	879.3	1,349.8	611.4	1,363.5	2,442.3	2,662.3	359.2	792.1	387.1
2.1.1. Claims	0.0	-1.2	-22.4	0.0	-0.1	0.0	0.0	0.0	-0.1
2.1.2. Liabilities	879.3	1,351.1	633.8	1,363.5	2,442.4	2,662.3	359.2	792.1	387.2
2.2. Other capital	258.6	412.5	338.2	104.4	302.9	986.7	550.6	250.4	-162.6
2.2.1. Claims	-0.3	-1.5	-17.8	0.0	16.6	-2.6	-2.2	-2.0	16.2
2.2.2. Liabilities	259.0	414.0	356.0	104.4	286.3	989.3	552.7	252.4	-178.8
Portfolio investment	-437.7	867.6	287.1	-1,177.9	-542.8	-4.6	152.1	-29.1	-77.2
1. Assets	-650.5	121.6	-736.1	-571.2	-472.5	-413.7	270.4	60.1	-20.4
1.1. Equity securities	-78.4	-57.8	-39.1	-193.0	-320.5	-843.5	192.4	-45.2	-8.8
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.1. Banks	-2.7	0.3	0.0	0.0	2.6	-0.6	-0.3	3.9	3.2
1.1.1.2. Other sectors	-75.6	-58.1	-39.1	-193.0	-323.1	-842.8	192.7	-49.1	-12.1
1.1.2. Debt securities	-572.2	179.4	-696.9	-378.2	-152.0	429.7	78.0	105.3	-11.6
1.2.1. Bonds	-586.9	165.9	-567.1	-396.5	98.7	323.0	21.8	104.4	-18.8
1.2.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2. Banks	-566.6	180.1	-575.0	-360.2	142.4	261.1	28.9	123.1	-3.7
1.2.1.3. Other sectors	-20.3	-14.1	7.9	-36.3	-43.7	61.9	-7.1	-18.7	-15.1
1.2.2. Money market instruments	14.7	13.5	-129.9	18.3	-250.6	106.7	56.2	0.9	7.2
1.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2.2. Banks	20.9	7.3	-129.9	18.3	-250.6	106.7	56.2	0.9	13.0
1.2.2.3. Other sectors	-6.2	6.2	0.0	0.0	0.0	0.0	0.0	0.0	-5.8
1.2. Liabilities	212.9	746.0	1,023.2	-606.7	-70.4	409.1	-118.2	-89.2	-56.8
2.1. Equity securities	42.4	13.0	141.6	89.2	325.2	314.6	-34.5	61.4	-39.1
2.1.1. Banks	2.5	-2.6	0.8	-12.8	41.7	10.1	-5.2	16.0	4.4
2.1.2. Other sectors	39.8	15.6	140.7	102.0	283.5	304.5	-29.4	45.5	-43.4
2.2. Debt securities	170.5	733.1	881.6	-695.9	-395.6	94.6	-83.7	-150.7	-17.7
2.2.1. Bonds	202.7	698.8	915.6	-695.9	-395.6	94.6	-84.6	-149.8	-17.7
2.2.1.1. General government	62.1	525.9	429.6	-690.5	-321.9	-3.2	-99.3	-141.8	9.5
2.2.1.2. Banks	0.0	0.0	453.2	3.2	1.2	1.0	4.8	4.8	-14.3
2.2.1.3. Other sectors	140.7	173.0	32.8	-8.6	-74.9	96.7	9.9	-12.7	-12.9
2.2.2. Money market instruments	-32.2	34.2	-34.0	0.0	0.0	0.0	0.9	-0.9	0.0
2.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.2. Banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2.3. Other sectors	-32.2	34.2	-34.0	0.0	0.0	0.0	0.9	-0.9	0.0

^a Revised data. ^b Preliminary data.

ers. Data on advance payments have been estimated since 1996, while data on short-term deferred payments (first up to 90 days, then up to 150 days, and today from 8 days to 1 year) have been collected since 1999. In 2003, this research was replaced by a new one, where the selected companies, regardless of their size (stratified sample), are obliged to submit data. Data on deferred payments with the original maturity of more than one year are adopted from the CNB foreign credit relations statistics. Credits granted by residents to non-residents, i.e. foreign loans utilised by residents and granted by non-residents, which cannot be classified into direct investments or trade credits, are classified by the institutional sector and maturity under the corresponding positions of other investment. The CNB foreign credit relations statistics represent the data source for these

positions. Currency and deposit position shows residents' claims on foreign countries for foreign cash and deposits with foreign banks, as well as obligations of the Croatian banks for deposits owned by non-residents. Monetary statistics represent a data source for the general government sector and banks sector. Data on balance and currency structure of foreign assets and liabilities, contained in monetary statistics, are used to assess transactions from which the exchange rate effect was eliminated. In the 1993-1998 period, data on other sectors' claims under this position were compiled on the basis of the CNB estimate of a portion of net foreign currency inflows of the household sector which is not classified under current transfers. Since 1999, this position has included only the data based on the Bank for International Settlement quarterly data, while data in the

Table H5: Balance of Payments – Other Investment

million euros

	2002	2003	2004	2005	2006 ^a	2007 ^a	2008		
							Q1 ^a	Q2 ^a	Q3 ^b
Other investment (net)	2,795.0	1,326.3	1,614.1	3,771.8	3,205.4	1,346.4	1,666.1	1,024.4	-693.6
1. Assets	460.0	-2,216.9	-498.3	982.0	-692.3	-1,653.5	520.1	168.8	-918.8
1.1. Trade credits	-79.4	-169.7	-188.1	-134.8	-33.4	-99.5	-35.4	-168.8	-45.3
1.1.1. General government	0.0	0.0	0.0	-0.3	0.2	0.1	0.0	0.0	0.0
1.1.1.1. Long-term	0.0	0.0	0.0	-0.3	0.2	0.1	0.0	0.0	0.0
1.1.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.2. Other sectors	-79.4	-169.7	-188.1	-134.6	-33.5	-99.7	-35.4	-168.8	-45.3
1.1.2.1. Long-term	-6.6	-25.6	18.1	10.7	-5.1	-63.6	3.0	3.1	11.3
1.1.2.2. Short-term	-72.7	-144.1	-206.1	-145.3	-28.4	-36.1	-38.4	-171.8	-56.6
1.2. Loans	-55.5	-85.1	43.8	-116.8	-153.1	-4.5	-22.4	-21.8	-25.3
1.2.1. General government	0.6	-1.0	-1.8	-1.5	-1.3	-9.5	-1.6	-0.9	-2.0
1.2.1.1. Long-term	0.6	-1.0	-1.8	-1.5	-1.3	-9.5	-1.6	-0.9	-2.0
1.2.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2. Banks	-22.6	4.3	3.7	-28.5	-80.4	-32.6	-5.3	-7.5	-16.9
1.2.2.1. Long-term	-20.9	5.1	-0.1	-20.5	-58.9	-25.4	-5.5	-3.7	-10.8
1.2.2.2. Short-term	-1.6	-0.8	3.9	-8.0	-21.5	-7.3	0.2	-3.8	-6.1
1.2.3. Other sectors	-33.5	-88.5	41.8	-86.8	-71.4	37.5	-15.5	-13.4	-6.5
1.2.3.1. Long-term	-33.4	-88.5	43.2	-87.8	-71.7	37.5	-15.2	-10.6	-5.0
1.2.3.2. Short-term	-0.1	0.1	-1.3	1.0	0.3	0.0	-0.3	-2.8	-1.5
1.3. Currency and deposits	594.9	-1,962.1	-354.1	1,233.6	-505.8	-1,549.4	577.9	359.3	-848.1
1.3.1. General government	-24.2	30.3	72.7	-44.4	26.5	-44.5	6.7	-11.9	-26.3
1.3.2. Banks	1,516.5	-1,964.5	-446.7	1,313.7	-462.1	-1,317.1	681.5	472.4	-821.9
1.3.3. Other sectors	-897.4	-27.9	19.8	-35.6	-70.2	-187.8	-110.3	-101.2	0.0
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	2,335.0	3,543.3	2,112.4	2,789.7	3,897.7	2,999.9	1,146.0	855.6	225.1
2.1. Trade credits	501.1	-225.6	-54.5	15.1	18.5	313.5	-158.0	454.1	-177.9
2.1.1. General government	-0.1	1.5	-0.3	0.4	-0.7	-0.6	-0.3	-0.2	-0.1
2.1.1.1. Long-term	-0.1	1.5	-0.3	0.4	-0.7	-0.6	-0.3	-0.2	-0.1
2.1.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	501.2	-227.1	-54.2	14.7	19.2	314.2	-157.7	454.3	-177.8
2.1.2.1. Long-term	-1.4	-46.2	-16.7	27.4	-3.7	165.0	10.1	39.5	-6.0
2.1.2.2. Short-term	502.6	-181.0	-37.5	-12.7	22.9	149.2	-167.8	414.9	-171.8
2.2. Loans	625.3	2,890.0	1,676.4	2,405.8	3,059.2	2,890.3	897.1	1,022.5	670.5
2.2.1. Croatian National Bank	-173.8	358.2	-367.7	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1. o/w: IMF	-129.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.1. Drawings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1.2. Repayments	-129.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2. Short-term	-44.3	358.2	-367.7	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	409.3	500.4	425.8	248.1	133.5	183.0	14.7	226.0	112.8
2.2.2.1. Long-term	409.3	500.4	425.8	248.1	133.5	183.0	14.7	226.0	112.8
2.2.2.1.1. Drawings	645.9	764.8	795.5	590.1	560.4	668.3	97.4	540.8	194.8
2.2.2.1.2. Repayments	-236.7	-264.5	-369.7	-342.0	-426.9	-485.3	-82.7	-314.8	-81.9
2.2.2.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	73.5	1,007.7	650.4	826.0	541.2	-1,065.0	32.0	-50.4	-583.7
2.2.3.1. Long-term	75.8	929.1	741.7	281.1	419.5	-630.8	-56.7	-163.1	-199.7
2.2.3.1.1. Drawings	739.1	1,722.8	1,260.0	1,236.1	2,833.6	1,216.2	46.8	62.2	143.2
2.2.3.1.2. Repayments	-663.3	-793.7	-518.3	-955.0	-2,414.1	-1,847.0	-103.5	-225.2	-342.9
2.2.3.2. Short-term	-2.3	78.6	-91.2	544.9	121.7	-434.2	88.6	112.6	-384.0
2.2.4. Other sectors	316.3	1,023.9	967.9	1,331.7	2,384.5	3,772.4	850.4	846.9	1,141.4
2.2.4.1. Long-term	336.0	977.0	932.4	1,277.2	2,295.6	3,162.9	653.5	686.4	987.2
2.2.4.1.1. Drawings	1,494.5	2,140.3	2,232.5	2,686.4	4,183.9	5,816.0	1,280.5	1,331.5	1,976.6
2.2.4.1.2. Repayments	-1,158.5	-1,163.3	-1,300.1	-1,409.2	-1,888.3	-2,653.1	-627.0	-645.1	-989.3
2.2.4.2. Short-term	-19.7	46.9	35.5	54.5	88.9	609.5	196.9	160.5	154.2
2.3. Currency and deposits	1,209.5	879.6	487.5	366.1	817.2	-206.6	406.1	-621.8	-267.2
2.3.1. General government	0.1	0.1	0.0	0.0	0.1	0.0	-0.6	20.3	-1.5
2.3.2. Banks	1,209.3	879.5	487.5	366.1	817.1	-206.6	406.6	-642.1	-265.7
2.4. Other liabilities	-0.9	-0.7	3.0	2.8	2.7	2.7	0.8	0.8	-0.3

^a Revised data. ^b Preliminary data.

Table H6: Balance of Payments – Summary

million kuna

	2002	2003	2004	2005	2006 ^a	2007 ^a	2008		
							Q1 ^a	Q2 ^a	Q3 ^b
A. CURRENT ACCOUNT (1+6)	-15,744.2	-14,637.6	-11,167.9	-14,828.6	-19,955.2	-23,899.8	-18,331.8	-13,262.4	13,291.8
1. Goods, services, and income (2+5)	-24,275.5	-24,051.3	-20,094.6	-23,586.7	-28,064.2	-31,550.8	-19,944.5	-15,244.8	11,492.9
1.1. Credit	85,611.4	102,483.3	111,525.2	117,995.0	130,760.3	143,933.6	24,804.9	39,270.7	60,734.8
1.2. Debit	-109,886.9	-126,534.6	-131,619.8	-141,581.7	-158,824.5	-175,484.4	-44,749.4	-54,515.4	-49,241.9
2. Goods and services (3+4)	-19,986.2	-15,671.7	-15,083.2	-16,508.1	-19,521.1	-23,153.0	-17,960.4	-9,430.7	13,392.2
2.1. Credit	82,206.3	99,192.2	106,225.6	112,693.7	124,229.1	134,430.9	22,387.8	36,587.4	58,179.3
2.2. Debit	-102,192.6	-114,863.9	-121,308.8	-129,201.8	-143,750.2	-157,583.9	-40,348.2	-46,018.1	-44,787.1
3. Goods	-44,117.7	-52,759.8	-50,327.5	-55,568.1	-61,083.9	-69,218.6	-18,688.4	-22,543.4	-19,626.0
3.1. Credit	39,216.5	42,190.2	49,507.8	53,397.7	61,988.6	67,424.8	16,219.9	18,080.6	19,247.9
3.2. Debit	-83,334.1	-94,949.9	-99,835.3	-108,965.8	-123,072.5	-136,643.4	-34,908.2	-40,624.0	-38,873.9
4. Services	24,131.4	37,088.0	35,244.3	39,060.0	41,562.8	46,065.6	728.0	13,112.7	33,018.2
4.1. Credit	42,989.9	57,002.0	56,717.8	59,296.0	62,240.6	67,006.1	6,167.9	18,506.8	38,931.4
4.2. Debit	-18,858.5	-19,914.0	-21,473.5	-20,236.0	-20,677.7	-20,940.5	-5,439.9	-5,394.1	-5,913.3
5. Income	-4,289.2	-8,379.5	-5,011.4	-7,078.6	-8,543.1	-8,397.8	-1,984.2	-5,814.1	-1,899.3
5.1. Credit	3,405.1	3,291.2	5,299.6	5,301.3	6,531.2	9,502.7	2,417.1	2,683.2	2,555.4
5.2. Debit	-7,694.3	-11,670.7	-10,311.0	-12,379.9	-15,074.3	-17,900.5	-4,401.3	-8,497.3	-4,454.8
6. Current transfers	8,531.3	9,413.6	8,926.8	8,758.1	8,109.0	7,650.9	1,612.7	1,982.3	1,798.9
6.1. Credit	10,761.2	11,639.9	11,872.9	12,047.2	12,005.6	11,562.1	2,548.1	2,949.0	2,784.9
6.2. Debit	-2,229.9	-2,226.3	-2,946.1	-3,289.1	-3,896.5	-3,911.1	-935.4	-966.7	-986.0
B. CAPITAL AND FINANCIAL ACCOUNT	18,920.4	20,752.3	18,727.4	22,064.2	27,277.2	30,611.4	15,976.2	13,179.7	-1,487.3
B1. Capital account	3,847.2	771.3	235.5	396.8	-980.5	253.4	35.2	87.4	63.4
B2. Financial account, excl. reserves	20,561.8	29,333.4	18,828.5	27,742.8	38,571.0	35,673.0	21,000.4	13,788.0	-4,306.0
1. Direct investment	4,183.5	12,706.4	4,452.8	9,093.0	18,830.9	25,487.1	7,737.8	6,553.3	1,233.8
1.1. Abroad	-4,486.9	-801.9	-2,077.2	-1,415.4	-1,277.5	-1,326.8	1,122.9	-1,014.1	-387.2
1.2. In Croatia	8,670.4	13,508.3	6,530.0	10,508.5	20,108.3	26,813.9	6,614.9	7,567.4	1,620.9
2. Portfolio investment	-3,260.4	6,593.2	2,097.8	-8,725.0	-3,779.9	277.9	1,117.2	-202.0	-545.8
2.1. Assets	-4,839.6	938.6	-5,563.8	-4,195.8	-3,241.9	-2,720.2	1,972.7	435.5	-141.0
2.2. Liabilities	1,579.2	5,654.5	7,661.6	-4,529.2	-537.9	2,998.2	-855.5	-637.5	-404.8
3. Financial derivatives	0.0	0.0	0.0	-659.4	0.0	0.0	0.0	0.0	0.0
4. Other investment	19,638.7	10,033.7	12,277.9	28,034.2	23,520.0	9,908.0	12,145.4	7,436.7	-4,994.0
4.1. Assets	3,322.5	-16,854.7	-3,680.4	7,419.8	-5,121.7	-12,079.9	3,800.2	1,225.9	-6,610.7
4.2. Liabilities	16,316.1	26,888.4	15,958.3	20,614.4	28,641.8	21,987.9	8,345.2	6,210.8	1,616.7
B3. Reserve assets (CNB)	-5,488.5	-9,352.4	-336.5	-6,075.4	-10,313.4	-5,315.1	-5,059.4	-695.7	2,755.3
C. NET ERRORS AND OMISSIONS	-3,176.2	-6,114.7	-7,559.5	-7,235.6	-7,322.0	-6,711.6	2,355.7	82.7	-11,804.5

^a Revised data. ^b Preliminary data.

Note: The item net errors and omissions also comprises the counter-entry of a part of revenues from travel services which relates to such revenues not stated in the banks' records.

fourth quarter of 2001 and in the first two quarters of 2002 relate to the effect of the EMU countries' currencies changeover to the euro.

In the period from 1993 to 1998, the estimate of reserve assets transactions was made by converting the changes in the original currencies into the US dollars by applying the average monthly ex-

change rate of the currencies contained in the reserves. Since 1999, the changes in reserve assets balance have been calculated on the basis of the CNB accounting data.

Table H7: International Reserves and Banks' Foreign Currency Reserves^a

end of period, million euros

Year	Month	International reserves of the Croatian National Bank							Banks' foreign currency reserves
		Total	Special drawing rights	Reserve position in the Fund	Gold	Foreign currency			
						Total	Currency and deposits	Bonds and notes	
1994	December	1,145.7	3.7	–	–	1,142.0	1,142.0	–	716.6
1995	December	1,479.0	109.1	–	–	1,369.9	1,288.4	81.4	1,038.1
1996	December	1,867.7	101.3	0.0	–	1,766.3	1,627.6	138.7	1,549.2
1997	December	2,303.7	133.4	0.1	–	2,170.2	1,825.2	345.0	2,078.9
1998	December	2,400.2	197.1	0.1	–	2,203.0	1,642.6	560.4	1,607.0
1999	December	3,012.7	188.7	0.2	–	2,823.7	2,449.8	373.9	1,344.7
2000	December	3,783.2	158.5	0.2	–	3,624.5	2,763.0	861.5	2,310.7
2001	December	5,333.6	122.9	0.2	–	5,210.5	3,469.7	1,740.7	4,056.0
2002	December	5,651.3	2.3	0.2	–	5,648.8	3,787.8	1,861.0	2,581.6
2003	December	6,554.1	0.7	0.2	–	6,553.2	3,346.0	3,207.2	3,927.1
2004	December	6,436.2	0.6	0.2	–	6,435.4	3,173.3	3,262.0	4,220.1
2005	December	7,438.4	0.9	0.2	–	7,437.3	3,834.5	3,602.8	2,938.4
2006	December	8,725.3	0.7	0.2	–	8,724.4	4,526.9	4,197.5	3,315.0
2007	December	9,307.4	0.8	0.2	–	9,306.5	4,533.9	4,772.5	4,388.9
2008	Januray	9,332.8	1.0	0.2	–	9,331.6	4,527.3	4,804.2	4,316.4
	February	9,676.9	0.6	0.2	–	9,676.1	4,510.9	5,165.2	4,112.5
	March	9,841.7	1.1	0.2	–	9,840.4	4,954.5	4,885.9	3,904.5
	April	9,928.5	1.1	0.2	–	9,927.2	4,955.3	4,971.9	3,711.8
	May	10,051.2	0.8	0.2	–	10,050.2	4,432.0	5,618.2	3,485.7
	June	9,941.2	0.8	0.2	–	9,940.2	3,509.5	6,430.7	3,542.5
	July	9,788.8	1.0	0.2	–	9,787.7	3,296.2	6,491.4	4,027.1
	August	9,839.8	0.7	0.2	–	9,839.0	3,371.8	6,467.2	4,220.4
	September	9,808.7	0.7	0.2	–	9,807.9	3,076.3	6,731.6	4,304.8
	October	9,387.5	1.1	0.2	–	9,386.2	2,637.9	6,748.3	4,551.8
	November ^b	9,682.0	0.8	0.2	–	9,681.0	2,413.8	7,267.2	4,342.4

^a International reserves of the Republic of Croatia consist only of the Croatian National Bank's foreign currency reserves.

^b Preliminary data.

Table H7: International Reserves and Banks' Foreign Currency Reserves

Data on the international reserves of the Croatian National Bank are compiled in accordance with the methodology set out in the Balance of Payments Manual (International Monetary Fund, 1993), and include those foreign claims of the Croatian National Bank that can be used to bridge imbalances in international payments. International

reserves include special drawing rights, reserve position in the Fund, gold, foreign currency and deposits with foreign banks, as well as bonds and debt instruments.

The foreign currency reserves of banks include foreign currency and deposits of domestic banks with foreign banks. These foreign currency reserves represent an additional source of liquidity for bridging imbalances in international payments.

Table H8: International Reserves and Foreign Currency Liquidity

end of period, million euros

	2002	2003	2004	2005	2006	2007	2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Oct.
I. Official reserve assets and other f/c assets (approximate market value)										
A. Official reserve assets	5,651.3	6,554.1	6,436.2	7,438.4	8,725.3	9,307.4	9,841.7	9,941.2	9,808.7	9,387.5
(1) Foreign currency reserves (in convertible f/c)	4,246.9	5,740.1	6,235.4	7,337.3	8,162.8	8,911.0	9,040.4	9,040.2	9,041.1	8,515.7
(a) Securities	1,861.0	3,207.2	3,262.0	3,602.8	4,197.5	4,772.5	4,885.9	6,430.7	6,731.6	6,748.3
o/w: Issuer headquartered in reporting country but located abroad	–	–	–	–	–	–	–	–	–	–
(b) Total currency and deposits with:	2,385.9	2,532.9	2,973.3	3,734.5	3,965.3	4,138.4	4,154.5	2,609.5	2,309.6	1,767.4
(i) Other national central banks, BIS and IMF	325.1	271.1	233.1	407.3	198.7	190.7	199.7	265.9	540.0	1,116.0
(ii) Banks headquartered in the reporting country	–	–	–	–	–	–	–	–	–	–
o/w: Located abroad	–	–	–	–	–	–	–	–	–	–
(iii) Banks headquartered outside the reporting country	2,060.8	2,261.8	2,740.3	3,327.2	3,766.6	3,947.7	3,954.9	2,343.6	1,769.5	651.4
o/w: Located in the reporting country	–	–	–	–	–	–	–	–	–	–
(2) IMF reserve position	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
(3) SDRs	2.3	0.7	0.6	0.9	0.7	0.8	1.1	0.8	0.7	1.1
(4) Gold	–	–	–	–	–	–	–	–	–	–
(5) Other reserve assets	1,401.9	813.1	200.0	100.0	561.6	395.5	800.0	900.0	766.8	870.5
– Reverse repo	1,401.9	813.1	200.0	100.0	561.6	395.5	800.0	900.0	766.8	870.5
B. Other foreign currency assets (specify)	–	–	–	–	–	–	–	–	–	–
– Time deposits	–	–	–	–	–	–	–	–	–	–
C. Total (A+B)	5,651.3	6,554.1	6,436.2	7,438.4	8,725.3	9,307.4	9,841.7	9,941.2	9,808.7	9,387.5
II. Predetermined short-term net drains on f/c assets (nominal value)										
1. F/c loans, securities, and deposits (total net drains up to one year)	–740.9	–1,538.0	–988.6	–899.7	–650.5	–521.1	–1,032.1	–1,015.0	–1,052.6	–1,095.7
(a) Croatian National Bank	–167.4	–646.9	–1.8	–1.1	–1.6	–2.0	–1.8	–1.5	–1.6	–1.9
Up to 1 month	Principal	–136.9	–355.9	–	–	–	–	–	–	–
Interest	–2.2	–1.9	–1.8	–1.1	–1.6	–2.0	–1.8	–1.5	–1.6	–1.9
More than 1 and up to 3 months	Principal	–26.5	–288.3	–	–	–	–	–	–	–
Interest	–0.1	–0.7	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	Principal	–1.6	–	–	–	–	–	–	–	–
Interest	–0.1	–	–	–	–	–	–	–	–	–
(b) Central government (excl. central government funds)	–573.5	–891.1	–986.8	–898.6	–648.9	–519.1	–1,030.3	–1,013.5	–1,051.0	–1,093.8
Up to 1 month	Principal	–98.1	–85.9	–76.5	–77.9	–48.3	–47.6	–13.0	–49.6	–8.8
Interest	–42.8	–34.4	–13.8	–	–	–	–	–	–	–
More than 1 and up to 3 months	Principal	–8.6	–9.3	–510.1	–603.0	–138.4	–133.2	–227.4	–65.4	–176.4
Interest	–148.1	–168.3	–169.0	–	–	–	–	–	–	–
More than 3 months and up to 1 year	Principal	–176.2	–495.2	–143.7	–160.2	–399.8	–284.5	–648.6	–776.7	–822.7
Interest	–99.7	–98.0	–73.8	–57.5	–62.3	–53.8	–141.3	–121.8	–95.9	–88.6
2. Aggregate short and long positions in forwards and futures in f/c vis-a-vis the domestic currency (including the forward leg of currency swaps)	–	–	–	–	–	–	–	–	–	–
(a) Short positions (–)	–	–	–	–	–	–	–	–	–	–
Up to 1 month	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–	–
(b) Long positions (+)	–	–	–	–	–	–	–	–	–	–
Up to 1 month	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–	–
3. Other	–21.5	–363.5	–	–	–	–	–	–	–	–
– Outflows related to repos (–)	–21.5	–363.5	–	–	–	–	–	–	–	–
Up to 1 month	Principal	–21.5	–363.1	–	–	–	–	–	–	–
Interest	0.0	–0.4	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	Principal	–	–	–	–	–	–	–	–	–
Interest	–	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	Principal	–	–	–	–	–	–	–	–	–
Interest	–	–	–	–	–	–	–	–	–	–
4. Total predetermined short-term net drains on f/c assets (1+2+3)	–762.4	–1,901.5	–988.6	–899.7	–650.5	–521.1	–1,032.1	–1,015.0	–1,052.6	–1,095.7
III. Contingent short-term net drains on f/c assets (nominal value)										
1. Contingent liabilities in foreign currency	–1,631.0	–1,300.4	–1,772.9	–2,273.1	–2,734.9	–2,607.4	–3,071.0	–2,919.3	–2,651.4	–2,166.5
(a) Collateral guarantees on debt falling due within 1 year	–685.9	–426.8	–370.9	–443.8	–478.9	–662.1	–729.1	–597.6	–779.1	–783.4

– Croatian National Bank	–	–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)	–685.9	–426.8	–370.9	–443.8	–478.9	–662.1	–729.1	–597.6	–779.1	–783.4
Up to 1 month	–52.3	–55.8	–62.7	–59.6	–71.9	–54.3	–187.2	–51.3	–34.7	–27.1
More than 1 and up to 3 months	–35.2	–94.9	–33.9	–53.0	–84.8	–42.4	–117.2	–83.4	–261.6	–336.2
More than 3 months and up to 1 year	–598.3	–276.1	–274.4	–331.2	–322.2	–565.3	–424.7	–463.0	–482.7	–420.2
(b) Other contingent liabilities	–945.1	–873.6	–1,402.0	–1,829.3	–2,256.0	–1,945.3	–2,341.9	–2,321.7	–1,872.4	–1,383.1
– Croatian National Bank	–945.1	–873.6	–1,402.0	–1,829.3	–2,256.0	–1,945.3	–2,341.9	–2,321.7	–1,872.4	–1,383.1
Up to 1 month	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–945.1	–873.6	–1,402.0	–1,829.3	–2,256.0	–1,945.3	–2,341.9	–2,321.7	–1,872.4	–1,383.1
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)	–	–	–	–	–	–	–	–	–	–
2. Foreign currency securities issued with embedded options (puttable bonds)	–	–	–	–	–	–	–	–	–	–
3. Undrawn, unconditional credit lines provided by:	–	–	–	–	–	–	–	–	–	–
– BIS (+)	–	–	–	–	–	–	–	–	–	–
– IMF (+)	–	–	–	–	–	–	–	–	–	–
4. Aggregate short and long positions of options in f/c vis-a-vis the domestic currency	–	–	–	–	–	–	–	–	–	–
5. Total contingent short-term net drains on f/c assets (1+2+3+4)	–1,631.0	–1,300.4	–1,772.9	–2,273.1	–2,734.9	–2,607.4	–3,071.0	–2,919.3	–2,651.4	–2,166.5
IV. Memo items										
(a) Short-term domestic currency debt indexed to the exchange rate	–	–	–	–	–	–	–	–	–	–
o/w: Central government (excl. central government funds)	–	–	–	–	–	–	–	–	–	–
(b) Financial instruments denominated in foreign currency and settled by other means (e.g., in domestic currency)	–	–	–	–	–	–	–	–	–	–
(c) Pledged assets	–	–	–	–	–	–	–	–	–	–
(d) Securities lent and on repo	–	–	–	–	–	–	–	–	–	–
– Lent or repoed and included in Section I	–20.0	–351.0	–	–	–	–	–0.2	–1.5	–2.3	–7.7
– Lent or repoed but not included in Section I	–	–	–	–	–	–	–	–	–	–
– Borrowed or acquired and included in Section I	–	–	–	–	–	–	–	–	–	–
– Borrowed or acquired but not included in Section I	1,330.3	785.1	180.7	88.5	559.5	389.7	788.9	913.3	780.8	865.8
(e) Financial derivative assets (net, marked to market)	–	–	–	–	–	–	–	–	–	–
(f) Currency composition of official reserves assets	–	–	–	–	–	–	–	–	–	–
– Currencies in SDR basket	5,651.3	6,554.1	6,436.2	7,438.1	8,725.0	9,307.1	9,841.6	9,941.1	9,808.7	9,385.5
– Currencies not in SDR basket	0.0	0.0	0.0	0.3	0.3	0.3	0.1	0.1	0.1	1.9
– By individual currencies										
USD	1,600.8	1,937.6	1,609.1	1,104.5	1,266.0	1,357.2	2,680.3	2,719.9	2,497.4	1,910.8
EUR	4,047.9	4,615.6	4,826.3	6,332.5	7,458.0	7,944.2	7,159.4	7,219.7	7,309.8	7,472.8
Other	2.6	0.9	0.8	1.3	1.3	6.0	2.0	1.7	1.5	3.8

Table H8: International Reserves and Foreign Currency Liquidity

International reserves and foreign currency liquidity are shown in accordance with a Template on international reserves and foreign currency liquidity, drawn up by the IMF. A detailed explanation of the Template is given in “International Reserves and Foreign Currency Liquidity – Guidelines for a Data Template, 2001”.

The first part of the Template shows total assets of the Croatian National Bank in convertible foreign currency. Official reserve assets (I.A.) show those types of assets that are readily available to the CNB at any moment for bridging imbalances in international payments. Official international reserves include: short-term foreign negotiable debt securities, foreign cash, foreign currency sight deposits, foreign currency time deposits which can be withdrawn before maturity, foreign currency time deposits with a remaining maturity of up to 1 year, reserve position with the IMF, special drawing rights, gold, and reverse repos with foreign negotiable debt securities.

The second part of the Template shows fixed predetermined foreign currency net liabilities of the Croatian National Bank and the central government (excluding central government funds) that fall due in the next 12 months. Foreign currency loans, securities and deposits (II.1.) include future interest payments on banks’ foreign currency reserve requirements with the CNB (only interest payments for the next month are included), payments of future maturities of foreign currency CNB bills, future principal and interest payments on loans from the IMF, and future principal and interest payments on the central government’s foreign currency debts (excluding central

government funds). Aggregate short and long positions in forwards and futures in foreign currencies (II.2.) include future collections () or payments (–) arising from currency swaps between the CNB and domestic banks (temporary sale or purchase of foreign currency). Item Other (II.3.) includes future payments arising from repo transactions with foreign negotiable debt securities.

The third part of the Template shows predetermined contingent foreign currency net liabilities of the Croatian National Bank and the central government (excluding central government funds), which fall due in the following 12 months. Contingent liabilities in foreign currency (III.1.) include future principal and interest payments on foreign loans guaranteed by the central government, and banks’ foreign currency reserve requirements with the CNB. (The inclusion of reserve requirements in foreign currency is based on the assumption that there will be no changes in ratios or in the base of foreign currency reserve requirements, which comprises foreign currency sources of funds, including ordinary foreign currency accounts, special foreign currency accounts, foreign currency accounts and foreign currency sight deposits, received foreign currency deposits and received foreign currency loans, as well as obligations arising from securities issued in foreign currency (excluding banks’ equity securities) and hybrid and subordinated instruments). Undrawn credit lines show potential inflows (+) or outflows (–) which would arise from drawdowns under these credits.

The fourth part of the Template lists memo items. Short-term, domestic currency debt indexed to foreign currency (IV.(a)) shows obligations arising from the Act on Converting Households’ Foreign

Table H9: Midpoint Exchange Rates of the Croatian National Bank (period average)

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		7.087680	0.524825	1.079616	0.371511	4.381907	9.166621	5.994736	3.692176
1995		6.757247	0.518724	1.047746	0.321349	4.425013	8.250868	5.229850	3.649215
1996		6.805527	0.513812	1.062870	0.352204	4.407070	8.476847	5.433979	3.614716
1997		6.960719	0.505335	1.056368	0.362049	4.248502	10.089408	6.161849	3.556098
1998		7.139159	0.514631	1.080018	0.366853	4.396452	10.537622	6.362284	3.620795
1999		7.581823	0.550993	1.155840	0.391568	4.739965	11.514804	7.122027	3.876528
2000		7.633852	0.554774	1.163773	0.394256	4.903244	12.530514	8.287369	3.903127
2001		7.471006	0.542939	1.138947	0.385845	4.946810	12.010936	8.339153	3.819865
2002		7.406976				5.049125	11.793108	7.872490	
2003		7.564248				4.978864	10.943126	6.704449	
2004		7.495680				4.854986	11.048755	6.031216	
2005		7.400047				4.780586	10.821781	5.949959	
2006		7.322849				4.656710	10.740292	5.839170	
2007		7.336019				4.468302	10.731537	5.365993	
2007	December	7.315282				4.410997	10.172190	5.022677	
2008	January	7.326929				4.516125	9.821601	4.987008	
	February	7.266515				4.516712	9.689673	4.933374	
	March	7.266614				4.623619	9.389891	4.689464	
	April	7.265563				4.558372	9.128528	4.606358	
	May	7.254953				4.467798	9.161309	4.663891	
	June	7.247010				4.487972	9.154517	4.665242	
	July	7.229828				4.469877	9.111242	4.580458	
	August	7.196063				4.437266	9.088553	4.797094	
	September	7.126375				4.465702	8.911952	4.955398	
	October	7.158248				4.703842	9.080911	5.355413	
	November	7.141435				4.726069	8.634967	5.609362	

Currency Deposits into the Public Debt of the Republic of Croatia, which fall due in the next 12 months. Pledged assets (IV.(c)) show time deposits in foreign currency with a maturity over 3 months listed in item I.B. which are also used as collateral. Repo transactions with securities show the value of collateral that is subject to repo and reverse repo transactions with securities as well as how these transactions are registered in the Template.

Table H9: Midpoint Exchange Rates of the Croatian National Bank (period average)

The annual averages of CNB midpoint exchange rates are calculated based on the midpoint exchange rates effective on the working days in a year, using CNB exchange rate lists whose application dates pertain to the calculation period.

The monthly averages of CNB midpoint exchange rates are calculated based on the midpoint exchange rates effective on the working days in a month, using CNB exchange rate lists whose application dates pertain to the calculation period.

The data show the annual and monthly averages of CNB midpoint exchange rates for selected currencies from 1992 to date, in kuna terms. The averages related to the calculation periods from the beginning of 1992, when the legal tender in the Republic of Croatia was the Croatian dinar, until the introduction of the kuna on 30 May 1994, are shown in kuna equivalent, and are denominated by dividing their values by one thousand (1,000).

The annual and monthly averages of midpoint exchange rates for the euro from 1992 until end 1998 are the averages of midpoint exchange rates applied for the ECU.

Table H10: Midpoint Exchange Rates of the Croatian National Bank (end of period)

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		6.902400	0.516285	1.052510	0.346500	4.288893	8.784200	5.628700	3.632100
1995		6.812200	0.526742	1.085365	0.335800	4.618693	8.234500	5.316100	3.705900
1996		6.863600	0.506253	1.055662	0.362600	4.098835	9.359000	5.539600	3.562200
1997		6.947200	0.499445	1.050510	0.357700	4.332003	10.475600	6.303100	3.514000
1998		7.329100	0.531546	1.114954	0.377700	4.567584	10.451000	6.247500	3.739700
1999		7.679009	0.558055	1.170657	0.396588	4.784268	12.340257	7.647654	3.926215
2000		7.598334	0.552192	1.158359	0.392421	4.989712	12.176817	8.155344	3.884966
2001		7.370030	0.535601	1.123554	0.380630	4.977396	12.101856	8.356043	3.768237
2002		7.442292				5.120256	11.451442	7.145744	
2003		7.646909				4.901551	10.860544	6.118506	
2004		7.671234				4.971314	10.824374	5.636883	
2005		7.375626				4.744388	10.753209	6.233626	
2006		7.345081				4.571248	10.943208	5.578401	
2007		7.325131				4.412464	9.963453	4.985456	
2007	December	7.325131				4.412464	9.963453	4.985456	
2008	January	7.249864				4.492696	9.752306	4.896241	
	February	7.277476				4.536797	9.547987	4.823034	
	March	7.256652				4.612377	9.160126	4.593981	
	April	7.263753				4.498794	9.241416	4.665224	
	May	7.250440				4.453861	9.231525	4.677703	
	June	7.246264				4.509187	9.127427	4.594968	
	July	7.221125				4.427965	9.180758	4.633084	
	August	7.161648				4.431987	8.895352	4.858978	
	September	7.107741				4.480139	8.929323	4.961427	
	October	7.185881				4.844850	9.097203	5.469956	
	November	7.128034				4.600512	8.531459	5.539349	

Table H10: Midpoint Exchange Rates of the Croatian National Bank (end of period)

The table shows CNB midpoint exchange rates applied on the last day of the observed period.

The data show CNB midpoint exchange rates for selected currencies from 1992 to date, in kuna terms. The end of period midpoint

exchange rates related to the periods from the beginning of the time series in 1992 until the introduction of the kuna on 30 May 1994 are shown in kuna equivalent and are denominated by dividing their values by one thousand (1,000).

The midpoint exchange rates for the euro applied on the last days of the observed periods from 1992 until end 1998 are the end of period midpoint exchange rates applied for the ECU.

Table H11: Indices of the Effective Exchange Rate of the Kuna

indices 2001=100

Year	Month	Nominal effective exchange rate of the kuna	Real effective exchange rate of the kuna; deflator	
			Producer price index	Consumer price index
1996	December	83.88	90.19	96.70
1997	December	87.77	93.06	98.84
1998	December	91.09	95.99	95.39
1999	December	99.25	102.78	102.09
2000	December	101.63	100.07	101.91
2001	December	99.07	98.63	98.89
2002	December	95.99	95.65	96.26
2003	December	94.18	94.55	94.71
2004	December	90.42	90.61	90.85
2005	December	91.52	94.33	90.99
2006	December	88.42	92.51	87.96
2007	December	85.58	88.97	83.10
2008	January	85.50	87.75	82.55
	February	84.74	87.30	82.25
	March	83.57	86.68	81.32
	April	83.12	86.77	80.57
	May	83.30	87.36	80.50
	June	83.25	87.34	80.28
	July	82.69	86.10	79.67
	August	83.45	85.93	80.55
	September	83.60	85.64 ^a	80.62 ^a
	October	85.71	86.82 ^a	82.58 ^a
	November	86.62		

^a Preliminary data.

Note: The eurozone related price series includes Greece from 1 January 2001, Slovenia from 1 January 2007, and Cyprus and Malta from 1 January 2008. Slovenia became an EMU member on 1 January 2007. Accordingly, the weight assigned to the Slovenian tolar (0.2%) has been added to the euro weight (70.6%), which now amounts to 70.8%. The weights assigned to the US dollar, pound sterling and Swiss franc have been kept at 27.2%, 1.0% and 1.0% respectively.

Table H11: Indices of the Effective Exchange Rate of the Kuna

The index of the nominal effective exchange rate of the kuna is a weighted geometric average of the index of bilateral nominal exchange rates of the kuna against the euro, US dollar, Swiss franc, pound sterling and Slovenian tolar. The series of the indices of the effective exchange rate of the kuna, calculated in accordance with the modified CNB methodology for calculating the nominal and real effective kuna exchange rates (see Box 2, Bulletin No. 64, October 2001), were first published in the CNB Bulletin No. 94 (June 2004). The weights are determined on the basis of the average share of a particular foreign currency in the structure of the current account – ITRS data between January 2000 and December 2003 (i.e. between July 1996 and January 2000 in the previous version of the notes on methodology under Table H10). The new weights have been assigned to the euro (70.6%), US dollar (27.2%), Swiss franc (1.0%) and pound sterling (1.0%), and thus replaced the old weights of 66.2%, 30.7%, 1.6% and 1.2% for the euro, US dollar, Swiss franc and pound sterling respectively. The weight assigned to the Slovenian tolar remained unchanged at 0.2%. The year 2001 is a base period for calculating the indices of the effective exchange rate

of the kuna (1995 in the previous version of the notes on methodology under Table H10). The index of the nominal effective exchange rate is an aggregate indicator of the average value of the domestic currency against a basket of currencies. An increase in the index of the nominal effective exchange rate of the kuna in a certain period indicates that the kuna has depreciated against the basket of currencies, and vice versa. The index of the real effective exchange rate is a weighted geometric average of the index of bilateral exchange rates of the kuna adjusted for the corresponding indices of relative price (the ratio of price indices in partner countries and domestic prices). Producer price and consumer price indices, and the total harmonised consumer price index for the eurozone countries are used as deflators. The time series for consumer prices in Croatia is constructed in the following manner: retail price indices are used until December 1997 inclusive, and consumer price indices are used as of January 1998. Data for the last two months are preliminary. The historical data may be corrected for the subsequent changes in the data published by the statistical offices of the countries whose prices are included in the calculation of the index of the real effective exchange rate of the kuna.

Table H12: Gross External Debt by Domestic Sectors

million euros

	2002	2003	2004	2005	2006	2007		2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec. ^a	Dec. ^{b*}	Mar.*	Jun.*	Sep.*	Oct.
1. Government	5,884.9	6,570.7	7,257.3	7,047.3	6,667.7	6,663.0	6,726.9	6,605.3	6,670.2	6,875.0	6,975.0
Short-term	1.3	1.3	2.7	2.0	1.3	5.3	1.1	3.9	1.3	0.6	0.8
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1.3	1.3	2.7	2.0	1.3	5.3	1.1	3.9	1.3	0.6	0.8
Principal arrears	0.9	0.9	2.4	1.8	0.0	1.1	0.3	0.0	0.0	0.0	0.1
Interest arrears	0.4	0.4	0.3	0.2	1.2	4.2	0.8	3.9	1.3	0.6	0.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,883.6	6,569.4	7,254.6	7,045.3	6,666.5	6,657.7	6,725.8	6,601.4	6,668.9	6,874.4	6,974.1
Bonds	3,950.4	4,306.6	4,662.4	4,052.1	3,640.5	3,563.6	3,591.2	3,499.2	3,339.6	3,373.9	3,422.7
Credits	1,932.1	2,260.5	2,590.2	2,990.6	3,024.1	3,093.0	3,133.4	3,101.3	3,328.5	3,499.7	3,550.7
Trade credits	1.1	2.3	2.1	2.6	1.9	1.2	1.2	1.0	0.8	0.7	0.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian National Bank	23.2	365.9	2.4	2.6	2.6	2.3	2.3	1.7	2.0	1.8	1.8
Short-term	23.2	365.9	2.4	2.6	2.6	2.3	2.3	1.7	2.0	1.8	1.8
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	21.5	363.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1.7	2.6	2.4	2.6	2.6	2.3	2.3	1.7	2.0	1.8	1.8
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Banks	3,798.7	6,140.1	7,731.7	8,978.7	10,222.6	8,879.1	8,918.2	9,456.6	8,726.0	7,946.4	8,852.7
Short-term	1.2	605.5	1,969.2	2,505.2	3,362.7	2,361.2	2,358.2	2,932.6	2,453.3	2,199.7	2,811.5
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.3	604.6	519.9	1,064.8	1,150.4	710.8	708.2	801.6	913.9	544.0	925.3
Currency and deposits	0.0	0.0	1,448.4	1,438.6	2,211.1	1,648.8	1,648.8	2,129.4	1,537.1	1,654.5	1,884.5
Other debt liabilities	0.8	0.9	0.9	1.7	1.2	1.7	1.2	1.6	2.3	1.2	1.8
Principal arrears	0.5	0.2	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.4	0.7	0.9	1.7	1.2	1.5	1.2	1.6	2.3	1.2	1.7
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,797.5	5,534.7	5,762.5	6,473.6	6,859.9	6,517.9	6,560.0	6,523.9	6,272.8	5,746.7	6,041.2
Bonds	0.0	0.0	453.2	456.6	457.9	459.0	459.0	463.8	468.6	454.2	453.4
Credits	1,900.6	2,798.5	3,517.4	3,822.7	4,217.3	3,565.1	3,607.1	3,570.5	3,400.0	3,220.7	3,227.9
Currency and deposits	1,896.9	2,736.2	1,791.9	2,194.3	2,184.7	2,493.9	2,493.9	2,489.7	2,404.2	2,071.9	2,359.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Other sectors	4,030.9	4,945.7	5,895.6	7,264.0	9,502.5	13,451.9	13,725.9	14,592.0	15,458.8	16,704.5	17,162.1
Short-term	472.6	512.9	535.2	707.7	700.9	1,478.2	650.3	874.2	1,167.4	1,266.1	1,324.9
Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
Credits	25.4	68.1	98.5	140.2	155.0	681.0	345.3	576.4	684.0	841.9	867.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	47.5	22.2	23.2	27.8	35.9	31.1	34.1	34.5	35.3	40.3	33.1
Other debt liabilities	399.7	389.0	413.5	539.8	510.0	766.0	270.8	262.4	448.2	383.9	424.7
Principal arrears	366.5	356.3	377.1	496.3	460.6	683.4	221.2	213.2	385.1	312.4	349.3
Interest arrears	33.2	32.7	36.3	43.5	49.4	82.6	49.6	49.2	63.1	71.5	75.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,558.2	4,432.8	5,360.4	6,556.2	8,801.6	11,973.7	13,075.6	13,717.7	14,291.4	15,438.4	15,837.2
Bonds	171.9	344.8	377.9	375.3	306.4	401.6	405.1	415.2	402.3	392.8	393.6
Credits	3,174.9	3,933.0	4,852.7	6,017.1	8,349.8	11,282.3	12,388.5	13,018.5	13,579.7	14,718.7	15,120.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	211.5	155.0	129.8	163.8	145.4	289.8	281.9	284.0	309.3	326.9	323.1

Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Direct investment	1,405.4	1,861.4	2,046.1	2,455.0	2,878.4	3,932.8	3,890.9	4,330.5	4,543.6	4,629.8	4,693.6
Short-term	79.8	122.3	124.1	184.6	233.9	540.4	404.8	583.1	624.3	604.7	605.7
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	29.9	38.7	33.0	36.5	51.2	216.8	298.7	444.2	419.5	462.1	467.8
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	49.9	83.6	91.2	148.1	182.7	323.6	106.1	138.9	204.8	142.6	137.9
Principal arrears	42.0	73.4	78.1	128.7	158.2	293.9	82.7	117.1	178.8	117.0	112.1
Interest arrears	7.9	10.2	13.1	19.4	24.5	29.7	23.4	21.8	26.0	25.6	25.9
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1,325.7	1,739.1	1,921.9	2,270.4	2,644.5	3,392.5	3,486.1	3,747.4	3,919.3	4,025.1	4,087.9
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	1,291.6	1,707.6	1,892.2	2,236.8	2,618.1	3,374.5	3,473.3	3,735.8	3,910.3	4,018.4	4,081.3
Trade credits	34.1	31.5	29.8	33.6	26.4	18.0	12.8	11.6	8.9	6.7	6.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	15,143.1	19,883.8	22,933.0	25,747.7	29,273.9	32,929.2	33,264.2	34,986.1	35,400.6	36,157.5	37,685.2

^a Old reporting system. ^b New reporting system.

Table H12: Gross External Debt by Domestic Sectors

External debt is defined as the external debt liabilities of residents on the basis of debt securities issued in the foreign markets (at face value), credits (repo agreements included) regardless of their contractual maturity, deposits of non-residents, and trade credits granted by non-residents with contractual maturity of more than 180 days (90 days up to 11 July 2001 and 150 days up to 31 December 2002).

External debt by domestic sectors is shown in the same manner as in the Capital and Financial Account of the BOP. Item Government shows the external debt of the general government, comprising the Republic of Croatia, central government funds (including the Croatian Bank for Reconstruction and Development, the State Agency for Deposit Insurance and Bank Rehabilitation, the Croatian Roads and the Croatian Motorways), and local government. Item Croatian National Bank shows the debt of the central bank. Item Banks shows the debt of banks. Item Other sectors shows the debt of other banking institutions, non-banking financial institutions, enterprises, non-profit institutions and households, including craftsmen. Item Direct investment shows borrower – lender transactions of other sectors that are interrelated by ownership (borrower or lender owns more than 10% of the other).

Each sector data are further shown by contractual (short-term or long-term) maturity and by debt instrument. From the beginning of 2004, instruments included in item Currency and deposits (3. Banks) are reported in accordance with their maturity. Data for the previous periods are reported only on a long-term basis.

Outstanding gross external debt includes principal and interest

arrears, as well as accrual interest and future principal payments.

Outstanding debt data are shown at the CNB's midpoint exchange rate at the end of the period.

Data are considered preliminary until after publication of the final BOP data for the reporting quarter.

Table H13: Public Sector Gross External Debt, and Publicly Guaranteed and Non-Publicly Guaranteed Private Sector Gross External Debt

The gross external debt position presented in this Table highlights the role of the public sector.

Public sector includes the general government (comprising the Republic of Croatia, central government funds and local government), the central bank, public enterprises and mixed enterprises. Public enterprises are defined as enterprises in 100% ownership of business entities from the public sector. Mixed enterprises are defined as enterprises in which business entities from the public sector have a share larger than 50%.

Publicly guaranteed private sector gross external debt is defined as the external debt liabilities of business entities not covered by the definition of the public sector, the servicing of which is guaranteed by a business entity from the public sector.

Non-publicly guaranteed private sector gross external debt is defined as the external debt liabilities of business entities not covered by the definition of the public sector, the servicing of which is not guaranteed by the public sector.

Items are valued in the same manner as in Table H12.

Table H13: Public Sector Gross External Debt, and Publicly Guaranteed and Non-Publicly Guaranteed Private Sector Gross External Debt

million euros

	2002	2003	2004	2005	2006	2007		2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec. ^a	Dec. ^{b*}	Mar.*	Jun.*	Sep.*	Oct.
1. Public sector	7,211.5	8,327.6	8,580.3	8,500.4	8,256.8	9,259.5	9,400.6	9,325.7	9,527.8	10,038.9	10,268.8
Short-term	60.8	415.8	29.5	23.1	41.7	72.5	57.0	98.3	112.9	107.7	134.9
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	21.9	391.2	0.7	2.3	15.2	35.4	35.6	74.6	76.2	90.3	105.9
Currency and deposits	1.7	2.6	2.4	2.6	2.6	2.3	2.3	1.7	2.0	1.8	1.8
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	37.2	22.1	26.4	18.2	23.9	34.7	19.1	21.9	34.6	15.6	27.2
Principal arrears	35.0	20.5	25.4	17.1	20.6	29.9	17.3	12.9	29.9	13.2	23.8
Interest arrears	2.1	1.6	1.0	1.1	3.3	4.8	1.8	9.1	4.8	2.4	3.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	7,150.2	7,911.5	8,549.6	8,476.3	8,213.6	9,185.2	9,341.8	9,225.6	9,413.2	9,929.5	10,132.2
Bonds	3,950.4	4,306.6	4,662.4	4,052.1	3,640.5	3,859.7	3,891.0	3,803.0	3,647.4	3,669.9	3,719.8
Credits	3,118.5	3,554.4	3,833.2	4,314.5	4,485.2	5,120.3	5,236.2	5,203.2	5,495.3	5,969.8	6,134.3
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.7	19.5	11.4
Trade credits	81.4	50.6	54.1	109.7	87.9	205.2	214.6	219.4	250.9	270.3	266.6
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.5	0.3	1.2	1.0	1.5	1.8	1.8	1.8	1.7	1.7	1.7
2. Publicly guaranteed private sector	559.5	433.7	334.1	290.8	204.2	139.9	138.1	109.3	106.5	82.6	85.1
Short-term	21.8	21.1	23.5	22.1	17.2	11.3	9.8	8.1	8.1	7.0	7.6
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	21.8	21.1	23.5	22.1	17.2	11.3	9.8	8.1	8.1	7.0	7.6
Principal arrears	13.9	14.3	15.6	14.5	14.4	9.4	8.4	7.0	7.0	7.0	7.5
Interest arrears	7.9	6.8	7.9	7.6	2.8	1.9	1.4	1.1	1.1	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	537.8	412.6	310.6	268.8	187.0	128.6	128.3	101.2	98.4	75.6	77.5
Bonds	31.2	31.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	502.5	378.9	309.1	267.0	187.0	128.6	128.3	101.2	98.4	75.6	77.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	4.0	2.5	1.5	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Non-publicly guaranteed private sector	7,372.1	11,122.4	14,018.6	16,956.4	20,812.9	23,529.9	23,725.4	25,551.1	25,766.4	26,035.9	27,331.3
Short-term	415.8	1,048.6	2,456.4	3,172.3	4,008.7	3,763.3	2,945.0	3,706.1	3,503.1	3,353.5	3,996.5
Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
Credits	25.4	644.8	617.7	1,202.7	1,290.2	1,356.4	1,018.0	1,303.4	1,521.6	1,295.6	1,686.5
Currency and deposits	0.0	0.0	1,448.4	1,438.6	2,211.1	1,648.8	1,648.8	2,129.4	1,537.1	1,654.5	1,884.5
Trade credits	47.5	22.2	23.2	27.8	35.9	31.1	34.1	34.5	35.3	40.3	33.1
Other debt liabilities	342.9	347.9	367.1	503.2	471.5	727.0	244.2	237.9	409.0	363.1	392.5
Principal arrears	318.9	322.6	338.5	466.4	425.6	645.4	195.7	193.4	348.3	292.2	318.1
Interest arrears	24.0	25.3	28.6	36.8	45.8	81.7	48.4	44.5	60.8	70.9	74.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,551.4	8,212.8	9,517.3	11,330.1	13,927.4	15,835.5	16,891.2	17,516.3	17,721.4	18,054.4	18,642.8
Bonds	140.7	313.7	831.1	831.8	764.3	564.4	564.4	575.2	563.1	551.1	549.8
Credits	3,386.6	5,058.6	6,817.9	8,249.0	10,919.0	12,691.4	13,764.5	14,385.8	14,694.9	15,374.2	15,675.9
Currency and deposits	1,896.9	2,736.2	1,791.9	2,194.3	2,184.7	2,493.9	2,493.9	2,489.7	2,404.2	2,071.9	2,359.9
Trade credits	127.1	104.3	76.3	55.0	59.4	85.8	68.5	65.6	59.2	57.3	57.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	1,404.9	1,861.1	2,044.9	2,454.0	2,876.9	3,931.1	3,889.1	4,328.7	4,541.9	4,628.1	4,691.9
Total (1+2+3)	15,143.1	19,883.8	22,933.0	25,747.7	29,273.9	32,929.2	33,264.2	34,986.1	35,400.6	36,157.5	37,685.2

^a Old reporting system. ^b New reporting system.

Table H14: Gross External Debt by Domestic Sectors and Projected Future Payments

million euros

	Gross external debt 31/10/2008	Immediate	Projected future principal payments													
			Q4/08	Q1/09	Q2/09	Q3/09	2008	2009	2010	2011	2012	2013	2014	2015	Other	
1. Government	6,975.0	0.8	308.8	581.6	365.0	91.3	308.8	1,232.8	936.4	1,526.0	341.0	283.5	755.4	388.5	1,201.7	
Short-term	0.8	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	0.8	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	0.7	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	6,974.1	0.0	308.8	581.6	365.0	91.3	308.8	1,232.8	936.4	1,526.0	341.0	283.5	755.4	388.5	1,201.7	
Bonds	3,422.7	0.0	124.3	523.9	193.3	28.4	124.3	763.2	566.5	1,057.8	47.2	29.6	524.6	29.6	279.6	
Credits	3,550.7	0.0	184.4	57.7	171.7	62.9	184.4	469.5	369.8	468.1	293.7	253.8	230.7	358.8	922.0	
Trade credits	0.8	0.0	0.1	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
2. Croatian National Bank	1.8	0.0	1.8	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Short-term	1.8	0.0	1.8	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Currency and deposits	1.8	0.0	1.8	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
3. Banks	8,852.7	1.8	2,429.4	366.2	915.8	815.2	2,429.4	2,288.7	850.5	1,149.4	385.6	107.3	92.2	45.0	1,502.9	
Short-term	2,811.5	1.8	2,111.7	263.9	231.8	135.3	2,111.7	698.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	925.3	0.0	828.8	0.0	96.5	0.0	828.8	96.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Currency and deposits	1,884.5	0.0	1,282.9	263.9	135.3	135.3	1,282.9	601.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	1.8	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	1.7	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	6,041.2	0.0	317.7	102.3	683.9	679.9	317.7	1,590.7	850.5	1,149.4	385.6	107.3	92.2	45.0	1,502.9	
Bonds	453.4	0.0	5.8	0.0	0.0	447.6	5.8	447.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	3,227.9	0.0	208.8	35.3	623.2	171.6	208.8	882.9	520.8	819.3	385.6	107.3	92.2	45.0	166.0	
Currency and deposits	2,359.9	0.0	103.1	67.0	60.7	60.7	103.1	260.1	329.7	330.1	0.0	0.0	0.0	0.0	1,336.9	
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
4. Other sectors	17,162.1	424.7	1,373.3	971.0	887.6	788.4	1,373.3	3,576.2	2,237.9	2,181.1	1,853.8	676.0	625.0	551.2	3,663.0	
Short-term	1,324.9	424.7	356.3	281.7	143.3	113.3	356.3	543.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	867.1	0.0	356.3	281.7	110.3	113.3	356.3	510.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Trade credits	33.1	0.0	0.0	0.0	33.1	0.0	0.0	33.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	424.7	424.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	349.3	349.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	75.5	75.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	15,837.2	0.0	1,016.9	689.3	744.3	675.0	1,016.9	3,032.3	2,237.9	2,181.1	1,853.8	676.0	625.0	551.2	3,663.0	
Bonds	393.6	0.0	12.1	0.0	0.0	0.0	12.1	0.0	0.0	88.6	0.0	0.0	0.0	0.0	292.9	
Credits	15,120.6	0.0	973.2	639.7	694.0	631.4	973.2	2,839.1	2,172.5	2,061.9	1,851.8	676.0	625.0	551.2	3,370.0	
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Trade credits	323.1	0.0	31.6	49.6	50.3	43.7	31.6	193.3	65.5	30.5	2.0	0.0	0.0	0.0	0.1	

Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5. Direct investment	4,693.6	137.9	502.5	269.0	291.5	336.0	502.5	1,100.8	454.7	488.8	572.7	232.0	100.1	374.5	729.7	
Short-term	605.7	137.9	167.1	181.8	79.6	32.0	167.1	300.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	467.8	0.0	167.1	181.8	79.6	32.0	167.1	300.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	137.9	137.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Principal arrears	112.1	112.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Interest arrears	25.9	25.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Long-term	4,087.9	0.0	335.4	87.2	212.0	303.9	335.4	800.1	454.7	488.8	572.7	232.0	100.1	374.5	729.7	
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	4,081.3	0.0	334.8	86.7	211.6	303.5	334.8	797.8	453.7	487.7	572.0	231.5	99.6	374.5	729.6	
Trade credits	6.6	0.0	0.6	0.5	0.4	0.4	0.6	2.3	1.0	1.0	0.7	0.5	0.5	0.0	0.0	
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Total (1+2+3+4+5)	37,685.2	565.3	4,615.7	2,187.8	2,460.0	2,030.9	4,615.7	8,198.5	4,479.5	5,345.3	3,153.1	1,298.8	1,572.7	1,359.2	7,097.3	
Supplement: Projected interest payments			15.7	332.3	298.8	245.6	15.7	1,222.9	960.5	785.3	523.8	457.7	388.4	317.2	1,354.2	

Table H14: Gross External Debt by Domestic Sectors and Projected Future Payments

The Table shows outstanding gross external debt, projected principal payments and estimated interest payments according to the CNB's midpoint exchange rate at the end of the period. Principal payments on Currency and deposits of non-residents are projected according to the available monetary statistics data on original and remaining maturity.

Estimated interest payments do not include interest on deposits from non-residents, repo transactions and hybrid and subordinated instruments, as well as late interest on these instruments. Future interest payments are estimated on the basis of contractual interest rates and do not reflect changes of variable interest rates.

Projected payments of accrual interest, which are an integral part of the gross external debt, increase the projected principal payments in the first quarter period and, consequently, decrease the interest payments estimated for the same period.

Table H15: Gross External Debt by Other Sectors

million euros

	2002	2003	2004	2005	2006	2007		2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec. ^a	Dec. ^{b*}	Mar.*	Jun.*	Sep.*	Oct.
1. Other sectors	4,030.9	4,945.7	5,895.6	7,264.0	9,502.5	13,451.9	13,725.9	14,592.0	15,458.8	16,704.5	17,162.1
Short-term	472.6	512.9	535.2	707.7	700.9	1,478.2	650.3	874.2	1,167.4	1,266.1	1,324.9
Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
Credits	25.4	68.1	98.5	140.2	155.0	681.0	345.3	576.4	684.0	841.9	867.1
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	47.5	22.2	23.2	27.8	35.9	31.1	34.1	34.5	35.3	40.3	33.1
Other debt liabilities	399.7	389.0	413.5	539.8	510.0	766.0	270.8	262.4	448.2	383.9	424.7
Principal arrears	366.5	356.3	377.1	496.3	460.6	683.4	221.2	213.2	385.1	312.4	349.2
Interest arrears	33.2	32.7	36.3	43.5	49.4	82.6	49.6	49.2	63.1	71.5	75.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,558.2	4,432.8	5,360.4	6,556.2	8,801.6	11,973.7	13,075.6	13,717.7	14,291.4	15,438.4	15,837.2
Bonds	171.9	344.8	377.9	375.3	306.4	401.6	405.1	415.2	402.3	392.8	393.6
Credits	3,174.9	3,933.0	4,852.7	6,017.1	8,349.8	11,282.3	12,388.5	13,018.5	13,579.7	14,718.7	15,120.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	211.5	155.0	129.8	163.8	145.4	289.8	282.0	284.0	309.3	326.9	323.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1. Other banking institutions	17.5	26.3	25.4	25.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	1.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	1.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	1.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	16.5	25.3	25.4	25.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	16.5	25.3	25.4	25.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Non-banking financial institutions	304.9	685.1	981.2	1,249.1	1,873.7	2,630.7	2,781.9	3,043.3	3,245.6	3,438.7	3,503.4
Short-term	3.1	2.7	9.5	19.6	60.1	201.6	164.9	168.6	242.4	257.0	259.9
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
Credits	0.0	0.0	5.4	14.3	46.5	184.5	135.9	157.4	232.2	249.0	251.6
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	3.1	2.7	4.0	5.3	13.6	17.1	29.0	10.3	10.2	8.0	8.3
Principal arrears	2.1	1.5	1.5	2.9	6.4	2.9	14.7	6.4	3.7	2.5	2.2
Interest arrears	1.1	1.2	2.5	2.4	7.2	14.2	14.3	3.9	6.5	5.5	6.1
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	301.8	682.5	971.7	1,229.5	1,813.7	2,429.2	2,617.0	2,874.6	3,003.2	3,181.7	3,243.5
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	301.8	681.8	971.7	1,229.3	1,813.6	2,429.1	2,617.0	2,874.1	3,003.2	3,181.7	3,243.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.7	0.0	0.2	0.0	0.0	0.0	0.5	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3. Public enterprises	822.0	1,005.9	972.4	1,120.8	1,168.5	1,997.4	2,082.8	2,157.2	2,294.3	2,442.7	2,483.0
Short-term	31.6	41.8	20.6	13.3	31.6	48.3	52.3	88.8	94.5	104.1	130.6
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.4	25.7	0.0	0.0	15.2	35.4	35.6	74.7	76.2	90.3	105.9
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	31.2	16.2	20.6	13.3	16.4	12.9	16.7	14.1	18.3	13.8	24.7
Principal arrears	29.8	15.5	20.0	12.5	14.5	12.5	15.9	11.7	14.9	12.1	22.1
Interest arrears	1.4	0.7	0.6	0.8	1.9	0.5	0.9	2.4	3.4	1.6	2.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	790.4	964.0	951.9	1,107.6	1,136.9	1,949.0	2,030.4	2,068.5	2,199.8	2,338.6	2,352.4
Bonds	0.0	0.0	0.0	0.0	0.0	296.2	299.8	303.8	307.8	296.0	297.2

Credits	726.3	929.6	919.4	1,026.8	1,066.8	1,470.2	1,547.6	1,574.2	1,665.9	1,797.0	1,814.5
Trade credits	64.1	34.4	32.5	80.7	70.1	182.7	183.1	190.5	226.1	245.6	240.7
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.4. Mixed enterprises	480.9	384.9	347.1	328.7	416.5	594.9	586.9	559.6	559.6	717.7	807.4
Short-term	4.7	6.8	3.9	5.3	6.3	16.5	1.2	3.9	15.1	1.2	1.7
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	2.2	0.7	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	4.7	4.6	3.2	3.0	6.3	16.5	1.2	3.9	15.1	1.2	1.7
Principal arrears	4.4	4.1	3.0	2.9	6.1	16.4	1.2	1.2	15.0	1.0	1.5
Interest arrears	0.3	0.6	0.1	0.1	0.2	0.1	0.1	2.8	0.1	0.1	0.2
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	476.3	378.1	343.2	323.4	410.2	578.4	585.6	555.7	544.5	716.5	805.7
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	460.1	364.3	323.6	297.0	394.3	557.1	555.3	527.8	520.5	692.5	780.6
Trade credits	16.2	13.8	19.6	26.4	15.9	21.3	30.3	27.9	24.0	24.0	25.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.5. Other enterprises	2,335.3	2,763.8	3,473.2	4,428.1	5,929.1	8,062.2	8,031.7	8,594.0	9,110.2	9,840.0	10,100.7
Short-term	426.7	454.3	482.9	654.8	578.8	1,174.3	419.2	600.3	808.5	896.6	924.8
Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	24.2	39.8	81.7	122.0	86.9	451.2	162.1	332.4	369.3	496.1	502.6
Trade credits	47.5	22.2	23.2	27.8	35.9	31.1	34.1	34.5	35.3	40.3	33.1
Other debt liabilities	355.1	358.6	378.1	505.1	456.0	692.0	223.0	233.4	403.9	360.2	389.2
Principal arrears	326.7	330.7	346.8	467.5	420.3	630.2	188.6	193.3	350.8	296.0	322.7
Interest arrears	28.4	27.9	31.3	37.5	35.7	61.8	34.4	40.0	53.1	64.2	66.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	1,908.6	2,309.6	2,990.2	3,773.3	5,350.3	6,887.9	7,612.5	7,993.7	8,301.7	8,943.5	9,175.8
Bonds	171.9	344.8	377.9	375.3	306.4	105.4	105.4	111.4	94.6	96.8	96.4
Credits	1,627.0	1,874.6	2,545.3	3,348.9	4,989.1	6,701.7	7,443.6	7,821.6	8,151.8	8,792.8	9,025.6
Trade credits	109.7	90.1	67.1	49.1	54.8	80.8	63.5	60.7	55.3	53.8	53.9
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.6. Non-profit institutions	3.3	2.8	4.0	4.9	5.3	5.4	3.3	3.2	3.1	3.0	3.1
1.7. Craftsmen and sole traders	40.9	50.0	42.7	35.2	26.8	24.1	23.9	21.3	19.8	18.4	18.0
1.8. Households	26.1	26.9	49.7	71.5	82.7	137.2	215.5	213.3	226.2	244.0	246.6

^a Old reporting system. ^b New reporting system.

Table H16: International Investment Position – Summary

million euros

	2002	2003	2004	2005	2006	2007	2008		
							Q1 ^a	Q2 ^a	Q3 ^b
1. International investment position (net)	-7,275.1	-10,716.7	-15,371.6	-20,229.0	-29,972.1	-39,636.6	-38,251.3	-36,700.3	-36,233.8
2. Assets	12,492.1	14,347.6	15,117.6	16,042.7	18,242.9	21,158.1	20,442.4	20,399.7	21,103.4
2.1. Direct investment abroad	1,606.8	1,626.7	1,563.4	1,729.8	1,833.1	2,325.3	2,200.6	2,441.0	2,504.7
2.2. Portfolio investment	876.5	737.4	1,506.0	2,136.8	2,575.9	3,022.0	2,414.4	2,356.6	2,010.3
2.2.1. Equity securities	79.1	141.3	176.8	418.0	720.4	1,601.6	1,075.7	1,116.3	784.0
2.2.2. Debt securities	797.4	596.1	1,329.1	1,718.8	1,855.4	1,420.4	1,338.7	1,240.3	1,226.3
Bonds	787.5	593.7	1,168.7	1,571.6	1,464.0	1,140.0	1,117.3	1,019.3	1,025.7
Money market instruments	9.9	2.4	160.4	147.1	391.4	280.4	221.4	221.0	200.6
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	4,357.4	5,429.5	5,612.1	4,737.7	5,108.6	6,503.4	5,985.8	5,660.9	6,779.7
2.4.1. Trade credits	222.5	253.4	221.6	263.0	230.6	248.8	233.7	233.6	229.8
2.4.2. Loans	108.9	102.1	102.2	146.2	239.5	295.7	321.5	358.6	408.4
2.4.3. Currency and deposits	4,026.0	5,074.0	5,288.2	4,328.5	4,638.3	5,958.9	5,430.6	5,068.7	6,141.5
2.4.4. Other assets	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0
2.5. Reserve assets (CNB)	5,651.3	6,554.1	6,436.1	7,438.4	8,725.3	9,307.4	9,841.7	9,941.2	9,808.7
3. Liabilities	19,767.1	25,064.3	30,489.1	36,271.6	48,215.0	60,794.7	58,693.7	57,100.0	57,337.2
3.1. Direct investment in Croatia	5,790.8	6,808.6	9,114.2	12,332.4	20,782.0	30,381.8	26,931.7	25,239.6	24,937.9
3.2. Portfolio investment	4,361.0	4,918.4	5,981.6	5,530.4	5,442.4	5,840.7	5,485.5	5,213.8	5,092.6
3.2.1. Equity securities	238.7	233.4	488.1	646.5	1,037.5	1,416.6	1,106.4	1,003.3	871.6
3.2.2. Debt securities	4,122.2	4,685.1	5,493.5	4,883.9	4,404.8	4,424.2	4,379.1	4,210.5	4,221.0
Bonds	4,122.2	4,651.4	5,493.5	4,883.9	4,404.8	4,424.2	4,378.2	4,210.5	4,221.0
Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.9	0.0	0.0
3.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.4. Other investment	9,615.4	13,337.3	15,393.4	18,408.7	21,990.6	24,572.2	26,276.5	26,646.6	27,306.7
3.4.1. Trade credits	260.0	179.5	155.1	194.2	183.3	322.1	319.5	345.4	367.9
3.4.2. Loans	7,055.0	10,027.9	11,578.7	14,035.5	16,896.6	19,332.1	21,068.2	21,906.1	22,824.9
3.4.3. Currency and deposits	1,898.6	2,738.8	3,242.7	3,635.6	4,398.3	4,145.0	4,620.8	3,943.3	3,728.2
3.4.4. Other assets	401.8	391.2	417.0	543.5	512.5	773.0	267.9	451.7	385.7

^a Revised data. ^b Preliminary data.**Table H16: International Investment Position**

This table is made in accordance with the recommendations of the IMF (Balance of Payments Manual, Fifth Edition, 1995). Data sources include: reports from banks, enterprises, the Croatian National Bank, and the Zagreb Stock Exchange (ZSE).

Data on international investments of the Republic of Croatia and international investments into the Republic of Croatia are recorded in euros (EUR) and US dollars (USD). Depending on the sources of data available, the conversion of values from the original currencies into the reporting currencies is performed:

- by applying the current rate of exchange or the average monthly midpoint exchange rate of the Croatian National Bank to transactions;
- by applying the midpoint exchange rate of the Croatian National Bank on the reporting date to balances.

The source of data on foreign direct and portfolio equity investment is the statistical research of the Croatian National Bank. The equity investments have been monitored since the beginning of 2001 and are corrected for changes in the official index of the Zagreb Stock Exchange (CROBEX).

Portfolio debt investment and other investment are classified according to the following institutional sectors: the Croatian National Bank, government, banks and other sectors. The government sector comprises the central government and funds and local government authorities. The banking sector comprises banks.

Item Portfolio debt investment – Assets and liabilities comprises data on investments of residents into debt securities issued by non-residents (assets) and investments of non-residents into debt securi-

ties issued by residents (liabilities). The source of data is the register of foreign credit relations kept by the Croatian National Bank, which also comprises claims and liabilities arising from bonds and money market instruments.

Item Other investment – Trade credits – Assets and liabilities comprises foreign claims and foreign liabilities of the said sectors arising from trade credits. The source of data is the register of foreign credit relations kept by the Croatian National Bank.

Item Other investment – Loans – Assets and liabilities comprises data on loans granted and received between residents and non-residents classified according to institutional sectors. The source of data is the register of foreign credit relations kept by the Croatian National Bank.

Item Other investment – Currency and deposits – Assets shows the total liquid foreign currency assets of banks authorised to do business abroad reduced by the amount of foreign currency deposited by banks with the CNB in fulfilment of a part of their reserve requirements. In addition to banks' foreign claims, foreign claims of the government sector are also shown. The sources of data are reports from the government and banks.

Item Other investment – Currency and deposits – Liabilities shows the total foreign currency and kuna liabilities of the said sectors abroad arising from current accounts, time and notice deposits, sight deposits and demand deposits. The sources of data for this item are reports from banks.

Item International reserves of the CNB is compiled on the basis of the CNB Accounting Department reports which contain data on their balances and changes.

Table H17: International Investment Position – Direct Investment

million euros

	2002	2003	2004	2005	2006	2007	2008		
							Q1	Q2 ^a	Q3 ^b
Direct investment (net)	-4,183.9	-5,181.9	-7,550.8	-10,602.7	-18,948.9	-28,056.5	-24,731.1	-22,798.6	-22,433.3
1. Abroad	1,606.8	1,626.7	1,563.4	1,729.8	1,833.1	2,325.3	2,200.6	2,441.0	2,504.7
1.1. Equity capital and reinvested earnings	1,569.1	1,587.0	1,502.3	1,610.4	1,725.0	2,214.9	2,078.1	2,301.0	2,370.4
1.1.1. Claims	1,569.1	1,587.0	1,502.3	1,610.4	1,725.0	2,214.9	2,078.1	2,301.0	2,370.4
1.1.2. Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	37.7	39.7	61.2	119.3	108.2	110.4	122.5	140.0	134.3
1.1.1. Claims	49.9	63.4	89.6	138.0	144.8	175.4	178.2	202.5	198.7
1.2.2. Liabilities	12.2	23.7	28.4	18.7	36.6	64.9	55.6	62.5	64.5
1.3 Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. In Croatia	5,790.8	6,808.6	9,114.2	12,332.4	20,782.0	30,381.8	26,931.7	25,239.6	24,937.9
2.1. Equity capital and reinvested earnings	4,400.6	4,972.7	7,116.4	9,920.6	17,961.3	26,826.1	23,500.3	21,638.8	20,874.0
2.1.1. Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Liabilities	4,400.6	4,972.7	7,116.4	9,920.6	17,961.3	26,826.1	23,500.3	21,638.8	20,874.0
2.2. Other capital	1,390.2	1,835.9	1,997.8	2,411.8	2,820.8	3,555.7	3,431.4	3,600.8	4,064.0
2.2.1. Claims	0.3	1.8	19.9	20.1	21.1	24.2	28.0	30.0	13.7
2.2.2. Liabilities	1,390.5	1,837.7	2,017.7	2,431.9	2,841.8	3,579.9	3,459.4	3,630.8	4,077.7
2.3. Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Revised data. ^b Preliminary data.

Table H18: International Investment Position – Portfolio Investment

million euros

	2002	2003	2004	2005	2006	2007	2008		
							Q1 ^a	Q2 ^a	Q3 ^b
Portfolio investment (net)	-3,486.5	-4,183.3	-4,475.6	-3,393.6	-2,866.5	-2,818.7	-3,071.1	-2,857.2	-3,082.3
1. Assets	874.4	735.1	1,506.0	2,136.8	2,575.9	3,022.0	2,414.4	2,356.6	2,010.3
1.1. Equity securities	77.1	139.0	176.8	418.0	720.4	1,601.6	1,075.7	1,116.3	784.0
1.1.1. Banks	7.4	4.7	5.1	5.9	6.7	8.3	6.6	15.2	10.7
1.1.2. Other sectors	69.6	134.2	171.8	412.1	713.7	1,593.3	1,069.0	1,101.1	773.3
1.2. Debt securities	797.4	596.1	1,329.1	1,718.8	1,855.4	1,420.4	1,338.7	1,240.3	1,226.3
2. Liabilities	4,361.0	4,918.4	5,981.6	5,530.4	5,442.4	5,840.7	5,485.5	5,213.8	5,092.6
2.1. Equity securities	238.7	233.4	488.1	646.5	1,037.5	1,416.6	1,106.4	1,003.3	871.6
2.1.1. Banks	44.5	46.3	64.7	84.0	156.7	168.0	141.5	113.3	93.2
2.1.2. Other sectors	194.3	187.1	423.4	562.6	880.8	1,248.5	964.8	889.9	778.4
2.2. Debt securities	4,122.2	4,685.1	5,493.5	4,883.9	4,404.8	4,424.2	4,379.1	4,210.5	4,221.0
2.2.1. Bonds	4,122.2	4,651.4	5,493.5	4,883.9	4,404.8	4,424.2	4,378.2	4,210.5	4,221.0
2.2.1.1. General government	3,950.4	4,306.6	4,662.4	4,052.1	3,640.5	3,563.6	3,499.2	3,339.6	3,373.9
2.2.1.2. Banks	0.0	0.0	453.2	456.6	457.9	459.0	463.8	468.6	454.2
2.2.1.3. Other sectors	171.9	344.8	377.9	375.3	306.4	401.6	415.2	402.3	392.8
2.2.2. Money market instruments	0.0	33.7	0.0	0.0	0.0	0.0	0.9	0.0	0.0
2.2.2.1. Other sectors	0.0	33.7	0.0	0.0	0.0	0.0	0.9	0.0	0.0

^a Revised data. ^b Preliminary data.

Table H19: International Investment Position – Other Investment

million euros

	2002	2003	2004	2005	2006	2007	2008		
							Q1 ^a	Q2 ^a	Q3 ^b
Other investment (net)	-5,258.0	-7,907.9	-9,781.4	-13,671.0	-16,882.0	-18,068.8	-20,290.7	-20,985.7	-20,527.0
1. Assets	4,357.4	5,429.5	5,612.1	4,737.7	5,108.6	6,503.4	5,985.8	5,660.9	6,779.7
1.1. Trade credits	222.5	253.4	221.6	263.0	230.6	248.8	233.7	233.6	229.8
1.1.1. General government	0.0	0.0	0.0	0.3	0.1	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.3	0.1	0.0	0.0	0.0	0.0
1.1.2. Other sectors	222.5	253.4	221.6	262.7	230.4	248.8	233.7	233.6	229.8
Long-term	216.3	211.5	181.4	190.6	177.4	228.7	217.1	214.2	211.9
Short-term	6.2	41.9	40.2	72.1	53.0	20.1	16.6	19.4	17.8
1.2. Loans	108.9	102.1	102.2	146.2	239.5	295.7	321.5	358.6	408.4
1.2.1. Croatian National Bank	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6
Long-term	0.7	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6
1.2.2. General government	4.8	5.3	7.0	8.7	9.5	17.8	19.1	19.8	21.8
Long-term	4.8	5.3	7.0	8.7	9.5	17.8	19.1	19.8	21.8
1.2.3. Banks	97.5	87.1	81.6	113.2	188.5	214.8	223.1	228.9	261.4
Long-term	72.9	63.1	62.6	85.3	140.0	160.0	171.0	173.4	193.0
Short-term	24.6	23.9	19.0	27.9	48.5	54.8	52.0	55.5	68.4
1.2.4. Other sectors	5.9	9.1	13.0	23.6	40.9	62.5	78.9	109.4	124.7
Long-term	5.8	9.1	11.7	23.3	40.7	62.4	78.5	106.2	120.1
Short-term	0.1	0.0	1.3	0.3	0.2	0.1	0.3	3.1	4.6
1.3. Currency and deposits	4,026.0	5,074.0	5,288.2	4,328.5	4,638.3	5,958.9	5,430.6	5,068.7	6,141.5
1.3.1. General government	115.7	81.9	8.9	54.2	26.4	69.8	62.9	74.7	101.5
1.3.2. Banks	2,754.3	3,916.8	4,319.7	3,112.2	3,499.9	4,715.1	4,171.1	3,695.3	4,610.4
1.3.3. Other sectors	1,156.0	1,075.4	959.7	1,162.1	1,111.9	1,174.0	1,196.5	1,298.7	1,429.6
1.4. Other assets	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0
2. Liabilities	9,615.4	13,337.3	15,393.4	18,408.7	21,990.6	24,572.2	26,276.5	26,646.6	27,306.7
2.1. Trade credits	260.0	179.5	155.1	194.2	183.3	322.1	319.5	345.4	367.9
2.1.1. General government	1.1	2.3	2.1	2.6	1.9	1.2	1.0	0.8	0.7
Long-term	1.1	2.3	2.1	2.6	1.9	1.2	1.0	0.8	0.7
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	259.0	177.2	153.0	191.6	181.3	320.9	318.6	344.6	367.2
Long-term	211.5	155.0	129.8	163.8	145.4	289.8	284.0	309.3	326.9
Short-term	47.5	22.2	23.2	27.8	35.9	31.1	34.5	35.3	40.3
2.2. Loans	7,055.0	10,027.9	11,578.7	14,035.5	16,896.6	19,332.1	21,068.2	21,906.1	22,824.9
2.2.1. Croatian National Bank	21.5	363.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	1,932.1	2,260.5	2,590.2	2,990.6	3,024.1	3,093.0	3,101.3	3,328.5	3,499.7
Long-term	1,932.1	2,260.5	2,590.2	2,990.6	3,024.1	3,093.0	3,101.3	3,328.5	3,499.7
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	1,901.0	3,403.0	4,037.3	4,887.5	5,367.8	4,275.8	4,372.1	4,313.9	3,764.6
Long-term	1,900.6	2,798.5	3,517.4	3,822.7	4,217.3	3,565.1	3,570.5	3,400.0	3,220.7
Short-term	0.3	604.6	519.9	1,064.8	1,150.4	710.8	801.6	913.9	544.0
2.2.4. Other sectors	3,200.3	4,001.0	4,951.3	6,157.3	8,504.8	11,963.3	13,594.9	14,263.7	15,560.6
Long-term	3,174.9	3,933.0	4,852.7	6,017.1	8,349.8	11,282.3	13,018.5	13,579.7	14,718.7
Short-term	25.4	68.1	98.5	140.2	155.0	681.0	576.4	684.0	841.9
2.3. Currency and deposits	1,898.6	2,738.8	3,242.7	3,635.6	4,398.3	4,145.0	4,620.8	3,943.3	3,728.2
2.3.1. Croatian National Bank	1.7	2.6	2.4	2.6	2.6	2.3	1.7	2.0	1.8
2.3.2. Banks	1,896.9	2,736.2	3,240.3	3,632.9	4,395.7	4,142.6	4,619.1	3,941.3	3,726.4
2.4. Other liabilities	401.8	391.2	417.0	543.5	512.5	773.0	267.9	451.7	385.7

^a Revised data. ^b Preliminary data.

Table I1: Consolidated Central Government According to the Government Level

million kuna

	2004	2005	2006	2007	2007				2008	
					Mar.	Jun.	Sep.	Dec.	Jan.	Feb.
1. REVENUE (A+B)	87,019.3	92,642.5	100,392.6	113,386.2	8,076.5	8,996.5	10,133.8	10,233.2	10,143.3	9,172.5
A) Budgetary central government	80,463.5	85,653.0	95,234.1	108,297.0	7,800.9	8,607.4	9,703.0	9,758.1	9,849.9	8,765.5
B) Extrabudgetary users	6,555.8	6,989.5	5,158.5	5,089.2	275.6	389.1	430.8	475.1	293.4	407.0
1. Croatian Pension Insurance Administration	129.9	38.0	293.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian Institute for Health Insurance	663.1	863.9	848.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian Employment Service	15.5	18.9	18.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Croatian Waters	1,224.4	1,227.8	1,526.9	2,041.2	161.3	156.5	187.2	279.7	105.7	126.2
5. Fund for Environmental Protection and Energy Efficiency	170.7	214.7	659.8	1,102.9	53.9	62.7	79.3	119.3	76.2	119.3
6. Croatian Motorways Ltd.	2,295.4	2,547.0	1,271.1	1,375.3	54.1	123.6	139.1	33.6	82.3	87.9
7. Croatian Roads Ltd.	1,417.8	1,474.7	64.7	119.9	3.3	36.0	16.4	29.6	3.3	2.7
8. State Agency for Deposit Insurance and Bank Rehabilitation	575.9	367.4	409.6	391.4	2.4	5.5	5.4	4.6	24.2	65.4
9. Croatian Privatisation Fund	62.9	237.0	65.9	58.3	0.6	4.8	3.4	8.4	1.7	5.5
2. EXPENSE (A+B)	86,941.4	92,332.1	98,751.4	109,075.0	8,811.9	8,387.0	9,172.4	11,460.1	7,969.4	9,311.3
A) Budgetary central government	81,861.2	86,715.6	91,979.7	103,004.9	8,481.0	7,884.4	8,729.9	10,527.3	7,601.9	8,977.0
B) Extrabudgetary users	5,080.3	5,616.5	6,771.7	6,070.1	331.0	502.6	442.4	932.8	367.5	334.3
1. Croatian Pension Insurance Administration	587.4	382.2	565.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian Institute for Health Insurance	831.3	914.3	931.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Croatian Employment Service	141.3	145.9	155.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Croatian Waters	1,426.3	1,489.5	1,779.1	2,099.0	104.1	157.7	184.0	369.6	137.7	28.2
5. Fund for Environmental Protection and Energy Efficiency	32.4	172.0	734.8	1,083.3	72.9	60.3	110.1	115.3	46.5	102.6
6. Croatian Motorways Ltd.	752.3	1,085.1	1,272.7	1,509.8	72.2	182.6	78.4	217.0	92.9	128.4
7. Croatian Roads Ltd.	934.6	1,062.4	1,226.9	1,241.9	75.6	83.1	61.2	218.7	82.2	70.0
8. State Agency for Deposit Insurance and Bank Rehabilitation	314.5	183.0	27.4	47.8	1.1	9.3	1.4	1.4	1.2	0.8
9. Croatian Privatisation Fund	60.1	182.1	78.4	88.2	5.0	9.6	7.3	10.9	7.0	4.3
NET/GROSS OPERATING BALANCE (1–2)	77.8	310.3	1,641.2	4,311.2	-735.4	609.5	961.4	-1,226.9	2,173.9	-138.8
3. CHANGE IN NET WORTH: TRANSACTIONS (3.1.+3.2.–3.3.)	77.8	310.3	1,641.2	4,311.2	-735.4	609.5	961.4	-1,226.9	2,173.9	-138.8
3.1. CHANGE IN NET ACQUISITION OF NON-FINANCIAL ASSETS	8,373.5	6,699.4	6,108.6	7,811.0	412.3	520.2	590.7	1,373.0	291.2	367.4
Acquisition	8,648.4	7,024.2	6,836.4	8,378.6	459.0	540.8	616.5	1,439.1	316.0	388.1
A) Budgetary central government	1,663.9	1,828.8	1,908.5	3,043.9	101.7	126.7	191.6	717.6	76.4	46.8
B) Extrabudgetary users	6,984.5	5,195.4	4,927.9	5,334.7	357.3	414.1	424.9	721.5	239.6	341.2
Disposals	274.9	324.8	727.7	567.7	46.8	20.7	25.9	66.2	24.9	20.7
A) Budgetary central government	244.4	275.1	352.7	498.7	32.3	20.5	23.6	52.5	22.2	20.6
B) Extrabudgetary users	30.5	49.6	375.1	69.0	14.5	0.1	2.3	13.6	2.6	0.1
NET LENDING/BORROWING (1–2–3.1.)	-8,295.6	-6,389.1	-4,467.4	-3,499.8	-1,147.7	89.3	370.8	-2,599.8	1,882.7	-506.1
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING) (3.3.–3.2.)	8,295.6	6,389.1	4,467.4	3,499.8	1,147.7	-89.3	-370.8	2,599.8	-1,882.7	506.1
3.2. CHANGE IN NET ACQUISITION OF FINANCIAL ASSETS	28.4	1,609.8	-2,576.7	-2,939.2	-755.0	-193.9	560.4	-2,488.4	998.9	-90.9
3.2.1. Domestic	18.6	1,614.6	-2,593.4	-2,957.2	-755.0	-196.7	560.4	-2,493.0	998.9	-90.9
A) Budgetary central government	138.6	1,747.7	-3,063.9	-3,752.8	-785.6	-235.8	690.4	-3,008.2	1,176.1	-84.8
B) Extrabudgetary users	-120.0	-133.1	470.5	795.6	30.6	39.2	-130.0	515.1	-177.2	-6.0
3.2.2. Foreign	9.8	-4.9	16.7	18.0	0.0	2.7	0.0	4.7	0.0	0.0
A) Budgetary central government	9.8	-4.9	16.7	18.0	0.0	2.7	0.0	4.7	0.0	0.0
B) Extrabudgetary users	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2.3. Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. CHANGE IN NET INCURRENCE OF LIABILITIES	8,324.0	7,998.8	1,890.7	560.6	392.6	-283.3	189.6	111.5	-883.8	415.3
3.3.1. Domestic	4,107.7	12,041.7	5,282.8	2,017.1	472.3	-390.7	185.3	-250.7	-326.3	341.7
A) Budgetary central government	4,038.7	10,591.6	3,166.3	1,477.6	277.8	-388.0	193.5	192.9	-321.1	343.6
B) Extrabudgetary users	69.0	1,450.1	2,116.5	539.5	194.5	-2.6	-8.2	-443.6	-5.1	-1.9
3.3.2. Foreign	4,216.3	-4,042.8	-3,392.1	-1,456.5	-79.6	107.4	4.3	362.2	-557.5	73.6
A) Budgetary central government	270.3	-5,080.6	-3,943.2	-2,980.2	-93.6	-195.6	-30.7	26.6	-467.4	0.3
B) Extrabudgetary users	3,946.0	1,037.8	551.2	1,523.7	14.0	303.0	35.1	335.5	-90.2	73.3

The Notes on Methodology can be found in the Ministry of Finance Monthly Statistical Review.
 Note: On a cash basis. Source: MoF.

Table I2: Budgetary Central Government Operations

million kuna

	2004	2005	2006	2007	2007				2008	
					Mar.	Jun.	Sep.	Dec.	Jan.	Feb.
1. REVENUE	80,463.5	85,653.0	95,235.6	108,320.6	7,803.2	8,607.4	9,702.8	9,770.1	9,849.9	8,765.5
1.1. Taxes	47,149.9	50,687.6	58,469.1	64,234.5	4,502.2	5,157.1	5,256.5	4,675.8	5,940.1	5,181.6
1.2. Social contributions	29,477.6	31,301.3	33,877.1	37,203.5	2,929.4	3,116.4	3,149.9	3,209.7	3,385.9	3,177.7
1.3. Grants	10.1	27.5	196.0	428.0	10.8	40.8	29.3	102.8	33.4	16.4
1.4. Other revenue	3,825.9	3,636.6	2,693.3	6,454.5	360.7	293.1	1,267.1	1,781.8	490.5	389.8
2. EXPENSE	83,131.1	87,857.5	95,950.0	108,007.6	8,703.5	8,150.7	9,007.1	12,328.1	7,831.1	9,168.1
2.1. Compensation of employees	22,268.3	23,182.6	24,313.9	27,545.1	2,152.2	2,224.9	2,250.1	2,555.0	2,406.9	2,367.2
2.2. Use of goods and services	4,358.7	4,951.9	6,069.1	7,162.4	521.9	486.7	546.0	1,087.7	382.2	449.8
2.3. Consumption of fixed capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Interest	3,972.5	4,387.0	4,713.6	4,535.0	715.5	370.6	373.7	319.4	289.1	1,105.8
2.5. Subsidies	4,968.1	5,248.7	5,670.8	6,492.0	582.6	349.2	731.3	662.7	359.5	636.6
2.6. Grants	3,420.3	3,796.8	6,653.0	8,363.2	379.6	495.2	511.4	2,429.2	374.5	343.5
2.7. Social benefits	39,730.9	41,358.5	43,444.6	48,176.0	4,013.5	3,851.3	4,251.6	4,474.2	3,847.0	3,941.1
2.8. Other expense	4,412.4	4,931.9	5,085.0	5,733.9	338.2	372.7	343.1	799.8	171.9	324.0
3. CHANGE IN NET WORTH: TRANSACTIONS	-2,667.6	-2,204.5	-714.4	313.0	-900.3	456.7	695.6	-2,557.9	2,018.8	-402.5
3.1. Change in net acquisition of non-financial assets	1,419.5	1,553.7	1,555.8	2,545.2	69.5	106.2	168.0	665.1	54.2	26.2
3.1.1. Fixed assets	1,384.6	1,517.0	1,595.1	2,625.7	62.1	99.3	159.8	650.4	53.0	24.7
3.1.2. Inventories	0.0	0.0	-80.2	-161.4	-1.3	0.0	0.0	-7.2	0.0	-0.2
3.1.3. Valuables	7.5	7.2	7.8	9.6	0.9	2.6	0.3	0.6	0.1	1.2
3.1.4. Non-produced assets	27.3	29.5	33.1	71.3	7.8	4.3	7.9	21.2	1.0	0.5
3.2. Change in net acquisition of financial assets	222.0	1,752.8	-3,047.2	-3,734.8	-785.6	-233.1	690.4	-3,003.5	1,176.1	-84.8
3.2.1. Domestic	212.2	1,757.7	-3,063.9	-3,752.8	-785.6	-235.8	690.4	-3,008.2	1,176.1	-84.8
3.2.2. Foreign	9.8	-4.9	16.7	18.0	0.0	2.7	0.0	4.7	0.0	0.0
3.2.3. Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. Change in net incurrence of liabilities	4,309.0	5,510.9	-777.0	-1,502.6	184.2	-583.6	162.8	219.5	-788.5	343.9
3.3.1. Domestic	4,038.7	10,591.6	3,166.3	1,477.6	277.8	-388.0	193.5	192.9	-321.1	343.6
3.3.2. Foreign	270.3	-5,080.6	-3,943.2	-2,980.2	-93.6	-195.6	-30.7	26.6	-467.4	0.3

The Notes on Methodology can be found in the Ministry of Finance Monthly Statistical Review.
 Note: On a cash basis. Source: MoF.

Table I3: Central Government Debt

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec. ^a	Dec.	Dec.	Dec.	Dec.	Dec.*	Mar.*	Jun.*	Sep.*	Oct.
1. Domestic debt of central government	31,421.5	34,736.4	41,517.0	55,028.8	59,732.5	63,029.8	64,525.5	64,893.3	64,178.4	64,557.2
1.1. Domestic debt of the Republic of Croatia	23,320.0	28,160.8	37,223.7	50,559.5	54,216.7	56,506.5	57,669.9	57,573.2	57,136.1	57,540.4
Treasury bills	5,632.7	6,548.1	9,022.5	12,533.4	12,662.2	11,975.3	11,874.6	12,038.2	10,906.0	9,748.0
Money market instruments	0.1	0.3	–	0.9	–	–	–	–	–	–
Bonds	15,887.9	17,422.0	23,080.1	30,716.0	34,827.9	38,795.2	38,556.3	37,409.4	37,079.8	37,301.6
Credits from the CNB	0.5	1.4	3.3	1.4	0.9	1.0	–	1.0	–	–
Credits from banks	1,798.8	4,189.1	5,117.8	7,307.8	6,725.7	5,735.0	7,239.0	8,124.6	9,150.3	10,490.8
1.2. Domestic debt of central government funds	8,101.5	6,575.5	4,293.3	4,469.2	5,515.8	6,523.4	6,855.6	7,320.1	7,042.3	7,016.8
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	4,460.7	3,616.4	2,040.1	176.9	253.1	121.5	105.2	103.4	99.5	99.3
Credits from banks	3,640.7	2,959.1	2,253.2	4,292.3	5,262.6	6,401.8	6,750.4	7,216.7	6,942.8	6,917.6
2. External debt of central government	43,399.6	49,924.7	55,437.5	51,769.5	48,833.5	49,063.7	47,736.7	48,141.0	48,696.9	49,949.0
2.1. External debt of the Republic of Croatia	37,432.1	41,041.9	42,231.2	36,414.5	32,556.6	29,405.3	28,051.5	27,477.0	27,233.1	27,993.0
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	28,719.3	32,115.1	32,919.3	27,020.1	22,836.9	20,397.3	19,556.3	18,388.1	18,258.6	18,784.2
Credits	8,712.8	8,926.8	9,311.9	9,394.5	9,719.7	9,008.0	8,495.2	9,088.8	8,974.5	9,208.9
2.2. External debt of central government funds	5,967.6	8,882.8	13,206.3	15,354.9	16,276.9	19,658.4	19,685.2	20,664.0	21,463.8	21,956.0
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	680.4	816.9	2,846.8	2,866.5	3,903.0	5,908.9	5,836.3	5,811.7	5,722.6	5,810.8
Credits	5,287.2	8,066.0	10,359.5	12,488.4	12,373.9	13,749.4	13,848.9	14,852.3	15,741.3	16,145.2
3. Total (1+2)	74,821.1	84,661.1	96,954.5	106,798.2	108,566.0	112,093.5	112,262.2	113,034.3	112,875.3	114,506.2
Supplement: Central government guaranteed debt										
– guarantees for domestic debt	7,528.1	6,895.4	4,642.0	5,345.9	7,312.8	7,919.9	7,402.9	7,651.6	7,894.1	8,115.8
– guarantees for external debt	8,764.6	8,713.0	7,787.7	7,248.8	6,965.0	9,572.5	9,744.3	9,924.5	10,221.0	10,447.8

^a Irrespective of the note under the heading "Classification and presentation of data on claims and liabilities", the debt of the Croatian Roads, the Croatian Motorways and the State Agency for Deposit Insurance and Bank Rehabilitation, presented in this table under headings 2. External debt of central government and 1. Domestic debt of central government, was reclassified from the subsector Republic of Croatia to the subsector central government funds in December 1998 and December 2002 respectively.

Table I3: Central Government Debt

Data on the central government debt are based on the available data and are not reconciled with the Ministry of Finance of the Republic of Croatia. The central government debt comprises the domestic and external debt. The Ministry of Finance Monthly Statistical Review, Monetary Authorities Accounts and Banks' Accounts are

the sources of data on the domestic central government debt. The external debt statistics compiled by the CNB is the source of data on the central government external debt. The supplement contains the data on the central government guaranteed debt. Banks are the source of data on domestic debt guarantees, while the external debt statistics compiled by the CNB is the source of data on external debt guarantees.

Table J1: Consumer Price and Producer Price Indices

Year	Month	Basic indices, 2005 = 100			Chain indices				Monthly year-on-year indices			
		Consumer price indices			Consumer price indices ^a			Producer prices	Consumer price indices ^b			Producer prices
		Total	Goods	Services	Total	Goods	Services		Total	Goods	Services	
1994	December	....	....	....	100.2	100.1	100.8	100.2	97.0	95.0	108.1	94.5
1995	December	....	....	....	100.2	100.2	99.8	100.5	103.7	102.4	109.3	101.6
1996	December	....	....	....	100.0	100.2	99.5	100.3	103.4	102.3	108.7	101.5
1997	December	....	....	....	100.7	100.3	102.3	99.9	103.8	102.7	108.2	101.6
1998	December	82.1	84.6	73.7	100.3	100.4	100.0	100.0	105.4	104.3	109.2	97.9
1999	December	85.3	87.2	78.5	100.6	100.8	100.0	100.3	103.9	103.1	106.5	105.9
2000	December	90.0	92.0	82.8	100.4	100.4	100.1	100.2	105.5	105.5	105.5	111.2
2001	December	92.1	93.2	88.5	100.4	100.4	100.5	99.0	102.4	101.3	106.8	96.9
2002	December	93.8	94.2	92.6	100.4	100.6	99.6	99.9	101.8	101.1	104.6	102.3
2003	December	95.4	95.7	94.6	100.3	100.2	100.5	100.0	101.7	101.6	102.2	101.0
2004	December	98.0	98.0	98.0	100.7	100.9	100.2	99.3	102.7	102.5	103.6	104.8
2005	December	101.6	101.4	102.0	100.5	100.5	100.5	99.7	103.6	103.5	104.1	102.7
2006	December	103.7	102.8	106.4	100.0	100.0	100.2	100.0	102.0	101.4	104.2	101.9
2007	December	109.7	109.5	110.0	101.2	101.2	101.3	100.4	105.8	106.6	103.4	105.8
2008	January	110.4	109.9	111.9	100.7	100.4	101.7	102.3	106.2	107.0	103.7	107.4
	February	110.3	109.5	112.6	99.9	99.6	100.7	100.3	105.8	106.4	103.8	107.5
	March	110.9	110.4	112.4	100.6	100.8	99.8	100.8	105.7	106.4	103.5	107.6
	April	111.7	111.4	112.5	100.7	100.9	100.1	100.4	105.7	106.2	104.0	107.7
	May	113.0	113.0	112.5	101.1	101.4	100.0	101.3	106.4	107.1	104.1	108.7
	June	113.8	113.8	113.4	100.7	100.7	100.8	101.3	107.6	108.5	104.7	109.6
	July	113.9	113.7	114.3	100.1	99.9	100.8	102.4	108.4	109.6	104.6	112.0
	August	113.6	113.1	114.7	99.7	99.5	100.3	99.9	107.4	108.3	104.4	111.0
	September	113.8	113.8	113.5	100.2	100.6	98.9	99.9	106.4	107.0	104.4	110.3
	October	113.7	113.8	112.9	99.9	100.0	99.5	98.9	105.9	106.4	104.3	108.8
	November	113.5	113.2	114.2	99.9	99.5	101.1	98.5	104.7	104.6	105.1	106.5

^a Data from January 1992 to December 1997 relate to the retail price index. ^b Data from January 1992 to December 1998 relate to the retail price index.
Source: CBS.

Table J1: Consumer Price and Producer Price Indices

The Central Bureau of Statistics (CBS) introduced the consumer price index (CPI) in early 2004. This indicator of price movements was compiled in accordance with the methodological principles laid down by the ILO and Eurostat. In its First Release, issued on 17 February 2004, the CBS published the data on movements in the CPI in January 2004 and the time series for the CPI as of January 2001. The CBS subsequently constructed the time series for the con-

sumer price index encompassing the period from January 1998 to December 2000. As expected following the introduction of the new index, the CBS ceased to publish the retail price index (RPI) and the cost of living index, whose calculation methodologies have not been adequately harmonised with internationally accepted standards. The main features of the CPI are described in the CNB Bulletin No. 91 (see Box 1). The data on the average year-on-year consumer price inflation rate are shown in the Bulletin table on Economic Indicators.

Table J2: Core Consumer Price Indices

Year	Month	Basic indices, 2005 = 100 ^a			Chain indices			Monthly year-on-year indices		
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
1998	December	87.3	88.6	80.0	99.9	99.9	100.0	....	....	....
1999	December	89.8	91.1	82.3	100.1	100.1	100.1	102.9	102.9	103.0
2000	December	92.8	93.9	86.5	100.4	100.4	100.2	103.3	103.0	105.0
2001	December	93.9	94.6	89.8	99.8	99.7	100.3	101.2	100.8	103.8
2002	December	95.0	95.6	91.9	100.0	100.1	99.4	101.2	101.0	102.4
2003	December	96.2	96.4	94.7	100.2	100.1	101.0	101.2	100.9	103.0
2004	December	98.4	98.5	97.4	100.1	100.1	100.4	102.3	102.2	102.9
2005	December	101.3	101.4	101.0	100.1	100.0	100.5	103.0	102.9	103.7
2006	December	103.6	103.6	103.6	99.8	99.7	100.3	102.3	102.2	102.5
2007	December	108.8	109.1	107.2	100.8	100.8	100.4	105.0	105.3	103.5
2008	January	108.7	108.8	108.2	99.9	99.7	101.0	105.3	105.6	103.8
	February	108.7	108.7	108.8	100.0	99.9	100.5	105.1	105.3	103.7
	March	109.3	109.3	109.1	100.5	100.6	100.3	105.1	105.4	103.8
	April	110.1	110.3	109.2	100.7	100.8	100.1	105.3	105.5	104.0
	May	111.3	111.4	110.3	101.0	101.1	101.0	105.6	105.8	104.3
	June	112.4	112.2	112.8	101.0	100.7	102.3	106.5	106.7	105.7
	July	112.1	111.6	115.2	99.8	99.4	102.1	106.8	107.0	105.8
	August	112.5	111.9	116.0	100.4	100.3	100.7	106.6	106.8	105.3
	September	113.1	113.0	113.2	100.5	101.0	97.6	106.3	106.6	105.2
	October	113.5	113.7	112.0	100.3	100.6	99.0	105.9	106.0	105.3
	November	114.0	114.3	112.3	100.5	100.5	100.2	105.6	105.6	105.2

^a Since January 2007, the CPI has been calculated and published by the CBS on the new base 2005 = 100. Source: CBS.

Table J2: Core Consumer Price Indices

The core consumer price index is calculated by the Central Bureau of Statistics (CBS) in the manner that agricultural products prices and administrative prices (which among others include the prices of electricity and refined petroleum products) are excluded

from the basket of goods and services used in the calculation of the total index. These two groups of products accounted for a total of 30.06% in the basket in 2005 (agricultural products 6.93 percentage points, and administrative products 23.13 percentage points). A total of 111 goods and services are excluded from the coverage of the CPI basket and assigned a zero weight.

Table J3: Average Monthly Net Wages

in current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1994	December	1,646.0	119.0	153.4	233.2
1995	December	1,883.0	99.4	114.4	145.7
1996	December	2,217.0	104.4	117.7	111.8
1997	December	2,544.0	100.8	114.8	116.9
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	December	3,839.0	98.0	107.2	105.0
2003	December	4,045.0	99.8	105.4	105.9
2004	December	4,312.0	99.1	106.6	105.9
2005	December	4,473.0	97.3	103.7	104.9
2006	December	4,735.0	97.0	105.9	105.2
2007	October	4,871.0	102.7	106.3	105.2
	November	5,131.0	105.3	105.1	105.2
	December	4,958.0	96.6	104.7	105.2
2008	January	5,019.0	101.2	105.9	105.9
	February	4,993.0	99.5	107.4	106.7
	March	5,042.0	101.0	105.3	106.2
	April	5,036.0	99.9	106.0	106.2
	May	5,174.0	102.7	106.1	106.2
	June	5,167.0	99.9	106.6	106.2
	July	5,234.0	101.3	107.8	106.5
	August	5,184.0	99.0	106.5	106.5
	September	5,203.0	100.4	109.7	106.8

Source: CBS.

Table J4: Consumer Confidence Index, Consumer Expectations Index and Consumer Sentiment Index

index points, original data

Year	Month	Composite indices			Response indices (I)						
		Consumer confidence index	Consumer expectations index	Consumer sentiment index	I1	I2	I3	I4	I7	I8	I11
1999	October	-33.7	-14.9	-46.3	-38.4	-12.1	-49.9	-17.6	35.5	-50.7	-69.7
2000	October	-20.9	3.5	-32.2	-26.2	1.2	-22.0	5.7	26.9	-48.3	-63.6
2001	October	-27.0	-11.4	-35.6	-29.6	-10.0	-35.9	-12.7	22.9	-41.3	-62.3
2002	October	-25.2	-8.3	-29.3	-22.6	-5.1	-31.2	-11.5	20.1	-34.1	-64.0
2003	October	-22.2	-4.5	-25.0	-21.5	-2.6	-26.5	-6.4	14.7	-27.1	-65.2
2004	October	-23.9	-7.9	-22.0	-19.1	-4.1	-30.5	-11.6	22.5	-16.5	-57.3
2005	December	-26.4	-13.7	-25.6	-16.4	-5.9	-34.4	-21.5	27.6	-25.9	-50.6
2006	December	-18.9	-4.7	-15.4	-10.9	1.1	-22.4	-10.5	16.9	-12.9	-49.4
2007	December	-24.7	-15.5	-24.5	-16.8	-9.8	-31.8	-21.2	12.8	-25.0	-54.8
2008	January	-21.0	-12.4	-22.8	-15.5	-6.9	-29.8	-17.9	9.1	-23.1	-50.0
	February	-24.2	-16.1	-28.1	-21.1	-8.0	-35.7	-24.2	10.0	-27.5	-54.4
	March	-24.1	-13.7	-27.2	-21.9	-6.4	-38.4	-20.9	14.9	-21.2	-54.2
	April	-20.5	-11.4	-24.7	-21.5	-6.3	-30.7	-16.4	6.4	-21.8	-53.0
	May	-26.8	-18.9	-29.4	-22.5	-10.7	-40.6	-27.0	12.1	-25.1	-57.3
	June	-34.7	-32.0	-34.9	-28.6	-23.8	-49.4	-40.1	17.6	-26.7	-57.4
	July	-30.5	-26.3	-35.0	-29.1	-17.4	-48.2	-35.1	13.5	-27.8	-56.0
	August	-29.5	-24.7	-34.4	-25.8	-17.5	-45.6	-31.8	15.6	-31.8	-53.2
	September	-29.3	-22.8	-36.4	-30.2	-17.3	-48.5	-28.2	15.1	-30.6	-56.7
	October	-28.0	-19.5	-33.7	-25.9	-10.9	-44.3	-28.1	20.0	-30.8	-53.1
	November	-32.4	-24.3	-30.9	-25.5	-17.6	-45.8	-30.9	28.0	-21.5	-53.0
	December	-42.0	-33.3	-40.9	-30.7	-25.9	-51.8	-40.6	43.4	-40.3	-57.9

Table J4: Consumer Confidence Index, Consumer Expectations Index and Consumer Sentiment Index

The CNB Consumer Confidence Survey has been carried out regularly since April 1999 in accordance with the methodology of the European Commission, the Joint Harmonised EU Programme of Business and Consumer Surveys. Until April 2005, the CNB conducted the survey once a quarter (in January, April, July and October). As of May 2005, the CNB carries out the survey in monthly frequency in cooperation with the European Commission, using its technical and financial assistance. The Croatian National Bank bears sole responsibility for the creation and conduct of the survey.

The questionnaire contains 23 questions, examining consumer perception of the changes as regards every-day economic issues. The value of the response index is determined in line with the set methodology, based on the responses to the questions from the Consumer Confidence Survey. The movements of three composite indices, consumer confidence index (CCI), consumer sentiment index (CSI) and consumer expectations index (CEI), are calculated and monitored based on the value of the response indices. Each of the said composite indices is calculated as the arithmetic average of the response indices (I), i.e. as the average of previously quantified responses to individual questions from the survey:

$$I_i = \sum_z^k r_i \cdot w_i$$

where: r is the value of the response, w is the share of respondents opting for a particular response (weight), i question from the ques-

tionnaire, z is the offered/chosen response, k is the number of offered responses to a particular question.

The value of the said indices ranges $-100 < I_i < 100$. Higher index values than those recorded over the previous period point to an increase in expectations (optimism) as regards the specific segment covered by the particular question.

The table shows the values of chosen response indices for the following questions:

I1: How has the financial situation of your household changed over the last 12 months?

I2: How do you expect the financial position of your household to change over the next 12 months?

I3: How do you think the general economic situation in Croatia has changed over the past 12 months?

I4: How do you expect the general economic situation in Croatia to develop over the next 12 months?

I7: How do you expect the number of people unemployed in Croatia to change over the next 12 months?

I8: In view of the general economic situation, do you think now is the right moment for people to make major purchases such as furniture, electrical/electronic devices, etc.?

I11: Over the next 12 months, how likely is it that you will save any money?

The components of composite indices are as follows:

CCI: I2, I4, I7×(-1), I11

CEI: I2, I4

CSI: I1, I3, I8.

List of Banks and Savings Banks

1 December 2008

Licensed Banks

1. Banco Popolare Croatia d.d., Zagreb
2. Banka Brod d.d., Slavonski Brod
3. Banka Kovanica d.d., Varaždin
4. Banka Splitsko-Dalmatinska d.d., Split
5. Centar banka d.d., Zagreb
6. Credo banka d.d., Split
7. Croatia banka d.d., Zagreb
8. Erste & Steiermärkische Bank d.d., Rijeka
9. Hrvatska poštanska banka d.d., Zagreb
10. Hypo Alpe-Adria-Bank d.d., Zagreb
11. Imex banka d.d., Split
12. Istarska kreditna banka Umag d.d., Umag
13. Jadranska banka d.d., Šibenik
14. Karlovačka banka d.d., Karlovac
15. Kreditna banka Zagreb d.d., Zagreb
16. Kvarner banka d.d., Rijeka
17. Međimurska banka d.d., Čakovec
18. Nava banka d.d., Zagreb
19. OTP banka Hrvatska d.d., Zadar
20. Partner banka d.d., Zagreb
21. Podravska banka d.d., Koprivnica
22. Primorska banka d.d., Rijeka
23. Privredna banka Zagreb d.d., Zagreb
24. Raiffeisenbank Austria d.d., Zagreb
25. Samoborska banka d.d., Samobor
26. Slatinska banka d.d., Slatina
27. Slavonska banka d.d., Osijek
28. Soci t  G n rale – Splitska banka d.d., Split
29. Štedbanka d.d., Zagreb
30. Vaba d.d. banka Varaždin, Varaždin
31. Veneto banka d.d., Zagreb
32. Volksbank d.d., Zagreb
33. Zagrebačka banka d.d., Zagreb

Licensed Savings Banks

1. Obrtnička štedna banka d.d., Zagreb

Licensed Housing Savings Banks

1. HPB – Stambena štedionica d.d., Zagreb
2. PBZ Stambena štedionica d.d., Zagreb
3. Prva stambena štedionica d.d., Zagreb
4. Raiffeisen stambena štedionica d.d., Zagreb
5. Wüstenrot stambena štedionica d.d., Zagreb

Other Licensed Institutions with Full Authorisation

1. Hrvatska banka za obnovu i razvitak, Zagreb

Representative Offices of Foreign Banks

1. Bank für K rnten und Steiermark AG, Zagreb
2. Commerzbank Aktiengesellschaft, Zagreb
3. Deutsche Bank AG, Zagreb
4. Komercijalna banka a.d., Zagreb
5. LHB Internationale Handelsbank AG, Zagreb
6. Union de Banques Arabes et Fran aises – UBAF, Zagreb

Banks and Savings Banks Undergoing Bankruptcy Proceedings

Name of bank/savings bank	Date of bankruptcy proceedings initiation
1. Agroobrtnička banka d.d., Zagreb	14/6/2000
2. Alpe Jadran banka d.d., Split	15/5/2002
3. Cibalae banka d.d., Vinkovci	20/10/2000
4. Glumina banka d.d., Zagreb	30/4/1999
5. Gradska banka d.d., Osijek	3/5/1999
6. Hrvatska gospodarska banka d.d., Zagreb	19/4/2000
7. Ilirija banka d.d., Zagreb	6/4/1999
8. Komercijalna banka d.d., Zagreb	30/4/1999
9. Međimurska štedionica d.d., Čakovec	17/3/2004
10. Trgovačko-turistička banka d.d., Split	8/9/2000
11. Źupanjska banka d.d., Źupanja	3/5/1999

Banks and Savings Banks Undergoing Winding-up Proceedings

Name of bank/savings bank	Date of winding-up proceedings initiation
1. Investicijsko-komercijalna štedionica d.d., Zagreb	31/5/2000
2. Križevačka banka d.d., Križevci	3/1/2005
3. Primus banka d.d., Zagreb	23/12/2004
4. Štedionica Dora d.d., Zagreb	1/1/2002
5. Štedionica Zlatni vrutak d.d., Zagreb	28/12/2001

Banks and Savings Banks whose License Was Revoked, but Have Not Initiated Winding-up Proceedings

Name of bank/savings bank	Date of revoking operating license
1. Hibis štedionica d.d., Zagreb	7/3/2001
2. Marvil štedionica d.d., Zagreb	8/6/2001
3. Zagrebačka štedionica d.d., Zagreb	22/3/2000

Management of the Croatian National Bank

1 December 2008

Members of the Council of the Croatian National Bank

Chairman of the Council	Željko Rohatinski
Members of the Council	Boris Cota Davor Holjevac Vlado Leko Branimir Lokin Željko Lovrinčević Relja Martić Adolf Matejka Silvije Orsag Tomislav Presečan Jure Šimović Sandra Švaljek Mladen Vedriš Boris Vujčić

Management of the CNB

Governor	Željko Rohatinski
Deputy Governor	Boris Vujčić
Vicegovernor	Davor Holjevac
Vicegovernor	Relja Martić
Vicegovernor	Adolf Matejka
Vicegovernor	Tomislav Presečan

Executive Directors

Research and Statistics Area	Ljubinko Jankov
Central Banking Operations Area	Irena Kovačec
Foreign Exchange Operations Area	
Prudential Regulation and Bank Supervision Area	Željko Jakuš
Planning, Analysis and Accounting Area	Diana Jakelić
Payment Operations Area	Neven Barbaroša
Information Technology Area	Mario Žgela
Support Services Area	Boris Ninić
International Relations Area	Michael Faulend

Abbreviations and Symbols

Abbreviations

bn	– billion	IMF	– International Monetary Fund
b.p.	– basis points	IPO	– initial public offering
BOP	– balance of payments	m	– million
c.i.f.	– cost, insurance and freight	MIGs	– main industrial groupings
CBRD	– Croatian Bank for Reconstruction and Development	MM	– monthly maturity
CBS	– Central Bureau of Statistics	MoF	– Ministry of Finance
CCI	– consumer confidence index	NCS	– National Clearing System
CDA	– Central Depository Agency	n.e.c.	– not elsewhere classified
CEE	– Central and Eastern European	OG	– Official Gazette
CEFTA	– Central European Free Trade Agreement	R	– Republic
CEI	– consumer expectations index	o/w	– of which
CES	– Croatian Employment Service	PPI	– producer price index
CM	– Croatian Motorways	RTGS	– Real-Time Gross Settlement
CIHI	– Croatian Institute for Health Insurance	Q	– quarter
CLVPS	– Croatian Large Value Payment System	RR	– reserve requirement
CNB	– Croatian National Bank	SAL	– Structural Adjustment Loan
consump.	– consumption	SDR	– special drawing rights
CPF	– Croatian Privatisation Fund	SITC	– Standard International Trade Classification
CPI	– consumer price index	ZMM	– Zagreb Money Market
CPIA	– Croatian Pension Insurance Administration	ZSE	– Zagreb Stock Exchange
CR	– Croatian Roads	VAT	– value added tax
CSI	– consumer sentiment index	WTO	– World Trade Organization
DAB	– State Agency for Deposit Insurance and Bank Rehabilitation		
dep.	– deposit		
DVP	– delivery versus payment		
ECB	– European Central Bank		
EFTA	– European Free Trade Association		
EMU	– Economic and Monetary Union		
ESI	– economic sentiment index		
EU	– European Union		
excl.	– excluding		
f/c	– foreign currency		
FDI	– foreign direct investment		
Fed	– Federal Reserve System		
FINA	– Financial Agency		
f.o.b.	– free on board		
GDP	– gross domestic product		
GVA	– gross value added		
HANFA	– Croatian Financial Services Supervisory Agency		
HICP	– harmonised index of consumer prices		
IEMP	– index of exchange market pressure		
ILO	– International Labour Organization		

Three-letter currency codes

ATS	– Austrian schilling
CHF	– Swiss franc
DEM	– German mark
EUR	– euro
FRF	– French franc
GBP	– pound sterling
HRK	– Croatian kuna
ITL	– Italian lira
JPY	– Japanese yen
USD	– US dollar

Symbols

–	– no entry
....	– data not available
0	– value is less than 0.5 of the unit of measure being used
∅	– average
a, b, c,...	– indicates a note beneath the table and figure
*	– corrected data
()	– incomplete or insufficiently verified data

