

Bulletin 146

year xiv • march 2009 quarterly report



CROATIAN NATIONAL BANK

Croatian National Bank

BULLETIN

PUBLISHER Croatian National Bank
Publishing Department
Trg hrvatskih velikana 3, 10002 Zagreb
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Contact phone: 385-1-4565-006
Fax: 385-1-4564-687

WEBSITE <http://www.hnb.hr>

Release dates are disseminated on the advance release calendar posted for Croatia on the IMF's DSBB (<http://dsbb.imf.org>).

Those using data from this publication are requested to cite the source.

Any additional corrections that might be required will be made in the website version.

Printed in 550 copies

ISSN 1331-6028

Croatian National Bank

BULLETIN

Zagreb, 2009

General Information on Croatia

Economic Indicators

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Area (square km)	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538	56,538
Population (million)	4.554	4.426*	4.440*	4.440*	4.440*	4.439	4.442*	4.440*	4.436*	4.435
GDP (million HRK, current prices) ^a	164,054*	176,690*	190,796*	208,223*	227,012*	245,550*	264,367*	286,341*	314,223*	342,159
GDP (million EUR, current prices)	21,638*	23,146*	25,538*	28,112*	30,011*	32,759*	35,725*	39,102*	42,833*	47,370
GDP per capita (in EUR)	4,751*	5,229*	5,752*	6,331*	6,759*	7,380*	8,043*	8,807*	9,656*	10,682
GDP – year-on-year rate of growth (in %, constant prices)	-1.5	3.0	3.8	5.4	5.0	4.2	4.2	4.7	5.5	2.4
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	6.1
Current account balance (million EUR)	-1,429	-568	-821	-2,099	-1,889	-1,434	-1,976	-2,715*	-3,237*	-4,454
Current account balance (as of % GDP)	-6.6*	-2.5*	-3.2*	-7.5*	-6.3*	-4.4*	-5.5*	-6.9*	-7.6*	-9.4
Exports of goods and services (as of % GDP)	35.3*	40.7*	42.3*	39.6*	43.8*	43.5*	42.8*	43.5*	42.8*	41.9
Imports of goods and services (as of % GDP)	42.5*	45.1*	47.4*	49.1*	50.6*	49.4*	48.9*	50.2*	50.2*	50.1
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	39,125
External debt (as of % GDP)	47.0*	53.0*	53.3*	53.9*	66.3*	70.0*	72.1*	74.9*	76.9*	82.6
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	179.8*	197.3
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	28.3
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	9,121
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	4.6
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	7.3244
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	5.1555
Average exchange rate (HRK : 1 EUR)	7.5818	7.6339	7.4710	7.4070	7.5642	7.4957	7.4000	7.3228	7.3360	7.2232
Average exchange rate (HRK : 1 USD)	7.1220	8.2874	8.3392	7.8725	6.7044	6.0312	5.9500	5.8392	5.3660	4.9344
Consolidated general government balance (as % of GDP) ^e	-6.2*	-6.5*	-5.9*	-4.3*	-5.4*	-4.2*	-3.5*	-2.6*	-2.0*	-1.7
Public debt (as % of GDP) ^f	28.8*	34.5*	35.4*	34.8*	35.7*	37.9*	38.4*	35.9*	33.3*	29.3
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 Published by the CBS early in 2009, the revised GDP data for the 1995-2008 period include the estimation of non-observed economy, the new estimation of imputed dwelling rents and the new estimation and distribution of financial intermediate services indirectly measured (FISIM). The GDP data for 2006, 2007 and 2008 are based on quarterly estimates and preliminary.

^b CPI inflation rate.

^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. As a result, the external debt balance at end-2007 is reported in accordance with the old system. In order to provide for the comparability of annual data, the external debt is also calculated in accordance with the new system which shows an upward adjustment in the end-2007 balance, increasing it by EUR 325m or to EUR 33,254m.

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

^e In the 1999-2001 period, total balance excluding capital revenues (GFS 1986) is shown on a cash basis. From 2001 on, it is shown on a modified accrual basis and includes CM, CR CPF and DAB. From 2008 on, CM is excluded from the total balance.

^f Public debt is the debt of the general government. From 2008 on, it excludes the debt of CM.

Sources: CBS, MoF and CNB.

Contents

Quarterly Report

Introduction / 3

Demand / 5

Domestic Demand / 6

 Personal Consumption / 6

 Gross Fixed Capital Formation / 7

 Government Consumption / 7

Box 1 GDP Data Revision / 8

Net Foreign Demand / 8

Output / 10

Industry / 10

Trade / 11

Construction / 12

Hotels and Restaurants / 12

Transport and Communications / 13

Labour Market / 13

Unemployment and Employment / 13

Employment / 14

Wages and Labour Costs / 15

Prices / 16

Consumer Prices / 16

Import Prices / 18

Industrial Producer Prices / 19

Box 2 2008 Real Estate Price Movements in Croatia / 20

International Comparison of Consumer Prices / 21

Exchange Rate / 21

Monetary Policy and Instruments / 23

Monetary Environment / 23

Uses of Instruments of Monetary Policy / 23

Reserve Money and International Reserves / 25

Monetary Developments / 26

 Total Liquid Assets / 26

 Money / 26

 Non-Monetary Deposits / 27

 Placements / 27

 Bank Placements to the Central Government / 28

 Foreign Assets and Liabilities / 28

Money Market / 29

Money Market Interest Rates / 29

Bank Interest Rates / 31

Capital Market / 32

Equity Securities Market / 33

Debt Securities Market / 34

International Transactions / 37

Current Account / 37

Trade in Goods / 38

Capital and Financial Account / 40

External Debt / 41

Box 3 The Role of Foreign Banks in the Financing of
Domestic Sectors / 42

International Liquidity / 43

Government Finance / 44

Fiscal Policy Features in the First Eleven Months of
2008 / 44

Consolidated Central Government Revenues / 44

Consolidated Central Government Expenditures / 44

Operating Balance and Transactions in Non-Financial
Assets and Financial Assets and Liabilities / 45

Balance of the Consolidated Central Government on a Cash
Basis / 45

Government Debt / 46

Consolidated Central Government Debt Developments in
December / 46

Statistical Survey

A. Monetary and Credit Aggregates

Table A1: Monetary and Credit Aggregates / 52

B. Monetary Institutions

Table B1: Monetary Survey / 53

Table B2: Number of Reporting Banks and Savings Banks
and their Classification by Total Assets / 54

C. Monetary Authorities

Table C1: Monetary Authorities Accounts / 55

D. Banks

Table D1: Banks' Accounts / 57

Table D2: Banks' Foreign Assets / 58

Table D3: Banks' Claims on the Central Government and
Funds / 59

Table D4: Banks' Claims on Other Domestic Sectors / 59

Table D5: Distribution of Banks' Loans by Domestic
Institutional Sectors / 60

Table D6: Demand Deposits with Banks / 60

Table D7: Time and Savings Deposits with Banks / 61

Table D8: Foreign Currency Deposits with Banks / 61

Table D9: Bonds and Money Market Instruments / 62

Table D10: Banks' Foreign Liabilities / 62

Table D11: Central Government and Funds' Deposits with
Banks / 63

Table D12: Restricted and Blocked Deposits with
Banks / 63

Figure D1: Distribution of Banks' Loans by
Domestic Institutional Sectors / 64

Figure D2: Distribution of Banks' Deposits
by Domestic Institutional Sectors / 64

E. Housing Savings Banks

Table E1: Housing Savings Banks' Accounts / 65

F. Monetary Policy Instruments and Liquidity

Table F1: Credit Rates of the Croatian National Bank / 66

Table F2: Deposit Rates of the Croatian National Bank / 67

Table F3: Banks' Reserve Requirements / 68

Table F4: Banks' Liquidity Indicators / 69

G. Financial Markets

Table G1: Banks' Interest Rates on Kuna Credits Not Indexed to Foreign Currency / 70

Table G2: Banks' Interest Rates on Kuna Credits Indexed to Foreign Currency and on Credits in Euros / 71

Table G3: Banks' Interest Rates on Kuna Deposits Not Indexed to Foreign Currency / 72

Table G4a: Banks' Interest Rates on Kuna Deposits Indexed to Foreign Currency and on Foreign Currency Deposits / 73

Table G4b: Banks' Interest Rates on Kuna Deposits Indexed to Foreign Currency and on Foreign Currency Deposits / 74

Table G5: Banks' Trade with Foreign Exchange / 75

H. International Economic Relations

Table H1: Balance of Payments – Summary / 76

Table H2: Balance of Payments – Goods and Services / 77

Table H3: Balance of Payments – Income and Current Transfers / 78

Table H4: Balance of Payments – Direct and Portfolio Investments / 79

Table H5: Balance of Payments – Other Investment / 80

Table H6: Balance of Payments – Summary / 81

Table H7: International Reserves and Banks' Foreign Currency Reserves / 82

Table H8: International Reserves and Foreign Currency Liquidity / 83

Table H9: Midpoint Exchange Rates of the Croatian National Bank (period average) / 85

Table H10: Midpoint Exchange Rates of the Croatian National Bank (end of period) / 86

Table H11: Indices of the Effective Exchange Rate of the Kuna / 87

Table H12: Gross External Debt by Domestic Sectors / 88

Table H13: Public Sector Gross External Debt, and Publicly Guaranteed and Non-Publicly Guaranteed Private Sector Gross External Debt / 90

Table H14: Gross External Debt by Domestic Sectors and Projected Future Payments / 91

Table H15: Gross External Debt by Other Sectors / 93

Table H16: International Investment Position – Summary / 95

Table H17: International Investment Position – Direct Investment / 96

Table H18: International Investment Position – Portfolio Investment / 96

Table H19: International Investment Position – Other Investment / 97

I. Government Finance – Selected Data

Table I1: Consolidated Central Government According to the Government Level / 98

Table I2: Budgetary Central Government Operations / 99

Table I3: Central Government Debt / 100

J. Non-Financial Statistics – Selected Data

Table J1: Consumer Price and Producer Price Indices / 101

Table J2: Core Consumer Price Indices / 102

Table J3: Average Monthly Net Wages / 102

Table J4: Consumer Confidence Index, Consumer Expectations Index and Consumer Sentiment Index / 103

List of Banks and Savings Banks / 105

Management of the Croatian National Bank / 106

Abbreviations and Symbols / 107

Quarterly Report

Introduction

The spillover effects of the global crisis were first felt in Central and Eastern European countries in the second half of 2008 and the negative trends deteriorated towards the end of the year. In addition to external imbalances and the resultant vulnerability, Croatia has become faced with a contraction of real economic growth, depreciation pressures on the kuna/euro exchange rate, an uncertainty regarding foreign capital inflows and large financing needs of domestic sectors. All these problems were further exacerbated early in the current year.

According to the quarterly GDP estimate, Croatian real growth stood at 1.6% in the third quarter of 2008, decreasing considerably in comparison with the first half of the year. GDP by expenditure approach shows a slowdown in the annual dynamics of all aggregate demand components in the observed period, except in changes in inventories. Household consumption continued to record negative changes, primarily due to a sharp increase in consumer prices, and the dynamics of government consumption also decelerated. In the third quarter of 2008 international trade was marked by a strong slowdown in the annual growth of exports in goods and services, which, coupled with a relatively stable dynamics of total imports, resulted in a high negative contribution of net exports to overall economic growth. In addition, gross fixed capital formation also slowed annual growth relative to the first half of the year, but remained the main driver of economic growth.

The GDP estimate by production approach shows that GVA in the economy was 2.1% higher in the third quarter of 2008 than in the same period in the previous year. The annual rate of change in GVA dropped in all activities from the first half of the year, except in agriculture. However, construction, financial intermediation, and transport, storage and communications showed a positive dynamics. In contrast, GVA in industry and trade decreased on an annual basis. These developments primarily resulted from adverse changes in domestic, and, to some extent, foreign demand.

Available economic indicators for the last quarter of the previous year suggest continued negative trends in most major non-financial activities and an even more pronounced slowdown in overall economic growth. Specifically, the volume of industrial production decreased further in the observed period due to the continued weakening of domestic and foreign demand. In the same period, a drop in current household consumption led to a decline in real retail trade turnover. On the other hand, construction remained strong in the period from October to November 2008.

According to GDP data for the first nine months of 2008 and trends in monthly economic indicators for the last quarter of the observed period, economic growth was substantially lower in 2008 than in 2007 (5.5%). This was above all due to adverse changes in private consumption and international trade, which resulted in a marked slowdown in GVA growth in some activities, especially in trade and industry.

The economic slowdown in the last quarter of 2008 resulted in negative labour market trends, i.e. an increase in

unemployment and a decrease in employment. However, data at an annual rate suggest a decrease in unemployment and an increase in employment relative to 2007. The annual growth rate of nominal wages accelerated in the same period, producing a positive impact on the figure for the whole year. Despite the high level of nominal wages, real wages increased less than in the previous year because of strong inflation growth. Wage movements were additionally influenced by amendments to the Income Tax Act involving an increase in the basic personal tax exemption, and by the implementation of the Minimum Wage Act.

The surge in consumer prices peaked in July 2008 when their annual rate of change reached 8.4%. Then inflation started receding and went down to 2.9% in December. The average inflation rate amounted to 6.1% in 2008, which is an increase of 3.2 percentage points relative to the previous year. Imported inflationary pressures in the first seven months mainly stemmed from a large increase in world prices of raw materials, especially those of crude oil and food raw materials. One of the most significant domestic factors spurring inflation was a strong acceleration of real aggregate demand, especially of personal consumption, in 2007, whose time-lagged effect was also felt in the first half of 2008. The sizeable slowdown in inflation in the post-July period was primarily due to a drop in imported inflationary pressures resulting from a sharp decrease in world prices of crude oil, food raw materials and metals. A decelerated personal consumption growth was the most important domestic factor leading to a decrease in inflationary pressures late in the year. Inflation increased by 3.4% on an annual basis in January 2009 and prices grew by as much as 1.2% from the previous month, which was an anticipated consequence of the price growth brought about by administrative decisions (e.g. an increase in the prices of gas, tobacco products and health care services) and seasonal factors.

In most of 2008, the Croatian National Bank continued to use the same monetary instruments as in the previous year. Restrictions on money supply and bank lending were the main monetary policy measures aimed at curbing inflation. Reserve money was created through regular repo auctions, which were less used than in the previous year, while interest rates increased. Apart from the appreciation pressures triggered by a drop in kuna liquidity early in the year, which were alleviated by a foreign exchange auction in January, stable kuna exchange rate trends required no central bank interventions until October, which saw an increase in depreciation pressures caused by the strengthening of foreign exchange demand.

Monetary developments in 2008 were marked by an accelerated growth of net domestic assets and a decline in net foreign assets of banks, which resulted in a deceleration in the growth of total liquid assets (M4). Net domestic assets rose at moderate rates until the end of the third quarter as a result of the tightened lending conditions, overall economic slowdown and CNB measures to curb placement growth. Central government borrowings from domestic banks were kept at a minimum level in that period. In contrast, negative capital market developments and a successful tourist season boosted the inflow of domestic deposits, which were used by

banks for the reduction of foreign liabilities.

Monetary developments took a different course following the spillover of the global financial crisis to Croatia at the beginning of the fourth quarter. Banks borrowed heavily abroad in order to offset the outflow of domestic sectors' deposits and meet the financing needs of the central government, whose access to foreign markets was hindered. The surge in bank placements to the central government was coupled by a considerable deceleration in the growth of their placements to the non-banking sector. The government also met its needs for budget deficit financing at T-bill auctions and, in an effort to attract additional investors, continuously increased interest rates, which reached their highest levels since 2001.

With limited foreign capital inflows and the economic slowdown in the third quarter, monetary policy changed direction. In addition to maintaining the stability of the domestic currency exchange rate, the CNB also focused on ensuring favourable liquidity conditions, thus enabling the government to satisfy its large financing requirements. The marginal reserve requirement was revoked in October 2008 in order to meet the increased foreign exchange demand, and the reserve requirement rate was lowered from 17% to 14% in December. Downward pressures on the domestic currency exchange rate mounted in early 2009, generated by the seasonal impact of the current account deficit and substantial government foreign currency liabilities. The CNB continued to alleviate the pressures by adjusting its monetary policy instruments. The portion of the foreign currency reserve requirements set aside in kuna was increased from 50% to 75% in January, with the result that a considerable amount of kuna liquidity was withdrawn from the system, while foreign currency liquidity was released by lowering the rate of the minimum required foreign currency claims (initially from 28.5% to 25% and then to 20.0%). As a result of the changes in monetary policy instruments effected from the beginning of the fourth quarter of 2008 until the end of February 2009, the CNB cumulatively released almost EUR 3.8bn of banks' operational reserves. In addition to implementing the said changes, the central bank also twice intervened in the foreign exchange market, selling EUR 0.5bn, and used open market operations to prevent excessive exchange rate fluctuations. The result was that the kuna depreciated only slightly against the euro in nominal terms, with the euro rising from HRK 7.32 on 31 December 2008 to HRK 7.45 on 25 February 2009. In contrast, money market interest rate volatility increased sharply and the overnight interest rate periodically hit record highs.

The domestic capital market had a much lower equity and debt securities turnover in 2008 than in 2007. The Zagreb Stock Exchange share index, the CROBEX, plunged by 67.1%, and the bond index, the CROBIS, also fell, by 6.1%. Both indexes continued to decrease at the beginning of 2009.

The marked economic slowdown in late 2008 resulted in the curbing of negative trends in the current account. The current account balance deteriorated sharply in the first three quarters of 2008, but in the fourth quarter the deficit remained at the same level as in the same period in 2007. This stagnation was on the one hand due to a very good performance in the services account, primarily in tourism, and, on the

other hand, to a slowdown in the growth of the goods deficit, caused by a decrease in oil prices and decelerated demand. The current transfers account improved, while the negative balance in the factor income account further increased. Despite these developments in the third quarter, the annual current account deficit widened by more than one third relative to 2007, primarily due to growing imbalances in foreign trade in goods.

The foreign trade balance (in constant US dollars) deteriorated by 19.0% in 2008, with imports growing at the same rate from the previous year and exports decelerating considerably. Also contributing to this was a decline in competitiveness, caused by the continued strong growth of gross wages and deceleration in labour productivity. Export growth in 2008 was primarily spurred by exports of other transport equipment and natural and manufactured gas. However, if these two divisions are excluded, as well as oil and refined petroleum products, the rise in exports is negligible. The strong growth in the imports of goods in 2008 was predominantly caused by imports of energy products (oil and gas) and other transport equipment, whereas imports of other goods increased at a slower rate due to a large extent to a decline in imports of road vehicles in the fourth quarter.

The capital and financial account recorded larger net capital inflows in the last quarter of 2008 than in the same period in 2007 due primarily to strong foreign borrowing by banks. The largest single inflow of foreign direct investment into Croatia in 2008 was related to the acquisition of 22% of INA shares by the Hungarian MOL oil company. Gross international reserves declined by EUR 0.7bn in the observed period, mainly due to the marginal reserve requirement having been revoked.

Increasing by EUR 5.9bn in 2008, Croatia's gross external debt exceeded EUR 39.1bn at the end of December (82.0% of the revised GDP estimate). The acceleration of debt from the previous year was mainly a consequence of strong corporate foreign borrowing which however slowed down noticeably in the last quarter of the year. Government and banks reduced their foreign liabilities in the first nine months and reported an increase in debt in the fourth quarter. Debt of banks increased at a rapid rate in October in consequence of the outflow of household deposits at the peak of the financial crisis.

Consolidated central government revenues grew strongly in the first eleven months of 2008, primarily due to accelerated inflation and increased good imports, which substantially pushed up VAT revenues. In addition, relatively favourable labour market trends and the good business performance of Croatian enterprises in 2007 had a positive impact on social contributions and profit tax revenues. However, despite a marked increase in expenditures after the provisional budget financing in the first quarter, which restricted government consumption, they grew at a slower rate than revenues in the first eleven months. The government's acquisitions of non-financial assets were lower than in the same period in the previous year, with the result that the consolidated central government budget recorded a surplus of HRK 1.5bn (GFS 1986). However, as suggested by MoF data, the total amount of the surplus, including the funds generated by the disposal

of financial and non-financial assets, was deposited into accounts with banks and the CNB, while consolidated central government units continued to borrow in domestic and foreign markets. The funds raised were used for the repayment of outstanding liabilities. However, due to the fact that a large portion of these funds was utilised for budget deficit financing in December, central government debt increased in the first eleven months of 2008 despite positive trends in both revenues and expenditures.

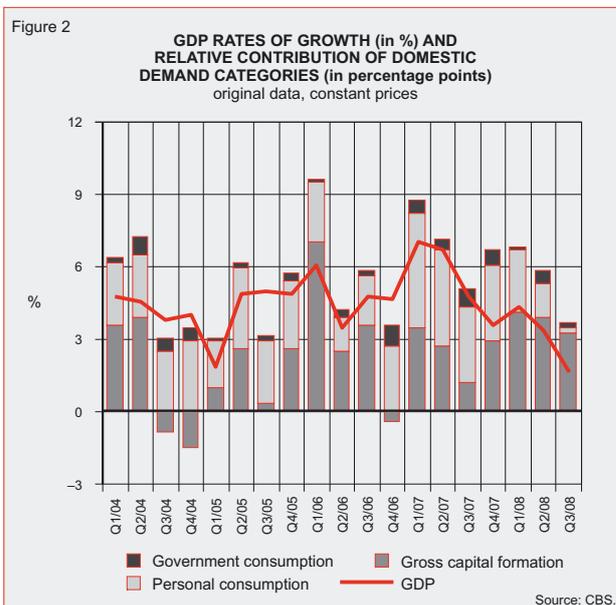
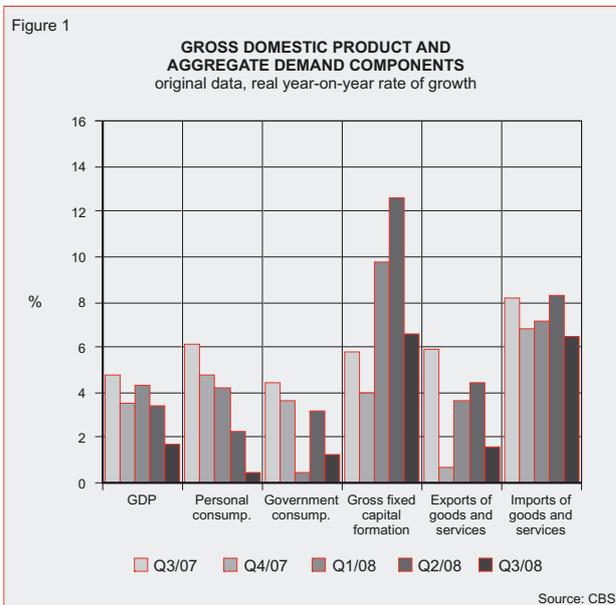
Demand

The new quarterly GDP estimate (see Box 1) showed a 1.6% growth in real economic activity in the third quarter of 2008, which is a substantial decline compared with the first half of 2008.¹ The analysis of the GDP by expenditure approach in the reference period points to the weakening of the annual dynamics of all aggregate demand components (including the changes in inventories). The continued slowdown of the annual growth of personal consumption should above all be attributed to the growing inflation, which caused negative changes in disposable household income and indirectly the low level of consumer optimism. At the same time, the growth in the general level of prices also contributed to the weaker real dynamics of government consumption. Moreover, the international trade in the third quarter of 2008 was marked by a substantial slowdown of the annual growth in exports of goods and services, while total imports continued to grow at a relatively high rate. In line with this, net foreign demand in the reference period made a strong negative contribution to the growth of real GDP. The growth rate of gross fixed capital formation was lower in the July-September period than in the first half of 2008. However, this aggregate demand component remained the main generator of the economic growth.

The available monthly economic indicators for the third quarter of 2008 suggest the continued slowdown of total economic activity. This is largely attributable to the adverse effects of the deteriorating situation in the international environment which in turn led to a substantial decline in foreign demand and limited the access of domestic economic agents to the foreign financial markets. In addition, one should also take into account the negative psychological effects of the global economic crisis on domestic economic agents and the intensity of their demand. The negative annual rate of change in real retail trade turnover in the last quarter of 2008, the decline in industrial production and the nominal stagnation in imports of consumer goods suggest further contraction of private consumption. Moreover, since the reference period was marked by a decline in current output and imports of capital and intermediate goods, and by the accumulation of inventories, it seems that investment activity has also continued to weaken. However, it should be noted that the October-November period saw a strong growth of construction works which suggests that gross fixed capital formation was, in the

last quarter of 2008 as well, the most significant generator of total economic growth. According to CBS data, the intensity of the foreign trade in goods decelerated substantially during the fourth quarter of 2008, with both exports and imports of goods showing negative annual rates of change.

The annual growth of both components (personal and government) of final consumption decelerated noticeably in the first nine months of 2008 as compared with the same period in 2007. The indicators of household consumption available for the last quarter of 2008 suggest further slowdown of its dynamics, while, on the other hand, the growth of government consumption most probably accelerated. The annual growth of gross fixed capital formation was markedly higher in the January-September period of 2008 than in the same period in 2007, indicating that despite the weakening of investment activity towards the year-end the capital investments were the major contributor to economic growth at the entire 2008 level. The unfavourable changes in international trade resulted in a strong negative contribution of net foreign



¹ The data for the period from the first quarter of 2006 to the third quarter of 2008 are preliminary and are based on the CBS's quarterly GDP estimate.

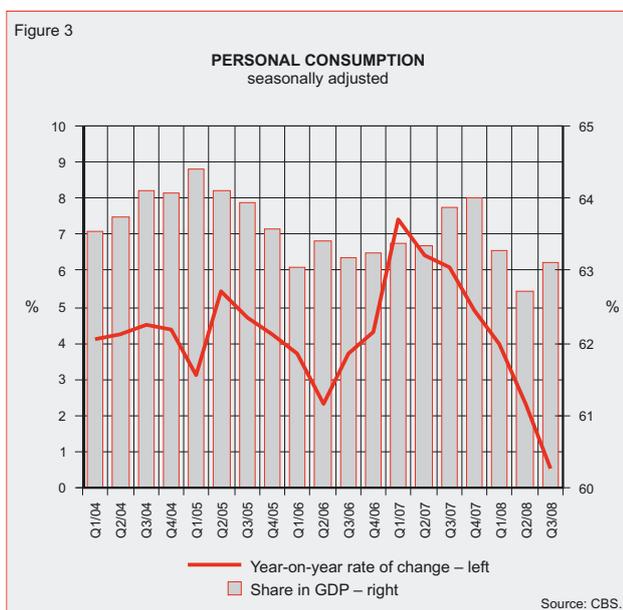
demand to the economic growth in the first three quarters of 2008, while observed at the entire 2008 level this negative contribution was somewhat more moderate but still considerably higher than in 2007. As a result, the GDP dynamics was noticeably weaker in 2008 than in 2007, when economic growth stood at 5.5%.

Domestic Demand

The contribution of domestic demand to the growth of real GDP decelerated in the third quarter relative to the first half of 2008, due notably to the unfavourable developments in final consumption as well as the slowdown in the growth of gross fixed capital formation. However, an opposite effect was produced by the changes in inventories.²

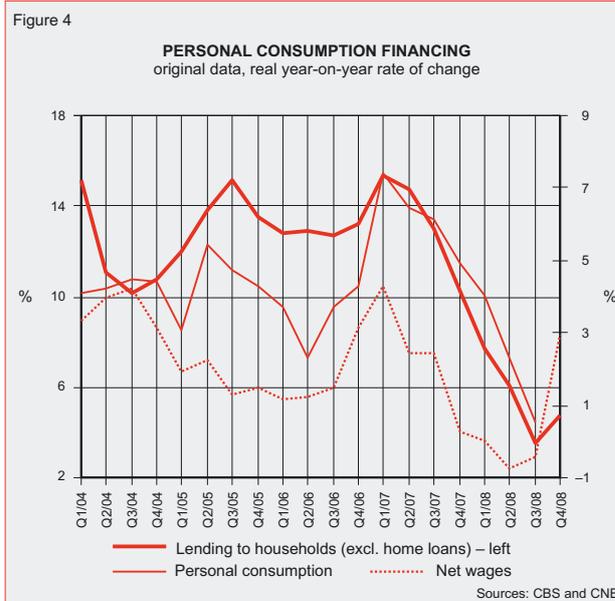
Personal Consumption

The continued slowdown in the annual growth of personal consumption in the third quarter of 2008 may to a large ex-

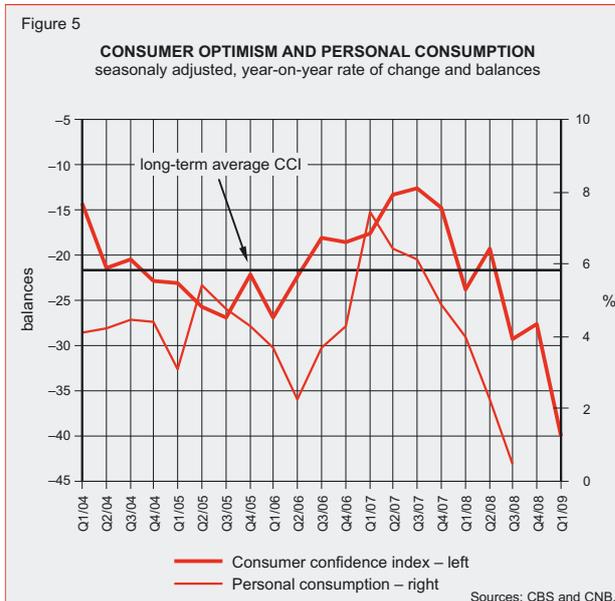


tent be attributed to the unfavourable impact of rising consumer prices on the sources of its financing and to the low level of consumer optimism. As a result, the reference period saw a negative annual rate of change in disposable household income and a further slowdown of bank consumer loans to the household sector (viewed by the average balance in loans in that period). Also, unfavourable changes were noted in the capital market, which, in addition to the above-described developments, most probably contributed to the further abstention of households from current consumption. In line with this, the annual rate of change in personal consumption in the July-September period of 2008 stood at only 0.4%.

The inflationary developments weakened in the fourth quarter of 2008 and together with the relatively strong nominal growth of average wages made a positive contribution to the real net wage bill, which grew despite the gradual



weakening of the annual growth in the number of employed persons. Concurrently, the regular semi-annual adjustment of pensions (carried out in September), accompanied by a steady growth in the number of pensioners, resulted in the noticeable annual growth of paid out pensions. The revival in the dynamics of the regular financing sources of personal consumption failed however to boost current household consumption, which contracted in the October-December period of 2008. This is inter alia indicated by the changes in real retail trade turnover, which, in line with the seasonally adjusted data, fell considerably in the reference period relative to the third quarter of 2008 and at the entire 2008 level. Given that the weakening of personal consumption in the last quarter of 2008 took place in the period of the revival in its main sources of financing, it seems that it was above all conditioned by the growing pessimism, i.e. the insecurity of the household sector with regard to future economic developments. Moreover, one should also take into account the depreciation of the kuna against the Swiss franc and the rise



2 This category includes a statistical discrepancy arising from a mismatch between the expenditure and the production GDP calculation methods.

in interest rates on bank loans which increased the servicing burden and to some extent limited the likelihood of consumption in the reference period.

The annual growth rate of personal consumption stood at 2.3% in the first nine months of 2008. Viewed by the developments in retail trade at the end of the year, its growth rate for the entire 2008 was even lower (in 2007, the real growth of household consumption stood at 6.2%).

The CNB surveys in the period from October 2008 to January 2009 point to the strengthening of consumer pessimism, with the consumer confidence index reaching its historical low at the beginning of 2009. The analysis of the answers to the questions that are used in the compilation of this indicator shows that the household is concerned about the future economic situation and labour market developments. In other words, the growing consumer pessimism largely reflects the effects of the global financial crisis.

Gross Fixed Capital Formation

Notwithstanding the noticeable slowdown in gross fixed capital formation in the third quarter of 2008 relative to the first half of the year (from 11.3% to 6.6%), this component of the aggregate demand once again made the most significant contribution to the real growth of GDP in the reference period. With the construction activity continuing to grow at a strong rate in the reference period, it seems that the observed slowdown was to a large extent the consequence of the reduced private sector investment in machinery and equipment.

Although the strong annual growth of the construction activity,³ in part stimulated by the revival of public investment dynamics, marked the October and November of 2008, it is assumed that the last quarter of 2008 was marked by a further slowdown in the growth of gross fixed capital formation. The probable cause for this is in the first place to be found in the further weakening of the private sector investment in machinery and equipment. This is corroborated by the no-

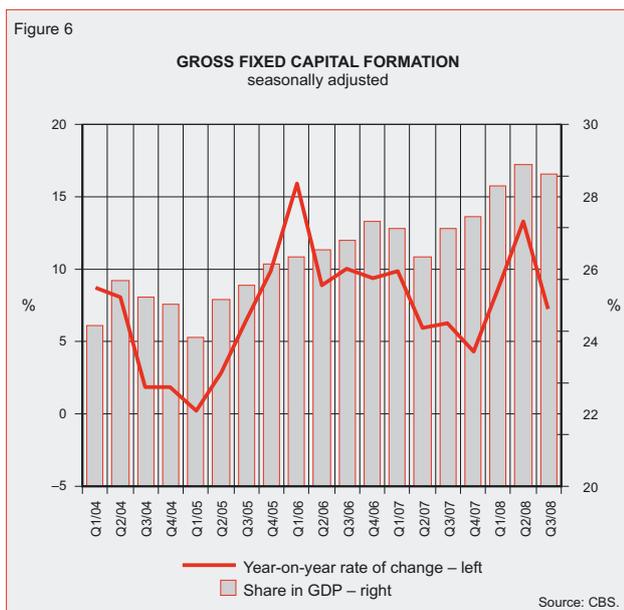
ticeable slowdown in production and imports of investment goods as well as by the reported decline in the purchase of motor vehicles by legal persons. It is interesting to note that the October-December period of 2008 period was marked by a strong annual decrease in long-term loans to the corporate sector, which may also be seen as one of the reasons for the weakening of investment activity.

Investment consumption grew at the annual rate of 9.7% in the January-September period of 2008, which is 2.3 percentage points more than in the same period of the previous year. Given the developments in the last quarter of 2008, the average growth of gross fixed capital formation is expected to be somewhat lower at the entire 2008 level than that in the first three quarters but still stronger than that observed in 2007 (6.5%).

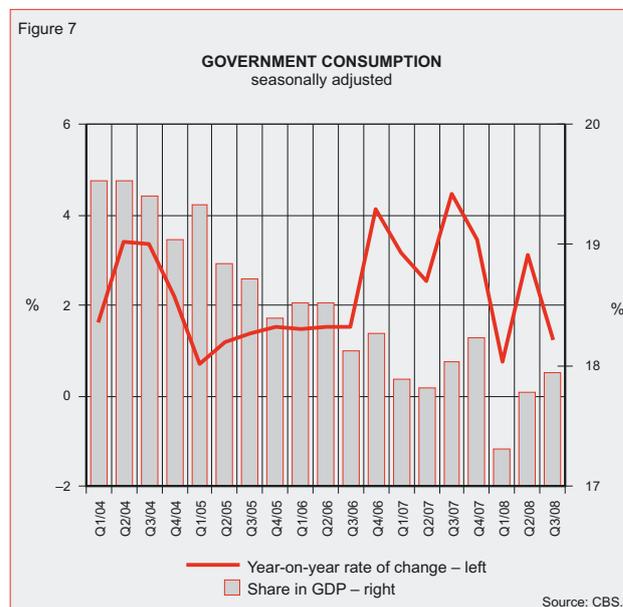
Government Consumption

The growth of government consumption slowed down in the third quarter relative to the first half of 2008 and stood at 1.3%. This was above all due to the fall in real expenditures for the use of goods and services caused by the strong growth in the general level of prices. In contrast, the number of civil servants and public administration employees continued to grow steadily, so that the real dynamics of expenditures for employee compensation (including severance payments) remained at the level from the first half of 2008. Concurrently, the growth of the nominal compensation of civil servants and employees, set forth by the provisions of the collective agreement, affected the dynamics of the deflator of this domestic consumption category.

According to CBS data on the number of employed persons by activity, the growth of the number of civil servants and public administration employees decelerated in the fourth quarter relative to the previous quarters, with the real growth of employee compensation contributing to the slowdown of the government consumption dynamics. In contrast, the data on material expenses are available only for the first two months of the observed period and at the central government level. As a result, their impact on the developments in



3 Investments in construction account for more than a half of total gross fixed capital formation.



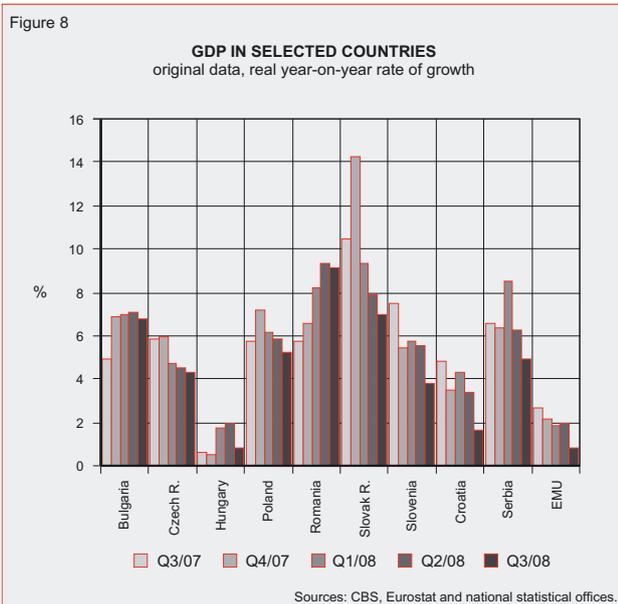
government consumption can not be determined with certainty, although it seems that they have increased substantially.

The annual growth of government consumption stood at 1.6% in the first three quarters of 2008, indicating an almost two times lower growth of this aggregate demand category in the reference period than in the same period in 2007. The government consumption dynamics was probably somewhat stronger in the last quarter of 2008, increasing the growth rate of this aggregate demand component at the entire 2008 level.

Net Foreign Demand

The international trade in the period from July to September of 2008 was marked by the substantial deceleration in the annual growth of exports of goods and services and the relatively stable dynamics of imports of good and services. As for total exports, their trend was above all determined by unfavourable movements in exports of services. Specifically, the stronger inflationary developments and the mild nominal appreciation of the kuna/euro exchange rate resulted in a more moderate real spending by foreign visitors, which led to the stagnation of real exports of services in the third quarter of 2008.

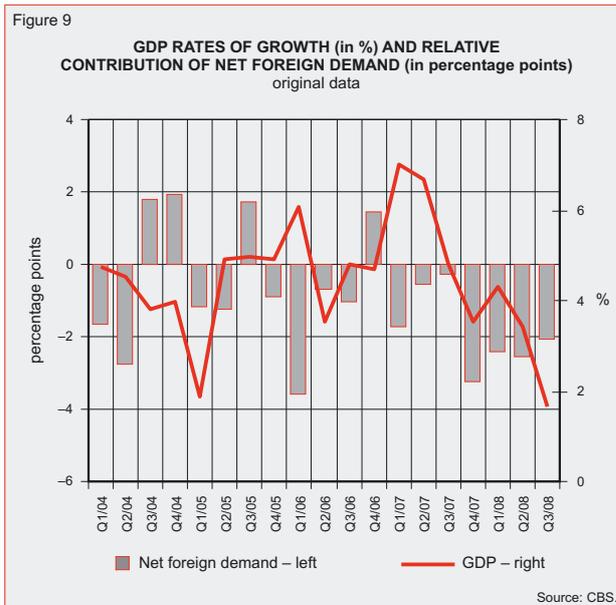
After reporting the fall in the GDP level in the second and the third quarter and confirming the economic recession in the eurozone, Eurostat's flash estimate for the last quarter of 2008 showed that the overall EU economy is on the down-



Box 1 GDP Data Revision

At the beginning of this year, the Croatian Bureau of Statistics published revised data on the annual and quarterly gross domestic product (GDP).⁴ The main purpose of this

4 The series of revised annual GDP data, main aggregates of national accounts and employment has been published for the period 1995-2005 and these data are final. The series of revised quarterly GDP data cov-



turn. As anticipated, these developments are accompanied and probably intensified by the continued fall in consumer and corporate optimism in the observed countries that in the first month of 2009 reached its historical low.

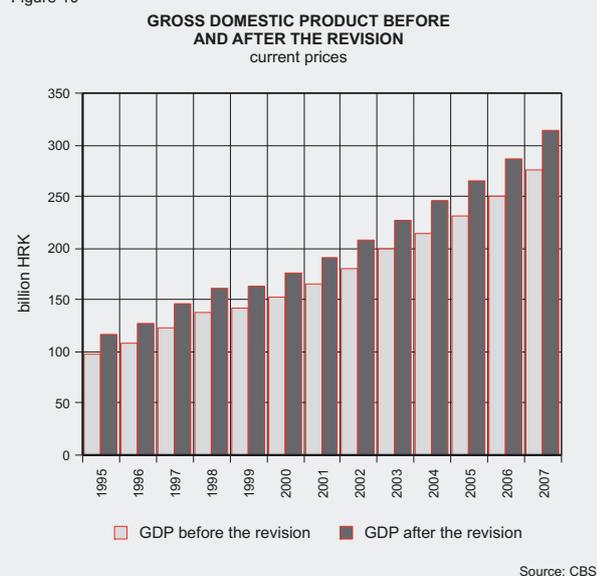
In line with this, the seasonally adjusted data of the CBS on the foreign trade in goods in the fourth quarter of 2008 indicate the strong weakening of foreign demand for domestic goods and a noticeable fall in goods imports. Specifically, the volume of trade fell in almost all categories of goods. According to the total volume of tourism, the number of tourist nights and arrivals rose mildly over the same period in 2007, indicating that real exports of services were probably stagnant in the reference period.

The first nine months of 2008, as compared with the same period in 2007, saw a decrease in the real growth rate of exports and an acceleration in the growth of imports of goods and services. As a result, the contribution of net exports to the overall GDP growth was extremely negative. However, following the decrease in the intensity of trade in goods in the last quarter of 2008 it is probable that both exports and imports of goods and services have grown at a lower rate in 2008 than in the previous year. Concurrently, the negative contribution of net exports to the overall GDP growth was considerably higher in 2008 than in 2007.

revision was the adjustment of GDP estimates with the European System of Accounts (ESA 95). As a result, the GDP calculation by production approach now includes the non-observed economy, the new estimation of imputed dwelling rents and the new estimation and distribution of financial

ers the period between the first quarter of 2000 and the third quarter of 2008. The data for 2006, 2007 and 2008 are preliminary, i.e. are not adjusted to the annual calculation.

Figure 10



intermediate services indirectly measured (FISIM). The GDP calculation by expenditure approach was corrected in accordance with the said changes in GDP calculation by production approach, with the largest changes relating to final consumption expenditures of households and export of tourist services. These changes resulted in the increase in the nominal level of GDP for the entire period of 1995 to 2007, with the difference between old and new nominal levels averaging some 15.6%.

Detailed revised data, available on the annual level for the period from 1995 to 2005 indicate that some 60% of the increase in the nominal level of GDP is a result of the

either through final or intermediary consumption. Moreover, the entire amount of FISIM was considered as intermediary consumption at the level of the economy as a whole. In accordance with the new method, the use of FISIM is no longer calculated integrally as intermediary consumption. One part is allocated as final consumption and exports, and import of FISIM is also calculated.

In addition to the said methodological settings, the CBS also changed the method of calculation of real rates of GDP changes and its constituents within the framework of this revision. Thus, they are no longer estimated based on the Laspeyres volume index with a constant base (thus far 1997 was the basis year). The change in volume and prices in a year are now calculated based on the average prices in the previous year (the basis period changes every year). In order to be able to show the time series of GDP volume and its constituents (for example, in the form of an index), relative changes obtained this way need to be chain-linked. This implies a choice of a reference year based on which appropriate time series are constructed by cumulating the movement of indices with a variable base.⁵

The described change in the method of estimating GDP volume has several advantages over the one that was applied before. The most important gain arises from the fact that the structure of relative prices from the base year grows less relevant with time. This is a consequence of the dynamic nature of economic processes which causes continued changes in relative prices and quantities. The Laspeyres index with a constant base thus gives too much attention to those goods and services whose relative prices fall and quantities rise faster compared to other products and therefore overestimates the real growth of production volumes.

Table 1: Difference between GDP Data before and after the Revision, in billion HRK and %

	2000	2001	2002	2003	2004	2005	2006	2007	Q1-Q3 2008
GDP – after the revision	176.7	190.8	208.2	227.0	245.6	264.4	286.3	314.2	259.4
GDP – before the revision	152.5	165.6	181.2	198.4	215.0	231.3	250.6	275.1	227.0
Difference	24.2	25.2	27.0	28.6	30.6	33.1	35.8	39.1	32.4
o/w:									
Non-observed economy	15.1	15.9	17.1	17.0	18.1	19.4	–	–	–
Imputed dwelling rents	6.9	6.8	7.5	8.1	8.5	8.8	–	–	–
FISIM	2.2	2.4	2.4	3.5	4.0	4.9	–	–	–
Real growth – after the revision	3.0	3.8	5.4	5.0	4.2	4.2	4.7	5.5	3.1
Real growth – before the revision	2.9	4.4	5.6	5.3	4.3	4.3	4.8	5.6	3.0
Difference	0.2	-0.6	-0.1	-0.4	0.0	-0.1	0.0	-0.1	0.1

Source: CBS.

inclusion of the estimated non-observed economy. The major part of the non-observed economy is to be attributed to entrepreneurs who for the purpose of avoiding their tax obligations report lower income and higher costs than realised, which was most pronounced in construction and trade and in the segment of hotels and restaurants. Further, as a result of the revision, the value of FISIM, consisting of the total proprietary income of financial intermediaries arising from interest minus the liabilities arising from interest, was calculated in accordance with the new method and then allocated to institutional units and sectors. Thus far, the value of these services was not disaggregated by users,

In the literature this effect is also known as substitution bias. On the other hand, estimating GDP volume on the basis of the previous year's prices takes into account recent changes in economic behaviour and thus enables more precise calculation of real rates of change. The greatest disadvantage of the chain-linking method as compared to the use of an index with a constant base is reflected in the fact that it leads to the loss of the opportunity to calculate GDP as a simple sum of its constituents (except in the reference year and the year after that).

5 Like Eurostat, the CBS chose 2000 as the reference year.

Output

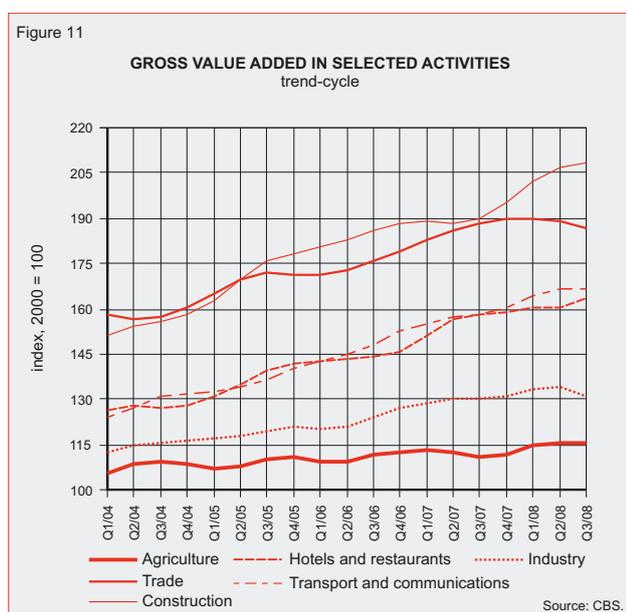
The GDP by production approach shows a rise in GVA in the economy by 2.1% in the third quarter relative to the same period a year before. Specifically, compared to the first half of the year, all activities, except for agriculture, showed lower annual rates of change in GVA. The GVA dynamics in construction, financial intermediation and transport, storage and communications showed, however, positive trends. In contrast, industry and trade showed an annual decline in GVA. These developments are above all attributed to the weakening of domestic and in part of foreign demand, which on the one hand was determined by the growing inflation and low consumer optimism in the domestic economy and on the other by the beginning of the spillover of global financial crisis effects into the real sphere of the international economy.

As in the first half of 2008, the growth of real GVA in the third quarter exceeded that of GDP. Net indirect taxes

recorded the negative real rate of change⁶ for the second consecutive quarter due above all to the strong growth in the corresponding deflator.

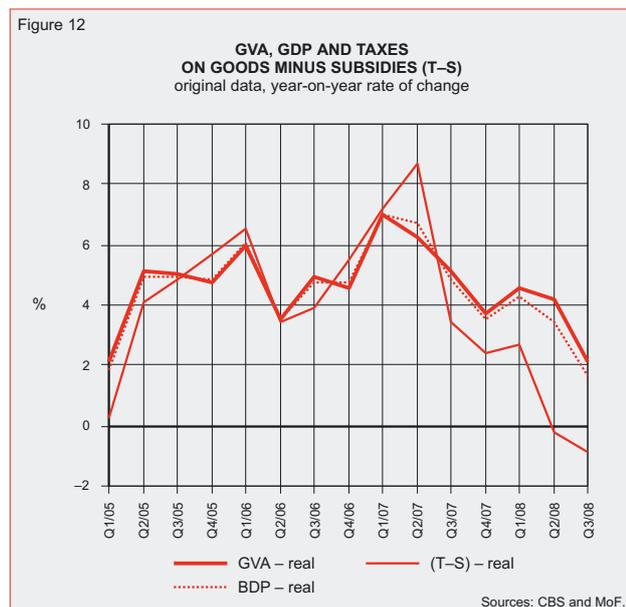
The available economic activity indicators for the last quarter of 2008 suggest continuing unfavourable movements in most major non-financial activities and the resultant additional slowdown in the formation of GVA in the domestic economy. Hence, in the reference period, influenced by the further weakening of domestic and foreign demand, the industrial production saw further contraction of its volume. At the same time, with the households abstaining from current consumption, real retail trade turnover declined and the number of registered tourist overnight stays was largely similar to that observed in the same period in 2007. In contrast, the construction activity remained strong in the October-November period of 2008.

Total GVA was 3.6% higher in the first nine months of 2008 as compared with the same period in 2007 (6.1%). As for individual activities, GVA grew at the strongest rate in construction and at the weakest in trade. In addition, one should also mention the noticeable slowdown in the formation of the value added in industry. Since the real economic indicators, available on the monthly level for the last quarter of 2008, point to the further weakening of economic activity, the GVA formation dynamics was considerably weaker in 2008 than in 2007 (5.5%).



Industry

The GVA in industry showed a slight annual decline in the third quarter of 2008 (0.2%), making an insignificant negative contribution to the growth of total GVA. With exports of goods accelerating slightly in the reference period, these developments are above all attributable to the weakening of domestic demand. As the industry accounts for a significant share in the formation of total value added, the deceleration of the annual growth of total GVA in the July-September period of 2008 was predominantly the result of changes in industrial production.



The seasonal- and calendar-adjusted data on the total volume of industrial production indicate the continuation of its slowdown in the last quarter of 2008, with the annual rate of change falling to a negative 2.5%. The fall of the industrial production reflects producer response to the weakening of domestic and foreign demand. The current output adjustment has not been strong enough to bring to a standstill the accumulation of finished products inventories that reached high levels. The unfavourable changes in this sector of the economy were further corroborated in the reference period by an increasingly stronger negative dynamics in the number of employed persons and the noticeable annual decline in the number of officially recorded job vacancies in industrial enterprises.

6 In the national accounts, gross value added (GVA) in the economy is expressed at the so-called basic prices, whereas gross domestic product (GDP) is expressed at market prices. The difference between these two values is the total amount of tax on products reduced by subsidies (net indirect taxes). As the 'net indirect taxes' category is not included in the CBS GDP calculation at previous year prices, this value can be calculated as a GDP and GVA residual at previous year prices.

Figure 13

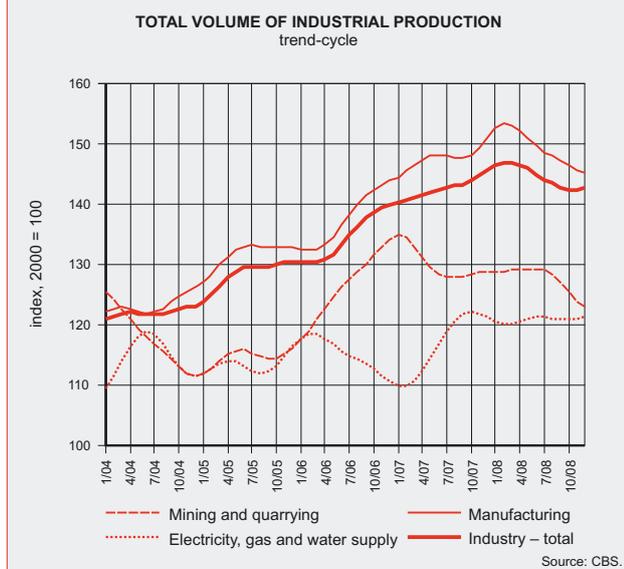
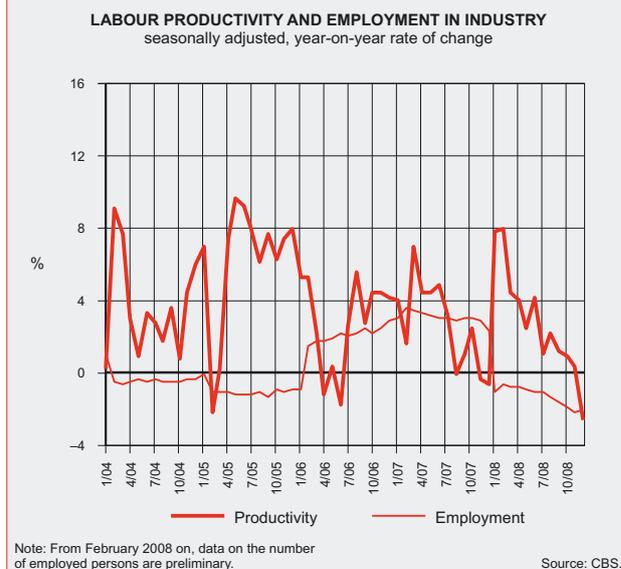


Figure 14



Viewed by main industrial groupings (MIGs), the decline in the current output in the last quarter of 2008 relative to the July-September period was observed in all categories of goods, with further accumulation of inventories being observed in the majority of them. After the boost in October and November, the output of investment goods contracted strongly in December, with similar development being observed in goods intended for intermediate consumption. A downturn in the volume of current output of these goods was due to a continuing weakening of both domestic and foreign demand for them, accompanied by the accumulation of their inventories. In contrast, it seems that the fall in the volume of output of consumer goods was above all the result of the weaker foreign demand. It needs to be noted that the decline in the output of non-durable consumer goods and consequently the overall industrial production would have been stronger if it had not been for the strong growth of the output in tobacco industry in the last two months of 2008. More specifically, the fact that new and higher excise taxes are going to be charged on tobacco products after 1 January 2009 prompted the major domestic producer to increase the current output and put off the rise in sale prices. This in turn resulted in the strong accumulation of inventories of these products that will be used in the short run for the satisfaction of the current level of demand.

Moreover, the manufacture of tobacco products, together with the manufacture of chemicals and chemical products, made the largest positive contribution to the manufacturing dynamics in the last quarter of 2008. However, given an annual decline in the volume of output in most other manufacturing activities, total manufacturing output decreased by 2.2% year-on-year. The electricity, gas and water supply showed a strong annual decline in output in the last quarter of 2008 that is in part attributable to the unfavourable base effects and in part to the fall in the current output that was probably caused by mild weather conditions in October and November. The adverse developments in the October-December 2008 period were also observed in mining and quarrying, primarily due to the further decline in the extraction of

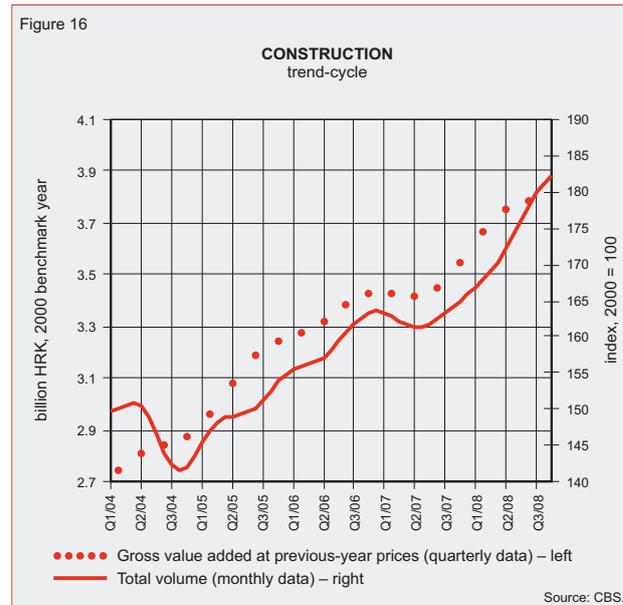
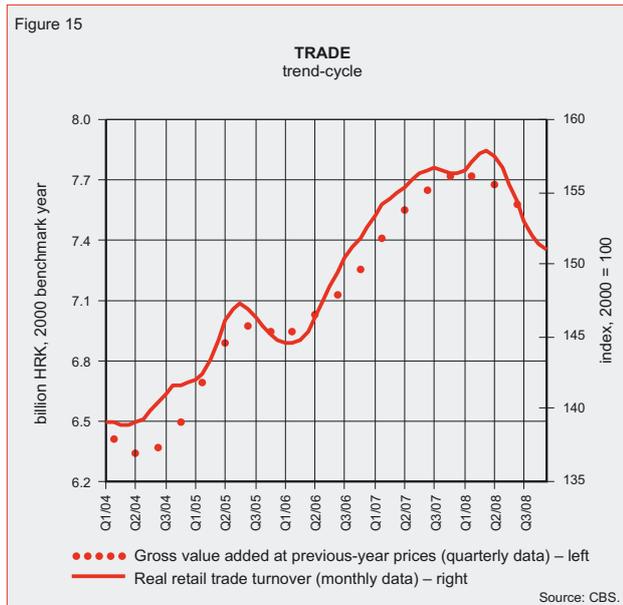
crude oil and natural gas.

According to the original data, the total volume of industrial production rose by only 1.6% in 2008 relative to 2007, in which it grew by 5.6%. As for individual categories of goods, in 2008 the strongest increase was recorded in the production of non-durable consumer goods, with the positive trend dynamics being also observed in the production of capital goods and energy. In contrast, 2008, as compared with 2007, was also marked by the fall in the production of intermediate goods and durable consumer goods. As before, the growth of industrial production was mostly determined by the movements in manufacturing (1.5%), which accounts for four fifths of total industrial production.

The index of labour productivity in industry weakened continuously throughout the first three quarters of 2008, and declined in the fourth quarter of 2008 relative to the same period in 2007. Since the number of employed in industry, according to preliminary CBS data, declined more strongly towards the year-end, the dynamics of labour productivity reflected above all the changes in the volume of industrial production. The growth rate of labour productivity in industry stood at 2.8% at the entire 2008 level and, after the review of preliminary data on the number of employed persons by activity in April 2009, it will probably be lower.

Trade

The unfavourable changes in disposable household income due to high inflation and low consumer optimism led to the weakening of household consumption, which in turn contributed to the annual fall of GVA in trade in the third quarter of 2008. Moreover, one should add to this the negative effect of the more moderate real spending by foreign tourists in the reference period relative to the same period in 2007. It is interesting to note that the data of the CBS on the distributive trade in this period suggest unfavourable developments in both real and wholesale trade turnover. Consequently, the annual rate of change in value added in trade stood at a negative 2.1% in the July-September period of 2008.



The real retail trade turnover continued to contract in the last quarter of 2008, with its annual rate of change dropping to the negative 3.0% (according to the seasonally adjusted data). Since the continuation of unfavourable tendencies in retail trade was accompanied by the fall in inflation and the resultant revival of the dynamics of the main financing sources of personal consumption, it seems that the households abstained from current consumption at the end of the previous year due largely to the insecurity and concerns about future economic developments. The additional reasons for this household behaviour may be found in the increase in the loan servicing burden, more stringent conditions for obtaining new loans and the rise in loan price.

Viewed by branch, a decrease was noticed in the sales of clothing, footwear and furniture in the fourth quarter of 2008. In addition, the data of the CBS on the nominal value of trade turnover and imports of motor vehicles and the data of the Ministry of the Interior on the number of newly registered vehicles point to the further decline in their sales in the reference period. With reference to this, it should be noted that this was a consequence of reduced demand from both natural and legal persons.

Following the increase of 5.2% in 2007, real retail trade turnover fell by 0.5% in 2008 according to the original data, due above all to the continued weakening of personal consumption which marked 2008.

Construction

The construction activity remained robust in the third quarter of 2008. However, the annual rate of change in GVA in this activity (8.5%) was somewhat lower than in the first half of (9.1%). The data on the total volume of construction works, measured by the number of hours worked at building sites, show the continuation of the strong annual growth of construction works on buildings in the reference period. In contrast, the annual dynamics of civil engineering works slowed down.

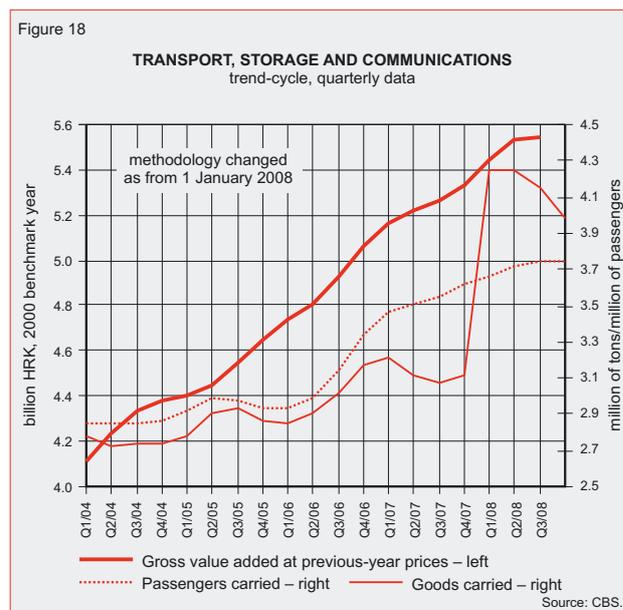
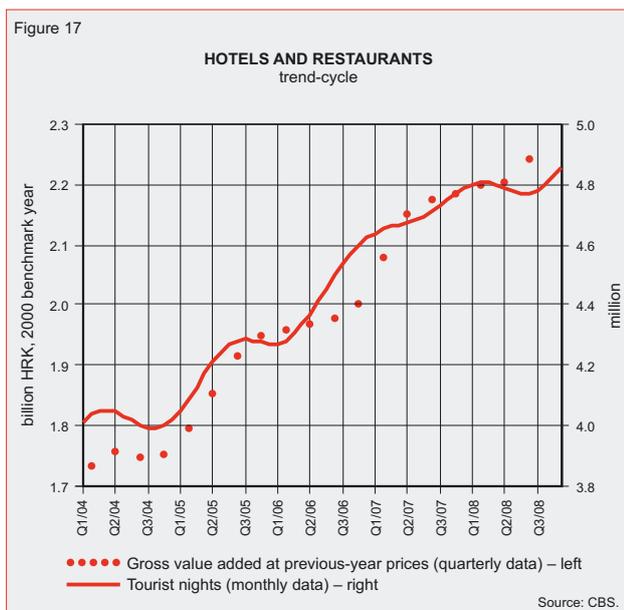
In October and November of 2008, the total volume index

of construction works remained at a relatively high level from the end of the third quarter, while its annual rate of growth, measured by the seasonally adjusted data, stood at 11.3%. The main contributors to this were works on buildings, accompanied by a concurrent mild increase in civil engineering works. Since the change in the number of square meters for which building permits have been issued and the value index of new construction project orders in the first nine months of 2008 suggest a noticeable decline in new investments in the construction of buildings, it seems that the above-mentioned growth in the construction activity should primarily be attributed to more vigorous work on buildings already under construction. This trend is expected to contribute to the weakening of construction works in the coming period. In addition, demand for residential real estate continued to decline towards the year-end, reflecting in part more stringent financing conditions (i.e. more restrictive conditions for obtaining bank loans). These changes are further corroborated by the results of the CNB consumer confidence survey which point to a continued decline in planned household investments in real estate.

The year 2008 was to a large extent marked by the strong growth of construction activity, primarily boosted by private sector investment in non-residential building construction. As a result, the annual growth of the total volume of construction works in the first eleven months stood at 11.5% (according to the original data). In contrast, it seems that in 2008 the value of investment in residential building construction has remained almost the same as in 2007; the same goes for public investment in road infrastructure.

Hotels and Restaurants

In the third quarter of 2008 (i.e. during the peak tourist season), the annual GVA growth in hotels and restaurants stood at 2.4% (whereas, for comparison, the same period 2007 saw the rate of change of 9.5%). Since the demand for tourist service largely influences the formation of GVA in this activity, it may be concluded that its dynamics was more



moderate in 2008 than a year before. These developments are in part the result of unfavourable changes in the international environment as well as of the stronger growth in domestic inflation. It is worth noting that the contribution of this activity to the formation of total GVA in the economy does not fully reflect the importance of tourism due to a number of other, direct and indirect, effects which tourist consumption has on other economic activities.

According to the CBS data, the number of registered overnight stays in the fourth quarter of 2008 was only somewhat higher than that reported in the same period last year. At the entire 2008 level, the number of tourist night stays and arrivals grew by 2.0% and 0.9% respectively. Broken down by country of residence, the most foreign tourists came from Germany, Italy, Slovenia, Austria and the Czech Republic. The number of arrivals and nights stayed by tourists from the latter three countries saw a substantial decline in 2008 relative to 2007. This, however, was compensated for by the increase in the number of arrivals and nights stayed by tourists from the Netherlands, Russia and Slovakia.

Transport and Communications

The annual growth of GVA in transport, storage and communications slowed down to 4.8% in the July-September period of 2008. In the reference period, this sector of the economy was marked by the slowdown in the annual dynamics of the number of passengers carried and the minutes spent in mobile and fixed network, as well as by the fall in demand for goods transportation services.

The annual growth in the number of passengers carried continued to slowdown in the fourth quarter of 2008, falling to 1.6% (according to the seasonally adjusted data). In the reference period, the number of passengers carried increased only in railway transport, while other types of transport saw an annual decline in the number of passengers carried. The transport of goods probably slowed down further in the October-December period of 2008, reflecting the decline in industrial production and the weakening of trade in goods. In

addition, the number of minutes spent in the mobile network did not deviate from its relatively high annual dynamics in the fourth quarter of 2008, while on the other hand the number of minutes spent in the mobile network saw an annual decrease after it had grown for two consecutive quarters.

Labour Market

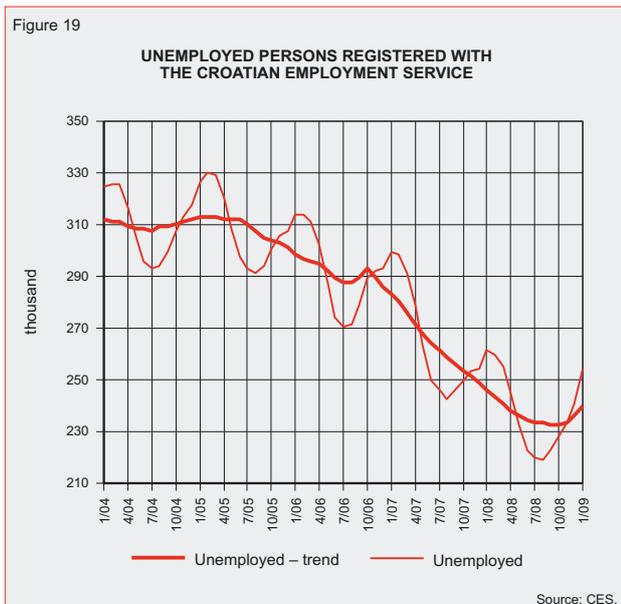
The economic activity slowdown also impacted the labour market developments in the last quarter of 2008. The number of unemployed increased and the number of employed decreased, contributing to the further slowdown of unemployment and employment trends. However, at the entire 2008 level, unemployment decreased and employment increased relative to 2007. Concurrently, the annual growth of nominal wages accelerated, making a positive contribution to the outcome for 2008 as a whole. The wage movements were additionally influenced by the amendments to the Income Tax Act, involving an increase in the basic personal tax exemption, and by the implementation of the Minimum Wage Act.

Unemployment and Employment

After declining continuously in the February-August period of 2008, the number of unemployed persons registered with the CES started to increase at a monthly level after September, ending the year at 240,455. Despite the increase in unemployment in the last quarter of 2008, the number of unemployed was lower than in the same period in 2007. The annual decline in unemployment marked the whole of 2008, but gradually lessened towards the year-end. According to the seasonally adjusted data, the monthly increase in unemployment resulted in a mild change in the unemployment trend which still cannot be observed in the annual rates of changes. The original data show that in 2008 the average unemployment was 27,700 or 10.5% lower than in 2007.

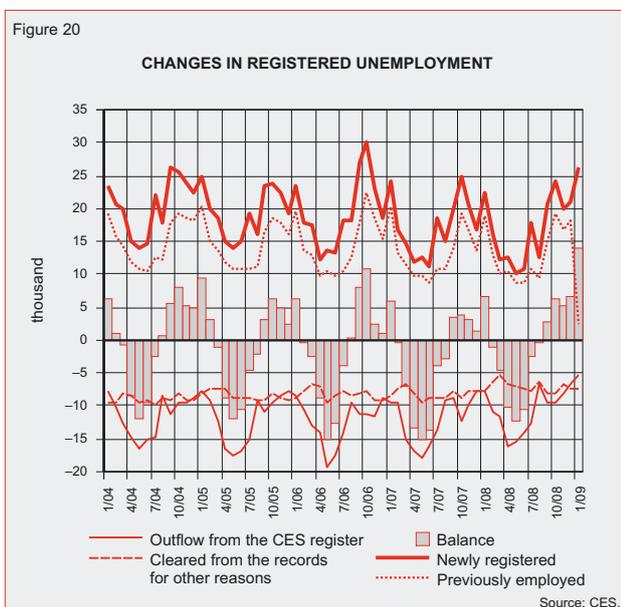
The monthly increase in unemployment in the fourth quarter of 2008 is attributed to higher inflows into the CES

Figure 19



register, paired with lower outflows from the CES register. The inflow of unemployed persons into the CES register strengthened in the last three months of 2008 due mostly 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. The employment from the CES register continued to decline in the last three months of 2008 but at a much stronger rate (–19.2% on an annual basis) than previously reported. In addition to the common fall in demand for workers, the main contributor to this was the economic activity slowdown. This is further corroborated by the data on vacancies reported by employers to the CES, which substantially declined in the fourth quarter of 2008. The outflow from the register, in addition to the persons employed, also includes the persons deleted from the register for reasons other than employment (e.g. due to failure to report regularly, failure to meet legal requirements, registration cancellation, military service, retirement, change of status, etc.), the number of which also dropped in the fourth quarter of 2008. At the entire 2008 level, 200,093 persons registered and 128,228 were employed from the CES registered, with the number of newly registered declining by 3.1% and the number of employed increasing by as much as 12.6%.

Figure 20



The registered unemployment rate stood at 13.7% at the end of 2008, while the average unemployment rate for the entire 2008 was 13.4% (as compared with 14.8% in 2007). Since the Labour Force Survey data are only available with a certain time lag, the latest results of the Survey released at end-January 2009 describe the labour market trends for the third quarter of 2008. According to the Survey data, the unemployment fell to its historical low of 126,000, and continued to decline at a pace (16.6% on an annual basis) that was much stronger than that observed in the first half of the year. These results are at variance with administrative data for the same period, which indicated the slowdown of the unemployment trend. In line with the described trends, the Survey unemployment rate dropped from 7.9% in the second to 7.0% in the third quarter.

Employment

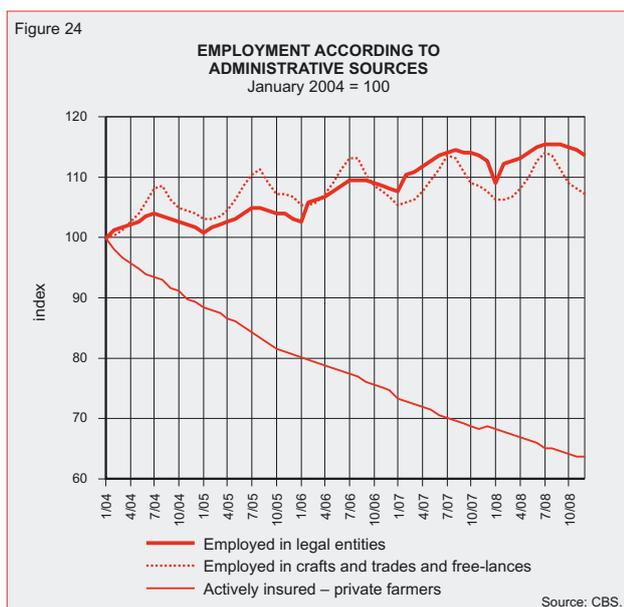
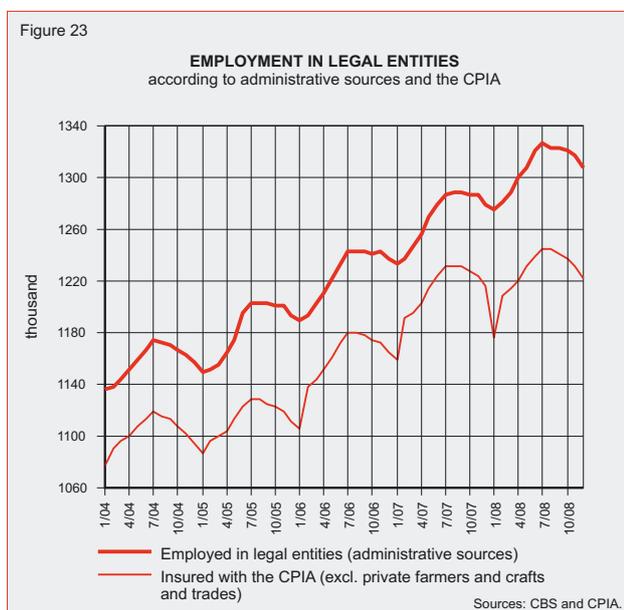
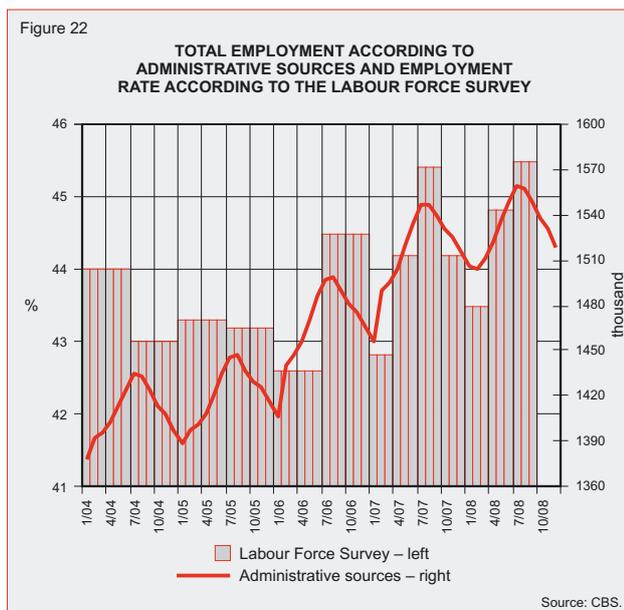
Figure 21



^a The Labour Force Survey is published quarterly since the beginning of 2007.

In addition to the stronger decrease in unemployment, the latest available Survey data also indicated the slowdown of employment growth in the third quarter of 2008, which is in line with the administrative employment data for that period. After the annual growth of 1.8% in the first half of the year, the employment stood at 1.681,000 in the third quarter of 2008 according to the Survey data, which represents an annual increase of 1.2%. Consequently, the Survey employment rate reached 45.5%. Whether the Survey data will corroborate the trends indicated by the administrative data for the year-end remains to be seen at the end of May when the publication of Labour Force Survey data for the last quarter of 2008 is expected.

According to administrative sources, the fall in employment, which marked the fourth quarter of 2008, contributed to the further slowdown of the annual employment growth recorded since the second quarter of 2008. After the increase of 1.4% in the first half of 2008, the annual employment



growth fell to only 0.5% in the second half of 2008. However, it should be noted that, being preliminary, the data of the CBS tend to underestimate the growth in the number of employed persons, so that the stated rates of change obtained from the final data for the period until January 2008 and the preliminary data following this period are likely to be higher after the revision in April 2009. The described year-end developments are also corroborated by the data on the number of persons insured with the CPIA, which are a reliable short-term indicator of employment which is not subject to revision. Although the annual growth of the number of insured persons was positive at the entire 2008 level (2.3%), its deceleration in the second half of the year resulted in a lower growth rate in 2008 than in 2007 (2.7%).

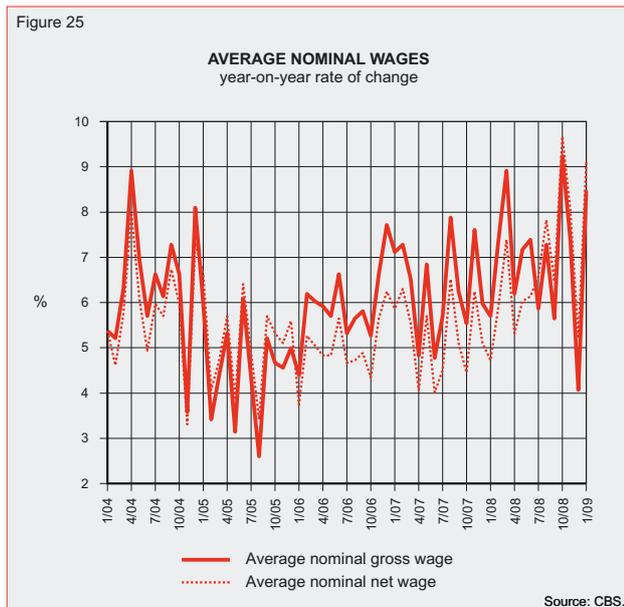
As suggested by the CBS data, the largest contribution to total employment growth in the fourth quarter and in the whole of 2008 came from employment in legal persons, which accounts for 80% of total employment. Employment in crafts and trades and freelances declined in the reference period, resulting in a negative annual rate of change (-0.2%), whereas the number of individual farmers actively insured with the CPIA continued to fall.

Although all sectors experienced lower performance in the fourth quarter and in 2008 relative to 2007, industry was the only sector to contribute negatively to total employment growth, which was in line with the reported contraction in the volume of production and the decrease in demand for industrial workers. The decline in the number of employed in industry intensified towards the end of the year. According to the data of the CBS, it fell by 1.3% in 2008 as compared with 2007. In contrast, services made the major positive contribution to total employment growth, with the largest annual increase in employment in the reference period being recorded in real estate, renting and business activities, financial intermediation and wholesale and retail trade. The growth of employment in education and health care was moderated by a decrease in the number of employed in public administration. However, the number of employed in total public administration, inclusive of education, health care and social welfare, rose at the end of 2008, and thus positively contributed to the indicator for the whole of 2008 which showed a 1.6% growth in the number of employed in this sector in 2008 relative to 2007.

Wages and Labour Costs

After the slowdown in the second and the third quarter of 2008, the annual growth of the average nominal gross wages accelerated to 6.8% (from 6.2% in the third quarter) due to the rise in their level at the end of 2008. The same trend was observed in the annual growth of the average nominal net wages. According to the data for the entire year, 2008 saw an annual increase in wages of 6.8% in gross terms and 6.6% in net terms as compared with 2007. The annual growth of nominal net wages was higher than that of nominal gross wages in the second half of 2008 due to the amendments to the Income Tax Act, i.e. due to the increase in the basic personal tax exemption. However, this effect is not visible at the entire 2008 level. In addition, the Minimum Wage Act,

Figure 25

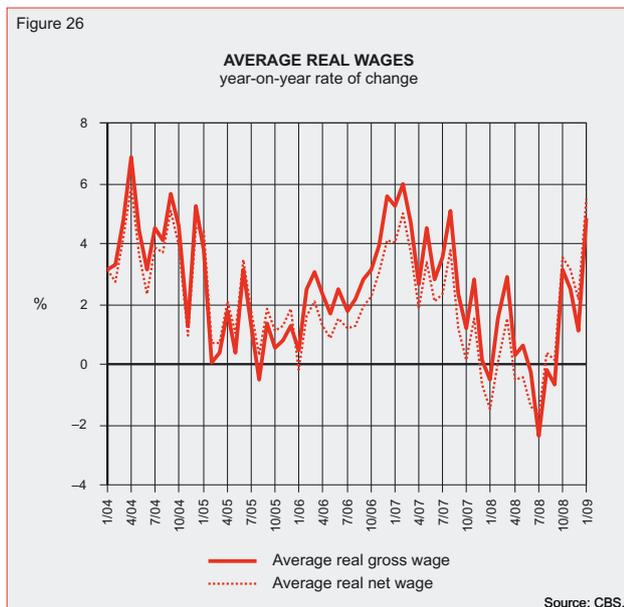


which entered into force in the second half of the year, also influenced the developments in wages.

Following the nominal increase and the slowdown in the CPI growth, real gross and net wages showed positive annual rates of change, after being marked by negative rates of change in the third quarter. Notwithstanding the fact that nominal wages were high, the annual growth of real wages decelerated in 2008 relative to 2007 (from 3.4% to 0.7% in gross and from 2.3% to 0.4% in net terms) due to the significant acceleration in price inflation.

In 2008, as in 2007, the annual growth of nominal and real gross wages was more pronounced in the public sector due the increase in the basis for the calculation of wages in the 2007-2009 period, agreed between the Government of the Republic of Croatia and the trade unions of public service employees. As for the private sector activities, the most significant positive rates of growth in wages in the fourth quarter and in the whole of 2008 were observed in electricity, gas and water supply, construction, and real estate, renting and business activities.

Figure 26

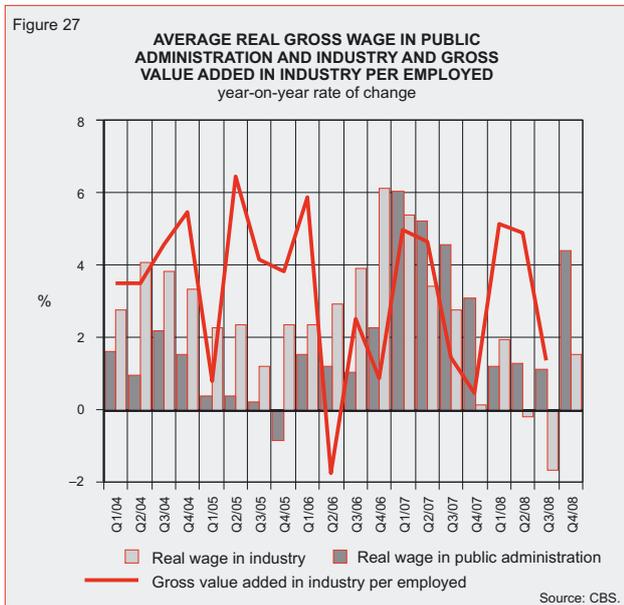


The annual growth of real gross wages in industry accelerated from -1.6% in the third quarter to 1.5% in the fourth quarter, which, after the decline in the second and the third quarter, resulted in a 0.4% growth in real wages in industry in 2008 relative to 2007. The labour productivity growth in industry, measured by this activity's GVA dynamics, at constant prices per employee, reached 1.3% in the third quarter of 2008.

Prices

The average annual inflation rate, as measured by the CPI, reached 6.1% in 2008, which is an increase of 3.2 percentage points over 2.9% in 2007. This increase resulted from both a sharp increase in consumer prices in the first seven months of 2008 and a high pass-through of inflation from 2007.⁷ Other important indicators of price trends in Croatia also deteriorated. The average annual core inflation rate, which excludes agricultural product prices and administrative prices, rose from 3.0% in 2007 to 5.7% in 2008. Industrial producer prices rose the most of all aggregate price indicators, with their average annual rate of change up from 3.4% in 2007 to 8.4% in 2008.

Figure 27



Consumer Prices

In the first seven months of 2008, consumer prices continued to rise at rates as high as in the second half of 2007, but inflation began slowing down after this period. The annual consumer price inflation rate went up from 5.8% in December 2007 to 8.4% in July 2008, dropping to 2.9% in December. Imported inflationary pressures mainly stemmed from a large increase in world prices of raw materials, especially those of crude oil and food raw materials. One of the most significant domestic factors spurring inflation was

⁷ The pass-through of inflation from 2007 to 2008 was 5.3 percentage points.

Figure 28

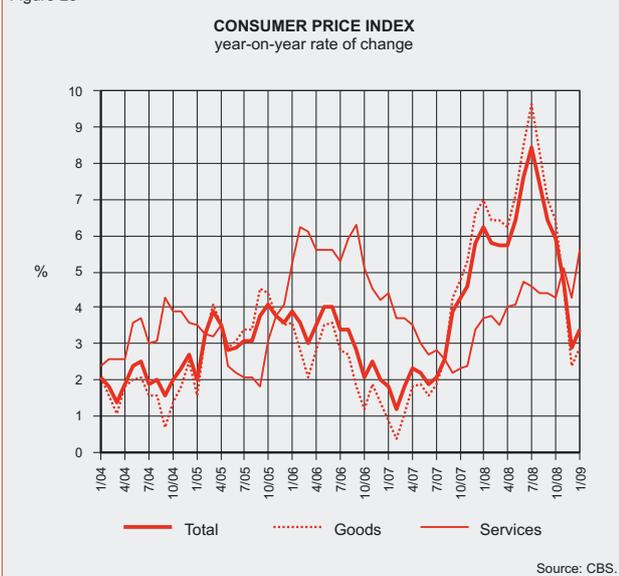
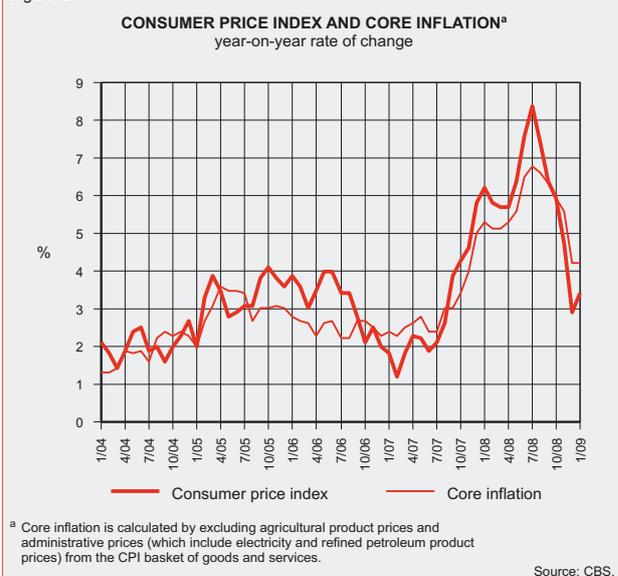


Figure 29



a strong acceleration of real aggregate demand in 2007, and especially of personal consumption, whose effect with a time lag was also observed in the first half of 2008. In addition, domestic inflationary pressures also arose from the accelerated growth of unit labour costs, caused by a slowdown in labour productivity and continued relatively high growth of the average nominal gross wage. Domestic inflationary pressures were eased by a slight appreciation of the kuna against the euro.⁸ Such exchange rate developments produce a positive effect on domestic inflation as they stabilise both inflationary expectations and the prices of goods imported from the euro-zone. The marked slowdown in consumer price inflation in the period after July was primarily due to a drop in imported inflationary pressures, resulting from a sharp decrease in the prices of crude oil, food raw materials and metals on the world market. A decelerated personal consumption growth was the most important domestic factor leading to a decrease in inflationary pressures. In contrast, the kuna/US dollar exchange rate depreciation observed in the second half of 2008 created increasingly strong upward pressures on the prices

of imported raw materials and final products paid for in US dollars. In addition, unit labour costs, continuing to increase sharply in the second half of 2008, were also a source of domestic inflationary pressures.

Core inflation was in line with overall consumer price inflation trends. Sharply accelerating in the first seven months of 2008, it started to decelerate in the following period. The annual rate of change in the core CPI increased from 5.0% in December 2007 to 6.8% in July 2008, dropping to 4.2% in December 2008. The largest effect on the acceleration of core inflation in the first seven months of 2008 was produced by a price increase in industrial food products, resulting, in turn, from a rise in the world prices of agricultural raw materials and energy and from domestic personal consumption growth. This created favourable conditions for producers and traders, enabling them to transfer a large portion of the increased costs to consumers. Domestic food products prices stabilised in the post-July period, which, coupled with a positive base effect, led to a deceleration of the annual core inflation rate.

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

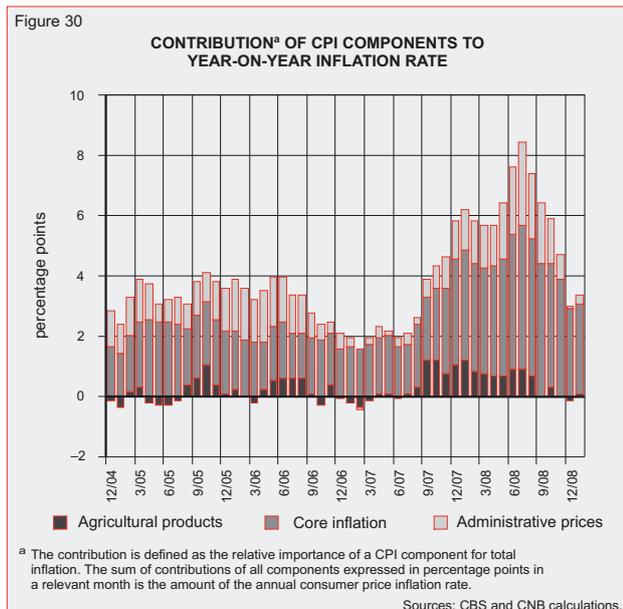
	Weight 2009	12/07	3/08	6/08	9/08	12/08	1/09
Total	100.0	5.8	5.7	7.6	6.4	2.9	3.4
Energy	13.0	5.2	6.3	11.6	10.5	-1.7	-0.4
Fresh food	14.7	9.3	5.9	10.8	5.2	3.7	4.9
Processed food (incl. alcoholic drinks and tobacco)	23.2	10.5	11.4	12.6	10.8	4.7	4.9
Industrial non-food without energy	28.3	2.8	3.2	2.7	3.2	2.2	1.7
Services	20.7	2.8	3.1	4.4	4.2	4.2	5.6

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.

Food product prices continued to increase in the first seven months of 2008, although at slower rates than in the second half of 2007. Later in 2008, as a result of a drop in world prices of food raw materials and crude oil, the prices of domestic food products stabilised, but did not significantly reduce. The annual rate of change in the prices of processed food products went up from 10.5% in December 2007 to 12.7% in July 2008, dropping to 4.7% in December 2008. The deceleration in the annual growth rate of prices of processed food products in 2008 was primarily caused by a deceleration of the annual growth rate of the prices of milk and dairy products, and of oil and fat, and, to a lesser extent, by a decrease in the annual rate of change in tobacco products prices.⁹ The opposite effect on price developments of processed food products was produced by acceleration in the

8 The average kuna/euro appreciated nominally by a slight 1.5% in 2008 relative to 2007.

9 The annual rate of change in tobacco products prices dropped from 8.5% in December 2007 to 0.0% in December 2008 due to a favourable base effect, i.e., the price increase in tobacco products in 2007.



annual growth rate of prices of bread and other bakery products. In addition, the annual rate of change in the prices of fresh food products increased from 9.3% in December 2007 to 11.5% in July 2008, and fell to 3.7% in December 2008. A decrease in agricultural products prices made the largest impact on the slowdown in the annual growth rate of the prices of fresh food products. On the other hand, an increase in meat prices produced the opposite effect on price trends in fresh food products. It can therefore be noted that the previous price increase in animal feedstuffs (e.g. corn) had an indirect effect on the growth of domestic meat prices.

Energy prices grew considerably in the first seven months of 2008, but this trend changed in the following period. The annual rate of change in energy prices increased from 5.2% in December 2007 to 16.5% in July 2008, dropping to -1.7% in December. The increase in energy prices in the first seven months of 2008 was primarily due to the growth of refined petroleum products prices, caused by a sharp increase in world crude oil prices. Also in this period, developments in domestic energy prices were influenced by an electricity price increase. Specifically, electricity prices rose by an average of 16.1% in July compared with June. This was the first price rise in this group of products since September 2005, when electricity prices grew at a monthly rate of 4.9%. The increase in domestic electricity prices was due to growing world prices of energy products (oil, gas and coal), which are important input components in the production of electricity. Trends in some important factors influencing domestic energy prices changed after July 2008, which primarily refers to a break in the upward trend of crude oil and other raw material prices on the world market. This produced a favourable effect on domestic retail prices of refined petroleum products, with the result that energy prices dropped in the post-July period.

The annual rate of change in services prices grew from 2.8% in December 2007 to 4.2% in December 2008. Broken down by components, the services price index shows that the price increase in food products had a spillover effect on the prices of services in whose production they are important components. The increase in services prices was thus for the

most part due to a rise in the prices of hotel and restaurant services, and above all of restaurant food and beverages. In addition, any increase in refined petroleum products prices indirectly pushes up consumer prices due to the price increase in the goods and services in whose production refined petroleum prices are important input components. These indirect effects, which, as a rule, manifest themselves with a time lag, can be very well observed in trends of the prices of transport services. These prices grew markedly in the second and early third quarter, primarily due to a price increase in road passenger traffic. Transport services prices stabilised in the last quarter.

The prices of industrial non-food products (excluding energy) were stable, so that there is no evidence that the costs generated by the energy price growth spilled over to these prices in any large measure. The annual price growth rate of industrial non-food products (excluding energy), which account for a marked 28.3% in the CPI basket, decelerated from 2.8% in December 2007 to 2.2% in December 2008, primarily due to a price decrease in clothing and footwear. Upward pressures on the prices of industrial non-food products mainly stemmed from an increase in the prices of medicines and non-durable household goods.

According to recent CBS data, the annual consumer price inflation rate went up from 2.9% in December 2008 to 3.4% in January 2009. Prices increased by a sharp 1.2% in January from the previous month. This increase was expected since it was to a great extent consequent upon the increases in product prices influenced by governmental decisions. Specifically, the price of gas for households rose by 15.2% in January compared with the previous month, the prices of tobacco products went up by 6.9% due to a rise in excise taxes, and health care prices grew by 14.4% due to the introduction of participation fees for medical and hospital services. In addition, the January growth in consumer prices was to a large extent a consequence of a seasonal rise in vegetable prices, which was more pronounced than in the previous two years. The contribution of these price increases to the overall monthly consumer price inflation rate in January was only partly offset by the seasonal fall in the prices of clothing and footwear.

Import Prices

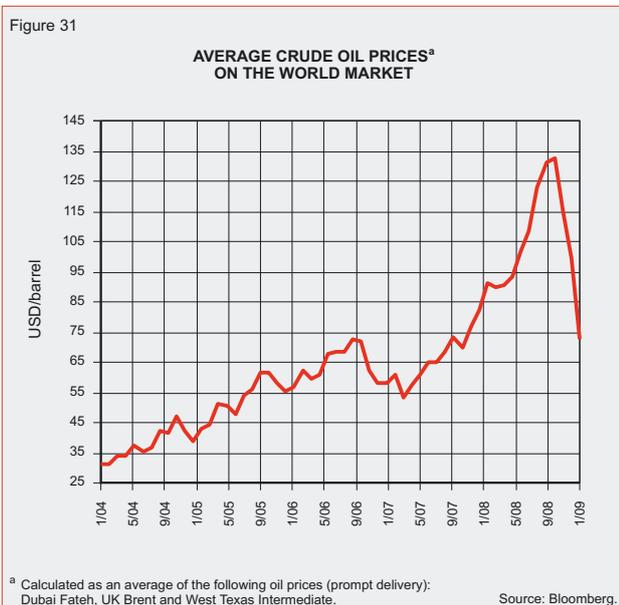
Having surged in 2007, world crude oil prices continued to grow in the first seven months of 2008. The price of Brent crude reached USD 145.7 per barrel in early July 2008, which is an increase of 55.1% compared with the price of USD 93.9 per barrel at the end of 2007. The sharp oil price increase could be attributed to growing demand, especially in developing countries, but also to various supply-side factors of which the most important are geopolitical tensions in the oil-rich areas and the fact that OPEC did not increase its production despite surging oil prices. The price increase was additionally spurred by a drop in the value of the US dollar against the euro, intensified fund investments in commodity markets and low US oil reserves. However, oil prices started to fall sharply at mid-July and dropped to USD 41.8 per barrel at the end of December. The fall in world crude oil prices

in the post-July period was due to a decline in demand for refined petroleum products, caused by the global economic slowdown, expectations of a further reduction in demand for crude oil in 2009 and the strengthening of the US dollar against the euro. Expressing concern over the plummet of oil prices, in late October 2008 OPEC members decided to cut their daily crude oil output by 1.5 million barrels, starting on 1 November 2008. However, world oil prices continued to drop in November and December so that, at the next meeting held at mid-December, OPEC members decided to reduce their output by another 2.2 million barrels as of 1 January 2009. As a result, oil prices drifted upwards in January 2009, and the price of Brent crude stood at USD 44.9 per barrel at the end of the month, up by 7.6% over the end of 2008.

Also contributing to the increase in imported inflationary pressures in the first seven months of 2008 was the price surge of other raw materials on the world market. For example, the world prices of food raw materials (especially oilseeds and cereals) increased considerably in the said period. Such

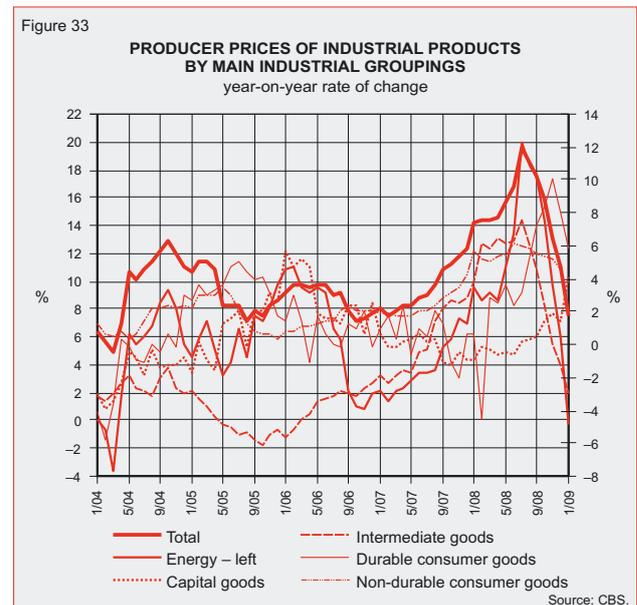
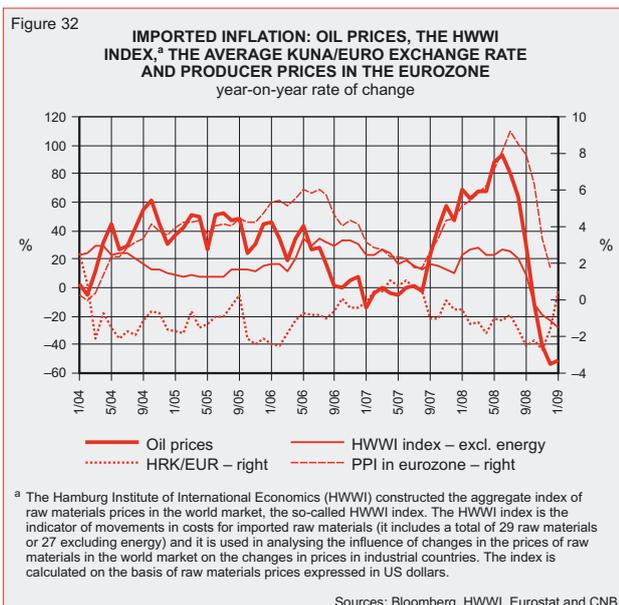
developments in prices of food raw materials resulted from the interaction of several factors. The high economic growth in developing countries led to a sharp rise in their food demand, and the demand by biofuel producers also increased. On the supply side, a significant effect was produced by a spillover of high energy prices and the resulting increase in agricultural production costs. World food prices fell considerably in the post-July period, to a large extent due to supply-side factors (a good harvest). Metal prices dropped sharply following a rise in the first quarter of 2008 as a result of a demand reduction brought about by the global economic slowdown. The annual rate of change in the HWWI index, which measures commodity price trends on the world market (excluding energy, in US dollar terms), grew from 10.0% in December 2007 to 25.7% in July 2008 and dropped to -22.7% in December 2008.

Eurozone producer prices are important components of imported inflation due to the large share the eurozone countries have in the geographical structure of Croatian imports. Eurozone producer prices were dominantly influenced by energy and intermediate goods prices, whose changes reflected trends in the world prices of crude oil and other raw materials. The annual rate of change in eurozone producer prices increased from 4.4% in December 2007 to 9.2% in July 2008, dropping to 1.8% in December 2008.



Industrial Producer Prices

Domestic industrial producer prices started to drop after a sharp jump in the first seven months of 2008. The annual rate of change in industrial producer prices grew from 5.8% in December 2007 to 12.0% in July 2008 and fell to 4.7% in December 2008. The highest growth in the group of industrial producer prices in the first seven months of 2008 was recorded by energy and intermediate goods prices. These developments resulted from the growth of the prices of crude oil and other raw materials on the world market. However, imported inflationary pressures started to ease at mid-July, which was a result of a break in the upward trend of world



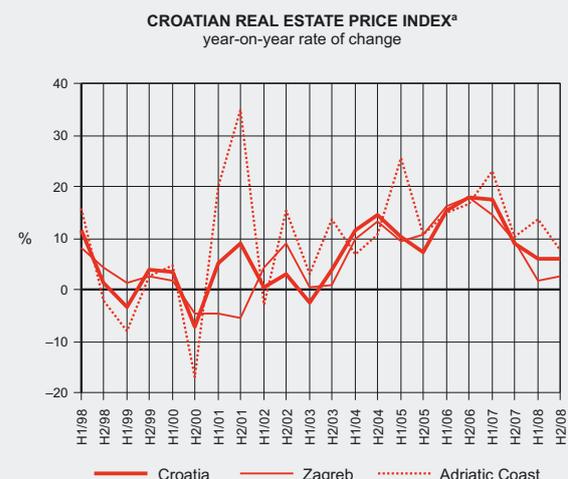
Box 2 2008 Real Estate Price Movements in Croatia

Real estate prices in Croatia went up significantly in the period from 2004 to 2007, by 12.8% a year, on average. This growth was spurred by the limited supply of residential real estate, declining interest rates and higher availability of home loans, paired with the rising disposable income of households and favourable macroeconomic developments, which supported the optimistic outlook of households as regards their future income. The annual real estate price growth in Croatia slowed down mildly in the second half of 2007, while in 2008 it slowed down substantially, from 13.0% in 2007 to 5.8%. The slowdown of real estate price growth was especially pronounced in Zagreb, where it went down from 11.7% in 2007 to only 2.2% in 2008.

Unfavourable changes in the financing sources of households contributed to the slowdown in demand for real estate in 2008. The slowdown in the growth of disposable income of households, in real terms, was, above all, a result of the decline in the annual growth rate of the real net wage bill due to rising inflation and decreasing employment growth. The annual real rate of change of newly extended home loans in Croatia went down from 3.5% in 2007 to -18.1% in 2008, which was one of the key indicators of reduction in demand for real estate, affecting a slowdown in the growth of their prices. Household demand for home loans slowed down also due to rising interest rates, stricter lending terms and conditions and increased insecurity as regards future economic developments, which contributed to a decline in consumer optimism. In addition, expecting a further slowdown in real estate price growth, households have been postponing their decisions to purchase real estate.

A mild rising trend in nominal interest rates on home loans to households was observed in 2007, which may be explained by the growth in European interest rates. The trend continued in 2008, affected significantly by the crisis in the world's financial market, which resulted in weaker inflow of capital and rising interest rates on new foreign borrowings. In December 2008, interest rates on home loans reached 6.1%, up 1 percentage point in comparison with December 2007. While demand for real estate reduced sub-

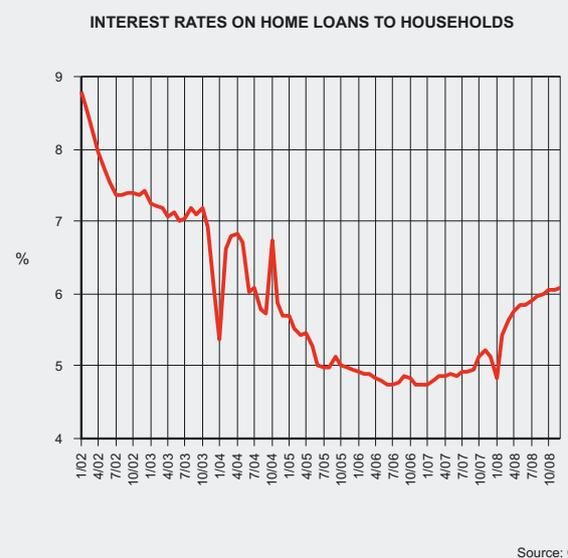
Figure 34



* As measured by the hedonic real estate price index (houses and flats). The characteristics of this index are described in detail in the CNB Bulletin, No. 121, December 2006.

Sources: *Burza nekretnina* and CNB calculations.

Figure 35



Source: CNB.

stantially, the supply remained relatively stable, as indicated by the number of issued building permits for flats.

Table 3: Croatian Residential Real Estate Price Index, year-on-year rate of change

	Weight	2001	2002	2003	2004	2005	2006	2007	2008	2006		2007		2008	
										1st half	2nd half	1st half	2nd half	1st half	2nd half
Croatia	100.0	6.8	1.8	0.5	12.9	8.8	16.6	13.0	5.8	15.4	17.7	17.6	8.8	5.8	5.8
Zagreb	65.3	-5.1	6.5	0.6	11.5	10.0	17.0	11.7	2.2	16.1	17.8	14.4	9.2	1.8	2.6
Adriatic Coast	22.0	26.7	5.7	8.6	9.1	17.2	15.9	16.3	10.5	15.0	16.8	23.0	10.2	13.5	7.5

Note: The methodology used for compiling the hedonic real estate price index in Croatia is such that each calculation of the new value of the index (at the end of a semi-annual period) involves a reassessment of all the parameters of real estate prices achieved by the given equations, which, in turn, results in a revision of the real estate price index for the previous semi-annual and annual periods. Therefore, the indices from the previous years are altered with each update, but are also more precisely measured, being calculated by a larger number of data. Sources: *Burza nekretnina* and CNB calculations.

Table 4: Newly Granted Home Loans in Croatia, year-on-year rate of change, in HRK

	Nominal	Real ^a
2003	38.0	37.3
2004	22.1	8.1
2005	-1.0	-9.0
2006	24.1	6.5
2007	16.9	3.5
2008	-13.4	-18.1

^a Deflated by the hedonic real estate price index. Source: CNB.

Table 5: Number of Building Permits for Flats Issued

	Number of permits	Index 2002 = 100
2002	19,549	
2003	21,245	108.7
2004	20,358	104.1
2005	23,484	120.1
2006	25,517	130.5
2007	24,877	127.3
2008	24,585	125.8

Source: CNB.

raw material prices. This made a favourable impact on trends in domestic energy and intermediate products prices and overall producer price inflation decelerated in the post-July period. Furthermore, the prices of durable and non-durable consumer goods increased in 2008, with the prices of durables rising at much higher rates. Such trends indicate that the costs generated by the former increase in energy and intermediate goods prices spilled over to the prices of final consumption goods. The manufacture of capital goods also recorded a slight increase in prices in 2008.

The annual rate of change in industrial producer prices declined from 4.7% in December 2008 to 1.8% in January 2009, to a large extent due to the positive base effect, that is, a sharp monthly increase in producer prices in January 2008. Industrial producer prices fell by 0.1% in January 2009 relative to December 2008, due mostly to a drop in the prices of energy and non-durable consumer goods. The fall in energy prices was predominantly determined by a decrease in the producer prices of refined petroleum products, while the largest decrease in the group of non-durable consumer goods was recorded by producer prices of tobacco products. The increase in excise taxes partly spilled over to consumers, and the producers bore the remaining burden of the increase by lowering producer prices of cigarettes.

International Comparison of Consumer Prices

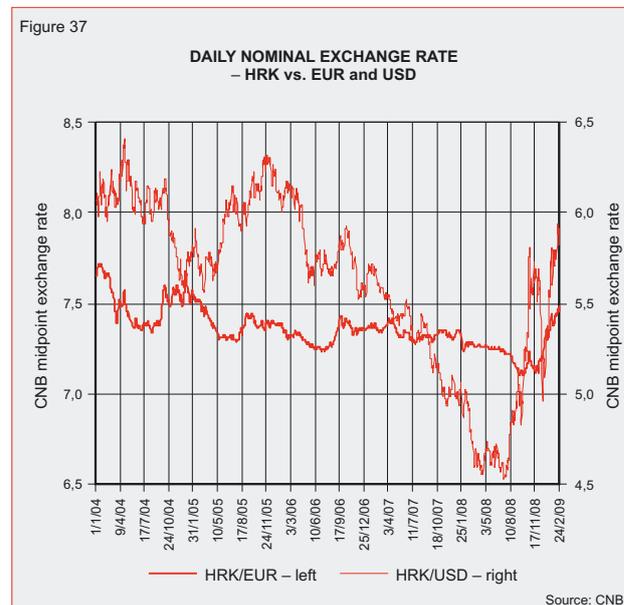
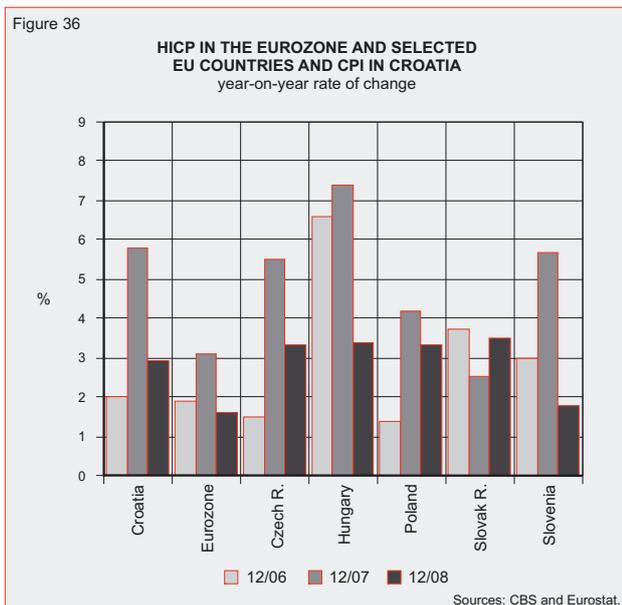
The difference between Croatia's annual consumer price inflation rate and that of the eurozone, standing at 2.7 percentage points in December 2007, reduced to 1.3 percentage points in December 2008 (Croatia's inflation rate was 2.9% compared with the eurozone rate of 1.6%). The fact that Croatia's annual consumer price inflation rate still exceeds that of the eurozone is primarily due to the difference between the contribution of food prices to Croatia's annual inflation and the contribution of these prices to inflation in the eurozone. Specifically, food products prices increased at much higher annual rates in Croatia than in the eurozone, which was also the case in most member states in Central

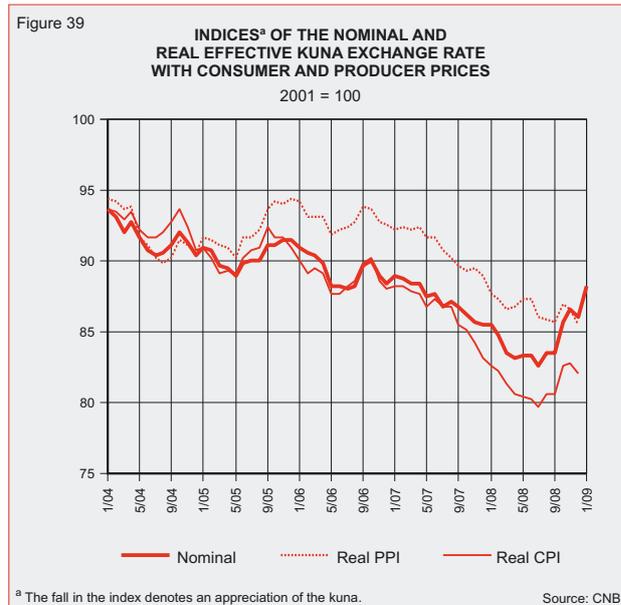
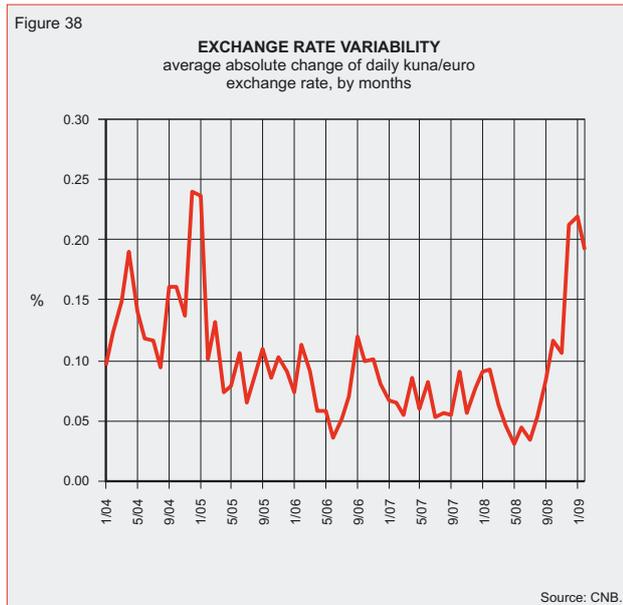
and Eastern Europe. This could be attributed to a marked increase in domestic demand in Central and Eastern European countries that enabled producers and traders to transfer increased production costs to consumers. ECB analysts have also ascribed the marked growth of food products prices in these countries to their lower competition in retail trade and a more intensive use of biofuels in agricultural production in comparison with the eurozone. In addition, it should be mentioned that the relative share of food products prices in total household expenses is higher in Central and Eastern European countries than in the eurozone, so that food prices have a stronger impact on overall consumer price inflation trends.

When compared with inflation rates in member states in Central and Eastern Europe, Croatia's annual inflation rate exceeded only that of Slovenia (1.8%) in December 2008. In other observed countries, consumer prices rose at relatively higher annual rates than in Croatia in that month. The highest price increases were recorded in Latvia, Lithuania, Estonia, Bulgaria and Romania.

Exchange Rate

The year 2008 was marked by a slight nominal appreciation of the kuna/euro exchange rate, with the euro falling from 7.33 kuna at the end of 2007 to 7.32 kuna at the end of 2008. Notwithstanding somewhat more pronounced appreciation pressures at the beginning of the year, the kuna/euro exchange rate was relatively stable in the first nine months of 2008. Mild appreciation pressures in the reference period were to a large extent the result of the inflow of foreign currency tourism receipts and to a small extent of corporate foreign borrowing. The appreciation pressures on the kuna/euro exchange rate were also stimulated by the inflow of foreign exchange for the purchase of INA shares. In the last quarter of 2008, the kuna/euro exchange rate was mainly exposed to depreciation pressures brought on by the increase in demand for foreign exchange. In 2008, the CNB intervened two times in the foreign exchange market. It held the first auction in





January in which the decline in kuna liquidity resulted in the strengthening of the appreciation pressures and the second in October in which the increase in demand for foreign exchange led to the strengthening of the depreciation pressures.

The average daily kuna/euro exchange rate stood at HRK 7.22/EUR in 2008, down 1.5% compared to 2007 in which it stood at HRK 7.34/EUR. The nominal daily kuna/euro exchange rate moved between HRK 7.11/EUR and HRK 7.35/EUR, or within a small range of -1.6% to 1.8% around the average daily exchange rate in 2008.

The foreign exchange market in the fourth quarter of 2008 was mostly marked by the depreciation pressures on the kuna/euro exchange rate which emerged at the same time as the information on the probable problems in some European banks and the information on the opening of bankruptcy proceedings against *Lehman Brothers*. In the second half of October, the demand for foreign exchange increased due inter alia to the withdrawal of foreign currency household deposits from domestic banks and the rise in the demand of institutional investors who needed foreign exchange for the purchase of foreign securities. This led to a relatively fast depreciation of the kuna/euro exchange rate as a result of which the central bank, acting in line with its stable exchange rate policy, abolished the marginal reserve requirement and intervened in the foreign exchange market by selling 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. Following the decrease in the reserve requirement rate from 17% to 14%, the last decade of December again saw stronger demand for foreign exchange, which contributed to the strengthening of depreciation pressures on the kuna/euro exchange rate. In order to ease the intensity of the depreciation, the CNB adopted a decision to increase the percentage of foreign currency reserve requirements that is set aside in kuna from 50% to 75% early in 2009. Overall, the nominal kuna/euro exchange rate depreciated by 3.0% in the

fourth quarter of 2008, with the euro increasing from 7.11 kuna on 30 September to 7.32 kuna on 31 December. The exchange rate variability rose in the fourth quarter of 2008, as indicated by the average absolute change in the daily kuna/euro exchange rate which at 0.14% in the reference period was considerably higher than in the third quarter of 2008 (0.06%). In the last quarter of 2008, the central bank also carried out foreign exchange transactions with the government, purchasing a total of EUR 158.5m from the Ministry of Finance.

The kuna/euro exchange rate in the first two months of 2009 was dominated by the depreciation pressures brought on by the increase in demand for foreign exchange needed for the servicing of the government external debt and the payment of the corporate foreign liabilities. In an effort to counteract the nominal weakening of the domestic currency, the central bank intervened two times in the foreign exchange market in the reference period, selling a total of EUR 513.0m to banks (EUR 328.3m on 23 January and EUR 184.7m on 18 February). The lowering of the prescribed minimum rate of foreign currency liquidity from 28.5% to 25% and further to 20%, and the resultant freeing up of bank foreign currency reserves, were the additional central bank steps aimed at the easing of the depreciation pressures. In addition, the maximum open foreign exchange position of banks was increased from 20% to 30% of the regulatory capital. In this manner, the disposal of foreign currency funds, freed up through the lower minimum rate of foreign currency liquidity, was made easier for banks. The end of February saw however the appreciation pressures on the exchange rate due to the increase in demand for kuna in the domestic market. The central bank, in order to provide the necessary level of kuna liquidity and to alleviate the appreciation pressures, intervened in the foreign exchange market by purchasing a total of EUR 331.2m from banks in the auction held on 27 February and putting into circulation HRK 2.5bn. Overall, the nominal kuna/euro exchange rate depreciated by 1.1% in the first two months of 2009, with the euro increasing from 7.32 kuna on 31 December 2008 to 7.40 kuna on 28 February 2009. The

central bank also carried out foreign exchange transactions with the government in January and on 26 January sold EUR 59.7m worth of foreign exchange to the MoF for the repayment of the debt owed to the London and Paris Clubs. No major foreign exchange transactions between the CNB and the government were carried out in February.

The appreciation of the US dollar/euro exchange rate in the world's foreign exchange market in the third quarter of 2008 continued into October and November. For the most part, it was caused by the noticeable slowdown of the economic activity in the eurozone, the expected easing of monetary conditions in the eurozone, a change in the perception of investment risk, which prompted investors to play safe by investing in US treasuries and in the dollar, and the fall in raw material prices in the world market. December saw a substantial depreciation of the US dollar/euro exchange rate due to adverse indicators pointing to a considerable slowdown in US economic activity and the expected reduction of the Fed's key interest rate. In the fourth quarter of 2008, the ECB slashed its key interest rate by 1.75 percentage points (from 4.25% to 2.50%). In the same period, the Fed cut its key interest rate by 2.0% to the range of 0.0% to 0.25%. In line with the movements in the kuna/euro exchange rate and the US dollar/euro exchange rate, the kuna/US dollar exchange rate depreciated by 3.9% in the fourth quarter of 2008, from HRK 4.96/USD on 30 September to HRK 5.16/USD on 31 December.

The US dollar appreciated by a significant 10.7% versus the euro in the world's foreign exchange market in the first two months of 2009, to a large extent due to adverse economic indicators and expectations of continued monetary easing in the eurozone. At its meeting held on 15 January, the ECB cut its key interest rate by an additional 0.50 percentage points (to 2.0%). In the same month, the Fed left its key interest rate unchanged. The kuna/US dollar exchange rate, also affected by developments in the world's foreign exchange market, depreciated by a significant 13.2% in the reference period, down from HRK 5.16/USD on 31 December 2008 to HRK 5.84/USD on 28 February 2009.

After depreciating by 1.1% in nominal terms against the euro and 13.2% against the US dollar, the kuna also weakened against the pound sterling and the Swiss franc by 10.7% and 1.4% respectively in the first two months of 2009. As a result, the index of the daily nominal effective kuna exchange rate depreciated by 4.4% (28 February 2009 relative to 31 December 2009).

The indicator of export price competitiveness deteriorated in 2008 (December 2008 relative to December 2007). The index of the real effective kuna exchange rate deflated by producer prices appreciated in the reference period by 3.9%, while the same index deflated by consumer prices appreciated by 1.2%. This is attributed to the growth in consumer and producer prices faster in Croatia than in foreign countries in the reference period. The average monthly index of the nominal effective kuna exchange rate depreciated by 0.5% in the same period, due mainly to the nominal depreciation of the kuna/US dollar exchange rate.

Monetary Policy and Instruments

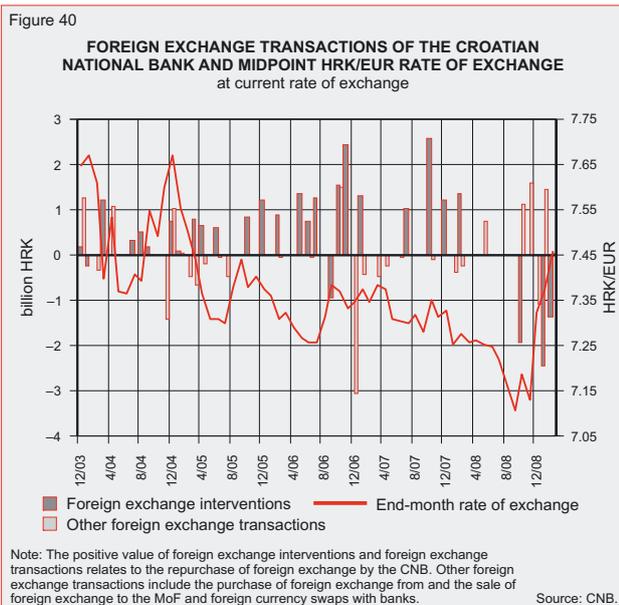
Monetary Environment

In the fourth quarter of 2008, the monetary environment was characterised by the strong spillover effects of the global financial crisis on the domestic economy. Given the slower economic growth and lower foreign capital inflows, the central bank, in addition to maintaining domestic currency stability, focused more on ensuring sufficient liquidity to finance domestic sectors. Following the first half of 2008, when liquidity creation was reduced to alleviate inflationary pressures, the CNB relaxed monetary policy instruments, which considerably helped maintain exchange rate stability, and thus overall financial stability in the country.

Downward pressures on the domestic currency, generated by the seasonal BOP deficit and large foreign currency liabilities of the government, increased further at the start of 2009. The CNB continued to mitigate these pressures by freeing foreign currency liquidity. By changing the reserve requirement and minimum foreign currency liquidity instruments, the CNB released a cumulative amount of nearly EUR 3.8bn from the beginning of the fourth quarter of 2008 to end-February 2009. In addition to changing the instruments, the CNB intervened twice in the foreign exchange market by selling EUR 0.5bn. This proved that the formation of reserves in previous years of abundant foreign capital inflows was justified as it gave the central bank more leeway to maintain domestic currency stability in conditions of impeded capital inflows. Kuna liquidity management by means of open market operations supported foreign currency operations and also aimed at preventing excessive exchange rate fluctuations. This monetary policy continuity will in the forthcoming period have to be supported by other economic policies, above all fiscal consolidation, so as to pass through the period of global economic slowdown and recession with as little damage as possible.

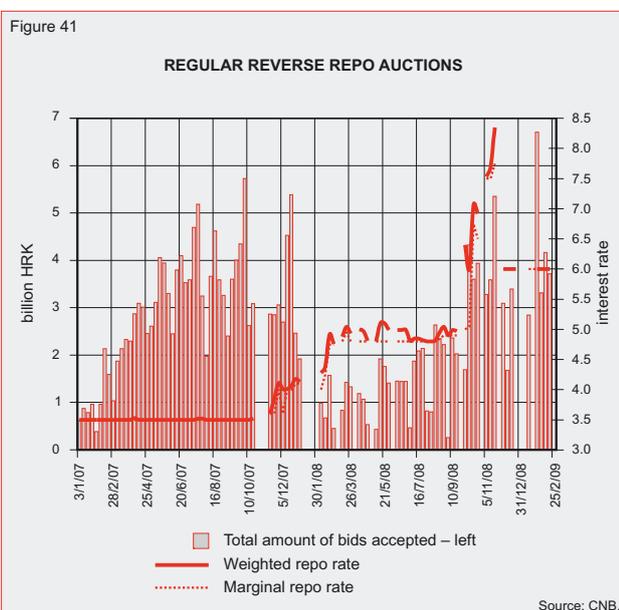
Uses of Instruments of Monetary Policy

In 2008, the Croatian National Bank continued to use the same instruments as in 2007 with more restrictive money supply and limits on bank credit being the main means of anti-inflationary monetary policy. Reserve money was mostly created by regular reverse repo auctions, but the auction turnover decreased compared with the previous year. Repo operations with commercial banks were also characterised by an increase in average interest rates, from 4% at end-2007 to nearly 8% in November 2008. Apart from strong appreciation pressures early in the year, which the central bank mitigated by purchasing foreign currency from the banks, the stable kuna/euro exchange rate in the remainder of the year did not call for central bank interventions until the fourth quarter when depreciation pressures began to mount. The year-end was also marked by the adjustment of monetary policy instruments that reduced instability in the money and

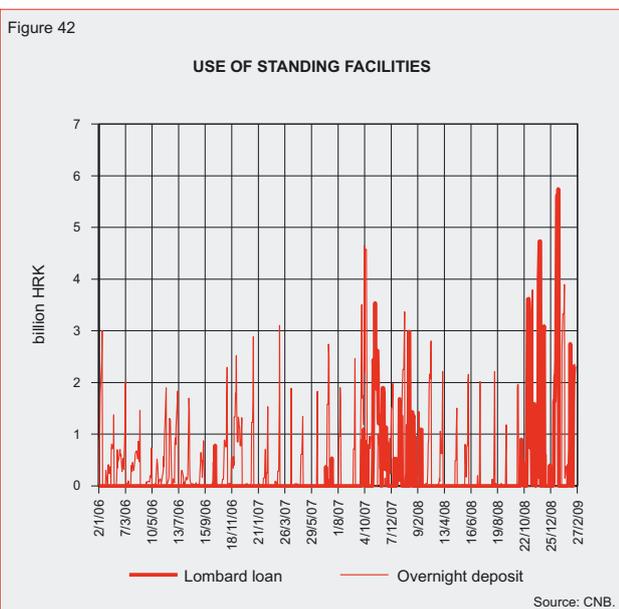


foreign exchange markets. The adjustment concerns mostly the October abolition of the marginal reserve requirement and the December cut in the reserve requirement rate from 17% to 14%.

Commercial banks entered the new calendar year with large kuna liquidity surpluses, while depreciation pressures, observed since late 2008, increased further. The central bank eased these pressures by increasing the percentage of foreign currency reserve requirements that is set aside in kuna from 50% to 75%, thus draining HRK 5.9bn from the system. The foreign currency liquidity of the banks improved early in February with the cut in the rate of the minimum required foreign currency claims from 28.5% to 25.0%. This relaxation of the foreign currency liquidity requirement, which released EUR 840m to banks, was consistent with the planned government borrowing from domestic banks. However, domestic demand for foreign currency was still strong, while adverse developments in the international environment deteriorated further. Consequently, in mid-February the central bank again cut the rate of the minimum required foreign currency claims, to 20%, thereby freeing EUR 1.25bn, which the banks could use to finance current operations and balance out demand and supply in the foreign exchange market. Furthermore, the maximum permitted open foreign exchange position was increased from 20% to 30% of the regulatory capital in late February, which facilitated their management of the foreign currency funds released.

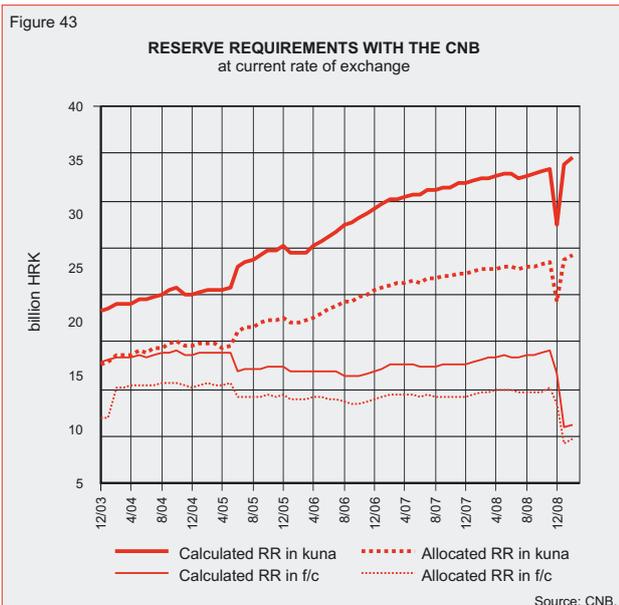


Apart from freeing banks' foreign currency reserves by lowering the rate of the minimum required foreign currency claims, the CNB intervened twice in the foreign exchange market in the first two months of 2009. In its late January intervention, the CNB placed EUR 328.3m, thereby withdrawing HRK 2.4bn, while it sold EUR 184.7m and withdrew HRK 1.4bn in February. As usual, it also sold to the central government the foreign currency funds needed to repay due liabilities to the Paris and London Clubs.



The first two months of 2009 were marked by restrictive use of regular reverse repo operations to create kuna liquidity. Above all, this refers to smaller amounts of funds placed at auctions: two scheduled auctions were not held, while the average daily balance of repo operations with banks decreased from HRK 3.0bn in the last quarter of 2008 to HRK 1.9bn in January 2009. This balance increased in February. However, as the CNB continued to hold repo auctions solely through the allotment and at a fixed rate of 6.0%, and accepted on average 60% of the bids received from banks, liquidity creation was also restricted. At the same time, banks increasingly relied on Lombard loans to maintain reserve requirements, particularly in the weeks when repo auctions were not held. Kuna liquidity tightening thus supported the stated changes in monetary policy instruments that strove to ease depreciation pressures.

In line with more restrictive management of money supply, and due to a major increase in government borrowing from banks, within its standing facilities the CNB tightened regulations concerning the amount of collateral which automatically makes additional kuna liquidity available to banks. The decisions regulating the use of intraday and Lombard loans were amended to reduce the percentage of the nominal



requirements since 75% of foreign currency reserve requirements is allocated in kuna. In the February calculation, kuna reserve requirements stood at HRK 34.7bn, growing annually by 7.3%, while foreign currency reserve requirements were HRK 6.3bn, or half as much as the preceding year.

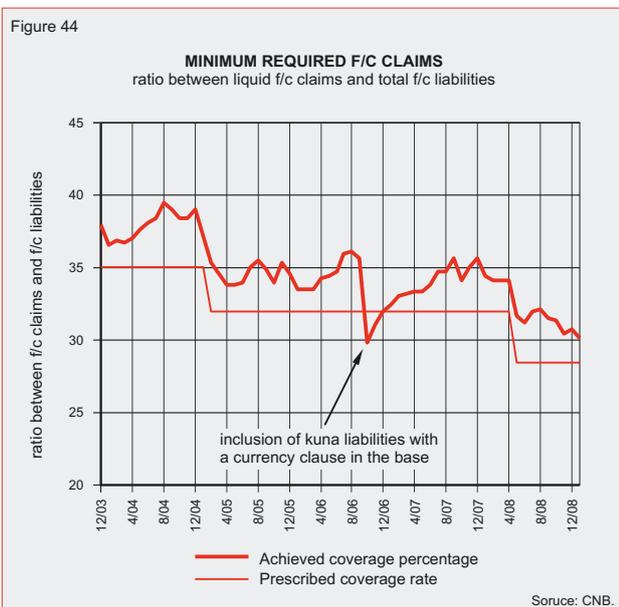
Reserve Money and International Reserves

Reserve money M0 contracted by 4.2% in 2008, mostly due to the December cut in the reserve requirement rate. Reserve money increased through to late 2008 as it was pushed up by growing demand, stemming from the reserve requirement maintenance obligation. This particularly refers to October when the exclusion of banks' vault cash from the reserve requirement maintenance obligation led to a one-off increase in reserve money demand of HRK 2.6bn.

Reserve money grew strongly early in 2009, standing at HRK 56.6bn at end-February, up 15.3% over a year ago. The rise in reserve money demand was due to the increase in kuna reserve requirements and reflected the impact of monetary measures to tighten kuna liquidity, while the January increase in the percentage of the foreign currency reserve requirement that is set aside in kuna offset the impact of the December 2008 cut in the reserve requirement rate to 14%. Rapid reserve money growth in early 2009 is also confirmed by the trends in its seasonally adjusted value.

Daily surplus liquidity in settlement accounts (including overnight deposits) averaged HRK 0.6bn in January and February 2009. This reflects tight liquidity policy that makes banks dependent on repo auctions for maintaining reserve requirements. For the sake of comparison, average surplus liquidity exceeded HRK 2.3bn in December 2008.

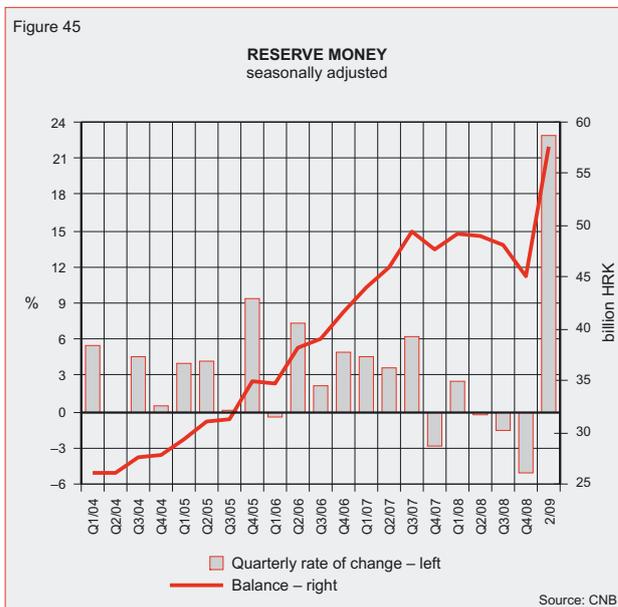
Compulsory CNB bills purchased on account of exceeding credit growth limits stood at HRK 0.5bn at end-February 2009. Their amount has not changed significantly over the last few months and hence had little impact on banks' kuna liquidity. The same is true for government deposits with the CNB. Compared with last year, they have been somewhat lower since the beginning of 2009, averaging around HRK 0.2bn.



value of collateral (T-bills) used to secure such loans from 90% to 50%. In addition, the scope of securities eligible as collateral was reduced to include only those with an original maturity of up to one year.

Late in 2008 the central government began to rely more on short-term domestic borrowing through Treasury bills. However, in early 2009 it needed to bridge liquidity gaps and obtained additional loans from domestic banks. Given the tight liquidity conditions and high money market interest rates, this government borrowing had to be supported by a foreign currency swap contract under which, on the basis of EUR 261.3m of foreign currency pledged as collateral, banks obtained HRK 1.9bn to lend to the central government. The swap contract was extended to February.

The calculated reserve requirements of banks increased slightly in February in line with slower growth in the deposits included in the calculation base. Within funding sources, banks' foreign liabilities grew the most. This led to an increase in foreign currency reserves set aside, as well as kuna reserve





After growing for several years, gross international reserves of the CNB have been on a steady downward path since the third quarter of 2008. This was mostly due to a fall in foreign currency reserve requirements of banks, i.e. changes in monetary policy instruments to improve foreign currency liquidity of the banking system. More specifically, the marginal reserve requirement was abolished in October 2008 and foreign currency reserve requirements were reduced on two occasions (the reserve requirement rate was cut from 17% to 14% in December, while the percentage of reserve requirements that is set aside in foreign currency was reduced from 50% to 25% in January 2009). Gross reserves continued to decrease in January and February 2009, standing at EUR 8.5bn at end-February, while their year-on-year rate of change was –11.6%.

Net reserves grew throughout 2008. Notwithstanding a slight decline due to two foreign exchange interventions, they still recorded a 2.0% year-on-year growth rate in early 2009. Net usable reserves do not include a EUR 261.3m foreign currency swap contract with banks. At end-February, net usable reserves of the CNB stood at EUR 7.7bn.

Monetary Developments

The growth in net domestic assets picked up while net foreign assets declined in 2008, which led to slower growth in total liquid assets (M4). These trends were largely the result of changes in the last quarter.

Until late in the third quarter, net domestic assets grew moderately due to more stringent financing terms of commercial banks, the overall economic slowdown and CNB measures to curb credit growth. Also, central government borrowing from domestic banks was negligible in that period, which also led to slower growth in net domestic assets. On the other hand, banks' net foreign assets increased as banks used domestic deposit inflows, which were particularly strong due to adverse capital market developments and the successful tourist season, to decrease their foreign liabilities.

However, with the spillover effects of the global financial

crisis on Croatia, monetary developments took a different path at the beginning of the fourth quarter. Banks borrowed heavily abroad due to household deposit outflows, which were triggered by a temporary decrease in confidence in the banking system in October, and substantial central government funding needs in that period. Monetary policy instruments were also adjusted to new conditions in the domestic and global financial markets. In the fourth quarter, the CNB abolished the marginal reserve requirement and cut the reserve requirement rate, releasing a portion of banks' funds allocated for this purpose and facilitating foreign capital inflows.

The fourth quarter thus saw much slower growth in bank placements to the non-banking sector and robust growth in net domestic assets. This was due to the rise in placements to the central government, which banks financed by borrowing abroad. These trends continued in early 2009.

Total Liquid Assets

The fourth quarter of 2008 witnessed a fall in total liquid assets (M4), while their year-on-year growth continued to lose speed. The annual growth rate of total liquid assets fell to 4.3% in 2008. M4 continued to trend down at the beginning of the new calendar year, while its annual growth rate stayed almost the same, excluding the exchange rate effect.

Money

Money (M1) increased in the last quarter of 2008 mostly on account of its substantial growth at the very end of the year. Still, the increase was only temporary and this monetary aggregate recorded a seasonal decrease in January 2009. Observed on an annual basis, money growth steadily decelerated and became negative at the year-end. M1 thus fell by 4.6% in 2008. This was due to slower growth in bank loans, sluggish overall economic activity in the country and more restrictive management of the money supply due to strong inflationary pressures in the first half of the year.

As throughout the year, money trends in the fourth quarter were largely affected by changes in demand deposits.

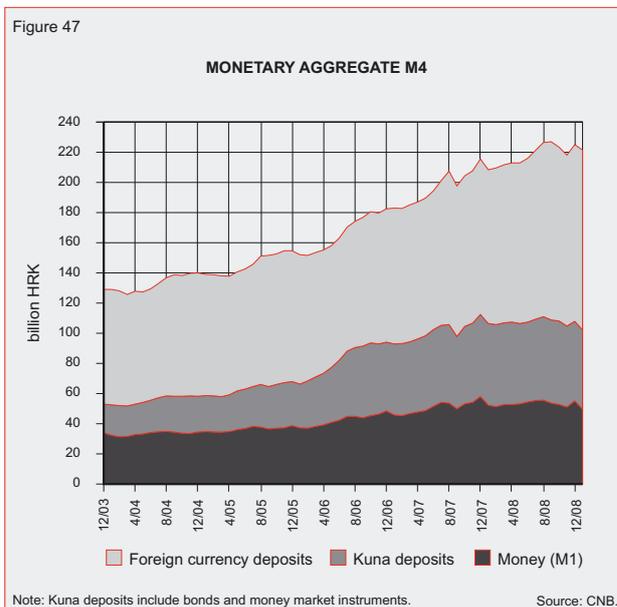


Figure 48

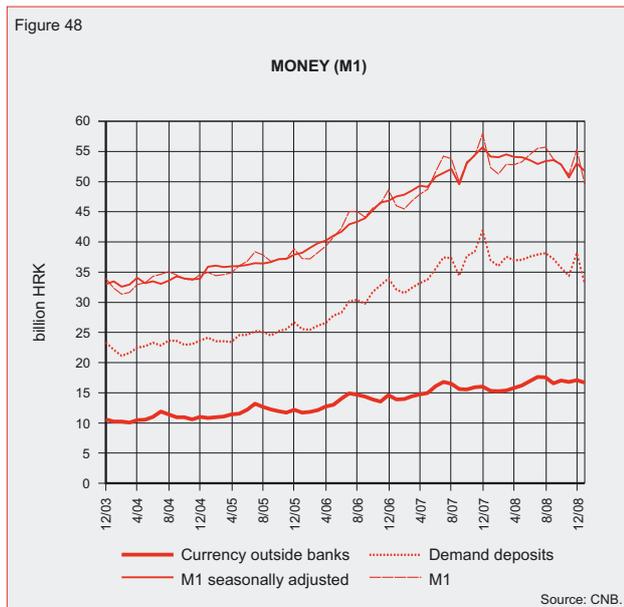
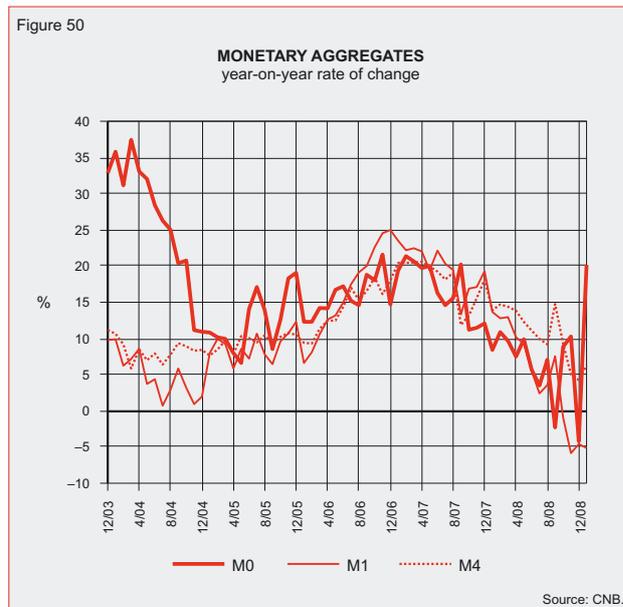


Figure 50



Balances in current and giro accounts held with commercial banks contracted by 8.8% in 2008, with the sharpest fall, of 13.8%, being recorded by the corporate sector. The other component of money, currency outside banks, grew at the annual rate of 6.5% in 2008, which was much lower than in 2007.

Non-Monetary Deposits

Savings and time deposits of domestic sectors declined in the last quarter of 2008. This was largely the outcome of the October outflow of household deposits and a fall in deposits of non-banking financial institutions in the rest of the year, which was due to government financing through the issue of T-bills purchased by pension funds. The annual growth in savings and time deposits slowed in 2008 mostly on account of a decline in kuna non-monetary deposits.

Kuna non-monetary deposits fell by 6.7% or HRK 3.6bn in 2008. As regards the structure of these deposits, all sectors recorded a downturn, with the exception of the house-

hold sector whose deposits grew by 8.4% on an annual basis. These data confirm that, in addition to the usual saving in foreign exchange, some individuals decided to save in domestic currency. This can be explained by more favourable terms and higher interest rates for this type of saving.

Most of the 2008 increase in savings and time deposits stemmed from foreign currency deposits. Their annual growth rate was 13.7%, which corresponds to an increase of HRK 14.1bn. Out of this amount, HRK 12.9bn related to household deposits, which grew at a slightly faster pace than in 2007. The growth of household foreign currency deposits was particularly robust in the first half of the year and during the tourist season when, in view of adverse capital market trends, bank deposits proved to be a safer form of investment.

Placements

Lending activities of banks lost momentum in the fourth quarter of 2008 and in early 2009. Excluding the exchange rate effects, bank placements to the non-banking sector grew

Figure 49

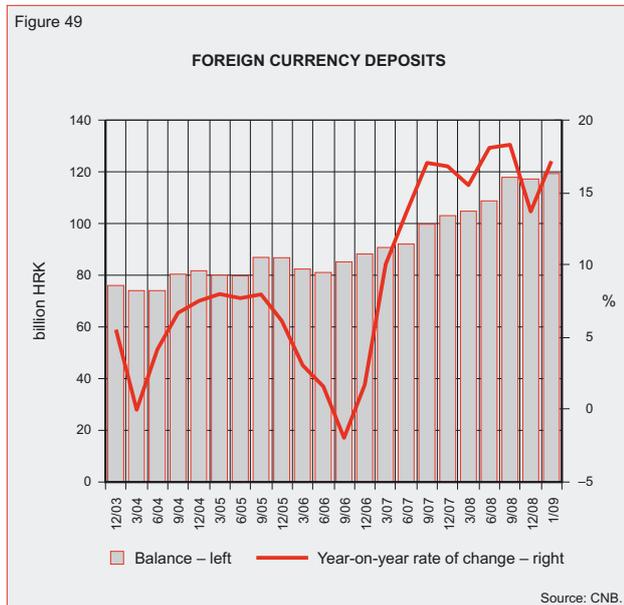
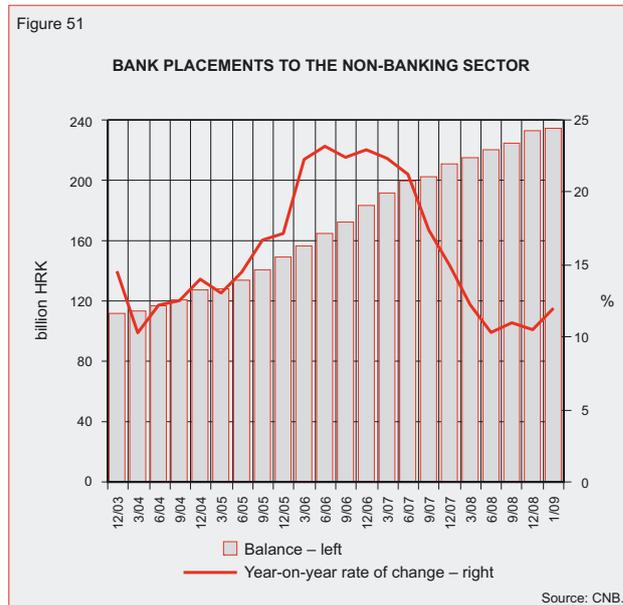


Figure 51



by 0.8% in the last three months of 2008, while they were almost stagnant in January 2009. These trends were the outcome of a fall in demand for loans caused by more stringent financing terms, as well as the banks' preference to preserve their own liquidity and lend to the private sector more moderately in view of the uncertainty and crisis in the global and domestic financial markets. In addition, bank activities at the time mostly focused on ensuring sufficient funds from abroad and on central government financing.

Growth of bank placements to the non-banking sector was 10.5% in 2008. Excluding the exchange rate effect, which in this case implies a sizeable depreciation of the kuna against the Swiss franc, the annual growth rate of placements fell by two percentage points in 2008, to approximately 8.5%. This confirms that the limits imposed by the CNB were not an obstacle to domestic credit growth. Some banks came close to the 12% growth rate permissible in a 12-month period but this was mostly due to the above-average share of loans indexed to the Swiss franc in their total credit portfolios. In January 2009, only two banks had to purchase compulsory CNB bills due to excessive credit growth in 2008.

The 2008 slowdown in bank lending was particularly evident in household loans. Their annual growth rate went down from 18.0% in 2007 to 12.1% in 2008 and was, for the first time since 2001, lower than the growth rate of household savings and time deposits. Within the structure of household loans, the increase in home and any-purpose loans, which account for the largest share of total loans granted, slowed down the most. Reduced lending volumes and mounting consumer pessimism had an impact on the real sector of the economy (fall in retail trade turnover, end of the upward trend in real estate prices).

In contrast with slower household loan growth, the annual growth rate of corporate loans increased to 11.4% in 2008. This suggests that, in an environment of weaker household demand for loans, banks focused more on corporate financing. Furthermore, as the global financial market crisis impeded their access to foreign capital, domestic enterprises increasingly turned to domestic banks for loans.

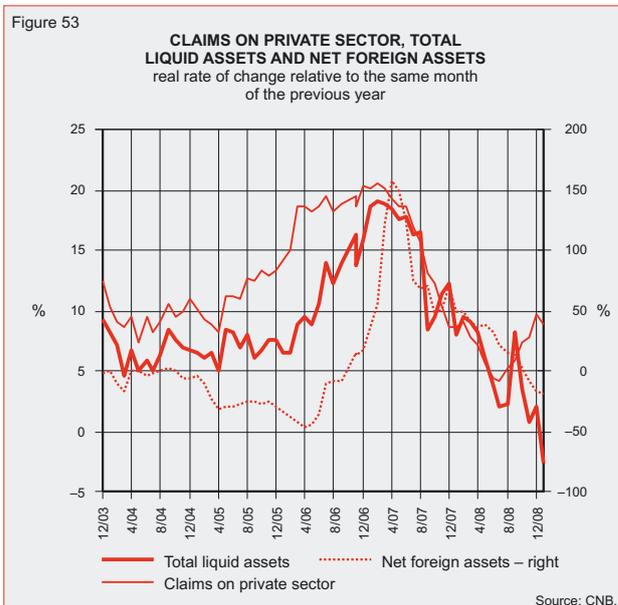


Bank Placements to the Central Government

The last quarter of 2008 was marked by robust growth in bank placements to the central government. Bank claims on the central government grew by HRK 6.8bn in that period, mostly on account of the increase in loans granted and T-bills subscribed. Last quarter developments determined the change on an annual basis as well. Banks' net claims on the central government increased by HRK 6.3bn in 2008, growing annually by 41.6%. Early in 2009, bank claims on the government rose by another HRK 2.2bn.

Foreign Assets and Liabilities

Banks borrowed heavily abroad in the fourth quarter of 2008. They offset the outflow of domestic deposits in that period by foreign capital inflows, the bulk of which were short-term deposits and loans received from foreign owners (parent banks). Net foreign assets of banks, despite a fall of HRK 10.1bn in the last three months of 2008, decreased much less on an annual basis, by HRK 6.3bn or 33.9%. Such trends



continued in early 2009 since banks raised additional funds abroad in January.

The year-on-year rate of change in the real value of total liquid assets suggests that this monetary aggregate has recorded minimum growth (almost stagnation) for several months, which continued into early 2009. In contrast, the year-on-year rate of change in the real value of bank placements has increased in recent months, but this reflects the easing of inflationary pressures in the second half of 2008. Let us remember that the slower year-on-year increase in the real value of placements in the first half of 2008 was largely due to higher inflation in that period.

Money Market

Following favourable liquidity conditions in the domestic financial system in the first nine months of 2008, the beginning of the fourth quarter saw an upsurge and increased volatility of money market interest rates. In this period instability was triggered by the INA shareholder payout occasioned by 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 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 persistent downward pressures on the kuna in late October, the CNB also undertook a foreign exchange intervention at which HRK 2.0bn was purchased from the banks. At the same time, kuna liquidity was created by reverse repo auctions, where the largest amounts of the demanded and placed funds in 2008 were recorded, by Lombard loans and foreign exchange transactions with the government. The easing of pressures on the money market was mostly due to the decision to cut the reserve requirement rate from 17% to 14%, which sharply reduced money market interest rates in early December. Money market interest rates, which were stable until mid-January 2009, resumed a strong upward climb, spurred by the increase in the calculated foreign currency component of reserve requirements that is set aside in kuna from 50% to 75%. Furthermore, money market interest rates were pushed up further by this year's first foreign exchange intervention, undertaken to stabilise the exchange rate of the kuna, whereby HRK 2.4bn was withdrawn from the domestic financial system.

Having grown gradually in the first nine months of 2008, interest rates at T-bill auctions recorded an atypically strong increase in the fourth quarter of 2008 and January 2009.

This was due to the government's decisive reorientation towards short-term domestic borrowing to finance the budget deficit. Interest rates at auctions of T-bills thus reached their highest levels since 2001. In consequence of large amounts issued, the total stock of subscribed T-bills increased noticeably from HRK 10.9bn at end-September to HRK 15.2bn at end-December 2008, while it held steady in January 2009.

Banks' interest rates on long-term loans grew rapidly in the first three quarters of 2008. Interest rates on household loans were leading the way until mid-2008 when they were overtaken by interest rates on corporate loans. The strong upward trend in interest rates on long-term corporate loans was interrupted in the fourth quarter of 2008 and in January 2009. In contrast, interest rates on long-term household loans with a currency clause resumed trending up, after briefly stagnating in mid-2008. Interest rates on some types of short-term corporate loans recorded sizeable growth. Interest rates on household time deposits grew gradually. In contrast, most interest rates on corporate time deposits decreased, with the exception of interest rates on kuna time deposits with a maturity of up to one month. These rates exhibited substantial volatility as they closely followed the movements of money market interest rates.

Money Market Interest Rates

Increased segmentation of banking system liquidity spurred a noticeable increase in money market turnover in the fourth quarter of 2008. Banks met their primary liquidity needs on this market in the average daily amount of HRK 3.5bn (a total of HRK 219.6bn in the entire quarter), which is HRK 1.3bn more than the average daily turnover in the previous quarter. Although banks raised a record high of HRK 31.7bn by purchasing repo agreements, by far the largest share of total loans they received on the money market, as usual, was accounted for by loans in demand deposit trading (HRK 187.4bn). The remaining HRK 0.5bn was raised through the sale of securities. Within the structure of demand deposit trading, the share of the traditionally most important

Figure 54

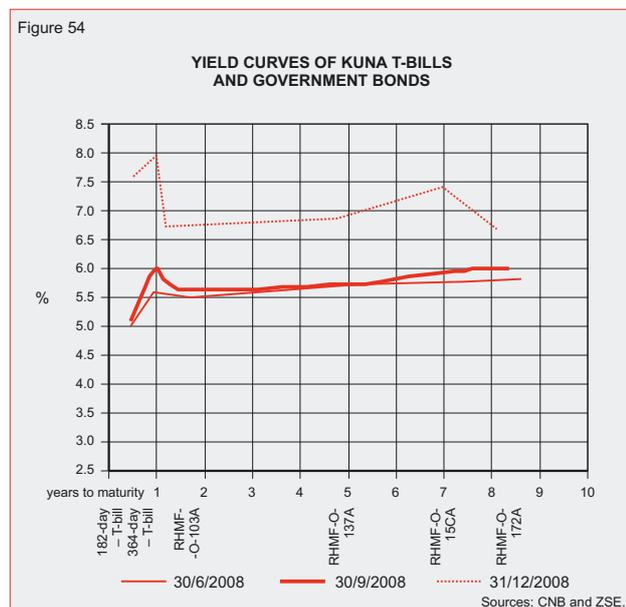
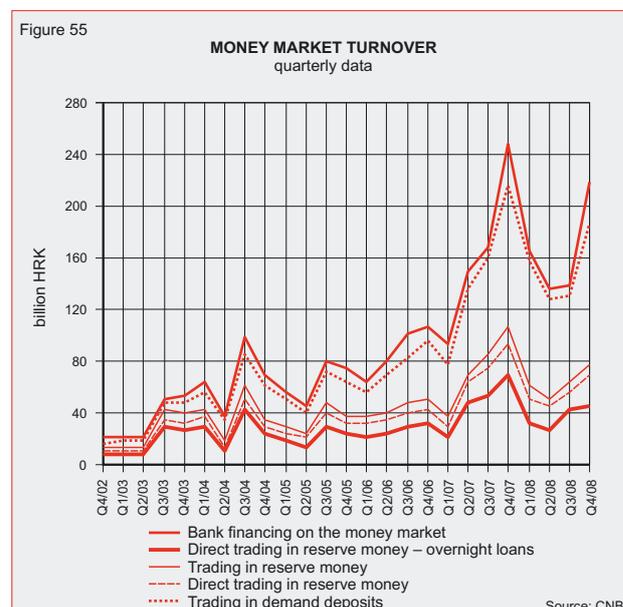
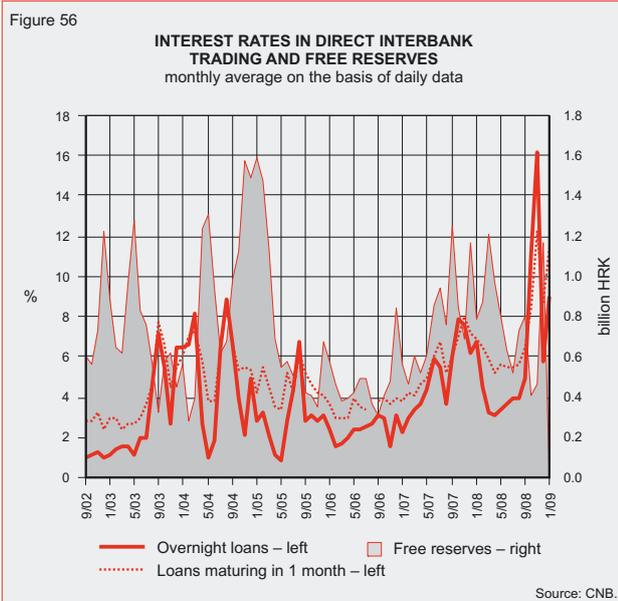


Figure 55

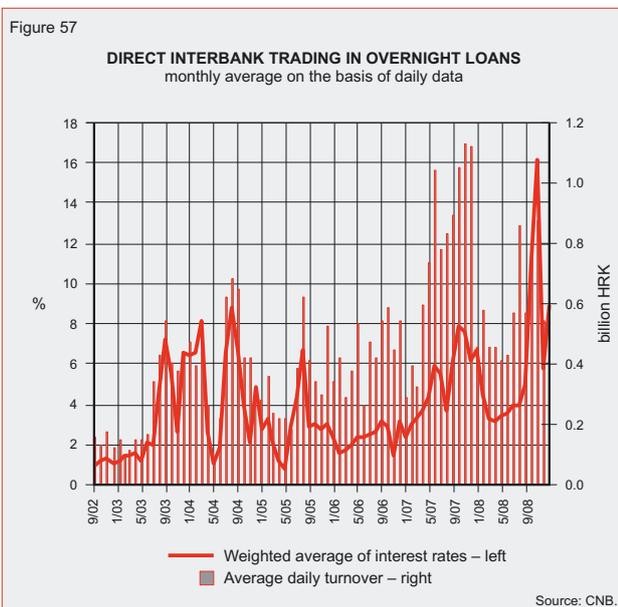




category – interbank trading declined slightly, to 41.1%. On the other hand, the share of demand deposit trading with other legal persons and with non-banking financial institutions grew to 23.6% and 35.3% respectively.

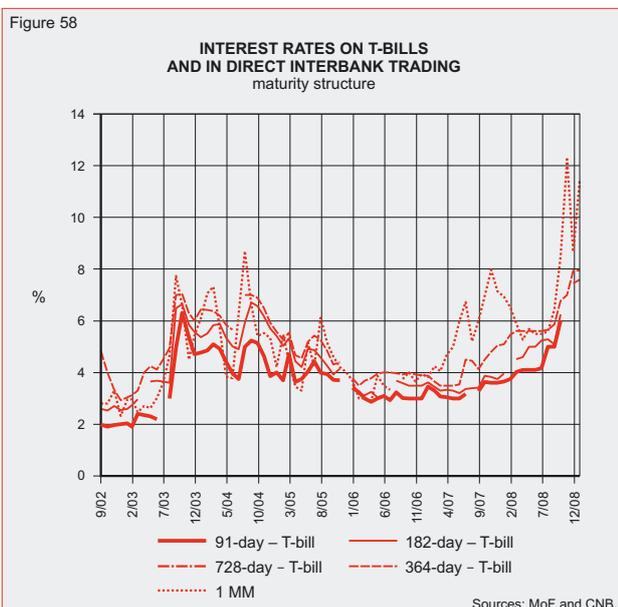
Within interbank trading in demand deposits, direct interbank trading became even more dominant, increasing from HRK 56.2bn in the third quarter to HRK 70.3bn in the fourth quarter. In contrast, bank trading with Zagreb Money Market (ZMM) intermediation slightly declined compared with the quarter before, to HRK 6.6bn.

Overnight loans continued to be the most liquid instrument in direct interbank trading in reserve money, accounting for HRK 46.1bn. The average daily turnover in these loans went up from HRK 655.4m in the third quarter to HRK 732.2m in the fourth quarter of 2008, but dropped to as low as HRK 292.7m in January 2009. The weighted interest rate on these loans, which stood at 4.93% in September, jumped to 16.10% in November, hitting the record high level of the late 1990s. Such rapid growth in money market interest rates was due to increased segmentation of banking system liquidity, coupled with a somewhat lower level of banks' free reserves in kuna. The cut in the reserve requirement rate from 17% to 14% gave a major boost to banking system liquidity in December, as evidenced by the fall of the weighted interest rate on overnight loans in direct interbank trading to 5.77%. Still, this rate again rose to 8.95% in January 2009.



The average daily turnover in overnight loans intermediated by the ZMM dropped from HRK 101.5m in the third quarter to HRK 94.8m in the fourth quarter of 2008 and halved in January 2009, standing at HRK 52.0m. The weighted interest rate on these loans also grew strongly and peaked at 17.40% in November 2008. It then dropped to 5.18% in December and rose to 9.83% in January 2009.

The need to cover the consolidated government deficit prompted the government to obtain substantial short-term domestic loans in the fourth quarter of 2008. The Ministry of Finance thus raised HRK 8.7bn at eleven T-bill auctions, only HRK 0.3bn less than the total amount raised at 30 auctions held in the first nine months of 2008. Although they had less appeal for investors at the beginning of the fourth quarter, continued interest rate growth motivated buyers to subscribe the larger amounts of T-bills issued. This was particularly evident at the last November auction where newly-introduced two-year T-bills were subscribed at a high interest rate of 8.50%.



Interest rates at auctions of T-bills of other maturities thus moved in line with money market interest rates, hitting the record high of 2001. The weighted interest rate on 182-day T-bills soared from 5.10% in September to 7.45% in December 2008 and 7.60% in January 2009. The weighted interest rate on one-year T-bills hit a record high of 7.95% in December and held steady in January 2009. 91-day T-bills, the weighted interest rate of which grew by one percentage point in October (to 6.00%), were not subscribed until January 2009, when their interest rate was 6.75%.

Due to the large amounts issued, the total stock of subscribed T-bills grew rapidly from HRK 10.9bn at end-September to HRK 15.2bn at end-December 2008 and levelled off in January 2009. At end-January 2009, newly-introduced

two-year T-bills accounted for 17.5% of total T-bills subscribed. This means that they held the second largest share in the structure of total T-bills, coming after one-year T-bills, the share of which decreased from 91.7% in September to 72.1% at end-January 2009. The share of 91 and 182 day T-bills stood at 9.5% and 1.0%, respectively, in January 2009.

Bank Interest Rates

In the fourth quarter of 2008 and January 2009, the strong upward trend in interest rates on long-term corporate loans ceased. In contrast, interest rates on long-term household loans with a currency clause resumed an upward trend, following a brief stagnation in mid-2008. At the same time, the growing trend in the weighted interest rate on short-term corporate loans without a currency clause, which has been observed over the last two years, gained even more momentum. This weighted interest rate increased noticeably from 7.84% in September to 8.98% in December 2008 and 9.24%

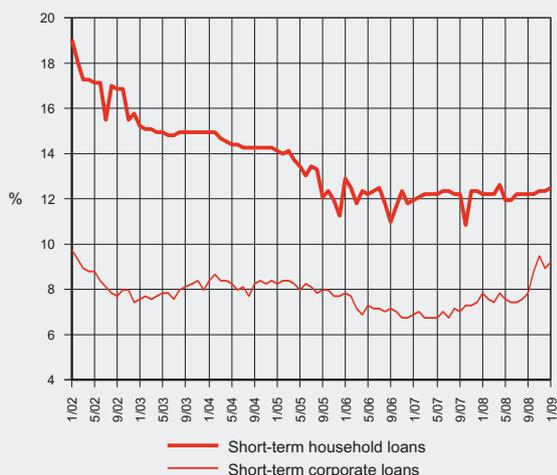
in January 2009 on account of a great leap in interest rates on the most-widely represented subcategory, overdraft facilities. Although the weighted interest rate on short-term household loans without a currency clause also increased compared with the previous quarter, from 12.20% in September to 12.33% in December 2008 and 12.44% in January 2009, its movements remained within its usual short-term volatility bands.

The strong upward trend in interest rates on long-term corporate loans reversed in the fourth quarter of 2008 and January 2009. As a result, the weighted interest rate on long-term corporate loans with a currency clause tumbled from 7.21% in September to 6.92% in December 2008 and 6.61% in January 2009. In contrast, interest rates on long-term household loans with a currency clause, which stagnated briefly in mid-2008, resumed an upward movement. The weighted interest rate on these loans went up from 7.63% in September to 7.89% in December 2008 and 8.07% in January 2009.

Interest rates on household time deposits grew steadily in

Figure 59

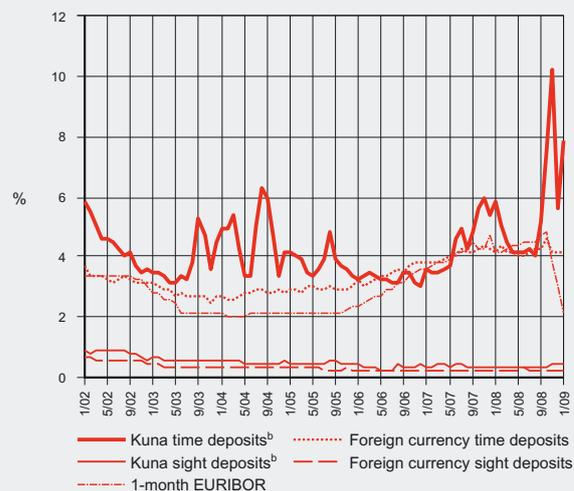
AVERAGE BANK INTEREST RATES^a ON SHORT-TERM LOANS WITHOUT A CURRENCY CLAUSE



^a The average weighted interest rate on newly granted loans in the reporting month. Source: CNB.

Figure 61

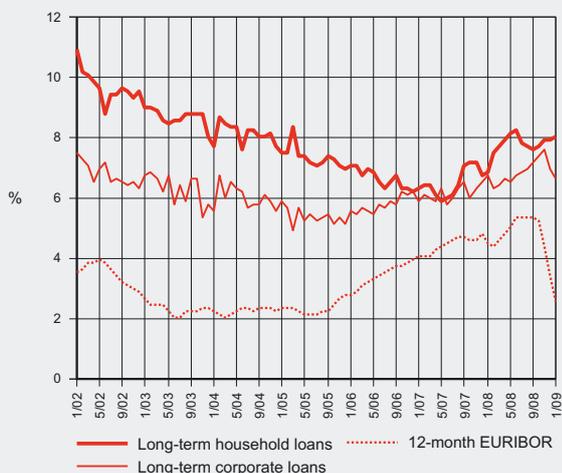
AVERAGE BANK DEPOSIT INTEREST RATES^a



^a The average weighted interest rate on newly received deposits in the reporting month. Source: CNB.
^b Without a currency clause.

Figure 60

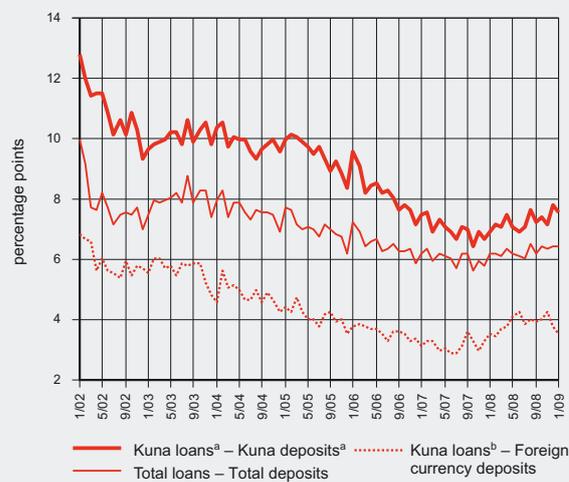
AVERAGE BANK INTEREST RATES^a ON LONG-TERM LOANS WITH A CURRENCY CLAUSE



^a The average weighted interest rate on newly granted loans in the reporting month. Source: CNB.

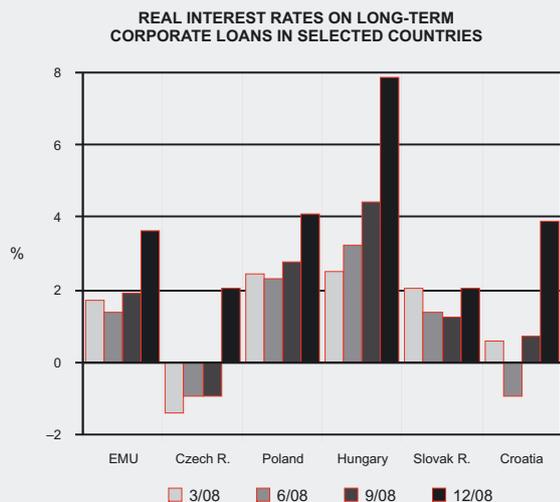
Figure 62

SPREAD BETWEEN AVERAGE BANK INTEREST RATES ON LOANS AND DEPOSITS



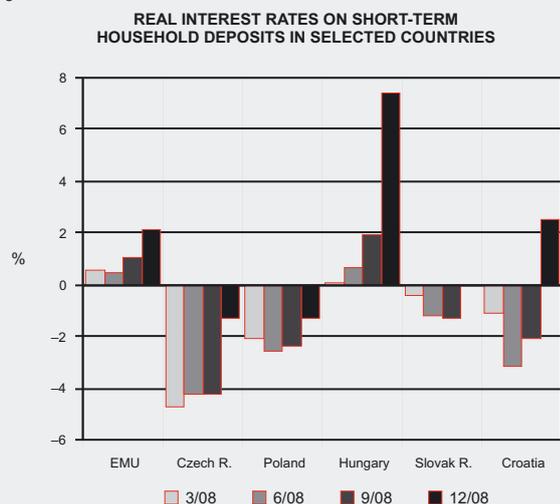
^a Without a currency clause. ^b With a currency clause. Source: CNB.

Figure 63



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

Figure 64



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

the fourth quarter of 2008 and January 2009. In contrast, most interest rates on corporate time deposits declined. The weighted interest rate on kuna time deposits without a currency clause was extremely volatile; it jumped from 5.20% in September to 10.24% in November, fell to 5.65% in December 2008 and rose to 7.81% in January 2009. This was mostly due to the variability of the interest rate on the most common corporate kuna time deposits with a maturity of up to one month, which closely follows the movements of money market interest rates. Despite the growth of interest rates on time deposits of households, the weighted interest rates on foreign currency time deposits mildly reduced, from 4.29% in September 2008 to 4.18% in January 2009, under the influence of the decline in interest rates on corporate foreign currency deposits. Interest rates on sight deposits were relatively stable. In January 2009, the weighted interest rate on kuna sight deposits without a currency clause was only one percentage point higher, while the weighted interest rate on foreign currency sight deposits was one percentage point

lower than in September 2008 when they stood at 0.38% and 0.25% respectively.

The widening of spreads between lending and deposit rates continued in the fourth quarter of 2008 and January 2009, but at a much slower pace. In the period from September 2008 to January 2009, the spread between the weighted interest rate on total loans and the weighted interest rate on total deposits rose from 6.22 percentage points to 6.40 percentage points, while 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 7.25 percentage points to 7.52 percentage points. The spread between the weighted interest rate on kuna loans with a currency clause and the weighted interest rate on foreign currency deposits, which decreased noticeably from 3.93 percentage points in last September to 3.49 percentage points in January 2009, returned to its early 2008 level.

Notwithstanding a decline in nominal interest rates on long-term corporate loans in Croatia, the real interest rate on these loans grew sharply due to a fall in the inflation rate from its high recorded in the previous quarter. Due to much lower inflation, the real interest rate on long-term corporate loans increased also in selected Central and Eastern European countries and in the eurozone.

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 all of the countries under review. This effect was most prominent in Hungary.

Capital Market

In 2008, the domestic capital market was strongly influenced by negative developments in the world's financial markets, with negative influences also arising due to some domestic factors. Thus, 2008 saw a much lower turnover of equity and debt securities than in the previous year. In the same period, the domestic share index, the CROBEX, fell sharply (by 67.1%), while the bond index, the CROBIS, also lost some of its value (fell by 6.1%).

Unfavourable developments in the Croatian capital market that marked the first nine months of 2008 continued throughout the fourth quarter, which saw a substantial decrease in the turnover of shares and a sizeable downfall in the prices of most shares listed on the ZSE. The decline in the domestic share index, the CROBEX, continued in January 2009.

The exacerbation of the crisis in the last three months of 2008 intensified the recession pressures in large industrial countries. Numerous companies registered a fall in business activity and poor performance during the period. Lending came to a halt as a consequence of the financial crisis, which undermined trust among participants in international capital markets. This prompted numerous central banks and the governments of the world's leading economies to create and implement plans for the rescue and recovery of financial markets, the restoration of confidence in banking systems and

Table 6: Comparison of Capital Market Indicators

December 2008	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million EUR)	0.07	53.17	2.02	71.87	235.78	4.07
Average daily turnover, bonds (million EUR)	217.95	1.38	1.49	172.48	7.59	2.77
Turnover ^a /GDP ^c , annual level (%)	0.03	12.63	1.38	12.40	16.56	2.51
Turnover ^b /GDP ^c , annual level (%)	87.43	0.33	1.02	29.75	0.53	0.24
Turnover velocity ^d	0.45	99.84	6.00	44.68	....	5.28
Market capitalisation ^a (million EUR), end month	3,881	13,421	8,468	40,540	....	19,396
Market capitalisation ^b (million EUR), end month	16,716	37,674	6,795	....	....	4,775
Market capitalisation ^a /GDP ^c , end month (%)	6.2	12.7	22.9	27.7	....	48.1
Market capitalisation ^b /GDP ^c , end month (%)	26.6	35.5	18.4	....	....	11.8
Share index movement from the beginning of the year (%)	-19.4	-53.3	-67.5	-52.7	-51.1	-67.1
Share index movement from the beginning of the month (%)	2.7	-3.6	-13.9	-0.6	0.4	7.2

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

the stabilisation of the world's economy. These global factors and the increased aversion of domestic investors to more risky investments had a negative influence on developments in the domestic capital market. The last quarter of 2008 thus registered very low liquidity and turnover in the domestic capital market with an intensive fall in the value of most shares listed on the ZSE. The closing of the MOL 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 at the beginning of October. Although domestic investors were disgruntled at first, deeming the price offered for the shares lower than their 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 decision to pass up the opportunity to take over INA prompted them to accept MOL's offer. Although share prices were already relatively low, market illiquidity, cautious domestic investors and insecurity as regards the spilling over of the financial crisis to the Croatian real sector contributed to the continued decline in the value of most shares in the domestic capital market until the end of 2008. The lack of good news from the world and

the domestic economy paired with relatively high returns in the domestic money market contributed to the continuation of negative trends in the capital market in January 2009.

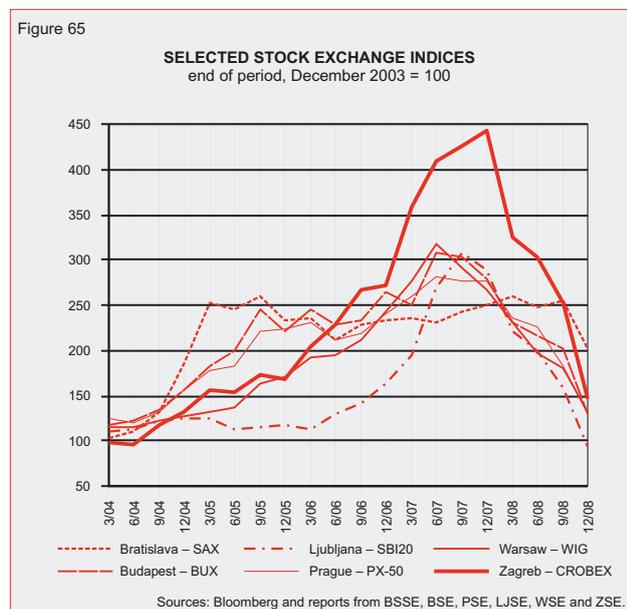
The turnover in the domestic market for debt securities mildly increased in the fourth quarter of 2008, despite the lack of new bond issues during the period. Activity in the domestic securities market intensified in October 2008, significantly pushing down the value of the ZSE bond index, the CROBIS. The value of the CROBIS continued declining until the end of January 2009, when it fell to its lowest recorded monthly level.

Negative developments and declining stock exchange indices in the fourth quarter 2008 were seen at all major stock exchanges of CEE countries. The greatest fall in the period concerned was registered by the Zagreb Stock Exchange index, which went down by 42.4% from the previous quarter, followed by the Ljubljana (-40.3%), Budapest (-35.1%), Prague (-28.8%), Warsaw (-27.1%) and Bratislava (-20.8%) stock exchange indices.

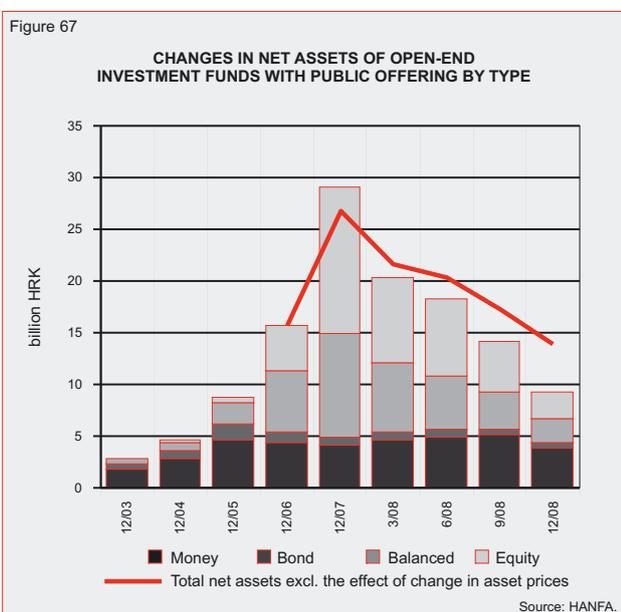
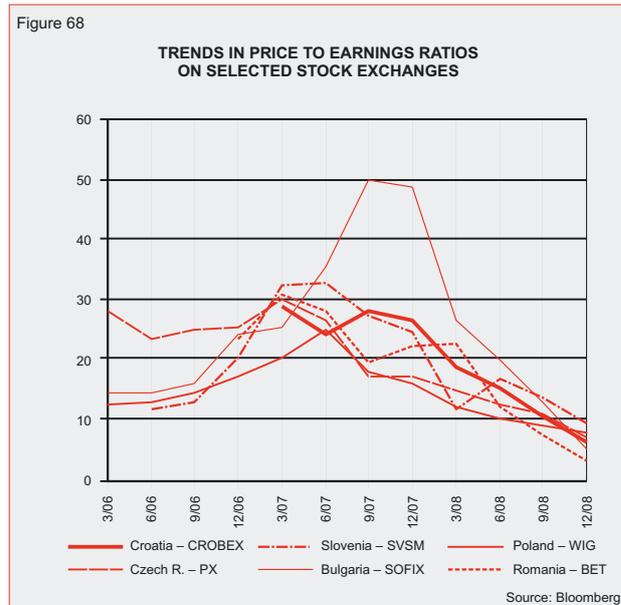
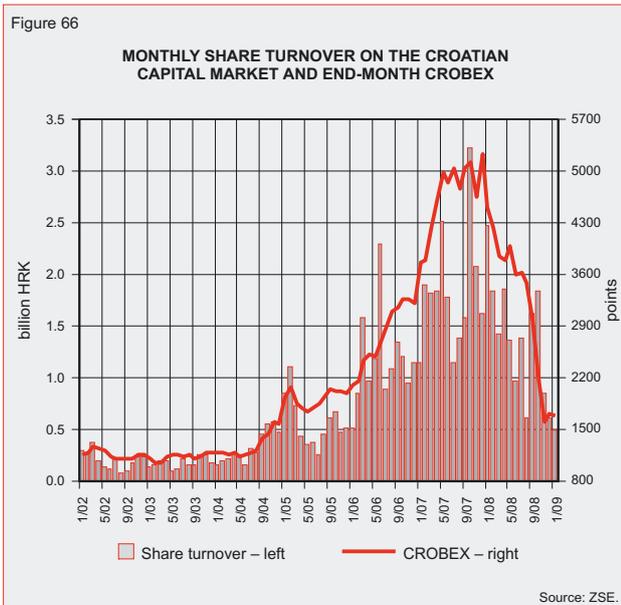
All reference CEE stock exchanges reported a decrease in the average daily share turnover in December compared with September 2008, with most of them also registering substantial increases in the average daily bond turnover. The drop in value of all reference stock exchange indices meant that these reference stock exchanges saw a decrease in market capitalisation of shares from September 2008 to the end of December 2008. Bond market capitalisation mildly increased in that period on the Bratislava and Ljubljana Stock Exchanges, and decreased on the Zagreb and Budapest Stock Exchanges. 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 last quarter of 2008. However, its bond market capitalisation to GDP ratio remained the lowest.

Equity Securities Market

Share turnover reduction¹⁰ in the Croatian capital market



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



seen in the first three quarters of 2008, continued in the last three months of the year. Total share turnover in that period thus reduced by HRK 0.3bn relative to the previous quarter, standing at HRK 3.3bn. This was also the lowest quarterly share turnover in the past two years. Accounting for 19.7% of the share turnover, T-HT shares were the most traded in the observed quarter, followed by Atlantska plovidba d.d. (14.1%) and Institut građevinarstva Hrvatske d.d. (7.8%). In addition to T-HT (27.2%) and Atlantska plovidba d.d. (22.8%), the most traded shares in January 2009 were those of Dalekovod d.d. (7.4%).

Accelerated decline in the prices of most shares in the fourth quarter 2008 additionally reduced the value of the ZSE share index, the CROBEX,¹¹ which decreased by as

much as 42.4% at the end of December compared with the end of the previous quarter, standing at 1722 points. In January, the CROBEX fell further (-2.4%), reaching 1682 points.

The net assets of open-end investment funds with a public offering continued decreasing in the last quarter of 2008, reaching the lowest level since the end of 2005. In this period, for the first time all types of investment funds saw a decline in their net assets. 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. The sizeable reduction in net assets of open-end investment funds in the period under review was negatively affected not only by downward movements in the prices of domestic shares and bonds but also by investors withdrawing sizable funds due to fears of new losses. 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 capitalisation¹² of shares decreased by 33.7% at the end of December 2008 compared with the end of the previous quarter, standing at HRK 142.1bn. The prices of most shares continued to drop in January 2009, further reducing share market capitalisation to HRK 138.3bn at the end of the month.

The price/earnings ratio for the CROBEX was 5.7 at the end of December 2008, which was a decline of 44.9% relative to the end of the previous quarter. The P/E ratio also reduced substantially in the observed period for the indices of all other CEE reference stock exchanges.

Debt Securities Market

At end-January 2009, 34 bonds were listed on the domestic capital market, of which eight were government bonds,

¹¹ Since 19 March 2007, the CROBEX has been calculated according to a 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.

Table 7: Bond Issues in the Domestic Market, stock as at 31 January 2009

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price ^a	Current yield 31/1/2009
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	98.50	6.980%
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	650,000,000	5.500%	93.50	5.882%
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%	87.10	4.879%
RHMF-O-15CA	Republic of Croatia	15/12/2005	15/12/2015	HRK	5,500,000,000	5.250%	88.50	5.932%
RHMF-O-137A	Republic of Croatia	11/7/2006	11/7/2013	HRK	4,000,000,000	4.500%	91.00	4.945%
RHMF-O-172A	Republic of Croatia	8/2/2007	8/2/2017	HRK	5,500,000,000	4.750%	88.00	5.398%
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%	–	–
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%	85.00	6.029%
NEXE-O-116A	Nexe grupa d.d.	14/6/2006	14/6/2011	HRK	750,000,000	5.500%	96.00	5.729%
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%	99.00	8.333%
HEP-O-13BA	Hrvatska elektroprivreda d.d.	29/11/2006	29/11/2013	HRK	500,000,000	5.000%	91.70	5.453%
ATGR-O-11CA	Atlantica grupa d.d.	6/12/2006	6/12/2011	HRK	115,000,000	5.750%	89.00	6.461%
INGR-O-11CA	Ingra d.d.	6/12/2006	6/12/2011	HRK	200,000,000	6.125%	80.00	7.656%
OPTE-O-142A	Optima telekom d.o.o.	1/2/2007	1/2/2014	HRK	250,000,000	9.125%	70.00	13.036%
JDGL-O-126A	Jadran Galenski laboratorij d.d.	11/6/2007	11/6/2012	HRK	125,000,000	5.650%	–	–
JDRA-O-129A	Jadranka 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%	84.00	–
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%	93.63	7.476%

^a Regularly traded shares.
Source: ZSE.

eight municipal bonds, one was a CBRD bond and seventeen were corporate bonds. This was one government and one corporate bond fewer than at the end of the previous quarter. On the last day of December 2008, there were 21 commercial bills at the ZSE, issued by 17 issuers, or one commercial bill fewer than at the end of the previous quarter. Their total nominal value was HRK 1.2bn.

There were no new bond issues in the domestic debt securities market in the fourth quarter 2008. However, a kuna government bond indexed to foreign currency, nominally valued at EUR 200.0m, fell due in the middle of December, while the euro bond of Belišće d.d., nominally valued at EUR 8.0m, fell due in the middle of January 2009.

In the fourth quarter of 2008, the growth of bond turnover¹⁵ continued, increasing by HRK 428.0m compared with

the previous quarter or to HRK 2.8bn. The largest share in bond turnover in the observed period (23%) was accounted for by a foreign currency indexed kuna bond of RC due in 2019, followed by foreign currency indexed kuna government bonds maturing in 2015 (19%), 2014 (12%) and 2012 (12%). Bond turnover in January 2009 was marked by the kuna corporate bond of Rijeka promet d.d. with maturity in 2018 (32%). The share of all government bonds in the total quarterly turnover sizeably declined from the previous quarter, to 89.1%, further reducing in January 2009, to only 48.0%. The value of the ZSE bond index stood at 90.6 points at the end of the fourth quarter 2008, which was a decrease of 5.4 points on the end of the previous quarter. The decline in the value of the domestic bond index continued in January 2009, at the end of which the CROBIS totalled 88.8 points, its all time monthly low.

The sizeable decrease in the bond index in the last quarter of 2008 reduced the market capitalisation of government bonds, municipal bonds and the CBRD bond by 11.3% relative to end-September 2008, so at the end of January 2009 it totalled EUR 4.1bn, or approximately 10.1% of the realised

¹⁵ The data on the total bond turnover from January 2004 to February 2007 consist of 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.

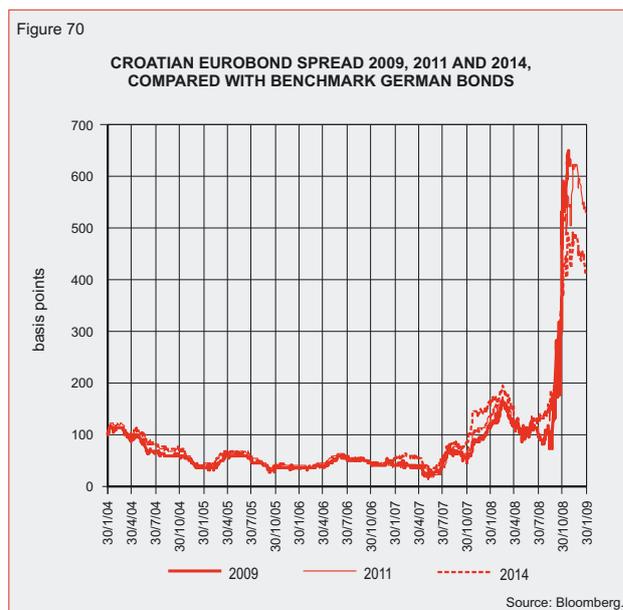
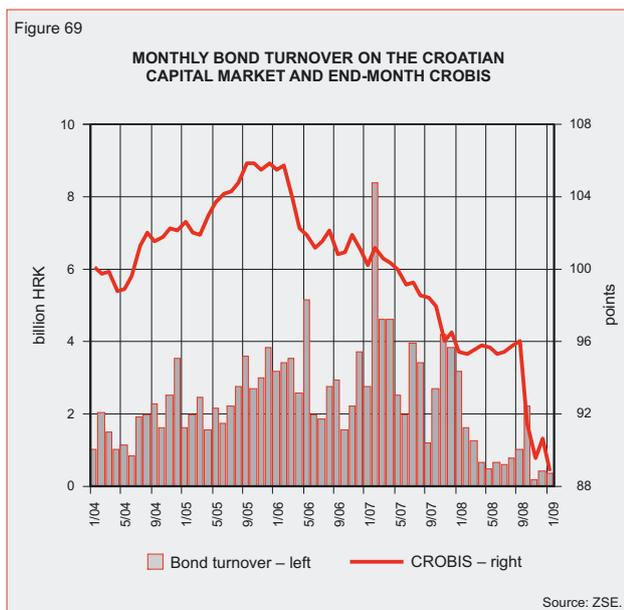


Table 8: Republic of Croatia International Bond Issues, stock as at 31 December 2008

Bonds	Issue date	Currency	Amount	Nominal interest rate	Yield on issue date	Spread on issue date	Spread ^a 31/3/2008	Spread ^a 30/6/2008	Spread ^a 30/9/2008	Spread ^a 31/12/2008
London Club A, 2010	31/7/1996	USD	857,796,000	6-month LIBOR + 81.25 b.p.			176	200	286	827
Eurobonds, 2011	14/3/2001	EUR	750,000,000	6.75%	6.90%	215	157	115	195	576
Eurobonds, 2009	11/2/2002	EUR	500,000,000	6.25%	6.45%	158	154	106	196	....
Eurobonds, 2010	14/2/2003	EUR	500,000,000	4.625%	4.65%	102	126	83	173	606
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	5.11%	101	178	110	186	445
Samurai bonds, 2009	26/6/2003	JPY	25,000,000,000	1.23%	1.23%	99	96	99	116	188

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

GDP.¹⁴ The market capitalisation of corporate bonds also reduced by 7.9% compared with the end of the previous quarter, totalling EUR 524m or some 1.3 % of the realised GDP.

In the fourth quarter of 2008 and in January 2009, the Republic of Croatia did not issue any new bonds in foreign markets. Thus, six Croatian bonds were listed on foreign markets at the end of January 2009, of which four were euro-denominated bonds, one was a yen-denominated bond and one bond was denominated in US dollars. Their total nominal value at the end of January 2009 was EUR 3.1bn.

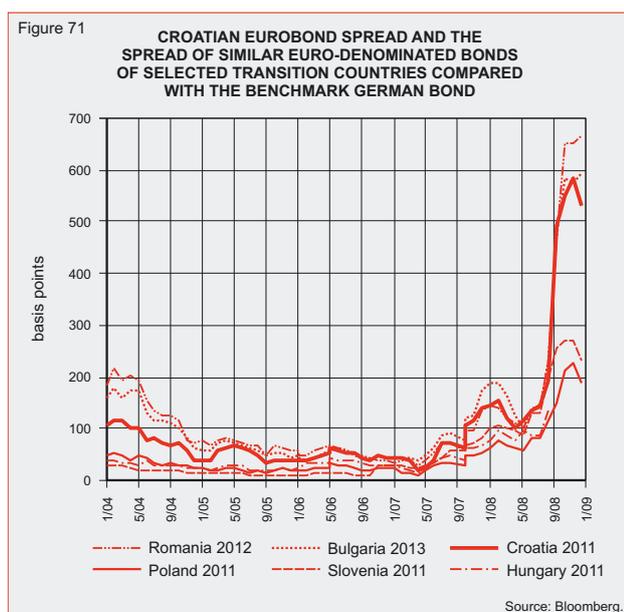
The fourth quarter of 2008 saw a substantial slowdown in the world's economic activity, which fed right into expectations of a deep global recession, and a decline in world's consumption and possible deflation. As a result, aiming at boosting economic growth, the Fed, apart from multiple sharp cuts of its key interest rate, reducing it to a historic low (between 0% and 0.25%), started pumping liquidity into the financial system in the last quarter of 2008. Due to growing risks of a weakening European economy, the ECB lowered its key interest rate in October, for the first time in five years. By the end of January 2009, it was cut on three more occasions to the level it last held in the middle of 2003 (2.00%). In line with the reduction of the ECB's key interest rate, an increase in investor interest in safer investments and a rise in demand for government bonds of most developed countries,

the fall in required yields on the benchmark German bonds continued in the fourth quarter 2008. In the same period, required yields on the Croatian eurobonds went up intensively, spurring a sizeable rise in their spreads. Thus, by the end of the fourth quarter 2008, the spreads between required yields on the Croatian eurobonds due in 2011 and 2014¹⁵ and the benchmark German bonds widened to 576 and 445 basis points respectively, which was a marked increase compared with 195 and 186 at the end of September 2008. In January 2009, required yields on the Croatian eurobonds mildly declined but outstripped the decline of the required yield on the benchmark German bond due in 2011. In the same period, the required yield on the benchmark German bond due in 2014 mildly increased. As a result, the spreads between required yields on the Croatian eurobonds due in 2011 and 2014 and the benchmark German bonds narrowed to 529 and 416 basis points by the end of January 2009.

In the fourth quarter 2008, Croatian eurobond yields continued mimicking the movements of yields on most eurobonds of new EU member states. The rise in required yields on eurobonds of the majority of the new EU member states in the last quarter of 2008, except those issued by Poland and Slovenia, paired with the fall in the required yield on the benchmark German bond resulted in the increase of

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.

¹⁵ RC international bond, nominally valued at EUR 500m, fell due on 11 February 2009, while its benchmark German bond fell due at the beginning of 2009.



their spreads by the end of December 2008, as compared to the previous quarter. The highest increase in yield spreads was recorded by Romanian, Croatian and Bulgarian bonds. In January 2009, yield spreads additionally widened for the Bulgarian and Romanian eurobonds, while the spreads of eurobonds of other EU member states and the Croatian eurobond narrowed due to a decline in required yields on these bonds, which outstripped the decline of required yield on the benchmark German bond.

International Transactions

In contrast to the first three quarters, in which it noticeably deteriorated, the current account balance remained almost unchanged in the last quarter of 2008 relative to the same quarter in 2007. This change in the trend largely reflects the fall in oil prices and the slowdown of the economic growth, which in turn contributed to the lower demand for imported goods and slowed down the growth of the goods deficit. Other contributors to the stagnation of the current account balance in the last quarter of 2008 were the account of services (notably tourism) which showed very good results and the modest improvement in the account of current trans-

fers. The negative balance in the factor income account grew further in the reference period, both on account of the fall in revenues and the increase in expenditures.

The external debt rose by a substantial EUR 2.9bn in the last quarter of 2008. The major share of this increase was effected by banks which borrowed abroad in order to compensate for the decline in the domestic sources of funds that was provoked by the impaired trust in the banking system and the resultant withdrawal of a portion of household deposits. In addition, banks used a portion of funds borrowed abroad to finance the needs of the central government whose access to direct foreign financing was substantially impeded at that time. Moreover, the fourth quarter saw the largest individual inflow of FDI into Croatia in 2008, related to the takeover of 22% of INA shares by the Hungarian MOL. In the fourth quarter of 2008, the index of exchange market pressure (IEMP) indicated some difficulties in the servicing of external liabilities by domestic sectors. Although the index moved below its upper critical level, the pressures in the foreign exchange market remained marked early in 2009 as well.

Following its strong widening in 2008, the current account deficit might exceed 9% of the GDP estimate. In addition to the further increase in the goods trade deficit, largely caused by the rise in oil prices, a significant contributor to the strong deficit growth in 2008 relative to 2007 was the deterioration in the factor income account that was only to some extent offset by favourable results in the account of services. These developments were additionally supported by high capital inflows which in 2008 exceeded those recorded in 2007 by as much as EUR 1.6bn. Specifically, this was mostly due to the strong growth in the external debt, accompanied by a slight decline in net FDI inflows in 2008 relative to 2007. In contrast, an outflow was observed in the account of portfolio investment.

Current Account

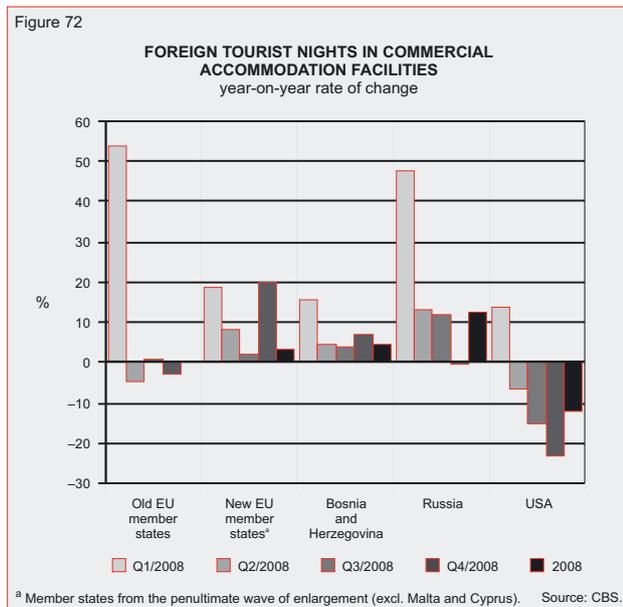
According to the preliminary data, the current account showed a negative balance of EUR 1.9bn in the fourth quarter of 2008, the same as in the last quarter of 2007. The stagnation of the balance may largely be attributed to the fall in oil prices which in turn resulted in the decline in the net value of imports of this energy product. In addition, the net export of ships showed favourable results (an increase of 22.2% year-

Table 9: Current Account, in million EUR

	2007	Jan.–Sep. 2008	Oct.–Dec. 2008 ^a	2008 ^a	Indices	
					Oct.–Dec. 2008 ^a / Oct.–Dec. 2007	2008 ^a / 2007
CURRENT ACCOUNT	-3,237	-2,514	-1,940	-4,454	100.2	137.6
1. Goods	-9,434	-8,403	-2,463	-10,866	101.1	115.2
1.1. Credit (f.o.b.)	9,193	7,397	2,346	9,743	94.7	106.0
1.2. Debit (f.o.b.)	-18,626	-15,801	-4,809	-20,610	97.9	110.6
2. Services	6,266	6,492	470	6,962	140.7	111.1
2.1. Credit	9,125	8,809	1,282	10,091	114.8	110.6
2.2. Debit	-2,859	-2,317	-813	-3,130	103.8	109.5
3. Income	-1,112	-1,372	-218	-1,590	226.0	143.0
3.1. Credit	1,296	1,058	288	1,346	87.5	103.9
3.2. Debit	-2,407	-2,430	-506	-2,936	118.9	122.0
4. Current transfers	1,043	769	271	1,040	103.3	99.7
4.1. Credit	1,576	1,176	513	1,689	120.1	107.2
4.2. Debit	-533	-407	-242	-649	147.0	121.7

^a Preliminary data. Source: CNB.

Figure 72



on-year), while the trade deficit in other goods continued to widen at more or less the same pace as in previous quarters. Exports of goods, excluding oil, refined petroleum products and ships, declined by 4.4% year-on-year, while imports of goods, excluding oil, refined petroleum products and ships, continued to grow, but at a rate of only 2.0%.

The account of services showed very good results in the last quarter of 2008 (i.e. the net income in this account grew by as much as 40.7% year-on-year). The major portion of this increase was generated by tourism revenues, which, relative to the same quarter in 2007, rose by 18.0%. In the same period, resident expenditures on tourist services abroad declined, improving the trade balance in these services by one third. A slight improvement was observed in the trade balance in transportation services, notably air passenger transport, which is attributed to the increase in tourist consumption and to the rise in these services' prices. The negative trade balance in other services fell by one fourth year-on-year thanks to the faster growth in revenues than in expenditures. As for individual types of services, the most significant improvement in the balance was observed in miscellaneous business services, notably legal, accounting and architectural services.

The considerable growth in tourism revenues in the last quarter of 2008 can for the most part be attributed to the rise in the average consumption of foreign tourists. Foreign tourist nights and arrivals, according to the data of the CBS, which include the data on commercial accommodation facilities, stagnated at the level achieved in the same period last year (the year-on-year change in foreign tourist nights and arrivals stood at 0.4% and -0.8% respectively). The growth of the nominal average spending of foreign tourists in the last quarter of 2008 was additionally boosted by the growth in the prices of goods and services which predominated in their consumption. This notably relates to catering services and accommodation services, which grew by 6.9% and 3.1% year-on-year respectively in the last quarter of 2008. The structure of tourist nights by the country of residence shows an increase in the number of arrivals of tourists from new EU member states, especially Slovenia, Poland and Slovakia,

which compensated for the fall in the number of arrivals of tourists from a number of old EU member states, notably France and Italy.

The deficit in the factor income account doubled in the last quarter of 2008 relative to the same period in 2007. This was due to the strong growth in expenditures, accompanied by a somewhat smaller fall in revenues. The rise in expenditures of domestic sectors was almost entirely accounted for by the interest on foreign borrowing, which grew by a high 21.4% in the last quarter of 2008 relative to the same period in 2007. The fall in revenues of domestic sectors was, on the other hand, mostly the result of the fall in central bank revenues from the investment of international reserves and the decline in domestic sectors' revenues from direct equity investment abroad. In contrast, revenues from compensations to employees abroad rose in the reference period.

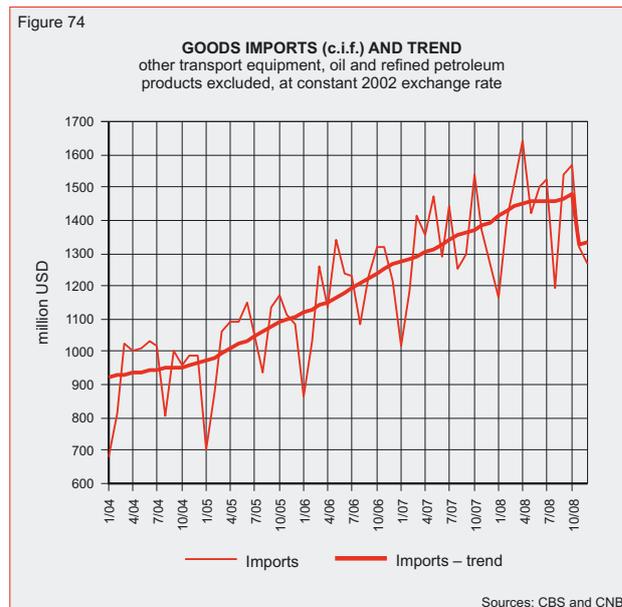
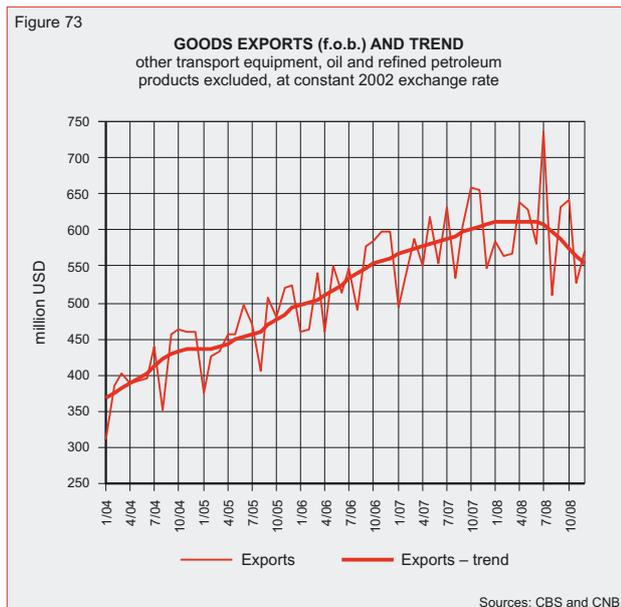
In the fourth quarter of 2008, the positive balance in the account of current transfers rose by 3.3% year-on-year. Within this account, the balance of the household sector improved thanks to the growth in pension-related transfers. Notwithstanding the growth in revenues, notably those related to the pre-accession EU funds, the balance of the government sector slightly deteriorated.

Despite the stagnation in the fourth quarter, the current account deficit grew by a high 37.6% at the entire 2008 level. In addition to the further widening of imbalance in goods trade, largely caused by the rise in oil prices, a significant contributor to the strong deficit growth was the deterioration in the factor income account. The deficit in this account rose by as much as EUR 0.5bn in 2008 relative to 2007, of which about two thirds included the interest expenditures on the accumulated external debt and one third the increase in expenditures on equity investment on the basis of retained earnings and dividends. The favourable developments in the account of services, which are mostly related the rise in tourism revenues, only slightly offset the deterioration in the current account balance.

Trade in Goods

The trade balance in goods (in constant US dollars) deteriorated by 19.0% in 2008, increasing the deficit by 4.5 percentage points in 2008 relative to 2007. This was mainly due to the significant deterioration in the trade in oil and refined petroleum products brought on by the considerable rise in crude oil prices in the world market in the first half of the year. Concurrently, the positive trade balance in other transport equipment declined substantially in 2008 relative to 2007 due largely to the reporting of ship finishing works on a gross basis. The developments in these two SITC divisions contributed 8.4 percentage points to the growth of total deficit. However, if these divisions are excluded, the growth of the goods trade deficit declined from 13.2% in 2007 to 10.6% in 2008.

Total exports of goods (in constant US dollars) decelerated from 11.5% in 2007 to 7.8% in 2008. The key positive contributors to this trend were the acceleration in exports of other transport equipment, and natural and manufactured gas. With reference to this one should keep in mind that gas



export performance was to a certain extent influenced by the extremely low base period value, i.e. the fall in exports recorded in 2007. In addition, it should also be noted that the growth in total exports in previous periods was substantially influenced by the growth in exports of oil and refined petroleum products which, however, decelerated noticeably in 2008, especially in the second half of the year.

Other transport equipment, gas, oil and refined petroleum products excluded, the growth rate of exports stood at only 2.1% in 2008, which is a several fold decrease relative to 2007. This development was to a large extent determined by the fall in exports of cereals and cereal preparations and miscellaneous manufactured articles as well as by a substantial deceleration in exports of furniture and parts thereof and general industrial machinery and equipment. The fall in exports of cereals is attributed to the base period, i.e. to an extremely strong growth of exports shortly before the introduction of export taxes on some field crops in September 2007. In contrast, the acceleration in exports of coffee, tea, cocoa, spices, electricity, and miscellaneous edible products and preparations made a positive contribution to total exports.

The growth of total imports of goods (in constant US dollars) accelerated only slightly in 2008 relative to 2007, from 13.0% to 13.6%. The acceleration in imports of energy products (oil, refined petroleum products, and natural and manufactured gas) and other transport equipment had the major influence on the trend. Specifically, the value of gas imports was determined by the same factors that influenced gas exports, while the value of oil imports was substantially determined by the high growth in prices of these energy products in the first half of the year. The noticeable growth in imports of other transport equipment is attributed to stronger imports of ships previously exported for finishing purposes abroad and to the growth in imports of air transportation and similar equipment, including in particular imports of helicopters from Russia (in settlement of a clearing debt) and imports of passenger aircraft from Canada by Croatia Airlines d.d. (fleet renewal).

These three divisions excluded, the growth of total imports was much slower and, standing at 6.0%, halved over 2007. Among SITC divisions that made the strongest contribution to this deceleration the most important was the road vehicles

Table 10: Exports and Imports by Economic Classification of Countries, in %

	Exports				Imports			
	2005	2006	2007	2008 ^a	2005	2006	2007	2008 ^a
Developed countries	69.3	71.7	69.3	68.1	73.8	72.6	71.8	71.4
EU-25	62.0	63.2	59.1	59.7	65.6	65.0	63.3	63.0
Slovenia	8.1	8.2	8.3	7.8	6.8	6.3	5.9	5.6
Hungary	1.6	1.7	2.2	2.4	3.1	3.0	2.9	3.2
EU-15	48.1	48.8	43.6	44.1	50.6	50.1	48.7	48.5
Austria	7.2	6.0	6.1	5.8	5.8	5.4	5.3	4.9
Italy	21.2	23.1	19.1	19.1	16.0	16.7	16.0	17.1
Germany	10.7	10.3	10.0	10.8	14.8	14.5	14.4	13.4
EFTA	1.1	1.5	1.2	1.2	1.7	1.7	1.9	1.7
Developing countries	30.7	28.3	30.7	31.9	26.2	27.4	28.2	28.6
Bosnia and Herzegovina	14.3	12.6	14.4	15.4	2.4	2.8	2.8	2.7
Serbia, Montenegro	4.5	5.4	6.6	6.8	0.9	1.1	1.3	1.4
Russia	1.3	1.2	1.3	1.3	9.2	10.1	10.2	10.4
China	0.1	0.2	0.2	0.2	4.7	5.3	6.2	6.1

^a Preliminary data.
 Source: CBS.

Table 11: Capital and Financial Account, in million EUR

	2007	Jan.–Sep. 2008	Oct.–Dec. 2008 ^a	2008 ^a	Indices	
					Oct.–Dec. 2008 ^a / Oct.–Dec. 2007	2008 ^a / 2007
CAPITAL AND FINANCIAL ACCOUNT	4,139	3,730	1,905	5,634	152.5	136.1
1. Capital account	35	26	6	32	112.5	92.8
2. Financial account, excl. reserves	4,827	4,113	1,159	5,272	64.3	109.2
2.1. Direct investment	3,483	2,181	630	2,811	89.8	80.7
2.1.1. Abroad	-184	-70	-49	-119	201.2	64.6
2.1.2. In Croatia	3,667	2,251	679	2,930	93.6	79.9
2.2. Portfolio investment	-3	60	-615	-555	-	-
2.2.1. Assets	-414	323	-527	-204	-	49.3
2.2.2. Liabilities	411	-263	-88	-351	-	-
2.3. Financial derivatives	0	0	0	0	-	-
2.4. Other investment	1,347	1,872	1,144	3,016	121.8	223.9
2.4.1. Assets	-1,653	-320	-1,257	-1,577	217.4	95.3
2.4.2. Liabilities	3,000	2,191	2,401	4,592	158.2	153.1
3. Reserve assets (CNB)	-722	-409	739	330	-	-

^a Preliminary data.
Source: CNB.

division, which in previous years substantially influenced the growth of total imports. The growth rate of imports recorded in this division halved in 2008 relative to 2007 due mostly to the fall in imports in the last quarter of 2008. Similar developments were also observed in imports of miscellaneous manufactured articles, wearing apparel and telecommunication apparatus. In contrast, imports of crude fertilisers and crude minerals, machinery specialised for particular industries, and sugars, sugar preparations and honey accelerated in the reference period.

In 2008, the shares of exports to and imports from developing countries continued to grow at stronger rates than the shares of exports to and imports from developed countries. This was due to the fact that trade with developing countries, notwithstanding the deceleration in 2008 relative to 2007, grew stronger than that with developed countries. The strong growth of exports to neighbouring countries, notably Bosnia and Herzegovina (oil, refined petroleum products and electricity) and Serbia and Montenegro (non-metallic mineral manufactures and electrical machinery, apparatus and appliances) provided the main contribution to the rise in exports to developing countries. Imports from developing countries were largely determined by higher imports from Russia which almost entirely comprised energy products (oil, refined petroleum products, and natural and manufactured gas). As for developed countries, exports to old EU member states grew two times faster, notably exports to Italy (ships) and Germany (ships and rail vehicles), while exports to new EU member states almost halved in 2008 relative to 2007.

Capital and Financial Account

The capital and financial account saw larger net capital inflows in the fourth quarter of 2008 than in the same period in 2007. The largest inflow of funds was reported in the account of other investment in which the exceptionally high growth of liabilities exceeded the noticeable growth in assets. The net inflow of FDI fell only slightly, while, in contrast to the last quarter of 2007, the account of portfolio investment witnessed an outflow of funds. The gross international reserves declined by EUR 0.7bn in the fourth quarter of 2008, due mainly to the abolition of the marginal reserve requirement.

It is worth noting that the new sectorisation of entities has been introduced in the balance of payment and external debt statistics. Specifically, the CBRD and CM have been reclassified from the government sector to other sectors.¹⁶ However, as the change in the classification of CM is in effect as of 1 January 2008, it produces the break in the series of data on the changes in foreign assets and liabilities and in the external debt balance of the government and other sectors. This should be taken into account when analysing the developments in these categories.

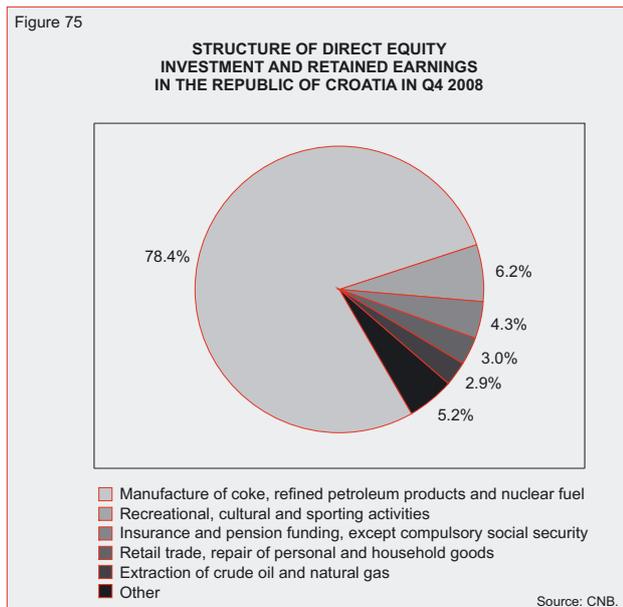
The net FDI fell slightly in the last quarter of 2008 relative to the same period in 2007 and stood at EUR 0.6bn. Specifically, total FDI into Croatia decreased modestly in the last quarter of 2008 relative to the same period in 2007, while domestic investment abroad rose. The most significant inflow of FDI into Croatia in the fourth quarter of 2008 relates to the

Table 12: Composition of CNB Reserve Assets, end of period, in million EUR

	2005	2006	2007	2008
Official reserve assets	7,438	8,725	9,307	9,121
1. Foreign currency reserves	7,337	8,163	8,911	8,625
1.1. Securities	3,603	4,198	4,773	7,118
1.2. Total currency and deposits with:	3,735	3,965	4,138	1,507
1.2.1. Other national central banks, BIS and IMF	407	199	191	1,397
1.2.2. Banks headquartered outside Croatia	3,327	3,767	3,948	109
2. IMF reserve position	0	0	0	0
3. SDRs	1	1	1	1
4. Gold	-	-	-	-
5. Reverse repo	100	562	395	495

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

¹⁶ As the principal function of the CBRD is financial intermediation and as the European System of National Accounts (ESA 95) indicated that it is possible to classify the CBRD outside the general government sector, i.e. in the financial institutions sector, from July 1999 on, the CBRD is shown under the heading 'other sectors', subsector 'non-banking financial institutions'. Moreover, as its income from entrepreneurial activities and assets and income from own activities account for more than half of current expenses, ESA 95 methodology also indicated that it is possible to classify CM in the non-financial corporate sector. Therefore, as in the MoF statistics, from 1 January 2009 on, CM is shown under the heading 'other sectors', subsector 'public enterprises' in the CNB statistics.



acquisition of 22% of INA shares by the Hungarian MOL. This investment accounted for more than three-fourths of total FDI in the reference period and was in addition the largest individual inflow at the entire 2008 level. In contrast to equity investment, direct debt investment saw a net outflow.

In contrast to the fourth quarter of 2007, the portfolio investment in the fourth quarter of 2008 saw a net outflow. This was largely due to a substantial growth in resident investment abroad in the reference period, which almost entirely included the investment of banks and other sectors in foreign bonds and money market instruments. In contrast, the fall in liabilities was to a large extent the result of the withdrawal of funds invested by non-residents in Croatian bonds and equity holdings.

The account of other investment (including loans, trade credits, currency and deposits) saw a larger net inflow in the fourth quarter of 2008 than in the same period in 2007, with both assets and liabilities growing at high rates. The substantial increase in foreign funds in the reference period was above all due to the increase in household foreign currency holdings caused by the withdrawal of deposits from banks in October. Banks offset this outflow by increasing their foreign liabilities or more precisely by increasing their borrowings from parent banks abroad (short-term loans, currency and deposits).

According to the balance of payments data (cross-cur-

rency changes excluded), international reserves fell by EUR 0.7bn in the fourth quarter of 2008. This decrease is to a large extent attributed to the abolition of the marginal reserve requirement at the beginning of October (EUR 0.5bn) as well as to the decrease in foreign currency reserve requirements in December (EUR 0.3bn). In addition, the CNB intervened in the foreign exchange market in October by selling EUR 270.6m to banks and partly offset the decrease in reserves by repurchasing EUR 155m from the central government. According to the monetary statistics data (cross-currency changes included), international reserves stood at EUR 9.1bn at the end of 2008, a decrease of 2% compared to the end of 2007.

Owing to inflows of net capital to the financial and capital account in the fourth quarter of 2008 larger than in the same period in 2007, net inflows at the entire 2008 level were EUR 1.5bn higher than those in 2007. This is largely attributable to the strong growth of net inflows to the account of other investment that was stimulated by a considerable increase in liabilities, notably in the fourth quarter of 2008, when banks increased their foreign liabilities. Concurrently, net direct investment inflows were lower in 2008 than in 2007 due mostly to lower direct investment in Croatia, while the account of portfolio investment saw a substantial outflow of funds due entirely to the fall in liabilities of domestic sectors.

External Debt

Croatia's gross external debt went up by EUR 5.9bn (17.7%) in 2008, reaching a total of EUR 39.1bn at the end of December or 82.0% of the revised GDP estimate (see Box 1). The growth of the debt, which accelerated in relation to the previous year, was mostly the consequence of the intensive corporate foreign borrowing which however slowed down noticeably late in the year. In contrast to this, after decreasing their debt in the first nine months of 2008, the government sector and banks increased their foreign liabilities in the fourth quarter of 2008 relative to the end of the previous year.

Other sectors (mostly enterprises) reported the highest increase in foreign liabilities in 2008, increasing their debt by a total of EUR 4.9bn. With reference to this, it is important to note due to the above-mentioned reclassification of CM, the debt stock of this sector rose by a one-off EUR 1.2bn at the beginning of the year while the actual increase of the corporate sector debt (excluding CM) stood at EUR 3.5bn

Table 13: Gross External Debt by Domestic Sectors, end of period, in million EUR and %

	2006	2007 ^a	2007 ^b	2008	Structure		Indices	
					2007 ^b	2008	2007 ^a /2006	2008/2007 ^b
1. Government	5,670	5,372	5,438	4,197	16.4	10.7	94.7	77.2
2. Croatian National Bank	3	2	2	2	0.0	0.0	91.4	96.6
3. Banks	10,223	8,879	8,918	10,079	26.8	25.8	86.9	113.0
4. Other sectors	10,500	14,743	14,937	19,836	44.9	50.7	140.4	132.8
5. Direct investment	2,878	3,933	3,959	5,010	11.9	12.8	136.6	126.6
o/w: Hybrid and subordinated instruments	167	56	56	217	0.2	0.6	33.5	387.9
Total (1 + 2 + 3 + 4 + 5)	29,274	32,929	33,254	39,125	100.0	100.0	112.5	117.7

^a In line with the old reporting system, each credit transaction had to be registered with the CNB. ^b The selected sample of enterprises is monitored by the new reporting system. Note: The gross external debt is shown in accordance with the new classification of the CBRD and CM. Source: CNB.

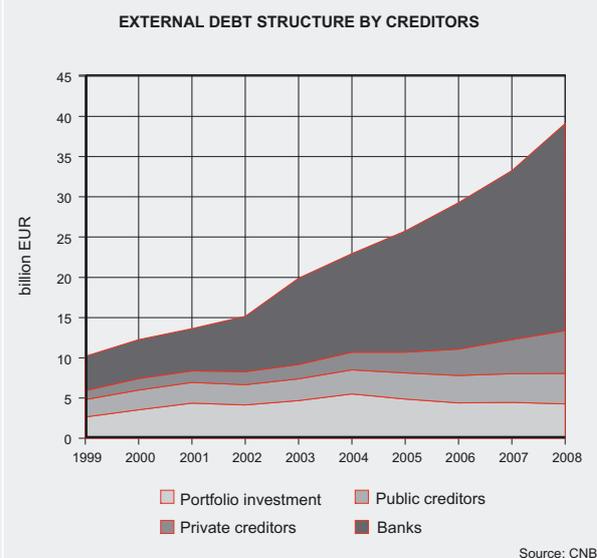
Box 3 The Role of Foreign Banks in the Financing of Domestic Sectors

Liabilities to foreign banks predominate in the structure of Croatia's external debt shown by individual groups of creditors. Liabilities to public creditors (other governments and international financial institutions such as EIB, IBRD and EBRD) account for a smaller share of the debt. In terms of their volume, the liabilities to private creditors, which mostly include the liabilities of domestic enterprises to foreign enterprises on the basis of granted trade credits, account for almost the same share. The portfolio investment-related debt mostly comprises the central government liabilities on the basis of bonds issued in the foreign capital market. The volume of loans granted by foreign banks to domestic sectors rose additionally after 2002, which is seen in both loans to domestic banks and in direct loans to domestic enterprises. The role of other creditors did not change substantially, while only the claims of foreign enterprises (private creditors) upon domestic enterprises rose after 2004, due to the increase in the volume of trade.

The structure of foreign bank loans to domestic sectors shows that the largest volume of loans was extended to domestic banks and non-banking financial institutions, notably those in domestic bank ownership. Although still predominant, the share of loans granted to banks declined in recent years in response to the CNB measures aimed at limiting bank external borrowing. Supported by their domestic daughter banks, foreign banks thus redirected their loans into direct loans to private enterprises. This is corroborated by the growth of the share of foreign bank loans to enterprises, from 20.9% at the end of 2006 to 29.5% at the end of 2008. The share of loans to the public sector, notably to public and mixed-ownership enterprises, which in recent years showed a general increase in their debt to both foreign banks and other creditors, also rose modestly.

With respect to the dominant role of foreign banks in providing finance to the domestic market, it is interesting to analyse the changes in their lending policies in light of recent movements in the global financial markets. Notwithstanding the strengthening of the global financial crisis and the lower accessibility of foreign sources of funds, foreign banks extended EUR 2.7bn worth of loans to the domestic

Figure 76



market in the last quarter of 2008, which is a significant increase over the same period in 2007 (EUR 1.6bn). Foreign banks directed the majority of these loans to domestic banks and non-banking financial institutions (EUR 2.4bn, of which EUR 1.4bn included short-term currency and deposits that were used to compensate for the withdrawal of domestic deposits), and only a smaller share to other sectors. Foreign loans to private enterprises amounted to only EUR 0.2bn while those to the public sector stood at EUR 0.1bn. Compared to the last quarter of 2007, the volume of loans to enterprises was thus two times smaller and the volume of loans to the public sector as much as four times smaller. In addition to the slowdown in direct foreign loans, the fourth quarter of 2008 was also marked by the decline in domestic bank loans to enterprises. Specifically, domestic banks mostly used the funds obtained from foreign sources for the financing of the public sector, above all the central government, while the growth of loans to enterprises and notably to households slowed down. Although it seems that foreign banks were reluctant to finance domestic enterprises, one should also have in mind that in the reference period the financing needs of enterprises were lower due to the slowing down of economic activity.

Table 14: Foreign Bank Loans, Currency and Deposits by Domestic Sectors, in million EUR and %

Structure	2003	2004	2005	2006	Sep. 2007	2007	Sep. 2008	2008
Public sector ^a	16.4	15.5	14.2	11.5	12.2	13.3	14.4	13.2
Banks and non-banking financial institutions	70.0	68.7	67.0	67.6	60.8	59.9	53.6	57.3
Enterprises in majority private ownership	13.6	15.7	18.8	20.9	27.0	26.8	32.1	29.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Absolute growth	2003	2004	2005	2006	Jan. –Sep. 2007	2007	Jan. –Sep. 2008	2008
Public sector ^a	290	140	231	–43	211	635	592	679
Banks and non-banking financial institutions	3,224	907	1,663	2,207	–808	–11	78	2,463
Enterprises in majority private ownership	347	468	910	971	1,284	1,684	1,908	2,107
Total	3,861	1,515	2,805	3,135	687	2,307	2,578	5,249

^a Public enterprises are included throughout the whole period.

Source: CNB.

Table 15: Current and Contingent External Debt of the Public Sector and Private Sector Debt, end of period, in million EUR and %

	2006	2007 ^a	2007 ^b	2008	Structure		Indices	
					2007 ^b	2008	2007 ^a /2006	2008/2007 ^b
1. Public sector debt	8,257	9,259	9,400	10,248	28.3	26.2	112.1	109.0
2. Publicly guaranteed private sector debt	204	140	138	80	0.4	0.2	68.5	58.1
3. Non-publicly guaranteed private sector debt	20,813	23,530	23,716	28,797	71.3	73.6	113.1	121.4
Total (1 + 2 + 3)	29,274	32,929	33,254	39,125	100.0	100.0	112.5	117.7

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

in 2008.¹⁷ If reported in this way, it is a lower increase than that observed in 2007 (EUR 4.2bn). Public enterprises contributed most to the slowdown of the corporate sector debt, decreasing their debt growth by almost one half in 2008 relative to 2007. In addition, although to a somewhat smaller extent, the slowdown of the debt growth was also reported by mixed-ownership enterprises and enterprises in private ownership. The fourth-quarter developments point to a significant slowdown of foreign borrowings by other sectors, accompanied by the noticeably lower debt growth in the reference than in the same period last year. Specifically, their debt growth of EUR 0.4bn was entirely generated in October, while their debt stock remained almost unchanged in the last two months of 2008, which may be explained by impeded access to foreign sources of funds in the midst of the global financial crisis. Similar developments were also observed in FDI, which in 2008 grew at the same rate as in 2007 (EUR 1.1bn). The majority of that increase was effected at the beginning of the year, with the growth of direct debt investment being smaller in the last quarter of 2008 than in the same period in 2007.

After decreasing it by EUR 1.3bn (13.1%) in 2007, banks increased their external debt by a total of EUR 1.2bn (13.0%) in 2008. Bank foreign liabilities varied throughout the year and after a temporary increase in the first two months of 2008 to compensate for the seasonal fall in domestic sources of funds, they continuously declined in the following months supported by bank recapitalisations and foreign currency tourism inflows. However, banks increased their foreign liabilities by as much as EUR 2.1bn in the fourth quarter, mostly in order to compensate for the withdrawal of household foreign currency deposits caused by the global financial crisis and to finance the needs of the central government whose access to direct foreign financing was impeded at that time.

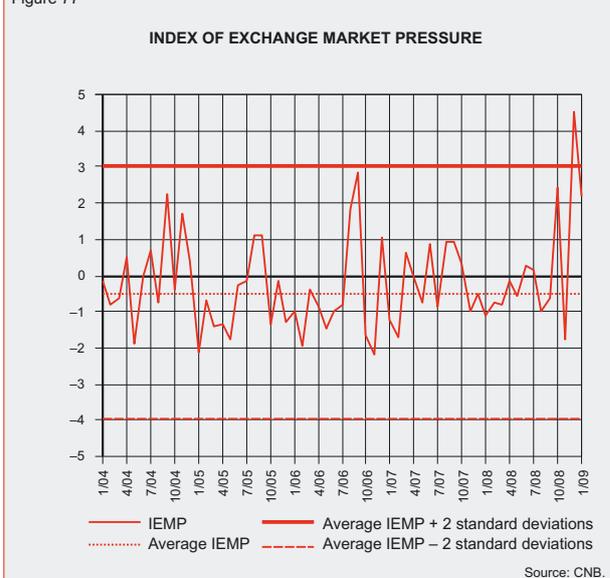
Compared with the end of 2007, the external debt of the government sector (including the central government, central government funds and local government) fell by EUR 1.2bn in 2008 due almost entirely to the above-mentioned reclassification of CM. If the effect of the reclassification is excluded, the fall in government liabilities in 2008 stood at only EUR 0.1bn. The reported decrease in the government external debt is mainly attributed to the EUR 0.1bn fall in central government foreign liabilities, which primarily included the July repayment of Samurai bonds and the regular debt repayments to the London and Paris Clubs. The debt of the public sector, which in addition to the government sector includes the CBRD and public and mixed-ownership enterprises, rose at a more moderate rate in 2008 than in 2007, due largely to

the noticeably slower growth of foreign borrowing by public enterprises. The contingent debt of the public sector (i.e. the publicly guaranteed private sector debt) continued to trend downward.

International Liquidity

At the end of 2008 and at the beginning of 2009, the IEMP¹⁸ substantially exceeded its long-term average value. Two factors were behind this trend: the depreciation of the kuna exchange rate and the fall in international reserves caused by the changes in monetary policy instruments (i.e. the abolition of the marginal reserve requirement and the decrease in bank foreign currency reserves). In the September 2008-January 2009 period, the gross international reserves declined by EUR 1.1bn (−11.6%) and the kuna/euro exchange rate depreciated by 3.7%. Although in December 2008 the IEMP exceeded its upper critical level (two standard deviations above its long-term average value) which indicates potential difficulties in the settlement of international payments, domestic sectors smoothly met their foreign liabilities. In line with a less pronounced depreciation and a smaller fall in reserves, the IEMP fell below its upper critical level in January 2009.

Figure 77



¹⁸ 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 In 2008, CM debt rose by EUR 0.2bn.

Government Finance

Fiscal Policy Features in the First Eleven Months of 2008

Consolidated central government revenues grew strongly in the first eleven months of 2008, mainly driven by accelerated consumer price inflation and buoyant imports of goods, which led to the robust increase in VAT revenues. Furthermore, relatively favourable labour market developments and the good business performance of Croatian enterprises in 2007 had a positive impact on revenues from social contributions and profit tax revenues. In contrast, following the provisional budget financing in the first quarter when government spending was restricted, expenditures grew much more rapidly. Still, their annual growth rate was lower than the annual growth rate of revenues. In addition, government investment in non-financial assets was lower than in the same period of 2007, so that the consolidated central government generated a surplus in the observed period (GFS 1986). According to MoF data, the entire surplus and the funds raised through disposals of financial and non-financial assets were deposited to government accounts with commercial banks and the CNB, while consolidated central government units continued to borrow in the country and abroad. The funds borrowed were partly used to pay due liabilities, while a substantial portion was used for budget deficit financing in December. Despite favourable trends in revenues and expenditures, central government debt grew noticeably in the first eleven months of 2008.

Since as early as November it became evident that the government would need substantial additional funds until the year-end, while access to foreign capital markets was considerably impeded due to the global financial turmoil, the central bank decided to cut the reserve requirement rate from 17% to 14%. This released some HRK 8.4bn of additional liquidity, which enabled government borrowing in the domestic market and largely reduced the possible effect of squeezing out the private sector.

Significant methodological changes were made in MoF statistics in the observed period. In line with Eurostat rules, CM has been excluded from the central government. Data for the whole of 2008 have been revised accordingly, but data for previous years have not. To enable the analysis of developments in revenues, expenditures and transactions in non-financial and financial assets and liabilities, MoF data for 2007 on the consolidated central government were adjusted to exclude CM from the total aggregate. This exclusion had a major impact on both the amount and structure of the consolidated central government balance since CM accounted for some 50% of the funds spent on the acquisition of non-financial assets in previous years, while capital transfers to CM, which were formerly consolidated at the central government level, became pure expenditures.

Consolidated Central Government Revenues

Consolidated central government revenues stood at HRK

109.5bn in the first eleven months of 2008, up 7.6% over the same period of 2007. Overall revenue growth was mainly driven by the increase in VAT revenues, which was largely spurred by the rise in the general price level and goods imports. Still, coupled with slower inflation and imports, the dynamics of this rise slowed down towards the year-end. In the same period, excise revenues stood at HRK 11.1bn, down 1.4% over the same period of 2007. The fall in excise revenues was mostly due to a fall in revenues from excises on refined petroleum products, which reflected both the May 2007 reduction in excises on all types of unleaded petrol and stagnant growth in the real retail trade turnover in motor fuels and lubricants. Revenues from excises on non-alcoholic beverages, beer and alcohol moved in the same direction. In contrast, revenues from excises on cars made a positive contribution to growth, although their growth rate was much lower than in the same period last year.

Due to legal changes, income tax revenues decreased by 3.9% compared with the previous year. On the other hand, since the business performance of economic entities in 2007 improved noticeably compared to 2006, the largest contribution to the increase in tax revenues, in addition to VAT revenues, came from profit tax revenues, which grew by 16.2% in the January-November period.

In line with labour market trends (the increase in employment and average nominal gross wage), revenues from social contributions grew by HRK 3.0bn in absolute terms in the first eleven months of 2008, standing at HRK 37.0bn. Revenues from employee and employer contributions grew at almost the same pace or around 9%, while revenues from contributions of self-employed and unemployed persons grew much more slowly.

Other revenues declined by 0.4%, largely due to a fall in property income, particularly dividends. More specifically, while T-HT paid extraordinary dividends of HRK 2.4bn in 2007, 42% of which went to the government, no such dividends were paid in 2008. A decline in dividend income was partly offset by revenues from rent and quasi-corporations, since CNB profit allocated to the government budget¹⁹ was larger than in the same period last year (HRK 0.5bn vs. HRK 0.1bn in 2007).

Consolidated Central Government Expenditures

Consolidated central government expenditures stood at HRK 103.8bn, growing by HRK 6.3bn or 6.5% year-on-year. After the first quarter when provisional financing was applicable, the rate of expenditure growth picked up, but was still lower than the overall revenue growth rate in the first eleven months of 2008. The largest contribution to annual growth in expenditures was provided by expenditures on social benefits and compensation of employees.

Expenditures on social benefits stood at HRK 46.8bn in the observed period, up 7.0% over the same period of 2007. Expenditures on social security benefits were 7.8% higher

¹⁹ 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.

year-on-year, reflecting on the one hand the increase in the number of pension beneficiaries and the average pension paid and, on the other hand, increased expenditures on health care. Social assistance benefits, comprising, among other things, expenditures for Croatian war veterans' permanent rights, child allowances and permanent support grew somewhat more slowly in the observed period (5.3%).

Employee compensations, accounting for more than a fourth of total expenditures, increased by 8.5%. As the number of civil servants and employees grew only moderately, the increase in employee compensations was largely due to an agreement between unions and the government on the increase in the basis for calculating public service wages in the 2007-2009 period.

Apart from social benefits and compensation of employees, most funds went on expenditures for the use of goods and services. Growing by 6.6% in the observed period, these expenditures stood at HRK 9.3bn.

Compared with the previous year, interest expense increased by only 0.6%, while its structure continued to change. The share of interest payments to residents increased as the government shifted to domestic market borrowing, while new loans were partly used to pay off foreign liabilities. Interest payments to residents thus increased by 4.8%, while interest payments to non-residents decreased by 6.6%.

Subsidies paid in the first eleven months stood at HRK 5.9bn, slightly more than in the same period of 2007. Within this amount, HRK 2.8bn was disbursed to public corporations, while the remaining amount went to private enterprises. However, the 2008 budget envisages a noticeable increase in subsidies on a whole year basis.

Other expenditures decreased by HRK 0.2bn. The bulk of these funds went on various capital expenses, the major share of which (apart from fees incorporated in fuel prices, which go to CM), under the revised 2008 budget, went to railway modernisation and construction, incentives for housing savings, and reconstruction and repair of war-damaged housing units.

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

The revenue growth outstripped expenditure growth in the first eleven months of 2008 and the positive net operating

balance stood at HRK 5.7bn. The surplus of revenues over expenditures was more than sufficient to cover government investments so that government net borrowing was HRK 2.7bn. Since new borrowings were sufficient to repay due liabilities, the government considerably increased the amount held in its accounts with the banks and the CNB.

Investments for the acquisition of non-financial assets were HRK 3.5bn in the January-November period of 2008, HRK 0.5bn less than in the same period a year before. This substantial decline was largely due to reduced investment in road infrastructure construction and maintenance since Croatian Roads spent 40% fewer funds on the acquisition of long-term assets in the observed period than in 2007. Still, the amount spent on the acquisition of land was at last year's level, which implies that investment activity could pick up in the upcoming period.

Financial assets of the consolidated central government rose by HRK 4.5bn. This strong increase was largely a result of the rise in domestic financial assets, i.e. the rise in currency and deposits and, to a lesser extent, loans granted. The opposite effect was produced by the sale of 4.2% of T-HT shares and 12.5% of shares of Petrokemija d.d. to employees of these companies.

Notwithstanding the positive operating balance and absence of major capital investment, government liabilities increased by HRK 1.9bn. The entire increase related to the domestic market where loan liabilities grew by HRK 4.8bn while liabilities arising from securities issued were much reduced. In the same period, foreign liabilities decreased by HRK 1.2bn

Balance of the Consolidated Central Government on a Cash Basis

The consolidated central government surplus (GFS 1986) on a cash basis stood at HRK 1.5bn and was entirely generated at the state budget level. Within extrabudgetary funds, only the State Agency for Deposit Insurance and Bank Rehabilitation and the Fund for Environmental Protection and Energy Efficiency generated a surplus. However, since this surplus was insufficient to compensate for poorer performance of other funds, all funds considered together generated a deficit of HRK 0.6bn. Though CR spent much less on the acquisition of non-financial assets than in the same period

Table 16: Operating Balance and Transactions in Non-Financial Assets and Financial Assets and Liabilities, GFS 2001, in million HRK and %

	Consolidated central government		
	Jan.–Nov. 2007	Jan.–Nov. 2008	Jan.–Nov. 2008 / Jan.–Nov. 2007
1. Change in net worth (net operating balance)	4,317	5,712	132
1.1. Revenue	101,811	109,530	108
1.2. Expense	97,494	103,817	106
2. Change in net non-financial assets	3,506	3,052	87
2.1. Acquisition of non-financial assets	3,994	3,483	87
2.2. Disposal of non-financial assets	488	431	88
3. Net lending (+) / borrowing (-) (1 – 2)	811	2,660	328
3. Financing (5 – 4) Transactions in financial assets and liabilities	-811	-2,660	328
4. Change in financial assets	-211	4,539	-
4.1. Domestic	-224	4,527	-
4.2. Foreign	13	12	93
5. Change in liabilities	-1,021	1,879	-
5.1. Domestic	1,826	3,094	169
5.2. Foreign	-2,847	-1,215	43

Note: On a cash basis.

Sources: MoF and CNB calculations.

Table 17: Consolidated Central Government Balance, GFS 1986, in million HRK and %

	Consolidated central government		
	Jan.–Nov. 2007	Jan.–Nov. 2008	Jan.–Nov. 2008 / Jan.–Nov. 2007
1. Net lending (+) / borrowing (–) GFS 2001	811	2,660	328
2. Disposal of non-financial assets	488	431	88
3. Net acquisition of financial assets – loans	732	317	43
4. Acquisition of shares and other equity	198	392	198
5. Acquisition of securities other than shares	0	0	0
6. Acquisition of other accounts receivable	0	0	0
7. Balance without capital revenues, on a cash basis (1 – 2 – 3 – 4 – 5 – 6)	–607	1,521	–

Note: On a cash basis.

Sources: MoF and CNB calculations.

Table 18: Consolidated Central Government Debt, end of period, in million HRK

	Stock		Change		
	Dec. 2007	Nov. 2008	Dec. 2008	Jan.–Nov. 2008 / Jan.–Dec. 2008	
A. Central government debt (1 + 2)	90,205	93,139	98,231	2,934.5	8,025.9
1. Domestic central government debt	59,329	63,455	67,753	4,125.8	8,423.7
1.1. Domestic debt of the Republic of Croatia	56,506	59,594	63,961	3,087.2	7,454.3
1.2. Domestic debt of central government funds	2,823	3,861	3,792	1,038.7	969.5
2. External central government debt	30,876	29,684	30,478	–1,191.3	–397.9
2.1. External debt of the Republic of Croatia	29,423	28,123	28,652	–1,300.0	–771.8
2.2. External debt of central government funds	1,452	1,561	1,826	108.7	373.9
Supplement:					
B. Total guarantees issued by the Republic of Croatia	39,158	43,148	44,621	3,989.5	5,462.9
1. Domestic	11,399	11,526	13,190	126.4	1,790.6
2. Foreign	27,759	31,622	31,431	3,863.1	3,672.4

Note: CM and CBRD debts are not included in the data on the domestic and external debt of the central government.

Source: CNB.

last year, its deficit widened since its operating balance deteriorated, due both to increased expenditures and much smaller income coming from budget capital transfers.

Government Debt

According to CNB data, consolidated central government debt stood at HRK 93.1bn at end-November 2008, up HRK 2.9bn over the end of 2007. The debt increase was entirely the result of new domestic market borrowing, while external debt was reduced. Government guarantees issued in the January–November 2008 period increased by HRK 4.0bn. It should be noted that a decrease in central government debt compared with that published previously is the result of reclassification of CM and CBRD from the government sector to other domestic sectors for the period since January 2008. This reclassification considerably increased the balance of guarantees issued since the bulk of CM and CBRD debt is covered by government guarantees. For the purpose of this analysis, December 2007 data have been adjusted accordingly.

Domestic debt of the central government grew to HRK 63.5bn at end-November mostly on account of new loans. A domestic bank syndicate granted a foreign currency loan of EUR 200m to the government in early March and another loan worth EUR 760m nominally in May. The latter loan falls due in 2010, with an option to extend principal repayment. The payment would be made in two equal instalments: one falling due in 2012 and the other in 2013. Furthermore, although borrowing through T-bills decreased considerably

in the first ten months, the government issued HRK 3.2bn worth of T-bills in November, which slightly increased debt on this basis. The funds borrowed were largely used to repay 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 and EUR 200m worth of bonds issued in the domestic market) and to bridge the usual short-term illiquidity. In this period, domestic debt of extrabudgetary funds increased by HRK 1.0bn, mostly due to additional CR borrowing in the form of bank loans.

External debt of the central government stood at HRK 29.7bn at end-November. However, since the central government raised the funds needed to refinance its liabilities in the domestic market and repaid Samurai bonds and liabilities to the London and Paris Clubs falling due in 2008, external debt decreased by HRK 1.2bn compared with end-2007.

Consolidated Central Government Debt Developments in December

Since the funds accumulated in its accounts with commercial banks and the CNB were insufficient to finance a high budget deficit and pay liabilities due, the government had to borrow large amounts in December. However, given the negative trends in the global financial market, which substantially impeded foreign borrowing, the funds needed had to be raised in the domestic market. To enable government financing and unimpeded private sector access to the loan market, the central bank decided to lower the reserve requirement rate from 17% to 14% in November, thus releasing HRK

8.4bn of additional liquidity. The government withdrew the bulk of this amount through issues of T-bills (two of which were rather large – HRK 2.5bn and EUR 0.3bn), which were mostly purchased by the banking sector. On the other hand, EUR 200m worth of bonds, which the government issued in the domestic market in 2001, fell due. Total debt of central government funds continued trending up in December, entirely due to new foreign borrowings, while domestic debt fell slightly.

Central government debt stood at HRK 98.2bn at end-December 2008, up HRK 8.0bn over the end of 2007. Domestic debt increased by HRK 8.4bn, mostly on account of new loans (HRK 6.3bn) and the debt arising from issued T-bills (HRK 4.8bn), while bond-related debt decreased by HRK 2.7bn. In the same period, external debt declined by HRK 0.4bn, mainly due to a fall in the debt at the level of the Republic of Croatia, while the debt of extrabudgetary funds increased by HRK 0.4bn.

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. The subsector central government funds includes 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
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	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	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
	November	55,204.1	51,053.7	51,658.3	218,114.2	173,421.1	228,500.3	5.05	-3.11	-3.13	-2.39	-0.35	-0.16
	December	49,743.0	55,222.3	56,044.6	225,018.5	183,279.1	232,982.1	-9.89	8.17	8.49	3.17	5.68	1.96
2009	January	56,966.4	49,573.0	50,271.0	221,452.2	183,953.4	234,477.0	14.52	-10.23	-10.30	-1.58	0.37	0.64

^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 4,035.8m. 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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
ASSETS										
1. Foreign assets (net)	32,771.4	31,742.6	23,303.8	27,614.5	49,446.5	43,547.2	45,360.0	54,773.1	41,739.4	37,498.7
2. Domestic credit	126,372.0	141,278.1	168,427.7	200,328.9	226,076.1	231,039.6	234,626.1	239,395.1	254,569.8	256,356.1
2.1. Claims on central government and funds (net)	14,710.6	13,969.6	19,259.4	16,949.4	15,247.7	16,012.7	14,397.5	14,882.3	21,587.7	21,879.0
2.2. Claims on other domestic sectors	110,467.8	125,790.7	147,414.3	181,031.9	207,398.7	213,428.2	218,495.7	222,686.4	231,472.7	232,902.1
2.3. Claims on other banking institutions	431.8	624.0	592.2	1,029.5	1,640.0	657.6	691.5	688.1	441.9	498.2
2.4. Claims on non-banking financial institutions	761.8	893.9	1,161.8	1,318.1	1,789.7	941.1	1,041.4	1,138.3	1,067.4	1,076.7
Total (1+2)	159,143.4	173,020.7	191,731.5	227,943.3	275,522.6	274,586.8	279,986.1	294,168.2	296,309.2	293,854.8
LIABILITIES										
1. Money	33,888.7	34,562.1	38,817.1	48,521.0	57,878.3	52,807.2	54,400.5	53,677.3	55,222.3	49,573.0
2. Savings and time deposits	18,370.7	22,479.2	27,992.1	44,836.8	53,644.9	53,120.9	52,001.2	53,976.0	50,070.3	50,497.7
3. Foreign currency deposits	76,035.3	81,742.9	86,760.8	88,256.7	103,090.1	104,760.9	108,678.4	117,937.6	117,194.8	119,323.2
4. Bonds and money market instruments	598.4	1,163.5	1,077.0	844.1	1,208.8	931.1	966.5	1,261.5	2,531.1	2,058.2
5. Restricted and blocked deposits	1,721.6	2,067.0	2,092.3	2,504.5	2,280.9	2,388.8	2,890.2	4,005.1	3,094.2	2,955.5
6. Other items (net)	28,528.7	31,006.1	34,992.2	42,980.2	57,419.6	60,577.8	61,049.3	63,310.6	68,196.5	69,447.2
Total (1+2+3+4+5+6)	159,143.4	173,020.7	191,731.5	227,943.3	275,522.6	274,586.8	279,986.1	294,168.2	296,309.2	293,854.8

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
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	December	35	2	5	2	12	5	9	2	1	1	–
2008	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	–
	November	36	2	7	1	11	6	9	2	1	1	–
	December	36	2	7	1	11	6	9	2	1	1	–
2009	January	36	2	7	1	10	7	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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
ASSETS										
1. Foreign assets	50,118.6	49,373.4	54,862.5	64,088.2	68,177.8	71,417.7	72,036.6	69,718.0	66,805.5	63,961.0
1.1. Gold	–	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	5.0	4.8	6.3	5.3	5.6	8.3	6.0	4.7	5.3	5.7
1.3. Reserve position in the IMF	1.5	1.4	1.4	1.3	1.3	1.2	1.2	1.2	1.3	1.3
1.4. Currency and demand deposits with foreign banks	5.8	5.7	7.7	7.2	7.2	9.3	8.9	9.0	1,472.7	1,483.6
1.5. Time deposits with foreign banks	25,580.7	24,337.7	28,274.1	33,243.0	33,204.4	35,943.9	25,421.8	21,856.9	13,189.3	13,276.9
1.6. Securities in f/c	24,525.5	25,023.7	26,573.0	30,831.2	34,959.3	35,454.9	46,598.6	47,846.1	52,136.9	49,193.4
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	1.4	3.3	1.4	0.9	–	–	1.0	–	2.2	1.2
2.1. Claims in kuna	1.4	3.3	1.4	0.9	–	–	1.0	–	2.2	1.2
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	93.6	82.9	73.4	64.0	67.9	67.8	65.3	65.2	64.2	64.2
4. Claims on banks	972.0	408.9	4,215.6	3,911.5	4,178.3	1,538.0	1,666.5	13.7	13.9	8,053.2
4.1. Credits to banks	968.9	408.9	4,215.6	3,911.5	4,178.3	1,538.0	1,666.5	13.7	13.9	8,053.2
Lombard credits	954.4	–	–	–	1,349.1	–	–	–	–	378.8
Short-term liquidity credits	–	–	–	–	–	–	–	–	–	–
Other credits	14.5	15.0	14.5	14.5	14.7	14.4	14.1	13.7	13.9	13.9
Reverse repo transactions	–	394.0	4,201.1	3,897.0	2,814.5	1,523.6	1,652.4	–	–	7,660.6
4.2. Overdue claims	3.1	–	–	–	–	–	–	–	–	–
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	51,185.6	49,868.5	59,153.0	68,064.6	72,424.1	73,023.5	73,769.3	69,796.8	66,885.8	72,079.5
LIABILITIES										
1. Reserve money	30,586.2	33,924.4	40,390.8	46,331.2	51,923.9	49,977.8	51,173.5	49,771.0	49,743.0	56,966.4
1.1. Currency outside banks	10,573.1	10,955.6	12,163.8	14,609.3	16,007.5	15,336.6	16,908.8	16,556.3	17,051.0	16,648.0
1.2. Banks' cash in vaults	1,683.2	1,871.0	2,210.7	2,698.0	3,305.8	2,959.3	3,340.4	3,117.4	3,428.3	3,089.6
1.3. Banks' deposits	18,329.3	21,082.6	26,016.3	29,023.9	32,610.6	31,681.9	30,924.4	30,097.3	29,263.7	37,228.8
Settlement accounts	5,616.0	6,408.2	8,411.1	8,535.7	7,553.9	8,913.8	7,508.6	6,559.3	9,520.3	12,993.7
Statutory reserves	12,603.9	14,674.4	17,605.2	20,478.2	22,275.6	22,623.7	22,981.1	23,092.0	19,222.7	23,728.6
CNB bills on obligatory basis	109.4	–	–	–	1,991.1	0.3	434.7	446.0	460.6	506.5
Overnight deposits	–	–	–	10.0	790.0	144.0	–	–	60.0	–
1.4. Deposits of other banking institutions	–	–	–	–	–	–	–	–	–	–
1.5. Deposits of other domestic sectors ^b	0.6	15.1	–	–	–	–	–	–	–	–
2. Restricted and blocked deposits	6,699.2	10,777.1	13,551.8	16,633.5	14,286.0	17,056.6	16,890.8	13,372.7	8,064.1	4,485.0
2.1. Statutory reserve in f/c	6,686.6	10,764.7	13,495.9	16,576.7	14,257.5	17,001.4	16,829.1	13,314.5	8,008.3	4,431.7
2.2. Restricted deposits	12.6	12.4	55.9	56.9	28.6	55.2	61.7	58.2	55.8	53.4
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	2,798.0	18.1	18.9	18.9	17.2	12.6	14.7	13.0	16.6	16.3
3.1. Use of IMF credit	0.0	–	–	–	–	–	–	–	–	–
3.2. Liabilities to international organisations	19.6	18.1	18.9	18.9	17.2	12.6	14.7	13.0	16.6	16.3
3.3. Liabilities to foreign banks ^a	2,778.5	–	–	–	–	–	0.1	0.0	–	0.0
4. Central government and funds' deposits	1,551.1	263.2	332.2	188.0	199.1	307.7	596.7	441.2	206.9	131.2
4.1. Demand deposits	600.2	228.0	319.0	174.5	125.8	266.1	576.3	436.2	171.1	95.0
Central government demand deposits	548.5	123.0	246.3	138.6	100.3	120.4	130.9	110.6	43.0	79.4
Central government funds' demand deposits	51.7	105.0	72.7	35.9	25.4	145.6	445.4	325.6	128.2	15.6
4.2. Central government f/c deposits	950.9	35.2	13.2	13.5	73.3	41.6	20.4	5.0	35.8	36.2
4.3. CNB bills	–	–	–	–	–	–	–	–	–	–
5. CNB bills	4,920.2	–	–	–	–	–	–	–	–	–
5.1. CNB bills in kuna	–	–	–	–	–	–	–	–	–	–
5.2. CNB bills in f/c	4,920.2	–	–	–	–	–	–	–	–	–
6. Capital accounts	5,039.0	5,096.5	5,357.4	5,408.8	6,674.8	6,250.5	5,788.1	6,640.2	9,562.4	11,210.2
7. Other items (net)	–408.1	–210.8	–498.2	–515.8	–676.9	–581.7	–694.5	–441.4	–707.1	–729.5
Total (1+2+3+4+5+6+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	66,885.8	72,079.5

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

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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
ASSETS										
1. Reserves with the CNB	26,783.7	33,718.2	41,775.2	48,384.7	50,178.9	51,640.1	51,102.5	46,531.4	40,705.6	44,756.6
1.1. In kuna	20,103.4	22,962.9	28,283.1	31,814.1	35,929.1	34,645.7	34,279.1	33,223.2	32,700.5	40,325.7
1.2. In f/c	6,680.2	10,755.3	13,492.1	16,570.6	14,249.8	16,994.4	16,823.4	13,308.2	8,005.1	4,430.9
2. Foreign assets	35,382.9	43,551.0	35,572.5	39,621.2	46,438.5	41,544.2	37,562.2	42,645.4	50,246.6	52,057.7
3. Claims on central government and funds	21,543.6	21,051.3	28,877.2	27,936.8	28,971.5	29,984.5	30,658.5	31,003.4	37,801.1	40,045.8
4. Claims on other domestic sectors	110,374.3	125,707.9	147,340.9	180,967.8	207,330.7	213,360.3	218,430.4	222,621.2	231,408.6	232,838.0
4.1. Claims on local government	1,563.1	1,787.9	1,767.2	1,892.0	2,140.8	2,029.2	2,022.3	1,969.1	2,077.4	2,099.6
4.2. Claims on enterprises	53,809.8	58,643.3	67,017.9	83,386.5	92,265.1	94,325.3	96,311.7	98,914.2	102,779.8	103,954.8
4.3. Claims on households	55,001.4	65,276.7	78,555.7	95,689.3	112,924.9	117,005.8	120,096.3	121,737.8	126,551.4	126,783.6
5. Claims on other banking institutions	431.8	624.0	592.2	1,029.5	1,640.0	657.6	691.5	688.1	441.9	498.2
6. Claims on non-banking financial institutions	761.8	893.9	1,161.8	1,318.1	1,789.7	941.1	1,041.4	1,138.3	1,067.4	1,076.7
Total (1+2+3+4+5+6)	195,278.0	225,546.2	255,319.8	299,258.1	336,349.4	338,127.9	339,486.6	344,627.8	361,671.2	371,272.9
LIABILITIES										
1. Demand deposits	23,315.0	23,591.3	26,653.3	33,911.7	41,870.8	37,470.7	37,491.7	37,121.0	38,171.2	32,925.1
2. Savings and time deposits	18,370.7	22,479.2	27,992.1	44,836.8	53,644.9	53,120.9	52,001.2	53,976.0	50,070.3	50,497.7
3. Foreign currency deposits	76,035.3	81,742.9	86,760.8	88,256.7	103,090.1	104,760.9	108,678.4	117,937.6	117,194.8	119,323.2
4. Bonds and money market instruments	598.4	1,163.5	1,077.0	844.1	1,208.8	931.1	966.5	1,261.5	2,531.1	2,058.2
5. Foreign liabilities	49,932.0	61,163.7	67,112.3	76,076.0	65,152.6	69,402.1	64,224.1	57,577.3	75,296.1	78,503.6
6. Central government and funds' deposits	5,283.3	6,821.8	9,287.0	10,800.4	13,525.8	13,664.1	15,665.3	15,679.9	16,007.5	18,036.7
7. Credit from central bank	968.9	408.9	4,215.6	3,911.4	4,178.3	1,538.0	1,666.5	13.7	14.0	8,053.3
8. Restricted and blocked deposits	1,709.0	2,054.6	2,036.4	2,447.6	2,252.3	2,333.7	2,828.5	3,946.9	3,038.4	2,902.1
9. Capital accounts	27,389.5	28,666.4	32,665.7	40,805.1	53,178.9	56,451.5	57,883.3	59,225.1	60,317.4	60,881.7
10. Other items (net)	-8,324.2	-2,546.3	-2,480.4	-2,631.7	-1,753.2	-1,545.1	-1,918.9	-2,111.1	-969.7	-1,908.7
Total (1+2+3+4+5+6+7+8+9+10)	195,278.0	225,546.2	255,319.8	299,258.1	336,349.4	338,127.9	339,486.6	344,627.8	361,671.2	371,272.9

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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Foreign assets in f/c	35,261.9	43,428.1	35,457.9	39,454.5	45,837.2	40,997.4	37,071.2	42,067.0	49,705.1	51,440.6
1.1. Claims on foreign financial institutions	31,877.6	35,911.0	27,228.5	30,404.1	37,824.9	33,070.0	29,468.5	34,694.9	38,038.3	39,845.8
Foreign currencies	1,268.6	1,190.0	1,136.1	1,232.1	1,245.5	1,254.3	1,571.4	1,200.8	1,973.2	1,348.0
Demand deposits	1,057.0	906.2	860.2	870.1	1,305.2	879.0	930.6	784.9	2,109.8	1,106.4
Time and notice deposits	27,969.4	30,943.7	20,874.6	23,509.4	31,726.1	27,877.8	24,390.6	30,163.4	31,444.5	34,746.9
Securities	1,364.2	2,674.1	4,197.0	4,441.5	3,210.4	2,739.2	2,221.2	2,203.8	2,307.1	2,431.3
Loans and advances	203.1	189.0	152.9	339.2	195.9	179.0	182.8	178.6	166.3	174.9
Shares and participations	15.4	8.1	7.8	11.8	141.9	140.7	171.8	163.4	37.4	38.3
1.2. Claims on foreign non-banks	3,384.4	7,517.1	8,229.4	9,050.4	8,012.3	7,927.3	7,602.8	7,372.1	11,666.8	11,594.8
Claims on foreign governments	2,905.0	7,066.6	7,735.7	8,217.0	6,696.1	6,436.7	6,042.8	5,791.5	9,976.8	9,893.8
Claims on other non-residents	478.9	450.2	493.1	798.1	1,295.2	1,448.1	1,460.6	1,497.6	1,613.5	1,618.8
Securities	32.1	77.4	68.0	141.5	180.9	193.7	245.2	186.7	235.1	239.0
Loans and advances	446.8	372.8	425.2	656.6	1,114.3	1,254.5	1,215.4	1,310.9	1,378.4	1,379.8
Shares and participations	0.4	0.3	0.5	35.3	20.9	42.4	99.4	82.9	76.5	82.2
2. Foreign assets in kuna	120.9	122.9	114.6	166.7	601.3	546.8	491.0	578.4	541.5	617.1
2.1. Claims on foreign financial institutions	99.1	77.8	71.3	96.9	408.1	327.7	240.7	249.9	144.1	207.7
2.2. Claims on foreign non-banks	21.9	45.1	43.4	69.8	193.3	219.2	250.3	328.6	397.4	409.4
o/w: Loans and advances	21.0	44.3	42.6	69.2	192.7	218.6	249.7	328.0	396.8	408.8
Total (1+2)	35,382.9	43,551.0	35,572.5	39,621.2	46,438.5	41,544.2	37,562.2	42,645.4	50,246.6	52,057.7

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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. In kuna	18,007.1	16,270.2	20,532.7	22,703.0	24,081.8	24,396.2	22,801.0	22,107.0	24,901.6	27,161.3
1.1. Claims on central government	16,032.6	14,465.6	17,352.6	18,361.2	19,057.3	18,977.9	17,267.0	17,026.6	19,899.5	21,838.4
Securities	11,770.0	11,779.1	16,037.7	14,546.7	16,099.8	15,258.8	14,547.8	14,080.7	16,969.0	16,622.8
o/w: Bonds (c/part to f/c savings deposits)	1,531.9	532.0	20.6	8.3	6.4	5.3	5.5	6.4	6.1	5.9
Loans and advances	4,262.6	2,686.5	1,314.9	3,814.5	2,957.5	3,719.1	2,719.2	2,945.9	2,930.4	5,215.6
1.2. Claims on central government funds	1,974.5	1,804.6	3,180.1	4,341.9	5,024.5	5,418.2	5,534.0	5,080.4	5,002.1	5,322.8
Securities	723.6	621.1	–	–	–	–	4.2	–	6.1	6.1
Loans and advances	1,250.9	1,183.5	3,180.1	4,341.9	5,024.5	5,418.2	5,529.7	5,080.4	4,996.1	5,316.7
2. In f/c	3,536.4	4,781.1	8,344.5	5,233.8	4,889.7	5,588.3	7,857.5	8,896.4	12,899.5	12,884.5
2.1. Claims on central government	3,196.9	3,548.4	7,241.0	4,624.4	4,388.6	5,128.9	7,047.1	7,877.8	9,843.6	9,901.4
Securities	1,805.4	1,117.0	1,248.1	429.0	268.4	227.7	209.3	207.9	300.7	317.3
Loans and advances	1,391.5	2,431.3	5,992.8	4,195.4	4,120.1	4,901.2	6,837.8	7,669.9	9,542.9	9,584.1
2.2. Claims on central government funds	339.5	1,232.8	1,103.5	609.4	501.2	459.4	810.4	1,018.6	3,055.9	2,983.1
Securities	96.4	163.1	144.2	109.2	82.1	65.8	63.7	63.1	50.9	51.2
Loans and advances	243.1	1,069.7	959.3	500.2	419.1	393.7	746.6	955.5	3,005.1	2,931.9
Total (1+2)	21,543.6	21,051.3	28,877.2	27,936.8	28,971.5	29,984.5	30,658.5	31,003.4	37,801.1	40,045.8

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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Claims in kuna	100,365.0	114,635.7	133,603.5	166,755.1	194,476.7	200,365.0	205,478.4	209,653.9	216,530.8	217,369.1
1.1. Money market instruments	1,314.1	2,510.0	2,329.9	1,980.7	2,147.4	2,384.7	2,440.1	2,492.4	2,674.5	2,586.8
1.2. Bonds	56.2	559.8	361.6	1,088.8	1,366.0	1,575.2	1,388.8	1,419.0	1,341.4	1,320.5
1.3. Loans and advances	96,081.7	109,523.9	128,882.3	161,694.2	188,462.5	194,078.4	199,333.3	203,527.2	210,424.0	211,379.1
1.4. Shares and participations	2,912.9	2,042.0	2,029.6	1,991.4	2,500.8	2,326.8	2,316.3	2,215.3	2,090.8	2,082.7
2. Claims in f/c	10,009.3	11,072.2	13,737.4	14,212.8	12,854.0	12,995.3	12,952.0	12,967.3	14,877.8	15,468.8
2.1. Securities	130.6	213.5	307.6	221.1	249.2	180.6	164.5	104.6	109.3	84.7
2.2. Loans and advances	9,878.7	10,858.6	13,429.8	13,991.6	12,604.9	12,814.7	12,787.6	12,862.7	14,768.5	15,384.1
Total (1+2)	110,374.3	125,707.9	147,340.9	180,967.8	207,330.7	213,360.3	218,430.4	222,621.2	231,408.6	232,838.0

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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
LOANS IN KUNA										
1. Loans to central government and funds	5,513.5	3,870.0	4,495.0	8,156.4	7,982.0	9,137.3	8,248.9	8,026.3	7,926.5	10,532.3
1.1. Loans to central government	4,262.6	2,686.5	1,314.9	3,814.5	2,957.5	3,902.1	2,719.2	2,945.9	2,930.4	5,215.6
1.2. Loans to central government funds	1,250.9	1,183.5	3,180.1	4,341.9	5,024.5	5,235.2	5,529.7	5,080.4	4,996.1	5,316.7
2. Loans to local government	1,485.1	1,701.9	1,613.9	1,720.3	1,867.5	1,776.6	1,737.8	1,690.4	1,786.9	1,808.6
3. Loans to enterprises	39,777.4	42,844.7	49,105.9	64,666.3	74,001.7	75,635.8	77,841.2	80,435.1	82,431.7	83,110.4
4. Loans to households	54,819.3	64,977.2	78,162.4	95,307.6	112,593.3	116,666.0	119,754.3	121,401.7	126,205.3	126,460.0
o/w: Housing loans	16,896.2	21,397.9	27,571.1	36,927.3	45,218.6	47,476.4	48,271.9	48,904.3	52,305.5	52,731.3
5. Loans to other banking institutions	82.3	154.5	46.5	304.4	213.6	95.2	177.6	144.1	36.1	104.4
6. Loans to non-banking financial institutions	427.9	558.0	591.8	854.4	947.6	654.5	736.8	832.0	741.4	731.5
A. Total (1+2+3+4+5+6)	102,105.4	114,106.4	134,015.6	171,009.4	197,605.7	203,965.4	208,496.7	212,529.6	219,128.0	222,747.3
LOANS IN F/C										
1. Loans to central government and funds	1,634.7	3,501.0	6,952.1	4,695.6	4,539.2	5,294.8	7,584.4	8,625.3	12,548.0	12,516.0
1.1. Loans to central government	1,391.5	2,431.3	5,992.8	4,195.4	4,120.1	4,901.2	6,837.8	7,669.9	9,542.9	9,584.1
1.2. Loans to central government funds	243.1	1,069.7	959.3	500.2	419.1	393.7	746.6	955.5	3,005.1	2,931.9
2. Loans to local government	47.1	31.9	63.0	11.3	8.7	7.4	7.4	6.0	5.5	5.5
3. Loans to enterprises	9,649.4	10,527.3	12,973.5	13,598.5	12,264.5	12,467.5	12,438.2	12,520.7	14,416.8	15,055.0
4. Loans to households	182.1	299.5	393.3	381.8	331.6	339.8	342.0	336.0	346.1	323.6
5. Loans to other banking institutions	174.3	52.9	19.9	68.1	74.0	0.0	48.0	34.0	1.2	27.3
6. Loans to non-banking financial institutions	58.8	255.3	512.3	360.5	668.0	104.4	105.4	120.2	143.5	144.5
B. Total (1+2+3+4+5+6)	11,746.4	14,667.8	20,914.1	19,115.9	17,886.0	18,214.0	20,525.4	21,642.2	27,461.1	28,071.9
TOTAL (A+B)	113,851.8	128,774.2	154,929.7	190,125.3	215,491.7	222,179.4	229,022.1	234,171.8	246,589.1	250,819.2

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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Local government	2,006.2	2,020.7	1,688.7	1,803.8	2,689.4	1,974.4	1,776.0	1,997.9	2,441.1	1,900.6
2. Enterprises	12,872.9	12,036.9	13,344.2	16,668.6	19,599.3	16,179.8	15,914.6	16,203.9	16,896.1	13,661.8
3. Households	7,873.1	8,773.0	10,728.3	14,257.8	17,896.7	17,418.4	17,904.5	17,806.2	17,620.1	16,473.7
4. Other banking institutions	98.9	245.4	322.1	485.1	481.1	556.9	426.5	312.3	293.6	155.7
5. Non-banking financial institutions	468.1	517.5	571.3	697.6	1,205.2	1,342.1	1,472.6	801.6	921.1	733.9
6. Less: Checks of other banks and checks in collection	-4.2	-2.2	-1.3	-1.2	-0.9	-0.9	-2.5	-0.8	-0.7	-0.5
Total (1+2+3+4+5+6)	23,315.0	23,591.3	26,653.3	33,911.7	41,870.8	37,470.7	37,491.7	37,121.0	38,171.2	32,925.1

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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Savings deposits	2,527.9	2,233.9	2,493.6	2,905.6	3,086.1	3,022.1	2,983.3	2,929.8	2,770.3	2,713.2
1.1. Local government	14.4	4.6	2.7	2.8	2.5	2.4	2.0	1.6	0.0	0.0
1.2. Enterprises	190.5	38.8	101.6	110.3	154.7	158.7	139.3	124.1	108.8	116.7
1.3. Households	2,288.8	2,190.5	2,388.3	2,792.4	2,929.0	2,860.9	2,838.0	2,800.0	2,657.7	2,587.5
1.4. Other banking institutions	–	–	–	–	–	–	4.0	4.0	–	–
1.5. Non-banking financial institutions	34.2	0.0	1.0	0.0	–	–	–	–	3.7	8.9
2. Time and notice deposits	15,842.9	20,245.4	25,498.4	41,931.3	50,558.8	50,098.8	49,017.9	51,046.3	47,300.1	47,784.5
2.1. Local government	551.6	550.8	508.7	491.8	549.5	1,336.8	1,534.6	1,787.1	726.0	1,236.2
2.2. Enterprises	7,165.3	8,698.5	8,222.5	14,715.4	18,414.8	16,543.1	13,987.1	16,129.1	16,268.0	15,555.1
2.3. Households	6,194.5	9,321.4	13,254.9	20,755.0	20,479.1	22,779.2	23,412.0	23,074.2	22,721.6	22,784.8
2.4. Other banking institutions	129.3	215.9	391.9	2,697.9	6,386.5	4,537.5	3,983.3	3,901.7	2,563.4	2,385.7
2.5. Non-banking financial institutions	1,802.2	1,458.8	2,580.4	3,271.3	4,728.9	4,902.2	6,100.9	6,154.2	5,021.1	5,822.7
Total (1+2)	18,370.7	22,479.2	27,992.1	44,836.8	53,644.9	53,120.9	52,001.2	53,976.0	50,070.3	50,497.7

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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Savings deposits	21,547.0	22,144.6	22,641.0	22,698.6	22,845.0	22,321.8	22,797.1	23,772.6	21,262.2	21,656.6
1.1. Local government	14.7	15.6	11.9	30.8	27.5	9.8	26.1	9.2	22.1	9.8
1.2. Enterprises	3,620.2	4,273.2	4,408.3	4,589.7	5,543.6	5,326.3	5,896.7	5,910.0	5,132.0	4,837.1
1.3. Households	17,690.2	17,708.9	17,933.6	17,609.9	16,720.8	16,139.1	16,265.5	17,154.5	15,682.8	15,694.6
1.4. Other banking institutions	9.0	15.4	116.0	276.7	251.7	355.8	224.0	176.0	121.4	154.5
1.5. Non-banking financial institutions	212.9	131.6	171.3	191.4	301.5	490.8	384.9	522.9	303.9	960.6
2. Time deposits	54,488.4	59,598.3	64,119.7	65,558.1	80,245.1	82,439.1	85,881.3	94,165.0	95,932.6	97,666.6
2.1. Local government	3.8	0.3	3.2	1.9	2.1	1.9	2.0	2.1	2.3	12.1
2.2. Enterprises	7,154.0	8,518.6	8,154.2	7,086.2	10,391.9	9,597.6	9,959.0	11,617.3	11,215.5	11,109.7
2.3. Households	46,805.1	50,636.0	55,036.1	57,210.8	66,465.7	69,660.4	73,044.5	79,055.2	80,419.6	82,986.3
2.4. Other banking institutions	21.7	20.7	242.0	366.2	1,038.6	1,039.3	764.6	1,062.1	808.2	820.7
2.5. Non-banking financial institutions	503.7	422.7	684.2	892.9	2,346.8	2,139.9	2,111.2	2,428.3	3,487.0	2,738.0
Total (1+2)	76,035.3	81,742.9	86,760.8	88,256.7	103,090.1	104,760.9	108,678.4	117,937.6	117,194.8	119,323.2

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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Money market instruments (net)	–	–	–	0.8	0.8	0.8	0.8	0.8	0.8	0.6
2. Bonds (net)	151.9	170.5	164.9	340.9	632.0	637.8	452.4	434.3	609.5	606.6
3. Other domestic borrowing	446.5	993.0	912.1	502.5	576.0	292.5	513.3	826.4	1,920.8	1,451.0
3.1. Local government	0.9	–	–	–	–	–	–	–	–	–
3.2. Enterprises	92.7	40.3	40.8	0.0	152.9	0.0	0.0	3.7	3.5	3.5
3.3. Other banking institutions	222.1	842.8	828.1	492.8	266.4	265.8	496.3	820.7	1,719.2	1,333.4
3.4. Non-banking financial institutions	130.9	109.9	43.2	9.6	156.6	26.6	17.0	2.0	198.0	114.1
Total (1+2+3)	598.4	1,163.5	1,077.0	844.1	1,208.8	931.1	966.5	1,261.5	2,531.1	2,058.2

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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	May	Jun.	Sep.	Dec.	Jan.
1. Foreign liabilities in f/c	44,574.3	54,536.7	52,073.3	55,114.3	48,461.3	51,479.8	47,828.7	41,487.8	54,726.8	57,711.1
1.1. Liabilities to foreign financial institutions	38,623.1	48,967.5	45,747.7	48,561.3	41,483.1	44,727.4	41,061.5	34,684.4	47,878.5	50,524.9
Demand deposits	266.6	127.6	156.3	195.0	258.8	245.8	223.3	152.3	176.6	214.6
Time and notice deposits	12,885.2	16,056.8	12,523.1	12,174.1	10,562.9	12,694.1	9,302.1	7,527.4	14,016.4	16,364.4
Loans and advances	25,471.4	29,369.5	29,775.6	32,903.9	27,373.0	28,528.7	28,280.3	23,810.4	30,408.3	30,646.3
o/w: Subordinated and hybrid instruments	2,949.2	2,399.4	1,167.4	820.7	405.9	1,396.3	1,568.2	1,538.2	1,585.1	1,942.8
Bonds	–	3,413.6	3,292.6	3,288.3	3,288.4	3,258.7	3,255.8	3,194.3	3,277.1	3,299.6
1.2. Liabilities to foreign non-banks	5,951.2	5,569.2	6,325.6	6,553.0	6,978.2	6,752.5	6,767.3	6,803.4	6,848.4	7,186.2
Savings and time deposits	4,753.2	5,002.2	5,846.3	6,192.4	6,729.9	6,562.9	6,579.0	6,672.8	6,719.0	7,112.0
Sight deposits	898.6	1,052.5	1,172.9	1,635.8	1,537.2	1,582.6	1,643.6	1,560.7	1,374.5	1,465.1
Time and notice deposits	3,854.6	3,949.6	4,673.4	4,556.7	5,192.7	4,980.2	4,935.4	5,112.1	5,344.6	5,646.9
Loans and advances	1,198.0	567.1	479.3	360.5	248.3	189.6	188.3	130.6	129.3	74.1
o/w: Subordinated and hybrid instruments	39.1	0.2	–	–	–	–	–	–	–	–
2. Foreign liabilities in kuna	5,357.7	6,627.0	15,039.1	20,961.8	16,691.3	17,922.2	16,395.4	16,089.4	20,569.2	20,792.5
2.1. Liabilities to foreign financial institutions	5,087.8	6,103.9	14,099.6	20,087.0	16,093.8	17,198.1	15,756.2	15,523.5	20,061.0	20,273.4
Demand deposits	86.4	145.1	179.6	1,438.1	519.0	640.3	537.8	397.4	898.1	732.6
Time and notice deposits	2,664.1	2,846.9	6,979.5	11,198.8	11,423.7	12,406.6	11,069.6	10,977.4	15,014.2	15,392.0
Loans and advances	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	4,148.8
o/w: Subordinated and hybrid instruments	–	–	405.7	404.0	0.4	0.4	–	–	–	0.0
2.2. Liabilities to foreign non-banks	269.9	523.1	939.5	874.8	597.5	724.1	639.2	565.9	508.2	519.1
Demand deposits	76.8	95.9	180.3	170.1	253.2	250.7	302.9	277.2	257.0	269.3
Time and notice deposits	191.4	419.2	755.2	703.3	340.6	469.7	334.8	287.2	245.7	244.3
Loans and advances	1.7	8.0	4.0	1.4	3.7	3.7	1.5	1.5	5.5	5.5
o/w: Subordinated and hybrid instruments	1.7	8.0	4.0	1.4	3.7	3.7	1.5	1.5	5.5	5.5
Total (1+2)	49,932.0	61,163.7	67,112.3	76,076.0	65,152.6	69,402.1	64,224.1	57,577.3	75,296.1	78,503.6

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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. In kuna	4,104.4	5,627.2	7,596.1	9,030.0	11,535.0	11,746.5	14,142.6	14,247.3	14,185.1	15,903.7
1.1. Central government deposits	506.4	445.1	605.0	497.5	666.4	590.0	1,391.5	1,305.2	429.5	1,882.5
Demand deposits	448.0	373.3	458.1	366.2	454.9	352.8	233.4	293.1	176.7	214.6
Savings deposits	3.0	4.2	1.8	2.1	1.2	1.1	0.9	0.8	1.1	0.9
Time and notice deposits	54.2	66.5	144.0	128.1	209.3	235.1	1,156.2	1,011.3	251.6	1,667.0
Loans and advances	1.1	1.1	1.0	1.0	1.0	1.0	1.0	–	–	–
1.2. Central government funds' deposits	3,598.0	5,182.2	6,991.1	8,532.6	10,868.6	11,156.5	12,751.1	12,942.1	13,755.5	14,021.2
Demand deposits	294.8	266.3	580.2	254.6	330.1	227.0	389.1	487.8	645.6	483.4
Savings deposits	0.3	3.5	1.9	14.6	2.4	2.2	2.2	4.0	0.0	0.0
Time and notice deposits	156.2	262.3	251.7	496.7	413.6	481.9	712.6	791.3	385.8	486.4
Loans and advances	3,146.7	4,650.0	6,157.3	7,766.7	10,122.4	10,445.5	11,647.2	11,659.1	12,724.1	13,051.5
2. In f/c	1,178.9	1,194.6	1,690.9	1,770.4	1,990.8	1,917.6	1,522.7	1,432.6	1,822.5	2,133.0
2.1. Central government deposits	1,158.2	891.0	906.2	811.7	759.4	686.8	729.4	642.3	1,122.5	986.4
Savings deposits	198.5	189.7	340.6	264.8	527.4	264.7	325.7	381.7	666.8	542.0
Time and notice deposits	–	23.2	38.7	275.0	49.7	282.1	263.7	139.6	330.0	339.6
Refinanced loans and advances	959.6	678.1	527.0	271.9	182.3	140.0	140.0	121.0	125.7	104.8
2.2. Central government funds' deposits	20.8	303.6	784.7	958.6	1,231.4	1,230.8	793.3	790.3	699.9	1,146.6
Savings deposits	20.8	156.5	139.4	93.4	85.7	125.7	167.2	136.2	107.1	69.4
Time and notice deposits	–	147.1	25.8	356.2	153.8	174.2	65.2	512.0	519.6	561.1
Loans and advances	–	–	619.6	509.0	991.8	931.0	560.9	142.2	73.2	516.1
Total (1+2)	5,283.3	6,821.8	9,287.0	10,800.4	13,525.8	13,664.1	15,665.3	15,679.9	16,007.5	18,036.7

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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
1. Restricted deposits	1,541.2	2,014.6	2,036.4	2,447.6	2,252.3	2,333.7	2,828.5	3,946.9	3,038.4	2,902.1
1.1. In kuna	730.1	1,267.4	1,277.1	1,427.0	1,322.8	1,296.2	1,551.8	1,364.7	1,478.8	1,539.2
1.2. In f/c	811.1	747.2	759.3	1,020.5	929.5	1,037.5	1,276.6	2,582.2	1,559.6	1,362.9
2. Blocked f/c deposits of households	167.8	40.0	–	–	–	–	–	–	–	–
Total (1+2)	1,709.0	2,054.6	2,036.4	2,447.6	2,252.3	2,333.7	2,828.5	3,946.9	3,038.4	2,902.1

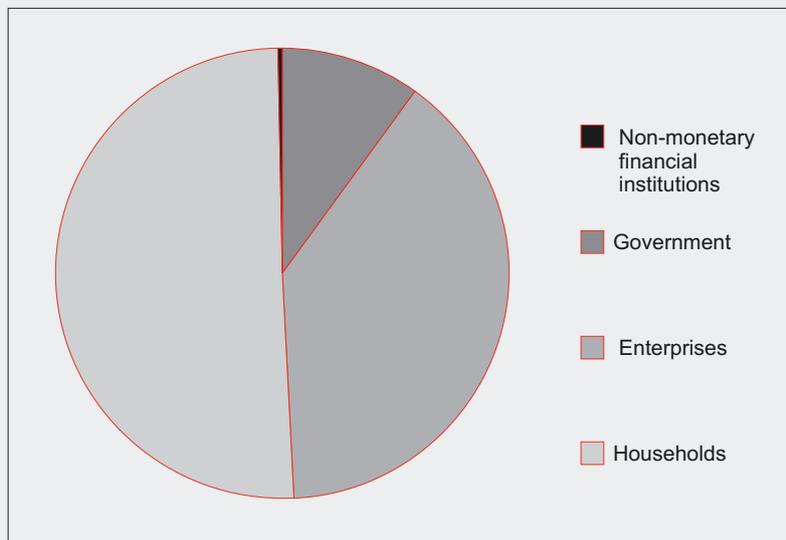
Table D12: Restricted and Blocked Deposits with Banks

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

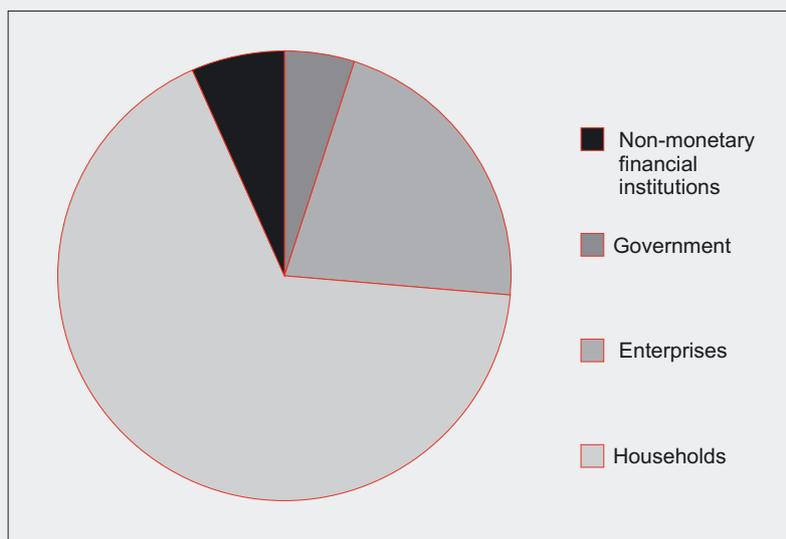
DISTRIBUTION OF BANKS' LOANS BY DOMESTIC INSTITUTIONAL SECTORS



January 2009

Figure D2

DISTRIBUTION OF BANKS' DEPOSITS BY DOMESTIC INSTITUTIONAL SECTORS



January 2009

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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
ASSETS										
1. Reserves with the CNB	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	3,033.5	3,779.1	4,274.3	4,674.8	4,036.5	3,750.6	3,658.2	3,586.2	3,395.5	3,389.1
3. Claims on other domestic sectors	187.9	373.2	575.5	1,296.0	2,220.4	2,389.9	2,545.3	2,643.9	2,857.9	2,902.2
o/w: Claims on households	187.9	373.2	575.5	1,296.0	2,220.4	2,389.9	2,545.3	2,643.9	2,857.9	2,902.2
4. Claims on banks	247.2	824.2	994.4	181.4	133.6	78.6	187.5	217.6	533.7	294.7
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	3,468.6	4,976.6	5,844.2	6,152.3	6,390.5	6,219.1	6,391.1	6,447.7	6,787.1	6,586.0
LIABILITIES										
1. Time deposits	3,265.2	4,728.2	5,514.7	5,803.6	6,037.9	5,886.8	5,906.0	5,853.3	6,297.6	6,068.3
2. Bonds and money market instruments	11.1	10.7	10.3	61.7	40.1	44.8	91.0	153.8	91.5	120.8
3. Capital accounts	159.7	206.7	258.0	244.7	303.0	298.7	348.3	389.0	390.6	390.4
4. Other items (net)	32.6	30.8	61.1	42.2	9.6	–11.2	45.8	51.6	7.4	6.5
Total (1+2+3+4)	3,468.6	4,976.6	5,844.2	6,152.3	6,390.5	6,219.1	6,391.1	6,447.7	6,787.1	6,586.0

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
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	December	9.00 ^d	4.06	7.50	–	–	8.50	15.00	15.00
2008	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
	November	9.00	7.94	9.00	–	–	10.00	15.00	15.00
	December	9.00	6.00	9.00	–	–	10.00	15.00	15.00
2009	January	9.00	6.00	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
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	December	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
2008	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
	November	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	December	0.75	0.75	–	–	–	–	–	–	–	–	–	0.50
	2009	January	0.75	0.75	–	–	–	–	–	–	–	–	–

^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
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	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	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
	November	17.00	47,233.1	33,267.0	13,966.1	463.5	23,286.9	9,917.4	0.52	1.43
	December	14.87	41,474.4	29,179.7	12,294.7	461.9	20,425.8	8,807.0	0.52	0.81
2009	January	14.00	39,484.4	31,185.1	8,299.3	487.8	21,829.6	5,987.4	0.52	0.91

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
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	December	1,161.5	30,412.6	1.03	330.4	0.0	0.0	4,449.4
2008	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
	November	469.2	26,975.7	0.41	1,711.2	0.0	0.0	3,728.7
	December	1,168.7	28,101.4	1.03	289.1	0.0	0.0	6,171.2
	2009	January	737.9	30,126.4	0.65	778.7	0.0	0.0	7,020.9

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	
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	December	5.33	6.71	9.32	9.74	7.39	12.34	13.19	4.95	7.50	6.66	8.01	
2008	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	
	November	17.14	15.03	10.97	11.15	9.45	12.41	13.02	4.49	9.19	8.33	9.93	
	December	5.21	7.59	10.71	10.89	8.98	12.33	12.97	4.96	9.05	8.10	10.35	
2009	January	9.88	9.80	11.02	11.09	9.24	12.44	13.03	4.45	9.60	7.84	11.06	
	Relative significance ^a	–	–	76.69	72.73	30.66	42.07	39.20	2.87	3.96	1.80	2.16	

^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		
		Total average	On short-term credits				On long-term credits				Total average	On short-term credits	On long-term credits
			Total average	Enterprises	Households	Total average	Enterprises	Households	Total average	Housing credits				Other
1	2	3	4	5	6	7	8	9	10	11	12	13	14
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	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	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
	November	8.04	8.42	8.38	9.00	7.81	7.65	7.88	6.06	9.01	7.58	7.59	7.58
	December	7.73	8.20	8.18	8.65	7.43	6.92	7.89	6.08	9.02	7.08	7.17	6.83
2009	January	7.48	7.59	7.54	8.59	7.39	6.61	8.07	6.18	9.33	6.49	6.69	5.84
	Relative significance ^a	18.46	8.23	7.89	0.34	10.22	4.78	5.44	2.18	3.26	4.85	3.74	1.11

^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
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	December	2.67	0.49	5.42	5.34	4.47	5.48	6.28	5.45	6.45
2008	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
	November	3.78	0.47	10.25	10.60	5.30	11.60	7.32	5.85	7.68
	December	2.92	0.43	5.65	5.60	5.34	5.64	6.58	5.88	6.85
2009	January	3.50	0.43	7.81	7.75	5.26	8.18	8.97	5.70	9.80
	Relative significance ^a	58.47	27.49	28.39	26.79	3.94	22.84	1.60	0.33	1.28

^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
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	December	3.98	3.76	4.35	3.44	0.25	0.22	0.15	0.36	0.43
2008	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	4.08	4.41	3.79	0.24	0.21	0.15	0.36	0.24
	November	3.75	3.94	4.35	3.79	0.23	0.20	0.15	0.34	0.32
	December	4.09	4.05	4.42	3.97	0.21	0.20	0.15	0.26	0.13
2009	January	4.25 ^b	3.87	4.55	3.99	0.24	0.20	0.15	0.41	0.31
	Relative significance ^a	0.47	0.41	0.05	41.07	18.25	12.29	1.74	3.75	0.47

^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, 20.20% 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
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	December	4.32	4.25	3.47	2.60	5.10	5.33	4.80	4.83	3.84	5.13	2.19
2008	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
	November	4.17	3.96	3.87	2.62	4.15	3.66	5.34	5.41	3.85	4.91	3.01
	December	4.15	3.95	4.33	2.69	4.13	1.84	5.51	5.57	3.58	5.52	2.38
2009	January	4.18	4.02	4.38	2.70	4.04	2.33	5.38	5.47	3.95	4.82	3.13
	Relative significance ^a	22.82	20.17	9.97	0.65	7.89	1.66	2.65	2.48	0.13	0.03	0.01

^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

	2003	2004	2005	2006	2007	2008	2008				2009 Jan.
							Mar.	Jun.	Sep.	Dec.	
A. Purchase of foreign exchange											
1. Legal persons	6,433.1	7,465.3	8,443.5	14,442.7	26,365.0	33,058.3	2,776.6	2,394.9	2,775.4	2,720.4	1,459.0
2. Natural persons	3,571.6	3,934.4	4,931.8	6,262.7	6,151.3	4,755.3	327.0	436.1	438.9	373.9	254.3
2.1. Residents	3,103.3	3,586.1	4,662.6	5,909.4	3,184.0	4,252.9	306.3	375.3	391.4	350.6	241.5
2.2. Non-residents	468.2	348.3	269.2	353.2	326.3	502.4	20.7	60.8	47.5	23.4	12.8
3. Domestic banks	6,324.4	10,799.3	9,069.9	14,380.1	20,141.3	20,017.6	1,339.1	872.4	1,683.8	2,024.1	1,280.2
4. Foreign banks	1,430.6	1,426.2	2,602.3	5,056.8	5,194.1	7,342.5	427.1	576.1	807.4	952.5	512.0
5. Croatian National Bank	438.3	33.0	0.0	125.5	0.0	420.6	–	–	–	150.0	328.3
Total (1+2+3+4)	18,197.9	24,110.1	25,106.0	40,439.5	57,851.7	65,594.2	4,869.8	4,279.6	5,705.5	6,220.9	3,833.8
B. Sale of foreign exchange											
1. Legal persons	10,852.4	11,280.3	13,022.3	17,515.0	28,564.1	35,448.8	2,860.6	2,620.9	3,262.7	2,784.6	1,792.4
2. Natural persons	1,403.1	1,671.1	2,722.5	4,109.1	3,712.5	4,366.4	307.6	262.1	485.8	324.7	271.7
2.1. Residents	1,393.1	1,654.5	2,693.9	4,056.4	2,071.3	4,335.2	305.9	259.9	482.1	321.5	270.2
2.2. Non-residents	10.0	16.6	28.6	52.6	40.0	31.2	1.8	2.2	3.7	3.1	1.5
3. Domestic banks	6,324.4	10,799.3	9,069.9	14,380.1	20,141.3	20,017.6	1,339.1	872.4	1,683.8	2,024.1	1,280.2
4. Foreign banks	765.3	1,001.1	1,407.1	3,526.1	4,072.6	6,615.7	206.9	480.7	758.7	783.7	581.5
5. Croatian National Bank	84.5	543.2	670.8	1,329.5	839.0	409.1	–	–	–	–	261.3
Total (1+2+3+4)	19,429.7	25,295.0	26,892.7	40,859.7	57,329.5	66,857.5	4,714.2	4,236.1	6,191.0	5,917.1	4,187.1
C. Net purchase (A-B)											
1. Legal persons	–4,419.4	–3,815.1	–4,578.8	–3,072.3	–2,199.1	–2,390.5	–84.0	–226.0	–487.3	–64.3	–333.5
2. Natural persons	2,168.4	2,263.3	2,209.3	2,153.6	2,438.9	388.9	19.4	174.0	–46.9	49.3	–17.4
2.1. Residents	1,710.2	1,931.6	1,968.7	1,853.0	1,112.7	–82.2	0.4	115.4	–90.7	29.0	–28.7
2.2. Non-residents	458.2	331.7	240.6	300.6	286.3	471.1	18.9	58.5	43.7	20.2	11.3
3. Foreign banks	665.3	425.1	1,195.2	1,530.7	1,121.4	726.8	220.3	95.5	48.7	168.8	–69.5
4. Croatian National Bank	353.8	–510.2	–670.8	–1,204.0	–839.0	11.5	–	–	–	150.0	67.1
Total (1+2+3)	–1,231.8	–1,636.9	–1,845.2	–592.1	522.2	–1,263.3	155.6	43.5	–485.5	303.8	–353.4
Memo items: Other Croatian National Bank transactions											
Purchase of foreign exchange	570.9	145.1	–	3.1	5.1	265.4	0.2	0.4	1.3	0.3	0.3
Sale of foreign exchange	94.9	239.3	167.6	441.3	176.7	83.7	–	–	0.0	–	59.7

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^a

million euros

	2003	2004	2005	2006 ^b	2007 ^b	2008 ^c	2008			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^c
A. CURRENT ACCOUNT (1+6)	-1,888.8	-1,433.7	-1,975.6	-2,715.2	-3,236.7	-4,454.2	-2,550.3	-1,822.5	1,859.0	-1,940.4
1. Goods, services, and income (2+5)	-3,133.3	-2,625.5	-3,159.5	-3,822.6	-4,279.6	-5,494.4	-2,771.7	-2,103.3	1,592.1	-2,211.4
1.1. Credit	13,590.1	14,952.8	15,990.2	17,884.8	19,612.9	21,180.5	3,404.4	5,412.9	8,446.7	3,916.5
1.2. Debit	-16,723.5	-17,578.3	-19,149.7	-21,707.3	-23,892.5	-26,674.8	-6,176.2	-7,516.2	-6,854.6	-6,127.9
2. Goods and services (3+4)	-2,038.1	-1,955.3	-2,200.2	-2,639.6	-3,168.1	-3,904.5	-2,466.0	-1,300.8	1,855.8	-1,993.5
2.1. Credit	13,140.6	14,243.5	15,272.9	16,992.1	18,317.3	19,834.6	3,072.6	5,043.1	8,090.5	3,628.3
2.2. Debit	-15,178.7	-16,198.8	-17,473.2	-19,631.7	-21,485.4	-23,739.1	-5,538.6	-6,343.9	-6,234.7	-5,621.8
3. Goods	-6,971.2	-6,724.2	-7,518.0	-8,344.2	-9,434.0	-10,866.2	-2,565.0	-3,106.6	-2,731.6	-2,463.1
3.1. Credit	5,574.7	6,606.8	7,220.3	8,463.6	9,192.5	9,743.4	2,226.2	2,491.9	2,679.3	2,346.0
3.2. Debit	-12,545.9	-13,330.9	-14,738.3	-16,807.8	-18,626.5	-20,609.6	-4,791.2	-5,598.5	-5,410.9	-4,809.0
4. Services	4,933.0	4,768.9	5,317.7	5,704.6	6,265.9	6,961.7	99.0	1,805.7	4,587.4	469.6
4.1. Credit	7,565.9	7,636.7	8,052.6	8,528.5	9,124.8	10,091.2	846.5	2,551.2	5,411.2	1,282.4
4.2. Debit	-2,632.8	-2,867.8	-2,734.9	-2,823.9	-2,858.9	-3,129.5	-747.4	-745.4	-823.9	-812.8
5. Income	-1,095.2	-670.2	-959.2	-1,182.9	-1,111.6	-1,589.8	-305.7	-802.5	-263.7	-217.9
5.1. Credit	449.5	709.3	717.3	892.7	1,295.6	1,345.9	331.8	369.8	356.1	288.2
5.2. Debit	-1,544.7	-1,379.6	-1,676.5	-2,075.6	-2,407.1	-2,935.7	-637.5	-1,172.3	-619.8	-506.1
6. Current transfers	1,244.5	1,191.8	1,183.8	1,107.4	1,043.0	1,040.2	221.4	280.9	266.9	271.0
6.1. Credit	1,538.7	1,584.6	1,628.4	1,639.5	1,576.1	1,689.1	349.7	418.1	408.5	512.8
6.2. Debit	-294.2	-392.8	-444.6	-532.1	-533.1	-649.0	-128.3	-137.2	-141.6	-241.8
B. CAPITAL AND FINANCIAL ACCOUNT	2,716.9	2,560.4	3,013.5	3,670.4	4,139.5	5,634.4	1,998.7	1,730.8	0.4	1,904.5
B1. Capital account	101.9	31.4	53.8	-133.8	34.5	32.1	4.8	12.0	8.9	6.3
B2. Financial account, excl. reserves	3,850.5	2,572.0	3,781.6	5,216.4	4,826.6	5,272.0	2,689.8	1,814.5	-391.5	1,159.2
1. Direct investment	1,656.9	670.8	1,276.1	2,556.6	3,482.8	2,811.2	1,081.9	859.5	239.8	630.0
1.1. Abroad	-105.5	-278.8	-191.8	-208.2	-184.1	-118.9	138.9	-151.1	-57.5	-49.3
1.2. In Croatia	1,762.4	949.6	1,467.9	2,764.8	3,666.9	2,930.1	943.0	1,010.6	297.3	679.3
2. Portfolio investment	867.6	287.1	-1,177.9	-542.3	-2.9	-554.9	152.1	-28.3	-64.0	-614.7
2.1. Assets	121.6	-736.1	-571.2	-472.5	-413.7	-204.1	270.4	60.7	-8.0	-527.1
2.2. Liabilities	746.0	1,023.2	-606.7	-69.8	410.8	-350.7	-118.3	-89.0	-55.9	-87.5
3. Financial derivatives	0.0	0.0	-88.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Other investment	1,326.0	1,614.1	3,771.8	3,202.1	1,346.7	3,015.7	1,455.8	983.3	-567.3	1,143.9
4.1. Assets	-2,216.9	-498.3	982.0	-692.3	-1,653.4	-1,576.5	334.4	125.1	-779.1	-1,256.9
4.2. Liabilities	3,542.9	2,112.4	2,789.7	3,894.4	3,000.1	4,592.2	1,121.4	858.2	211.8	2,400.8
B3. Reserve assets	-1,235.5	-43.0	-821.8	-1,412.2	-721.6	330.4	-695.9	-95.8	383.0	739.1
C. NET ERRORS AND OMISSIONS	-828.1	-1,126.7	-1,037.9	-955.2	-902.8	-1,180.2	551.6	91.7	-1,859.4	35.9

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from January 1999 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Revised data. ^c 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, 1995). 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 strati-

Table H2: Balance of Payments – Goods and Services

million euros

	2003	2004	2005	2006 ^a	2007 ^a	2008 ^b	2008			
							Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^b
Goods	-6,971.2	-6,724.2	-7,518.0	-8,344.2	-9,434.0	-10,866.2	-2,565.0	-3,106.6	-2,731.6	-2,463.1
1. Credit	5,574.7	6,606.8	7,220.3	8,463.6	9,192.5	9,743.4	2,226.2	2,491.9	2,679.3	2,346.0
1.1. Exports (f.o.b.) in trade statistics	5,464.4	6,453.8	7,069.4	8,251.6	9,001.6	9,514.4	2,176.7	2,441.8	2,601.9	2,294.1
1.2. Adjustments for coverage	110.4	153.0	150.9	212.0	191.0	228.9	49.5	50.1	77.4	51.9
2. Debit	-12,545.9	-13,330.9	-14,738.3	-16,807.8	-18,626.5	-20,609.6	-4,791.2	-5,598.5	-5,410.9	-4,809.0
2.1. Imports (c.i.f.) in trade statistics	-12,538.0	-13,354.4	-14,949.5	-17,104.7	-18,826.6	-20,819.0	-4,860.0	-5,657.8	-5,447.0	-4,854.2
2.2. Adjustments for coverage	-475.6	-474.7	-346.4	-341.1	-370.4	-421.4	-78.5	-112.2	-128.9	-101.9
2.3. Adjustments for classification	467.7	498.1	557.6	638.0	570.4	630.8	147.3	171.4	165.0	147.1
Services	4,933.0	4,768.9	5,317.7	5,704.6	6,265.9	6,961.7	99.0	1,805.7	4,587.4	469.6
1. Transportation	252.2	299.3	376.1	443.5	487.6	508.5	95.8	135.8	180.3	96.6
1.1. Credit	696.3	791.3	880.3	1,006.7	1,122.4	1,209.4	246.8	320.4	371.5	270.7
1.2. Debit	-444.1	-492.0	-504.2	-563.2	-634.8	-700.9	-150.9	-184.6	-191.2	-174.1
2. Travel	4,976.6	4,822.3	5,394.9	5,708.7	6,035.2	6,686.7	118.9	1,723.1	4,396.4	448.4
2.1. Credit	5,572.7	5,505.6	5,998.9	6,293.3	6,752.6	7,449.2	307.8	1,886.6	4,612.5	642.2
2.1.1. Business	260.9	328.2	504.0	388.4	389.2	386.4	46.6	147.6	106.8	85.4
2.1.2. Personal	5,311.8	5,177.4	5,494.9	5,904.9	6,363.4	7,062.8	261.3	1,738.9	4,505.7	556.8
2.2. Debit	-596.1	-683.3	-604.1	-584.6	-717.3	-762.4	-189.0	-163.5	-216.2	-193.8
2.2.1. Business	-292.3	-297.3	-267.4	-229.5	-266.9	-261.3	-61.7	-62.8	-66.3	-70.4
2.2.2. Personal	-303.8	-386.0	-336.7	-355.1	-450.4	-501.2	-127.2	-100.7	-149.9	-123.4
3. Other services	-295.8	-352.7	-453.3	-447.6	-256.9	-233.5	-115.7	-53.1	10.7	-75.4
3.1. Credit	1,296.9	1,339.8	1,173.4	1,228.5	1,249.8	1,432.7	291.9	344.2	427.2	369.4
3.2. Debit	-1,592.7	-1,692.5	-1,626.6	-1,676.0	-1,506.7	-1,666.2	-407.5	-397.3	-416.5	-444.8

^a Revised data. ^b Preliminary data.

fied sample of importers. The resulting value serves as a basis for the estimate of the share of transportation and insurance services by 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 3.05%. 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

Table H3: Balance of Payments – Income and Current Transfers

million euros

	2003	2004	2005	2006 ^a	2007 ^a	2008 ^b	2008			
							Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^b
Income	-1,095.2	-670.2	-959.2	-1,182.9	-1,111.6	-1,589.8	-305.7	-802.5	-263.7	-217.9
1. Compensation of employees	183.9	233.9	259.7	373.2	494.2	564.1	130.4	138.5	140.1	155.1
1.1. Credit	217.3	268.3	289.2	404.3	527.8	599.7	137.4	147.4	149.1	165.7
1.2. Debit	-33.4	-34.4	-29.5	-31.1	-33.6	-35.5	-7.0	-8.9	-9.0	-10.5
2. Direct investment income	-854.7	-441.6	-739.0	-1,002.0	-920.7	-1,157.5	-228.8	-715.2	-156.6	-56.9
2.1. Credit	35.2	175.6	112.7	80.7	177.1	188.7	42.8	81.0	61.8	3.1
o/w: Reinvested earnings	31.7	165.8	63.8	64.0	125.3	126.4	29.4	64.2	31.9	0.8
2.2. Debit	-889.9	-617.3	-851.8	-1,082.7	-1,097.8	-1,346.1	-271.7	-796.1	-218.4	-59.9
o/w: Reinvested earnings	-587.9	-291.7	-570.5	-717.5	-483.3	-509.5	-37.8	-392.6	-86.6	7.5
3. Portfolio investment income	-238.7	-250.0	-217.6	-175.9	-162.9	-145.1	-38.1	-38.2	-37.1	-31.7
3.1. Credit	0.0	32.7	46.2	57.4	74.5	74.6	16.9	16.6	17.8	23.4
3.2. Debit	-238.7	-282.7	-263.8	-233.3	-237.4	-219.8	-55.1	-54.8	-54.9	-55.1
4. Other investment income	-185.7	-212.5	-262.3	-378.2	-522.2	-851.4	-169.2	-187.6	-210.1	-284.5
4.1. Credit	197.0	232.6	269.1	350.3	516.2	483.0	134.6	124.8	127.5	96.1
4.2. Debit	-382.7	-445.2	-531.5	-728.6	-1,038.4	-1,334.3	-303.8	-312.4	-337.6	-380.6
Current transfers	1,244.5	1,191.8	1,183.8	1,107.4	1,043.0	1,040.2	221.4	280.9	266.9	271.0
1. General government	70.5	2.6	9.7	-8.6	-16.7	-50.4	-24.7	-22.7	0.8	-3.8
1.1. Credit	213.1	180.1	219.6	255.7	260.2	347.4	48.3	57.4	81.9	159.7
1.2. Debit	-142.6	-177.5	-209.9	-264.4	-276.8	-397.7	-72.9	-80.1	-81.2	-163.5
2. Other sectors	1,174.0	1,189.2	1,174.1	1,116.0	1,059.6	1,090.5	246.1	303.5	266.1	274.8
2.1. Credit	1,325.6	1,404.5	1,408.8	1,383.8	1,316.0	1,341.7	301.5	360.6	326.6	353.1
2.2. Debit	-151.6	-215.3	-234.6	-267.7	-256.3	-251.2	-55.4	-57.1	-60.4	-78.3

^a Revised data. ^b Preliminary data.

compiled since 1999, based on statistics on foreign credit relations, which also encompass income related to debt securities owned by 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^a

million euros

	2003	2004	2005	2006 ^b	2007 ^b	2008 ^c	2008			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^c
Direct investment	1,656.9	670.8	1,276.1	2,556.6	3,482.8	2,811.2	1,081.9	859.5	239.8	630.0
1. Abroad	-105.5	-278.8	-191.8	-208.2	-184.1	-118.9	138.9	-151.1	-57.5	-49.3
1.1. Equity capital and reinvested earnings	-101.9	-259.6	-121.0	-211.9	-239.7	-235.6	121.1	-172.1	-99.6	-85.0
1.1.1. Claims	-101.9	-260.0	-122.2	-211.9	-243.0	-235.6	121.1	-172.1	-99.6	-85.0
1.1.2. Liabilities	0.0	0.4	1.3	0.0	3.3	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	-3.6	-19.2	-70.9	3.7	55.6	116.7	17.8	21.0	42.1	35.7
1.1.1. Claims	-15.3	-23.6	-59.8	-13.9	21.7	117.8	17.4	17.2	48.0	35.2
1.2.2. Liabilities	11.7	4.4	-11.1	17.6	33.9	-1.1	0.4	3.8	-5.9	0.5
2. In Croatia	1,762.4	949.6	1,467.9	2,764.8	3,666.9	2,930.1	943.0	1,010.6	297.3	679.3
2.1. Equity capital and reinvested earnings	1,349.8	611.4	1,363.5	2,460.9	2,682.3	2,310.1	403.2	768.2	361.7	777.1
2.1.1. Claims	-1.2	-22.4	0.0	-0.1	0.0	-7.7	0.0	0.0	-0.1	-7.5
2.1.2. Liabilities	1,351.1	633.8	1,363.5	2,461.0	2,682.3	2,317.8	403.2	768.2	361.8	784.6
2.2. Other capital	412.5	338.2	104.4	303.8	984.6	620.0	539.8	242.4	-64.4	-97.8
2.2.1. Claims	-1.5	-17.8	0.0	16.6	-2.6	-24.0	-2.2	-2.0	16.2	-36.1
2.2.2. Liabilities	414.0	356.0	104.4	287.3	987.2	644.0	541.9	244.4	-80.6	-61.7
Portfolio investment	867.6	287.1	-1,177.9	-542.3	-2.9	-554.9	152.1	-28.3	-64.0	-614.7
1. Assets	121.6	-736.1	-571.2	-472.5	-413.7	-204.1	270.4	60.7	-8.0	-527.1
1.1. Equity securities	-57.8	-39.1	-193.0	-320.5	-843.5	152.7	192.4	-38.8	-8.1	7.3
1.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.1. Banks	0.3	0.0	0.0	2.6	-0.6	6.8	-0.3	3.9	3.2	0.0
1.1.1.2. Other sectors	-58.1	-39.1	-193.0	-323.1	-842.8	145.9	192.7	-42.7	-11.4	7.3
1.1.2. Debt securities	179.4	-696.9	-378.2	-152.0	429.7	-356.9	78.0	99.5	0.1	-534.5
1.2.1. Bonds	165.9	-567.1	-396.5	98.7	323.0	-310.3	21.8	104.4	-18.8	-417.8
1.2.1.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2. Banks	180.1	-575.0	-360.2	142.4	261.1	-115.9	28.9	123.1	-3.7	-264.2
1.2.1.3. Other sectors	-14.1	7.9	-36.3	-43.7	61.9	-194.4	-7.1	-18.7	-15.1	-153.6
1.2.2. Money market instruments	13.5	-129.9	18.3	-250.6	106.7	-46.6	56.2	-4.9	18.8	-116.7
1.2.2.1. General government	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2.2. Banks	7.3	-129.9	18.3	-250.6	106.7	-46.7	56.2	0.9	13.0	-116.7
1.2.2.3. Other sectors	6.2	0.0	0.0	0.0	0.0	0.1	0.0	-5.8	5.8	0.0
1.2. Liabilities	746.0	1,023.2	-606.7	-69.8	410.8	-350.7	-118.3	-89.0	-55.9	-87.5
2.1. Equity securities	13.0	141.6	89.2	325.7	315.7	-110.1	-34.5	61.4	-39.1	-98.0
2.1.1. Banks	-2.6	0.8	-12.8	41.7	10.4	25.6	-5.1	16.0	4.4	10.4
2.1.2. Other sectors	15.6	140.7	102.0	284.0	305.3	-135.7	-29.4	45.5	-43.4	-108.4
2.2. Debt securities	733.1	881.6	-695.9	-395.6	95.1	-240.6	-83.8	-150.4	-16.9	10.4
2.2.1. Bonds	698.8	915.6	-695.9	-395.6	95.1	-240.6	-84.7	-149.5	-16.9	10.4
2.2.1.1. General government	525.9	429.6	-690.5	-463.7	-276.4	-208.0	-96.6	-139.3	6.9	21.1
2.2.1.2. Banks	0.0	453.2	3.2	1.2	1.0	-1.6	4.8	4.8	-14.3	3.2
2.2.1.3. Other sectors	173.0	32.8	-8.6	66.9	370.5	-31.1	7.1	-15.0	-9.4	-13.8
2.2.2. Money market instruments	34.2	-34.0	0.0	0.0	0.0	0.0	0.9	-0.9	0.0	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	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	0.0
2.2.2.3. Other sectors	34.2	-34.0	0.0	0.0	0.0	0.0	0.9	-0.9	0.0	0.0

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from January 1999 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Revised data. ^c 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.

Table H5: Balance of Payments – Other Investment^a

million euros

	2003	2004	2005	2006 ^b	2007 ^b	2008 ^c	2008			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^c
Other investment (net)	1,326.3	1,614.1	3,771.8	3,202.1	1,346.6	3,007.0	1,455.8	963.6	-566.4	1,154.0
1. Assets	-2,216.9	-498.3	982.0	-692.3	-1,653.4	-1,576.5	334.4	125.1	-779.1	-1,256.9
1.1. Trade credits	-169.7	-188.1	-134.8	-33.3	-99.6	-132.4	-34.7	-168.7	-44.6	115.6
1.1.1. General government	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.1. Long-term	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	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	0.0
1.1.2. Other sectors	-169.7	-188.1	-134.6	-33.3	-99.6	-132.4	-34.7	-168.7	-44.6	115.6
1.1.2.1. Long-term	-25.6	18.1	10.7	-4.9	-63.5	26.7	3.7	3.2	12.0	7.8
1.1.2.2. Short-term	-144.1	-206.1	-145.3	-28.4	-36.1	-159.0	-38.4	-171.8	-56.6	107.8
1.2. Loans	-85.1	43.8	-116.8	-153.1	-4.5	-108.2	-25.7	-21.4	-37.0	-24.2
1.2.1. General government	-1.0	-1.8	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.1. Long-term	-1.0	-1.8	-1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2.2. Banks	4.3	3.7	-28.5	-80.4	-32.6	-67.1	-4.6	-7.2	-28.7	-26.6
1.2.2.1. Long-term	5.1	-0.1	-20.5	-58.9	-25.4	-27.0	-4.1	-3.2	-16.2	-3.5
1.2.2.2. Short-term	-0.8	3.9	-8.0	-21.5	-7.3	-40.2	-0.5	-4.1	-12.5	-23.1
1.2.3. Other sectors	-88.5	41.8	-86.8	-72.7	28.1	-41.1	-21.1	-14.2	-8.2	2.4
1.2.3.1. Long-term	-88.5	43.2	-87.8	-73.0	28.1	-37.3	-20.8	-11.4	-6.8	1.7
1.2.3.2. Short-term	0.1	-1.3	1.0	0.3	0.0	-3.8	-0.3	-2.8	-1.5	0.7
1.3. Currency and deposits	-1,962.1	-354.1	1,233.6	-505.9	-1,549.4	-1,335.9	394.8	315.2	-697.6	-1,348.3
1.3.1. General government	30.3	72.7	-44.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.3.2. Banks	-1,964.5	-446.7	1,313.7	-462.1	-1,317.1	-136.4	498.1	428.3	-757.8	-305.0
1.3.3. Other sectors	-27.9	19.8	-35.6	-43.8	-232.3	-1,199.5	-103.4	-113.1	60.2	-1,043.2
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	3,543.3	2,112.4	2,789.7	3,894.4	3,000.1	4,592.2	1,121.4	858.2	211.8	2,400.8
2.1. Trade credits	-225.6	-54.5	15.1	18.5	313.5	-3.2	-158.0	454.5	-175.9	-123.8
2.1.1. General government	1.5	-0.3	0.4	-0.7	-0.6	-0.5	-0.3	-0.2	-0.1	-0.1
2.1.1.1. Long-term	1.5	-0.3	0.4	-0.7	-0.6	-0.5	-0.3	-0.2	-0.1	-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	0.0
2.1.2. Other sectors	-227.1	-54.2	14.7	19.2	314.2	-2.6	-157.8	454.7	-175.8	-123.7
2.1.2.1. Long-term	-46.2	-16.7	27.4	-3.7	165.0	34.9	10.0	39.8	-3.9	-11.0
2.1.2.2. Short-term	-181.0	-37.5	-12.7	22.9	149.2	-37.5	-167.8	414.9	-171.9	-112.7
2.2. Loans	2,890.0	1,676.4	2,405.8	3,059.2	2,890.3	3,703.9	871.7	1,019.7	647.1	1,165.4
2.2.1. Croatian National Bank	358.2	-367.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1. o/w: IMF	0.0	0.0	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	0.0
2.2.1.1.2. Repayments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2. Short-term	358.2	-367.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	500.4	425.8	248.1	165.0	161.0	96.7	-32.4	90.1	-21.8	60.7
2.2.2.1. Long-term	500.4	425.8	248.1	165.0	161.0	65.0	-32.4	90.1	-21.8	29.0
2.2.2.1.1. Drawings	764.8	795.5	590.1	477.8	523.5	330.1	30.7	152.3	41.5	105.6
2.2.2.1.2. Repayments	-264.5	-369.7	-342.0	-312.8	-362.5	-265.2	-63.1	-62.2	-63.3	-76.7
2.2.2.2. Short-term	0.0	0.0	0.0	0.0	0.0	31.7	0.0	0.0	0.0	31.7
2.2.3. Banks	1,007.7	650.4	826.0	541.2	-1,065.0	115.2	32.4	-50.3	-582.8	716.0
2.2.3.1. Long-term	929.1	741.7	281.1	419.5	-630.8	-276.1	-56.2	-162.9	-198.8	141.9
2.2.3.1.1. Drawings	1,722.8	1,260.0	1,236.1	2,833.6	1,216.2	609.4	47.6	62.3	144.1	355.4
2.2.3.1.2. Repayments	-793.7	-518.3	-955.0	-2,414.1	-1,847.0	-885.4	-103.8	-225.2	-342.9	-213.4
2.2.3.2. Short-term	78.6	-91.2	544.9	121.7	-434.2	391.3	88.6	112.6	-384.0	574.0
2.2.4. Other sectors	1,023.9	967.9	1,331.7	2,353.0	3,794.4	3,492.0	871.7	979.9	1,251.7	388.7
2.2.4.1. Long-term	977.0	932.4	1,277.2	2,264.1	3,184.9	3,175.7	805.6	826.5	1,130.6	413.0
2.2.4.1.1. Drawings	2,140.3	2,232.5	2,686.4	4,266.4	5,960.8	6,700.9	1,467.6	1,741.1	2,170.3	1,321.9
2.2.4.1.2. Repayments	-1,163.3	-1,300.1	-1,409.2	-2,002.3	-2,775.9	-3,525.2	-661.9	-914.6	-1,039.7	-908.9
2.2.4.2. Short-term	46.9	35.5	54.5	88.9	609.5	316.2	66.0	153.3	121.2	-24.3
2.3. Currency and deposits	879.6	487.5	366.1	814.0	-206.4	890.2	406.9	-616.4	-259.2	1,358.8
2.3.1. General government	0.1	0.0	0.0	0.1	-0.1	-0.1	-0.6	0.3	-0.3	0.5
2.3.2. Banks	879.5	487.5	366.1	813.9	-206.4	881.6	407.5	-636.4	-258.0	1,368.5
2.3.3. Other sectors	0.0	0.0	-0.1	0.1	0.1	8.7	0.0	19.7	-0.9	-10.2
2.4. Other liabilities	-0.7	3.0	2.8	2.7	2.7	1.3	0.8	0.3	-0.3	0.4

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from January 1999 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Revised data. ^c Preliminary data.

Table H6: Balance of Payments – Summary^a

million kuna

	2003	2004	2005	2006 ^b	2007 ^b	2008 ^c	2008			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^c
A. CURRENT ACCOUNT (1+6)	-14,637.6	-11,167.9	-14,828.6	-20,050.6	-23,878.5	-32,436.0	-18,572.7	-13,281.6	13,366.3	-13,948.1
1. Goods, services, and income (2+5)	-24,051.3	-20,094.6	-23,586.7	-28,159.6	-31,529.4	-39,779.5	-20,185.4	-15,263.8	11,504.3	-15,834.6
1.1. Credit	102,483.3	111,525.2	117,995.0	130,768.8	143,733.6	152,874.9	24,803.9	39,267.5	60,747.3	28,056.2
1.2. Debit	-126,534.6	-131,619.8	-141,581.7	-158,928.4	-175,263.0	-192,654.4	-44,989.2	-54,531.4	-49,243.0	-43,890.8
2. Goods and services (3+4)	-15,671.7	-15,083.2	-16,508.1	-19,521.1	-23,353.0	-28,262.3	-17,960.4	-9,435.7	13,407.8	-14,274.0
2.1. Credit	99,192.2	106,225.6	112,693.7	124,229.1	134,230.9	143,154.5	22,387.8	36,585.4	58,191.3	25,990.1
2.2. Debit	-114,863.9	-121,308.8	-129,201.8	-143,750.2	-157,583.9	-171,416.8	-40,348.2	-46,021.1	-44,783.5	-40,264.1
3. Goods	-52,759.8	-50,327.5	-55,568.1	-61,083.9	-69,218.6	-78,503.3	-18,688.4	-22,543.4	-19,621.3	-17,650.2
3.1. Credit	42,190.2	49,507.8	53,397.7	61,988.6	67,424.8	70,350.1	16,219.9	18,080.6	19,252.6	16,797.1
3.2. Debit	-94,949.9	-99,835.3	-108,965.8	-123,072.5	-136,643.4	-148,853.4	-34,908.2	-40,624.0	-38,873.9	-34,447.3
4. Services	37,088.0	35,244.3	39,060.0	41,562.8	45,865.6	50,241.0	728.0	13,107.7	33,029.1	3,376.2
4.1. Credit	57,002.0	56,717.8	59,296.0	62,240.6	66,806.1	72,804.4	6,167.9	18,504.8	38,938.7	9,193.0
4.2. Debit	-19,914.0	-21,473.5	-20,236.0	-20,677.7	-20,940.5	-22,563.4	-5,439.9	-5,397.1	-5,909.6	-5,816.8
5. Income	-8,379.5	-5,011.4	-7,078.6	-8,638.5	-8,176.4	-11,517.2	-2,225.0	-5,828.1	-1,903.5	-1,560.6
5.1. Credit	3,291.2	5,299.6	5,301.3	6,539.7	9,502.7	9,720.4	2,416.1	2,682.1	2,556.0	2,066.1
5.2. Debit	-11,670.7	-10,311.0	-12,379.9	-15,178.1	-17,679.1	-21,237.6	-4,641.1	-8,510.3	-4,459.5	-3,626.7
6. Current transfers	9,413.6	8,926.8	8,758.1	8,109.0	7,650.9	7,343.5	1,612.7	1,982.2	1,862.0	1,886.5
6.1. Credit	11,639.9	11,872.9	12,047.2	12,005.6	11,562.1	11,937.7	2,548.1	2,948.5	2,846.7	3,594.4
6.2. Debit	-2,226.3	-2,946.1	-3,289.1	-3,896.5	-3,911.1	-4,594.2	-935.4	-966.2	-984.7	-1,707.9
B. CAPITAL AND FINANCIAL ACCOUNT	20,752.3	18,727.4	22,064.2	26,919.8	30,251.9	40,808.4	14,575.5	12,578.4	5.0	13,649.5
B1. Capital account	771.3	235.5	396.8	-980.5	253.4	231.4	35.2	87.4	64.2	44.6
B2. Financial account, excl. reserves	29,333.4	18,828.5	27,742.8	38,213.6	35,313.4	38,268.9	19,599.5	13,186.8	-2,814.1	8,296.8
1. Direct investment	12,706.4	4,452.8	9,093.0	18,726.0	25,591.1	20,344.9	7,867.2	6,238.5	1,726.8	4,512.4
1.1. Abroad	-801.9	-2,077.2	-1,415.4	-1,525.6	-1,353.7	-855.7	1,008.7	-1,097.6	-413.1	-353.7
1.2. In Croatia	13,508.3	6,530.0	10,508.5	20,251.6	26,944.8	21,200.6	6,858.5	7,336.1	2,139.9	4,866.2
2. Portfolio investment	6,593.2	2,097.8	-8,725.0	-4,008.6	-29.7	-3,909.0	1,123.3	-190.8	-449.4	-4,392.1
2.1. Assets	938.6	-5,563.8	-4,195.8	-3,483.3	-3,050.8	-1,412.1	1,972.7	440.0	-52.0	-3,772.8
2.2. Liabilities	5,654.5	7,661.6	-4,529.2	-525.3	3,021.2	-2,496.9	-849.4	-630.8	-397.4	-619.3
3. Financial derivatives	0.0	0.0	-659.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Other investment	10,033.7	12,277.9	28,034.2	23,496.2	9,752.0	21,833.0	10,609.1	7,139.1	-4,091.6	8,176.4
4.1. Assets	-16,854.7	-3,680.4	7,419.8	-5,121.6	-12,079.4	-11,269.9	2,441.9	909.5	-5,610.0	-9,011.3
4.2. Liabilities	26,888.4	15,958.3	20,614.4	28,617.9	21,831.4	33,103.0	8,167.2	6,229.6	1,518.4	17,187.7
B3. Reserve assets (CNB)	-9,352.4	-336.5	-6,075.4	-10,313.4	-5,315.0	2,308.1	-5,059.2	-695.8	2,754.9	5,308.1
C. NET ERRORS AND OMISSIONS	-6,114.7	-7,559.5	-7,235.6	-6,869.2	-6,373.4	-8,372.4	3,997.1	703.2	-13,371.3	298.6

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from January 1999 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Revised data. ^c 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.

Since 1999, this position has included only the data based on the Bank for International Settlement quarterly data, while data in the 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 exchange 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	
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	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	9,682.0	0.8	0.2	–	9,681.0	2,413.8	7,267.2	4,342.4
	December	9,120.9	0.7	0.2	–	9,120.0	2,001.8	7,118.2	4,644.5
2009	January	8,674.7	0.8	0.2	–	8,673.7	2,001.9	6,671.8	4,859.2
	February ^b	8,557.8	0.6	0.2	–	8,556.9	2,323.8	6,233.1	3,855.4

^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

	2003	2004	2005	2006	2007	2008				2009
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.	Jan.
I. Official reserve assets and other f/c assets (approximate market value)										
A. Official reserve assets	6,554.1	6,436.2	7,438.4	8,725.3	9,307.4	9,841.7	9,941.2	9,808.7	9,120.9	8,674.7
(1) Foreign currency reserves (in convertible f/c)	5,740.1	6,235.4	7,337.3	8,162.8	8,911.0	9,040.4	9,040.2	9,041.1	8,625.0	8,074.9
(a) Securities	3,207.2	3,262.0	3,602.8	4,197.5	4,772.5	4,885.9	6,430.7	6,731.6	7,118.2	6,671.8
o/w: Issuer headquartered in reporting country but located abroad	–	–	–	–	–	–	–	–	–	–
(b) Total currency and deposits with:	2,532.9	2,973.3	3,734.5	3,965.3	4,138.4	4,154.5	2,609.5	2,309.6	1,506.7	1,403.1
(i) Other national central banks, BIS and IMF	271.1	233.1	407.3	198.7	190.7	199.7	265.9	540.0	1,397.3	1,307.5
(ii) Banks headquartered in the reporting country	–	–	–	–	–	–	–	–	–	–
o/w: Located abroad	–	–	–	–	–	–	–	–	–	–
(iii) Banks headquartered outside the reporting country	2,261.8	2,740.3	3,327.2	3,766.6	3,947.7	3,954.9	2,343.6	1,769.5	109.5	95.6
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	0.7	0.6	0.9	0.7	0.8	1.1	0.8	0.7	0.7	0.8
(4) Gold	–	–	–	–	–	–	–	–	–	–
(5) Other reserve assets	813.1	200.0	100.0	561.6	395.5	800.0	900.0	766.8	495.0	598.8
– Reverse repo	813.1	200.0	100.0	561.6	395.5	800.0	900.0	766.8	495.0	598.8
B. Other foreign currency assets (specify)	–	–	–	–	–	–	–	–	–	–
– Time deposits	–	–	–	–	–	–	–	–	–	–
C. Total (A+B)	6,554.1	6,436.2	7,438.4	8,725.3	9,307.4	9,841.7	9,941.2	9,808.7	9,120.9	8,674.7
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)	–1,538.0	–988.6	–899.7	–650.5	–521.1	–1,032.1	–1,015.0	–1,052.6	–1,084.1	–1,100.4
(a) Croatian National Bank	–646.9	–1.8	–1.1	–1.6	–2.0	–1.8	–1.5	–1.6	–0.9	–0.2
Up to 1 month	Principal	–355.9	–	–	–	–	–	–	–	–
Interest	–1.9	–1.8	–1.1	–1.6	–2.0	–1.8	–1.5	–1.6	–0.9	–0.2
More than 1 and up to 3 months	Principal	–288.3	–	–	–	–	–	–	–	–
Interest	–0.7	–	–	–	–	–	–	–	–	–
More than 3 months and up to 1 year	Principal	–	–	–	–	–	–	–	–	–
Interest	–	–	–	–	–	–	–	–	–	–
(b) Central government (excl. central government funds)	–891.1	–986.8	–898.6	–648.9	–519.1	–1,030.3	–1,013.5	–1,051.0	–1,083.2	–1,100.2
Up to 1 month	Principal	–85.9	–76.5	–77.9	–48.3	–47.6	–13.0	–49.6	–12.0	–492.3
Interest	–34.4	–13.8	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	Principal	–9.3	–510.1	–603.0	–138.4	–133.2	–227.4	–65.4	–120.5	–616.8
Interest	–168.3	–169.0	–	–	–	–	–	–	–	–11.4
More than 3 months and up to 1 year	Principal	–495.2	–143.7	–160.2	–399.8	–284.5	–648.6	–776.7	–822.7	–348.3
Interest	–98.0	–73.8	–57.5	–62.3	–53.8	–141.3	–121.8	–95.9	–67.4	–41.5
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	–363.5	–	–	–	–	–	–	–	–	–
– Outflows related to repos (–)	–363.5	–	–	–	–	–	–	–	–	–
Up to 1 month	Principal	–363.1	–	–	–	–	–	–	–	–
Interest	–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)	–1,901.5	–988.6	–899.7	–650.5	–521.1	–1,032.1	–1,015.0	–1,052.6	–1,084.1	–1,100.4
III. Contingent short-term net drains on f/c assets (nominal value)										
1. Contingent liabilities in foreign currency	–1,300.4	–1,772.9	–2,273.1	–2,734.9	–2,607.4	–3,071.0	–2,919.3	–2,651.4	–1,896.1	–1,401.3
(a) Collateral guarantees on debt falling due within 1 year	–426.8	–370.9	–443.8	–478.9	–662.1	–729.1	–597.6	–779.1	–803.2	–800.3

– Croatian National Bank	–	–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)	–426.8	–370.9	–443.8	–478.9	–662.1	–729.1	–597.6	–779.1	–803.2	–800.3
Up to 1 month	–55.8	–62.7	–59.6	–71.9	–54.3	–187.2	–51.3	–34.7	–91.8	–7.0
More than 1 and up to 3 months	–94.9	–33.9	–53.0	–84.8	–42.4	–117.2	–83.4	–261.6	–58.4	–90.5
More than 3 months and up to 1 year	–276.1	–274.4	–331.2	–322.2	–565.3	–424.7	–463.0	–482.7	–652.9	–702.8
(b) Other contingent liabilities	–873.6	–1,402.0	–1,829.3	–2,256.0	–1,945.3	–2,341.9	–2,321.7	–1,872.4	–1,092.9	–600.9
– Croatian National Bank	–873.6	–1,402.0	–1,829.3	–2,256.0	–1,945.3	–2,341.9	–2,321.7	–1,872.4	–1,092.9	–600.9
Up to 1 month	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	–873.6	–1,402.0	–1,829.3	–2,256.0	–1,945.3	–2,341.9	–2,321.7	–1,872.4	–1,092.9	–600.9
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)	–1,300.4	–1,772.9	–2,273.1	–2,734.9	–2,607.4	–3,071.0	–2,919.3	–2,651.4	–1,896.1	–1,401.3
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	–351.0	–	–	–	–	–0.2	–1.5	–2.3	–6.1	–0.5
– 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	785.1	180.7	88.5	559.5	389.7	788.9	913.3	780.8	478.6	568.5
(e) Financial derivative assets (net, marked to market)	–	–	–	–	–	–	–	–	–	–
(f) Currency composition of official reserves assets	–	–	–	–	–	–	–	–	–	–
– Currencies in SDR basket	6,554.1	6,436.2	7,438.1	8,725.0	9,307.1	9,841.6	9,941.1	9,808.7	9,120.8	8,674.6
– Currencies not in SDR basket	0.0	0.0	0.3	0.3	0.3	0.1	0.1	0.1	0.1	0.1
– By individual currencies										
USD	1,937.6	1,609.1	1,104.5	1,266.0	1,357.2	2,680.3	2,719.9	2,497.4	2,064.6	1,861.8
EUR	4,615.6	4,826.3	6,332.5	7,458.0	7,944.2	7,159.4	7,219.7	7,309.8	7,054.9	6,811.3
Other	0.9	0.8	1.3	1.3	6.0	2.0	1.7	1.5	1.5	1.6

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
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	
2008		7.223178				4.553618	9.101622	4.934417	
2008	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	
	December	7.196956				4.669888	8.015481	5.377415	
2009	January	7.362986				4.930391	7.982449	5.529454	
	February	7.431246				4.983357	8.365523	5.802756	

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
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	
2008		7.324425				4.911107	7.484595	5.155504	
2008	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	
	December	7.324425				4.911107	7.484595	5.155504	
2009	January	7.373294				4.958837	8.179825	5.724163	
	February	7.403887				4.980416	8.286387	5.838567	

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	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	85.66*	80.62
	October	85.71	86.82*	82.58
	November	86.62	86.52	82.79
	December	86.03	85.28 ^a	82.12 ^a
	2009	January	88.13	86.93 ^a
February		89.94		

^a Preliminary data.

Note: The eurozone related price series includes Greece from 1 January 2001, Slovenia from 1 January 2007, Cyprus and Malta from 1 January 2008, and Slovakia from 1 January 2009. 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^a

million euros

	2002	2003	2004	2005	2006	2007		2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec. ^b	Dec. ^{c*}	Mar.*	Jun.*	Sep.*	Dec.*
1. Government	5,430.2	5,969.3	6,546.5	6,152.7	5,670.1	5,371.8	5,438.0	4,105.0	4,038.8	4,080.0	4,197.3
Short-term	1.3	1.3	2.7	2.0	1.3	5.3	1.0	0.1	0.5	0.4	35.7
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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	31.7
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	1.0	0.1	0.5	0.4	4.0
Principal arrears	0.9	0.9	2.4	1.8	0.0	1.1	0.3	0.0	0.0	0.0	3.9
Interest arrears	0.4	0.4	0.3	0.2	1.2	4.2	0.8	0.1	0.5	0.4	0.1
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	5,428.9	5,968.0	6,543.9	6,150.7	5,668.8	5,366.5	5,437.0	4,104.8	4,038.3	4,079.6	4,161.6
Bonds	3,858.8	4,199.6	4,291.2	3,663.4	3,109.1	2,756.9	2,784.5	2,695.0	2,537.6	2,569.2	2,621.9
Credits	1,569.1	1,766.1	2,250.6	2,484.8	2,557.8	2,608.4	2,651.3	1,408.9	1,499.9	1,509.7	1,538.9
Trade credits	1.1	2.3	2.1	2.6	1.9	1.2	1.2	1.0	0.8	0.7	0.7
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
2. Croatian National Bank	23.2	365.9	2.4	2.6	2.6	2.3	2.3	1.7	2.0	1.8	2.3
Short-term	23.2	365.9	2.4	2.6	2.6	2.3	2.3	1.7	2.0	1.8	2.3
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	2.3
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	8,918.1	9,456.9	8,726.4	7,947.7	10,079.1
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	1,897.8	3,793.3
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	1,121.1
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	1,352.7	2,670.3
Other debt liabilities	0.8	0.9	0.9	1.7	1.2	1.7	1.2	1.6	2.3	1.2	2.0
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	2.0
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	3,797.5	5,534.7	5,762.5	6,473.6	6,859.9	6,517.9	6,559.9	6,524.2	6,273.2	6,049.9	6,285.8
Bonds	0.0	0.0	453.2	456.6	457.9	459.0	459.0	463.8	468.6	454.2	456.8
Credits	1,900.6	2,798.5	3,517.4	3,822.7	4,217.3	3,565.1	3,607.0	3,570.8	3,400.4	3,222.0	3,373.9
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	2,373.7	2,455.0
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
4. Other sectors	4,486.4	5,547.2	6,606.7	8,176.4	10,500.2	14,743.1	14,936.8	16,991.6	17,996.2	19,390.7	19,835.7
Short-term	473.7	513.2	535.6	706.7	700.9	1,478.2	587.2	665.1	973.8	982.3	925.2
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	133.0	155.0	681.0	311.3	415.4	537.6	662.6	652.9
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	48.6	22.5	23.7	27.8	35.9	31.1	34.2	34.5	35.3	39.4	39.5
Other debt liabilities	399.7	389.0	413.5	545.9	510.0	766.0	241.7	214.4	400.9	280.4	232.9
Principal arrears	366.5	356.3	377.1	502.1	460.6	683.4	198.0	167.3	348.7	229.2	170.4
Interest arrears	33.2	32.7	36.3	43.8	49.4	82.6	43.7	47.1	52.2	51.2	62.5
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	4,012.7	5,034.0	6,071.1	7,469.7	9,799.3	13,264.9	14,349.5	16,326.5	17,022.4	18,408.3	18,910.5
Bonds	263.3	451.7	749.0	763.9	837.8	1,208.3	1,212.4	1,220.0	1,204.8	1,195.8	1,186.4
Credits	3,538.0	4,427.3	5,192.3	6,542.1	8,816.1	11,766.9	12,855.0	14,822.2	15,507.4	16,882.9	17,401.9
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	163.7	145.4	289.8	282.1	284.3	310.2	329.6	322.2

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
5. Direct investment	1,405.4	1,861.4	2,046.1	2,450.7	2,878.4	3,932.8	3,958.6	4,408.0	4,639.1	4,826.3	5,010.2
Short-term	79.8	122.3	124.1	177.5	233.9	540.4	311.9	475.4	562.3	548.6	590.0
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	29.9	38.7	33.0	36.3	51.2	216.8	232.2	373.6	410.9	474.7	488.4
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	141.2	182.7	323.6	79.7	101.8	151.4	73.9	101.6
Principal arrears	42.0	73.4	78.1	121.8	158.2	293.9	60.7	87.2	134.9	60.3	85.8
Interest arrears	7.9	10.2	13.1	19.4	24.5	29.7	19.1	14.6	16.5	13.5	15.8
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	2,273.2	2,644.5	3,392.5	3,646.7	3,932.6	4,076.8	4,277.7	4,420.2
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	2,239.3	2,618.1	3,374.5	3,634.8	3,921.7	4,068.4	4,271.3	4,414.7
Trade credits	34.1	31.5	29.8	33.9	26.4	18.0	11.9	10.9	8.5	6.4	5.5
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)	15,144.0	19,883.9	22,933.4	25,761.1	29,273.9	32,929.2	33,253.8	34,963.2	35,402.6	36,246.5	39,124.6

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from December 1998 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Old reporting system. ^c 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 State Agency for Deposit Insurance and Bank Rehabilitation, the Croatian Roads and, until 31 December 2007, the Croatian Motorways; from this date on, the Croatian Motorways is shown within the subsector public enterprises under item Other sectors), 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 (including the Croatian Bank for Reconstruction and Development), 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, mixed enterprises and the CBRD. 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^a

million euros

	2002	2003	2004	2005	2006	2007		2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec. ^b	Dec. ^{c*}	Mar.*	Jun.*	Sep.*	Dec.*
1. Public sector	7,211.3	8,327.4	8,580.3	8,501.6	8,256.8	9,259.5	9,399.7	9,332.3	9,545.7	10,060.4	10,247.8
Short-term	60.8	415.8	29.5	23.2	41.7	72.5	56.9	97.7	111.4	105.8	184.6
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	21.9	391.2	0.7	2.3	15.2	35.4	35.6	74.6	76.2	90.3	164.1
Currency and deposits	1.7	2.6	2.4	2.6	2.6	2.3	2.3	1.7	2.0	1.8	2.3
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	18.3	23.9	34.7	19.0	21.3	33.2	13.7	18.2
Principal arrears	35.0	20.5	25.4	17.1	20.6	29.9	17.3	12.9	29.4	12.7	17.1
Interest arrears	2.1	1.6	1.0	1.2	3.3	4.8	1.7	8.4	3.8	0.9	1.1
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	7,150.1	7,911.3	8,549.6	8,477.3	8,213.6	9,185.2	9,341.0	9,232.8	9,432.6	9,952.8	10,061.5
Bonds	3,950.2	4,306.4	4,662.3	4,052.0	3,640.5	3,859.7	3,890.9	3,803.1	3,647.4	3,670.2	3,714.5
Credits	3,118.5	3,554.4	3,833.2	4,314.5	4,485.2	5,120.3	5,235.5	5,210.4	5,514.7	5,992.8	6,068.5
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.7	19.5	10.6
Trade credits	81.4	50.6	54.1	110.8	87.9	205.2	214.6	219.4	250.9	270.3	267.9
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
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	289.7	204.2	139.9	138.1	109.3	106.5	82.7	80.3
Short-term	21.8	21.1	23.5	21.8	17.2	11.3	9.8	8.1	8.1	7.0	7.1
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	21.8	17.2	11.3	9.8	8.1	8.1	7.0	7.1
Principal arrears	13.9	14.3	15.6	14.2	14.4	9.4	8.4	7.0	7.0	7.0	7.1
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	267.9	187.0	128.6	128.3	101.2	98.4	75.6	73.2
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	267.3	187.0	128.6	128.3	101.2	98.4	75.6	73.2
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	0.7	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	7,373.2	11,122.7	14,019.0	16,969.7	20,812.9	23,529.9	23,716.0	25,521.6	25,750.4	26,103.5	28,796.5
Short-term	416.8	1,048.8	2,456.9	3,171.4	4,008.7	3,763.3	2,882.1	3,493.9	3,310.1	2,769.5	4,564.9
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	644.8	617.7	1,195.5	1,290.2	1,356.4	983.9	1,142.3	1,375.3	1,116.2	1,641.6
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	1,352.7	2,670.3
Trade credits	48.6	22.5	23.7	27.8	35.9	31.1	34.2	34.5	35.3	39.4	39.5
Other debt liabilities	342.9	347.9	367.1	509.5	471.5	727.0	215.2	186.8	362.5	261.2	213.5
Principal arrears	318.9	322.6	338.5	472.5	425.6	645.4	172.7	147.5	312.4	209.4	150.2
Interest arrears	24.0	25.3	28.6	37.0	45.8	81.7	42.5	39.3	50.1	51.8	63.3
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	11,348.7	13,927.4	15,835.5	16,877.1	17,621.5	17,802.8	18,509.4	19,223.1
Bonds	140.7	313.7	831.1	831.8	764.3	564.4	565.0	575.7	563.6	549.0	550.6
Credits	3,386.6	5,058.6	6,817.9	8,267.8	10,919.0	12,691.4	13,749.5	14,490.3	14,774.9	15,526.6	16,162.4
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	2,373.7	2,455.0
Trade credits	127.1	104.3	76.3	54.8	59.4	85.8	68.6	65.8	60.0	60.1	55.0
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	1,404.9	1,861.1	2,044.9	2,449.6	2,876.9	3,931.1	3,956.9	4,406.2	4,637.4	4,824.6	5,008.5
Total (1+2+3)	15,144.0	19,883.9	22,933.4	25,761.1	29,273.9	32,929.2	33,253.8	34,963.2	35,402.6	36,246.5	39,124.6

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from December 1998 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Old reporting system. ^c New reporting system.

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

million euros

	Gross external debt 31/12/2008	Immediate	Projected future principal payments													
			Q1/09	Q2/09	Q3/09	Q4/09	2009	2010	2011	2012	2013	2014	2015	2016	Other	
1. Government	4,197.3	4.0	689.9	251.1	85.6	58.0	1,084.6	697.1	937.3	136.4	128.7	603.0	236.1	73.9	296.2	
Short-term	35.7	4.0	8.7	8.7	8.7	5.8	31.7	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	31.7	0.0	8.7	8.7	8.7	5.8	31.7	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	4.0	4.0	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	3.9	3.9	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	
Interest 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	
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	4,161.6	0.0	681.2	242.5	76.9	52.3	1,052.9	697.1	937.3	136.4	128.7	603.0	236.1	73.9	296.2	
Bonds	2,621.9	0.0	624.7	195.3	26.3	0.0	846.4	540.1	740.4	0.0	0.0	495.1	0.0	0.0	0.0	
Credits	1,538.9	0.0	56.5	47.1	50.6	52.2	206.4	156.9	196.9	136.3	128.6	107.9	236.1	73.8	296.2	
Trade credits	0.7	0.0	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	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	
2. Croatian National Bank	2.3	0.0	2.3	0.0	0.0	0.0	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Short-term	2.3	0.0	2.3	0.0	0.0	0.0	2.3	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	2.3	0.0	2.3	0.0	0.0	0.0	2.3	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	10,079.1	2.0	3,501.9	862.1	762.0	224.3	5,350.3	1,347.5	1,278.5	378.0	357.8	92.1	44.9	53.6	1,174.5	
Short-term	3,793.3	2.0	3,341.1	203.6	108.5	138.1	3,791.3	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	1,121.1	0.0	995.9	95.1	0.0	30.1	1,121.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Currency and deposits	2,670.3	0.0	2,345.1	108.5	108.5	108.0	2,670.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	2.0	2.0	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	2.0	2.0	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	6,285.8	0.0	160.8	658.5	653.5	86.2	1,558.9	1,347.5	1,278.5	378.0	357.8	92.1	44.9	53.6	1,174.5	
Bonds	456.8	0.0	9.0	0.0	447.9	0.0	456.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Credits	3,373.9	0.0	45.2	623.3	170.5	53.0	892.0	621.3	816.3	378.0	357.8	92.1	44.9	53.6	118.0	
Currency and deposits	2,455.0	0.0	106.7	35.2	35.2	33.1	210.1	726.2	462.2	0.0	0.0	0.0	0.0	0.0	1,056.5	
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	19,835.7	232.9	1,391.5	1,364.5	902.8	1,211.1	4,870.0	2,600.0	2,832.1	2,163.9	942.8	817.7	729.1	743.4	3,904.0	
Short-term	925.2	232.9	365.3	130.0	155.7	41.3	692.4	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	652.9	0.0	365.3	130.0	116.2	41.3	652.9	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	
Trade credits	39.5	0.0	0.0	0.0	39.5	0.0	39.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other debt liabilities	232.9	232.9	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	170.4	170.4	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	62.5	62.5	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	18,910.5	0.0	1,026.3	1,234.5	747.1	1,169.7	4,177.6	2,600.0	2,832.1	2,163.9	942.8	817.7	729.1	743.4	3,904.0	
Bonds	1,186.4	0.0	31.0	0.0	0.0	17.4	48.5	17.4	410.6	47.1	29.7	29.7	29.7	29.7	544.0	
Credits	17,401.9	0.0	960.3	1,181.7	698.4	1,071.3	3,911.7	2,512.2	2,391.7	2,112.6	912.6	788.0	699.4	713.7	3,360.1	
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	0.0	0.0	0.0	0.0	
Trade credits	322.2	0.0	34.9	52.7	48.7	81.0	217.4	70.3	29.8	4.2	0.6	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
5. Direct investment	5,010.2	101.6	477.0	394.8	358.9	353.9	1,584.6	652.3	555.3	528.8	297.6	114.3	396.9	215.5	563.3
Short-term	590.0	101.6	231.5	161.2	40.5	55.2	488.4	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	488.4	0.0	231.5	161.2	40.5	55.2	488.4	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	101.6	101.6	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	85.8	85.8	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
Interest arrears	15.8	15.8	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
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	4,420.2	0.0	245.5	233.6	318.5	298.7	1,096.2	652.3	555.3	528.8	297.6	114.3	396.9	215.5	563.3
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	4,414.7	0.0	245.2	233.4	318.2	297.6	1,094.3	651.4	554.4	528.1	297.1	113.8	397.0	215.5	563.1
Trade credits	5.5	0.0	0.3	0.2	0.3	1.1	1.9	0.8	0.9	0.7	0.5	0.5	0.0	0.0	0.2
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	0.0	0.0	0.0	0.0
Total (1+2+3+4+5)	39,124.6	340.5	6,062.5	2,872.5	2,109.4	1,847.3	12,891.7	5,296.8	5,603.2	3,207.1	1,726.9	1,627.2	1,407.1	1,086.3	5,937.9
Supplement: Projected interest payments			25.2	319.7	262.0	375.1	982.1	1,007.6	814.4	553.7	486.9	394.3	320.1	276.3	1,126.8

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from December 1998 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards.

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^a

million euros

	2002	2003	2004	2005	2006	2007		2008			
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec. ^b	Dec. ^{c*}	Mar. [*]	Jun. [*]	Sep. [*]	Dec. [*]
1. Other sectors	4,486.4	5,547.2	6,606.7	8,176.4	10,500.1	14,743.1	14,936.8	16,991.6	17,996.2	19,390.6	19,835.7
Short-term	473.7	513.2	535.6	706.7	700.9	1,478.2	587.2	665.1	973.8	982.3	925.3
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	133.0	155.0	681.0	311.3	415.4	537.6	662.6	652.9
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	48.6	22.5	23.7	27.8	35.9	31.1	34.2	34.5	35.3	39.4	39.5
Other debt liabilities	399.7	389.0	413.5	545.9	510.0	766.0	241.7	214.4	400.9	280.3	232.9
Principal arrears	366.5	356.3	377.1	502.1	460.6	683.4	198.0	167.3	348.7	229.2	170.4
Interest arrears	33.2	32.7	36.3	43.8	49.4	82.6	43.7	47.1	52.2	51.2	62.5
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	4,012.7	5,034.0	6,071.1	7,469.7	9,799.3	13,264.9	14,349.5	16,326.5	17,022.4	18,408.3	18,910.5
Bonds	263.3	451.7	749.0	763.9	837.8	1,208.3	1,212.4	1,220.0	1,204.8	1,195.8	1,186.4
Credits	3,538.0	4,427.3	5,192.3	6,542.1	8,816.1	11,766.9	12,855.0	14,822.2	15,507.4	16,882.9	17,401.9
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	163.7	145.4	289.8	282.1	284.3	310.2	329.6	322.2
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
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	759.4	1,286.3	1,691.8	2,132.1	2,871.4	3,922.0	4,070.3	4,370.6	4,622.7	4,893.3	4,949.7
Short-term	3.1	2.7	9.5	19.6	60.1	201.6	140.9	51.7	124.4	143.5	155.4
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	111.9	39.3	114.1	136.3	144.5
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	0.0	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	11.4	10.3	7.2	10.9
Principal arrears	2.1	1.5	1.5	2.9	6.4	2.9	14.7	6.3	3.6	2.5	4.2
Interest arrears	1.1	1.2	2.5	2.4	7.2	14.2	14.3	5.2	6.7	4.7	6.7
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	756.2	1,283.7	1,682.4	2,112.5	2,811.3	3,720.4	3,929.4	4,318.9	4,498.3	4,749.8	4,794.3
Bonds	91.4	106.8	371.1	388.6	531.4	806.7	806.7	804.2	802.0	805.1	791.5
Credits	664.8	1,176.2	1,311.3	1,723.8	2,279.9	2,913.7	3,122.7	3,514.2	3,696.3	3,944.8	4,002.8
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	0.0	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	1,121.9	1,168.5	1,997.4	2,079.6	3,334.0	3,564.6	3,814.3	3,945.4
Short-term	31.6	41.8	20.6	13.3	31.6	48.3	52.3	90.6	93.8	102.4	145.1
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	132.4
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	16.0	17.6	12.1	12.7
Principal arrears	29.8	15.5	20.0	12.5	14.5	12.5	15.9	11.7	14.5	11.7	11.8
Interest arrears	1.4	0.7	0.6	0.8	1.9	0.5	0.9	4.3	3.2	0.4	0.9
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	790.4	964.0	951.9	1,108.6	1,136.9	1,949.0	2,027.3	3,243.3	3,470.7	3,711.9	3,800.4
Bonds	0.0	0.0	0.0	0.0	0.0	296.2	299.8	303.8	307.8	296.0	301.2

Credits	726.3	929.6	919.4	1,026.8	1,066.8	1,470.2	1,544.4	2,749.0	2,936.9	3,170.3	3,254.7
Trade credits	64.1	34.4	32.5	81.8	70.1	182.7	183.1	190.5	226.1	245.6	244.5
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	328.8	416.5	594.9	586.7	559.5	559.6	717.2	741.6
Short-term	4.7	6.8	3.9	5.3	6.3	16.5	1.2	3.9	15.1	1.2	1.2
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	1.2
Principal arrears	4.4	4.1	3.0	2.9	6.1	16.4	1.1	1.2	15.0	1.0	1.1
Interest arrears	0.3	0.6	0.1	0.2	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	323.5	410.2	578.4	585.5	555.6	544.5	716.0	740.4
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	297.1	394.3	557.1	555.2	527.6	520.5	692.0	717.7
Trade credits	16.2	13.8	19.6	26.4	15.9	21.3	30.3	27.9	24.0	24.0	22.7
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
1.5. Other enterprises	2,336.4	2,764.1	3,473.6	4,454.5	5,929.1	8,062.2	7,954.8	8,486.8	8,997.2	9,694.7	9,933.4
Short-term	427.8	454.6	483.4	653.7	578.8	1,174.3	380.3	506.3	732.9	726.8	619.2
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	114.8	86.9	451.2	152.2	289.5	341.0	429.5	373.8
Trade credits	48.6	22.5	23.7	27.8	35.9	31.1	34.2	34.5	35.3	39.4	39.5
Other debt liabilities	355.1	358.6	378.1	511.1	456.0	692.0	193.9	182.3	356.7	257.9	205.9
Principal arrears	326.7	330.7	346.8	473.4	420.3	630.2	165.5	147.5	314.4	212.0	151.2
Interest arrears	28.4	27.9	31.3	37.7	35.7	61.8	28.5	34.8	42.2	45.9	54.7
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	1,908.6	2,309.6	2,990.2	3,800.9	5,350.3	6,887.9	7,574.5	7,980.5	8,264.2	8,967.9	9,314.2
Bonds	171.9	344.8	377.9	375.3	306.4	105.4	106.0	111.9	95.1	94.8	93.8
Credits	1,627.0	1,874.6	2,545.3	3,377.5	4,989.1	6,701.7	7,405.0	7,807.7	8,113.1	8,816.6	9,168.7
Trade credits	109.7	90.1	67.1	48.1	54.8	80.8	63.5	60.8	56.1	56.5	51.7
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
1.6. Non-profit institutions	3.3	2.8	4.0	4.9	5.3	5.4	3.3	3.2	3.1	3.0	3.8
1.7. Craftsmen and sole traders	40.9	50.0	42.7	35.2	26.8	24.1	24.0	21.4	20.2	18.8	17.1
1.8. Households	26.1	26.9	49.7	73.3	82.7	137.2	218.1	216.2	228.9	249.4	244.7

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from December 1998 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Old reporting system. ^c New reporting system.

Table H16: International Investment Position – Summary^a

million euros

	2003 ^b	2004 ^b	2005 ^b	2006 ^b	2007 ^b	2008 ^c	2008			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^c
1. International investment position (net)	-10,717.0	-15,371.4	-20,246.8	-29,972.2	-39,924.6	-35,492.2	-38,950.6	-37,643.7	-36,999.8	-35,492.2
2. Assets	14,347.5	15,118.2	16,042.5	18,242.8	21,148.7	21,057.8	20,480.4	20,486.3	21,048.7	21,057.8
2.1. Direct investment abroad	1,626.7	1,563.4	1,729.8	1,833.1	2,315.9	2,558.3	2,236.5	2,481.5	2,555.4	2,558.3
2.2. Portfolio investment	737.4	1,506.0	2,136.8	2,575.9	3,021.2	2,413.4	2,413.4	2,355.8	2,042.5	2,413.4
2.2.1. Equity securities	141.3	176.8	418.0	720.4	1,601.6	543.1	1,075.7	1,116.3	817.3	543.1
2.2.2. Debt securities	596.1	1,329.1	1,718.8	1,855.4	1,419.6	1,870.4	1,337.7	1,239.5	1,225.2	1,870.4
Bonds	593.7	1,168.7	1,571.6	1,464.0	1,139.2	1,488.0	1,116.3	1,018.6	1,024.6	1,488.0
Money market instruments	2.4	160.4	147.1	391.4	280.4	382.4	221.4	221.0	200.6	382.4
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	5,429.3	5,612.7	4,737.6	5,108.5	6,504.2	6,965.1	5,988.9	5,707.8	6,642.1	6,965.1
2.4.1. Trade credits	253.3	222.2	262.9	230.5	248.9	224.7	233.2	233.0	231.2	224.7
2.4.2. Loans	102.1	102.2	146.2	239.5	296.4	435.9	325.1	362.3	412.3	435.9
2.4.3. Currency and deposits	5,074.0	5,288.2	4,328.5	4,638.3	5,958.9	6,304.5	5,430.6	5,112.4	5,998.7	6,304.5
2.4.4. Other assets	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0
2.5. Reserve assets (CNB)	6,554.1	6,436.1	7,438.4	8,725.3	9,307.4	9,120.9	9,841.7	9,941.2	9,808.7	9,120.9
3. Liabilities	25,064.5	30,489.5	36,289.4	48,215.0	61,073.3	56,550.0	59,431.1	58,130.0	58,048.6	56,550.0
3.1. Direct investment in Croatia	6,808.6	9,114.2	12,332.4	20,782.0	30,660.4	21,862.9	27,769.5	26,363.0	25,756.5	21,862.9
3.2. Portfolio investment	4,918.3	5,981.5	5,530.4	5,442.4	5,840.7	4,837.9	5,486.0	5,214.5	5,091.1	4,837.9
3.2.1. Equity securities	233.4	488.1	646.5	1,037.5	1,416.6	572.7	1,106.4	1,003.5	871.9	572.7
3.2.2. Debt securities	4,684.9	5,493.4	4,883.8	4,404.8	4,424.2	4,265.2	4,379.7	4,211.0	4,219.2	4,265.2
Bonds	4,651.3	5,493.4	4,883.8	4,404.8	4,424.2	4,265.2	4,378.8	4,211.0	4,219.2	4,265.2
Money market instruments	33.7	0.0	0.0	0.0	0.0	0.0	0.9	0.0	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	0.0
3.4. Other investment	13,337.6	15,393.9	18,426.6	21,990.6	24,572.2	29,849.2	26,175.5	26,552.5	27,201.0	29,849.2
3.4.1. Trade credits	179.8	155.5	194.1	183.3	322.1	362.4	319.7	346.3	369.8	362.4
3.4.2. Loans	10,027.9	11,578.7	14,047.4	16,896.6	19,332.1	24,120.3	21,018.8	21,859.2	22,821.1	24,120.3
3.4.3. Currency and deposits	2,738.8	3,242.7	3,635.6	4,398.3	4,145.0	5,127.6	4,620.8	3,943.3	3,728.2	5,127.6
3.4.4. Other assets	391.2	417.0	549.5	512.5	773.0	238.8	216.1	403.7	281.9	238.8

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from December 1998 onwards). Moreover, as from the same number of the Bulletin, CMI is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Revised data. ^c 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 securities

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

	2003 ^a	2004 ^a	2005 ^a	2006 ^a	2007 ^a	2008 ^b	2008			
							Q1 ^a	Q2 ^a	Q3 ^a	Q4 ^b
Direct investment (net)	-5,181.9	-7,550.7	-10,602.7	-18,948.9	-28,344.5	-19,304.6	-25,533.0	-23,881.5	-23,201.1	-19,304.6
1. Abroad	1,626.7	1,563.4	1,729.8	1,833.1	2,315.9	2,558.3	2,236.5	2,481.5	2,555.4	2,558.3
1.1. Equity capital and reinvested earnings	1,587.0	1,502.3	1,610.4	1,725.0	2,214.9	2,368.5	2,078.1	2,301.0	2,370.4	2,368.5
1.1.1. Claims	1,587.0	1,502.3	1,610.4	1,725.0	2,214.9	2,368.5	2,078.1	2,301.0	2,370.4	2,368.5
1.1.2. Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Other capital	39.7	61.2	119.3	108.2	101.0	189.7	158.4	180.5	185.0	189.7
1.1.1. Claims	63.4	89.6	138.0	144.8	175.4	220.2	189.8	215.5	214.1	220.2
1.2.2. Liabilities	23.7	28.4	18.7	36.6	74.4	30.5	31.4	35.1	29.1	30.5
1.3 Financial derivatives (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. In Croatia	6,808.6	9,114.2	12,332.4	20,782.0	30,660.4	21,862.9	27,769.5	26,363.0	25,756.5	21,862.9
2.1. Equity capital and reinvested earnings	4,972.7	7,116.4	9,920.6	17,961.3	26,826.1	16,907.4	23,420.8	21,788.9	20,973.0	16,907.4
2.1.1. Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Liabilities	4,972.7	7,116.4	9,920.6	17,961.3	26,826.1	16,907.4	23,420.8	21,788.9	20,973.0	16,907.4
2.2. Other capital	1,835.9	1,997.8	2,411.8	2,820.7	3,834.3	4,955.5	4,348.7	4,574.1	4,783.5	4,955.5
2.2.1. Claims	1.8	19.9	20.1	21.1	24.2	24.3	28.0	30.0	13.7	24.3
2.2.2. Liabilities	1,837.7	2,017.7	2,431.9	2,841.8	3,858.5	4,979.8	4,376.7	4,604.1	4,797.2	4,979.8
2.3. Financial derivatives (net)	0.0	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^a

million euros

	2003 ^b	2004 ^b	2005 ^b	2006 ^b	2007 ^b	2008 ^c	2008			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^c
Portfolio investment (net)	-4,183.2	-4,475.5	-3,393.6	-2,866.5	-2,819.5	-2,424.5	-3,072.7	-2,858.7	-3,048.6	-2,424.5
1. Assets	735.1	1,506.0	2,136.8	2,575.9	3,021.2	2,413.4	2,413.4	2,355.8	2,042.5	2,413.4
1.1. Equity securities	139.0	176.8	418.0	720.4	1,601.6	543.1	1,075.7	1,116.3	817.3	543.1
1.1.1. Banks	4.7	5.1	5.9	6.7	8.3	9.7	6.6	15.2	10.7	9.7
1.1.2. Other sectors	134.2	171.8	412.1	713.7	1,593.3	533.4	1,069.0	1,101.1	806.6	533.4
1.2. Debt securities	596.1	1,329.1	1,718.8	1,855.4	1,419.6	1,870.4	1,337.7	1,239.5	1,225.2	1,870.4
2. Liabilities	4,918.3	5,981.5	5,530.4	5,442.4	5,840.7	4,837.9	5,486.0	5,214.5	5,091.1	4,837.9
2.1. Equity securities	233.4	488.1	646.5	1,037.5	1,416.6	572.7	1,106.4	1,003.5	871.9	572.7
2.1.1. Banks	46.3	64.7	84.0	156.7	168.0	68.5	141.5	113.3	93.2	68.5
2.1.2. Other sectors	187.1	423.4	562.6	880.8	1,248.5	504.3	964.8	890.2	778.6	504.3
2.2. Debt securities	4,684.9	5,493.4	4,883.8	4,404.8	4,424.2	4,265.2	4,379.7	4,211.0	4,219.2	4,265.2
2.2.1. Bonds	4,651.3	5,493.4	4,883.8	4,404.8	4,424.2	4,265.2	4,378.8	4,211.0	4,219.2	4,265.2
2.2.1.1. General government	4,199.6	4,291.2	3,663.4	3,109.1	2,756.9	2,621.9	2,695.0	2,537.6	2,569.2	2,621.9
2.2.1.2. Banks	0.0	453.2	456.6	457.9	459.0	456.8	463.8	468.6	454.2	456.8
2.2.1.3. Other sectors	451.7	749.0	763.9	837.8	1,208.3	1,186.4	1,220.0	1,204.8	1,195.8	1,186.4
2.2.2. Money market instruments	33.7	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0
2.2.2.1. Other sectors	33.7	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from December 1998 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Revised data. ^c Preliminary data.

Table H19: International Investment Position – Other Investment^a

million euros

	2003 ^b	2004 ^b	2005 ^b	2006 ^b	2007 ^b	2008 ^c	2008			
							Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^c
Other investment (net)	-7,908.3	-9,781.2	-13,689.0	-16,882.1	-18,068.0	-22,884.1	-20,186.6	-20,844.7	-20,558.9	-22,884.1
1. Assets	5,429.3	5,612.7	4,737.6	5,108.5	6,504.2	6,965.1	5,988.9	5,707.8	6,642.1	6,965.1
1.1. Trade credits	253.3	222.2	262.9	230.5	248.9	224.7	233.2	233.0	231.2	224.7
1.1.1. General government	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
1.1.2. Other sectors	253.3	222.2	262.9	230.5	248.9	224.7	233.2	233.0	231.2	224.7
Long-term	211.5	181.4	190.9	177.5	228.8	202.6	216.6	213.6	210.6	202.6
Short-term	41.8	40.8	72.0	53.0	20.1	22.1	16.6	19.4	20.5	22.1
1.2. Loans	102.1	102.2	146.2	239.5	296.4	435.9	325.1	362.3	412.3	435.9
1.2.1. Croatian National Bank	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6
Long-term	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.6
1.2.2. General government	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
1.2.3. Banks	87.1	81.6	113.2	188.5	214.8	285.3	220.6	226.7	258.8	285.3
Long-term	63.1	62.6	85.3	140.0	160.0	193.6	168.6	171.2	190.4	193.6
Short-term	23.9	19.0	27.9	48.5	54.8	91.7	52.0	55.5	68.4	91.7
1.2.4. Other sectors	14.4	20.0	32.3	50.4	81.1	150.0	104.0	135.1	152.9	150.0
Long-term	14.4	18.7	32.0	50.2	81.0	146.8	103.6	132.0	148.3	146.8
Short-term	0.0	1.3	0.3	0.2	0.1	3.3	0.3	3.1	4.6	3.3
1.3. Currency and deposits	5,074.0	5,288.2	4,328.5	4,638.3	5,958.9	6,304.5	5,430.6	5,112.4	5,998.7	6,304.5
1.3.1. General government	81.9	8.9	54.2	26.4	69.8	90.8	62.9	74.7	101.5	90.8
1.3.2. Banks	3,916.8	4,319.7	3,112.2	3,499.9	4,715.1	4,863.6	4,171.1	3,739.0	4,558.3	4,863.6
1.3.3. Other sectors	1,075.4	959.7	1,162.1	1,111.9	1,174.0	1,350.0	1,196.5	1,298.7	1,338.8	1,350.0
1.4. Other assets	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	13,337.6	15,393.9	18,426.6	21,990.6	24,572.2	29,849.2	26,175.5	26,552.5	27,201.0	29,849.2
2.1. Trade credits	179.8	155.5	194.1	183.3	322.1	362.4	319.7	346.3	369.8	362.4
2.1.1. General government	2.3	2.1	2.6	1.9	1.2	0.7	1.0	0.8	0.7	0.7
Long-term	2.3	2.1	2.6	1.9	1.2	0.7	1.0	0.8	0.7	0.7
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	177.5	153.5	191.5	181.3	320.9	361.7	318.8	345.5	369.0	361.7
Long-term	155.0	129.8	163.7	145.4	289.8	322.2	284.3	310.2	329.6	322.2
Short-term	22.5	23.7	27.8	35.9	31.1	39.5	34.5	35.3	39.4	39.5
2.2. Loans	10,027.9	11,578.7	14,047.4	16,896.6	19,332.1	24,120.3	21,018.8	21,859.2	22,821.1	24,120.3
2.2.1. Croatian National Bank	363.3	0.0	0.0	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	0.0
2.2.2. General government	1,766.1	2,250.6	2,484.8	2,557.8	2,608.4	1,570.6	1,408.9	1,499.9	1,509.7	1,570.6
Long-term	1,766.1	2,250.6	2,484.8	2,557.8	2,608.4	1,538.9	1,408.9	1,499.9	1,509.7	1,538.9
Short-term	0.0	0.0	0.0	0.0	0.0	31.7	0.0	0.0	0.0	31.7
2.2.3. Banks	3,403.0	4,037.3	4,887.5	5,367.8	4,275.8	4,495.0	4,372.4	4,314.3	3,765.9	4,495.0
Long-term	2,798.5	3,517.4	3,822.7	4,217.3	3,565.1	3,373.9	3,570.8	3,400.4	3,222.0	3,373.9
Short-term	604.6	519.9	1,064.8	1,150.4	710.8	1,121.1	801.6	913.9	544.0	1,121.1
2.2.4. Other sectors	4,495.4	5,290.8	6,675.1	8,971.0	12,447.9	18,054.8	15,237.6	16,045.0	17,545.4	18,054.8
Long-term	4,427.3	5,192.3	6,542.1	8,816.1	11,766.9	17,401.9	14,822.2	15,507.4	16,882.9	17,401.9
Short-term	68.1	98.5	133.0	155.0	681.0	652.9	415.4	537.6	662.6	652.9
2.3. Currency and deposits	2,738.8	3,242.7	3,635.6	4,398.3	4,145.0	5,127.6	4,620.8	3,943.3	3,728.2	5,127.6
2.3.1. Croatian National Bank	2.6	2.4	2.6	2.6	2.3	2.3	1.7	2.0	1.8	2.3
2.3.2. Banks	2,736.2	3,240.3	3,632.9	4,395.7	4,142.6	5,125.3	4,619.1	3,941.3	3,726.4	5,125.3
2.4. Other liabilities	391.2	417.0	549.5	512.5	773.0	238.8	216.1	403.7	281.9	238.8

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions. The reclassification covers the entire statistical series (from December 1998 onwards). Moreover, as from the same number of the Bulletin, CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. ^b Revised data. ^c Preliminary data.

Table I1: Consolidated Central Government According to the Government Level^a

million kuna

	2004	2005	2006	2007	2008						
					Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.
1. REVENUE (A+B)	87,019.3	92,642.5	100,392.6	113,386.2	8,983.3	11,736.2	9,681.1	9,802.8	11,690.9	9,307.9	9,802.1
A) Budgetary central government	80,463.5	85,653.0	95,234.1	108,297.0	8,729.1	11,427.8	9,329.9	9,467.2	11,353.7	8,977.1	9,447.3
B) Extrabudgetary users	6,555.8	6,989.5	5,158.5	5,089.2	254.2	308.4	351.2	335.6	337.2	330.8	354.9
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	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	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	0.0
4. Croatian Waters	1,224.4	1,227.8	1,526.9	2,041.2	174.3	186.2	158.2	170.2	195.3	145.2	229.1
5. Fund for Environmental Protection and Energy Efficiency	170.7	214.7	659.8	1,102.9	66.3	66.5	132.3	72.5	113.0	99.8	111.2
6. Croatian Motorways Ltd.	2,295.4	2,547.0	1,271.1	1,375.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7. Croatian Roads Ltd.	1,417.8	1,474.7	64.7	119.9	3.0	2.7	9.5	3.0	3.0	3.1	3.0
8. State Agency for Deposit Insurance and Bank Rehabilitation	575.9	367.4	409.6	391.4	1.9	46.6	50.3	82.0	23.5	73.2	9.8
9. Croatian Privatisation Fund	62.9	237.0	65.9	58.3	8.7	6.4	0.9	8.0	2.4	9.4	1.8
2. EXPENSE (A+B)	86,941.4	92,332.1	98,751.4	109,075.0	9,209.2	9,695.6	9,470.5	9,524.9	10,612.3	9,077.2	9,870.4
A) Budgetary central government	81,861.2	86,715.6	91,979.7	103,004.9	8,963.0	9,380.9	9,151.2	8,984.7	10,193.9	8,706.8	9,317.7
B) Extrabudgetary users	5,080.3	5,616.5	6,771.7	6,070.1	246.2	314.8	319.3	540.2	418.4	370.3	552.7
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	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	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	0.0
4. Croatian Waters	1,426.3	1,489.5	1,779.1	2,099.0	87.1	131.7	167.7	275.9	164.9	174.7	243.7
5. Fund for Environmental Protection and Energy Efficiency	32.4	172.0	734.8	1,083.3	73.1	67.1	72.8	58.2	89.1	76.1	119.1
6. Croatian Motorways Ltd.	752.3	1,085.1	1,272.7	1,509.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7. Croatian Roads Ltd.	934.6	1,062.4	1,226.9	1,241.9	65.2	103.3	69.9	196.1	154.9	112.8	171.1
8. State Agency for Deposit Insurance and Bank Rehabilitation	314.5	183.0	27.4	47.8	14.5	4.5	3.7	1.0	1.6	1.1	9.5
9. Croatian Privatisation Fund	60.1	182.1	78.4	88.2	6.3	8.1	5.2	9.0	7.8	5.6	9.4
NET/GROSS OPERATING BALANCE (1–2)	77.8	310.3	1,641.2	4,311.2	-225.9	2,040.5	210.6	277.9	1,078.6	230.7	-68.2
3. CHANGE IN NET WORTH: TRANSACTIONS (3.1.+3.2.–3.3.)	77.8	310.3	1,641.2	4,311.2	-225.9	2,040.5	210.6	277.9	1,078.6	230.7	-68.2
3.1. CHANGE IN NET ACQUISITION OF NON-FINANCIAL ASSETS	8,373.5	6,699.4	6,108.6	7,811.0	70.7	361.4	280.6	313.0	263.8	369.7	406.4
Acquisition	8,648.4	7,024.2	6,836.4	8,378.6	116.4	388.4	303.5	337.8	432.0	387.6	427.5
A) Budgetary central government	1,663.9	1,828.8	1,908.5	3,043.9	69.6	323.6	199.1	128.4	252.6	329.4	331.8
B) Extrabudgetary users	6,984.5	5,195.4	4,927.9	5,334.7	46.7	64.8	104.3	209.3	179.4	58.2	95.7
Disposals	274.9	324.8	727.7	567.7	45.7	27.0	22.8	24.8	168.2	17.9	21.1
A) Budgetary central government	244.4	275.1	352.7	498.7	23.7	25.8	19.7	23.9	29.7	17.8	23.2
B) Extrabudgetary users	30.5	49.6	375.1	69.0	22.0	1.2	3.2	0.9	138.5	0.1	-2.1
NET LENDING/BORROWING (1–2–3.1.)	-8,295.6	-6,389.1	-4,467.4	-3,499.8	-296.6	1,679.1	-70.0	-35.0	814.8	-139.0	-474.7
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING) (3.3.–3.2.)	8,295.6	6,389.1	4,467.4	3,499.8	296.6	-1,679.1	70.0	35.0	-814.8	139.0	474.7
3.2. CHANGE IN NET ACQUISITION OF FINANCIAL ASSETS	28.4	1,609.8	-2,576.7	-2,939.2	676.8	1,326.2	-278.0	31.1	1,055.4	-700.6	-465.0
3.2.1. Domestic	18.6	1,614.6	-2,593.4	-2,957.2	676.8	1,326.2	-283.3	29.3	1,055.4	-700.6	-465.0
A) Budgetary central government	138.6	1,747.7	-3,063.9	-3,752.8	604.2	1,273.9	-562.3	-52.2	712.4	-780.0	-374.6
B) Extrabudgetary users	-120.0	-133.1	470.5	795.6	72.6	52.3	279.0	81.5	343.1	79.4	-90.4
3.2.2. Foreign	9.8	-4.9	16.7	18.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A) Budgetary central government	9.8	-4.9	16.7	18.0	0.0	0.0	5.3	1.8	0.0	0.0	0.0
B) Extrabudgetary users	0.0	0.0	0.0	0.0	0.0	0.0	5.3	1.8	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	0.0
3.3. CHANGE IN NET INCURRENCE OF LIABILITIES	8,324.0	7,998.8	1,890.7	560.6	973.4	-352.9	-208.0	66.2	240.6	-561.6	9.6
3.3.1. Domestic	4,107.7	12,041.7	5,282.8	2,017.1	1,034.1	-320.6	-1,019.9	1,408.1	637.0	-578.1	-75.9
A) Budgetary central government	4,038.7	10,591.6	3,166.3	1,477.6	1,063.3	-297.2	-1,113.0	1,068.3	392.0	-556.0	-37.1
B) Extrabudgetary users	69.0	1,450.1	2,116.5	539.5	-29.2	-23.3	93.1	339.8	244.9	-22.1	-38.8
3.3.2. Foreign	4,216.3	-4,042.8	-3,392.1	-1,456.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
A) Budgetary central government	270.3	-5,080.6	-3,943.2	-2,980.2	-60.7	-32.3	811.9	-1,341.9	-396.3	16.5	85.6
B) Extrabudgetary users	3,946.0	1,037.8	551.2	1,523.7	-58.9	-45.2	739.3	-1,339.7	-405.8	16.5	9.4

^a CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. 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^a

million kuna

	2004	2005	2006	2007	2008						
					Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.
1. REVENUE	80,463.5	85,653.0	95,235.6	108,320.6	8,729.1	11,428.0	9,329.9	9,467.2	11,353.7	8,977.1	9,447.3
1.1. Taxes	47,149.9	50,687.6	58,469.1	64,234.5	5,190.2	7,258.4	5,614.3	5,626.6	7,511.7	5,306.3	5,655.4
1.2. Social contributions	29,477.6	31,301.3	33,877.1	37,203.5	3,202.5	3,274.4	3,323.9	3,424.4	3,504.2	3,388.4	3,446.2
1.3. Grants	10.1	27.5	196.0	428.0	38.3	91.6	20.7	20.4	38.5	47.7	33.7
1.4. Other revenue	3,825.9	3,636.6	2,693.3	6,454.5	298.1	803.5	371.1	395.9	299.2	234.8	312.0
2. EXPENSE	83,131.1	87,857.5	95,950.0	108,007.6	9,083.4	9,513.9	9,333.7	9,141.6	10,404.6	8,905.9	9,485.6
2.1. Compensation of employees	22,268.3	23,182.6	24,313.9	27,545.1	2,362.8	2,417.2	2,423.6	2,472.8	2,723.9	2,446.4	2,506.7
2.2. Use of goods and services	4,358.7	4,951.9	6,069.1	7,162.4	480.2	784.9	580.7	533.4	801.9	528.5	573.7
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	0.0
2.4. Interest	3,972.5	4,387.0	4,713.6	4,535.0	354.6	277.9	358.3	354.9	296.6	397.2	386.9
2.5. Subsidies	4,968.1	5,248.7	5,670.8	6,492.0	884.3	723.2	574.0	389.7	535.7	328.7	672.1
2.6. Grants	3,420.3	3,796.8	6,653.0	8,363.2	314.3	397.4	566.0	425.1	564.6	460.3	419.4
2.7. Social benefits	39,730.9	41,358.5	43,444.6	48,176.0	4,208.3	4,252.0	4,211.3	4,323.6	4,751.8	4,184.1	4,332.3
2.8. Other expense	4,412.4	4,931.9	5,085.0	5,733.9	479.0	661.2	619.8	642.1	730.1	560.8	594.5
3. CHANGE IN NET WORTH: TRANSACTIONS	-2,667.6	-2,204.5	-714.4	313.0	-354.3	1,914.0	-3.8	325.6	949.1	71.2	-38.3
3.1. Change in net acquisition of non-financial assets	1,419.5	1,553.7	1,555.8	2,545.2	45.9	297.8	179.5	104.6	222.9	311.7	308.6
3.1.1. Fixed assets	1,384.6	1,517.0	1,595.1	2,625.7	42.3	282.3	157.2	87.2	204.0	281.5	300.2
3.1.2. Inventories	0.0	0.0	-80.2	-161.4	0.7	-1.1	-0.1	0.0	-0.1	6.0	7.5
3.1.3. Valuables	7.5	7.2	7.8	9.6	0.4	0.8	0.8	1.3	0.8	0.5	0.0
3.1.4. Non-produced assets	27.3	29.5	33.1	71.3	2.6	15.7	21.6	16.1	18.2	23.7	0.9
3.2. Change in net acquisition of financial assets	222.0	1,752.8	-3,047.2	-3,734.8	604.2	1,273.9	-557.0	-50.4	712.4	-780.0	-374.6
3.2.1. Domestic	212.2	1,757.7	-3,063.9	-3,752.8	604.2	1,273.9	-562.3	-52.2	712.4	-780.0	-374.6
3.2.2. Foreign	9.8	-4.9	16.7	18.0	0.0	0.0	5.3	1.8	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	0.0
3.3. Change in net incurrence of liabilities	4,309.0	5,510.9	-777.0	-1,502.6	1,004.4	-342.4	-373.7	-271.4	-13.8	-539.5	-27.7
3.3.1. Domestic	4,038.7	10,591.6	3,166.3	1,477.6	1,063.3	-297.2	-1,113.0	1,068.3	392.0	-556.0	-37.1
3.3.2. Foreign	270.3	-5,080.6	-3,943.2	-2,980.2	-58.9	-45.2	739.3	-1,339.7	-405.8	16.5	9.4

^a CM is reclassified from the subsector central government funds to the subsector public enterprises. The reclassification covers the statistical series from January 2008 onwards. 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^a

end of period, million kuna

	2002	2003	2004	2005	2006	2007	2008			
	Dec. ^b	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Jun.	Sep.	Dec.
1. Domestic debt of central government	30,979.2	34,408.3	41,134.9	54,494.6	59,385.0	62,839.1	60,597.9	60,844.1	60,717.6	67,753.0
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	63,960.8
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	16,775.2
Money market instruments	0.1	0.3	–	0.9	–	–	–	–	–	10.7
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	36,108.3
Credits from the CNB	0.5	1.4	3.3	1.4	0.9	1.0	–	1.0	–	2.2
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	11,064.4
1.2. Domestic debt of central government funds	7,659.1	6,247.5	3,911.2	3,935.0	5,168.2	6,332.6	2,928.0	3,271.0	3,581.5	3,792.3
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	4,108.1	3,418.2	1,726.0	–	–	–	–	–	–	–
Credits from banks	3,551.0	2,829.3	2,185.1	3,935.0	5,168.2	6,332.6	2,928.0	3,271.0	3,581.5	3,792.3
2. External debt of central government	40,017.1	45,327.4	49,978.2	45,164.3	41,494.8	39,610.7	29,580.1	29,061.4	28,819.3	30,477.8
2.1. External debt of the Republic of Croatia	37,432.1	41,041.9	42,231.2	36,414.5	32,556.6	29,424.0	28,123.3	27,559.9	27,340.2	28,651.6
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	28,719.3	32,115.1	32,919.3	27,020.1	22,836.9	20,397.3	19,556.8	18,388.3	18,261.0	19,204.2
Credits	8,712.8	8,926.8	9,311.9	9,394.5	9,719.7	9,026.7	8,566.5	9,171.6	9,079.1	9,447.4
2.2. External debt of central government funds	2,585.1	4,285.6	7,747.0	8,749.8	8,938.2	10,186.7	1,456.8	1,501.5	1,479.1	1,826.2
Money market instruments	–	–	–	–	–	–	–	–	–	–
Bonds	–	–	–	–	–	–	–	–	–	–
Credits	2,585.1	4,285.6	7,747.0	8,749.8	8,938.2	10,186.7	1,456.8	1,501.5	1,479.1	1,826.2
3. Total (1+2)	70,996.3	79,735.8	91,113.1	99,658.9	100,879.7	102,449.8	90,178.0	89,905.5	89,536.9	98,230.8
Supplement: Central government guaranteed debt										
– guarantees for domestic debt	7,970.4	7,223.5	5,024.2	5,880.2	7,660.3	8,110.6	10,947.4	11,579.3	11,340.2	13,276.5
– guarantees for external debt	12,147.1	13,310.2	13,247.0	13,853.9	14,303.7	19,024.2	28,055.3	29,429.0	30,946.4	31,431.1

^a As from Bulletin No. 146 the CBRD is reclassified from the subsector central government funds to the subsector non-banking financial institutions and CM is reclassified from the subsector central government funds to the subsector public enterprises. The debt of the CBRD, presented in this table under headings 2. External debt of central government and 1. Domestic debt of central government, is reclassified from December 1998 and June 1999 onwards respectively, and the debt of CM is reclassified from January 2008 onwards.

^b Irrespective of the notes 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, has been reclassified from the subsector Republic of Croatia to the subsector central government funds from December 1998 and December 2002 onwards 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	
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	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
	December	112.8	112.2	114.7	99.4	99.1	100.5	98.7	102.9	102.4	104.3	104.7
2009	January	114.2	114.1	115.3	101.2	101.0	102.2	99.9	103.4	102.9	105.6	101.8
	February	114.9	114.9	115.7	100.6	100.7	100.3	100.2	104.2	103.9	105.4	101.8

^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	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
	December	113.3	113.5	112.5	99.4	99.3	100.2	104.2	104.0	105.0
2009	January	113.2	113.3	112.9	99.9	99.8	100.4	104.2	104.1	104.3
	February	113.4	113.4	113.6	100.2	100.1	100.6	104.3	104.3	104.4

^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
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	December	4,958.0	96.6	104.7	105.2
2008	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
	October	5,263.0	101.2	108.1	107.0
	November	5,397.0	102.5	105.2	106.8
	December	5,410.0	100.3	109.1	107.0

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	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
2009	January	-40.8	-31.3	-35.8	-23.1	-18.5	-50.0	-44.0	49.1	-34.4	-51.7
	February	-44.1	-31.3	-41.7	-30.4	-20.8	-55.8	-41.7	56.6	-38.9	-57.4
	March	-45.3	-35.0	-41.7	-31.1	-23.8	-57.7	-46.1	59.6	-36.4	-51.6

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 March 2009

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. Soci t  G n rale – Splitska banka d.d., Split
28.  tedbanka d.d., Zagreb
29. Vaba d.d. banka Varaždin, Varaždin
30. Veneto banka d.d., Zagreb
31. Volksbank d.d., Zagreb
32. Zagrebačka banka d.d., Zagreb

Licensed Savings Banks

1. Obrtniĉka  tedna banka d.d., Zagreb

Licensed Housing Savings Banks

1. HPB – Stambena  tedionica d.d., Zagreb
2. PBZ Stambena  tedionica d.d., Zagreb
3. Prva stambena  tedionica d.d., Zagreb
4. Raiffeisen stambena  tedionica d.d., Zagreb
5. W stenrot stambena  tedionica d.d., Zagreb

Other Licensed Institutions with Full Authorisation

1. Hrvatska banka za obnovu i razvitak, Zagreb

Representative Offices of Foreign Banks

1. Bank f r 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. Agroobrtniĉka 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 �tedionica d.d., �akovec	17/3/2004
10. Trgovaĉko-turistiĉka banka d.d., Split	8/9/2000
11. �upanjska banka d.d., �upanja	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 �tedionica d.d., Zagreb	31/5/2000
2. Kri�evaĉka banka d.d., Kri�evci	3/1/2005
3. Primus banka d.d., Zagreb	23/12/2004
4. �tedionica Dora d.d., Zagreb	1/1/2002
5. �tedionica 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 �tedionica d.d., Zagreb	7/3/2001
2. Marvil �tedionica d.d., Zagreb	8/6/2001
3. Zagrebaĉka �tedionica d.d., Zagreb	22/3/2000

Management of the Croatian National Bank

1 March 2009

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

