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Phone: 385-1-4564-555
Contact phone: 385-1-4565-006
Fax: 385-1-4564-687

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Croatian National Bank

BULLETIN

Zagreb, 2006

General Information on Croatia

Economic Indicators

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
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)	4.494	4.572	4.501	4.554	4.381	4.437	4.443	4.442	4.439	4.442
GDP (million HRK, current prices)	107,981	123,811	137,604	141,579	152,519	165,639	181,231	198,422	212,827	229,031
GDP (million EUR, current prices) ^a	15,869	17,790	19,281	18,679	19,976	22,177	24,468	26,234	28,395	30,949
GDP per capita (in EUR)	3,531	3,891	4,284	4,102	4,560	4,998	5,507	5,906	6,397	6,968
GDP – year-on-year rate of growth (in %, constant prices)	5.9	6.8	2.5	-0.9	2.9	4.4	5.6	5.3	3.8	4.3
Average year-on-year inflation rate ^b	3.5	3.6	5.7	4.0	4.6	3.8	1.7	1.8	2.1	3.3
Current account balance (million EUR) ^c	-755	-2,192	-1,305	-1,312*	-47*	-818*	-2,095*	-1,866*	-1,404	-1,993*
Current account balance (as % of GDP)	-4.8	-12.3	-6.8	-7.0	-2.4	-3.7	-8.6	-7.1	-4.9	-6.4*
Exports of goods and services (as % of GDP) ^c	38.7	40.3	39.8	40.9	47.1	48.7	45.5	50.1	50.1	49.3*
Imports of goods and services (as % of GDP) ^c	48.0	56.8	49.1	49.3	52.3	54.6	56.4	57.9	57.0	56.5*
Outstanding external debt (million EUR, end of year) ^d	4,284	6,761	9,173	10,101	12,109	13,458	15,055	19,811	22,781	25,541
Outstanding external debt (as % of GDP)	27.0	38.0	47.6	54.1	60.6	60.7	61.5	75.5	80.2	82.5
Outstanding external debt (as % of exports of goods and services)	69.8	94.4	119.4	132.2	128.7	124.6	135.3	150.8	160.0	167.3*
External debt service (as % of exports of goods and services) ^{d,e}	9.0	9.8	12.3	21.1	23.6	26.2	27.4	20.1	21.3	24.1*
Gross international reserves (million EUR, end of year)	1,868	2,304	2,400	3,013	3,783	5,334	5,651	6,554	6,436	7,438
Gross international reserves (in terms of months of imports of goods and services, end of year)	2.9	2.7	3.0	3.9	4.3	5.3	4.9	5.2	4.8	5.1
National currency: Croatian kuna (HRK)										
Exchange rate on 31 December (HRK : 1 EUR)	6.8636	6.9472	7.3291	7.6790	7.5983	7.3700	7.4423	7.6469	7.6712	7.3756
Exchange rate on 31 December (HRK : 1 USD)	5.5396	6.3031	6.2475	7.6477	8.1553	8.3560	7.1457	6.1185	5.6369	6.2336
Average exchange rate (HRK : 1 EUR)	6.8047	6.9597	7.1366	7.5796	7.6350	7.4690	7.4068	7.5634	7.4952	7.4002
Average exchange rate (HRK : 1 USD)	5.4338	6.1571	6.3623	7.1124	8.2768	8.3391	7.8637	6.7014	6.0355	5.9480
Consolidated central government balance (as % of GDP) ^f	....	....	....	-6.5	-7.1	-6.7	-4.5	-4.6	-4.6	-3.4
Unemployment rate (ILO, persons above 15 years of age) ^g	10.0	9.9	11.4	13.6	16.1	15.8	14.8	14.3	13.8	12.7
Employment rate (ILO, persons above 15 years of age) ^g	50.6	49.3	47.0	44.8	42.6	41.8	43.3	43.1	43.5	43.3

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

^b Inflation rate was measured by the RPI in the 1994-1998 period. From 1999 on, it is measured by the CPI.

^c Preliminary data.

^d External debt indicators for 2002 and 2003 are shown on a gross basis, while the indicators for 2001 and previous years do not include interest arrears and accrual interest, hybrid and subordinated instruments, repo transactions of banks and the CNB, deposits of international financial institutions with the CNB, and one-sided effects of the secondary bond market.

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

^f On a cash basis.

^g Employment and unemployment rates as at November 1996 and as at June 1997.

Sources: CBS, MoF and CNB.

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Quarterly Report

Introduction

According to the quarterly GDP estimate, economic growth slowed to 3.6% year-on-year in the second quarter, down from its level of 6.0% in the first quarter. To a large extent, this was due to the base period effect. Seasonally adjusted data, however, show continued growth in the last three quarters, with the quarterly GDP growth rate accelerating to 1.3% in the second quarter of 2006 (0.9% in the first quarter of 2006 and 0.4% in the last quarter of 2005).

Slower growth of personal consumption and investment stood behind the growth slowdown. Personal consumption growth contributed only 1.3 percentage points to GDP growth in the second quarter, relatively little for this, the largest component of GDP (2.5 percentage points in the first quarter), while the contribution of gross fixed capital formation to GDP growth stood at 2.7 percentage points (4.8 percentage points in the first three months of 2006). Foreign demand growth decelerated in the second quarter, with exports and imports trending upwards by 5.2% and 4.2% respectively. Concurrently, government consumption grew by 1.7% in real terms, which was the strongest growth rate in the last three years and an acceleration of 0.7 percentage points relative to the first quarter of 2006. However, the contribution of this category to total real growth remained low, standing at only 0.3 percentage points.

Economic activity indicators for July and August showed faster real GDP growth at the beginning of the second half of 2006. Moreover, an upturn in real retail trade turnover and VAT revenues, as well as faster employment growth suggest somewhat stronger growth of personal consumption in the third quarter of 2006. This is further corroborated by the results of the Croatian National Bank's Consumer Confidence Survey taken in July, showing an increase in the Consumer Expectations and Consumer Optimism indices. In addition, strong production growth of intermediary and capital goods and increased imports of capital goods imply the continuation of intensive investment growth in the third quarter of 2006, while faster growth in mining and extraction is to be put into correlation with heightened investment activity in this period. In addition, the value of construction project orders, which is the leading indicator for this activity, grew mildly in May. According to the 2006 revised government budget, government consumption will remain strong in the second half of the year as well.

On the production side, industrial production, which grew only 1.1% during the second quarter, accelerated to 6.3% in July and August (in cumulative terms). Rapid growth during the summer months was seen in all the main industrial groupings. Retail trade actually decreased slightly year-on-year in the second quarter, only to show 1.6% growth in July. Sagging automobile sales seems to have been a major reason for the poor performance of retail trade in the second quarter, while strong sales in food stores and at establishments selling fuel and lubricants accounted for much of the summer upturn. Total volume of construction works continued to grow at strong rates in the second quarter, which was in part due to the base period effect. Tourist

nights and arrivals grew considerably in the second quarter, with tourist nights growing by 2.7% year-on-year in July (the most important month in the tourist season).

Increased employment growth and decreased unemployment marked the economic growth in the second quarter. The number of persons insured by the CPIA increased by 3.1% year-on-year in the second quarter, up from 3.0% in the first quarter and 1.8% during the whole last year. At the same time, total employment, as measured by the CBS, rose only 0.7% year-on-year in the second quarter. These preliminary data are to be revised, probably upwards, in April 2007.

At the same time, inflows into the unemployment register of the CES were 12 300 in April, the lowest monthly figure since 1998. This, coupled with relatively strong employment of those registered by the CES, contributed to a six-month long string of reductions in unemployment, leaving the total number of registered unemployed at 270 800 at the end of July. Despite a mild increase in unemployment in August, unemployment still had fallen 6.7% year-on-year (according to seasonally adjusted data). While the more reliable labour force survey data on employment and unemployment in the first half of 2006 will only become available in November, all signs point to an improving labour market situation.

Real gross wages grew by 2.2% year-on-year in the second quarter, while real net wages grew by only 1.2%. Agriculture (13.4%), mining and extraction (3.8%) and real estate and other business activities (3.5%) showed signs of stronger year-on-year growth in real gross wages. However, industrial labour productivity growth surged to 6.0% in July from 2.3% in the second quarter, suggesting that in this sector, labour costs are not creating pressure on prices.

Overall, year-on-year consumer price inflation fell slightly from 3.6% at the end of 2005 to 3.4% in August, in the meantime fluctuating between a minimum of 3.0% in March and a maximum of 4.0% in May and June. The slowdown in the year-on-year inflation rate was primarily due to a decrease in the year-on-year core inflation rate. This was in turn mainly caused by a drop in the year-on-year rate of growth in the prices of meat and clothes and footwear, and to a smaller extent by a decline in the year-on-year rate of change in administrative prices, mostly accounted for by a slowdown in the year-on-year rate of growth in refined petroleum products prices. In contrast, the year-on-year rate of change in agricultural products prices increased in the observed period.

Year-on-year core inflation fell more markedly, from 3.0% in December 2005 to 2.2% in August 2006. The fall in core inflation was primarily due to trends in meat prices. The year-on-year growth rate of meat prices decreased continuously from mid-2005 when, up to over 10.0% owing to meat market disturbances, it put a lot of pressure on domestic inflation. The year-on-year rate of change in meat prices dropped to -0.4% in August 2006, which is an indication that the meat market had stabilised.

Administrative prices slowed down year-on-year from 6.1% in December 2005 to 5.3% in August 2006, predominantly because of refined petroleum products prices falling year-on-year from 15.7% in December 2005 to 2.5% in Au-

gust 2006. Despite this, the year-on-year rate of change of administrative prices remained high, which was in large measure due to a sharp rise in some of these prices (e.g. water supply and utility services prices) early in 2006. The year-on-year rate of change in water supply and utility services prices thus advanced considerably in the first eight months of 2006, from 0.6% in December 2005 to 16.5% in August.

Continued exchange rate stability has also contributed to keeping inflation under control. During the second quarter, the nominal exchange rate of the kuna against the euro appreciated by 0.9%. Somewhat stronger depreciation pressures were felt during the second half of the third quarter, with the kuna depreciating 1.7% against the euro over the entire third quarter. The central bank intervened in the foreign exchange market to offset strong appreciation pressures in May and June, buying from banks EUR 462.2m and emitting a total of HRK 3.4bn. By contrast, in September the central bank intervened to stem strong depreciation pressures, buying from banks some EUR 125.5m. The kuna/euro exchange rate briefly stabilised after this intervention, but started to strengthen again late in September. In an effort to maintain the stability of the kuna/euro exchange rate, the central bank intervened again on 29 September, buying from banks EUR 138.7m.

Exchange rate volatility was low during the summer months, with the average absolute change in the exchange rate amounting to only 0.05% in July and 0.07% in August, compared to an average of 0.11% in these months last year. However, volatility rose in September to 0.12%, as depreciation pressures and some market tensions caused by the central bank's amendment to the foreign exchange liquidity requirement moved the exchange rate strongly for a few days in the middle of the month.

In addition to the nominal depreciation against the euro, the kuna depreciated against the US dollar by 0.6% in the third quarter, 0.1% against the Swiss franc, 1.7% against the Slovenian tolar, and 3.8% against the pound sterling. Overall, the index of the daily nominal effective exchange rate depreciated 1.4% in the third quarter.

However, the real effective exchange rate of the kuna still appreciated by 3.0% in the year through July as measured by consumer prices, and 2.1% as measured by producer prices. The index of the nominal effective kuna exchange rate appreciated by 3.8% in the same period. The difference between the appreciation rates points to a slower growth of domestic prices relative to foreign prices. Specifically, consumer prices in Croatia rose at a much slower rate than prices in the US in the first seven months of the year, while producer price growth was slower compared with that of both eurozone and US prices.

M4 growth was strong during the second quarter and the first two months of the third quarter, with year-on-year growth of the broadest monetary aggregate reaching 15.3% in August. Central bank interventions in May and June, and frequent use of the central bank's reverse repo facility, helped maintain favourable liquidity conditions through the summer.

At the same time, lending growth remained strong

throughout the third quarter, with the growth rate of bank lending to enterprises and households remaining at approximately 24% year-on-year, adjusted for exchange rate changes. Credit growth has recently been increasingly focused on housing loans, on the household side, and loans to enterprises, in part to support business investment. While both of these types of loans are of great importance to the economy, rapid credit growth also brings with it increased imports, which in turn increases current account expenditures and external debt. For these reasons, rapid credit growth is a major concern for the central bank.

In this particular instance, funding for credit growth, at least during the third quarter, did not come from foreign borrowing; banks' foreign liabilities fell from HRK 75.6bn at the end of June to HRK 66.6bn at the end of August. Instead, strong growth in time and savings deposit, most of all kuna non-monetary deposits, of 61.7% year-on-year at the end of August, funded the credit expansion.

The decrease in banks' foreign liabilities is a welcome development, following on the central bank's increase in the MRR rate in December 2005. However, banks' foreign liabilities usually decrease in the summer months, as the foreign exchange inflow from tourism allows banks to repay foreign liabilities. In this regard, it should be noted that this year's decrease was stronger than the ones in previous year – banks' foreign liabilities fell more at the end of August 2006 than in the same period last year.

One thing that did become clear from this summer's developments is that the growth of kuna non-monetary deposits is directly related to the design of the central bank's foreign exchange liquidity instrument. This instrument requires that banks hold liquid foreign exchange assets of at least 32% of the value of designated foreign exchange liabilities. Banks have encouraged their customers to choose kuna accounts indexed to foreign currency rather than foreign exchange accounts, and in this way avoid including these deposits in the 32% requirement. While such actions are entirely legal, they do nothing to decrease foreign exchange risk in banks' balance sheets, and do not address potential liquidity issues in the case of large exchange rate changes. This is why the central bank, in September, changed the 32% decision to cover kuna liabilities with a foreign currency clause.

Market reaction to the announcement of this amendment to the 32% measure resulted in strong kuna demand and a sharp depreciation of the kuna/euro exchange rate in the middle of September. The central bank intervened to stop the momentum of the depreciation, selling euros to the market for the first time in more than two years on 19 September. In addition, the central bank cancelled its regular reverse repo auction scheduled for 20 September to prevent the facility from being used to fund foreign-exchange trading, as well as the creation of excess liquidity in conditions of strong demand for foreign currency.

Strong foreign capital inflow and increased sale of kuna to foreign banks on the domestic foreign exchange market were registered in the days after the intervention. The epilogue to this turbulence on the foreign exchange market was a sharp appreciation of the kuna late in September. Again,

the central bank stepped in to calm the market, this time buying foreign exchange. The two September interventions roughly offset each other, and the central bank was able to meet its target for NIR set out in the Stand-By Arrangement with the IMF comfortably. NIR was required to grow by at least EUR 400m in the year through 30 September, and it in fact grew by EUR 637m (measured at constant exchange rates).

The current account deficit continued to widen in the second quarter, although at a slower rate than in the first quarter. The deficit was EUR 1.3bn, 9.3% more than in the same quarter of last year. The foreign trade deficit rose some 11.7% year-on-year in the second quarter, and the balance on transfers also deteriorated by 11.6%. Net income from services rose 16.1%, but this was mainly because Easter fell during the second quarter this year, while it fell during the first quarter last year.

Looking in more detail at merchandise trade, total goods exports actually showed strong growth of 17.1%, at constant exchange rates, in the first seven months of the year, compared with only 8.4% in the same period last year. This increase is to a great extent due to increased ship exports, and to increased exports of oil and refined petroleum products. As their volumes remained roughly stable, the surge in exports of oil and refined petroleum products is attributed to increased oil prices. Excluding ships and oil and refined petroleum products, exports grew 14.6% in the first seven months of the year, down 1 percentage point from the same period last year.

Total imports of goods at constant exchange rates accelerated during this period, rising from 11.4% in the first seven months of 2005 to 16.5% in the first seven months of 2006. Even excluding oil and refined petroleum products, import growth rose year-on-year from 6.8% to 15%. Even though some of this import growth is accounted for by capital goods, which may increase the productive capacity of the economy over time, this rapid import growth certainly presents a challenge to macroeconomic policy makers.

The outstanding feature of the financial account data for the second quarter was strong net FDI growth, which amounted to EUR 0.8bn, up 19.3% on the second quarter of last year. Both inward and outward investment contributed equally to net FDI growth. Recapitalisation of several banks, the purchase of pharmaceutical company Pliva's Research Institute by the British-American firm GlaxoSmithKline and the retention of profits by established FDI ventures were the dominant transactions under the foreign direct investment heading. Portfolio investment was relatively quiet, with modest net inflows coming from secondary market purchases of securities and changes in the portfolios of Croatian banks.

Other investment amounted to EUR 1bn (net). Here the largest change came from increases in net use of credit by domestic enterprises (EUR 0.5bn) and banks (EUR 0.2bn). In the second quarter of 2006, the central bank's international reserves increased EUR 697bn in balance-of-payments terms.

Croatia's external debt grew during the second quarter from an initial EUR 26.5bn to EUR 27.5bn, only to fall to

EUR 26.8bn by the end of August. Most of the decrease in the absolute external debt amount in the summer months came from banks, whose external debt fell from EUR 10.3bn in June to EUR 9.0bn in August. Government external debt remained steady over the summer months, while enterprise foreign borrowing continued to rise, growing from EUR 8.0bn in June to EUR 8.5bn in August. Certainly, one of the keys to the development of the overall debt in the rest of the year will be the behaviour of banks' external debt, as it remains to be seen whether the decrease over the summer months is merely the usual seasonal effect or actually the beginning of a new trend. In addition, the question also remains whether increasing enterprise debt will become a substitute for decreasing bank debt.

External liquidity, as measured by the index of exchange market pressure, remained within normal limits during the summer months. Although the increase in the index value was somewhat more pronounced in July, it remained well below the critical value.

Buoyant economic growth produced buoyant fiscal revenues, helping keep the consolidated general government deficit below expectations in the first half of the year. As a result of this, the Croatian Parliament approved a supplementary budget in June 2006. The revision included increases in both revenues and expenditures, but with greater increases on the revenue side. The supplementary budget, as well as changes in financial plans of extrabudgetary users and local and regional self-government units should reduce the consolidated general government deficit to 3% of estimated GDP.

In addition, at the end of June, the Government made the first instalment of payments planned to compensate pensioners for lower increases in pensions than legally required in the past. Debt to pensioners was recognised by a decision of the Constitutional Court of Croatia on 12 May 1998, and will mainly be repaid during 2006 and 2007. While the Government has decided not to show these payments in its budgetary accounts, they nonetheless will have significant macroeconomic effects.

Consolidated general government revenues were up 11.4% in the first six months of 2006 as compared to the same period last year. The major contributors to this were VAT, the largest single tax item, social contributions and profit tax revenues. In contrast, consolidated general government expenditures grew at a rate almost three times lower than that of consolidated general government revenues in the first six months of 2006. Within this, social benefits grew the most, with average pensions increasing by 2.8% and the number of those receiving pensions growing 1.5%. Thanks to strong revenue growth and moderate expenditure growth, the net operating balance amounted to HRK 1.1bn in the first half of 2006. However, net government acquisitions of non-financial assets reached HRK 3.8bn, so the net borrowing amounted to HRK 2.7bn.

General government debt, inclusive of CBRD debt, rose HRK 1.1bn in the first half, reaching HRK 109.7bn at the end of June. Due to the government's reliance on the domestic capital market for deficit financing and refinancing of liabilities due, domestic government debt continued on an up-

ward trend, while external government debt declined. Inclusive of the potential debt arising from issued government guarantees, total general government debt reached HRK 122.4bn.

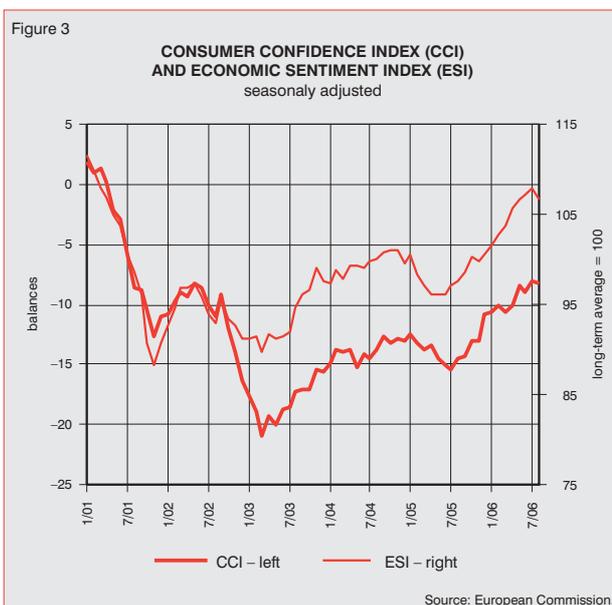
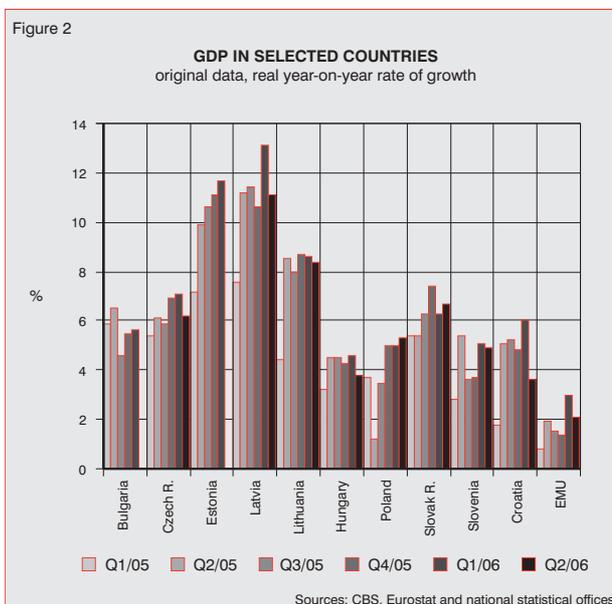
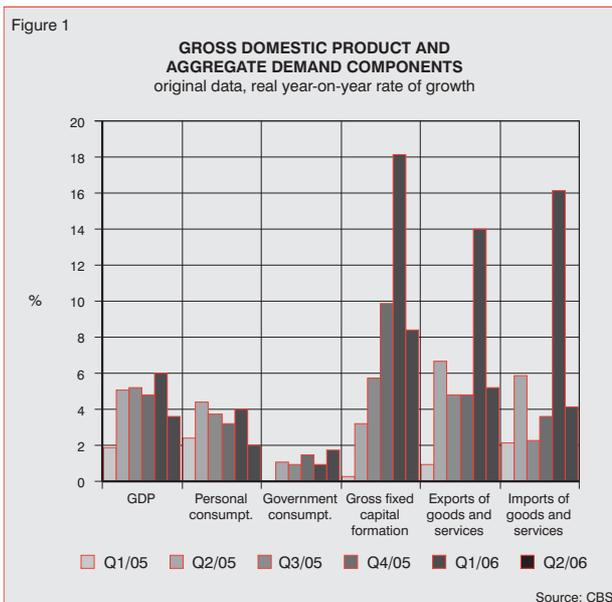
Demand

After its strong acceleration in the first quarter of 2006, economic growth slowed down in the second quarter owing to a downturn in personal consumption and the weakening of economic activity. The foreign trade dynamics, resulting from a somewhat faster slowdown in real imports of goods and services relative to their exports, was slower but it lessened the negative contribution of net foreign demand to real GDP growth. According to the quarterly GDP estimate for the second quarter, real GDP rose by 3.6%, suggesting a decline in economic growth of 2.4 percentage points compared with the first quarter. In assessing the overall economic activity growth it should be noted that the stated annual slowdown reflects the impact of the base period. However, seasonally adjusted data point to continued growth of gross domestic product since the second quarter of 2005. Quarterly GDP accelerated to 1.3% in the second quarter, from 0.9% and 0.4% in the first quarter of 2006 and last quarter of 2005 respectively. Taken cumulatively, GDP at constant prices rose by 4.8% in the first half of the year compared with a 3.5% increase in total economic activity recorded in the same period of 2005.

Monthly economic activity indicators available for July and August suggest acceleration in real GDP growth over the third quarter of 2006. A recovery of the annual industrial production dynamics (observed in all industrial groupings) in July and August was paralleled with a boost in retail trade turnover and favourable developments in merchandise trade, thus corroborating the upturn in both domestic and foreign demand.

Rapid expansion in domestic exports in early 2006 was facilitated by a boost in economic growth in the international environment in the first quarter.¹ In the second quarter, economic growth slowed down in Croatia's trading partners, which resulted in a decline in domestic exports in the period. According to the currently available data, economic slowdown was recorded in all observed countries except Poland and Slovakia, which reported higher economic growth rates. In the second quarter, economic growth rates in selected countries ranged from 3.8% (Hungary) to 11.1% (Latvia). In the eurozone, economic growth rates dropped from 3.0% in the first quarter to 2.1% in the second quarter.

The European Commission's latest short-term forecasts for the second half of 2006 suggest a rise in economic activity in the eurozone, ranging from 0.5% to 0.9% in the third quarter, and from 0.4% to 0.9% in the fourth quarter (seasonally adjusted data). These forecasts imply a continuation of stable annual growth in eurozone countries over the second half of the year. In view of this, and due to a favourable



¹ As data on foreign economic trends are subject to revision, the real changes presented in CNB Quarterly Reports may not always be identical.

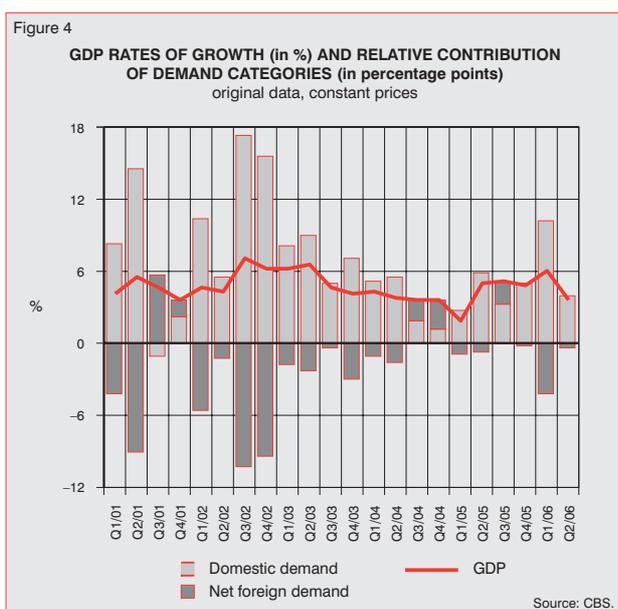
overall performance in the first semi-annual period, the European Commission's² latest middle-term forecast for September 2006 points to a potential 2.5% increase in economic growth in the eurozone for the year (the expected annual growth rate is adjusted upwards by 0.4 percentage points compared with the previous forecast), according to seasonally adjusted data.

The Economic Sentiment Index in eurozone countries declined mildly in August, after having risen continuously over the previous nine months. However, this indicator still considerably exceeds its long-term average. The trend changes in this composite index principally reflect a decline in business optimism in industry, but were also observed in consumer optimism.

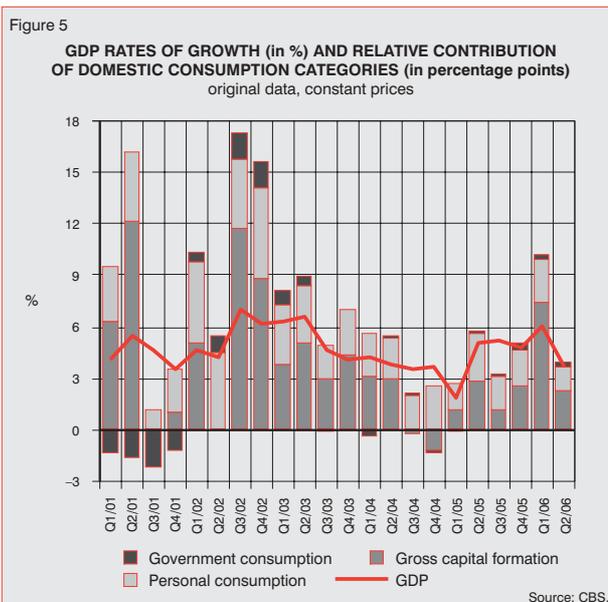
Foreign Demand

The second quarter of 2006 saw a moderation of Croatia's external imbalance, as a result of faster growth of goods and services exports than imports. In the same period, total exports and imports rose at a slower pace compared with the first quarter. Exports were 5.2% stronger than in the same period last year (the annual growth of total exports was as high as 14% in the first quarter), while annual imports dropped from 16.1% at the beginning of 2006 to 4.2% in the second quarter of the year.

Such developments were in line with the preliminary balance of payments data for the period, suggesting a slowdown in the nominal growth of exports and imports of goods and services relative to the first quarter. The nominal CBS data on merchandise trade for July point to an acceleration of goods exports and imports at the beginning of the third quarter, which is a sign of strong foreign demand in this period. In addition, volume indicators of the tourist season point to an increase in tourist arrivals and overnight stays in July.



2 Source: European Commission: Interim Forecast, September 2006.



Domestic Demand

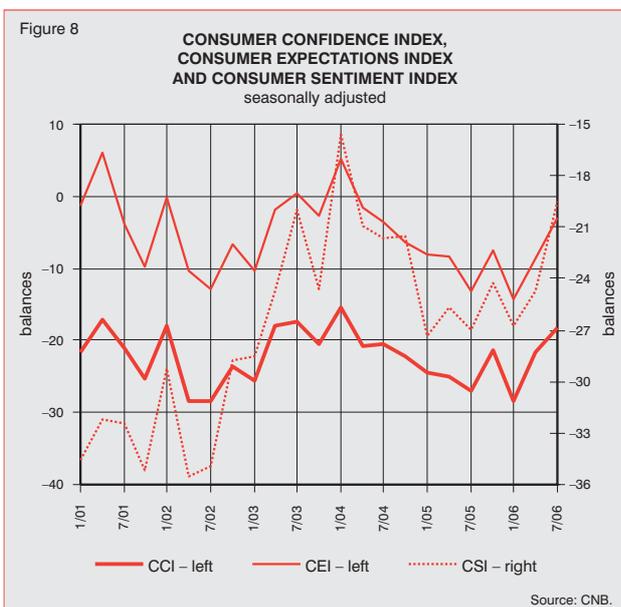
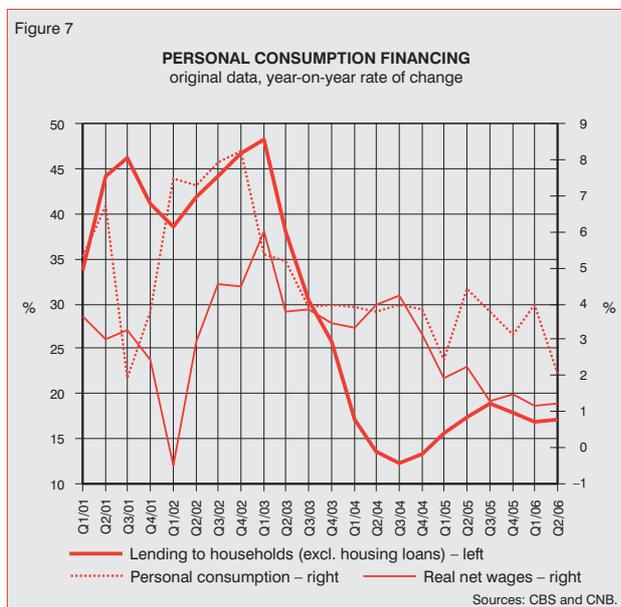
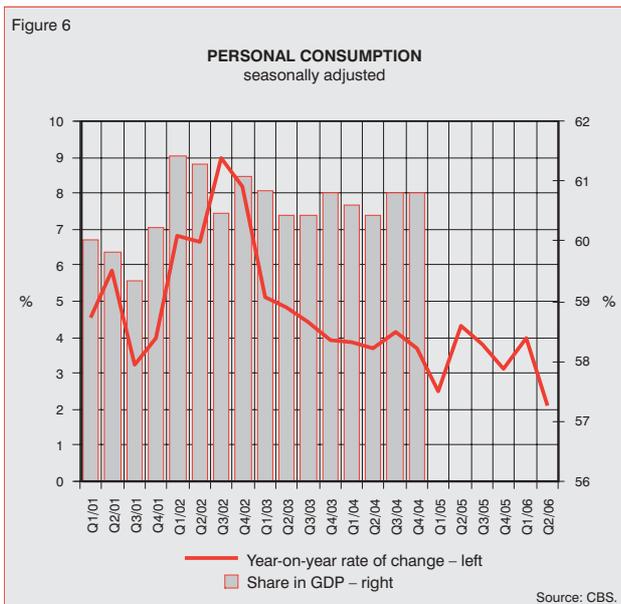
Domestic demand weakened moderately during the second quarter of 2006, due to slowed annual growth in gross capital formation and in final domestic consumption. The final consumption trend in the second quarter was marked by a mild rise in government consumption which was insufficient to offset the downturn in personal consumption, being the main aggregate demand component. It is worth noting, however, that the annual rates of change in gross fixed capital formation were still high in the observed period, due to high investment levels achieved at end-2005 and in early 2006. By contrast, a decline in the annual rate of change in inventories contributed mildly negatively to economic growth. However, given the statistical discrepancy included in this investment category, the contribution of inventories to economic growth cannot be determined with certainty.

The available monthly economic activity indicators for July and August suggest a recovery of domestic demand and overall economic growth in the third quarter. These trends are largely in line with the latest Business and Consumer Expectations Surveys' results, which mainly support the growth of business and consumer optimism in this period.

Personal Consumption

The second quarter of 2006 saw the sharpest decline in personal consumption ever since the third quarter of 2001. As a result, this component's contribution to real GDP growth was only modest in the observed period (1.3 percentage points), despite its being the most significant aggregate component, as already noted.

The available monthly indicators of personal consumption and the changes in its sources of financing point to the re-acceleration of its real growth in the third quarter of this year. According to the seasonally adjusted data, the beginning of the third quarter was marked by a recovery of retail trade turnover, which had a positive effect on the real annual retail trade turnover. This trend was corroborated by the VAT revenue dynamics in July. Mild employment accelera-



tion in July 2006 (according to the preliminary CBS data which, to a certain extent, ignore this employment growth) was paralleled with stagnant annual growth of average real net wages in July relative to their average growth recorded in the second quarter of 2006. However, this stagnancy affected the annual wage bill growth at the beginning of the third quarter. In contrast to this, the annual growth in the number of persons insured with the CPIA, which is considered as a more reliable indicator of employment trends than the preliminary CBS data, decelerated in July. Nominal bank placements to households, excluding home loans, rose at a somewhat slower pace at the beginning of the third quarter of 2006, and their annual rate of change remained high, 16.5%, as shown by the average loan balance in July and August. The stated developments are supported by the trends in bank placements to households, adjusted for exchange rate changes. The first instalment of debt to pensioners paid in July 2006, and the latest pension indexation³ to the semi-annual nominal gross wage and consumer price growth of 3.25% in September (starting from July pensions), will have a favourable impact on personal consumption trends in the third quarter.

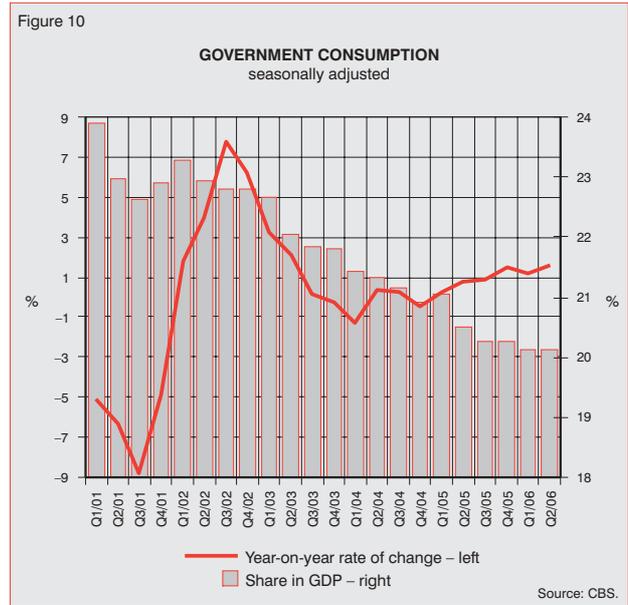
The CNB's Consumer Confidence Survey provides some information on consumers' intentions, expectations and likely future developments in personal consumption. The seasonally adjusted results of the July survey suggest further growth of consumer optimism, notably the growth of Consumer Expectations Index and Consumer Sentiment Index. However, Consumer Confidence Index rose at a somewhat slower pace due to a mildly stronger likelihood of savings growth and an anticipated decline in unemployment over the coming twelve months.

Investment Consumption

In the first quarter, gross fixed capital formation rose by 18.1% in real terms, thus achieving its record high in a period exceeding two years. The second quarter saw slower growth of this investment category, but its annual rate of change remained high, 8.4%. As a result, its contribution to GDP growth decreased from 4.8 percentage points in the first quarter to 2.7 percentage points in the second quarter. The change in inventories, being a less important component of gross capital formation, declined in the second quarter, after having grown strongly during the first quarter. As a result of this, the contribution of gross capital formation to GDP growth also decreased, from 7.5 percentage points in the first quarter to 2.5 percentage points in the second quarter.

Investment activity indicators available at the beginning of the third quarter of 2006, mainly point to its strengthening in the period. This is supported by the annual growth in intermediate and capital goods production in July and August, as well as the growth of imports of these goods in July, which accelerated relative to their average growth over the

³ Pension indexation has been carried out since 2004, pursuant to the Act on Amendments to the Pension Insurance Act (Official Gazette 30/2004). According to the Act on Amendments to the Pension Insurance Act, which became effective on 31 December 2005 (Official Gazette 92/2005), the semi-annual pension indexing is based on the average semi-annual rate of change in the Consumer Price Index and average gross wage.



second quarter of 2006. However, final goods inventories in industry decreased in July, year-on-year, due to reduced investment and consumer goods inventories. Moreover, the annual growth in the total volume of construction works accelerated in July, relative to its average in the second quarter, although the described construction activity trends were partly influenced by the base period effects. Annual growth of production was also recorded in mining and quarrying in July and August.

According to the nominal Ministry of Finance data on consolidated central government revenue and expenditure (GFS 2001), government capital expenditure decreased annually in July 2006, after having grown during the second quarter. However, account should be taken of the time series volatility of this category. In contrast to this, the annual growth of bank corporate placements in nominal terms continued to accelerate in the third quarter (according to the July and August data), as shown by the average loan balance for the period. Corporate placements adjusted for exchange rate changes show a slightly higher rate of change. In parallel with this, home loans grew at a slower annual rate, while, as suggested by the July Consumer Confidence Survey, real estate investments of households are expected to grow slightly over the next year.

Government Consumption

Quarterly GDP estimate shows a mild decline in the real annual growth of government consumption early this year. In the second quarter, government consumption was the only aggregate demand component recording higher annual growth rates relative to the first quarter. In the second quarter, government consumption grew at a real rate of 1.7%, reaching a record high in the last three years. However, given its relatively small share in GDP (about 20%), the contribution of government consumption to GDP growth rose only slightly, from 0.2 percentage points in the first quarter to 0.3 percentage points in the second quarter.

Based on the amendments to the state budget for 2006, the growth of government consumption is expected to accel-

erate in the second half of the year, primarily on account of expenditures for the use of goods and services. However, no such trends are discernible from the nominal MoF data on compensation of public administration employees (including severance pays) and the consolidated central government expenditures for the use of goods and services in July.

Output

As shown by the quarterly GDP estimate, GVA increased by 5.8% in real terms in the first quarter of 2006, accelerating by 1.4 percentage points from the last quarter in 2005. Due to a surge in taxes on goods reduced by subsidies, GVA in all economic activities grew 0.3 percentage points less than GDP in early 2006.

Annual GVA growth slowed to 3.7% in the second quarter. A slowdown was recorded in all economic activities except hotels and restaurants, whose real annual growth accel-

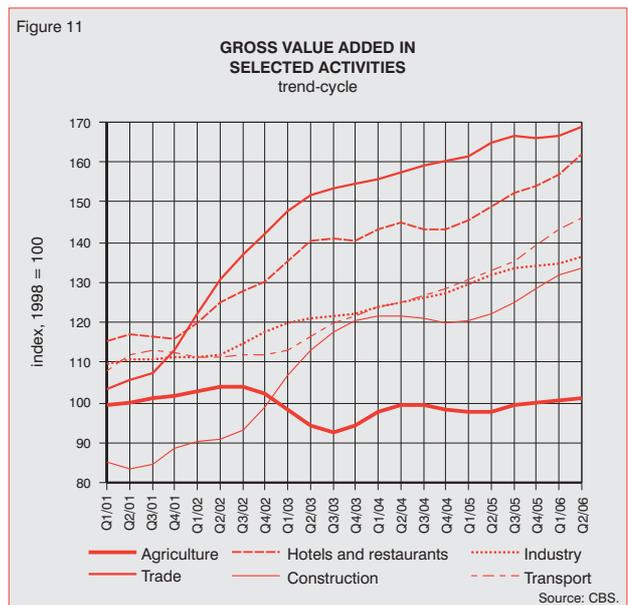


Figure 12

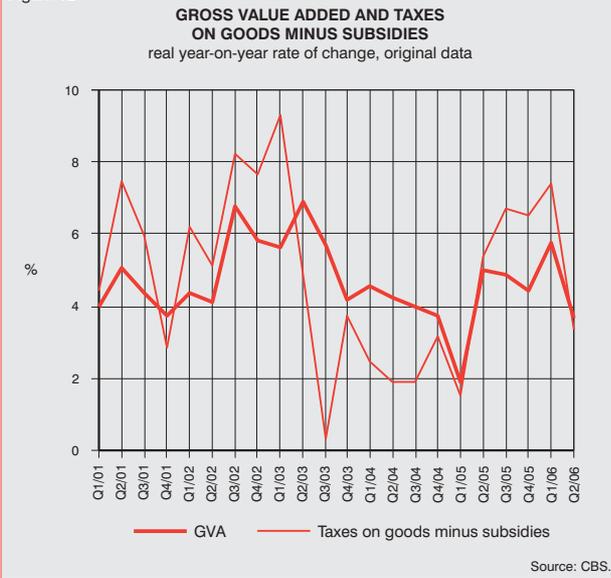
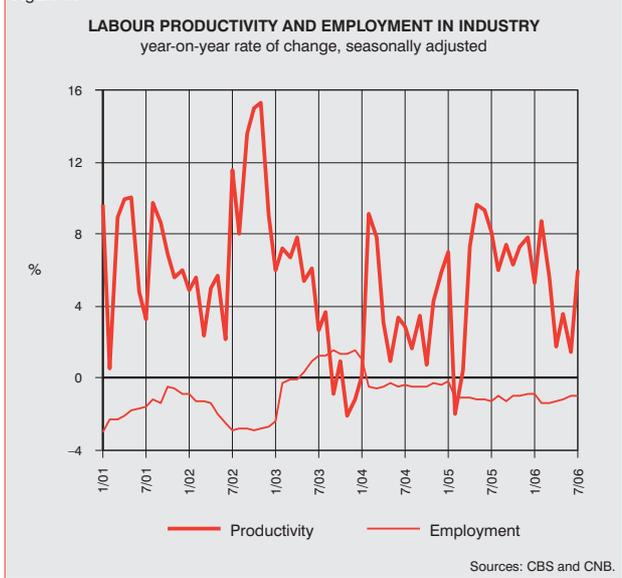


Figure 14



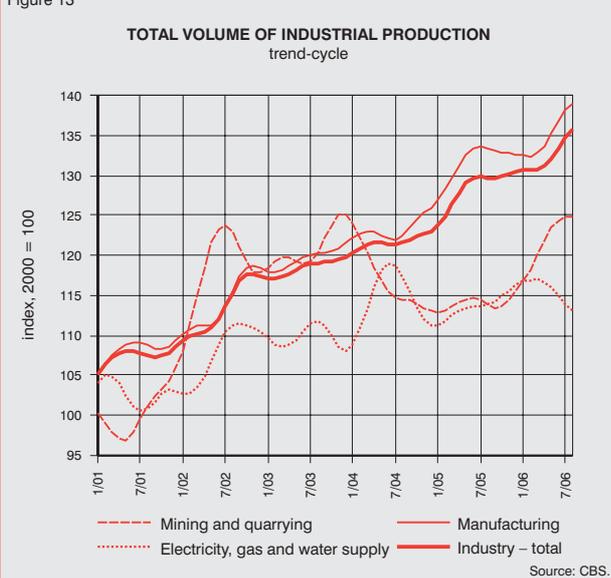
erated in the observed period. The growth of all economic activities' value added outstripped GDP growth by 0.1 percentage points in the second quarter, in consequence of a slowdown in taxes on goods reduced by subsidies.

Economic indicators for July and August 2006 suggest that total GVA accelerated growth in the third quarter, in a reversal of trends from the second quarter. Industrial production recovered strongly on an annual basis early in the third quarter, while retail trade turnover edged up and construction accelerated.

Industry

Real GVA in industry slightly accelerated annually over the first quarter 2006, up from 5.8% at end-2005 to 5.9%. Industry's contribution to total real GVA growth remained unchanged at 1.7 percentage points. With its GVA decelerating sharply to 1.1% per annum in the second quarter, industry's contribution to total GVA growth declined to only

Figure 13



0.3 percentage points.

Available CBS volume indicators for July and August 2006 suggest both a recovery in industrial production and its annual dynamics acceleration in the observed period. The cumulative annual growth rate of industry advanced from 1.1% in the second quarter to 6.3% in July and August. While all industrial groupings recorded an upturn, especially marked was the annual increase in the production of investment goods.

As suggested by CBS nominal seasonally adjusted data for July, both goods exports and imports jumped sharply early in the third quarter. Goods exports rose at an accelerated annual rate of 20.4% in July 2006, due predominantly to rising exports of investment goods and energy, with a rise observed in imports as well. Goods imports also grew at an accelerated rate in July compared with June. These developments were partly under the influence of growing domestic demand, which also caused a further decrease in inventories of industrial finished products in the same period.

Accounting for over 80% of industrial production, manufacturing rose at a cumulative annual rate of 6.7% in July and August, according to seasonally adjusted data, accelerating sharply from the second quarter. Also rising was mining and extraction, with a cumulative annual rate up from 5.1% in the second quarter to a high of 13.3% in July and August. These developments reflected a construction upturn at the beginning of the third quarter. In contrast, energy supply decreased in July and August, slowing considerably on an annual basis.

Following a marked slowdown in the second quarter, labour productivity in industry accelerated the annual growth rate from 2.3% in the second quarter to 6.0% in July, due primarily to the strong industrial recovery earlier in the third quarter.

Trade

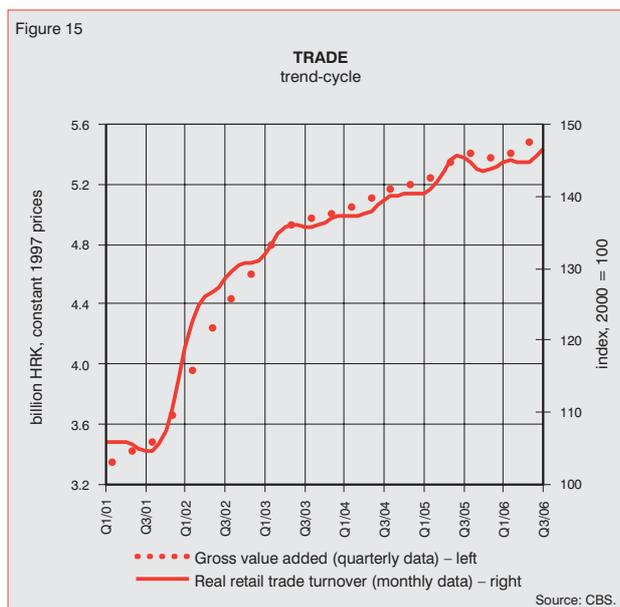
After a slowdown in late 2005, real GVA in trade resumed accelerated growth in the first quarter 2006. Rising at a real

annual rate of 3.8% early in the year, trade increased its contribution to overall GVA growth to 0.6 percentage points compared with end-2005. However, GVA in trade slowed to 2.6% annually in the second quarter, reducing its contribution to total GVA growth to 0.4 percentage points. These trends are confirmed by nominal CBS data on distributive trade for the second quarter, pointing to an annual slowdown in trade in the observed period, mostly due to this year's slowdown in wholesale trade turnover. In addition, annual retail trade turnover growth accelerated in the first half of 2006, while retail trade inventories declined.

According to seasonally adjusted data, real retail trade turnover dipped annually in the second quarter 2006, for the first time since the third quarter in 1999, predominantly as a result of a real decrease in motor vehicle sales. These changes were apparently in line with the real car purchase loan dynamics (inclusive of leasing), changes in the number of newly registered cars and findings on intended car purchases from a consumer optimism survey carried out earlier in the year.

Real retail trade turnover recovered early in the third quarter this year, both in terms of its level and annual rates of change. According to seasonally adjusted data, retail trade rose at an annual rate of 1.6% in July. With the exception of the sales of motor vehicles and motor fuels and lubricants, real retail trade continued to grow at a somewhat accelerated annual rate early in the third quarter.

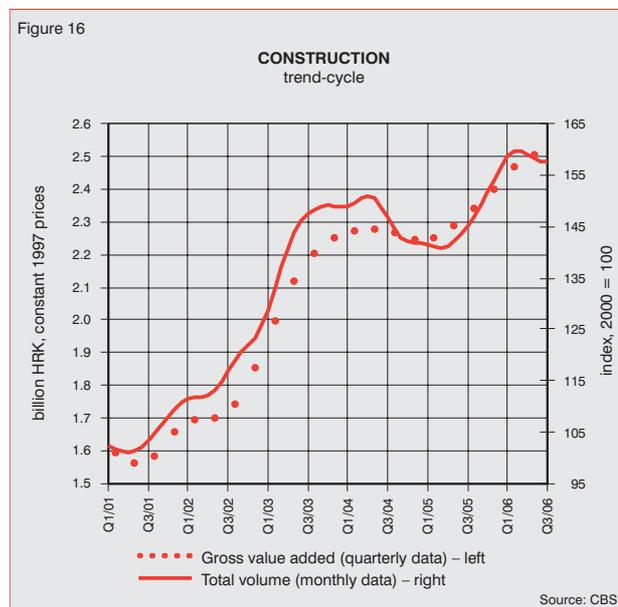
As regards retail trade turnover by branches in July, high nominal growth rates were recorded in non-specialised stores with food, beverages and tobacco predominating and in motor fuels and lubricants, the branches with the highest positive contributions to nominal retail trade growth. In contrast, the largest negative contribution in the observed period again came from books and stationery, falling annually since early 2006. The contributions of the said categories considerably exceeded their shares in nominal retail trade turnover.



Construction

GVA in construction rose at an accelerated annual rate of 11.5% in the first quarter of 2006, the highest rate in the last two years. Construction contributed 0.8 percentage points to overall economic growth in that period. With its GVA slowing down to a still high level of 8.3% in the second quarter, construction reduced its contribution to overall GVA growth to slightly lower 0.6 percentage points.

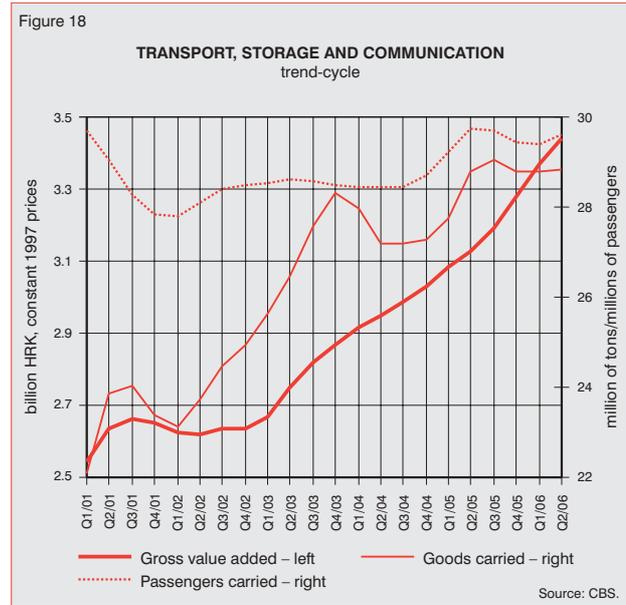
Construction held steady early in the third quarter, while its annual growth rate in July exceeded the one in June. However, the cumulative annual rate of change in construction works decreased further from the beginning of the second quarter, standing at 11.4% in the first seven months of the year (compared with 11.8% in the first half of the year). The drop in the value of construction works based on construction permits issued was coupled by an annual fall in July, although one should take into account the volatility of the time series. On the other hand, the value of net construc-



tion work orders, another leading indicator of construction, slightly rose annually in the first five months, due mainly to a growing number of building construction orders. Also relevant in this regard is an improvement in business optimism in construction, as shown by an economic activity test published in *Privredni vjesnik*. In line with these developments, mining and extraction grew at rapid annual rates in July and August and imports of related products increased early in the third quarter, which is an indication of positive construction trends in the forthcoming period.

Tourism

Real GVA in hotels and restaurants rose annually by 5.6% in early 2006. However, with its relatively small share in total GVA, this activity contributed only 0.1 percentage points to total GVA growth. It should be stressed that this activity's GVA trends fail to reflect full economic effects produced by tourist consumption, as these overcome the contribution of



hotels and restaurants. As the only activity whose annual growth was at 9.4% higher in the second than in the first quarter, hotels and restaurants expanded its contribution to overall GVA growth by 0.4 percentage points.

Tourist arrivals and nights rose only slightly in July 2006 from the same month in 2005, slowing annual growth. Total tourist nights thus grew at an annual rate 2.7% in July, with tourist arrivals up by 1.1% (compared with 8.1% and 7.2% respectively in the second quarter) in July, with domestic tourist arrivals and nights rising at a more pronounced rate. The most of foreign tourist nights were spent by German tourists (16.2%) and tourists from Slovenia (15.5%), the Czech Republic (10.3%), Austria (8.0%) and Italy (7.7%).

Transport and Communications

The quarterly GDP estimate shows that transport, storage and communication increased annually by 9.9% in the first quarter of 2006, this being the highest GVA growth in this activity since the last quarter in 2001. As a result, the contribution of this activity to total GVA growth rose from 0.9 to 0.7 percentage points in late 2005. GVA annual growth in transport, storage and communication slowed to 8.5% in the second quarter, with the contribution of this activity to total GVA growth dipping to 0.8 percentage points.

Goods and passengers transport stagnated in the second quarter of 2006, which adversely affected its annual trends and resulted in a -0.6% rate of change for goods transport and -0.8% for passengers transport.

Making up more than a half of total passenger transport, road passenger transport declined in the same period (road transport measured by the number of transported passengers continued to decline slightly on an annual basis, while road passenger transport measured in passenger kilometres slowed on an annual basis). The annual growth of road goods transport, measured by tonnes of transported goods and by tonne kilometres, also slowed in the observed period.

As regards telecommunication services, the number of minutes spent in the fixed network continued dropping an-

nually, falling at a faster rate in the second quarter (-14.6%) than in the first quarter (-12.5%). Minutes spent in the mobile network continued to grow in number, although at a somewhat lower rate than earlier in the year.

Labour Market

Labour market developments were positive in the first half of 2006, reflecting economic trends in that period. As suggested by seasonally adjusted data, registered unemployment trended downward, accelerating the trend in the second quarter compared with the first. This was primarily due to declining inflows into the CES register and rising employment from the register. Due to this downward trend, continuing from early 2005, registered unemployment dropped for the sixth consecutive month in July. Monthly registered unemployment edged up in August because of an increase in inflows into the CES register and a decrease in employment from the register. However, this failed to affect the downward trend in the annual registered unemployment rate, which was at a ten-year low of 15.7% at end-August, the same as at end-July.

According to preliminary CBS employment data and data on the number of insured with the CPIA, total employment increased in July. According to CBS data, this was its fifth successive monthly rise, with the annual growth rate standing at 0.7% in the second quarter. These preliminary data are to be revised, probably upwards, in April 2007.

The year-on-year rate of change in the real gross wage was 2.2% in the second quarter, up by a mere 0.2 percentage points from that in the first quarter, due to the rise in the nominal gross wage being accompanied by an accelerated increase in the cost of living. The average real net wage was up 1.2% in the same period, rising at a lower rate than the average real gross wage due to tax progression. The real gross wage grew at a decelerated annual rate of 2.0% early in the third quarter.

Unemployment and Employment

The inflow into the CES unemployment register decreased sharply in the second quarter 2006, mainly because of the number of newly registered plunging to 12 300 in April, a record low since 1998. Spurred by seasonal employment, employment from the register rose in that period over the first quarter, standing at 20 000 in May. However, this was insufficient to account for a major increase in annual employment from the register. With their downward trend arrested in early 2005, clearings from the register for reasons other than employment remained at a low level in the second quarter this year.

Labour market developments positively affected registered unemployment trends. As shown by seasonally adjusted data, the decrease in registered unemployment, continuing from February 2005, sharply accelerated in the second quarter this year. This decrease, primarily generated by lower inflows into the unemployment register, reduced registered unemployment for the sixth consecutive month, down to 270 800 at end-July 2006.

However, registered unemployment reached 271 100 already at end-August, halting the downward trend in monthly registered unemployment. This was a result of an increase in the inflow into the CES register in July and August and a decrease in employment from the register, which returned to its usual level in August. The relatively modest August increase failed to change the downward trend in registered unemployment, which dropped, according to seasonally adjusted data, by 20 600 (6.7%) in that month compared with the same month in the previous year.

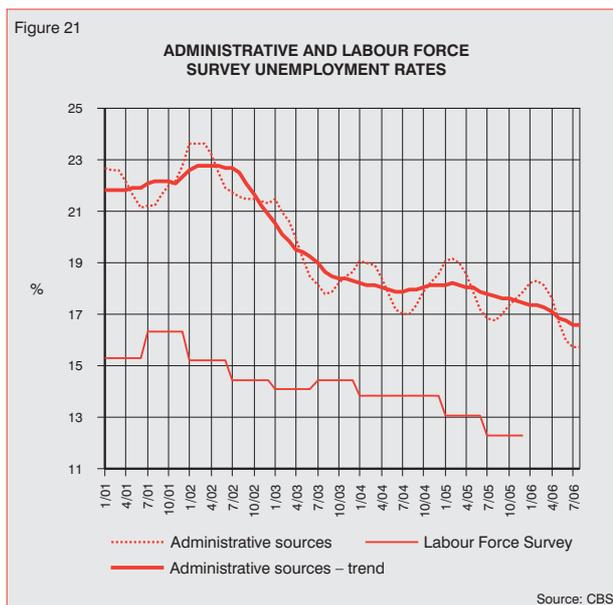
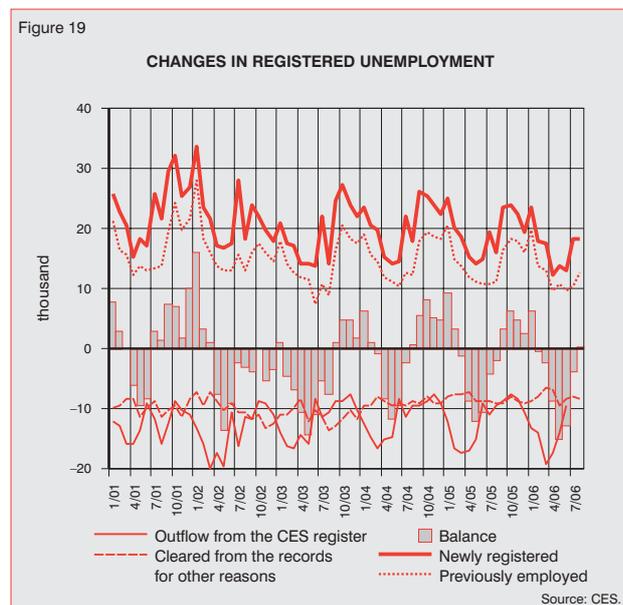
The registered unemployment rate decreased from 16.0% in June to a ten-year low of 15.7% in July. This rate, unaffected by a slight increase in registered unemployment in August, held steady at 15.7% in that month, down 1.1 percentage point from August 2005. According to the latest available survey data, the unemployment rate stood at 12.7% in 2005, decreasing by 1.1 percentage point from that in 2004. The unemployment fall in 2006 shown by administra-

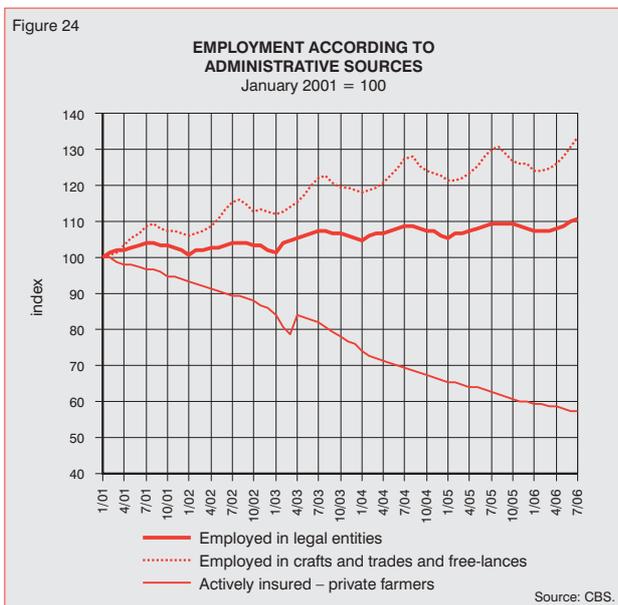
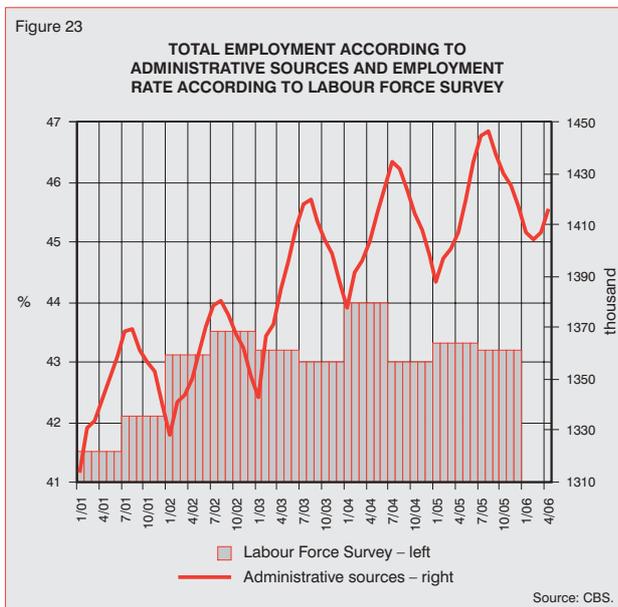
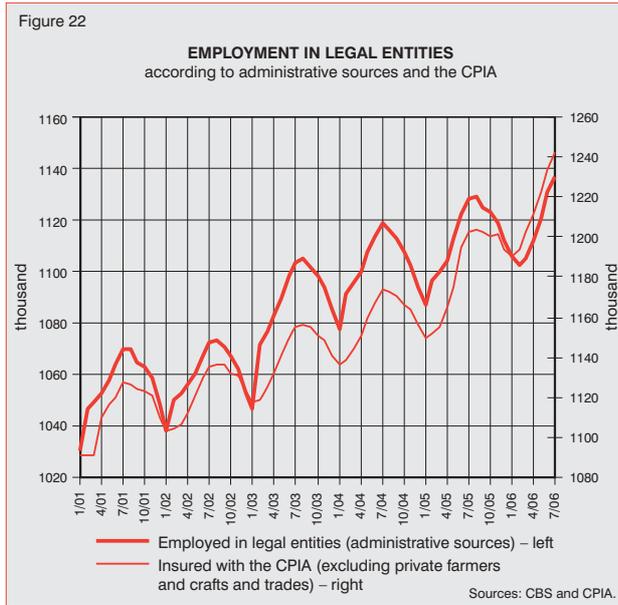


tive data has yet to be confirmed by the survey data on employment and unemployment for the first half of the year, which are to be compiled in November.

As shown by employment indicators, total employment continued to grow in the second quarter 2006 at the same pace as in the first quarter. The number of insured with the CPIA continued to increase at high annual rates, observed since its unexpected growth in June 2005, growing by 3.1% for the year in the second quarter, up 0.1 percentage point over the first quarter and 1.3 percentage points over the whole of 2005.

As shown by preliminary administrative CBS data, total employment rose for the fifth consecutive month in July, coming close to 1 500 000. The year-on-year rate of change in total employment was 0.7% in the second quarter 2006, a drop of 0.1 percentage point compared with the first quarter. However, since it was based on the revised employment data for the period until January 2006 and on preliminary employment data for the subsequent period, this rate is likely





to be increased considerably by the preliminary employment data revision, planned for April 2007.

Making up almost 80% of total employment, with the figure estimated based on an enterprise survey and subsequently revised, employment in legal entities was the main generator of total employment growth in the first half of 2006. The revision of data on employment in legal entities, commonly resulting in a considerable increase in employment, will also determine annual total employment trends. Having accelerated annually from 2.1% in the first quarter to 2.3% in the second quarter 2006, employment in crafts and trades and free-lances continued contributing to total employment growth. In contrast, the number of private farmers actively insured with the CPIA dropped further, almost annulling the positive contribution of the growth of employment in crafts and trades and free-lances to total employment.

Employment contraction in agriculture (0.9 thousand or 2.9%), mining and extraction (0.2 thousand or 2.1%) and manufacturing (2.4 thousand or 0.8%) was the key factor causing a mild annual slowdown in total employment. In contrast, total employment was spurred by real estate and other business activities (3.6 thousand or 4.1%), financial intermediation (1.1 thousand or 3.4%) and construction (3.7 thousand or 3.1%). The rise in employment in education and, to a smaller extent, in health care, offset the decrease in employment in the narrowly defined public administration, with the result that the overall public administration saw annual employment growth in the second quarter 2006.

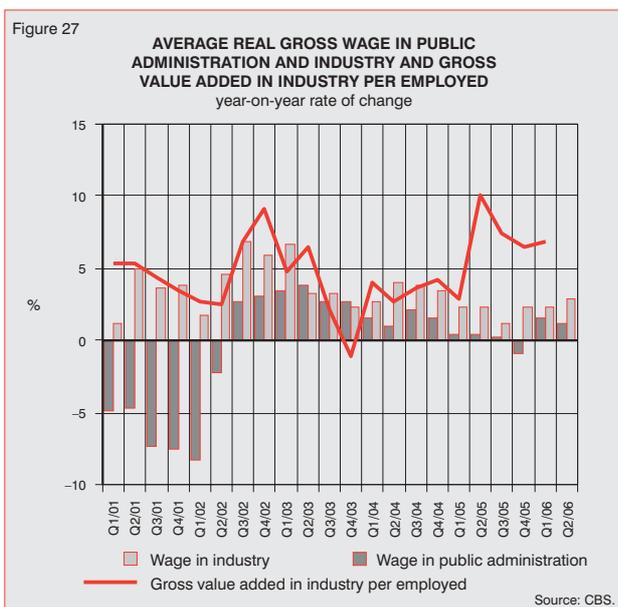
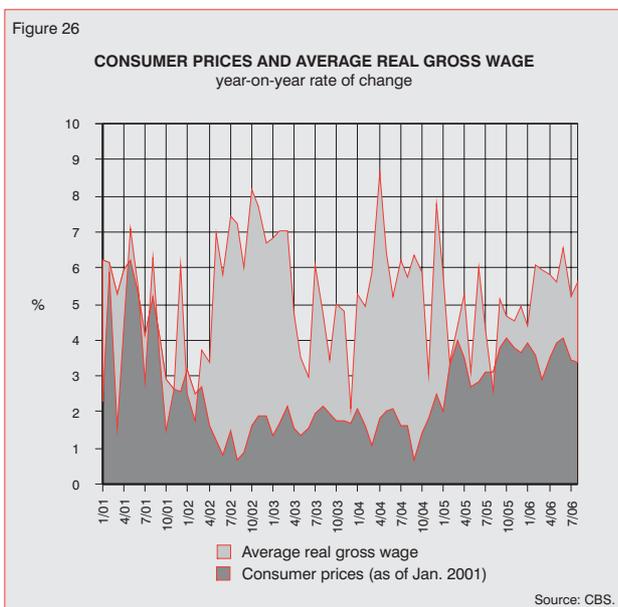
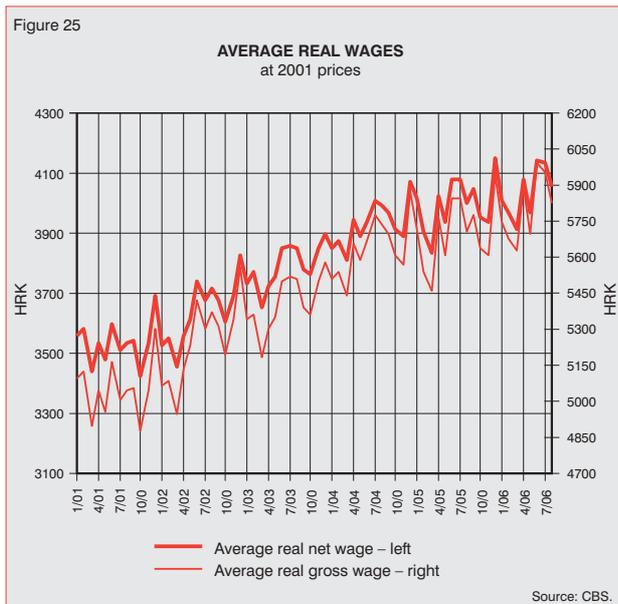
Wages and Labour Costs

Real gross wages recovered in the first half of 2006 from 2005, rising at an average annual rate of 2.2% in the second quarter, up 0.2 percentage points from the first quarter. Real gross wages dropped early in the third quarter, concurrently with the decrease in employment from the CES register, arresting the cumulative annual growth of the average real gross wage in August. The average real net wage grew at an annual rate of 1.2% in the second quarter, equalling its cumulative annual growth rate in August. The slower growth of real net wages compared with real gross wages in the second quarter 2006 was due to tax progression.

The average nominal gross wage rose at an annual rate of 6.1% in the second quarter, an increase of 0.5 percentage points compared with the first quarter. An accelerated cost of living growth mitigated the effect of this increase on real gross wage trends. The nominal gross wage and the cost of living reversed the trend in July and August and the real gross wage annual growth rate dropped in consequence.

The wage dynamics was relatively even in most divisions, with a somewhat stronger annual real gross wage growth in the second quarter observed in agriculture (13.4%), mining and extraction (3.8%) and real estate and other business activities (3.5%). Manufacturing made a positive contribution to the increase in average real gross wages (0.8%), which was especially significant as it equalled the joint contributions of construction, wholesale and retail trade, narrowly defined public administration and education.

Following general trends in real gross wages, the average



real gross wage in industry accelerated annually from 2.4% in the first quarter to 2.9% in the second quarter this year. Industrial labour productivity growth, measured by trends in industrial gross value added, at constant prices, per employee, stood at 6.9% in the first quarter, considerably exceeding real gross wage growth in that period. This suggests that price pressures coming from the labour market were not particularly strong, a conclusion which is unlikely to be significantly affected by the revision of data on employment in legal entities.

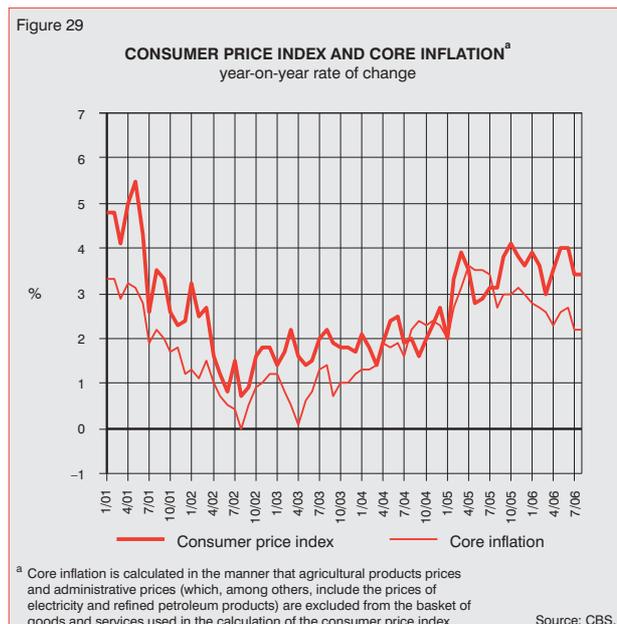
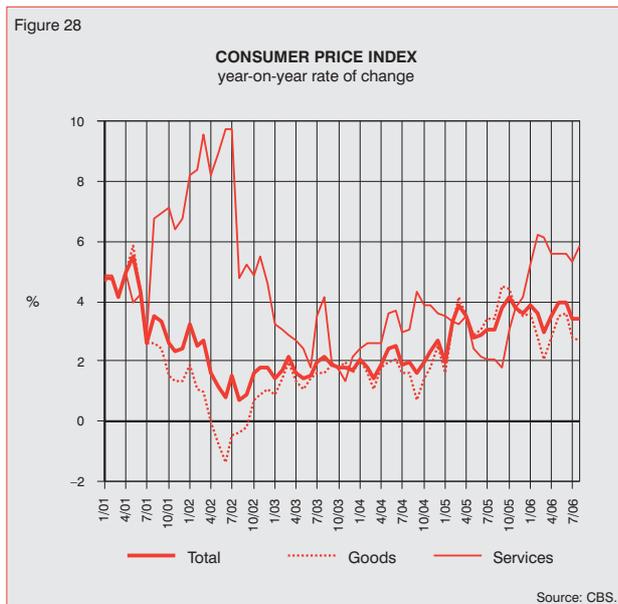
Prices

The year-on-year consumer price inflation rate declined slightly over the first eight months in 2006, from 3.6% in December 2005 to 3.4% in August 2006, while the year-on-year rate of change in the CPI ranged between 4.0% in May and June and 3.0% in March. The slowdown in the year-on-year inflation rate was primarily due to a decrease in the year-on-year core inflation rate. This was in turn mainly caused by a drop in the year-on-year rate of growth in the prices of meat and clothes and footwear, and to a smaller extent by a decline in the year-on-year rate of change in administrative prices, mostly accounted for by a slowdown in the year-on-year rate of growth in refined petroleum products prices. In contrast, the year-on-year rate of change in agricultural products prices increased in the observed period.

Imported inflationary pressures stemming from a price increase in crude oil and non-ferrous metals in the world market, especially marked in the first eight months of 2006, were mitigated by the kuna appreciating against the US dollar and the Government setting a ceiling on Eurosuper 95 price at HRK 8.00. Consumer price inflation trends in the domestic economy were favourably affected by a mild appreciation of the kuna against the euro (the average kuna/euro exchange rate appreciated by 1.4% in the first eight months in 2006 from the same period last year). Such exchange rate developments had a stabilising effect on inflation expectations and the prices of consumer goods and raw materials imported from the eurozone. As the average nominal wage growth of 4.8% in the first eight months of in 2006 from the same period last year failed to considerably exceed domestic labour productivity growth, related inflationary pressures were moderate.

The year-on-year core inflation rate dropped from 3.0% in December 2005 to 2.2% in August 2006, considerably reducing its contribution to the overall year-on-year inflation rate, from 2.1 percentage points to 1.5 percentage points in the same period. The fall in core inflation was primarily due to trends in meat and clothes and footwear prices. The year-on-year growth rate of meat prices decreased continuously from mid-2005 when, up to over 10.0% owing to meat market disturbances, it put a lot of pressure on domestic inflation due to a large share of this product group in the CPI basket.⁴ The year-on-year rate of change in meat prices

⁴ Meat prices accounted for 9.7% and 9.9% of the CPI basket in 2005 and 2006 respectively.



dropped from 6.1% in December 2005 to -0.4% in August 2006, which is an indication that the meat market had stabilised. Car prices significantly increased their contribution to core inflation in the first eight months in this year, with their rate of change up from -7.9% in December 2005 to 1.1% in August 2006.

Administrative prices slowed down year-on-year from 6.1% in December 2005 to 5.3% in August 2006,⁵ predominantly because of refined petroleum products prices falling year-on-year from 15.7% in December 2005 to 2.5% in August 2006 and reducing their contribution to overall consumer price inflation from 0.8 to 0.1 percentage point in the same period. The modest price increase in refined petroleum products in the domestic market was on account of a slow-down in the year-on-year growth rate of crude oil prices on the world market, the appreciation of the kuna/US dollar exchange rate and the Government's setting a ceiling for Euro-super 95 price at HRK 8.00. Despite this, the year-on-year rate of change of administrative prices remained high, which

was in large measure due to a sharp rise in some of these prices (e.g. water supply and utility services prices) early in 2006. The year-on-year rate of change in water supply and utility services prices thus advanced considerably in the first eight months of 2006, from 0.6% in December 2005 to 16.5% in August.

Agricultural products prices rose year-on-year from 1.2% in December 2005 to 9.0% in August 2006, mostly due to vegetable prices up year-on-year from -5.0% in December 2005 to 12.2% in August 2006.

Crude oil prices on the world market continued to rise in the first eight months of 2006, although at a slower pace than in the same period last year. This year's growth was largely driven by geopolitical tensions, such as the US and EU countries' conflict with Iran over its uranium enrichment programme and crisis escalation in the Middle East. Crude oil prices were also spurred due to reduced supplies, a consequence of political turmoil in Venezuela and Russia and

Table 1: Consumer Price Index, year-on-year rate of change

	Weight 2006	12/05	3/06	6/06	7/06	8/06
Total	100.0	3.6	3.0	4.0	3.4	3.4
Food and non-alcoholic beverages	32.9	3.7	0.9	3.7	3.2	3.3
Alcoholic drinks and tobacco	5.6	1.1	1.3	2.0	1.9	1.8
Clothing and footwear	8.0	3.6	2.9	2.6	0.0	0.4
Housing, water, energy, gas and other fuels	15.1	5.4	9.1	9.0	8.7	8.9
Furniture, equipment and maintenance	4.7	2.9	2.4	2.5	2.4	2.1
Health	2.9	8.6	9.4	7.7	7.5	8.9
Transport	11.3	3.8	2.8	4.4	3.1	2.1
Communication	4.2	0.2	0.1	0.0	0.0	0.0
Recreation and culture	5.5	2.6	0.9	0.9	0.1	0.1
Education	0.9	6.2	5.8	5.8	1.0	1.0
Catering services	3.2	3.3	3.3	3.7	3.3	3.7
Miscellaneous goods and services	5.8	2.0	2.5	2.2	2.6	2.7
Goods	76.9	3.5	2.1	3.6	2.8	2.7
Services	23.1	4.1	6.1	5.6	5.3	5.9

Source: CBS.

⁵ According to a CNB calculation.

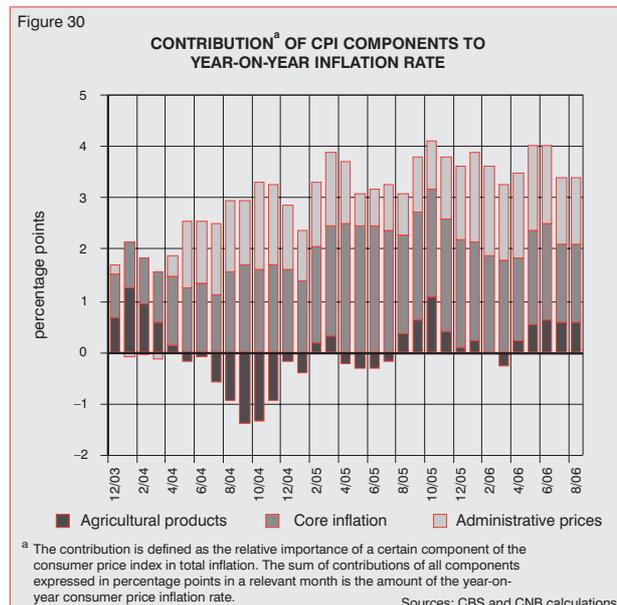


Figure 31

**AVERAGE CRUDE OIL PRICES^a
ON THE WORLD MARKET**



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

Source: Bloomberg.

riots in Nigeria, and by fears of severe weather conditions recurring in the Mexican Gulf in the summer. The average price of crude oil was up 27.3%, from USD 56.4 per barrel in December 2005 to USD 71.8 per barrel in August 2006.⁶ Due to the nominal appreciation of the kuna/US dollar exchange rate, the crude oil barrel price in kuna terms increased by a considerably lower 16.0% in the said period. July and the first half of August saw the crude oil price per barrel peak out owing to the Middle East crisis escalation and technical problems leading to the closure of the Alaskan oil fields, with the daily average price of Brent crude hitting a record high of USD 78.6 per barrel.⁷ As the Middle East crisis eased in the second half of August, the average crude oil price reduced by 0.9% in that month from July. The downturn trend continuing into September, the daily price of Brent crude dropped 15.8%, from USD 69.6 per barrel on 31 August to USD 59.1 per barrel on 26 September, which was due to a higher than expected rise in US oil stocks, lowered forecasts of world oil demand and the end of seasonal oil demand growth in the US. Also contributing to the crude oil price decrease were expectations that the OPEC production quota would remain set at 28 million barrels per day, Iran's announced intention to resume the negotiations on its nuclear programme and a weaker than feared hurricane season in the Mexican Gulf.

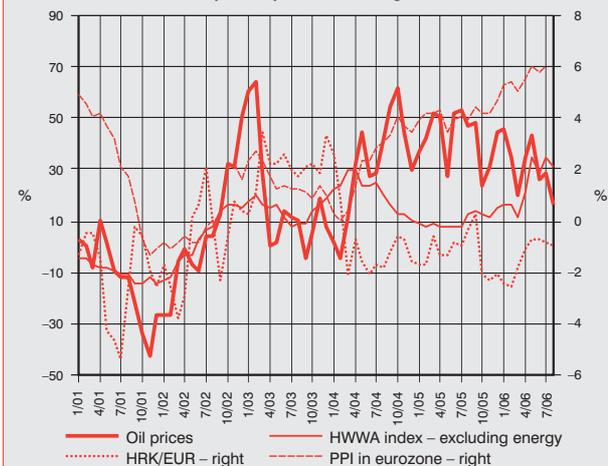
Imported inflationary pressures this year also stemmed from the price rise in other raw materials on the world market. The HWWA index of raw material prices (excluding energy, in US dollar terms) increased year-on-year from 15.2% in December 2005 to 31.4% in August 2006. Prices of non-ferrous metals climbed year-on-year from 26.7% in December 2005 to a high of 71.6% in August 2006. ECB analysts mainly ascribe this to buoyant demand from the Asian countries, especially from China.

⁶ This growth was more pronounced in the same period in 2005 as the crude oil price was up 58.5%, from USD 39.0 per barrel in December 2004 to USD 61.9 per barrel in August 2005. The August price hike was caused by the hurricanes affecting the Mexican Gulf.

⁷ As at 7 August 2006.

Figure 32

IMPORTED INFLATION: OIL PRICES, THE HWWA RAW MATERIALS PRICES INDEX,^a THE AVERAGE KUNA/EURO EXCHANGE RATE AND PRODUCER PRICES IN THE EUROZONE
year-on-year rate of change



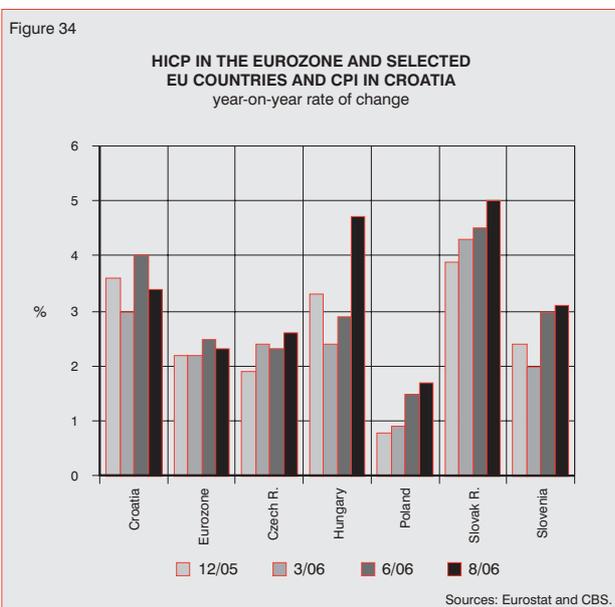
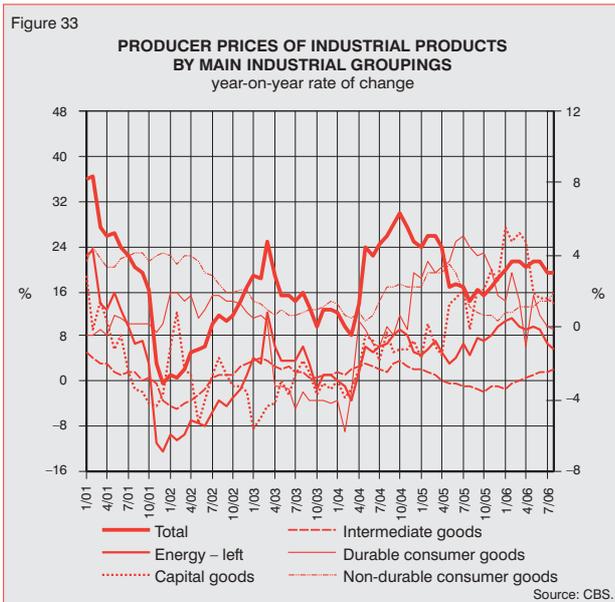
^a The Hamburg Institute of International Economics (HWWA) constructed the aggregate index of raw materials prices in the world market, the so-called HWWA index. The HWWA index is the indicator of movements in costs for imported raw materials (it includes a total of 29 raw materials or 27 excluding energy) and it is used in analysing the influence of changes in the prices of raw materials in the world market on the changes in prices in industrial countries. The index is calculated on the basis of raw materials prices expressed in US dollars.

Sources: Bloomberg, IFO, Wirtschaftsdienst, Eurostat and CNB.

Furthermore, the year-on-year rate of change of producer prices in the eurozone rose from 4.7% in December 2005 to 6.0% in July 2007. The highest increase was observed in the year-on-year rate of change of intermediary goods prices, attributed by ECB analysts to rising raw materials prices in the world market. The year-on-year growth rate of consumer goods drifted further upwards in the first seven months of 2006, which suggests that some of the input costs of eurozone producers spilled over to final products. According to the latest available data (for July this year), the year-on-year rate of change in eurozone producer prices of energy, intermediary goods, capital goods, durable consumer goods and non-durable consumer goods was 14.9%, 6.2%, 1.5%, 1.8% and 2.0% respectively.

The year-on-year rate of change in industrial producer prices rose from 2.7% in December 2005 to 3.1% in August 2006. In line with eurozone trends, the year-on-year rate of change in intermediary goods prices advanced from -0.7% in December 2005 to 2.2% in August 2006, with the prices of metal up at the highest rate, which may be attributed to a global price increase in these raw materials. Although dropping from 9.8% in December 2005 to 5.8% in August 2006, the year-on-year rate of change in energy prices remained very high. The year-on-year energy price slowdown resulted from the annual growth rate of refined petroleum products producer prices plunging from 31.5% in December 2005 to 5.3% in August 2006. In addition, the year-on-year rate of change in the prices of capital goods and durable consumer goods also decreased.

The year-on-year consumer price inflation rate in the eurozone (measured by the HICP) was at 2.3% lower by 1.1 percentage points than Croatia's inflation rate in August 2006. This was because the contribution of food, housing and other utility services prices to inflation in Croatia considerably outstripped that in the eurozone. While the year-on-year rate of change in food prices was not much higher



in Croatia (3.3%) than in the eurozone (2.9%), this product group’s contribution to overall inflation was considerably higher in Croatia (0.6 percentage points) than in the eurozone, as food prices make up a much larger share in the CPI basket in Croatia (32.9%) than in the eurozone (15.3%). Although the share of housing, energy and utility services prices in the CPI basket is approximately the same both in Croatia and in the eurozone (15%), this product group’s year-on-year rate of change was much higher in Croatia (8.9%) than in the eurozone (4.8%) in August 2006.

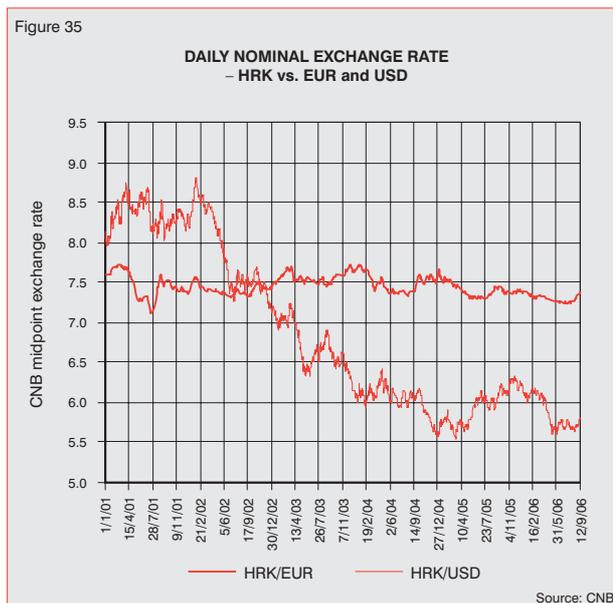
Exchange Rate

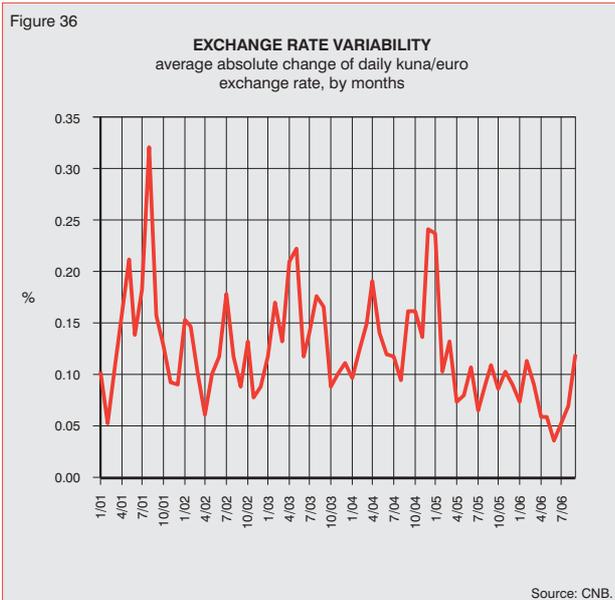
The nominal kuna/euro exchange rate appreciated by 0.9% in the second quarter 2006, strengthening from HRK 7.32/EUR on 31 March to HRK 7.26/EUR on 30 June 2006. In an attempt to alleviate appreciation pressures on the exchange rate, especially strong in May and June, the

central bank purchased from banks a total of EUR 464.2m (EUR 184.6m in May and EUR 279.6m in June), releasing a significant amount of kuna liquidity (HRK 3.4bn). These interventions considerably helped to meet an increased demand for kuna, spurred, among other things, by the start of the tourist season, continued financing of bank domestic lending by foreign funds and an inflow of foreign currency for the purchase of Pliva shares. The CNB sold a total of EUR 8.6m to the MoF in the second quarter 2006, withdrawing HRK 63.0m from circulation.

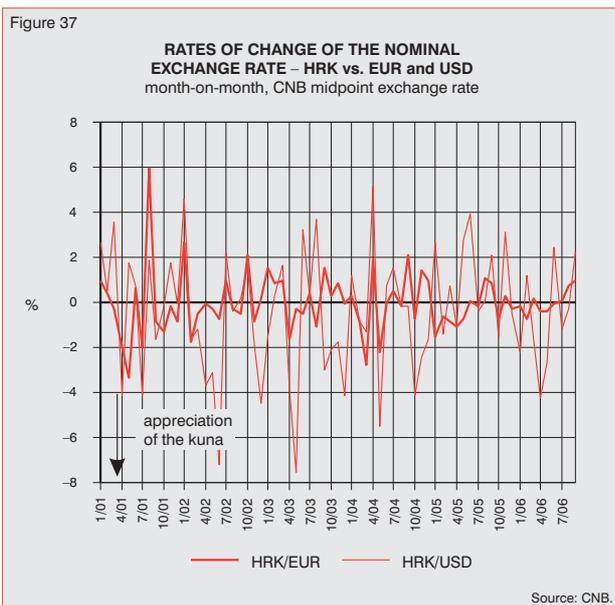
The nominal kuna/euro exchange rate ranged between HRK 7.24/EUR and HRK 7.43/EUR in the third quarter 2006, i.e. from 1.8% to –0.9% relative to the average daily exchange rate of HRK 7.30/EUR. Due to an increased depreciation of the kuna against the euro in the second half of August and in the first twenty day of September, the kuna/euro exchange rate depreciated by a total of 1.7% over the third quarter 2006, with the euro rising from HRK 7.26 on 30 June to HRK 7.38 on 30 September. The nominal kuna/euro exchange rate was stable in July and in the first half of August, as rising corporate demand for foreign currency eased appreciation pressures stemming from strengthened seasonal demand for the kuna and a HRK 2.5bn worth government bond issue in July. There was no need for CNB’s foreign exchange auctions in July and August, with banks meeting their liquidity needs through CNB’s regular reverse repo auctions. This is also confirmed by relatively low kuna/euro exchange rate variability: the average absolute change in the daily kuna/euro exchange rate was 0.05% and 0.07% respectively in July and August, down from last year’s average of 0.11%. In addition, no significant foreign exchange transactions were carried out between the CNB and MoF in these two months.

The kuna depreciated further in nominal terms versus the euro in September, due to mounting foreign currency demand by enterprises and some banks. The increase in the banks’ demand was in consequence of the central bank’s decision to increase the minimum percentage of foreign currency claims that banks are required to maintain relative to





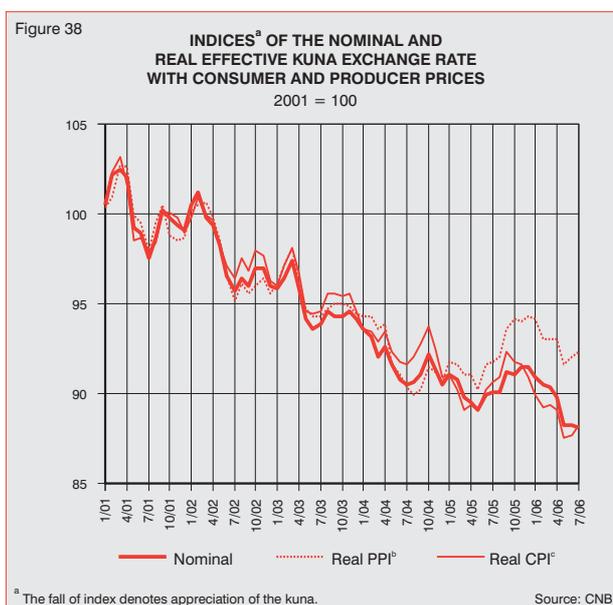
their foreign currency liabilities. Given the considerably increased variability of the kuna/euro exchange rate in the domestic foreign exchange market (especially pronounced at mid-September), the central bank responded to depreciation pressures by selling to banks a total of EUR 125.5m at a foreign exchange auction on 19 September and withdrawing HRK 930.1m from circulation. In addition, the central bank did not hold a reverse repo auction in the week of the foreign exchange intervention, so that no additional kuna liquidity was issued through this instrument. The kuna/euro exchange rate briefly stabilised after this intervention, but started to strengthen again on 26 September. In an effort to maintain the stability of the kuna/euro exchange rate, the central bank intervened again on 29 September, buying from banks EUR 138.7m and creating HRK 1.0bn. Also in September, the CNB sold to the MoF a net amount of EUR 2.4m for the repayment of a World Bank adjustment loan. The daily kuna/euro exchange rate increased by an average of 0.12% in absolute terms in September.



The US dollar exchange rate weakened by 1.1% against the euro over the third quarter 2006; declining from USD 1.25/EUR on 30 June to USD 1.27/EUR on 30 September. The dollar depreciated against the euro in July and August, reversing the trend in September. ECB analysts ascribe the weakening of the US dollar against the euro in July to weaker than expected economic indicators released in the US in that month, pointing to, among other things, a sluggish real estate market and GDP growth rate slowdown in the second quarter, according to preliminary data. The dollar's depreciation against the euro in August was influenced by a narrowing of the interest rate spread between the US and the eurozone, caused by the ECB increasing the benchmark rate by 0.25 percentage points to 3.0%, with the Fed's rate holding steady at 5.25%. Having appreciated against the euro by a slightly more pronounced 1.3% over the first twenty days of September, the US dollar started to weaken again immediately after the Fed announced on 20 September that it would leave the benchmark rate unchanged. In keeping with kuna/euro and US dollar/euro exchange rate trends, the kuna exchange rate depreciated against the US dollar by a slight 0.6% in the third quarter, weakening from HRK 5.79/USD on 30 June to HRK 5.83/USD on 30 September. The kuna/US dollar exchange rate appreciated by 1.2% and 0.3% in July and August respectively, depreciating by 2.2% in September.

In addition to depreciating nominally by 1.7% against the euro and by 0.6% against the US dollar, the kuna depreciated by 0.1%, 1.7% and 3.8% against the Swiss franc, Slovene tolar and pound sterling respectively in the third quarter of 2006. Due to these kuna exchange rate trends, the index of the daily nominal effective exchange rate of the kuna depreciated by 1.4% from 30 June to 30 September 2006.

According to the latest available data, the index of the real effective kuna exchange rate deflated by consumer prices appreciated by 3.0% in real terms against the basket of currencies in the first seven months of 2006 (from December 2005 to July 2006), while the index deflated by producer prices appreciated by 2.1%. The index of the nominal effective



kuna exchange rate appreciated by 3.8% in the same period. The difference between the appreciation rates points to a slower growth of domestic prices relative to foreign prices. Specifically, consumer prices in Croatia rose at a much slower rate than prices in the US in the first seven months of the year, while producer price growth was slower compared with that of both eurozone and US prices.

Monetary Policy and Instruments

Monetary Environment

In the third quarter of 2006, monetary policy operated in the environment of a seasonal increase in the demand for kuna. Good kuna liquidity, created in the second and early third quarters by foreign currency purchases and fine tuning operations, reduced the need for additional liquidity creation through regular reverse repo operations during the third quarter. Seasonal weakening of the exchange rate of the kuna started in mid-August and gained additional momentum in September, driven by banks' demand for foreign currency following announced inclusion of kuna liabilities with a currency clause in the base for the calculation of minimum required amount of foreign currency claims, starting from October. To prevent a sudden weakening of the exchange rate, the central bank intervened in the foreign exchange market with a foreign currency sale for the first time in the past two and a half years. In parallel with its intervention, the CNB also announced that the regular weekly reverse repo auction scheduled for 20 September was not to be held given that the growing weakening of the exchange rate of the kuna took place against the backdrop of very high kuna liquidity. Interest rates stability on the money market and a relatively modest amount of bids on the next regular reverse repo auction on 29 September showed that auction cancellation did not have any significant effect on system liquidity. The weakening of the exchange rate earlier in the months turned to be unnecessary as the exchange rate strengthened again suddenly towards the end of September.

The summer tourist season strongly influences monetary developments. Large inflow from tourism in the third quarter 2006 led to a strong growth in domestic deposits which the banks used to reduce their foreign liabilities and to continue with their domestic credit activities. Characteristic for this year, unlike the previous year, was the absence of foreign currency deposits growth which was fully replaced by rapid growth of kuna deposits with a currency clause. Such restructuring of banks' liabilities, undertaken by banks in an effort to circumvent CNB measures, prompted the central bank to amend its Decision on the Minimum Required Amount of Foreign Currency Claims in September and include in the calculation base, in addition to total foreign currency liabilities of banks, all kuna liabilities with a currency clause (see Box 1).

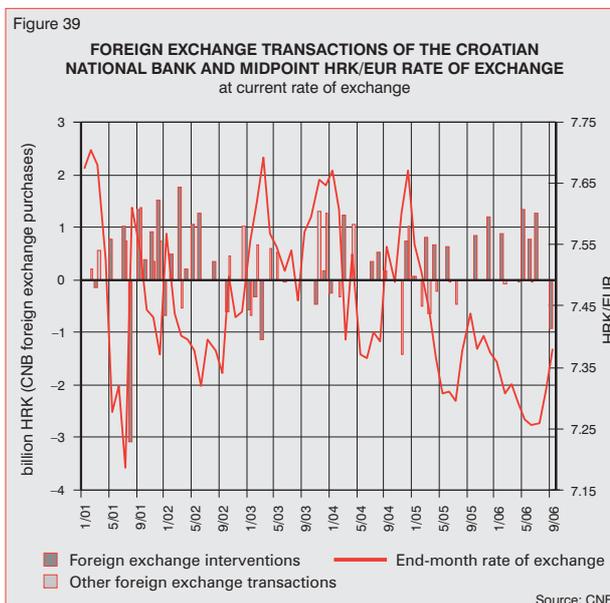
At end-September 2006, the authorities met the last quantitative performance criteria defined under the Stand-

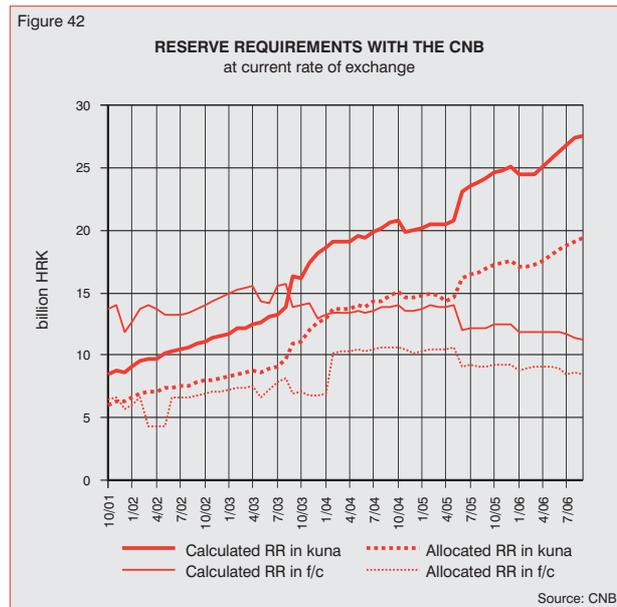
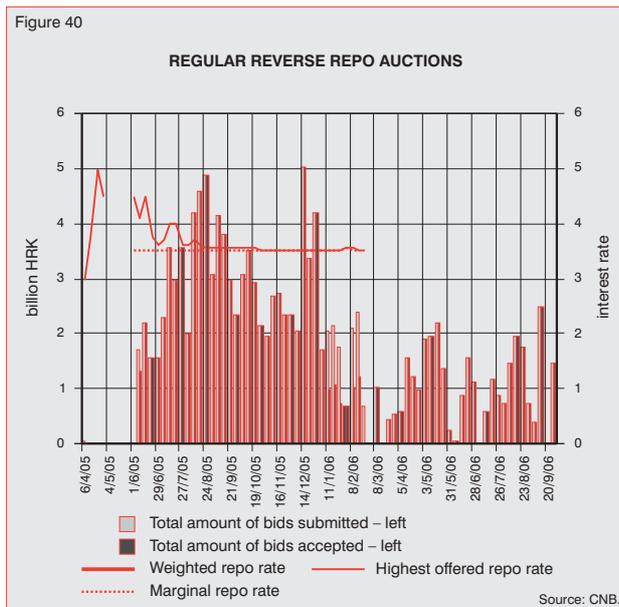
-By Arrangement with the IMF in the area of monetary policy. Net (usable) international reserves (calculated as the arithmetic average of 11 observations centered on the last business day of each quarter, at program exchange rates), which under SBA criteria should have risen at least by EUR 400m in the first nine months of 2006, rose by EUR 694m during that period. Similarly, the criteria setting the maximum permitted increase in net domestic assets of the CNB of HRK 0.7bn was also met successfully with NDA declining by HRK 2.0bn.

Uses of Instruments of Monetary Policy

Following kuna exchange rate stability in the first two months of the third quarter, marked depreciation pressures in September prompted the central bank to intervene in the foreign exchange market. On 19 September, the CNB sold to the banks EUR 125.5m, withdrawing HRK 0.9bn. Given large kuna liquidity surplus (over HRK 1.5bn) of banks, the CNB did not hold its regular reverse repo auction on 20 September. This helped avoid excessive kuna liquidity creation in an environment of increased demand for foreign currency. The banks were thus forced to return HRK 2.5bn from the previous auction without an option to obtain new funds. The combined effect of the foreign exchange intervention and the absence of the regular reverse repo auction was a withdrawal of HRK 3.4bn from the banking system, which did not threaten system liquidity. This boosted banks' demand for kuna, as reflected in a slight interest rate increase on the money market in September while exchange rate developments stabilised later on in the month. Good system liquidity was also seen at the last reverse repo auction in September when the banks requested HRK 1.5bn and all the bids were accepted. At end-September, the exchange rate strengthened suddenly again, prompting the central bank to intervene again by purchasing EUR 138.7m to halt speculation and stabilise foreign exchange market.

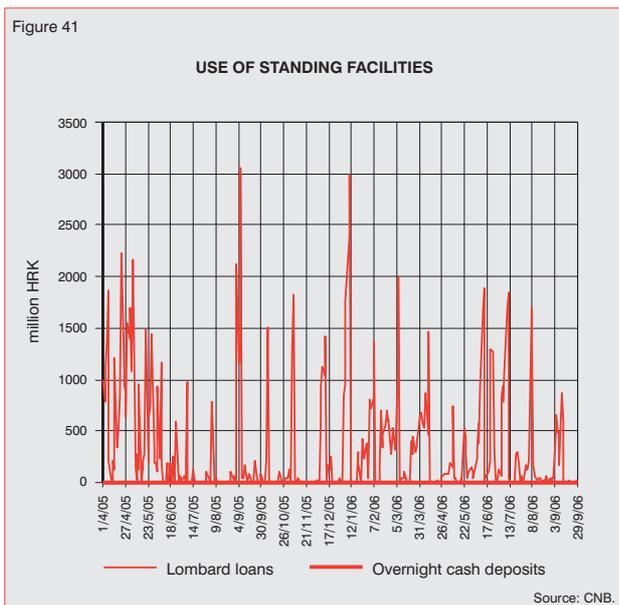
In the same way as in 2005, reserve money was created during the summer months, until the above described liquid-





ity withdrawal took place in September, by means of regular weekly reverse repo auctions. Although this time of year is characterised by stronger demand for kuna because of the tourist season, the average turnover at reverse repo auctions was three times lower compared with the same period last year. This was mainly due to increased foreign currency purchases by the CNB in the first half of the year (EUR 582.8m) which helped create significant kuna liquidity (HRK 4.2bn) which held steady throughout July and August. Banks' demand at auctions was in line with its usual within-the-month dynamics, with an upward tendency early in each new reserve requirement maintenance period (following the second Wednesday in a month).

The average amount of funds placed at reverse repo auctions in the third quarter was HRK 1.1bn, only a slight increase (HRK 0.2bn) compared with the average turnover in the first half of the year. The CNB continued to accept all the bids received from banks. The marginal rate at which bids were accepted remained at an unchanged 3.5%.

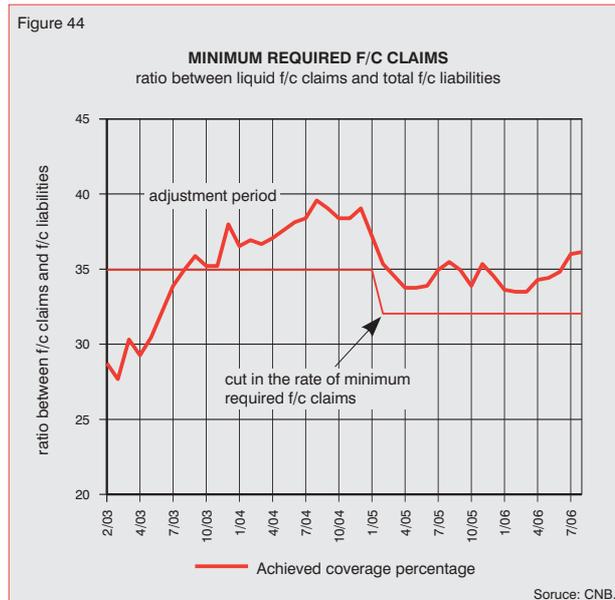
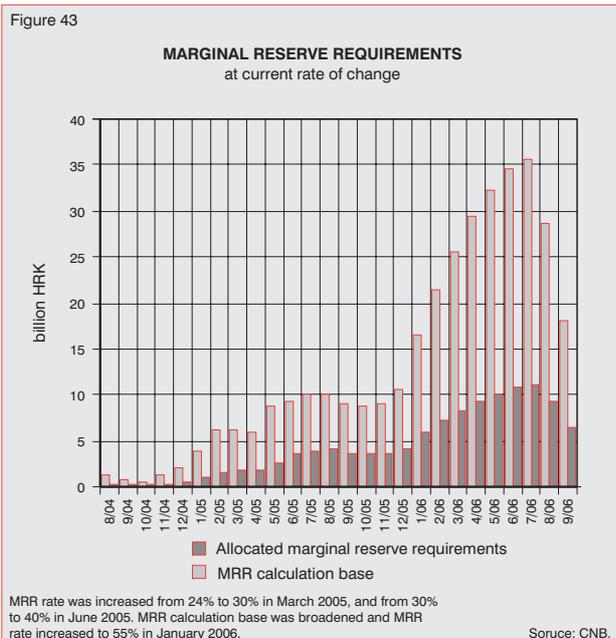


In the context of open market operations, the CNB conducted in June its first fine tuning operation to create HRK 1.0bn in the liquidity needed to finance a part of the first instalment of the pensioners' debt repayment. Given the fact that this operation is actually a reverse repo transaction with non-standard maturity and frequency, it has been planned to take place until privatisation receipts of the government are realised, until end-year at the latest, or until the sale of government equity stake in Pliva takes place.

The seasonal increase in the domestic sources of funds during the summer months, marked this year by a particular growth in kuna deposits (with a currency clause), led to an increase in the base for the calculation of the kuna reserve requirement. As a result, banks' allocation obligation in September rose by HRK 1.3bn compared with June, with the total kuna reserve requirement allocated reaching HRK 19.3bn. In the first nine months, the total kuna reserve requirement, both allocated and maintained, rose by HRK 2.5bn and stood at HRK 27.6bn in September.

Unlike the kuna reserve requirement, the foreign currency reserve requirement declined during the third quarter. A fall in foreign currency sources from abroad and the absence of rapid growth in foreign currency deposits of the domestic sectors during the tourist season led to a fall in the base for the calculation of the foreign currency reserve requirement. The kuna amount of the calculated foreign currency reserve requirement in September stood at HRK 11.3bn, a fall of HRK 0.5bn and HRK 1.2bn, respectively compared with the end of the previous quarter and the end of last year.

A seasonal fall in foreign liabilities of banks during the summer months led to a large fall in the base for the calculation of the marginal reserve requirement and the allocated marginal reserve requirement. Looking back, in the first half of the year, the banks continued to rely on foreign funding of their domestic credit activities, with an additional impact on increased MRR allocation being created by this instrument's structural changes, notably its January increase to 55% in the rate of allocation and widening of the base. As a result,



the banks had to make an interest-free allocation of a record HRK 11.1bn in July. However, in only two months, this obligation fell by HRK 4.7bn. At end-September, the allocated marginal reserve requirement of banks stood at HRK 6.4bn, an increase of HRK 2.1bn compared with end-December last year.

Under July amendments to the Decision on the Marginal Reserve Requirement, the 55% calculation base for the allocation of the MRR was widened to include any increase in

funds received from non-residents and legal persons in a special relation with a bank which are used for financing domestic legal and natural persons through syndicated loans and mandated operations. The central bank thus demonstrated once again that it would not allow any circumvention and evasion of the existing monetary policy measures. Compared with the average balance of the stated sources of funds in the initial calculation period (May 2006), the banks' calculated allocation obligation in July was HRK 100.2m, compared to HRK 58.5m in September.

Box 1: Amendment to the Decision on the Minimum Required Amount of Foreign Currency Claims

Pursuant to a decision of the CNB Governor, the 32% base for the calculation of the minimum required foreign currency claims has been widened since September 2006 to include not only foreign liabilities of banks but also kuna liabilities with a currency clause. In this way, kuna sources with a currency clause are now treated in the same way as foreign sources of funds, while the instrument of minimum required amount of foreign currency claims has regained its prudential role that the instrument had originally been awarded at the time of its introduction in 2003.

Banks' replacement of foreign liabilities by kuna liabilities with a currency clause, the trend which saw particular intensification in 2006, made it possible for banks to accelerate additionally their domestic placements at lower costs associated with no existing obligation to cover kuna liabilities with a currency clause by liquid foreign currency claims (see Table 2). The banks were able to achieve such currency restructuring of their liabilities by increasing their kuna sources with a currency clause through attractive interest rates offers and promotional efforts. It relieved the banks from the obligation to ensure minimum foreign currency coverage and led to acceleration of placements and increased free foreign exchange reserves of banks which stimulated demand for kuna and created additional appre-

ciation pressures.

Of the total HRK 43.8bn in banks' kuna liabilities with a currency clause at end-August this year, time deposits and loans received by banks accounted for almost the entire amount (97%). Table 2 shows developments in these two categories of banks' liabilities from end-2004 to August 2006. During the entire observed period, there was an evident trend of increase in the share of kuna time deposits and received loans with a currency clause in total time deposits and received loans. More precisely, they doubled from 11% at end-2004 to 24% at end-August 2006. At the same time, the share of foreign currency liabilities declined, falling from 76% at end-2004 to 59% at end-August this year.

When analysing developments in kuna liabilities of banks with a currency clause and without a currency clause, it is important that foreign and domestic sources are observed separately. Kuna foreign liabilities of banks were almost always fully linked to a foreign currency clause, and were first used in 2003. Their growth intensified particularly in the past two years. Thus in 2005 and in the first eight months of 2006, kuna foreign liabilities of banks rose by HRK 11.7bn while foreign liabilities in f/c declined by HRK 6.3bn during the same period. With foreign liabilities restructuring, mainly towards their foreign owners, the banks were able to free funds for accelerated growth of placements to the domestic sectors.

Table 2: Prescribed Allocation of the Reserve Requirement and Minimum Required Foreign Currency Claims, in %

Calculation base	RR rate		MRFCCs	Total RRs and MRFCCs allocated
	In kuna	In foreign currency		
Foreign currency deposits	17 × 50 = 8.5	17 × 50 = 8.5	32 – 8.5 = 23.5	40.5
Kuna deposits	17			17
Kuna deposits with a currency clause	17			17
Kuna deposits with a currency clause – change	17		32	49

Source: CNB.

Table 3: Structure of Aggregates of Time Deposits and Loans Received by Banks, in million HRK and %

	12/2004		12/2005		6/2006		8/2006	
	Balance	Share	Balance	Share	Balance	Share	Balance	Share
Kuna aggregate	19,092	13	26,153	16	29,998	17	29,522	17
Kuna aggregate with a currency clause	16,097	11	27,206	16	39,533	22	42,550	24
Foreign currency aggregate	109,135	76	113,118	68	108,590	61	105,179	59
Total	144,324	100	166,477	100	178,121	100	177,251	100

Note: The presented data cover all sectors (residents and non-residents). Source: CNB.

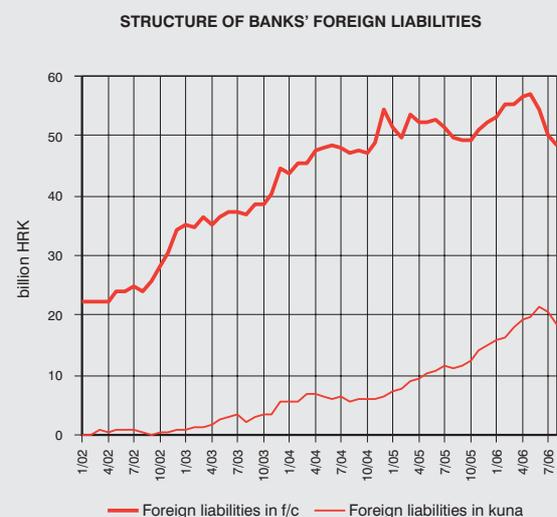
In the conditions of large inflows from tourism and reduced confidence in the domestic currency inherited from the past, developments in the domestic sources were traditionally under a dominant influence of developments in foreign currency funds, particularly foreign currency deposits. However, domestic kuna sources started growing steadily in the past few years, reaching their record growth in 2006. The annual growth rate of kuna deposits rose from 22.4% in 2004 and 24.5% in 2005 to 61.7% in August 2006, which is a very high growth rate. This growth was mostly due to great efforts made by banks to attract kuna sources by means of the currency clause instrument and it also helped banks maintain the currency match of their placements and their liabilities, with no obligation to cover such liabilities by minimum required foreign currency claims. It should be stressed in connection with domestic sources of funds that almost two thirds of the total growth of kuna time deposits and received loans from residents in the period from December 2004 to August 2006 had a currency clause. Their share in total kuna time deposits and received loans thus rose from 34.1% at end-2004 to 49.0% at end-August 2006.

Not all the banks used or encouraged equally the restructuring of foreign and domestic liabilities, so the amen-

ments to the decision on the minimum required foreign currency claims are likely to affect those banks that exploited the currency clause instrument the most. To allow for the heterogeneous effect of this amendment, an adjustment period has been provided for. The banks whose percentage of the maintained minimum required claims falls short of the prescribed 32% level, are obliged to increase each month, starting with November 2006 until final adjustment, the percentage of their maintained foreign currency claims by a minimum of two percentage points. Similarly, banks with maintained percentages below 20% have to reach, on the date of entering into force of the decision (2 October), the foreign currency coverage of minimum 20%, increasing afterwards this percentage during the following six months to reach the prescribed 32%.

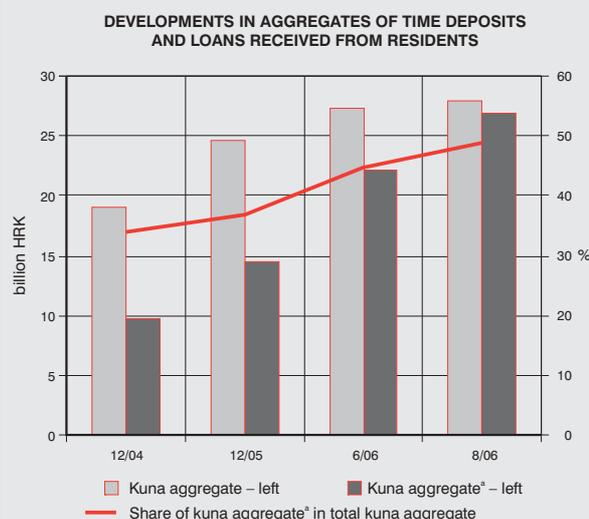
Given the high level of euroisation of the Croatian financial system, and particularly, the high level of foreign currency liabilities of banks, banks' maintenance of the minimum required foreign currency claims in respect of all the obligations of banks which are affected by exchange rate developments, both foreign currency and those with a currency clause, is expected to contribute to stabilisation and healthier growth of banks' placements and help maintain financial system stability.

Figure 45



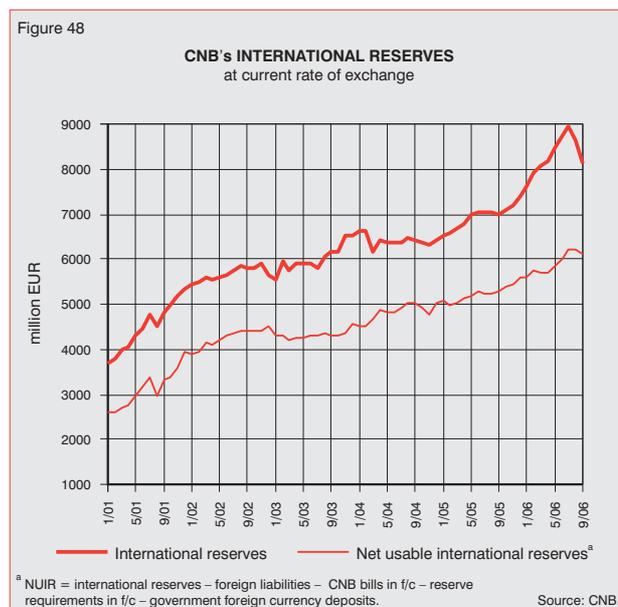
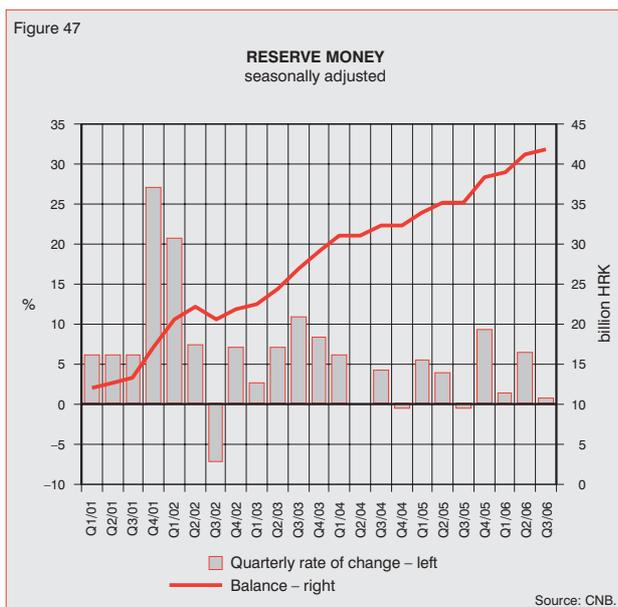
Source: CNB.

Figure 46



* With a currency clause.

Source: CNB.



Reserve Money and International Reserves

Reserve money (M0) growth which started towards the end of the second quarter this year, accelerated additionally during the summer months. Such developments are usual for the summer season when demand for cash reaches its annual maximum. Fast growth of reserve money was boosted additionally by a steady increase in banks' kuna reserve requirement. The average reserve money balance in the third quarter rose 7.7% compared with the end of the second quarter and 14.3% compared with the same period previous year. At end-September, reserve money (M0) stood at HRK 42.4bn, growing annually by 18.8%.

As regards the structure of reserve money during the third quarter, bank deposits with the CNB reached HRK 28.0bn at the end of September which is an increase of HRK 0.5bn compared with the end of the previous quarter. The growth of bank deposits with the CNB was brought about by an increase of HRK 0.9bn in the kuna reserve requirement allocation (including the special reserve requirement) while funds in the settlement accounts and in banks' vaults declined by HRK 0.3bn. Overnight bank deposits also fell (HRK -0.1bn), jumping up again characteristically during the third quarter immediately before each new reserve requirement calculation period as at that time the banks make temporary deposits of their surplus liquidity from the settlement account, having already met their reserve requirement maintenance obligation. The other component of reserve money, currency in circulation, after having reached record level with a peak tourist season in mid-August (HRK 15.6bn), fell gradually later in the third quarter. At the end of September, currency was HRK 14.4bn, an increase of HRK 0.3bn compared with the end of the second quarter.

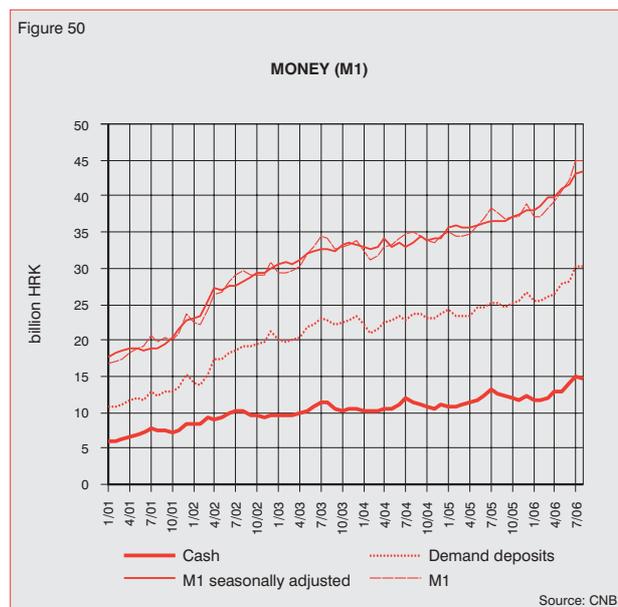
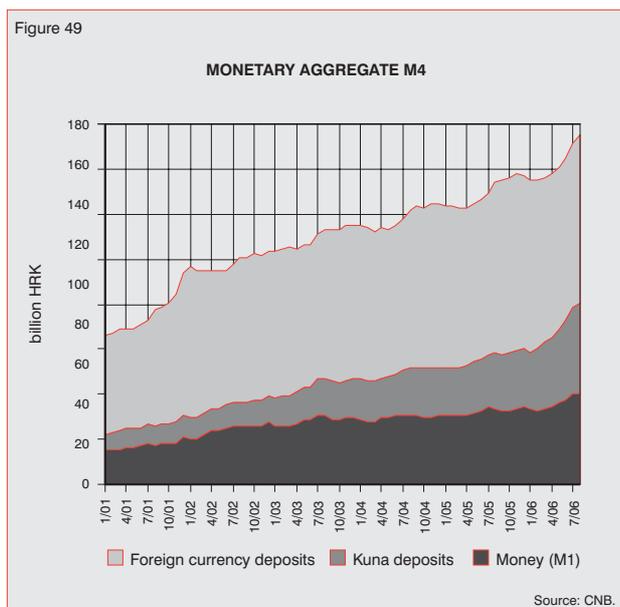
Central government deposits with the CNB held steady throughout the third quarter. With the absence of characteristic fluctuations, particularly in the period following a government bond issue, the average daily balance of government deposits fell from HRK 428m in the first half of the year to HRK 282m in the third quarter. Kuna deposits which

averaged HRK 279m in the third quarter accounted for almost the entire balance of government deposits with the CNB with foreign currency deposits during the same period standing at only HRK 3m.

Following their rapid growth in the first half of 2006, total international reserves of the CNB declined during the third quarter due to a fall in the base for the calculation of the marginal reserve requirement. Increased capital inflow from abroad in the first six months of 2006, mostly attributable to banks' foreign borrowing, generated the growth of international reserves due to increased purchase of foreign currency from the banks and fast growth of the allocated marginal reserve requirement. Following a decline in the marginal reserve requirement in August and September, and September sale by the central bank of foreign currency to the banks (due to the international system of settlement, foreign currency purchased on 29 September will arrive to the CNB account at the beginning of October), international reserves declined by EUR 609m at the end of the third quarter compared with the end of the second quarter. At end-September, international reserves were EUR 8,135m, an increase of EUR 696m compared with the end of last year. Net usable international reserves, which exclude foreign liabilities of the CNB, the foreign currency reserve requirement and government foreign currency deposits, fell slightly in the third quarter and stood at EUR 6,123m at end-September, an increase of EUR 519m compared with the end of 2005.

Monetary Developments

Monetary developments in the first eight months of this year were marked by steady growth of bank placements and fast growth of domestic sources of funds. The accelerated growth of money was accompanied by a significant increase in time kuna non-monetary deposits with a currency clause instead of the usual seasonal growth of foreign currency deposits. As regards credit activities of banks, they were equally directed towards the household and the corporate sectors. Given the system's good liquidity, the banks used



the growth of domestic sources of funds during the summer months to increase their placements on the domestic and foreign markets and to reduce their liabilities, all leading to a significant improvement in their net foreign asset.

Total Liquid Assets

During the second and in the first two months of the third quarter, total liquid assets (M4) rose considerably. Both components of the monetary aggregate M4, money and quasi-money, saw a considerable increase during that period. Of all the components of quasi-money, kuna non-monetary deposits saw a particularly rapid growth, notably those with a currency clause. At end-August, total liquid assets reached HRK 174.2bn, growing annually by 15.3%, which is an increase of 4.9 percentage points compared with their annual growth rate in the same month previous year.

Money

The total increase in money in the second and in the first two months of the third quarter of HRK 6.8bn, or 17.8%, was two times greater than its increase in the same period previous year. At end-August, money stood at HRK 45.0bn, with its annual growth rate in that month standing at a high 19.1%.

The largest contribution to money growth in the second quarter and in the first two months of the third quarter was provided by demand deposits which grew by HRK 4.3bn (16.4%) during that period. Increased current and giro account balances, mostly of the household and the corporate sectors, were associated with a rapid growth in bank placements to these two sectors. At end-August, demand deposits reached HRK 30.4bn, growing annually by a high 21.0%. Household demand deposits accelerated steadily from the beginning of the year, reaching HRK 13.6bn at end-August and equalling corporate demand deposits. Combined, these two types of deposits accounted for 90.1% of total demand deposits.

The other component of money, currency in circulation, reached its peak during the summer tourist season, reaching

over HRK 15.5bn on individual days in mid-August. A small fall followed, after which this monetary aggregate, following its steady growth for seven consecutive months, fell by HRK 0.3bn (2.0%) in August. At end-August, currency in circulation stood at HRK 14.6bn, growing annually by 15.5%, which is an increase of 4.2 percentage points compared with its growth rate in the same month previous year.

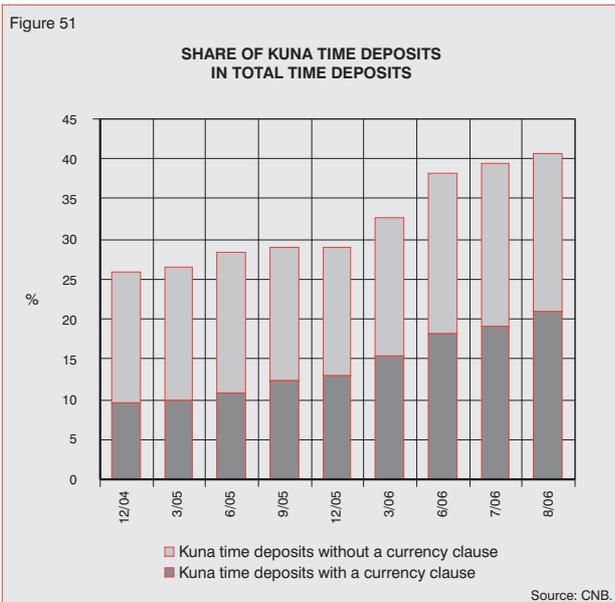
Non-Monetary Deposits

Of all the monetary aggregates, kuna non-monetary deposits grew the fastest in 2006. This was due to a rapid growth in kuna deposits with a currency clause which accounted for a high 49.3% of total kuna non-monetary deposits. While from depositors' point of view kuna deposits with a currency clause do not differ much from foreign currency deposits, their attraction for banks lay in their exclusion from the base for the calculation of minimum foreign currency liquidity. In an effort too encourage this type of savings, the banks offer higher interest rates on this type of deposits than on foreign currency deposits.

Following rapid growth in the first quarter, the growth of kuna non-monetary deposits gained additional momentum later in the year, increasing by HRK 6.9bn in the second quarter and additional HRK 5.6bn in the third quarter. At end-August, kuna non-monetary deposits stood at HRK 44.1bn, growing annually by 61.7%, three times their annual growth rate at end-August last year.

Particular contribution to faster growth of kuna non-monetary deposits in 2006 was provided by corporate kuna deposits, which increased additionally by a total HRK 4.6bn in the first two months of the third quarter, following their first quarter increase of HRK 1.7bn. At end-August 2006, corporate kuna deposits were 14.3bn, growing annually by 52.9%. In terms of their structure, kuna deposits with a currency clause accounted for 37.9% of their total amount.

The growth of household deposits also accelerated in the second half of 2006. Household kuna deposits rose by HRK 3.8bn in July and August alone, a fivefold increase compared with the same period previous year. Kuna deposits with a



currency clause accounted for over two thirds of the said increase, with their share in total household kuna deposits steadily increasing. At end-August, household kuna deposits were HRK 23.4bn, growing annually by a high 65.5%, with the share of kuna deposits with a currency clause reaching 55.7%.

Foreign currency deposits, following their steady decline in the first half of the year, grew slightly in July and August. Foreign currency deposits, exchange rate effects excluded, declined by HRK 1.5bn or 1.6% in the first eight months of the year. At end-August 2006, total foreign currency deposits were HRK 83.6bn, holding steady compared with the same month previous year, if exchange rate effects are excluded. Fast growth of foreign currency deposits common for the summer season and associated with tourist-related foreign currency inflows, did not materialise this year. It was replaced by a fast growth in kuna deposits with a currency clause.

For the most part, a fall in foreign currency deposits in the

first eight months of this year is largely associated with the corporate sector which replaced a part of its foreign currency deposits with kuna deposits with a currency clause in the first half of the year. A HRK 1.2bn increase in corporate foreign currency deposits in the first two months of the third quarter notwithstanding, such developments were only indicative of their mild recovery, given that their end-August 2006 balance (HRK 10.8bn) fell by 16.0% compared with the end of the same month previous year.

Household foreign currency deposits, exchange rate effects excluded, held steady in the first eight months of 2006. At end-August, they stood at HRK 71.3bn, growing annually by 2.2%, which represents a fourfold decline compared with their annual growth rate in August last year.

Marked growth of kuna non-monetary deposits coupled with a fall in foreign currency deposits in the first eight months of this year led to a change in the structure of quasi-money. The share of foreign currency deposits in quasi-money fell from 74.9% at end-December 2005 to 67.0% and 64.7% at end-June and at end-August, respectively.

Placements

In addition to steady growth of loans granted to the household sector, the first half of 2006 also saw accelerated growth of placements to the corporate sector. The growth of placements to the corporate sector slowed down considerably during the summer months. As a result of such developments, the annual growth rate of total placements to the non-banking sector fell slightly (one percentage point) during August, its first fall in this year, and stood at 22.2%, or 23.3%, if exchange rate effects are excluded. At end-August 2006, total bank claims on the non-banking sector were HRK 168.8bn.

Bank placements to the corporate sector were HRK 75.9bn at end-August this year. In the first eight months of this year they rose by HRK 8.9bn (13.2%), which is a three-fold increase compared with the same period previous year. The dynamics of this year's increase was uneven: while the

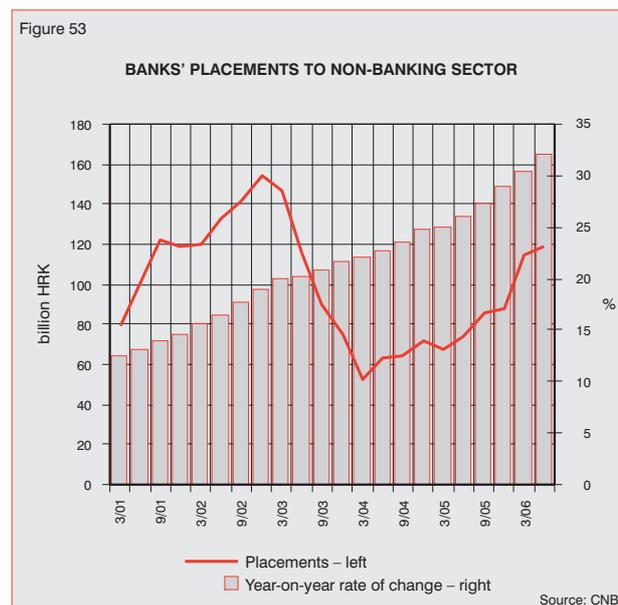
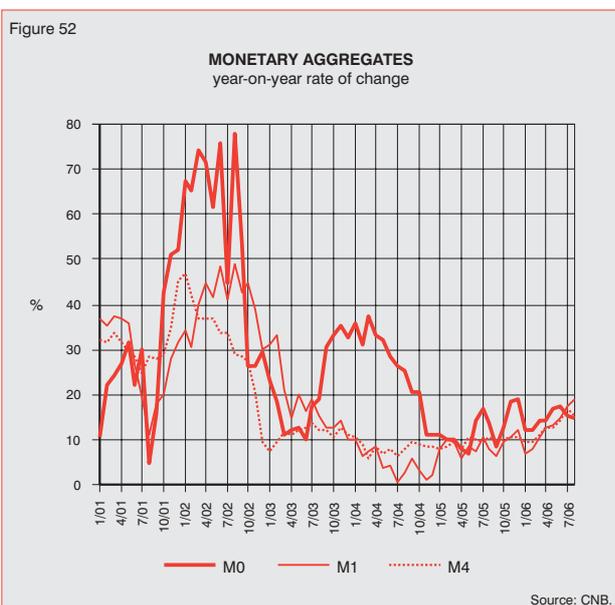
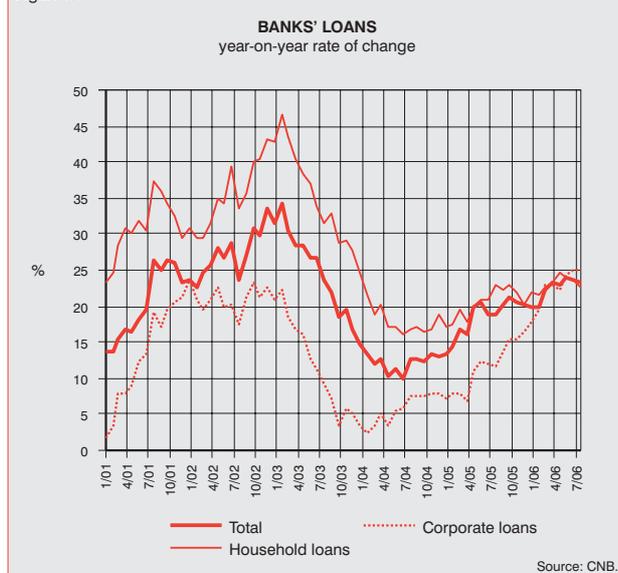


Figure 54



average monthly increase of placements to the corporate sector stood at HRK 1.3bn in the first half of the year, it fell by one half in July and August and stood at HRK 0.6bn. Although such developments made an impact on the annual

growth rate of placements to the corporate sector (which held steady during the summer), it still remained at its highest level in the past several years. Developments in placements to the corporate sector continued to be largely determined by developments in loans which account for over 90% of total placements to the corporate sector (for sectoral distribution of loans, see Box 2). In August 2006, the annual growth rate of total bank placements to the corporate sector reached 23.7%, or 24.7% if exchange rate effects are excluded.

The dynamics of growth of bank loans to the household sector was uniform throughout the year. Following their HRK 2.8bn increase in the first quarter and HRK 5.0bn and HRK 32.bn increase in the second and third quarter, respectively, total bank loans to the household sector reached HRK 89.6bn, while their annual growth rate, exchange rate effects excluded, remained at a high 23.9%. Looking at loans structure and their developments, housing loans continued to grow the fastest. Their annual growth rates exceeded 35% while their share in total household loans continued to rise (37.9% at end-August). However, the largest share of total household loans still goes to other all-purpose loans which include current account overdraft facilities (44.8%).

Box 2: Sectoral Distribution of Loans

Monetary developments towards the end of the last and early this year were characterised by fast growth of bank placements. The largest share of total bank placements (almost 90%) went to granted loans, while most of the remaining share went to bank claims arising from short-term and long-term securities. In terms of their structure, the change in total bank placements was mostly due to a change in loans granted. At end-August 2006, total bank loans granted were HRK 178.9bn, with their annual growth rate reaching 23.4%, an increase of 4.5 percentage points compared with their annual growth rate at end-August last year.

Household loans accounted for one half of total loans granted at the end of August this year. Safer and higher returns for banks, coupled with large demand for loans, explain why credit activities of banks have in the past few years almost always been most intensive in the household sector. At end-August, household loans reached HRK 89.6bn, growing annually by 22.7%.

In the first half of 2006, as in the year before, a large

share of bank loans went to loans to government units. This is due to central government decision to finance its due foreign liabilities from the beginning of the year with loans from domestic banks, until realisation in the second half of the year of planned privatisation proceeds and the issue of bonds. At end-August, banks' loans to government units were HRK 16.9bn, growing annually by 26.6%, while their share in total bank loans granted did not change significantly and stood at 9.4%, the same level as at end-August last year.

In addition to rapid household loans growth and significant government financing, monetary developments in 2006 were also characterised by a fast growth of bank loans to the corporate sector. Banks' corporate lending more than doubled in the first eight months of this year compared with the same period previous year. Compared with their growth of HRK 3.7bn or 6.9% in the first eight months of last year, loans to the corporate sector rose by HRK 9.3bn or 14.9% during the same period this year. At end-June, their annual growth rate reached for the first time, and at 25.0% at end-August even outstripped, the annual growth rate of household loans. Total loans to the cor-

Table 4: Loans Granted, by selected activities, quarterly rates of change, in million HRK

	Q1/2005	Q2/2005	Q3/2005	Q4/2005	Q1/2006	Q2/2006
1. Industry	-9.1	648.9	144.2	1,331.0	1,331.5	1,145.9
- o/w: Manufacture of other transport equipment	349.3	191.5	12.4	764.3	366.8	557.3
2. Wholesale and retail trade	22.2	-110.9	404.5	574.4	681.7	902.8
3. Construction	699.9	474.3	713.0	873.9	159.6	1,101.2
4. Real estate, renting and business activities	339.0	586.3	470.2	306.8	541.1	603.4
5. Hotels and restaurants	46.2	169.7	84.0	210.2	401.2	218.5
6. Transport, storage and communication	-65.8	111.6	118.7	311.3	405.1	75.7
7. Agriculture, hunting and forestry	78.8	213.0	155.3	275.9	211.8	46.4
8. Selected activities - total	1,111.2	2,092.9	2,090.0	3,883.5	3,731.9	4,094.0

Source: CNB.

Figure 55

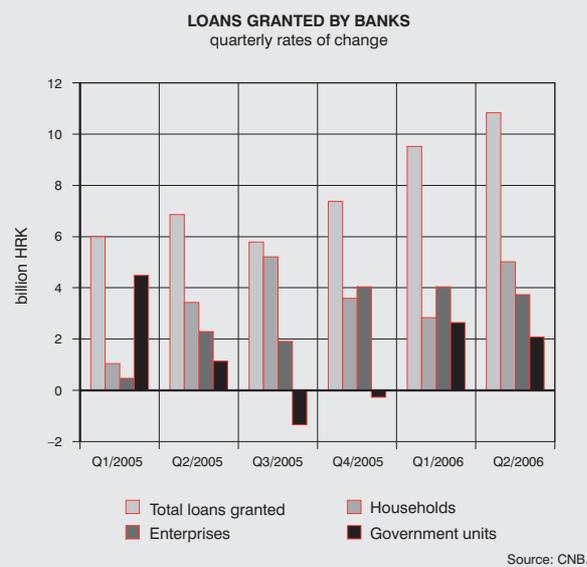


Figure 57

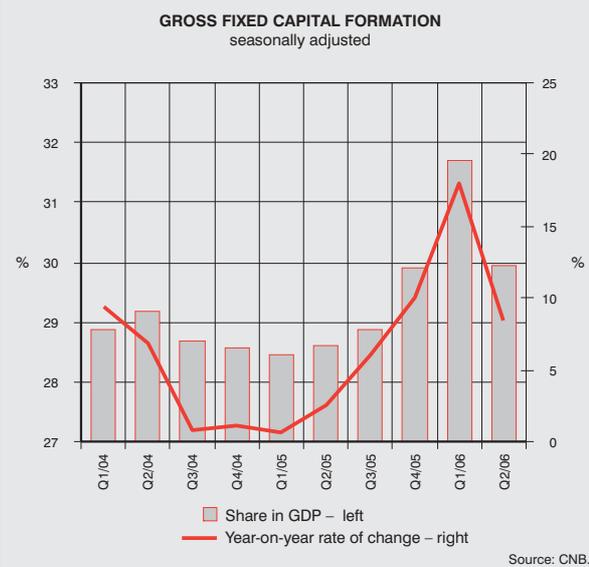


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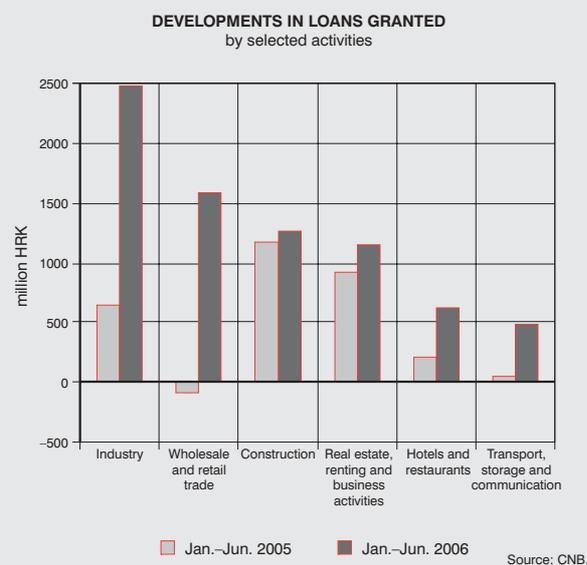
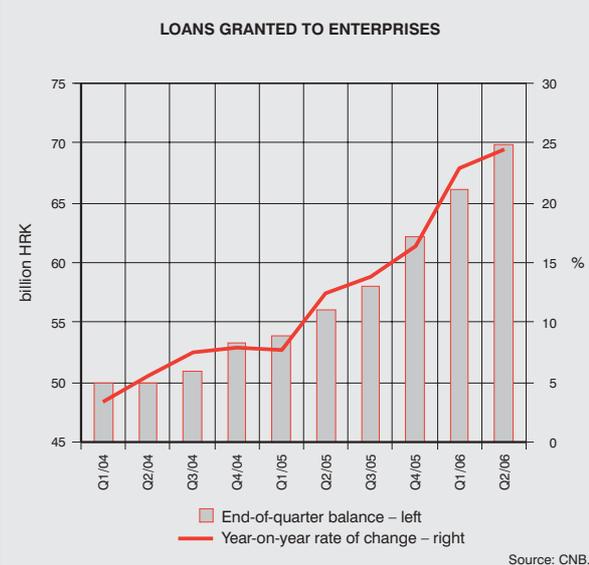


Figure 58



porate sector reached HRK 71.4bn at end-August, accounting for 39.9% of total loans granted.

Given that accelerated growth of loans to the corporate sector provided the largest contribution to accelerated growth of total loans granted by banks in 2006, they warrant a more detailed analysis.⁸

Looking at NCEA, almost all activities saw an increase in loans granted. The largest increase took place in industry which in the first half of the year accounted for HRK 2.5bn or 31.9% of the total increase in loans to the corporate sector. Industry's most significant activities include other processing industry and manufacture of other transport equipment (ships), with the latter accounting for the largest share in total loans granted to industry in the first six months of 2006 (HRK 0.9bn or 36.0%).

⁸ Data used in this analysis are available on a quarterly basis and relate to loans granted by banks which are classified in accordance with the National Classification of Economic Activities (NCEA).

After industry, wholesale and retail trade saw the largest increase in loans granted. In the first half of the year, this activity accounted for one fifth of the total increase in bank loans to the corporate sector (HRK 1.6bn). In addition to industry and trade, a large share of the increase in loans granted went to construction and real estate, renting and business activities. Although the increase in loans granted to these two activities was also large in the first half of 2005, the increase which took place in the same period this year was even more pronounced. As regards construction, such developments reflect large demand on the housing market, which, generated by housing loans growth, provided additional boost to investment and business activities in construction. According to data provided by the CBS, the value of construction works completed by companies with a minimum staff of 20 from January to June this year in Croatia rose by 14.9% compared with the same period previous year. Two activities in the services sector, hotels and restaur-

rants, and transport, storage and communication, recorded a multiple increase in the amount of loans granted in the first half of this year, compared with the same period previous year. However, their share in the total amount of loans granted to the corporate sector was much smaller than that of the other activities during that period.

Fast growth of bank loans to the corporate sector towards the end of last year and early this year made a considerable impact on total investment developments. The largest contribution to GDP growth in the fourth quarter last year was provided, in addition to personal consumption, by gross fixed capital formation, which, of all the components of domestic demand, grew the most during that period. Further investment growth and acceleration in real GDP growth in the first quarter of 2006 was accompanied by growing volume indices in those activities which saw the

largest increase in loans granted such as industry, trade and construction. Although the second quarter of this year saw a slowdown in gross fixed capital formation, its annual growth rate remained high. During that period, loans to the corporate sector continued to grow at the same rate as in the first quarter this year.

More intense business relations between domestic banks and the corporate sector, given the fact that the corporate sector may equally borrow from domestic banks, from other financial institutions, directly abroad or through securities' issues, is a positive signal for the economy as a whole. In so far as that the bulk of the funds obtained spills over to corporate investment for the improvement of the existing or creation of new production capacities, the growth of bank corporate lending may indicate the creation of good foundations for future economic growth.

Placements to the Central Government

In the second quarter and the first two months of the third quarter 2006, the central government continued to meet its funding needs on the domestic market. In the second quarter, banks' claims on the central government rose by a net HRK 2.1bn (6.8%), as a result of an increase in loans granted (HRK 2.0bn), increased T-bills subscriptions (HRK 1.1bn) and decreased placements in government bonds (HRK 1.0bn). After that, the government's position vis-à-vis the banks improved significantly in the first two months of the third quarter when the government used the funds raised through its new kuna bond issue in July (HRK 2.5bn) to reduce its liabilities towards the banks (mostly claims arising from granted loans). Total bank claims on the central government stood at HRK 31.2bn at end-August, growing annually by 6.0%.

Central government deposits with the banks held steady in the second and third quarters of this year. From a short-term perspective, they are more volatile than placements, but compared with placements, changes in deposits commonly involve much smaller amounts, so as a result total net position of banks vis-à-vis the central government is mostly determined by developments in placements. During the second quarter and in the first two months of the third quarter, banks' net claims on the central government fell by HRK 1.0bn and stood at HRK 21.1bn at end-August 2006.

Foreign Assets and Liabilities

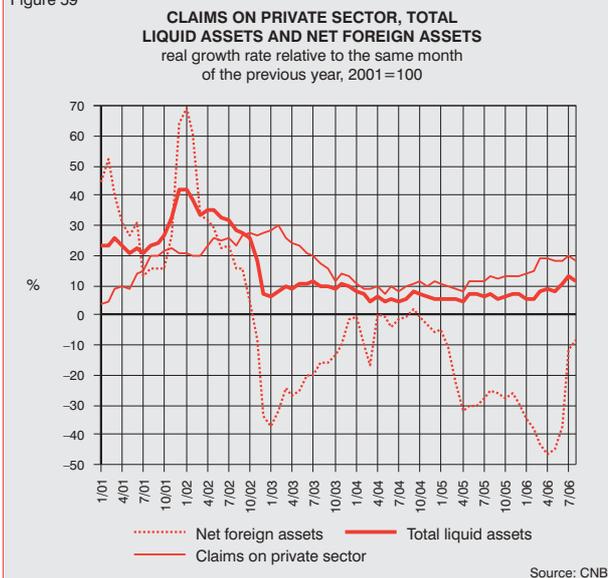
Foreign assets of banks continued their downward trend from the first quarter of this year into the second quarter, albeit at a slower pace. In the first two months of the third quarter, however, such developments came to a halt, while foreign assets of banks stood at HRK 28.7bn at end-August, increasing by HRK 2.5bn compared with their end-June balance.

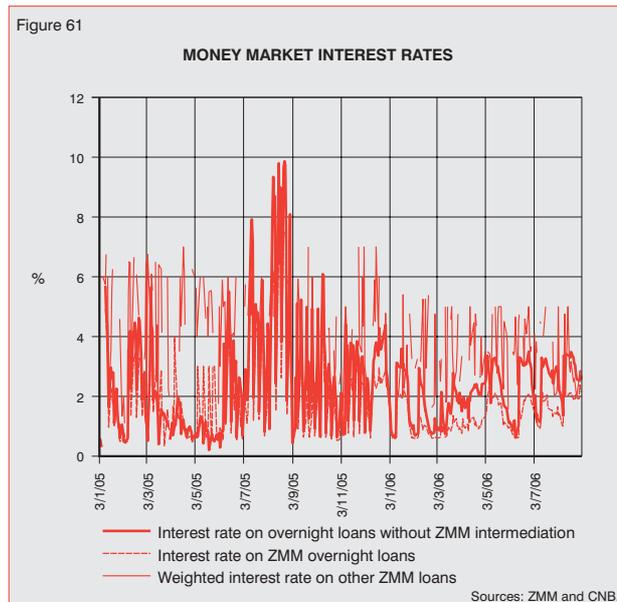
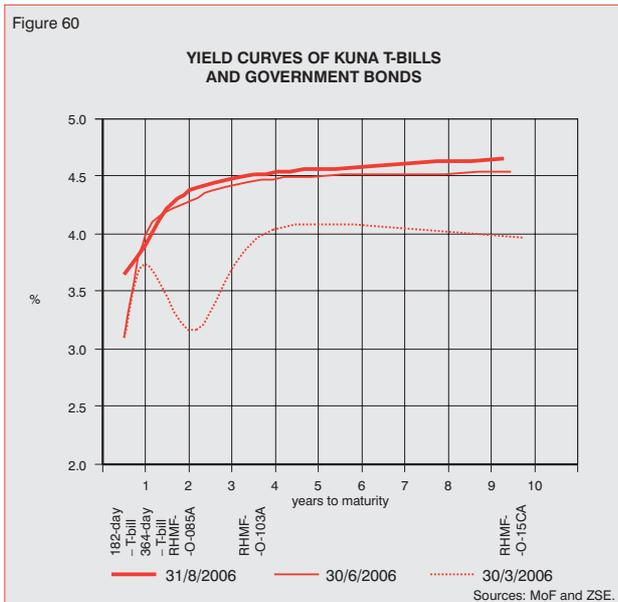
Foreign liabilities of banks rose by HRK 6.3bn in the first

quarter, and in the second quarter the banks borrowed additional HRK 2.2bn. With the arrival of the summer season and faster growth of domestic sources of funds, the third quarter saw a seasonal decline in foreign liabilities of banks, which was particularly noticeable this year. Foreign liabilities fell by a total of HRK 9.0bn in July and August, with their net decrease in the first eight months of this year totalling HRK 0.5bn and their end-August balance standing at HRK 66.6bn, growing annually by 9.5%.

Such developments in foreign assets and liabilities of banks in the second quarter and the first two months of the third quarter led to an improvement in total net foreign assets of banks of HRK 8.4bn, compared with the end of the first half-year term. At end-August 2006, net foreign assets of banks stood at HRK -37.9bn which is a deterioration of HRK 6.4bn compared with end-2005.

Figure 59





Money Market

Financial sector liquidity remained relatively high in the second quarter 2006, as well as in July and August, mostly due to HRK 3.4bn released through five CNB's foreign exchange interventions carried out over May and June. Nevertheless, central banks' reverse repo placements were higher than in the previous quarter. Due to the comfortable liquidity in the second quarter, interest rates on overnight loans on the ZMM ranged between a low of 1% and 3% in that period, while the total stock of subscribed MoF T-bills edged up, continuing upwards in July and August. These trends were affected neither by an increase in banks and institutional investors' demand for liquid assets, arising from the issuance of several kuna corporate bonds and a HRK 2.5bn worth seven-year kuna government bond issue in July, nor by common seasonal pressures on kuna liquidity.

Bank interest rates on short-term and long-term corporate loans and short-term household loans not indexed to foreign currency increased, whereas rates on foreign currency-indexed long-term household loans dropped further. Interest rates on foreign currency time deposits continued to grow, while kuna time deposit rates decreased and rates on kuna and foreign currency sight deposits continued the downward trend. These interest rate trends in the first half of 2006 were in line with expectations, as strong bank lending continued from end-2005 into the first two quarters in 2006.

Money Market Interest Rates

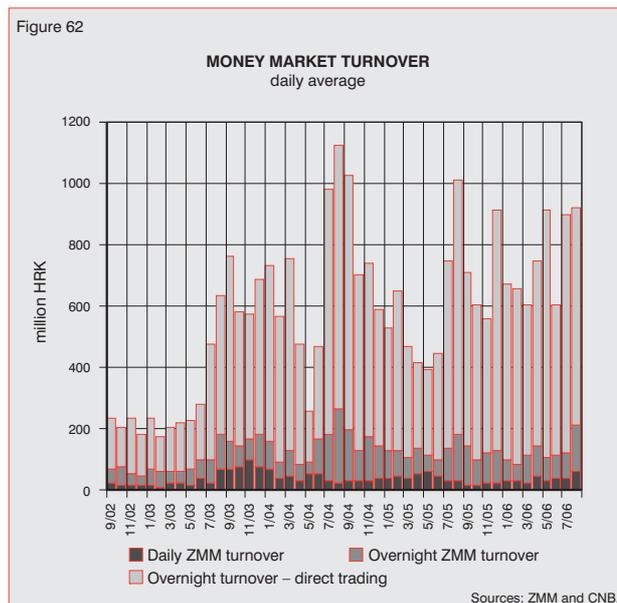
According to ZMM data, the average reported loan demand increased in the second quarter 2006 from the previous quarter, continuing upwards in July and August. In contrast, loan supply drifted slightly lower in the second quarter compared with the first and rose in July and August. However, these developments yielded no considerable increase in money market interest rates, while the turnover grew both in

the second quarter and in July and August.

The weighted interest rate on overnight loans intermediated by the ZMM rose from 0.91% in March 2006 to 1.09% and 1.69% in April and May respectively, falling to 1.50% and 1.51% respectively in June and July and hitting 1.96% in August, a record high since end-2005. The weighted interest rate on other loans intermediated by the ZMM also rose, from 3.23% in March to 3.46% in June, decreasing to 3.41% and 3.06% in July and August respectively.

The total ZMM turnover rose from HRK 6.5bn in the first quarter to HRK 7.4bn in the second quarter 2006. The average daily turnover in overnight loans stood at HRK 82.9m in the second quarter, a rise of HRK 9.8m over the previous quarter, growing further to HRK 88.5m and HRK 155.3m in July and August respectively. The average daily turnover in other loans increased from HRK 28.7m in the first quarter to HRK 38.4m in the second quarter, standing at HRK 35.3m in July and increasing to HRK 57.9m in August.

With a share of 68% in the second quarter, slightly down



from 73% in the previous quarter, overnight loans again predominated among ZMM intermediated loans. Although it dropped from 77% in the first quarter, the share of one-month loans in total other loans was at 74% the largest in the second quarter.

Interbank overnight lending without ZMM intermediation generated an average turnover of HRK 634.6m in the second quarter 2006, an increase from HRK 542.4m generated in the first quarter. These loans' average daily turnover stood at HRK 777.3m in July 2006, decreasing to HRK 704.9m in August. Concurrently, the weighted interest rate on direct interbank overnight loans rose from 1.67% in March to 2.34% by June. This rate increased further to 2.72% at end-August, remaining, however, below its end-2005 level.

Interest Rates on the Short-Term Securities Market

The total stock of subscribed MoF T-bills increased in the second quarter 2006. With only three T-bill auctions held in June, the total stock of subscribed T-bills rose to HRK 12.0bn at the month's end, growing further to HRK 12.1bn and HRK 12.3bn at end-July and end-August respectively.

T-bills interest rates were mostly higher in the second quarter than in the first quarter. The weighted interest rates on 91, 182 and 364-day T-bills stood at 3.10%, 3.10% and 4.00% respectively, relative to 2.99%, 3.13% and 3.68% respectively over March. The weighted interest rate on 91-day bills was down to 2.94% at end-July, while the weighted interest rate on 364-day bills held steady at the June level. No 182-day T-bills were subscribed for in July. The weighted interest rates on 91 and 182-day bills grew to 3.24% and 3.69% respectively in August, while the weighted interest rate on 364-day bills dipped to 3.97%.

At the end of the second quarter 2006, T-bills with the longest maturity customarily accounted for the largest share of total subscribed bills (90.4%). The second largest share, 5.4%, was that of 182-day bills, while bills with the shortest maturity had a share of 4.2%. The share of 364-day bills hit a

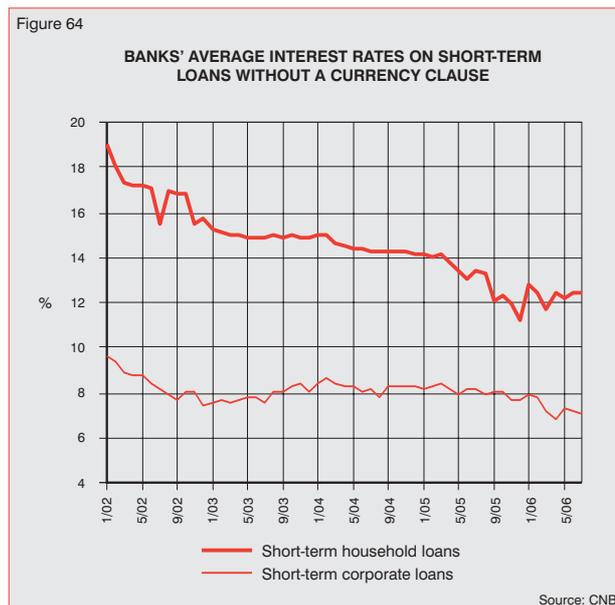
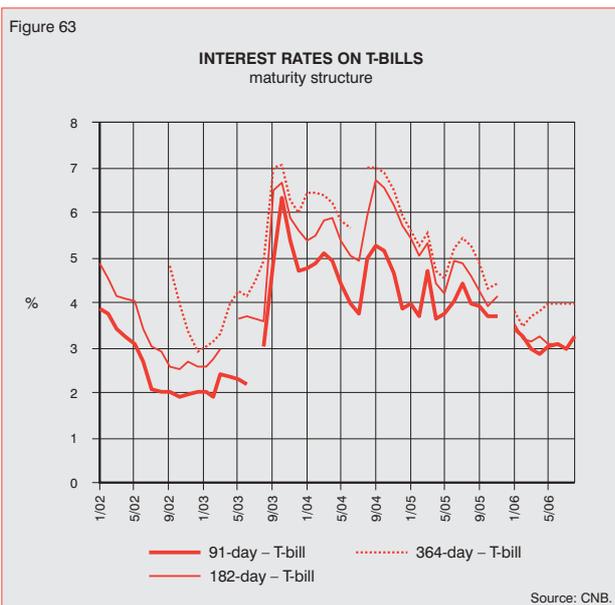
high of 94% in August, with 91 and 182-day bills accounting for 2.6% and 3.4% of the total respectively.

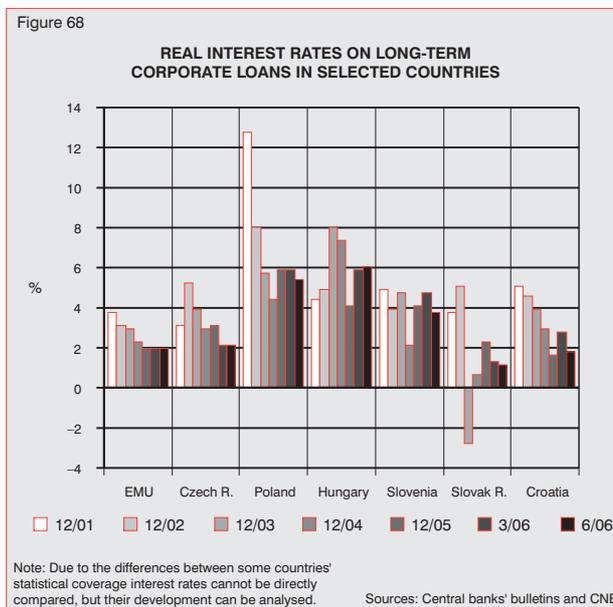
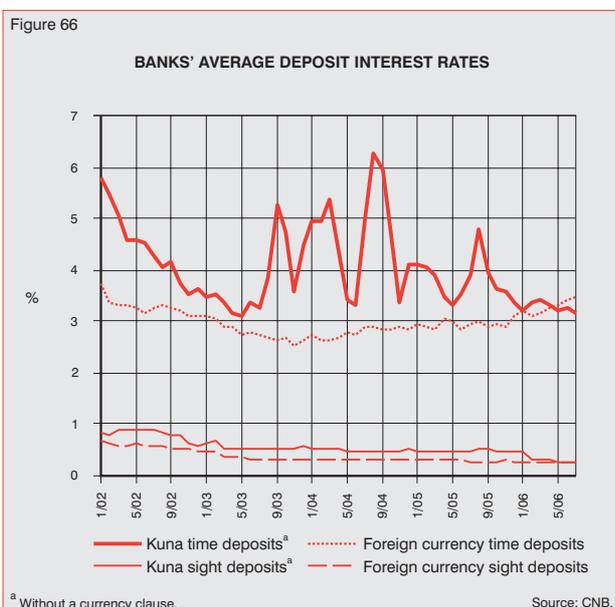
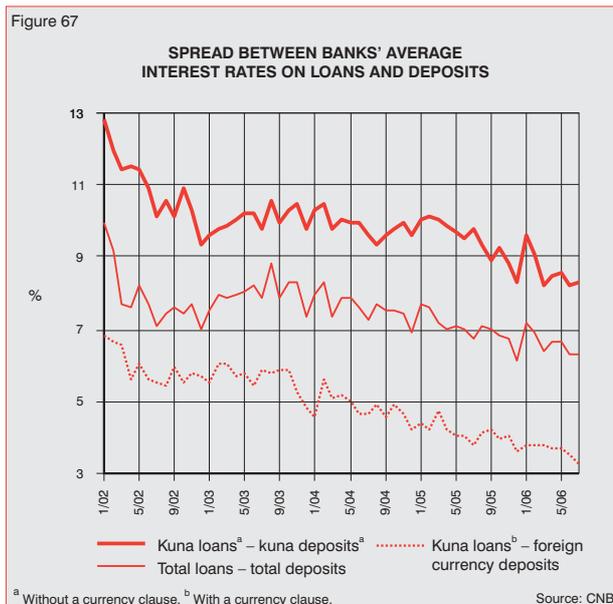
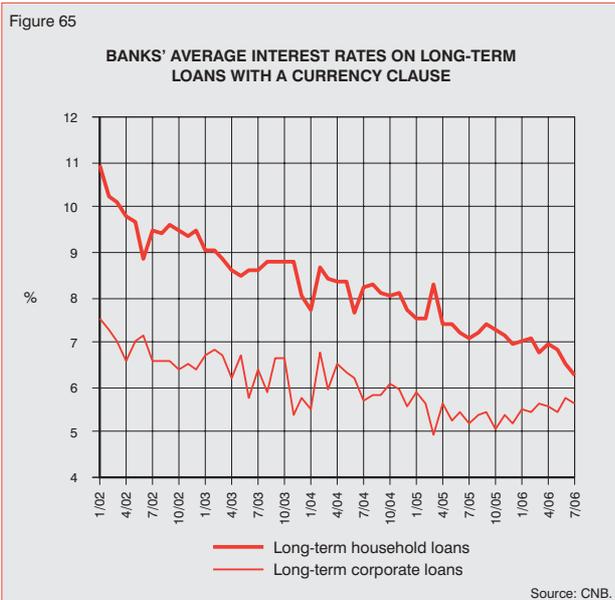
Bank Interest Rates

Bank interest rates on short-term corporate loans and short-term household loans not indexed to foreign currency continued to drift higher in the second quarter 2006. The weighted interest rate on short-term kuna corporate loans not indexed to foreign currency edged up from 7.16% in March to 7.18% in June, dropping to 7.08% in July. The weighted interest rate on short-term household loans not indexed to foreign currency grew more sharply, from 11.75% in March to 12.37% in June, increasing also in July, to 12.47%.

The weighted interest rate on long-term corporate loans indexed to foreign currency grew from 5.64% in March to 5.74% by June, holding at the March level in July. The weighted interest rate on long-term household loans indexed to foreign currency dropped from 6.78% in March to 6.52% in June. This rate continued to trend down, reaching a record low of 6.29% in July. There are several reasons for such trends in interest rates on long-term household loans. First, the share of foreign currency indexed long-term kuna loans, whose interest rates typically exceed those of similar loans (e.g. housing loans, mortgage loans, car purchase loans, credit card loans) continued to decrease. Second, interest rates on these loans were down from 8.34% in March to 8.15% and 7.94% in June and July respectively. Third, the share of housing loans, having the lowest interest rate of the loans in this group, increased from 37% in March to 42% in June and 46% in July, while their interest rates dropped from 4.92% in March to 4.75% in June, holding steady in July. Finally, the share of loans indexed to the Swiss franc, which have the lowest interest rate of all foreign currency indexed loans, continued to rise.

Standing at 3.42% in March, the weighted interest rate on kuna time deposits not indexed to foreign currency dropped to 3.28% in June and further to 3.16% in July, the



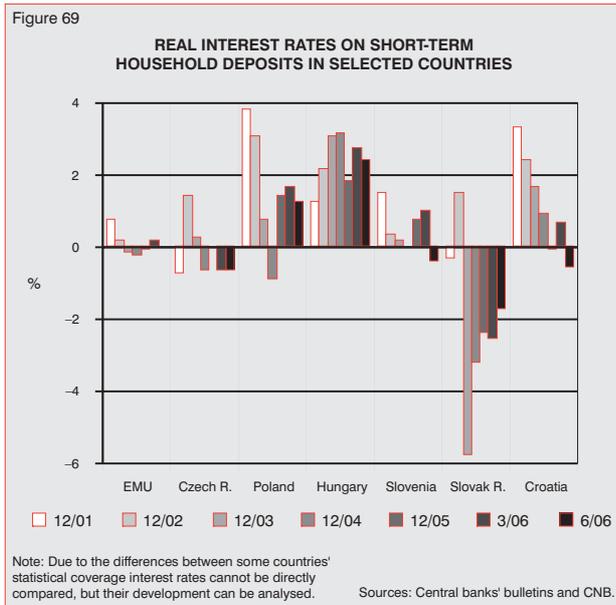


lowest level since May 2003. The weighted interest rate on foreign currency time deposits grew from 3.15% in March to 3.40% and 3.46% in June and July respectively, whereas the weighted interest rate on foreign currency sight deposits went down from 0.26% in March to 0.25% in June, standing at 0.27% at end-July. The interest rate on kuna savings deposits continued on a downward trend, falling from 0.33% at end-March 2006 to 0.27% and 0.28% in June and July respectively.

The spreads between bank lending and deposit rates narrowed in the second quarter from the first quarter 2006. The spread between interest rates on total loans and those on total deposits reduced from 6.41 percentage points in March to 6.28 percentage points in June, advancing slightly to 6.33 percentage points in July. Having widened in the first quarter 2006, to 3.78 percentage points at end-March, the spread between interest rates on foreign currency indexed kuna loans and interest rates on foreign currency deposits narrowed to 3.51 percentage points in June and reached its

record low of 3.29 percentage points in July. The spread between interest rates on kuna loans not indexed to foreign currency and interest rates on kuna deposits dipped from 8.23 percentage points in March to 8.20 percentage points in June, the lowest point since early 2002. However, it rose to 8.28 percentage points in July.

Due to the said rise in weighted nominal interest rates on foreign currency indexed long-term corporate loans, accounting for the largest share in long-term corporate loans, and the concurrent accelerated inflation rate increase, real interest rates on long-term corporate loans dropped in Croatia in the second quarter 2006. Similar trends were observed in the EMU and Slovenia, while in Poland and Slovakia these rates dropped on account of a simultaneous drop in nominal interest rates on long-term corporate loans indexed to foreign currency and inflation rise. In the Czech Republic, in contrast, real interest rates on long-term corporate loans grew due to rising nominal interest rates and a steady inflation rate, while in Hungary they grew due to



nominal interest rate growth outstripping inflation rise.

Positive in the first quarter 2006 in Croatia, real interest rates on household deposits became negative again in the second quarter 2006 due to inflation rise. They were also negative in the Czech Republic and Slovakia in the first quarter 2006 and in Slovenia in the second quarter. Notwithstanding a drop from the previous quarter, these rates remained positive in Poland and Hungary. Based on a revision of data from the first quarter, real interest rates on household deposits turned positive in the EMU countries in the half of 2006, for the first time since March 2004.

Capital Market

Turnover and share prices accelerated further on the Croatian capital market in the second quarter 2006, while stock exchange activity slowed down slightly due to seasonal factors in July and August. The key events affecting trends in the equity securities market were Pliva takeover bids, one by the Icelandic pharmaceutical company Actavis and the other, made in June, by the American pharmaceutical company Barr. Due to increased investor interest both Croatian stock exchange indices hit record highs, and similar trends were observed in some other Central European markets. In contrast, bond turnover dropped in the second quarter 2006 from the previous quarter, despite several corporate bond issues and a HRK 2.5bn worth seven-year kuna bond issued by the MoF. With interest rates increasing further in the world's leading economies, bond prices mostly dropped internationally in the second quarter 2006, while the spread between the Croatian bond and the benchmark German bond widened.

Equity Securities Market

The ZSE share turnover hit an all-time high of over HRK 3.7bn in the second quarter 2006, an increase of a high 88% over the previous quarter and a staggering 459% over the

same period last year. The Pliva takeover being the key event, the turnover of HRK 2.3bn produced by this share alone outstripped the total turnover generated in the previous quarter. In consequence, the Pliva share price rose by 31% at the second quarter-end from the first quarter-end and by an additional 8% in August. Pliva share made up 61% of the total share turnover in the second quarter 2006, outperforming the shares of Podravka and Adris grupa, accounting for 10% and 5% of the total turnover respectively. The ZSE share turnover dropped to HRK 603.4m in July and further to HRK 719.4m in August.

Due to these developments, the CROBEX rose to 2714 points in the second quarter 2006 and continued to grow in July and August, reaching a historical peak of 3100 points. The CROBEX grew by 55% since the beginning of the year.

Standing at HRK 111bn at the second quarter end, the ZSE bond market capitalisation rose by 9.6% compared with the first quarter-end. The surge in market capitalisation resulted from a sharp rise in both share liquidity and prices.⁹ With most share prices rising, the ZSE market capitalisation grew by 14.7% over July and August, reaching HRK 127bn at end-August.

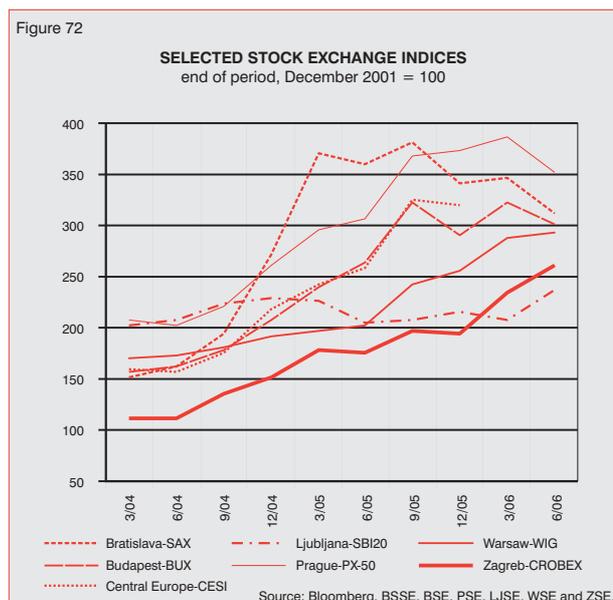
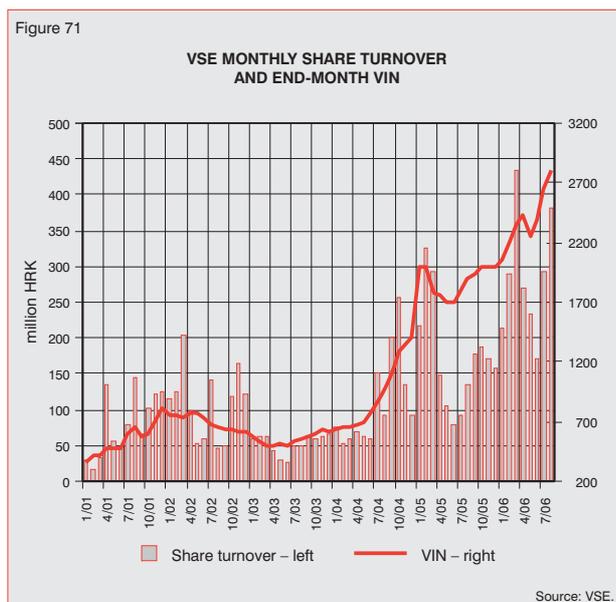
The VSE market capitalisation of shares dropped to HRK 39.0bn at the second quarter-end, down by HRK 10.5m from the first quarter, and rose to HRK 44.7bn and HRK 51.3bn in July and August respectively. The total VSE turnover reduced to HRK 174.7m in June 2006, rebounding to HRK 400.2m at end-August. Share turnover stood at HRK 674.2m in the second quarter, a drop of 28% compared with the previous quarter and a rise of 102% compared with the same period in the previous year. According to data for the first half of the year, trading in public companies' shares made up 51% of the total turnover and Free Market trading accounted for about 42%. The most traded shares in the first

⁹ The overall ZSE market capitalisation is calculated including total market capitalisation of the shares traded regularly in the previous three months, half of market capitalisation of the shares not traded in the previous month and a quarter of market capitalisation of shares not traded in the previous three months.

Table 5: Comparison of Capital Market Indicators

June 2006	Bratislava	Budapest	Ljubljana	Prague	Warsaw	Zagreb
Average daily turnover, shares (million EUR)	0.1	96.7	2.7	161.9	299.5	14.6
Average daily turnover, bonds (million EUR)	83.5	6.0	0.4	69.9	4.8	13.5
Turnover ^a /GDP ^c , annual level (%)	0.1	29.1	2.6	43.4	31.4	11.3
Turnover ^b /GDP ^c , annual level (%)	59.1	1.8	0.4	18.8	0.5	10.5
Turnover velocity ^d	0.9	103.0	9.5	90.2	n.a.	22.9
Market capitalisation ^a (million EUR), end month	3,981	24,800	7,583	47,384	n.a.	15,273
Market capitalisation ^b (million EUR), end month	10,693	28,400	6,466	26,292	n.a.	5,034
Market capitalisation ^a /GDP ^c , end month (%)	10.7	28.2	27.7	48.1	n.a.	49.6
Market capitalisation ^b /GDP ^c , end month (%)	28.7	32.3	23.6	26.7	n.a.	16.3
Index movement from the beginning of the year (%)	-8.7	3.0	10.0	-5.6	14.2	35.8
Index movement from the beginning of the month (%)	-3.5	0.8	1.5	4.6	2.6	8.8

^a Shares, ^b Bonds, ^c 2006, ^d Annualised monthly share turnover × 100/market capitalisation of shares.
Sources: Bloomberg and reports from BSSE, BSE, PSE, LJSE, WSE and ZSE.



half of 2006 were those of Ericsson Nikola Tesla d.d., Slatinska banka d.d. and Belje d.d. With only one share listed, the Second Quotation had a negligible turnover, as for a long time, while the Quotation of Rights, comprising trading in the rights of the former Ministry of Public Works, Reconstruction and Construction and Ministry of Finance, generated a turnover of HRK 25.7m in the first quarter 2006, which was less than 2% of the total VSE turnover.

The VIN stood at 2392 points in the second quarter, edging up by 2% over the previous quarter. The index continued to grow in July and August, hitting a record high of 2805 at end-August.

While almost all stock exchange indices in the selected CEE countries rose in the first quarter 2006, only some of them continued growth in the second quarter. The Ljubljana Stock Exchange index rose the most compared with the previous quarter, by 14.7%, while the CROBEX was up 11.5% and the Warsaw Stock Exchange index drifted up by 1.1%. The Bratislava Stock Exchange index declined the most, by 9.6%, followed by the Prague and Budapest Stock Exchange indices, down by (8.8%) and (7.2%) respectively.¹⁰

The market capitalisation of shares increased only at the Zagreb Stock Exchange and Ljubljana Stock Exchange at end-June relative to March. In addition to the Prague Stock

Exchange, these stock exchanges also recorded an increase in bond market capitalisation. Share turnover was on the rise on all the stock exchanges, except on the one in Budapest, while bond turnover increased only on the Bratislava Stock Exchange and Budapest Stock Exchange. As usual, the Bratislava Stock Exchange recorded a weaker share turnover than the Zagreb Stock Exchange, and so did Ljubljana Stock Exchange in both quarters of 2006. Of the observed stock exchanges, only the Bratislava Stock Exchange and Prague Stock Exchange realised higher turnovers than the ZSE.

Debt Securities Market

Podravka d.d. and Nexe grupa d.d. each issued a five-year kuna corporate bond in the long-term debt securities market in the second quarter 2006. The Podravka bond, worth nominally HRK 375m, was issued at a coupon rate of 5.125% in May, while the Nexe grupa d.d. bond, the largest kuna corporate bond ever issued in the domestic market, worth nominally HRK 750m, was issued at a coupon rate of 5.50% in June. In July 2006, the MoF issued a seven-year kuna bond, worth a nominal HRK 2.5bn, at a coupon rate of 4.25%. Also in July, euro denominated municipal bonds were issued by the City of Rijeka (valued at a nominal EUR 8.9m, with a coupon rate of 4.125%), and by the City of Split (valued at a nominal EUR 4m, with a coupon rate of

¹⁰ As of 1 January 2006 the CESI is no longer calculated.

Table 6: Bond Issues in the Domestic Market

Series	Issuer	Issue date	Maturity	Currency	Issue nominal value	Nominal interest rate	Last price ^a	Current yield 31/8/2006
RHMF-O-08CA	Republic of Croatia	14/12/2001	14/12/2008	EUR	200,000,000	6.875%	105.25	6.532%
RHMF-O-125A	Republic of Croatia	23/5/2002	23/5/2012	EUR	500,000,000	6.875%	112.45	6.114%
RHMF-O-085A	Republic of Croatia	28/5/2003	28/5/2008	HRK	1,000,000,000	6.125%	103.05	5.944%
RHMF-O-142A	Republic of Croatia	10/2/2004	10/2/2014	EUR	650,000,000	5.500%	106.50	5.164%
RHMF-O-077A	Republic of Croatia	7/7/2004	7/7/2007	EUR	400,000,000	3.875%	99.40	3.898%
RHMF-O-19BA	Republic of Croatia	29/11/2004	29/11/2019	EUR	200,000,000	5.375%	110.20	4.877%
RHMF-O-103A	Republic of Croatia	8/3/2005	8/3/2010	HRK	3,000,000,000	6.750%	107.50	6.279%
RHMF-O-157A	Republic of Croatia	14/7/2005	14/7/2015	EUR	350,000,000	4.250%	98.60	4.310%
RHMF-O-15CA	Republic of Croatia	15/12/2005	15/12/2015	HRK	5,500,000,000	5.250%	104.50	5.024%
RHMF-O-137A	Republic of Croatia	11/7/2006	11/7/2013	HRK	2,500,000,000	4.250%	99.23	4.283%
GDKC-O-116A	City of Koprivnica	29/6/2004	29/6/2011	HRK	60,000,000	6.500%	101.80	6.385%
GDZD-O-119A	City of Zadar	1/9/2004	1/9/2011	EUR	18,500,000	5.500%	–	–
GDRI-O-167A	City of Rijeka	18/7/2006	18/7/2016	EUR	8,191,504	4.125%	–	–
GDST-O-137A	City of Split	24/7/2006	24/7/2013	EUR	4,000,000	4.563%	–	–
HBOR-O-112A	CBRD	11/2/2004	11/2/2011	EUR	300,000,000	4.875%	–	–
BLSC-O-051A	Belišće d.d.	14/1/2005	14/1/2009	EUR	8,000,000	5.500%	101.60	5.413%
HYBA-O-086A	Hypo-Alpe-Adria Bank d.d.	6/6/2003	6/6/2008	HRK	150,000,000	6.500%	103.85	6.259%
BNAI-O-22CA	Bina Istra d.d.	15/12/2002	15/12/2022	EUR	210,000,000	8.000%	–	–
PODR-O-072A	Podravka d.d.	20/2/2004	20/2/2007	EUR	27,000,000	5.000%	100.80	4.960%
AGRK-O-074A	Agrokor d.d.	3/4/2002	3/4/2007	EUR	230,000,000	11.000%	104.45	10.531%
PLVA-O-115A	Pliva d.d.	12/5/2004	12/5/2011	EUR	75,000,000	5.750%	103.50	5.556%
ATGR-O-077A	Atlantic Grupa d.o.o.	15/7/2004	15/7/2007	EUR	15,000,000	5.750%	100.80	5.704%
MDKA-O-087A	Medika d.d.	11/7/2005	11/7/2008	EUR	16,500,000	4.500%	101.35	4.440%
RBA-O-112A	Raiffeisen Bank Austria d.d.	10/2/2006	10/2/2011	HRK	600,000,000	4.125%	97.60	4.226%
PODR-O-115A	Podravka d.d.	17/5/2006	17/5/2011	HRK	375,000,000	5.125%	–	–
NEXE-O-116A	Nexe grupa d.d.	14/6/2006	14/6/2011	HRK	750,000,000	5.500%	–	–
MTL-O-097A	Metronet telekomunikacije d.d.	28/7/2006	28/7/2009	HRK	120,000,000	8.500%	102.70	8.277%

^a Regularly traded shares. Source: ZSE, monthly report, August 2006.

rate of 4.563%). July also saw a three-year corporate bond issued by Metronet telekomunikacije d.d. at a coupon rate of 8.50%, worth HRK 120m in nominal terms.

As regards short-term debt securities, seven of the record sixteen commercial papers listed on the ZSE at end-August were listed in the second quarter and two in July 2006. Lura d.d. 199-day commercial papers, worth HRK 22m, and PBZ Card one-year papers, valued at HRK 85m, were listed on the Regular Market, while the one-year commercial paper of Belišće d.d., valued at HRK 10m, was listed on the Official Market. The Regular Market saw M SAN Grupa d.d. one-year commercial papers, valued at HRK 45m, and Oktal Pharma d.d. one-year papers, worth HRK 50m, listed in May. Istraturist Umag d.d. 182-day commercial papers, worth HRK 70m, were listed on the Official Market in June, and Atlantic grupa d.d. three-month papers, worth HRK 30m, in July. Jadran Galenski laboratoriji d.d. commercial papers, valued at HRK 30m, were listed on the Regular Market in July.

Ten government bonds, four municipal bonds, one government agency (CBRD) bond and twelve corporate bonds were listed on the domestic stock exchanges at end-August 2006.

The market capitalisation of government bonds, municipal bonds and the CBRD bond was slightly below EUR 4bn at end-August, accounting for an approximate 11.7% of the GDP estimate for 2006, while the market capitalisation of corporate bonds amounted to EUR 679.5m (HRK 4.4bn), making up about 2.0% of the GDP estimate for 2006.

Although decreasing slightly, bond trading on the ZSE continued at a brisk pace in the second quarter 2006, generating a turnover of above HRK 9.7bn, a drop of HRK 393m or 3.9% from the turnover peak in the first quarter. How-

ever, the monthly turnover continued downwards in July and August, standing at HRK 1.8bn and HRK 2.8bn respectively. The largest share in the turnover customarily went to more recent bond issues with longer maturities. Specifically, the most traded bonds in the second quarter were Republic of Croatia bonds due 2015 (HRK denominated) 2010, 2012, 2019, 2007, 2014, and 2015 (EUR denominated), which generated 89% of the total quarterly bond turnover. The first three bonds were also the most traded in July and August 2006, in addition to a new seven-year kuna denominated government bond.

The ZSE bond index, CROBIS, dropped further in the second quarter 2006, down to 101.1 points at end June, its

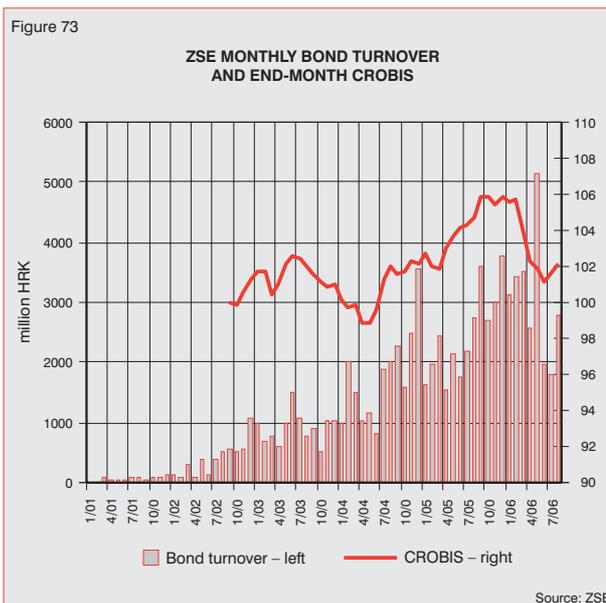
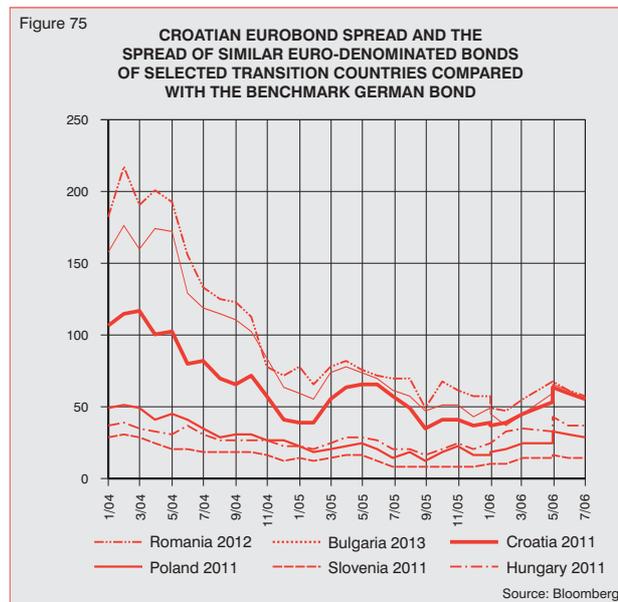
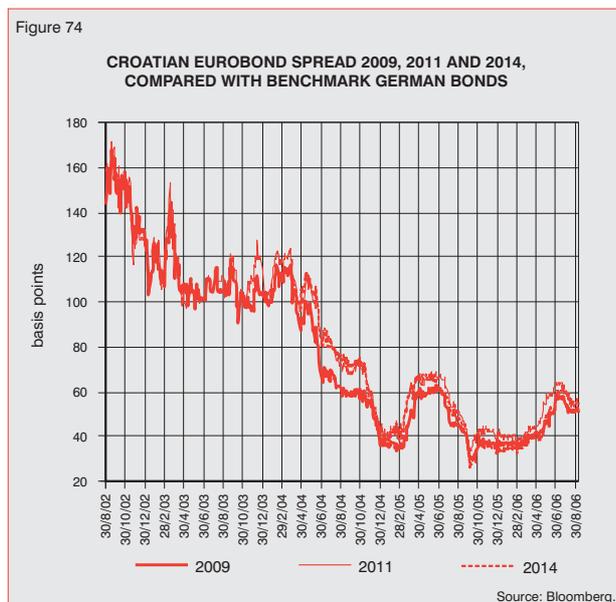


Table 7: Republic of Croatia International Bond Issues

Bond	Issue date	Currency	Amount	Nominal interest rate	Yield on issue date	Spread on issue date	Spread ^a 30/9/2005	Spread ^a 31/12/2005	Spread ^a 31/3/2006	Spread ^a 30/6/2006
London Club B, 2010	31/7/1996	USD	857,796,000	6-month LIBOR + 81.25 b.p.			96	105	99	89
Eurobonds, 2011	14/3/2001	EUR	750,000,000	6.75%	6.90%	215	38	37	39	65
Eurobonds, 2009	11/2/2002	EUR	500,000,000	6.25%	6.45%	158	35	34	38	58
Eurobonds, 2010	14/2/2003	EUR	500,000,000	4.625%	4.65%	102	36	34	38	58
Eurobonds, 2014	15/4/2004	EUR	500,000,000	5.000%	5.11%	101	32	33	36	58
Samurai bonds, 2007	11/7/2000	JPY	40,000,000,000	3.00%	3.00%	135	33	33	37	31
Samurai bonds, 2008	26/6/2002	JPY	25,000,000,000	2.15%	2.15%	144	35	42	51	46
Samurai bonds, 2009	26/6/2003	JPY	25,000,000,000	1.23%	1.23%	99	54	53	62	59

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



lowest level since the same month in 2004. The trend changed in July and August, with the CROBIS edging up to 102.1 points at end-August. The low CROBIS values were probably a result of the mentioned increase in global interest rates.

In the second quarter 2006, Republic of Croatia bonds were issued in foreign markets neither in July nor in August. There were nine Croatian bond issues in foreign markets at the second quarter end, the same as at the first quarter end. A bond issue representing the debt to the London Club (series B), worth USD 604.4m (about HRK 3.5bn), matured in July 2006, so that only one such bond remained listed. Of the remaining RC international bond issues, four are EUR and three YPJ denominated. The total nominal value of the eight Croatian eurobond issues was HRK 25.7bn (about EUR 3.5bn) at end-August.

The spreads between Croatian eurobonds and benchmark German bonds widened in the second quarter, mainly due to the key interest rate rise in the US and eurozone, as well as to the required yield on domestic bonds increasing at a faster rate than that on developed countries' bonds. The spreads of Croatian eurobonds due 2009, 2011 and 2014 were 58, 65 and 58 basis points respectively, an increase ranging from 16 to 22 basis points compared with 38, 39 and 36 basis points for the same maturities at end-March. However, these spreads narrowed until end-August, standing at 52, 55 and 56 basis points for bonds due 2009, 2011 and 2014 respectively.

With yields on new EU members and EU candidates'

eurobonds continuing to outstrip benchmark German eurobond yields in the second quarter 2006, their spreads widened further. In addition to the interest rate growth in developed financial markets, the spread increase was also due to an economic upturn in Germany in 2006. While still narrower than the spreads of the comparable Romanian and Bulgarian eurobonds maturing in 2012 and 2013 respectively, the spread between the Croatian eurobond due 2011 and the benchmark German bond approached those of the Romanian and Bulgarian eurobonds.

International Transactions

The current account deficit continued to widen at a decelerating rate during the second quarter of 2006 due to a further increase in imbalance in foreign trade in goods. The foreign trade deficit grew at a lower rate in the second than in the first quarter of the year. Current transfers and factor income outflows went up in the reference period, while the balance of foreign trade in services improved, primarily on account of a substantial growth in tourism revenues.

Croatia's external debt continued to trend upwards in the second quarter of 2006, mainly due to additional borrowings of banks and other domestic sectors (enterprises). Expressed in absolute terms, external debt decreased in July and August, as banks used increased foreign exchange inflows from tourism to repay larger amounts of their foreign liabilities. The IEMP movements remained positive, indicat-

Table 8: Current Account, in million EUR, preliminary data

	Jan.–Mar. 2005	Apr.–Jun. 2005	Jan.–Mar. 2006	Apr.–Jun. 2006	Indices	
					Jan.–Mar. 06/Jan.–Mar. 05	Apr.–Jun. 06/Apr.–Jun. 05
CURRENT ACCOUNT	-1,554	-1,165	-2,014	-1,273	129.5	109.3
1. Goods	-1,582	-2,098	-1,862	-2,343	117.7	111.7
1.1. Credit (f.o.b.)	1,511	1,878	2,003	1,970	132.6	104.9
1.2. Debit (f.o.b.)	-3,093	-3,976	-3,865	-4,313	125.0	108.5
2. Services	4	1,128	-43	1,309	-	116.1
2.1. Credit	653	1,791	663	2,000	101.6	111.6
2.2. Debit	-648	-663	-706	-690	108.9	104.1
3. Income	-278	-517	-399	-525	143.2	101.5
3.1. Credit	132	192	158	199	119.6	104.0
3.2. Debit	-411	-709	-557	-724	135.6	102.2
4. Current transfers	302	322	290	285	96.3	88.4
4.1. Credit	403	428	401	427	99.4	99.7
4.2. Debit	-102	-106	-111	-142	108.9	134.2

Source: CNB.

ing no impairment in the ability of domestic sectors to service their foreign liabilities.

Current Account

The current account deficit was EUR 1.3bn in the second quarter of 2006, 9.3% more than in the same quarter last year. The foreign trade in goods deteriorated most during the reference period. The foreign trade deficit reached 11.7% year-on-year in the second quarter of 2006, mainly in consequence of faster growth in imports than exports. In addition, goods imports grew at a considerably slower rate in the second than in the first quarter of the year. To a large extent, this was due to a decrease in the volume of imported oil and refined petroleum products in the second quarter of 2006, which, in turn, reduced the effect of increased crude oil prices on the foreign trade balance. Total exports of goods slowed down noticeably in the reference period, which is also attributed to a decrease in the export volume of oil and refined petroleum products.

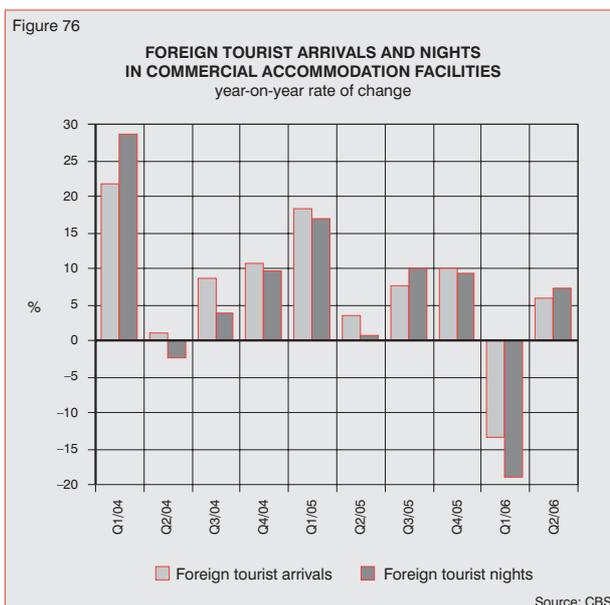
In contrast, foreign trade in services saw its positive balance increase at a marked year-on-year rate in the second quarter of 2006 which foremost was the result of a 12.1% growth in tourism revenues. The registered increase in tourism revenues may to a large extent be attributed to the base period effect (the Easter holiday, usually marked by increased tourism spending, fell in April in 2006). This in turn contributed to an improvement in total volume indices of tourism. The CBS data¹¹ showed a 6.0% increase in the number of foreign tourist arrivals in commercial accommodation facilities and a 7.3% increase in the number of foreign tourist nights. Broken down by individual countries, tourists from Germany and Austria predominated in this type of accommodation, while the number of nights stayed by tourists from the Czech Republic and France went downwards.

Notwithstanding somewhat higher year-on-year growth in expenditures, transport services showed an increase in net revenues. Within this, passenger transport improved the most, especially air transport, while goods transport saw a decrease in its positive balance. Favourable developments

were also observed in other services, with net income from telecommunication services doubling in the amount in the second quarter of 2006 relative to the same period of 2005. Other business services were marked by a decrease in net imports of agricultural, mining and manufacturing services, and research and development services. However, during the same period, the strongest growth of net imports was observed in trade and other related services, and legal, accounting and consultancy services, as well as in public relations services.

The negative balance on the factor income account grew slightly in the second quarter of 2006, mostly due to a decrease in FDI-related inflows of domestic owners of foreign companies. On the other side, FDI-related outflows were somewhat higher in the second quarter than in the same period last year; they were mostly accounted for by retained earnings, while only one-tenth of outflows was accounted for by dividend payments. In addition, the factor income account was also marked by increased interest payments on external debt by domestic sectors, as well as by rising external inflows from international reserves investment.

The positive current transfers balance trended downwards for the fourth consecutive quarter. The growth in government expenditures in the second quarter of 2006 was a



¹¹ Total volume indices of the CBS include only those foreign guests who have stayed at least one night in paid accommodation. In contrast, data on revenues reported under the position "travel" include foreign guests in non-paid accommodation and one-day visitors (excursions and transit).

key contributor to such developments. In addition, no significant changes were observed in other sectors, with a decrease in workers' remittances from abroad being offset by a growth in other inflows.

Merchandise Trade

The deteriorated foreign trade balance contributed most to the current account deficit widening in the first half of 2006. More specifically, the goods account deficit grew strongly in the first quarter of 2006 in which strong growth of imports largely exceeded exports. Both imports and exports slowed down considerably in the second quarter, resulting in a less pronounced foreign trade deficit. The foreign trade performance improved additionally in July – exports accelerated substantially while imports growth was less pronounced.

In the first seven months of 2005, according to the preliminary CBS data, total exports of goods stood at USD 5.7bn (f.o.b.) and imports at USD 12.1bn (c.i.f.). As a result, the foreign trade deficit reached USD 6.5bn, growing by 11.9% year-on-year. Thanks to total goods exports growing at faster year-on-year rates than total goods imports, the imports/exports coverage rate improved from 46.2% in the first seven months of 2005 to 46.8% in the same period of 2006.

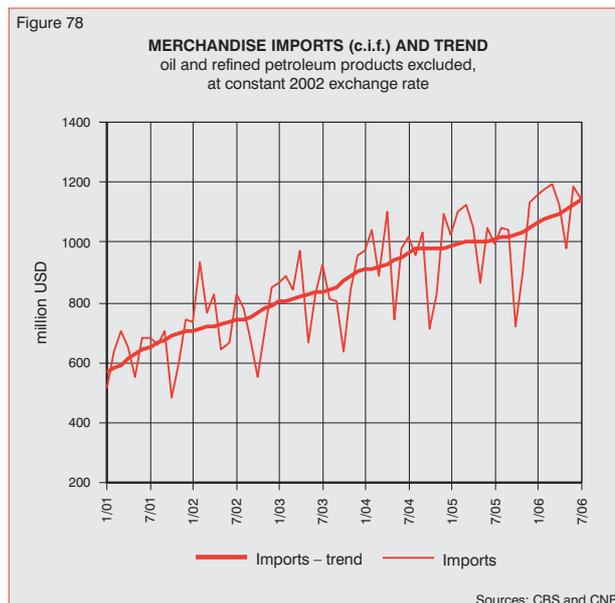
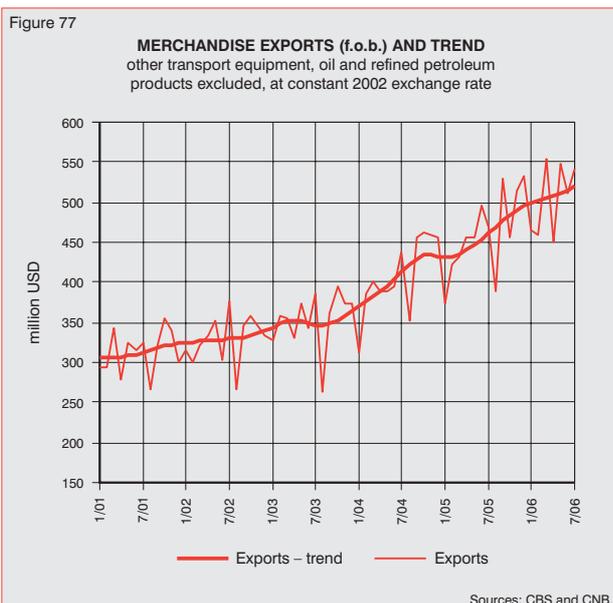
Expressed at constant exchange rates to eliminate the effects of exchange translation, total exports of goods grew by 17.1% in the January-July period of 2006 (8.4% in the same period last year). This was mostly due to a 34.7% increase in exports of other transport equipment (ships). Increased ship exports are in part attributed to the base period effect, i.e. to the year-on-year fall in ship exports of 30.6% in the January-July period of 2005. In addition to ship exports, other factors contributing to the total growth of goods exports were increased exports of oil and refined petroleum products, which in turn were a direct consequence of increased oil prices on the world market. Moreover, the value of exported oil and refined petroleum products went up during

the first quarter of 2006, with an additional boost to total exports growth coming from increased export volumes. However, export volumes decreased significantly in the second quarter, contributing to the fall in the value of exports.

Excluding ships, oil and refined petroleum products, total exports of goods grew by 13.6% year-on-year in the January-July period of 2006, down 1 percentage point compared with the same period last year. The major contributor to this was the continuation of the years long downward trend in exports of wearing apparel. In addition, total exports also fell on account of a decrease in exports of road vehicles where the most significant portion is accounted for by spare parts and equipment that are predominately exported to French and German markets. Poorer export performance was also registered in exports of tobacco and tobacco products that are largely exported to the neighbouring markets of Bosnia and Herzegovina, Serbia and Monte Negro. Moreover, the slowdown in exports was also brought about by a decrease in exports of sugar, sugar products and honey. Their year-on-year growth rate of exports stood at an above-average of 14.2% (at constant exchange rates) in the first seven months of 2006, but still was considerably lower than that registered in the same period of 2005 when exports of sugar, sugar products and honey were almost five times larger.

In contrast, the accelerated growth in numerous other SITC divisions contributed positively to total export performance in the reference period. Specifically, exports of natural and industrial gas grew by almost two-thirds, while exports of fish and preparations, coffee, tea, cacao and spices doubled in the January-July period of 2006. Exports of fabricated metal products, furniture and parts and exports of metal ores and metal waste and scrap also improved considerably.

Expressed at constant exchange rates, total imports of goods accelerated to 16.5% year-on-year in the January-July period of 2006 (11.4% in the same period last year). Increased imports of oil and refined petroleum products accounted for almost one-fifth of total import growth. Hence, the value of imported oil and refined petroleum products



rose by 23.2% year-on-year, at constant exchange rates, which was exclusively the result of the increase in crude oil prices on the world market as the import volume of these products trended downward. The import values grew the most in the first quarter of 2006, on account of a strong growth in the import volumes which decreased substantially in the second quarter.

Excluding oil and refined petroleum products, imports of other SITC divisions rose by 15.0% year-on-year, at constant exchange rates, in the January-July period of 2006 (6.8% in the same period last year). Within this, imports of road vehicles went up by 14.0% year-on-year (7.1% in the same period last year). In addition, there was a substantial increase in imports of natural and industrial gas, fabricated metal products, other metal products and iron and steel. Imports of capital goods (machinery and transport equipment excluding other transport equipment and road vehicles) grew by 16.6% year-on-year in the first seven months of 2006, or considerably more than in the same period last year. Among SITC divisions which account for a simplified coverage of capital goods, the most prominent was the growth in imports of machinery specialised for particular industries.

In addition, the division of meat and meat products was marked by a considerable decrease in imports, down 17.6% year-on-year, at constant exchange rates. The registered decrease is attributed to the base period effect, i.e. to the growth in imports of meat and meat products of 80.6% year-on-year. In addition, the fall in absolute value of imports was also observed in the division of leather, leather manufactures and dressed fur skins, and the division of dairy products and eggs.

According to the geographic structure of Croatia's goods exports in the first seven months of 2006, there was an increase in exports to developed countries, mostly in old EU Member States. More specifically, good export results were registered with respect to Italy, comprising increased exports of ship and natural and industrial gas, as well as to Germany and Sweden, comprising the growth in ship ex-

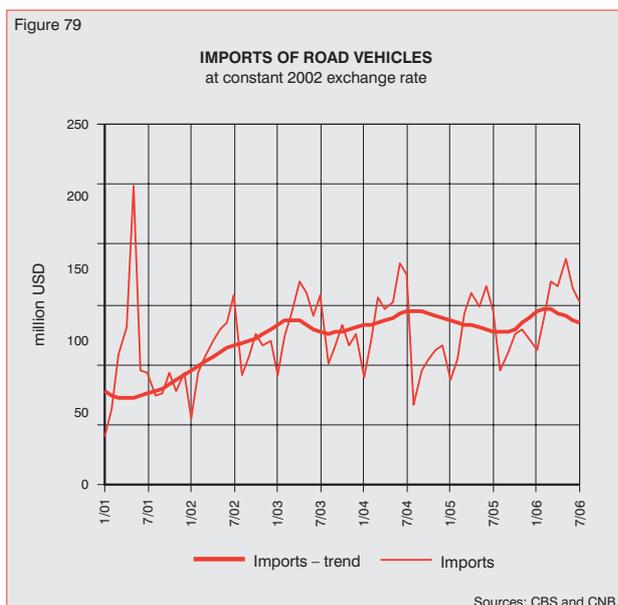
Table 9: Exports and Imports by Economic Classification of Countries, in %

Export	2004	2005	Jan.-Jul. 2005	Jan.-Jul. 2006 ^a
Developed countries	71.7	69.3	69.7	73.7
EU-25	64.6	62.0	64.0	65.8
Slovenia	7.5	8.1	8.1	8.3
Hungary	1.3	1.6	1.5	1.5
EU-15	51.4	48.1	50.6	51.3
Austria	9.4	7.2	7.8	6.4
Italy	22.9	21.2	22.2	24.8
Germany	11.2	10.7	10.9	10.8
EFTA	1.0	1.1	1.0	1.6
Developing countries	28.3	30.7	30.3	26.3
CEFTA	1.2	1.4	1.4	0.8
Bosnia and Herzegovina	14.4	14.3	13.0	11.7
Serbia and Montenegro	3.7	4.5	4.1	5.1
Russia	1.4	1.3	1.4	1.1
Import	2004	2005	Jan.-Jul. 2005	Jan.-Jul. 2006 ^a
Developed countries	77.4	73.8	74.9	73.4
EU-25	69.5	65.6	66.5	65.9
Slovenia	7.1	6.8	6.9	6.4
Hungary	3.1	3.1	3.0	3.2
EU-15	54.2	50.6	51.5	50.5
Austria	6.8	5.8	5.9	5.3
Italy	17.0	16.0	16.2	16.9
Germany	15.5	14.8	14.9	14.6
EFTA	1.6	1.7	1.6	1.8
Developing countries	22.6	26.2	25.1	26.6
CEFTA	1.5	2.4	2.3	2.5
Bosnia and Herzegovina	2.1	2.4	2.4	2.6
Serbia and Montenegro	0.8	0.9	0.8	1.0
Russia	7.3	9.2	8.3	9.7

^a Preliminary data. Source: CBS.

ports. On the other hand, considerably less was exported to Greece (decreased ship exports) and to Austria (decreased exports of chemical products). As far as new EU Member States are concerned, the best export results were registered with respect to Slovenia, Cyprus and Poland, while exports to Malta fell modestly. Exports to developing countries fell modestly in the first seven months of 2006 compared with the same period last year, which was, above all, the consequence of smaller exports to Libya and Nigeria where export results are largely determined by individual ship orders and exports of oil and refined petroleum products. In contrast, exports to the neighbouring countries trended upwards, especially exports to Serbia, Monte Negro and Bosnia and Herzegovina (energy products).

As far as total imports of goods are concerned, the share of imports from developing countries increased in the first seven months of 2006, with three quarters of the absolute growth in imports being accounted for by imports from Russia and China. The growth in imports from Russia is connected with the increase in prices of energy products which account for as much as 96% of imports from Russia, while strong demand for Chinese consumer goods is generated by their low prices. In addition, there was strong growth in imports from Bulgaria (oil and refined petroleum products) and Bosnia and Herzegovina (aluminium, iron and steel). On the other hand, imports of goods from Romania, Syria and Libya were considerably lower in the first seven months of 2006 compared with the same period last year, mostly due to decreased imports of oil and refined petroleum products. Thanks to slower imports of goods from developed countries, as compared with developing countries, their share fell slightly in the structure of the total Croatian imports. Within



this, more than a half of the total absolute increase in imports from developed countries in the first seven months of 2006 was accounted for by increased imports from Italy and Germany (comprising largely imports of road vehicles), while a substantial decrease was registered in imports from the Netherlands and the USA.

Capital and Financial Transactions

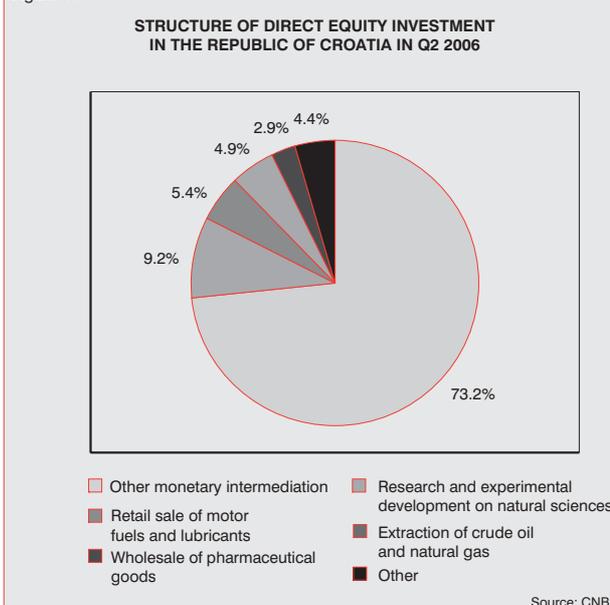
The sources used for the current account deficit financing can usually be traced back to the developments in the account of capital and financial transactions. Net FDI continued to grow in the second quarter of 2006, while portfolio investment was relatively quiet. Inflows to the account of other investment were slightly lower in the second quarter of 2006 than in the same period last year. In addition, international reserves grew considerably for a third consecutive month.

Reduced FDI of domestic sectors and higher FDI in Croatia contributed to net FDI growth in the second quarter of 2006 – EUR 0.8bn or 19.3% more than in the same period last year. Within this, retained earnings attributed to foreign owners of domestic companies and equity investment grew the most, while other liabilities of domestic companies to connected companies abroad decreased.

Other monetary intermediation (i.e. recapitalisation of several banks in foreign ownership) accounted for the largest share of FDI in Croatia in the second quarter of 2006. Considerable investment were also made in research and experimental development on natural sciences and engineering, mainly due to the purchase of pharmaceutical company Pliva's Research Institute by the British-American firm GlaxoSmithKline. In addition, a substantial amount of investment was made in crude oil and natural gas extraction, various types of trade activities and development, buying/selling and letting of real estate.

Portfolio investment declined by EUR 40bn during the second quarter of 2006, mostly due to an increase in foreign liabilities and a modest decrease in foreign assets of domestic sectors. The increase in foreign liabilities was the result of one-side effects of secondary market trading in government bonds, as no new government bonds were issued or repaid during the second quarter of 2006. Specifically, a subse-

Figure 80



quent sale of bonds, originally issued in the foreign market and purchased by residents, to foreign investors (non-residents) contributes to an increase in foreign liabilities of the government sector. The registered modest decrease in foreign assets of domestic sectors in the second quarter of 2006 was largely the result of changes in the portfolios of Croatian banks, which almost fully offset the decrease in investment in foreign bonds (EUR 0.3bn) by the increase in investment in money market instruments.

Other investment (trade credits, credits, currency and deposits) grew by EUR 1bn (net) during the second quarter period, which was slightly more than in the same period last year. Within this, foreign assets fell by EUR 0.1bn, mainly on account of banks' withdrawal of currency and deposits, while, on the other hand, a larger amount of credits and trade credits was extended by domestic sectors to non-residents. In addition, liabilities grew by EUR 0.9bn, mostly due to new net use of credits by domestic enterprises (EUR 0.5bn) and banks (EUR 0.2bn), while government liabilities shown under this heading trended downwards. Moreover, banks' liabilities also grew on account of currency and deposits, making up about one-third of total increase in other

Table 10: Capital and Financial Account, in million EUR, preliminary data

	Jan.–Mar. 2005	Apr.–Jun. 2005	Jan.–Mar. 2006	Apr.–Jun. 2006	Indices	
					Jan.–Mar. 06/Jan.–Mar. 05	Apr.–Jun. 06/Apr.–Jun. 05
CAPITAL AND FINANCIAL ACCOUNT	1,183	1,292	1,681	1,127	142.1	87.2
1. Capital account	2	2	-1	3	-	158.8
2. Financial account, excl. reserves	1,369	1,573	2,355	1,821	172.0	115.8
2.1. Direct investment	175	649	327	774	186.7	119.3
2.1.1. Abroad	-35	-77	-10	-13	28.2	17.0
2.1.2. In Croatia	211	727	337	788	160.1	108.4
2.2. Portfolio investment	-434	-166	-446	40	102.7	-
2.2.1. Assets	25	-175	-31	3	-	-
2.2.2. Liabilities	-458	9	-414	36	90.4	420.1
2.3. Financial derivatives	-88	0	0	0	-	-
2.4. Other investment	1,716	1,089	2,474	1,007	144.2	92.5
2.4.1. Assets	1,006	299	1,065	86	105.8	28.9
2.4.2. Liabilities	710	791	1,409	921	198.4	116.5
3. Reserve assets (CNB)	-188	-282	-673	-697	357.6	246.9

Source: CNB.

Table 11: Composition of CNB Reserve Assets, end of period, in million EUR and %

	2003	2004	2005	8/2006
Balance	6,554	6,436	7,438	8,672
Share				
1. Foreign currency reserves	87.6	96.9	98.6	92.0
a) Securities	48.9	50.7	48.4	46.3
b) Total currency and deposits with:	38.6	46.2	50.2	45.8
i) other national central banks, BIS and IMF	4.1	3.6	5.5	2.3
ii) banks headquartered outside Croatia	34.5	42.6	44.7	43.4
2. IMF reserve position	0.0	0.0	0.0	0.0
3. SDRs	0.0	0.0	0.0	0.0
4. Gold	0.0	0.0	0.0	0.0
5. Reverse repo	12.4	3.1	1.3	8.0

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

sectors' liabilities.

As shown by the balance of payments data, international reserves went up by EUR 697m in the second quarter of 2006. This increase is in part attributed to the growth in foreign currency reserve requirement allocated by banks (marginal reserve requirement included) and in part to CNB's foreign exchange interventions aimed at stemming the appreciation pressures in the second quarter of 2006. According to the monetary statistics data (cross-currency changes included), international reserves reached EUR 8,744m at end-June, up EUR 655m or 8.1% compared with the end of March 2006. International reserves grew by EUR 0.2bn in July, but fell to EUR 0.3bn in August due to the decrease in banks' foreign liabilities generated by lower allocation of foreign currency reserve requirements (marginal reserve requirement included). Broken down by instruments, currency and deposits with foreign banks, and debt securities accounted for the major share of international reserves, while only a small share of international reserves was accounted for by reverse repo facilities.

External Debt

Croatia's external debt stood at EUR 26.8bn at the end of August 2006, up EUR 1.3bn or 5.0% compared with the end of 2005. After growing strongly in absolute terms in the first half of the year, external debt trended downwards in July and August. Expressed in absolute terms, external debt grew by EUR 1.9bn in the first six months of 2006, or considerably more than in the same period last year. The major contributors to this were the growth in bank external debt (hybrid and subordinated instruments included) and enterprise external debt (direct investment included). In contrast, external debt of the government sector decreased substantially in the reference period. The fall in external debt of EUR 0.7bn

in the July-August period of 2006 is attributed to the fall in bank external debt. Concurrently, enterprise external debt grew at somewhat stronger pace, while no significant changes were observed in government external debt.

External debt of banks (hybrid and subordinated instruments included) amounted to EUR 9.1bn at the end of August, which was a slightly lower level than that seen at the end of 2005. In addition, bank external debt grew at strong rates in the first five months of 2006 (14.8%) or, to be precise, two times faster than in the same period of 2005. In absolute terms, this increase stood at EUR 1.4bn, up EUR 0.8bn compared with the first five months of 2005. Banks decreased their external debt somewhat in the subsequent three months, as the foreign exchange inflow from tourism allowed them to repay a significant portion of their foreign liabilities. Although common for the season, the registered decrease in bank foreign liabilities was much stronger than that observed in previous years. Broken down by instruments, bank external debt grew mostly on account of an increase in liabilities arising from long-term loans, short-term currency and deposits in the first five months of 2006. However, its decrease in the summer months came from a reduction in liabilities arising from short-term loans. As a result, the share of bank external debt (hybrid and subordinated instruments included) in total external debt fell to 34.1% at the end of August.

During the first eight months of 2006, enterprise external debt (direct investment included) grew by almost one-fifth, reaching EUR 11.1bn at the end of August or 19.3% more than at the end of 2005. In consequence, the share of enterprise external debt trended up from 36.3% at the end of 2005 to 41.3% at the end of August 2006. The largest contributors to this were the growth in foreign liabilities of other enterprises and non-banking financial institutions, arising from long-term loans, and the growth in liabilities of other enterprises, arising from short-term loans. Enterprises increased their external debt by a substantial EUR 0.4bn in July. Inter alia, this was due to a loan of EUR 0.5bn, granted to Agrokor by a consortium of domestic and foreign banks. Borrowed funds were used for early repayment of Agrokor's foreign-issued bonds and for the refinancing of its existing short-term liabilities.

External debt of the government sector (central government, central government funds, CBRD and local government) went down by EUR 0.4bn in the first eight months of 2006. As a result, it stood at EUR 6.6bn at the end of August, accounting for 24.6% of total external debt. The decrease in government external debt is attributed to the reduction in foreign liabilities (including the repayment of Samurai

Table 12: Gross External Debt by Domestic Sectors, end of period, in million EUR and %

	2003	2004	2005	8/2006	Structure		Indices	
					2005	8/2006	2005/2004	8/2006 / 2005
1. Government	6,601	7,252	7,047	6,606	27.6	24.6	97.2	93.7
2. Central bank (CNB)	366	2	3	2	0.0	0.0	111.8	80.6
3. Banks	6,121	7,702	8,993	8,972	35.2	33.5	116.8	99.8
4. Other sectors	4,878	5,809	7,156	8,528	28.0	31.8	123.2	119.2
5. Direct investment	1,845	2,016	2,341	2,706	9.2	10.1	116.1	115.6
o/w: Hybrid and subordinated instruments	391	314	214	163	0.8	0.6	68.1	76.4
Total (1+2+3+4+5)	19,811	22,781	25,541	26,814	100.0	100.0	112.1	105.0

Source: CNB.

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

	2003	2004	2005	8/2006	Structure		Indices	
					2005	8/2006	2005/2004	8/2006 / 2005
1. Other banking institutions	25	25	25	25	0.3	0.3	100.0	100.0
2. Non-banking financial institutions	652	852	978	1,326	13.7	15.6	114.7	135.6
3. Public enterprises	990	959	1,080	1,073	15.1	12.6	112.6	99.4
4. Mixed enterprises	377	347	298	342	4.2	4.0	86.0	114.7
5. Other enterprises	2,759	3,536	4,673	5,604	65.3	66.0	132.2	119.9
6. Non-profit institutions	3	4	5	5	0.1	0.1	122.6	101.5
7. Craftsmen and traders	50	42	35	30	0.5	0.4	83.5	86.4
8. Households	22	44	63	82	0.9	1.0	141.9	130.1
Total (1+2+3+4+5+6+7+8)	4,878	5,809	7,156	8,488	100.0	100.0	123.2	118.6

Source: CNB.

bonds in February and eurobonds in March, as well as two regular half-year instalments to the London Club in January and July). As far as new foreign liabilities of the government sector are concerned, those that should be mentioned at this point are World Bank's PAL1 worth of EUR 150m that was withdrawn in January and CBRD's bonds worth of EUR 150m that were issued in the foreign market. CBRD bonds fall due in 10 years time, while their proceeds will be used for launching credit programmes aimed at the enhancement of export activities and the development of small and medium enterprises.

International Liquidity

International liquidity, as measured by the index of exchange market pressure (IEMP),¹² remained within normal limits during the second quarter of 2006. This was due to strong growth in international reserves (generated by increased allocations of foreign currency reserve requirements and marginal reserve requirements) and interventions in the foreign exchange market in May and June. The central bank's interventions were aimed at offsetting strong appreciation pressures, caused by further foreign borrowing of domestic sectors, foreign investments in the domestic capital

market and higher demand for the kuna at the beginning of tourist season. As international reserves continued to grow at strong rates, the depreciation of the kuna/euro exchange rate, generated by rising corporate demand for foreign currency, resulted in an only slight increase in the IEMP value in July. The continuation of depreciation trends, coupled with a substantial fall in international reserves (generated by decreased foreign liabilities of banks, i.e. smaller allocations of foreign currency reserve requirements and marginal reserve requirements), pushed up the IEMP value in August. Still, this increase left the indicator at a level well below the critical value.¹³

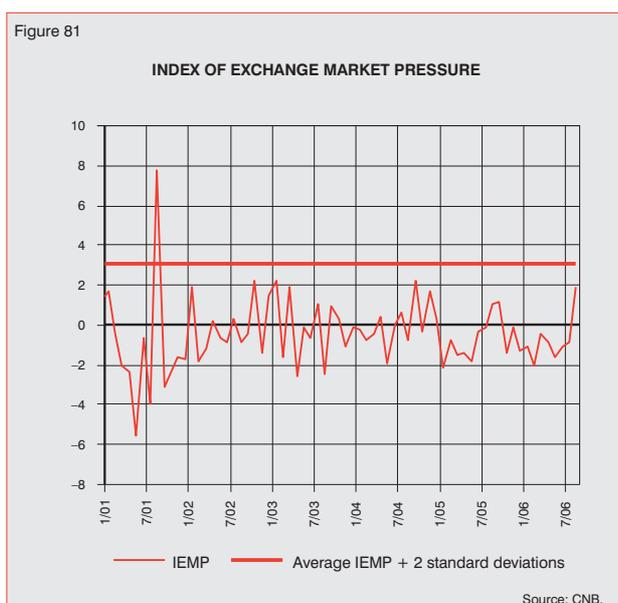
Government Finance

Fiscal Policy Features in the First Half of 2006

Favourable fiscal developments continued from the beginning of 2006 into the second quarter. Consolidated general government revenues rose at a high annual rate throughout the first half of the year, while expenditures increased moderately. At the same time, government investment activity was practically unchanged, except for a slight drop in the acquisition of non-financial assets. These developments resulted in a considerable annual decrease in the consolidated general government deficit and consequently lowered borrowing requirements. Due to the government's reliance on the domestic capital market for deficit financing and refinancing of liabilities due, domestic government debt continued on an upward trend, while external government debt declined.

In compliance with the Act on the Implementation of the Constitutional Court Decision of 12 May 1998¹⁴ and the Pensioners Fund Act,¹⁵ the first instalment of debt to pensioners in the amount of HRK 1.2bn was paid in late June 2006 to the pensioners who had opted for the so-called "accelerated repayment". This instalment was financed by a HPB loan extended to the government, while the second instalment, due in late December, is planned to be financed by privatisation receipts.

At the beginning of July, the Croatian Parliament approved the amendments to the 2006 government budget



12 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.

13 The critical level is set as the average value of the IEMP increased by two standard deviations. The value of the index above the critical level indicates potential difficulties in the settlement of international payments.

14 Official Gazette 105/2004.

15 Official Gazette 93/2005.

proposed by the Croatian Government. The main reasons for the amendments were to be found in a revenue surge generated by the economic upturn in early 2006 and the required revision of the amount and structure of expenditures. In addition to the amendments to the government budget, the Parliament also approved the revised financial plans of extrabudgetary users. According to MoF data, the financial plans of local and regional self-government units were also revised. With revenues revised upwards more than expenditures and the planned reduction in the acquisition of non-financial assets in 2006, the consolidated general government deficit (GFS 1986) should amount to 3.0% of the GDP estimate.

Also in July, the Croatian Government adopted the Economic and Fiscal Policy Guidelines for the 2007–2009 Period, specifying fiscal and economic policy targets for the forthcoming three-year period. These include, inter alia, a budget deficit of 2.4% of GDP and public debt¹⁶ of 43.8% of GDP in 2009, which is to be achieved by an enhanced budget management and continued implementation of structural reforms.

Consolidated General Government Revenues

According to MoF data, consolidated general government revenues stood at HRK 53bn in the first six months of 2006, a growth of 11.4% from the same period last year. This growth, considerably outstripping the growth of 7.4% in the first half of 2005, was predominantly due to an increase in revenues from VAT, social contributions and profit tax. The revenue structure was much the same as last year's, with about 60% of total revenues raised through taxes, slightly less than one third through social contributions, and the remainder made up in other revenues.

With an annual growth rate of 12.5%, almost double the one in the same period in 2005, tax revenues reached HRK 31.6bn in the first six months of 2006. Accounting for about a half of total consolidated general government tax revenues, VAT revenues were up annually by 11.4% in the half of the year, rising much faster in the first quarter than in the second. This VAT revenues dynamics was partially due to the base period impact related to a dip in these revenues in the first quarter and recovery in the second quarter of 2005, which is also an indication of a slowdown in retail trade and total goods imports in that period.

Excise revenues, which make up about 10% of total consolidated general government revenues, were HRK 5.3bn in the first quarter of 2006, a growth of 7% over the same period in the previous year. The main contributors to this growth were revenues from excises on tobacco products, cars and refined petroleum products, generating a total of HRK 4.7bn, or almost 90% of total excise revenues. Excise revenues from tobacco products stood at HRK 1.2bn in the observed period, up 11.2% from the first half of 2005, mainly in consequence of growing retail sales of tobacco products and additional measures implemented by the MoF

to combat illegal trade in cigarettes. Excises on cars generated HRK 0.6bn in revenues in the first quarter, 21.9% more than in the same period in 2005. However, these revenues rose at a slower quarterly rate in the second quarter than in the first because of an annual slowdown in road vehicles imports. With an approximate share of 60% in total excise revenues, revenues from excises on refined petroleum products, which, to be comparable with data on the previous periods, include a levy for road building and maintenance, amounted to HRK 2.8bn in the January to June period, an increase of 3.8% over the first half of 2005.

Profit tax revenues stood at HRK 4.2bn in the first six months of 2006, rising by 30.3% over the same period in 2005. These revenues increased at an especially high annual rate in the second quarter, due to an improvement in the business performance of Croatian companies (profit tax payers) in 2005 compared with 2004, shown, according to FINA data, by an increase of as much as 22.2% in pre-tax profit in the related period.

Rising at an annual rate of 10.1%, income tax revenues stood at HRK 4bn in the first six months of 2006, which was a result of a 3% annual increase in the number of persons insured with the CPIA and a 5.8% growth in the average monthly gross wage. It should also be noted that, with the majority of income tax returns being processed in the first half of the year, the varied dynamics of tax refund payments based on annual tax returns might influence income tax revenue trends.

In the period from January to June 2006, social contributions totalled HRK 16.3bn, a rise of 7.7% over the same period in 2005. Of this amount, HRK 8.2bn was made up by pension insurance contributions, HRK 7.4bn by health insurance contributions and the remainder by employment contributions. Trends in revenues from social contributions can be attributed to the said increases in the number of persons insured with the CPIA and the average monthly gross wage.

Other revenues, including, inter alia, property revenues, revenues from sales of goods and services and miscellaneous and unidentified revenues, stood at HRK 5bn in the first half of the year, advancing at an annual rate of 17.5%. The highest rise was observed in administrative fee revenues and withdrawals from income of quasi-corporations, as is, for example, the CNB's surplus of revenues over expenditures, which is allocated to the government budget.

Local government revenues reached HRK 6.4bn in the period from January to June 2006, up 10.4% compared with the same period in 2005, mainly due to income tax and profit tax revenues, which are shared between the government budget and local and regional self-government units. In addition, local government revenue growth was also spurred by other revenues and revenues from taxes on financial and capital transactions (taxes on real estate transactions).

Consolidated General Government Expenditures

Consolidated general government expenditures were HRK 51.8bn in the first six months of 2006, up 4% over the same period last year. Exhibiting quarterly dynamics oppo-

¹⁶ Under the MoF methodology, public debt comprises general government debt and issued government guarantees.

site to those in the same period in 2005, expenditures fell annually by 1.3% in the first quarter of 2006 (compared with a rise of 17.5% in the first quarter 2005), increasing by 9.8% in the second quarter (compared with a fall of 0.5% in the same period last year). In contrast, the expenditure structure remained almost the same as in 2005, with the largest share accounted for by social benefits, wages and salaries and the use of goods and services.

Growing annually by 4%, expenditures on social benefits reached HRK 22.1bn in the first half of the year. Within this, social security benefits, which inter alia include the majority of pensions and health care expenditures, stood at HRK 15.3bn, a rise of 2.2% from the same period last year. This rise resulted from the annual growth of the average pension paid in the first half of 2006 (2.8%) and a slight increase in the number of pension beneficiaries (1.5%) in the same period. In addition, HRK 6.7bn went to social assistance benefits, comprising child allowance, disability pensions, Croatian war veterans' permanent rights and pension supplement, while the remainder was accounted for by employer social benefits.

Also contributing significantly to the growth of total consolidated general government expenditures were expenditures on the use of goods and services, comprising the use of telephone, postal services, transport and energy as well as intellectual and personal service. According to MoF data, these expenditures stood at HRK 5.8bn and were 11.6% higher than in the same period in 2005. Due, inter alia, to the impact of the base period, these expenditures' annual growth rate in the second quarter (19.6%) considerably exceeded that in the first quarter (3.9%).

Expenditures on compensation of employees amounted HRK 13.8bn in the first six months of 2006. HRK 11.8bn went to wages and salaries and the remaining amount to social contributions paid by the government. Employee compensation expenditures advanced by 6.5% compared relative to the same period last year, in consequence of the average monthly wage of public sector employees rising by 5.1% and the number of civil servants and employees growing concurrently by 0.8%.

Standing at HRK 3.4bn in the January to June period, expenditures on subsidies rose by a high 10% compared with the same period in the previous year, due predominantly to a

sharp annual increase in subsidies to private enterprises, which, at HRK 1.7bn, were 25.5% higher than in the first half of 2005. The majority of subsidies were extended to farmers, craftsmen and small and medium sized enterprises. In addition, subsidies to public corporations fell annually by 1.9%, due in part to reduced subsidies to the Croatian Railways.

Interest expense was HRK 3.2bn in the observed period, up at an annual rate of 1.8%. Domestic interest amounted to HRK 1.5bn, a rise of 14.15 over the same period last year, whereas interest on external obligations dropped by 6.5%, reflecting a decrease in general government external debt.

As shown by MoF data, local government expenditures stood at HRK 5bn in the first half of 2006, an increase of 7.5% from the same period in 2005. Of this amount, HRK 1.9bn went to the use of goods and services, a high HRK 1.3bn to compensation of employees and HRK 0.4bn to subsidies.

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

The net operating balance, representing the difference between consolidated general government revenues and expenditures, was a positive HRK 1.1bn in the first half of 2006. The government achieved an increase of HRK 3.8bn in net financial assets in the same period, financing it by a surplus of revenues over expenditures, reduction in financial assets and borrowings.

Non-financial assets of the consolidated general government, which, in line with GFS 2001, also include buildings and structures, land, inventories and valuables, rose by HRK 3.8bn in the first half of 2006, 4.9% less than in the same period in 2005. The acquisition of non-financial assets stood at HRK 4.3bn in the same period, dropping by 3.3% from the same period in 2005. The acquisition of non-financial assets of the CM declined the most (by HRK 0.7bn), suggesting a slowdown in the government's road building activity, while the acquisition of non-financial assets of the CR and local and regional self-government units grew by a high HRK 0.3bn and HRK 0.3bn respectively.

The disposal of consolidated general government non-fi-

Table 14: Operating Balance, Transactions in Non-Financial Assets and Transactions in Financial Assets and Liabilities, GFS 2001, in million HRK

	Consolidated general government		
	Jan.–Jun. 2005	Jan.–Jun. 2006	Jan.–Jun. 2006 / Jan.–Jun. 2005
1. Change in net worth (net operating balance)	-2,283.0	1,131.2	
1.1. Revenue	47,531.8	52,962.7	111.4
1.2. Expense	49,814.8	51,831.5	104.0
2. Change in net non-financial assets	3,981.1	3,788.0	
2.1. Acquisition of non-financial assets	4,412.1	4,266.5	96.7
2.2. Disposal of non-financial assets	431.0	478.5	111.0
3. Net lending (+) / borrowing (-) (1-2)	-6,264.1	-2,656.8	
3. Financing (5-4) Transactions in financial assets and liabilities	6,264.1	2,656.8	
4. Change in financial assets	938.7	-459.4	
4.1. Domestic	943.6	-462.0	
4.2. Foreign	-4.9	2.7	
5. Change in liabilities	7,202.8	2,197.4	
5.1. Domestic	11,150.5	5,246.3	
5.2. Foreign	-3,947.7	-3,048.9	

Note: On a cash basis. Source: MoF.

Table 15: Consolidated General Government Balance, on a cash basis, in million HRK

	Jan.–Jun. 2006				
	Government budget	Extrabudgetary users	Consolidated central government	Units of local and regional self-government	Consolidated general government
Revenue ^a	45,282.3	3,695.2	47,239.9	6,418.7	52,962.7
Total expenditure and net lending	47,557.1	5,259.8	51,079.3	6,471.8	56,854.8
Expense ^a	46,463.8	2,849.4	47,575.6	4,951.9	51,831.5
Acquisition of non-financial assets ^a	586.1	2,147.2	2,733.3	1,533.2	4,266.5
Net acquisition of financial assets – loans ^a	389.5	69.9	459.4	-31.4	427.8
Acquisition of shares and other equity ^a	117.8	45.0	162.8	12.3	175.1
Acquisition of securities other than shares ^a	0.0	148.2	148.2	4.0	152.2
Acquisition of other accounts receivable ^a	0.0	0.0	0.0	1.8	1.8
GFS 1986 balance	-2,274.8	-1,564.5	-3,839.3	-53.0	-3,892.2

^a GFS 2001. Source: MoF.

financial assets amounted to HRK 0.5bn in the first half of 2006, a rise of 11% over the same period in 2005. Within this, the largest share (HRK 0.3bn) was made up by the disposal of buildings and structures, resulting, inter alia, from the sale of public flats. The land was disposed of in the amount of HRK 0.1bn, almost completely by local and regional self-government units.

According to MoF data, consolidated general government financial assets dropped by HRK 0.5bn in the observed period, mainly due to a decrease in domestic financial assets, with foreign financial assets remaining almost unchanged. The net decrease in domestic financial assets resulted from a sharp drop in currency and deposits, whereas financial assets consisting of loans, securities other than shares and shares and other equity increased.

Due to a significant annual decrease in the government's financial needs in the first half of 2006 and the ensuing reduction in borrowings on the domestic and foreign capital markets, consolidated general government liabilities went up by HRK 2.2bn in the first six months of 2006, which is as much as HRK 5bn below the increase in the same period last year. Domestic liabilities grew by HRK 5.2bn, as a result of a rise in net liabilities on bonds and T-bills (HRK 1.9bn) and loans received (HRK 3.3bn). Part of the increase in domestic liabilities was used for the repayment of foreign liabilities due, which were down by HRK 3bn in the observed period, as new borrowings were lower than the liabilities falling due in the observed period.

Consolidated General Government Balance on a Cash Basis

The consolidated general government deficit, exclusive of capital revenues, was HRK 3.89bn in the first six months of 2006 (on a cash basis, GFS 1986), down by a high HRK 3.2bn (45.4%) from the same period in 2005. The largest share, HRK 2.27bn, was accounted for by the budgetary central government, HRK 1.56bn was made up by extrabudgetary users, while HRK 0.05bn was the deficit of local and regional self-government units.

The largest fiscal adjustment was a HRK 3.1bn reduction in the budgetary central government deficit, which was completely due to revenue growth outstripping expenditure growth. The deficit generated by extrabudgetary users was down by HRK 0.2bn (10%), primarily because of a decrease in the acquisition of non-financial assets. The local government deficit declined slightly.

Government Debt

According to CNB data, general government debt, inclusive of CBRD debt, expanded slightly in the first half of 2006, standing at HRK 109.7 at end-June, up HRK 1.1bn from end-2005. For the sake of comparison, in the first half of 2005 it grew annually by a high HRK 6.6bn. The marked slowdown in debt growth this year was due to the deficit decrease and consequently lower financing needs, as well as to the fact that a part of the deficit was financed by the reduction of financial assets, rather than by new borrowings. Also

Table 16: Public Debt of the Republic of Croatia, end of period, in million HRK

	Stock			Change	
	Dec. 2005	Jun. 2006	Jul. 2006	Jan.–Jun. 2006	Jan.–Jul. 2006
A. General government debt (1 + 2)	101,424.3	102,692.4	102,427.8	1,268.1	1,003.5
1. General government domestic debt	56,046.5	61,150.5	61,607.6	5,104.0	5,561.1
1.1. Domestic debt of the Republic of Croatia	50,559.5	55,440.1	56,221.8	4,880.6	5,662.3
1.2. Domestic debt of central government funds	3,935.0	4,296.4	3,928.2	361.4	-6.8
1.3. Domestic debt of local government	1,551.9	1,414.0	1,457.6	-137.9	-94.3
2. General government external debt	45,377.8	41,541.8	40,820.2	-3,836.0	-4,557.6
2.1. External debt of the Republic of Croatia	36,433.6	32,653.5	32,086.5	-3,780.0	-4,347.1
2.2. External debt of central government funds	8,725.8	8,730.6	8,601.6	4.8	-124.2
2.3. External debt of local government	218.5	157.7	132.2	-60.8	-86.3
B. CBRD debt (1 + 2)	7,135.5	6,998.8	7,409.9	-136.7	274.5
1. CBRD domestic debt	534.2	659.4	256.0	125.2	-278.2
2. CBRD external debt	6,601.2	6,339.4	7,153.9	-261.9	552.7
Supplement:					
C. Total guarantees issued by the Republic of Croatia	12,383.8	12,752.9	12,928.6	369.1	544.9
1. Domestic	5,268.5	6,226.3	6,496.6	957.8	1,228.2
2. Foreign	7,115.3	6,526.6	6,432.0	-588.7	-683.3

Source: CNB.

affecting the slowdown in debt growth was the appreciation of the kuna exchange rate against the euro, US dollar and Japanese yen in the observed period.

Domestic debt made up HRK 61.8bn (56.3%) of the total general government debt (inclusive of CBRD debt) at end-July 2006, while external debt accounted for HRK 47.9bn (43.7%). Inclusive of HRK 12.8bn in contingent debt arising from issued government guarantees, total general government debt, with CBRD debt, totalled HRK 122.4bn at the second quarter-end in 2006.

Domestic General Government Debt

According to CNB data, general government domestic debt reached HRK 61.2bn at end-July 2006, a HRK 5.1bn increase over the end of the previous year. The Republic of Croatia accounted for the largest share (90.7%) in general government domestic debt at the end of the first half of 2006, while central government funds and the local government accounted for 7.0% and 2.3% respectively.

The largest part of the HRK 5.1bn debt increase came from loans received, while a smaller share was accounted for by issued guarantees and T-bills. February saw the HRK 2bn worth second tranche of the ten-year government bond issued on the domestic market. In addition, the government repaid part of its foreign liabilities due by a EUR 400m short-term foreign currency loan received from a Croatian bank syndicate, based on an agreement signed in March. In this way, the government continued to refinance its foreign liabilities due by domestic borrowings, with a view to reducing its external exposure. In support of this effort, the CNB temporarily amended the Decision on the Minimum Required Amount of Foreign Currency Claims, allowing banks to count their participation in the said loan towards their foreign exchange liquidity requirement. Domestic general government debt grew further in the second quarter, with liabilities

on loans received rising the most. The first instalment of debt to pensioners was financed by a HPB loan granted to the government in March. The increase in debt of central government funds was mainly generated by CM and CR borrowings.

Rising by HRK 0.1bn over end-2005, due to an increase in loans received from domestic banks in the second quarter, CBRD debt stood at HRK 0.7bn at end-June.

External General Government Debt

External general government debt was HRK 41.5bn at end-June 2006, a decrease of HRK 3.84bn from end-2005. Republic of Croatia debt dropped the most, by HRK 3.78bn, in the first half of 2006. In addition to JPY 25bn worth of Samurai bonds and EUR 300m worth of seven-year euro-bonds falling due in that period, this drop was also due to loan commitments declining at the same time. The strengthening of the kuna exchange rate against the euro, US dollar, and Japanese yen was also a factor contributing to debt reduction in statistical terms. External debt of central government funds remained at approximately the same level as at end-2005, while external local government debt continued to trend downwards, narrowing to HRK 0.2bn at end-June 2006, down by HRK 61bn from end-2005.

Due in part to repayments of outstanding loans and exchange rate changes, CBRD external debt amounted to HRK 6.3bn at the first quarter-end in 2006, narrowing by HRK 0.3bn compared with end-2005, with a HRK 0.1bn decrease in the second quarter alone.

Developments in July 2006

While data on consolidated general government finance are available on a quarterly basis, the July performance is analysed on the consolidated central government level. As

Table 17: Domestic Debt of General Government, end of period, in million HRK

	Stock			Change	
	Dec. 2005	Jun. 2006	Jul. 2006	Jan.–Jun. 2006	Jan.–Jul. 2006
1. Domestic debt of general government	56,046.5	61,150.5	61,607.6	5,104.0	5,561.1
1.1. Domestic debt of the Republic of Croatia	50,559.5	55,440.1	56,221.8	4,880.6	5,662.3
Treasury bills	12,533.4	12,647.4	12,719.0	114.0	185.6
Bonds	30,716.0	31,025.6	33,444.0	309.6	2,728.0
Money market instruments	0.9	–	–	–0.9	–0.9
Credits from banks	7,309.2	11,767.1	10,058.8	4,457.9	2,749.6
1.2. Domestic debt of central government funds	3,935.0	4,296.4	3,928.2	361.4	–6.8
Credits from banks	3,935.0	4,296.4	3,928.2	361.4	–6.8
1.3. Domestic debt of local government	1,551.9	1,414.0	1,457.6	–137.9	–94.3
Supplement: Issued guarantees	5,268.5	6,226.3	6,496.6	957.8	1,228.2

Source: CNB.

Table 18: External Debt of General Government, end of period, in million HRK

	Stock			Change	
	Dec. 2005	Jun. 2006	Jul. 2006	Jan.–Jun. 2006	Jan.–Jul. 2006
1. External debt of general government	45,377.8	41,541.8	40,820.2	–3,836.0	–4,557.6
1.1. External debt of the Republic of Croatia	36,433.6	32,653.5	32,086.5	–3,780.0	–4,347.1
Bonds	27,112.3	22,811.9	22,403.1	–4,300.5	–4,709.2
Credits	9,321.2	9,841.7	9,683.4	520.4	362.1
1.2. External debt of central government funds	8,725.8	8,730.6	8,601.6	4.8	–124.2
Credits	8,725.8	8,730.6	8,601.6	4.8	–124.2
1.3. External debt of local government	218.5	157.7	132.2	–60.8	–86.3
Credits	218.5	157.7	132.2	–60.8	–86.3
Supplement: Issued guarantees	7,115.3	6,526.6	6,432.0	–588.7	–683.3

Source: CNB.

shown by MoF data, the already high revenue growth in the first six months of 2006 accelerated further in July. Consolidated central government revenues were HRK 8.8bn in July, growing by 13.6% compared with the same month in 2005. Contributing to growth were VAT revenues, up at a high annual rate of 22.9%, and revenues from social security contributions and administrative fees, up 8.2% and 99.6% respectively. On a cumulative basis, consolidated central government revenues stood at HRK 56bn in the first seven months of 2006, which is a rise of 11.6% from the same period in 2005.

Consolidated central government expenditures totalled HRK 8.1bn in July 2006, up 4.6% from July 2005, with growth recorded in expenditures on social benefits, interest on external obligations and the use of goods and services. In contrast, expenditures on subsidies declined annually by HRK 80.9m (17.2%) in the observed month. On a cumulative basis, consolidated central government expenditures amounted to HRK 55.7bn in the first seven months of 2006, rising by 3.7% from the same period in 2005.

Positive fiscal developments in the first seven months of 2006 resulted in a deficit of HRK 3.84bn (on a cash basis, GFS 1986), down by a sharp HRK 4.24bn (52.5%) from

HRK 8.08bn in the same period in 2005. The sharp fall in the deficit was due primarily to revenue growth outstripping that of expenditures and to the reduced acquisition of non-financial assets.

Central government debt, exclusive of CBRD debt, was HRK 100.8bn at end-July 2006. This was a decrease of HRK 0.3bn from end-June, but an increase of HRK 1.2bn compared with the debt balance at end-2005. Domestic central government debt expanded HRK 0.4bn in July from end-June, because of a net increase in liabilities arising from issued guarantees and T-bills and a net decrease in liabilities on loans received from banks. In July, the Croatian Government borrowed on the domestic market through a HRK 2.5bn seven-year bond issue. The funds raised by this issue are to be utilised for principal repayments of loans falling due in 2006. External central government debt narrowed further in July, due to a decrease in liabilities on foreign bonds and loans and exchange rate effects.

CBRD debt reached HRK 7.4bn at end-July, up HRK 0.4bn from end-June 2006. External debt increased as a result of a EUR 150m bond issue and CBRD domestic debt dropped 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 sub-sectors: 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 (for example insurance companies, pension funds).

The central government and funds consists of two sub-sectors, the Republic of Croatia and central government funds. Until December 2003, the sub-sector the Republic of Croatia included government authorities, including the Croatian Roads and the Croatian High-

ways, the State Agency for Deposit Insurance and Bank Rehabilitation and the sub-sector central government funds included the Croatian Institute for Health Insurance, the Croatian Pension Insurance Institute, 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 Highways, and the State Agency for Deposit Insurance and Bank Rehabilitation have been reclassified, from the sub-sector the Republic of Croatia to the sub-sector 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 sub-sector other enterprises also comprises banks undergoing bankruptcy proceedings. In some tables other domestic sectors are divided into the following sub-sectors: 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 exchange 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 M1	Broadest money M4	Net domestic assets	Domestic credit	Monthly rates of growth					
								Reserve money	Money M1	Money M1	Broadest money M4	Net domestic assets	Domestic credit
1994	December	4,714.2	6,642.6	6,996.7	17,679.9	16,540.1	27,661.5	11.73	2.20	3.83	2.26	11.84	3.45
1995	December	6,744.1	8,234.9	8,503.2	24,623.0	21,576.3	32,819.5	2.97	0.89	1.54	3.41	1.00	1.88
1996	December	8,770.4	11,368.9	11,494.9	36,701.1	24,960.4	33,831.2	11.35	7.83	7.67	4.88	-5.41	-11.61
1997	December	10,346.1	13,731.4	13,848.8	50,742.0	33,829.0	48,863.4	7.86	3.93	3.85	2.16	4.98	4.96
1998	December	9,954.2	13,531.4	13,615.2	57,340.3	44,626.8	59,792.0	7.24	6.92	6.59	2.51	3.73	0.25
1999	December ^a	10,310.0	13,858.9	13,965.7	56,659.3	40,003.8	55,875.8	4.53	5.46	5.48	2.28	0.35	-4.58
2000	December	11,717.3	18,030.3	18,256.4	73,061.1	44,043.9	60,883.8	7.32	10.04	9.89	3.66	10.46	2.66
2001	December	17,803.2	23,703.5	23,936.5	106,071.4	57,410.0	74,964.5	8.01	13.00	11.96	11.65	3.40	1.16
2002	December	23,027.9	30,869.8	31,876.7	116,141.8	83,324.4	97,463.7	10.72	6.11	6.79	1.65	7.92	2.15
2003	December	30,586.2	33,888.7	34,630.9	128,893.1	96,121.7	111,661.4	8.90	1.78	1.93	0.14	3.11	0.66
2004	December	33,924.4	34,562.1	35,186.5	139,947.7	108,205.1	127,308.6	8.69	2.86	2.68	0.23	2.15	1.99
2005	September	35,658.2	36,708.3	37,779.2	151,609.3	124,482.3	140,748.2	-3.18	-2.81	-2.13	0.33	0.32	1.85
	October	36,784.0	37,105.1	38,243.2	152,518.1	126,970.1	143,067.6	3.16	1.08	1.23	0.60	2.00	1.65
	November	36,927.6	37,204.1	38,371.2	154,677.8	128,971.3	146,322.5	0.39	0.27	0.33	1.42	1.58	2.28
	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	January	36,629.2	37,216.7	38,157.5	152,000.6	131,715.3	150,544.7	-9.31	-4.12	-4.26	-1.71	0.28	0.92
	February	36,484.1	37,169.6	38,104.0	151,719.7	134,057.4	152,635.8	-0.40	-0.13	-0.14	-0.18	1.78	1.39
	March	37,767.9	38,186.4	39,118.2	153,573.5	140,596.4	156,579.7	3.52	2.74	2.66	1.22	4.88	2.58
	April	38,079.2	39,222.7	40,055.6	155,073.1	143,428.3	159,083.2	0.82	2.71	2.40	0.98	2.01	1.60
	May	38,796.4	40,771.5	41,601.8	158,103.8	146,241.6	161,921.6	1.88	3.95	3.86	1.95	1.96	1.78
	June	41,644.9	42,226.5	42,853.9	163,106.8	149,113.2	164,644.0	7.34	3.57	3.01	3.16	1.96	1.68
	July	42,693.7	45,004.2	45,714.7	170,326.0	149,108.3	166,667.1	2.52	6.58	6.68	4.43	0.00	1.23
	August	42,209.3	44,993.8	45,802.5	174,210.4	148,688.1	168,830.8	-1.13	-0.02	0.19	2.28	-0.28	1.30

^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 259.5 million kuna and in monetary aggregate M4 amounted to 4,055.8 million kuna. Data for June 1999 are comparable with data for July 1999 if Domestic credit is increased by 3,513.5 million kuna.

Table B1: Monetary Survey

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec. ^a	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
ASSETS											
1. Foreign assets (net)	48,661.3	32,817.4	32,771.4	31,742.6	23,303.8	12,977.12	11,644.85	11,862.2	13,993.65	21,217.68	25,522.2
2. Domestic credit	87,637.6	112,518.9	126,371.6	141,278.1	168,427.7	178,596.65	180,793.67	183,671.9	188,399.21	188,521.91	189,902.8
2.1. Claims on central government and funds (net)	12,673.1	15,055.2	14,710.1	13,969.6	19,259.4	22,016.95	21,710.47	21,750.3	23,755.24	21,854.81	21,072.0
2.2. Claims on other domestic sectors	74,513.0	96,329.0	110,467.8	125,790.7	147,414.3	154,491.49	157,108.95	160,164.6	162,862.11	164,778.89	167,235.3
2.3. Claims on other banking institutions	170.2	219.5	431.8	624.0	592.2	493.66	519.52	461.0	442.32	529.19	437.9
2.4. Claims on non-banking financial institutions	281.4	915.3	761.8	893.9	1,161.8	1,594.55	1,454.72	1,296.0	1,339.55	1,359.02	1,157.6
Total (1+2)	136,298.9	145,336.3	159,143.0	173,020.7	191,731.5	191,573.77	192,438.52	195,534.1	202,392.86	209,739.59	215,425.1
LIABILITIES											
1. Money	23,703.5	30,869.8	33,888.7	34,562.1	38,817.1	38,186.45	39,222.71	40,771.5	42,226.48	45,004.15	44,993.8
2. Savings and time deposits	10,213.1	13,001.1	18,370.7	22,479.2	27,992.1	31,554.48	32,425.79	34,987.2	38,442.98	41,421.22	44,092.2
3. Foreign currency deposits	71,836.9	72,054.6	76,035.3	81,742.9	86,760.8	82,426.51	81,700.64	80,779.1	81,019.46	82,112.16	83,623.0
4. Bonds and money market instruments	317.8	216.3	598.4	1,163.5	1,077.0	1,406.06	1,723.98	1,566.1	1,417.90	1,788.43	1,501.4
5. Restricted and blocked deposits	1,926.2	1,729.5	1,721.6	2,067.0	2,092.3	2,379.25	2,283.93	2,032.8	2,292.71	2,326.48	2,477.5
6. Other items (net)	28,301.4	27,465.1	28,528.2	31,006.1	34,992.2	35,621.01	35,081.47	35,397.6	36,993.33	37,087.15	38,737.2
Total (1+2+3+4+5+6)	136,298.9	145,336.3	159,143.0	173,020.7	191,731.5	191,573.77	192,438.52	195,534.1	202,392.86	209,739.59	215,425.1

^a The first revaluation of securities with the effect of HRK 165.5m was conducted within the CNB's international reserves as at 31 December 2001. Accrued interest on deposits, with the effect of HRK 63.8m, was included in the international reserves as at 31 December 2001 as well. The CNB's foreign liabilities increased by HRK 6.4m on the basis of accrued interest, while liabilities on the basis of required foreign exchange reserves increased by HRK 8.6m.

Table B1: Monetary Survey

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

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

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

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

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

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

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

Year	Month	Total number of reporting banks	Reporting banks classified according to their total assets						Total number of reporting savings banks	Savings banks classified according to their total assets		
			Less than 100 million kuna	100 million kuna to less than 500 million kuna	500 million kuna to less than 1 billion kuna	1 billion kuna to less than 2 billion kuna	2 billion kuna to less than 10 billion kuna	10 billion kuna and over		Less than 10 million kuna	10 million kuna to less than 100 million kuna	100 million kuna and over
1	2	3	4	5	6	7	8	9	10	11	12	13
1994	December	50	13	21	6	6	2	2	33	22	9	2
1995	December	53	15	20	7	7	2	2	21	7	13	1
1996	December	57	10	26	6	9	4	2	22	10	11	1
1997	December	60	4	28	9	8	9	2	33	12	18	3
1998	December	60	3	26	8	11	10	2	33	4	25	4
1999	December	53	4	23	7	7	10	2	30	5	21	4
2000	December	45	3	15	9	6	10	2	29	5	19	5
2001	December	44	3	13	7	7	10	4	21	4	12	5
2002	December	46	4	13	7	9	8	5	10	3	5	2
2003	December	42	2	13	8	5	8	6	7	3	2	2
2004	December	39	1	12	9	6	5	6	6	3	3	–
2005	September	36	1	10	9	5	5	6	3	2	1	–
	October	36	1	10	9	5	5	6	3	2	1	–
	November	36	1	10	9	5	5	6	3	2	1	–
	December	36	1	10	6	8	5	6	3	2	1	–
2006	January	36	1	10	8	6	5	6	3	2	1	–
	February	36	2	9	7	7	5	6	3	2	1	–
	March	36	2	9	8	6	5	6	3	2	1	–
	April	36	2	9	7	7	5	6	3	2	1	–
	May	36	2	9	8	6	5	6	3	2	1	–
	June	36	2	8	7	8	4	7	3	2	1	–
	July	35	2	7	5	9	5	7	3	2	1	–
	August	35	2	7	6	8	4	8	3	2	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 liquidation and, until February 2005, institutions whose operating licences have been revoked, but which have not initiated liquidation 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. Savings banks that were granted a bank operating license are required to adjust their operations to the provisions of the Banking Act by 31 December 2006.

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

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
ASSETS											
1. Foreign assets	39,308.9	42,058.8	50,118.6	49,373.4	54,862.5	59,236.6	59,824.7	61,761.2	63,451.8	65,136.0	63,433.0
1.1. Gold	–	–	–	–	–	–	–	–	–	–	–
1.2. Holdings of SDRs	905.8	17.4	5.0	4.8	6.3	5.2	8.7	5.4	5.5	8.8	4.8
1.3. Reserve position in the IMF	1.8	1.6	1.5	1.4	1.4	1.4	1.4	1.3	1.4	1.4	1.4
1.4. Currency and demand deposits with foreign banks	6.1	6.4	5.8	5.7	7.7	8.3	8.4	8.8	9.2	9.3	8.1
1.5. Time deposits with foreign banks	25,565.9	28,183.2	25,580.7	24,337.7	28,274.1	32,260.2	33,440.1	34,264.7	35,296.1	35,954.3	34,061.7
1.6. Securities in f/c	12,829.3	13,850.0	24,525.5	25,023.7	26,573.0	26,961.5	26,366.1	27,480.9	28,139.6	29,162.2	29,357.1
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	0.0
2. Claims on central government and funds	–	0.5	1.4	3.3	1.4	–	0.0	–	–	–	–
2.1. Claims in kuna	–	0.5	1.4	3.3	1.4	–	0.0	–	–	–	–
2.2. Claims in f/c	–	–	–	–	–	–	–	–	–	–	–
3. Claims on other domestic sectors	229.2	110.6	93.6	82.9	73.4	73.4	73.4	73.4	73.4	73.4	73.4
4. Claims on banks	18.5	17.9	972.0	408.9	4,215.6	564.1	1,003.7	261.9	2,155.4	1,881.3	1,736.4
4.1. Credits to banks	16.6	17.6	968.9	408.9	4,215.6	564.1	1,003.7	261.9	2,155.4	1,881.3	1,736.4
Lombard credits	–	–	954.4	–	–	–	–	–	–	–	–
Short-term liquidity credits	–	–	–	–	–	–	–	–	–	–	–
Other credits	16.6	17.6	14.5	15.0	14.5	14.5	14.4	14.4	14.3	14.3	14.5
Reverse repo transactions	–	–	–	394.0	4,201.1	549.6	989.4	247.5	2,141.1	1,866.9	1,722.0
4.2. Overdue claims	1.9	0.3	3.1	–	–	–	–	–	–	–	–
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	39,556.6	42,187.7	51,185.6	49,868.5	59,153.0	59,874.1	60,901.9	62,096.4	65,680.6	67,090.7	65,242.8
LIABILITIES											
1. Reserve money	17,803.2	23,027.9	30,586.2	33,924.4	40,390.8	37,767.9	38,079.2	38,796.4	41,644.9	42,693.7	42,209.3
1.1. Currency outside banks	8,507.4	9,680.9	10,573.1	10,955.6	12,163.8	12,091.2	12,725.9	12,995.6	14,003.2	14,909.9	14,618.1
1.2. Banks' cash in vaults	538.8	1,214.8	1,683.2	1,871.0	1,942.0	1,942.0	2,059.2	1,874.9	2,685.5	2,448.0	2,240.0
1.3. Banks' deposits	8,741.5	12,109.4	18,329.3	21,082.6	26,016.3	23,734.7	23,294.1	23,925.8	24,956.2	25,335.8	25,351.2
Settlement accounts	2,450.1	3,923.4	5,616.0	6,408.2	8,411.1	5,740.0	5,357.8	5,591.9	6,223.4	6,291.8	6,039.5
Statutory reserves	6,291.4	8,186.0	12,603.9	14,674.4	17,605.2	17,354.7	17,854.4	18,222.9	18,595.8	18,874.0	19,274.1
CNB bills on obligatory basis	–	–	109.4	–	–	–	–	–	–	–	–
Overnight deposits	–	–	–	–	–	640.0	82.0	111.0	137.0	170.0	37.7
1.4. Deposits of other banking institutions	15.5	19.1	–	–	–	–	–	–	–	–	–
1.5. Deposits of other domestic sectors ²	0.1	3.5	0.6	15.1	–	–	–	–	–	–	–
2. Restricted and blocked deposits	6,030.5	7,091.2	6,699.2	10,777.1	13,551.8	17,366.6	18,346.5	19,131.5	19,831.8	20,136.8	17,996.5
2.1. Statutory reserve in f/c	5,705.1	7,042.3	6,686.6	10,764.7	13,495.9	17,306.0	18,326.7	19,108.0	19,808.7	20,107.6	17,951.5
2.2. Restricted deposits	325.4	49.0	12.6	12.4	55.9	60.6	19.8	23.4	23.1	29.1	45.0
2.3. Escrow deposits	–	–	–	–	–	–	–	–	–	–	–
3. Foreign liabilities	1,597.5	195.7	2,798.0	18.1	18.9	14.8	13.1	19.8	24.6	16.8	15.6
3.1. Use of IMF credit	1,025.5	2.8	0.0	–	–	0.0	–	–	–	–	–
3.2. Liabilities to international organisations	12.2	12.6	19.6	18.1	18.9	14.7	13.1	19.8	18.0	16.6	15.6
3.3. Liabilities to foreign banks ³	559.8	180.2	2,778.5	–	–	0.0	–	–	6.5	0.2	–
4. Central government and funds' deposits	1,752.1	768.1	1,551.1	263.2	332.2	162.7	538.7	444.2	249.8	221.4	560.7
4.1. Demand deposits	1,752.1	608.3	600.2	228.0	319.0	159.1	535.2	439.9	245.3	216.9	559.0
Central government demand deposits	1,564.8	569.5	548.5	123.0	246.3	117.2	475.7	323.0	183.6	170.1	457.6
Central government funds' demand deposits	187.3	38.7	51.7	105.0	72.7	41.8	59.5	116.9	61.7	46.9	101.4
4.2. Central government f/c deposits	–	–	950.9	35.2	13.2	3.6	3.5	4.3	4.5	4.5	1.8
4.3. CNB bills	–	159.9	–	–	–	–	–	–	–	–	–
5. CNB bills	6,372.3	6,212.4	4,920.2	–	–	–	–	–	–	–	–
5.1. CNB bills in kuna	3,458.9	4,986.2	–	–	–	–	–	–	–	–	–
5.2. CNB bills in f/c	2,913.4	1,226.3	4,920.2	–	–	–	–	–	–	–	–
6. Capital accounts	6,425.2	5,353.5	5,039.0	5,096.5	5,357.4 ^a	5,060.0	4,436.2	4,216.0	4,447.6	4,539.9	4,977.3
7. Other items (net)	–424.2	–461.1	–408.1	–210.8	–498.2 ^a	–497.8	–511.9	–511.4	–518.1	–517.8	–516.6
Total (1+2+3+4+5+6+7)	39,556.6	42,187.7	51,185.6	49,868.5	59,153.0	59,874.1	60,901.9	62,096.4	65,680.6	67,090.7	65,242.8

^a From October 2001 to May 2003 Liabilities to foreign banks include also liabilities based on CNB bills subscribed by non-residents.

^b In December 2002, CDA accounts with the CNB for the gross and net settlement of purchased securities have been reclassified from the sector central government to the sector other financial organisations.

Table C1: Monetary Authorities Accounts

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

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

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

sub-sector other banking institutions to the sub-sector 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, on the basis of legal acts are deposited with the Croatian National Bank.

Restricted and blocked deposits include required foreign exchange reserves and accrued interest, restricted deposits and blocked foreign exchange deposits. Banks are required to set aside the reserve requirements against certain foreign exchange 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 legal regulation, 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 exchange 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 sub-sector other banking institutions to the sub-sector 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

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
ASSETS											
1. Reserves with the CNB	15,002.7	20,373.5	26,783.7	33,718.2	41,775.2	43,030.5	43,686.0	44,909.8	47,461.6	47,920.0	45,548.6
1.1. In kuna	9,306.2	13,340.0	20,103.4	22,962.9	28,283.1	25,730.7	25,363.5	25,807.2	27,656.7	27,817.7	27,603.8
1.2. In f/c	5,696.5	7,033.5	6,680.2	10,755.3	13,492.1	17,299.8	18,322.5	19,102.6	19,804.8	20,102.3	17,944.9
2. Foreign assets	32,807.6	25,977.8	35,382.9	43,551.0	35,572.5	27,119.1	27,608.4	26,535.3	26,150.5	26,518.4	28,695.2
3. Claims on central government and funds	20,059.9	21,917.7	21,543.6	21,051.3	28,877.2	31,084.2	31,048.8	31,116.1	33,198.1	31,154.5	31,173.4
4. Claims on other domestic sectors	74,283.8	96,218.4	110,374.3	125,707.9	147,340.9	154,418.1	157,035.6	160,091.2	162,788.7	164,705.5	167,161.9
4.1. Claims on local government	1,280.0	1,422.4	1,563.1	1,787.9	1,767.2	1,608.7	1,607.1	1,657.3	1,680.0	1,696.7	1,721.0
4.2. Claims on enterprises	42,882.0	51,723.4	53,809.8	58,643.3	67,017.9	71,420.1	72,631.8	73,438.6	74,707.0	75,057.0	75,882.9
4.3. Claims on households	30,121.9	43,072.6	55,001.4	65,276.7	78,555.7	81,389.3	82,796.6	84,995.4	86,401.7	87,951.8	89,558.0
5. Claims on other banking institutions	170.2	219.5	431.8	624.0	592.2	493.7	519.5	461.0	442.3	529.2	437.9
6. Claims on non-banking financial institutions	281.4	915.3	761.8	893.9	1,161.8	1,594.5	1,454.7	1,296.0	1,339.5	1,359.0	1,157.6
Total (1+2+3+4+5+6)	142,605.6	165,622.2	195,278.0	225,546.2	255,319.8	257,740.1	261,352.9	264,409.4	271,380.7	272,186.6	274,174.6
LIABILITIES											
1. Demand deposits	15,180.6	21,166.2	23,315.0	23,591.3	26,653.3	26,095.3	26,496.8	27,775.8	28,223.3	30,094.3	30,375.6
2. Savings and time deposits	10,213.1	13,001.1	18,370.7	22,479.2	27,992.1	31,554.5	32,425.8	34,987.2	38,443.0	41,421.2	44,092.2
3. Foreign currency deposits	71,836.9	72,054.6	76,035.3	81,742.9	86,760.8	82,426.5	81,700.6	80,779.1	81,019.5	82,112.2	83,623.0
4. Bonds and money market instruments	317.8	216.3	598.4	1,163.5	1,077.0	1,406.1	1,724.0	1,566.1	1,417.9	1,788.4	1,501.4
5. Foreign liabilities	21,857.8	35,023.5	49,932.0	61,163.7	67,112.3	73,363.8	75,775.2	76,414.4	75,584.1	70,420.0	66,590.4
6. Central government and funds' deposits	5,634.7	6,094.9	5,283.3	6,821.8	9,287.0	8,904.6	8,799.6	8,921.6	9,193.1	9,078.2	9,540.6
7. Credit from central bank	16.6	17.6	968.9	408.9	4,215.6	564.1	1,003.8	261.9	2,155.4	1,881.3	1,736.4
8. Restricted and blocked deposits	1,600.8	1,680.5	1,709.0	2,054.6	2,036.4	2,318.6	2,264.1	2,009.3	2,269.6	2,297.4	2,432.5
9. Capital accounts	25,455.1	26,323.2	27,389.5	28,666.4	32,665.7	33,276.9	33,692.9	34,273.6	35,475.1	35,856.1	36,982.1
10. Other items (net)	-9,507.8	-9,955.6	-8,324.2	-2,546.3	-2,480.4	-2,170.2	-2,529.9	-2,579.6	-2,400.2	-2,762.4	-2,699.5
Total (1+2+3+4+5+6+7+8+9+10)	142,605.6	165,622.2	195,278.0	225,546.2	255,319.8	257,740.1	261,352.9	264,409.4	271,380.7	272,186.6	274,174.6

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

Foreign assets are the following forms of kuna and foreign currency claims on foreign legal and natural persons: foreign cash in vaults, deposits with foreign banks (including loro letters of credit and other 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 obtained. 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 obtained 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 Exchange 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 clas-

sified as available-for-sale assets, value adjustments and specific reserves for unidentified losses.

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) represents an elaborate presentation of appropriate items of claims and liabilities of Banks' Accounts (Table D1).

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 foreign 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 D2: Banks' Foreign Assets

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Foreign assets in f/c	32,763.6	25,924.4	35,261.9	43,428.1	35,457.9	26,999.3	27,188.9	26,266.3	25,693.2	26,132.1	28,289.1
1.1. Claims on foreign financial institutions	31,660.3	21,333.5	31,877.6	35,911.0	27,228.5	18,877.5	18,943.6	17,769.9	17,093.7	17,694.2	19,977.8
Foreign currencies	7,324.7	1,019.8	1,268.6	1,190.0	1,136.1	1,006.8	1,089.0	1,094.1	1,211.6	1,584.3	1,290.8
Demand deposits	1,231.9	757.7	1,057.0	906.2	860.2	761.9	865.1	819.4	1,109.1	1,483.7	1,066.0
Time and notice deposits	21,765.2	17,569.8	27,969.4	30,943.7	20,874.6	12,623.9	12,600.9	11,493.9	10,299.4	10,035.2	13,300.5
Securities	1,008.5	1,690.2	1,364.2	2,674.1	4,197.0	4,224.2	4,161.5	4,137.8	4,174.7	4,002.4	4,012.4
Loans and advances	290.3	278.7	203.1	189.0	152.9	253.0	219.4	217.0	287.4	576.9	296.3
Shares and participations	39.7	17.2	15.4	8.1	7.8	7.7	7.7	7.6	11.6	11.6	11.7
1.2. Claims on foreign non-banks	1,103.3	4,590.8	3,384.4	7,517.1	8,229.4	8,121.7	8,245.4	8,496.4	8,599.5	8,437.8	8,311.3
Claims on foreign governments	596.2	3,855.5	2,905.0	7,066.6	7,735.7	7,600.0	7,723.5	7,971.8	7,863.2	7,764.7	7,540.1
Claims on other non-residents	505.5	733.7	478.9	450.2	493.1	521.2	521.5	491.0	702.2	646.4	744.6
Securities	72.1	191.3	32.1	77.4	68.0	74.9	73.5	72.5	199.6	160.6	155.3
Loans and advances	433.4	542.4	446.8	372.8	425.2	446.3	448.1	418.5	502.6	485.8	589.3
Shares and participations	1.6	1.6	0.4	0.3	0.5	0.5	0.3	33.6	34.1	26.7	26.7
2. Foreign assets in kuna	44.1	53.4	120.9	122.9	114.6	119.9	419.4	269.0	457.2	386.3	406.1
2.1. Claims on foreign financial institutions	29.2	19.6	99.1	77.8	71.3	80.1	325.8	197.6	388.5	317.8	337.5
2.2. Claims on foreign non-banks	14.8	33.8	21.9	45.1	43.4	39.7	93.7	71.4	68.7	68.5	68.5
o/w: Loans and advances	13.9	33.0	21.0	44.3	42.6	38.8	92.9	70.8	68.1	67.9	67.9
Total (1+2)	32,807.6	25,977.8	35,382.9	43,551.0	35,572.5	27,119.1	27,608.4	26,535.3	26,150.5	26,518.4	28,695.2

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

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. In kuna	17,778.7	18,444.4	18,007.1	16,270.2	20,532.7	20,324.0	20,473.6	20,790.3	23,239.2	22,549.4	22,562.0
1.1. Claims on central government	16,230.2	16,443.4	16,032.6	14,465.6	17,352.6	17,383.5	17,138.4	17,019.7	19,286.5	19,344.9	19,195.6
Securities	15,403.2	13,989.1	11,770.0	11,779.1	16,037.7	15,920.9	15,535.7	15,366.0	14,996.2	15,492.7	15,340.7
o/w: Bonds (c'part to f/c savings deposits)	3,420.1	2,473.5	1,531.9	532.0	20.6	21.3	21.8	21.1	5.8	7.9	7.6
Loans and advances	826.9	2,454.3	4,262.6	2,686.5	1,314.9	1,462.6	1,602.7	1,653.6	4,290.3	3,852.2	3,854.8
1.2. Claims on central government funds	1,548.5	2,001.0	1,974.5	1,804.6	3,180.1	2,940.5	3,335.2	3,770.6	3,952.8	3,204.5	3,366.5
Securities	560.1	560.7	723.6	621.1	–	–	–	–	3.6	5.5	–
Loans and advances	988.4	1,440.3	1,250.9	1,183.5	3,180.1	2,940.5	3,335.2	3,770.6	3,949.2	3,199.0	3,366.5
2. In f/c	2,281.2	3,473.3	3,536.4	4,781.1	8,344.5	10,760.2	10,575.1	10,325.8	9,958.9	8,605.1	8,611.3
2.1. Claims on central government	1,390.9	2,359.1	3,196.9	3,548.4	7,241.0	9,693.9	9,528.2	9,427.5	9,295.7	7,965.2	7,980.4
Securities	1,065.5	1,733.4	1,805.4	1,117.0	1,248.1	826.4	762.9	683.6	553.7	483.6	481.6
Loans and advances	325.5	625.7	1,391.5	2,431.3	5,992.8	8,867.5	8,765.3	8,743.9	8,742.0	7,481.5	7,498.8
2.2. Claims on central government funds	890.3	1,114.2	339.5	1,232.8	1,103.5	1,066.3	1,046.9	898.3	663.2	639.9	630.9
Securities	75.4	195.0	96.4	163.1	144.2	126.1	114.2	114.0	112.8	112.5	102.4
Loans and advances	814.8	919.2	243.1	1,069.7	959.3	940.2	932.7	784.2	550.4	527.4	528.5
Total (1+2)	20,059.9	21,917.7	21,543.6	21,051.3	28,877.2	31,084.2	31,048.8	31,116.1	33,198.1	31,154.5	31,173.4

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 Exchange Deposits into the Public Debt of the Republic of Croatia.

Table D4: Banks' Claims on Other Domestic Sectors

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Claims in kuna	66,626.8	85,418.7	100,365.0	114,635.7	133,603.5	140,195.6	142,838.9	145,915.4	148,311.5	150,417.4	152,564.5
1.1. Money market instruments	544.7	1,394.7	1,314.1	2,510.0	2,329.9	2,513.3	2,544.4	2,547.6	1,724.2	1,777.0	1,706.7
1.2. Bonds	7.7	72.4	56.2	559.8	361.6	412.9	455.0	510.2	838.0	872.1	795.0
1.3. Loans and advances	62,180.6	80,887.6	96,081.7	109,523.9	128,882.3	135,172.6	137,701.1	140,780.8	143,505.0	145,681.1	147,981.8
1.4. Shares and participations	3,893.8	3,064.0	2,912.9	2,042.0	2,029.6	2,096.8	2,138.3	2,076.7	2,244.2	2,087.2	2,080.9
2. Claims in f/c	7,657.0	10,799.8	10,009.3	11,072.2	13,737.4	14,222.5	14,196.6	14,175.9	14,477.2	14,288.1	14,597.4
2.1. Securities	126.6	243.2	130.6	213.5	307.6	331.6	345.7	334.0	124.5	69.6	65.9
2.2. Loans and advances	7,530.5	10,556.6	9,878.7	10,858.6	13,429.8	13,890.9	13,850.9	13,841.9	14,352.7	14,218.6	14,531.5
Total (1+2)	74,283.8	96,218.4	110,374.3	125,707.9	147,340.9	154,418.1	157,035.6	160,091.2	162,788.7	164,705.5	167,161.9

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.

Until October 1994, foreign currency loans could be granted only when banks simultaneously borrowed abroad in their own name and for the account of the end-user.

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

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
LOANS IN KUNA											
1. Loans to central government and funds	1,815.4	3,894.6	5,513.5	3,870.0	4,495.0	4,403.1	4,937.9	5,424.2	8,239.4	7,051.2	7,221.3
1.1. Loans to central government	826.9	2,454.3	4,262.6	2,686.5	1,314.9	1,462.6	1,602.7	1,653.6	4,290.3	3,852.2	3,854.8
1.2. Loans to central government funds	988.4	1,440.3	1,250.9	1,183.5	3,180.1	2,940.5	3,335.2	3,770.6	3,949.2	3,199.0	3,366.5
2. Loans to local government	1,069.1	1,202.9	1,485.1	1,701.9	1,613.9	1,541.0	1,520.9	1,563.0	1,581.4	1,568.8	1,591.6
3. Loans to enterprises	31,049.4	36,708.1	39,777.4	42,844.7	49,105.9	52,667.1	53,769.9	54,616.7	55,911.1	56,551.2	57,226.0
4. Loans to households	30,062.1	42,976.6	54,819.3	64,977.2	78,162.4	80,964.6	82,410.3	84,601.1	86,012.5	87,561.2	89,164.2
o/w: Housing loans	9,450.0	12,363.4	16,896.2	21,397.9	27,571.1	29,498.7	30,214.0	31,157.8	31,925.4	32,771.0	33,734.6
5. Loans to other banking institutions	34.7	17.6	82.3	154.5	46.5	36.4	91.0	76.5	48.3	72.0	56.5
6. Loans to non-banking financial institutions	240.9	521.3	427.9	558.0	591.8	1,100.6	943.6	852.4	732.4	753.6	565.1
A. Total (1+2+3+4+5+6)	64,271.6	85,321.1	102,105.4	114,106.4	134,015.6	140,712.7	143,673.6	147,134.0	152,525.2	153,557.9	155,824.8
LOANS IN F/C											
1. Loans to central government and funds	1,140.3	1,544.9	1,634.7	3,501.0	6,952.1	9,807.8	9,698.0	9,528.2	9,292.4	8,008.9	8,027.3
1.1. Loans to central government	325.5	625.7	1,391.5	2,431.3	5,992.8	8,867.5	8,765.3	8,743.9	8,742.0	7,481.5	7,498.8
1.2. Loans to central government funds	814.8	919.2	243.1	1,069.7	959.3	940.2	932.7	784.2	550.4	527.4	528.5
2. Loans to local government	179.1	152.3	47.1	31.9	63.0	18.6	18.5	18.5	18.4	11.2	11.3
3. Loans to enterprises	7,291.7	10,308.3	9,649.4	10,527.3	12,973.5	13,447.6	13,446.1	13,429.2	13,945.0	13,816.7	14,126.4
4. Loans to households	59.7	96.0	182.1	299.5	393.3	424.7	386.3	394.3	389.3	390.7	393.8
5. Loans to other banking institutions	–	1.2	174.3	52.9	19.9	–	–	–	21.8	100.5	7.3
6. Loans to non-banking financial institutions	–	28.3	58.8	255.3	512.3	396.0	435.3	359.3	518.2	509.2	481.3
B. Total (1+2+3+4+5+6)	8,670.7	12,131.0	11,746.4	14,667.8	20,914.1	24,094.7	23,984.3	23,729.4	24,185.0	22,837.3	23,047.4
TOTAL (A+B)	72,942.3	97,452.1	113,851.8	128,774.2	154,929.7	164,807.5	167,657.8	170,863.4	176,710.2	176,395.2	178,872.1

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

The table shows data on kuna and foreign currency loans gran-

ted 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

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Local government	907.0	1,910.4	2,006.2	2,020.7	1,688.7	1,300.2	1,561.3	1,596.6	1,446.1	1,417.0	1,726.2
2. Enterprises	8,981.6	12,344.5	12,872.9	12,036.9	13,344.2	12,381.7	12,199.8	12,670.2	12,642.9	13,898.4	13,824.6
3. Households	4,872.0	6,307.4	7,873.1	8,773.0	10,728.3	11,395.0	11,836.4	12,506.2	13,217.8	13,577.3	13,641.2
4. Other banking institutions	17.0	42.1	98.9	245.4	322.1	360.8	307.1	366.1	296.9	456.3	400.0
5. Non-banking financial institutions	407.1	568.1	468.1	517.5	571.3	658.5	593.5	637.8	621.3	746.6	785.2
6. Less: Checks of other banks and checks in collection	-4.2	-6.4	-4.2	-2.2	-1.3	-0.9	-1.2	-1.2	-1.8	-1.3	-1.6
Total (1+2+3+4+5+6)	15,180.6	21,166.2	23,315.0	23,591.3	26,653.3	26,095.3	26,496.8	27,775.8	28,223.3	30,094.3	30,375.6

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. amount of 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

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Savings deposits	2,006.8	2,236.2	2,527.9	2,233.9	2,493.6	2,580.3	2,584.8	2,559.5	2,685.8	2,891.3	2,979.0
1.1. Local government	118.3	14.8	14.4	4.6	2.7	4.1	3.8	3.4	3.4	3.4	3.6
1.2. Enterprises	88.0	213.3	190.5	38.8	101.6	120.4	125.4	111.2	115.4	170.5	179.6
1.3. Households	1,712.2	1,996.3	2,288.8	2,190.5	2,388.3	2,455.9	2,455.6	2,444.9	2,567.0	2,717.4	2,795.8
1.4. Other banking institutions	20.8	0.0	–	–	–	–	–	–	–	–	–
1.5. Non-banking financial institutions	67.5	11.8	34.2	0.0	1.0	–	–	–	–	–	0.0
2. Time and notice deposits	8,206.3	10,764.9	15,842.9	20,245.4	25,498.4	28,974.2	29,841.0	32,427.6	35,757.2	38,529.9	41,113.2
2.1. Local government	340.7	482.8	551.6	550.8	508.7	778.5	774.0	827.5	850.0	951.0	931.1
2.2. Enterprises	3,618.3	4,633.6	7,165.3	8,698.5	8,222.5	9,887.6	10,189.4	11,278.9	12,850.8	13,793.3	14,476.3
2.3. Households	2,554.1	3,793.8	6,194.5	9,321.4	13,254.9	14,507.4	14,898.3	15,835.6	17,037.6	18,854.9	20,609.4
2.4. Other banking institutions	24.7	58.4	129.3	215.9	931.9	935.9	758.4	1,056.0	1,233.9	1,246.3	1,289.6
2.5. Non-banking financial institutions	1,668.5	1,796.3	1,802.2	1,458.8	2,580.4	2,864.7	3,221.0	3,429.7	3,784.9	3,684.4	3,806.8
Total (1+2)	10,213.1	13,001.1	18,370.7	22,479.2	27,992.1	31,554.5	32,425.8	34,987.2	38,443.0	41,421.2	44,092.2

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

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Savings deposits	23,748.8	21,074.4	21,547.0	22,144.6	22,641.0	21,770.9	21,336.6	21,534.0	21,866.3	22,807.4	23,506.1
1.1. Local government	13.2	12.2	14.7	15.6	11.9	10.7	10.5	10.6	18.0	16.6	16.7
1.2. Enterprises	2,884.2	3,346.7	3,620.2	4,273.2	4,408.3	4,083.8	3,720.3	3,998.1	4,378.8	4,879.8	4,945.2
1.3. Households	20,688.3	17,537.3	17,690.2	17,708.9	17,933.6	17,500.3	17,329.3	17,247.5	17,196.2	17,645.7	18,201.9
1.4. Other banking institutions	23.9	34.7	9.0	15.4	116.0	33.5	36.2	85.5	80.9	61.7	89.1
1.5. Non-banking financial institutions	139.2	143.5	212.9	131.6	171.3	142.5	240.3	192.2	192.4	203.7	253.2
2. Time deposits	48,088.1	50,980.3	54,488.4	59,598.3	64,119.7	60,655.7	60,364.0	59,245.1	59,153.1	59,304.7	60,116.9
2.1. Local government	1.7	9.5	3.8	0.3	3.2	2.0	2.0	1.9	2.0	1.9	1.9
2.2. Enterprises	4,619.1	6,009.6	7,154.0	8,518.6	8,154.2	5,807.5	5,772.2	5,201.7	5,316.5	5,522.5	5,919.3
2.3. Households	42,705.4	44,159.2	46,805.1	50,636.0	55,036.1	54,312.5	54,038.9	53,509.6	53,303.1	53,038.6	53,105.2
2.4. Other banking institutions	11.5	41.5	21.7	20.7	242.0	137.8	105.6	104.1	75.9	193.5	254.1
2.5. Non-banking financial institutions	750.3	760.5	503.7	422.7	684.2	395.7	445.4	427.8	455.7	548.2	836.4
Total (1+2)	71,836.9	72,054.6	76,035.3	81,742.9	86,760.8	82,426.5	81,700.6	80,779.1	81,019.5	82,112.2	83,623.0

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

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Money market instruments (net)	–	5.1	–	–	–	–	0.8	0.8	0.8	0.8	0.8
2. Bonds (net)	104.4	92.8	151.9	170.5	164.9	593.9	529.2	480.0	407.7	417.3	374.5
3. Other domestic borrowing	213.4	118.4	446.5	993.0	912.1	812.1	1,194.0	1,085.3	1,009.4	1,370.3	1,126.1
3.1. Local government	–	–	0.9	–	–	–	–	–	–	–	–
3.2. Enterprises	158.1	46.3	92.7	40.3	40.8	41.0	41.0	40.9	40.9	41.0	41.0
3.3. Other banking institutions	4.6	10.0	222.1	842.8	828.1	652.6	849.1	741.4	865.2	1,036.8	795.7
3.4. Non-banking financial institutions	50.7	62.0	130.9	109.9	43.2	118.6	303.9	303.0	103.2	292.5	289.4
Total (1+2+3)	317.8	216.3	598.4	1,163.5	1,077.0	1,406.1	1,724.0	1,566.1	1,417.9	1,788.4	1,501.4

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 securities 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, reported total and classified by institutional sectors.

Table D10: Banks' Foreign Liabilities

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Foreign liabilities in f/c	21,692.7	34,198.5	44,574.3	54,536.7	52,073.3	55,271.5	56,502.4	56,820.1	54,219.8	50,037.7	48,260.0
1.1. Liabilities to foreign financial institutions	16,407.4	28,662.3	38,623.1	48,967.5	45,747.7	48,921.5	50,229.2	50,577.8	47,896.6	43,721.7	41,952.4
Demand deposits	147.1	130.9	266.6	127.6	156.3	113.0	125.3	107.0	298.6	100.4	127.1
Time and notice deposits	1,208.3	9,002.9	14,875.4	16,056.8	12,523.1	13,456.2	14,052.7	14,778.0	14,326.6	12,242.0	11,794.2
Loans and advances	15,052.1	19,528.5	23,481.2	29,369.5	29,775.6	32,073.1	32,786.0	32,446.5	30,029.5	28,136.6	26,763.1
o/w: Subordinated and hybrid instruments	2,558.3	2,801.4	2,949.2	2,399.4	1,167.4	1,159.1	935.3	782.6	781.8	781.9	788.0
Bonds	–	–	–	3,413.6	3,292.6	3,279.2	3,265.2	3,246.3	3,241.9	3,242.7	3,268.1
1.2. Liabilities to foreign non-banks	5,285.2	5,536.2	5,951.2	5,569.2	6,325.6	6,350.0	6,273.2	6,242.3	6,323.2	6,316.0	6,307.6
Savings and time deposits	3,777.8	4,160.2	4,753.2	5,002.2	5,846.3	5,940.7	5,867.0	5,837.1	5,918.4	5,956.5	5,945.5
Sight deposits	873.7	875.6	898.6	1,052.5	1,172.9	1,246.6	1,217.2	1,231.1	1,311.4	1,343.5	1,311.9
Time and notice deposits	2,904.1	3,284.6	3,854.6	3,949.6	4,673.4	4,694.2	4,649.8	4,606.0	4,607.0	4,612.9	4,633.7
Loans and advances	1,507.4	1,376.0	1,198.0	567.1	479.3	409.3	406.2	405.2	404.8	359.5	362.0
o/w: Subordinated and hybrid instruments	39.3	39.7	39.1	0.2	–	–	–	–	–	–	–
2. Foreign liabilities in kuna	165.1	825.0	5,357.7	6,627.0	15,039.1	18,092.3	19,272.7	19,594.3	21,364.3	20,382.3	18,330.3
2.1. Liabilities to foreign financial institutions	46.9	690.9	5,087.8	6,103.9	14,099.6	17,265.4	18,394.3	18,678.3	20,387.0	19,312.6	17,485.8
Demand deposits	38.2	53.6	86.4	145.1	179.6	353.1	338.7	435.4	520.4	490.9	501.8
Time and notice deposits	4.2	635.8	2,664.1	2,846.9	6,979.5	8,788.0	8,879.2	9,089.3	9,122.2	8,629.4	8,110.7
Loans and advances	4.5	1.5	2,337.3	3,111.9	6,940.5	8,124.3	9,176.4	9,153.5	10,744.4	10,192.2	8,873.3
o/w: Subordinated and hybrid instruments	–	–	–	–	405.7	402.8	401.0	399.5	399.1	399.2	402.3
2.2. Liabilities to foreign non-banks	118.2	134.1	269.9	523.1	939.5	826.9	878.5	916.0	977.3	1,069.8	844.5
Demand deposits	60.1	56.2	76.8	95.9	180.3	221.7	252.9	254.1	311.6	382.5	146.4
Time and notice deposits	58.1	77.9	191.4	419.2	755.2	601.3	621.6	658.0	661.7	683.3	694.2
Loans and advances	–	–	1.7	8.0	4.0	4.0	3.9	3.9	3.9	3.9	3.9
o/w: Subordinated and hybrid instruments	....	....	1.7	8.0	4.0	4.0	3.9	3.9	3.9	3.9	3.9
Total (1+2)	21,857.8	35,023.5	49,932.0	61,163.7	67,112.3	73,363.8	75,775.2	76,414.4	75,584.1	70,420.0	66,590.4

Table D10: Banks' Foreign Liabilities

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

Banks' foreign liabilities comprise foreign currency liabilities and

foreign kuna liabilities.

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

Table D11: Central Government and Funds' Deposits with Banks

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. In kuna	3,335.1	4,036.8	4,104.4	5,627.2	7,596.1	7,717.3	7,870.8	7,954.0	8,332.7	8,094.9	8,403.2
1.1. Central government deposits	295.9	634.3	506.4	445.1	605.0	549.3	496.1	470.1	433.5	444.1	468.8
Demand deposits	33.9	476.4	448.0	373.3	458.1	419.4	368.2	331.3	301.4	308.7	334.2
Savings deposits	41.6	3.3	3.0	4.2	1.8	1.3	1.6	1.5	1.4	1.9	1.9
Time and notice deposits	217.6	153.6	54.2	66.5	144.0	127.6	125.3	136.3	129.6	132.5	131.6
Loans and advances	2.8	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
1.2. Central government funds' deposits	3,039.2	3,402.5	3,598.0	5,182.2	6,991.1	7,168.0	7,374.6	7,483.9	7,899.2	7,650.7	7,934.4
Demand deposits	214.6	553.2	294.8	266.3	580.2	512.4	464.7	499.0	326.0	401.8	474.5
Savings deposits	10.8	0.0	0.3	3.5	1.9	10.2	10.2	10.2	10.2	10.2	10.2
Time and notice deposits	195.2	144.3	156.2	262.3	251.7	232.1	239.6	183.0	339.0	205.0	338.9
Loans and advances	2,618.6	2,705.0	3,146.7	4,650.0	6,157.3	6,413.3	6,660.1	6,791.6	7,224.0	7,033.7	7,110.9
2. In f/c	2,299.6	2,058.1	1,178.9	1,194.6	1,690.9	1,187.3	928.8	967.6	860.4	983.4	1,137.4
2.1. Central government deposits	2,275.0	1,938.9	1,158.2	891.0	906.2	768.7	695.3	634.7	680.0	532.0	512.6
Savings deposits	329.8	263.0	198.5	189.7	340.6	287.7	233.0	192.9	228.9	188.0	167.0
Time and notice deposits	55.8	293.1	–	23.2	38.7	77.0	75.3	65.3	65.3	65.3	67.6
Refinanced loans and advances	1,889.5	1,382.8	959.6	678.1	527.0	404.1	387.0	376.5	385.8	278.8	278.0
2.2. Central government funds' deposits	24.5	119.2	20.8	303.6	784.7	418.6	233.5	332.9	180.3	451.4	624.8
Savings deposits	22.9	114.1	20.8	156.5	139.4	126.4	138.7	125.0	144.1	106.6	110.6
Time and notice deposits	1.6	5.0	–	147.1	25.8	–	21.9	207.9	–	344.8	433.8
Loans	–	–	–	–	619.6	292.2	72.9	–	36.3	–	80.5
Total (1+2)	5,634.7	6,094.9	5,283.3	6,821.8	9,287.0	8,904.6	8,799.6	8,921.6	9,193.1	9,078.2	9,540.6

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 obtained from the central government and funds. Foreign currency deposits comprise savings deposits, time and notice deposits, and refinanced loans.

Table D12: Restricted and Blocked Deposits with Banks

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
1. Restricted deposits	830.6	1,361.2	1,541.2	2,014.6	2,036.4	2,318.6	2,264.1	2,009.3	2,269.6	2,297.4	2,432.5
1.1. In kuna	100.3	789.6	730.1	1,267.4	1,277.1	1,338.1	1,359.4	1,356.7	1,328.1	1,439.1	1,526.1
1.2. In f/c	730.3	571.6	811.1	747.2	759.3	980.5	904.7	652.7	941.6	858.3	906.4
2. Blocked f/c deposits of households	770.2	319.3	167.8	40.0	–	–	–	–	–	–	–
Total (1+2)	1,600.8	1,680.5	1,709.0	2,054.6	2,036.4	2,318.6	2,264.1	2,009.3	2,269.6	2,297.4	2,432.5

Table D12: Restricted and Blocked Deposits with Banks

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

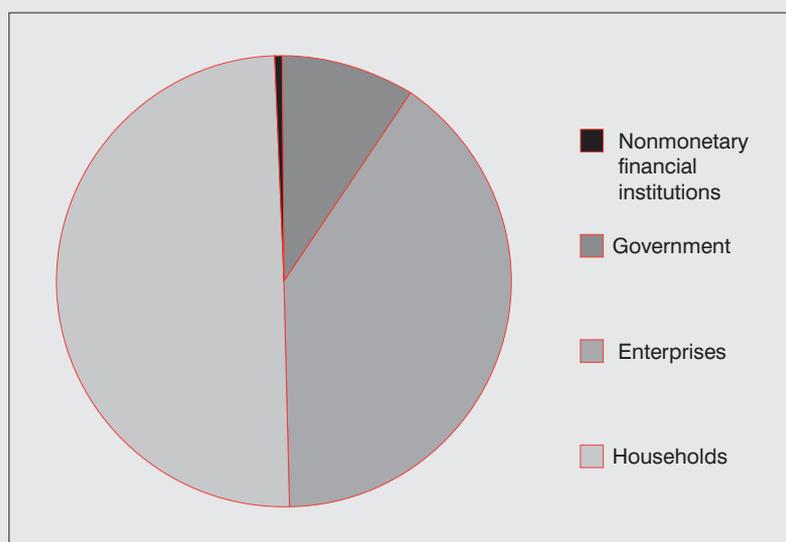
Restricted and blocked deposits include two categories of deposits: restricted (kuna and foreign currency) deposits and blocked for-

foreign currency deposits.

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

Figure D1

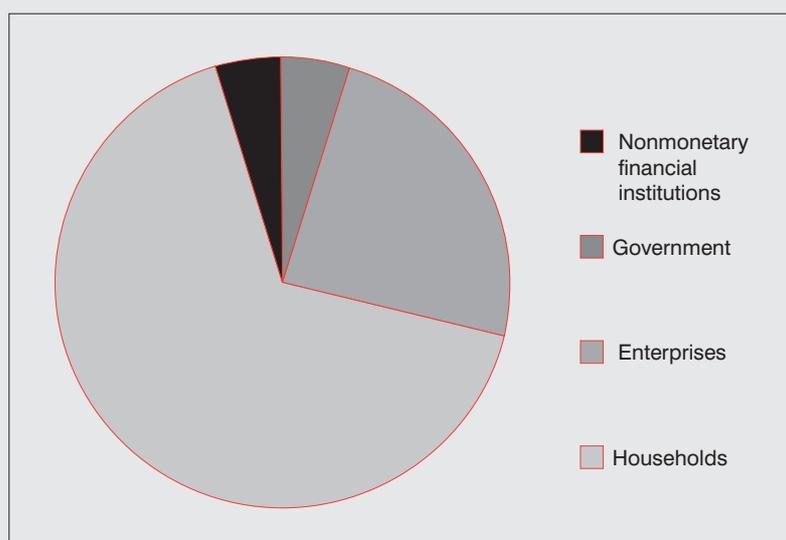
DISTRIBUTION OF BANKS' LOANS BY DOMESTIC INSTITUTIONAL SECTORS



August 2006

Figure D2

DISTRIBUTION OF BANKS' DEPOSITS BY DOMESTIC INSTITUTIONAL SECTORS



August 2006

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

Table E1: Housing Savings Banks' Accounts

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
ASSETS											
1. Reserves with the CNB	15.5	19.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Claims on central government and funds	1,208.8	1,983.9	3,033.5	3,779.1	4,274.3	4,631.6	4,516.5	4,462.8	4,435.7	4,462.5	4,545.6
3. Claims on other domestic sectors	11.6	93.3	187.9	373.2	575.5	718.3	779.5	857.9	925.3	993.4	1,056.1
o/w: Claims on households	11.6	91.3	187.9	373.2	575.5	718.3	779.5	857.9	925.3	993.4	1,056.1
4. Claims on banks	18.1	37.2	247.2	824.2	994.4	187.3	139.1	114.6	130.4	94.6	96.3
5. Claims on other banking institutions	–	–	–	–	–	–	–	–	–	–	–
Total (1+2+3+4+5)	1,254.0	2,133.6	3,468.6	4,976.6	5,844.2	5,537.3	5,435.1	5,435.3	5,491.4	5,550.6	5,698.1
LIABILITIES											
1. Time deposits	1,137.5	2,012.9	3,265.2	4,728.2	5,514.7	5,326.5	5,287.9	5,239.5	5,239.5	5,242.0	5,306.8
2. Bonds and money market instruments	10.0	–	11.1	10.7	10.3	10.3	10.2	10.2	60.9	61.0	61.4
3. Capital accounts	124.0	141.1	159.7	206.7	258.0	202.0	159.0	176.1	168.3	211.8	248.7
4. Other items (net)	–17.5	–20.4	32.6	30.8	61.1	–1.4	–22.0	9.4	22.7	35.8	81.1
Total (1+2+3+4)	1,254.0	2,133.6	3,468.6	4,976.6	5,844.2	5,537.3	5,435.1	5,435.3	5,491.4	5,550.6	5,698.1

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 extended to banks, as well as deposits with banks, including, since October 2003, accounts for regu-

lar operations 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 obtained.

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 ^a	On intervention credits	On intra-day refinancing facility ^b	On short-term liquidity credits	On inaccurately calculated statutory reserves ^a	On arrears
1	2	3	4	5	6	7	8	9	10
1994	December	8.50	–	18.00	19.00	17.00	14.00	19.00	22.00
1995	December	8.50	–	25.49	19.00	17.00	–	19.00	22.00
1996	December	6.50	–	11.00	19.00	17.00	–	19.00	18.00
1997	December	5.90	–	9.50	19.00	17.00	–	19.00	18.00
1998	December	5.90	–	12.00	19.00	7.00	14.00	19.00	18.00
1999	December	7.90	–	13.00	19.00	–	14.00	19.00	18.00
2000	December	5.90	–	12.00	18.00	–	13.00	18.00	18.00
2001	December	5.90	–	10.00	–	–	11.00	15.00	18.00
2002	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2003	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2004	December	4.50	–	9.50	–	–	10.50	15.00	15.00
2005	September	4.50	3.50	9.50	–	–	10.50	15.00	15.00
	October	4.50	3.50	9.50	–	–	10.50	15.00	15.00
	November	4.50	3.50	9.50	–	–	10.50	15.00	15.00
	December	4.50	3.50	7.50 ^c	–	–	8.50 ^c	15.00	15.00
2006	January	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	February	4.50	3.51	7.50	–	–	8.50	15.00	15.00
	March	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	April	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	May	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	June	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	July	4.50	3.50	7.50	–	–	8.50	15.00	15.00
	August	4.50	3.50	7.50	–	–	8.50	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.

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 annual basis. Exceptionally, from June 1995 interest rate charged by the CNB on Lombard credits was 1.5 percentage point 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.

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

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

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 collateralized by CNB bills. Since December 1998 until 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. Since December 1999, data show interest rates on short-term liquidity credit with a maturity over 3 months which is 1 percentage point higher than interest rate on Lombard credits. Interest rate on short-term liquidity credit up to 3 months is 0.5 percentage point higher than interest rate on Lombard credits.

Table F2: Deposit Rates of the Croatian National Bank

in percentage, on annual basis

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

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

Table F2: Deposit Rates of the Croatian National Bank

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

Interest rates paid by the CNB for appropriated statutory reserve funds are set by a decision of the Council of the CNB. 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 bank's settlement accounts, or deposited in a special account with the CNB for the settlement of net positions in the 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 CNB. Interest rates on CNB bills on a voluntary basis are set at CNB bills' auction sales. Congruently, columns 5, 6 and 7 report 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.

Since April 1998 columns 9 through 13 report 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 immobilized funds in kuna	Weighted avg. remuneration rate on allocated funds in f/c
			Total	In kuna	In f/c		In kuna	In f/c		
1	2	3	4=5+6	5	6	7	8	9	10	11
1994	December	26.20	1,826.0	1,826.0	–	188.3	1,779.2	–	5.63	–
1995	December	30.90	2,431.8	2,431.8	–	826.5	2,215.9	–	7.93	–
1996	December	35.91	3,652.9	3,652.9	–	–	3,312.0	–	4.99	–
1997	December	32.02	4,348.8	4,348.8	–	–	3,914.2	–	4.05	–
1998	December	29.57	13,112.7	3,967.2	9,145.4	57.4	3,469.8	1,467.6	5.28	....
1999	December	30.50	13,579.0	4,210.1	9,368.9	37.3	3,695.1	4,606.5	5.62	....
2000	December	23.22	16,245.8	4,646.8	11,599.0	5.0	4,191.6	5,544.6	4.06	....
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	September	18.00	36,249.8	24,107.1	12,142.7	3,710.2	16,873.6	9,130.9	0.52	0.75
	October	18.00	36,832.9	24,483.3	12,349.6	3,542.4	17,137.4	9,233.1	0.52	0.74
	November	18.00	37,147.1	24,741.3	12,405.8	3,631.8	17,318.0	9,254.3	0.52	0.68
	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	January	17.32	36,676.0	24,644.6	12,031.4	5,047.4	17,250.3	8,988.8	0.52	0.74
	February	17.00	36,313.4	24,426.5	11,886.9	6,560.7	17,097.8	8,918.7	0.52	0.67
	March	17.00	36,422.3	24,514.4	11,907.9	7,993.3	17,159.5	8,990.3	0.52	0.61
	April	17.00	36,824.5	24,924.1	11,900.4	8,978.4	17,446.3	9,026.1	0.52	0.79
	May	17.00	37,413.7	25,548.1	11,865.6	9,983.6	17,883.1	9,026.2	0.52	0.54
	June	17.00	37,852.6	26,033.4	11,819.2	10,560.0	18,223.0	9,006.0	0.52	0.75
	July	17.00	38,354.9	26,580.6	11,774.3	11,102.4	18,606.1	8,985.3	0.52	0.63
	August	17.00	38,710.4	27,188.0	11,522.5	10,154.3	19,031.3	8,725.3	0.52	0.63

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 requirement 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 exchange claims (which include foreign currency cash and checks in foreign exchange, liquid foreign exchange 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. Starting from September 2001, 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 exchange accounts, or to maintain (in av-

erage) in accounts of liquid claims. Until November 2000, the calculation base consisted of average daily balances of household foreign exchange savings deposits with a remaining maturity of up to 3 months, while starting from December 2000 the base consists of foreign exchange sources of funds, including: ordinary foreign exchange accounts, special foreign exchange accounts, sight foreign exchange accounts and savings deposits, received foreign exchange deposits and received foreign exchange loans, as well as obligations arising from securities issued in foreign exchange (excluding the bank's equity securities). Starting from November 2001, 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 exchange accounts. The percentage for allocating the foreign currency component of reserve requirements calculated on the basis of foreign exchange funds of non-residents and foreign exchange funds received from legal persons in a special relationship with a bank amounts to

Table F4: Banks' Liquidity Indicators

daily averages and percentages, million kuna and %

Year	Month	Free reserves		Primary liquidity ratio (in %)	Secondary liquidity sources	Kuna CNB bills	F/c CNB bills	Kuna MoF treasury bills
		In kuna	In f/c					
1	2	3	4	5	6	7	8	9
1994	December	119.5	....	1.72	393.7	210.2	–	–
1995	December	49.4	....	0.63	199.4	218.7	–	–
1996	December	267.9	....	2.63	98.5	780.9	–	183.8
1997	December	396.3	....	2.92	32.7	728.9	–	260.7
1998	December	221.9	....	1.65	445.5	850.4	1,377.4	141.3
1999	December	179.6	....	1.30	1,183.6	1,311.1	1,507.6	373.9
2000	December	638.8	10,721.4	3.32	80.1	2,485.3	1,692.7	2,006.5
2001	December	794.4	17,247.4	3.23	2.6	2,656.2	2,630.8	3,360.9
2002	December	1,225.0	10,398.0	3.53	0.6	4,965.5	1,273.9	4,279.5
2003	December	451.6	20,561.4	0.98	501.6	0.0	4,316.0	3,073.2
2004	December	1,495.5	26,126.1	2.64	0.0	0.0	0.0	4,581.7
2005	September	424.6	21,862.5	0.64	0.0	0.0	0.0	4,666.5
	October	409.1	21,124.8	0.61	0.0	0.0	0.0	4,721.6
	November	354.4	20,976.2	0.52	0.0	0.0	0.0	5,014.3
	December	672.5	20,493.4	0.96	0.2	0.0	0.0	4,163.3
2006	January	579.6	18,833.0	0.80	0.1	0.0	0.0	5,954.5
	February	465.0	16,852.9	0.63	0.0	0.0	0.0	6,439.9
	March	375.8	13,813.2	0.51	0.0	0.0	0.0	6,927.0
	April	394.7	13,090.1	0.52	0.1	0.0	0.0	5,864.8
	May	423.1	12,282.9	0.53	0.0	0.0	0.0	5,417.2
	June	496.4	13,253.2	0.59	0.0	0.0	0.0	6,206.9
	July	496.9	12,721.5	0.57	0.0	0.0	0.0	5,560.5
	August	370.5	14,507.7	0.40	0.0	0.0	0.0	4,733.5

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 immobilized 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 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 currency cash and checks in foreign exchange, liquid foreign exchange 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 (EUR and USD).

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

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

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

Year	Month	Money market interest rates			Interest rates on kuna credits not indexed to foreign currency								
		On overnight credits	On other credits	Total average	On short-term credits						On long-term credits		
					Total average	Enterprises	Households			Total average	Enterprises	Households	
							Total average	Credit lines	Other				
1	2	3	4	5	6	7	8	9	10	11	12	13	
1994	December	8.50	17.76	15.39	15.43	....	....	....	....	13.82	....	....
1995	December	27.26	27.15	22.32	22.56	22.23	23.81	23.75	25.58	13.48	13.39	14.38	
1996	December	9.66	10.72	18.46	19.35	19.18	20.18	19.90	23.12	11.51	11.29	14.28	
1997	December	8.46	9.49	14.06	14.12	13.17	19.26	19.34	18.11	13.24	12.98	13.75	
1998	December	10.00	15.91	16.06	16.22	14.89	20.77	20.80	19.92	11.73	11.48	13.16	
1999	December	9.92	12.78	13.54	13.52	10.55	20.83	20.84	20.39	15.14	15.31	14.16	
2000	December	2.39	4.45	10.45	10.45	6.81	20.30	20.33	19.05	9.90	9.64	12.97	
2001	December	2.49	2.18	9.51	9.49	5.43	18.81	18.85	14.88	11.42	10.06	13.14	
2002	December	1.58	1.89	10.91	11.24	7.44	15.16	15.28	9.84	7.32	6.48	7.88	
2003	December	5.47	7.02	11.45	11.80	8.02	14.89	15.01	12.38	8.51	6.14	10.69	
2004	December	3.55	6.02	11.44	11.71	8.33	14.19	14.27	12.29	9.31	6.90	11.16	
2005	September	1.83	4.21	10.66	10.72	8.01	12.04	13.86	5.47	9.98	6.26	11.32	
	October	2.12	3.84	10.95	10.98	7.98	12.35	13.92	5.41	10.30	6.89	11.22	
	November	2.29	3.95	10.54	10.56	7.71	11.96	13.77	5.37	10.08	7.61	11.02	
	December	2.29	4.03	9.91	9.99	7.71	11.26	13.18	5.35	8.75	6.48	10.35	
2006	January	1.60	3.30	11.16	11.23	7.86	12.84	13.51	6.59	10.01	7.14	10.91	
	February	0.88	3.15	10.62	10.81	7.76	12.48	13.31	6.01	8.67	5.94	10.66	
	March	0.91	3.23	9.83	9.98	7.16	11.75	13.68	5.29	8.62	6.21	10.04	
	April	1.09	3.37	10.10	10.26	6.85	12.37	13.64	5.71	8.72	5.77	10.12	
	May	1.69	3.36	10.17	10.34	7.27	12.20	13.68	4.41	9.20	6.46	10.29	
	June	1.50	3.46	9.88	10.13	7.18	12.37	13.36	4.54	8.51	6.05	9.93	
	July	1.51	3.41	9.98	10.25	7.08	12.47	13.60	4.18	8.43	5.96	9.98	
	August	1.96	3.06	9.83	10.01	7.05	11.78	13.21	4.25	8.69	6.16	10.04	
Relative significance ^a		–	–	73.63	63.87	23.96	39.92	33.55	6.37	9.75	3.41	6.35	

^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 weighted averages of banks' and savings banks' monthly interest rates on kuna credits not indexed to f/c, reported on a yearly basis.

Up to December 2001, data refer to 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.

Starting from January 2002, data refer to weighted averages of banks' and savings 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 showed interest rates on the interbank money market, according to information published by the Zagreb Money Market (ZMM). Starting from March 1996, interest rates on the money market are calculated as weighted monthly averages of weighted daily interest rates and shown separately for trad-

ing 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 weighted averages of banks' and savings 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' and savings banks' interest rates on kuna credits not indexed to f/c are based on banks' and savings banks' periodic reports. The basis for calculation of 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 weighted averages were calculated based on the balance of these loans at the end of the reporting month.

Relative significance of particular interest rates (reported in the last line of the table) refers to data for the last period included in the table. It is calculated as a percentage of the corresponding credit category (to which exchange rates apply) in total credits included in the calculation of weighted averages for that period.

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	Total average	Households	Other			
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1994	December	11.99	12.38	....	....	11.65	....	....	....	....	....	....	....
1995	December	19.56	21.62	21.09	18.10	14.33	15.79	10.48	....	....	17.18	19.06	12.27
1996	December	18.97	22.56	22.40	27.00	12.12	13.15	11.30	....	....	19.50	21.46	10.77
1997	December	14.40	16.92	17.00	14.02	12.25	13.00	11.02	....	....	13.61	14.95	9.71
1998	December	13.04	14.28	14.25	13.64	11.15	10.55	12.12	....	....	6.95	8.37	5.71
1999	December	12.53	13.66	13.54	17.21	10.81	10.46	11.65	....	....	6.75	7.43	6.07
2000	December	10.74	11.17	11.10	13.59	10.52	9.41	11.64	....	....	7.70	7.49	8.05
2001	December	9.29	9.45	9.45	11.30	9.20	7.52	10.79	....	....	5.94	5.70	7.27
2002	December	8.25	9.34	8.72	11.37	7.98	6.37	9.50	7.42	10.11	5.91	6.66	5.44
2003	December	7.07	7.21	7.00	8.66	7.03	5.76	8.04	6.02	9.70	5.62	6.22	5.18
2004	December	6.89	7.25	7.09	8.47	6.77	5.55	7.73	5.71	8.79	5.34	5.92	4.83
2005	September	6.68	6.69	6.59	7.37	6.68	5.42	7.40	5.14	8.56	5.01	5.78	4.33
	October	6.46	6.27	6.22	6.87	6.54	5.09	7.27	5.04	8.36	4.94	5.28	4.38
	November	6.49	6.73	6.64	7.38	6.42	5.36	7.12	5.01	8.20	4.84	4.94	4.70
	December	6.18	6.52	6.34	7.91	6.07	5.18	6.95	5.00	8.10	5.29	5.28	5.30
2006	January	6.39	6.24	6.01	8.00	6.44	5.54	7.03	4.93	8.23	4.81	5.37	4.51
	February	6.41	6.32	6.29	6.45	6.43	5.47	7.06	4.92	8.18	5.27	5.80	5.00
	March	6.45	6.75	6.69	7.20	6.36	5.64	6.78	4.92	7.85	5.38	5.68	5.10
	April	6.38	6.37	6.21	7.41	6.38	5.55	6.93	4.87	8.09	5.61	5.62	5.60
	May	6.33	6.73	6.71	6.86	6.26	5.45	6.81	4.83	8.01	5.58	5.58	5.57
	June	6.23	6.50	6.32	7.56	6.17	5.74	6.52	4.75	7.78	5.19	5.38	5.09
	July	6.01	6.00	5.82	7.30	6.01	5.64	6.29	4.75	7.60	5.31	5.57	5.16
	August	6.31	6.34	6.20	7.04	6.30	5.91	6.51	4.78	7.89	5.42	5.45	5.40
Relative significance ^a		19.70	3.60	2.99	0.61	16.11	5.53	10.58	4.70	5.88	6.67	2.54	4.13

^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 weighted averages of banks' and savings 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 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.

Starting from January 2002, data refer to weighted averages of banks' and savings 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' and savings banks' interest rates on kuna credits indexed to f/c and on credits in euros are based on banks' and savings

banks' periodic reports. The basis for calculation of weighted averages are amounts of credits bearing corresponding interest rates, which were disbursed during the reporting month.

Columns 3 through 11 show weighted averages of banks' and savings 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 weighted averages are calculated based on their kuna equivalent using current exchange rate. Credits released in other currencies are not included in this table.

Relative significance of particular interest rates (reported in the last line of the table) refers to data for the last period included in the table. It is calculated as a percentage of the corresponding credit category (to which exchange rates apply) in total credits included in the calculation of weighted averages for that period.

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

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

Year	Month	Interest rates on kuna deposits not indexed to foreign currency								
		Total average	In giro and current accounts	On time deposits						
				Total average	On short-term deposits			On long-term deposits		
					Total average	Households	Enterprises	Total average	Households	Enterprises
1	2	3	4	5	6	7	8	9	10	11
1994	December	5.03	3.55	9.65	....	....	....	....	....	....
1995	December	6.10	3.88	13.65	13.80	10.56	14.28	9.88	10.67	9.62
1996	December	4.15	2.19	10.19	10.11	9.84	10.26	12.36	15.49	9.88
1997	December	4.35	2.19	9.10	9.08	9.30	8.96	9.48	11.24	8.06
1998	December	4.11	2.31	7.73	7.63	9.47	7.15	10.19	10.72	9.56
1999	December	4.27	2.24	8.87	8.79	9.62	8.38	10.96	11.56	10.18
2000	December	3.40	1.64	7.20	7.13	7.44	7.03	8.89	9.19	8.63
2001	December	2.76	1.40	5.68	5.60	6.35	5.38	7.35	7.93	6.70
2002	December	1.55	0.94	3.64	3.53	4.39	2.86	6.05	7.24	3.23
2003	December	1.66	0.75	4.46	4.46	3.62	4.69	4.58	4.90	2.82
2004	December	1.83	0.74	4.11	4.11	3.93	4.13	4.10	4.65	3.30
2005	September	1.73	0.63	3.93	3.93	4.01	3.92	4.04	5.03	2.94
	October	1.69	0.64	3.66	3.65	3.98	3.60	3.91	4.95	3.01
	November	1.71	0.63	3.60	3.56	3.97	3.47	4.86	5.73	3.70
	December	1.58	0.61	3.36	3.34	3.89	3.23	4.12	5.04	3.49
2006	January	1.56	0.61	3.20	3.17	4.00	2.98	4.35	5.09	3.50
	February	1.56	0.59	3.38	3.35	3.93	3.14	3.99	4.79	3.40
	March	1.60	0.58	3.43	3.41	4.07	3.12	3.80	4.77	3.09
	April	1.64	0.58	3.34	3.29	4.02	3.03	4.50	5.23	3.53
	May	1.64	0.56	3.23	3.19	4.05	2.92	4.38	5.08	2.79
	June	1.68	0.55	3.27	3.24	3.78	3.03	4.29	4.94	2.95
	July	1.70	0.57	3.16	3.12	3.96	2.82	4.46	4.91	3.00
	August	1.76	0.55	3.13	3.10	3.92	2.89	4.09	4.94	2.77
Relative significance ^a		49.36	33.26	12.32	11.98	2.47	9.51	0.34	0.21	0.13

^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 weighted averages of banks' and savings banks' monthly interest rates on kuna deposits not indexed to f/c, reported on a yearly basis.

Up to December 2001, data refer to 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.

Starting from January 2002, data refer to weighted averages of banks' and savings 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' and savings banks' interest rates on kuna deposits not indexed to f/c are based on banks' and savings banks' periodic reports.

Column 3 reports 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

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 weighted averages of monthly interest rates on total time deposits not indexed to f/c.

The basis for calculation of 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 calculation of weighted averages for deposits in giro and current accounts are the end-of-month book balances of those deposits. Weighted 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 weighted averages.

Relative significance of particular interest rates (reported in the last line of the table) refers to data for the last period included in the table. It is calculated as a percentage of the corresponding deposit category (to which exchange rates apply) in total deposits included in the calculation of weighted averages for that period.

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						
						Total average	Households		Enterprises		EUR	USD
							EUR	USD	EUR	USD		
1	2	3	4	5	6	7	8	9	10	11		
1994	December	6.95	....	....	....	....	....	....	....	....
1995	December	12.69	11.46	19.36	4.57	2.82	3.53	4.20	1.10	1.53		
1996	December	9.46	9.56	8.80	5.09	1.44	1.32	1.95	1.47	1.39		
1997	December	7.63	7.24	11.77	4.77	1.75	1.89	2.43	0.83	1.40		
1998	December	7.47	7.67	5.58	3.98	2.09	2.38	2.40	0.72	0.74		
1999	December	6.62	6.91	1.10	4.23	1.80	1.95	2.04	0.78	1.30		
2000	December	5.54	5.94	2.16	3.47	1.03	0.99	1.23	0.65	1.29		
2001	December	4.58	4.92	2.56	2.60	0.71	0.71	0.81	0.82	0.40		
2002	December	2.92	3.45	1.48	2.55	0.50	0.52	0.41	0.52	0.38		
2003	December	3.48	3.74	5.55	2.22	0.31	0.35	0.23	0.23	0.15		
2004	December	4.17	3.61	5.19	2.65	0.31	0.34	0.22	0.22	0.21		
2005	September	4.03	3.54	4.66	2.45	0.26	0.26	0.18	0.29	0.59		
	October	4.01	3.51	4.71	2.54	0.26	0.26	0.18	0.25	0.58		
	November	4.06	3.71	4.68	2.50	0.30	0.32	0.17	0.30	0.59		
	December	3.99	3.63	4.77	2.61	0.27	0.27	0.17	0.27	0.76		
2006	January	3.97	3.50	4.75	2.65	0.26	0.25	0.17	0.32	0.63		
	February	4.23	3.55	4.97	2.59	0.25	0.25	0.17	0.28	0.58		
	March	4.14	3.60	4.61	2.67	0.26	0.25	0.17	0.31	0.50		
	April	3.93	3.72	4.67	2.69	0.26	0.25	0.17	0.32	0.63		
	May	4.05	3.70	4.61	2.60	0.26	0.24	0.17	0.31	0.76		
	June	4.43	3.96	4.77	2.72	0.25	0.24	0.17	0.30	0.72		
	July	4.08	3.80	4.69	2.72	0.26	0.24	0.17	0.31	0.76		
	August	4.37 ^b	3.86	4.76	2.72	0.25	0.23	0.16	0.30	0.58		
Relative significance ^a		5.39	3.97	1.40	45.25	27.31	18.92	2.76	4.93	0.70		

^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, 28.84 percent 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 weighted averages of banks' and savings 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 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.

Starting from January 2002, data refer to weighted averages of banks' and savings 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' and savings banks' interest rates on kuna deposits indexed to f/c and on foreign currency deposits are based on banks' and savings banks' periodic reports.

Column 3 reports 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 weighted averages of monthly interest rates on time deposits are shown in columns 4 (short-term deposits) and 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 weighted averages are calculated based on their kuna equivalent using current exchange rate. Deposits received in other currencies are not included in this table.

The basis for calculation of 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 calculation of weighted averages for savings deposits indexed to f/c are the end-of-month book balances of those deposits. Starting from January 2002, weighted 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 time deposits, which are weighted by the end-of-month balances of all categories included in the calculation.

The basis for calculation of 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 calculation of 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 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).

Relative significance of particular interest rates (reported in the

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				Total average	On long-term deposits				
			Households		Enterprises			Households		Enterprises		
		EUR	USD	EUR	USD	EUR	USD	EUR	USD	EUR	USD	
1	2	12	13	14	15	16	17	18	19	20	21	22
1994	December	....	....	....	....	....	....	....	....	....	....	....
1995	December	6.83	6.66	7.10	6.97	5.86	6.68	8.73	8.78	8.81	3.27	4.50
1996	December	7.77	6.95	5.65	6.21	9.86	5.47	12.24	7.71	7.97	19.92	1.50
1997	December	6.36	6.07	6.03	6.42	5.09	7.10	7.32	7.87	8.71	5.09	6.76
1998	December	4.89	4.49	5.42	6.16	2.84	5.37	7.29	7.68	8.59	4.93	6.92
1999	December	5.43	5.17	4.93	6.39	3.97	6.00	6.59	6.64	8.09	3.66	6.77
2000	December	4.57	4.36	3.65	5.15	4.59	6.62	5.56	5.17	6.61	5.97	8.53
2001	December	3.54	3.35	3.42	3.23	3.60	2.44	4.59	4.72	4.42	4.58	0.23
2002	December	3.13	2.96	3.27	2.21	2.89	1.43	4.59	4.69	3.84	3.46	2.30
2003	December	2.64	2.46	2.83	1.65	2.29	1.08	3.69	4.71	3.13	2.85	1.64
2004	December	2.85	2.65	3.01	1.69	2.46	2.28	4.20	4.85	3.13	3.61	2.65
2005	September	2.88	2.84	3.02	1.71	2.36	3.72	3.22	3.26	2.64	3.31	4.02
	October	2.95	2.84	3.04	1.93	2.40	3.96	3.47	4.08	0.91	3.67	4.01
	November	2.91	2.86	3.02	1.80	2.51	3.98	3.45	3.48	3.05	3.13	4.31
	December	3.07	2.94	2.99	1.76	2.63	4.34	3.69	4.25	0.48	4.39	–
2006	January	3.22	2.99	2.97	1.77	2.62	4.46	4.34	4.30	1.38	4.77	2.25
	February	3.08	2.98	3.05	1.82	2.69	4.62	3.92	4.26	2.24	1.83	–
	March	3.16	3.06	3.00	1.86	2.97	5.10	4.02	4.37	2.05	3.52	5.77
	April	3.25	3.21	3.02	1.85	3.17	5.12	3.59	4.33	1.16	2.21	5.06
	May	3.35	3.33	2.98	1.80	3.30	5.31	3.50	3.89	1.22	2.80	6.22
	June	3.40	3.31	2.95	1.86	3.44	5.58	4.15	4.35	2.58	4.59	3.37
	July	3.46	3.33	3.04	1.81	3.53	5.83	4.42	4.49	3.54	3.85	5.19
	August	3.59	3.49	3.06	1.81	3.62	5.57	4.38	4.43	3.77	3.98	6.30
Relative significance ^a		17.94	16.00	7.82	0.69	5.63	1.85	1.95	1.76	0.14	0.04	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).

last line of the table) refers to data for the last period included in the table. It is calculated as a percentage of the corresponding deposit

category (to which exchange rates apply) in total deposits included in the calculation of weighted averages for that period.

Table G5: Banks' Trade with Foreign Exchange

million euros, current exchange rate

	2001	2002	2003	2004	2005	2006						
						Mar.	Apr.	May	Jun.	Jul.	Aug. ^b	Sep. ^a
A. Purchase of foreign exchange												
1. Legal persons	5,012.4	4,727.8	6,433.1	7,465.3	8,443.5	750.2	705.1	1,073.2	1,180.2	1,241.4	1,014.0	1,213.7
2. Natural persons	3,339.9	3,342.6	3,571.6	3,934.4	4,931.8	584.6	446.5	493.0	432.4	618.5	685.2	593.7
2.1. Residents	2,684.5	2,842.0	3,103.3	3,586.1	4,662.6	576.8	436.1	474.0	398.0	541.2	608.2	–
2.2. Non-residents	655.4	500.7	468.2	348.3	269.2	7.9	10.4	19.0	34.3	77.3	77.1	–
3. Domestic banks	3,985.8	4,104.5	6,324.4	10,799.3	9,069.9	1,131.8	997.5	734.5	1,133.1	1,243.2	1,206.3	1,724.8
4. Foreign banks	–	697.9	1,430.6	1,426.2	2,602.3	347.9	270.7	159.5	651.7	281.7	307.6	471.3
5. Croatian National Bank	481.7	294.3	438.3	33.0	0.0	–	–	–	–	–	–	125.5
Total (1+2+3+4)	12,819.8	13,167.1	18,197.9	24,110.1	25,106.0	2,814.5	2,419.8	2,460.2	3,397.3	3,384.9	3,384.9	4,129.0
B. Sale of foreign exchange												
1. Legal persons	8,534.2	9,029.3	10,852.4	11,280.3	13,022.3	1,213.3	1,119.5	1,318.2	1,489.8	1,823.2	1,521.6	1,700.8
2. Natural persons	1,253.5	1,333.6	1,403.1	1,671.1	2,722.5	404.8	229.4	305.1	260.7	334.8	389.8	450.7
2.1. Residents	1,252.3	1,329.7	1,393.1	1,654.5	2,693.9	400.8	227.5	300.8	257.8	331.1	384.8	–
2.2. Non-residents	1.2	3.9	10.0	16.6	28.6	4.1	1.9	4.3	3.0	3.7	5.0	–
3. Domestic banks	3,985.8	4,104.5	6,324.4	10,799.3	9,069.9	1,131.8	997.5	734.5	1,133.1	1,243.2	1,206.3	1,724.8
4. Foreign banks	–	334.3	765.3	1,001.1	1,407.1	114.8	135.3	174.7	437.6	353.6	398.6	287.3
5. Croatian National Bank	915.7	745.3	84.5	543.2	670.8	–	–	184.6	104.3	175.3	–	138.7
Total (1+2+3+4)	14,689.2	15,547.0	19,429.7	25,295.0	26,892.7	2,864.7	2,481.7	2,717.1	3,425.5	3,930.1	3,516.3	4,302.3
C. Net purchase (A-B)												
1. Legal persons	-3,521.8	-4,301.5	-4,419.4	-3,815.1	-4,578.8	-463.1	-414.4	-245.0	-309.7	-581.7	-507.6	-487.1
2. Natural persons	2,086.4	2,009.0	2,168.4	2,263.3	2,209.3	179.8	217.1	187.9	171.6	283.7	295.4	143.0
2.1. Residents	1,432.2	1,512.3	1,710.2	1,931.6	1,968.7	176.0	208.6	173.1	140.2	210.1	223.3	–
2.2. Non-residents	654.2	496.7	458.2	331.7	240.6	3.8	8.5	14.7	31.4	73.6	72.0	–
3. Foreign banks	–	363.6	665.3	425.1	1,195.2	233.1	135.3	-15.1	214.1	-71.9	-91.0	184.0
4. Croatian National Bank	-434.0	-451.0	353.8	-510.2	-670.8	–	–	-184.6	-104.3	-175.3	–	-13.2
Total (1+2+3)	-1,869.4	-2,379.9	-1,231.8	-1,636.9	-1,845.2	-50.2	-62.0	-256.9	-28.3	-545.2	-303.3	-173.3
Memo items: Other Croatian National Bank transactions												
Purchase of foreign exchange	536.8	197.5	570.9	145.1	0.0	–	–	–	–	–	–	0.0
Sale of foreign exchange	2.6	3.4	94.9	239.3	167.6	–	3.8	–	4.8	–	–	2.3

^a Preliminary data. ^b Revised data.

Note: In the period from January 1994 to September 2001 all foreign exchange sale and purchase transactions in banks' reports delivered to the CNB were recorded based on realised sale/purchase transaction regardless of the contracted term for realisation and were as such transferred into the Table on Banks' Trade with Foreign Exchange. As of the of change in the reporting scope dated 1 October 2001 reports contain data on contracted sale and purchase of foreign exchange broken down by spot, forward and swap transactions. Based on the aforesaid the data for 2002, 2003 and 2004 have been revised so as to include only the data on contracted spot transactions with banks no longer included into the "legal persons" category.

Table G5: Banks' Trade with Foreign Exchange

Data on trade with foreign exchange between banks comprise spot transactions of the purchase and sale of foreign exchange in domestic foreign currency 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 foreign payment operations.

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

Table H1: Balance of Payments – Summary

million euros

	2001	2002	2003	2004	2005 ^b	2005				2006	
						Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
A. CURRENT ACCOUNT (1+6)	-814.3	-2,093.9	-1,874.0	-1,404.4	-1,992.6	-1,554.4	-1,164.9	2,237.2	-1,510.5	-2,013.6	-1,273.4
1. Goods, services, and income (2+5)	-1,913.7	-3,246.1	-3,118.5	-2,596.2	-3,176.4	-1,856.1	-1,486.8	1,967.4	-1,800.9	-2,304.0	-1,557.9
1.1. Credit	11,275.4	11,586.8	13,585.2	14,897.2	15,935.5	2,295.6	3,860.9	6,686.8	3,092.1	2,824.3	4,169.5
1.2. Debit	-13,189.1	-14,832.9	-16,703.7	-17,493.4	-19,111.9	-4,151.7	-5,347.7	-4,719.4	-4,893.0	-5,128.3	-5,727.5
2. Goods and services (3+4)	-1,301.0	-2,675.6	-2,041.2	-1,958.9	-2,204.0	-1,577.7	-970.0	2,095.9	-1,752.2	-1,905.3	-1,033.4
2.1. Credit	10,800.1	11,125.4	13,137.6	14,239.8	15,269.2	2,163.4	3,669.1	6,518.9	2,917.8	2,666.2	3,970.1
2.2. Debit	-12,101.1	-13,801.0	-15,178.7	-16,198.8	-17,473.2	-3,741.0	-4,639.1	-4,423.0	-4,670.0	-4,571.5	-5,003.4
3. Goods	-4,603.8	-5,960.3	-6,974.2	-6,727.8	-7,521.7	-1,581.9	-2,097.9	-1,872.1	-1,969.9	-1,862.2	-2,342.7
3.1. Credit	5,318.8	5,293.1	5,571.7	6,603.1	7,216.6	1,510.8	1,878.0	1,848.1	1,979.6	2,002.9	1,970.4
3.2. Debit	-9,922.6	-11,253.5	-12,545.9	-13,330.9	-14,738.3	-3,092.6	-3,975.9	-3,720.2	-3,949.5	-3,865.1	-4,313.1
4. Services	3,302.8	3,284.8	4,933.0	4,768.9	5,317.7	4.2	1,127.9	3,968.0	217.7	-43.2	1,309.3
4.1. Credit	5,481.3	5,832.3	7,565.9	7,636.7	8,052.6	652.6	1,791.1	4,670.8	938.2	663.2	1,999.6
4.2. Debit	-2,178.5	-2,547.5	-2,632.8	-2,867.8	-2,734.9	-648.4	-663.2	-702.8	-720.5	-706.4	-690.4
5. Income	-612.7	-570.5	-1,077.3	-637.3	-972.5	-278.4	-516.8	-128.5	-48.7	-398.6	-524.5
5.1. Credit	475.3	461.4	447.6	657.4	666.2	132.3	191.8	167.9	174.3	158.2	199.5
5.2. Debit	-1,088.0	-1,031.9	-1,525.0	-1,294.6	-1,638.7	-410.7	-708.6	-296.4	-223.0	-556.8	-724.0
6. Current transfers	1,099.5	1,152.2	1,244.5	1,191.8	1,183.8	301.7	321.9	269.8	290.5	290.4	284.5
6.1. Credit	1,333.3	1,453.2	1,538.7	1,584.6	1,628.4	403.3	427.7	388.3	409.1	401.0	426.6
6.2. Debit	-233.8	-301.1	-294.2	-392.8	-444.6	-101.6	-105.9	-118.5	-118.6	-110.6	-142.1
B. CAPITAL AND FINANCIAL ACCOUNT	1,060.0	2,742.8	2,981.8	2,337.3	3,021.4	1,183.3	1,292.3	-501.5	1,047.4	1,681.4	1,127.4
B1. Capital account	154.1	501.2	72.4	23.1	50.9	2.3	2.0	3.8	42.8	-1.3	3.2
B2. Financial account, excl. reserves	2,454.9	2,983.5	4,144.9	2,357.2	3,792.3	1,369.0	1,572.7	-572.9	1,423.5	2,355.3	1,821.4
1. Direct investment	1,324.9	598.9	1,682.8	704.0	1,218.2	175.2	649.3	326.8	67.0	327.1	774.5
1.1. Abroad	-177.5	-597.5	-107.6	-282.2	-184.4	-35.4	-77.3	-23.9	-47.8	-180.4	-13.1
1.2. In Croatia	1,502.4	1,196.4	1,790.4	986.1	1,402.7	210.5	726.6	350.7	114.8	337.1	787.6
2. Portfolio investment	665.9	-440.2	869.0	244.5	-1,077.3	-433.8	-165.9	-415.5	-62.1	-445.7	39.6
2.1. Assets	-143.2	-650.6	121.6	-752.5	-513.2	24.6	-174.5	-301.6	-61.7	-31.4	3.5
2.2. Liabilities	809.2	210.4	747.5	997.1	-564.1	-458.4	8.6	-113.9	-0.4	-414.3	36.1
3. Financial derivatives	0.0	0.0	0.0	0.0	-88.4	-88.4	0.0	0.0	0.0	0.0	0.0
4. Other investment	464.1	2,824.7	1,593.1	1,408.7	3,739.8	1,716.0	1,089.3	-484.3	1,418.7	2,473.9	1,007.3
4.1. Assets	405.2	461.0	-2,216.2	-420.9	987.0	1,005.9	298.8	-261.7	-56.0	1,064.7	86.4
4.2. Liabilities	58.9	2,363.8	3,809.3	1,829.5	2,752.8	710.1	790.6	-222.5	1,474.6	1,409.2	920.9
B3. Reserve assets (CNB)	-1,549.0	-741.9	-1,235.5	-43.0	-821.8	-188.1	-282.4	67.6	-418.9	-672.6	-697.2
C. NET ERRORS AND OMISSIONS	-245.7	-648.9	-1,107.8	-932.9	-1,028.8	371.1	-127.4	-1,735.6	463.0	332.2	146.0

^a Preliminary data. ^b Revised data.

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

Table H1-H6: Balance of Payments

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

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

- by applying the midpoint exchange rate on the date of the transaction;
- by applying the average monthly or quarterly midpoint exchange rate in the case the transaction date is not available;

- by applying the end-of-period exchange rate for the calculation of a change in the transaction value between the two periods; the end-of-period balances reported in the original currency serve as a basis for calculating the change in the original currency value, which is converted, by applying the average midpoint exchange rate in the observed period, into the value of change in the reporting currency.

The Report of the Central Bureau of Statistics on merchandise foreign trade of the Republic of Croatia represents the basic data source for the balance of payments items related to exports and imports. These data are adjusted, in accordance with the recommended compilation method, for coverage and classification. Accordingly, goods exports and imports in the balance of payments are reported at f.o.b. parity. The value of exports at this parity is already contained in the previously mentioned CBS Report, whereas the value of imports f.o.b. is estimated on the basis of research studies of the CNB on the stratified sample of importers. The resulting value serves as a basis for the estimate of the share of transportation and insurance services by 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 exporters), while from 2002 on it has amounted to 3.73%. 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. Starting from 1996, goods exports and imports have been modified by the data on repairs on goods and goods procured in

Table H2: Balance of Payments – Goods and Services

million euros

	2001	2002	2003	2004	2005 ^b	2005				2006	
						Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
Goods	-4,603.8	-5,960.3	-6,974.2	-6,727.8	-7,521.7	-1,581.9	-2,097.9	-1,872.1	-1,969.9	-1,862.2	-2,342.7
1. Credit	5,318.8	5,293.1	5,571.7	6,603.1	7,216.6	1,510.8	1,878.0	1,848.1	1,979.6	2,002.9	1,970.4
1.1.Exports (f.o.b.) in trade statistics	5,214.1	5,188.2	5,464.4	6,453.8	7,069.4	1,480.1	1,832.4	1,809.2	1,947.7	1,969.5	1,930.1
1.2. Adjustments for coverage	104.7	105.0	107.3	149.3	147.2	30.7	45.6	38.9	31.9	33.4	40.3
2. Debit	-9,922.6	-11,253.5	-12,545.9	-13,330.9	-14,738.3	-3,092.6	-3,975.9	-3,720.2	-3,949.5	-3,865.1	-4,313.1
2.1. Imports (c.i.f.) in trade statistics	-10,244.8	-11,327.0	-12,538.0	-13,354.4	-14,949.5	-3,097.1	-4,054.0	-3,778.2	-4,020.2	-3,956.2	-4,401.2
2.2. Adjustments for coverage	-405.3	-348.9	-475.6	-474.7	-346.4	-111.1	-73.1	-82.9	-79.3	-56.4	-76.0
2.3. Adjustments for classification	727.4	422.5	467.7	498.1	557.6	115.5	151.2	140.9	150.0	147.6	164.2
Services	3,302.8	3,284.8	4,933.0	4,768.9	5,317.7	4.2	1,127.9	3,968.0	217.7	-43.2	1,309.3
1. Transportation	186.1	172.0	252.2	299.3	376.1	71.0	107.4	127.1	70.7	79.4	114.7
1.1. Credit	658.6	622.8	696.3	791.3	880.3	172.6	237.7	265.4	204.6	196.6	258.2
1.2. Debit	-472.5	-450.8	-444.1	-492.0	-504.2	-101.7	-130.4	-138.2	-133.9	-117.2	-143.4
2. Travel	3,072.9	3,138.6	4,976.6	4,822.3	5,394.9	53.4	1,128.3	3,889.9	323.3	74.4	1,280.3
2.1. Credit	3,749.3	3,960.8	5,572.7	5,505.6	5,998.9	214.4	1,274.3	4,075.5	434.7	187.5	1,429.1
2.1.1. Business	305.8	341.2	260.9	328.2	504.0	43.5	157.7	211.3	91.5	47.9	156.1
2.1.2. Personal	3,443.6	3,619.7	5,311.8	5,177.4	5,494.9	170.9	1,116.6	3,864.3	343.2	139.5	1,272.9
2.2. Debit	-676.5	-822.2	-596.1	-683.3	-604.1	-161.0	-146.0	-185.6	-111.4	-113.0	-148.7
2.2.1. Business	-322.7	-482.6	-292.3	-297.3	-267.4	-66.2	-72.7	-77.2	-51.3	-50.0	-60.3
2.2.2. Personal	-353.8	-339.6	-303.8	-386.0	-336.7	-94.8	-73.3	-108.5	-60.1	-63.1	-88.4
3. Other services	43.9	-25.9	-295.8	-352.7	-453.3	-120.1	-107.8	-49.1	-176.3	-197.0	-85.8
3.1. Credit	1,073.4	1,248.6	1,296.9	1,339.8	1,173.4	265.6	279.0	329.9	298.9	279.1	312.4
3.2. Debit	-1,029.5	-1,274.5	-1,592.7	-1,692.5	-1,626.6	-385.7	-386.8	-378.9	-475.2	-476.1	-398.2

^a Preliminary data. ^b Revised data.

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. Income and expenditures on the basis of transportation, in the 1993-1998 period, were adopted from the ITRS. Starting from 1999, income 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, have been 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, income 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.

Income 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 income and expenditures related to insurance and communication services, which have been determined by the CNB special statistical research since 2001, the values of all other services are adopted from the ITRS.

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

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 co-operation, 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 encom-

Table H3: Balance of Payments – Income and Current Transfers

million euros

	2001	2002	2003	2004	2005 ^b	2005				2006	
						Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
Income	-612.7	-570.5	-1,077.3	-637.3	-972.5	-278.4	-516.8	-128.5	-48.7	-398.6	-524.5
1. Compensation of employees	143.1	167.6	183.9	233.9	259.7	61.1	68.5	59.8	70.3	67.3	73.4
1.1. Credit	157.4	187.2	217.3	268.3	289.2	66.1	74.0	71.7	77.4	76.5	80.4
1.2. Debit	-14.3	-19.5	-33.4	-34.4	-29.5	-5.0	-5.5	-11.9	-7.1	-9.2	-7.0
2. Direct investment income	-354.4	-352.0	-847.8	-431.8	-731.3	-109.4	-461.6	-125.3	-35.0	-229.6	-513.4
2.1. Credit	25.6	24.9	34.8	174.7	104.8	7.8	58.8	19.9	18.4	3.1	13.9
o/w: Reinvested earnings	19.8	8.5	31.7	165.8	58.7	7.1	35.7	-1.0	17.0	0.5	6.1
2.2. Debit	-380.0	-376.9	-882.6	-606.5	-836.2	-117.3	-520.4	-145.2	-53.3	-232.8	-527.4
o/w: Reinvested earnings	-187.8	-161.5	-587.8	-291.6	-568.7	-82.9	-408.5	-70.9	-6.4	-65.6	-462.1
3. Portfolio investment income	-241.8	-214.8	-239.6	-256.6	-306.4	-190.4	-53.8	-35.7	-26.5	-183.2	-27.9
3.1. Credit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2. Debit	-241.9	-214.9	-239.6	-256.6	-306.4	-190.4	-53.8	-35.7	-26.5	-183.2	-27.9
4. Other investment income	-159.6	-171.3	-173.9	-182.8	-194.5	-39.6	-70.0	-27.4	-57.5	-53.1	-56.6
4.1. Credit	292.2	249.3	195.5	214.3	272.2	58.3	59.0	76.3	78.6	78.5	105.1
4.2. Debit	-451.8	-420.6	-369.4	-397.1	-466.7	-98.0	-129.0	-103.6	-136.1	-131.7	-161.7
Current transfers	1,099.5	1,152.2	1,244.5	1,191.8	1,183.8	301.7	321.9	269.8	290.5	290.4	284.5
1. General government	65.3	32.2	70.5	2.6	9.7	37.8	1.4	-18.4	-11.1	-1.1	-38.8
1.1. Credit	142.7	143.4	213.1	180.1	219.6	82.5	50.5	44.8	41.9	47.3	44.7
1.2. Debit	-77.4	-111.2	-142.6	-177.5	-209.9	-44.6	-49.1	-63.2	-52.9	-48.4	-83.5
2. Other sectors	1,034.2	1,120.0	1,174.0	1,189.2	1,174.1	263.9	320.5	288.2	301.5	291.5	323.3
2.1. Credit	1,190.6	1,309.8	1,325.6	1,404.5	1,408.8	320.8	377.2	343.5	367.2	353.8	381.9
2.2. Debit	-156.4	-189.8	-151.6	-215.3	-234.6	-56.9	-56.7	-55.3	-65.6	-62.3	-58.6

^a Preliminary data. ^b Revised data.

passed 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. Since 2002, 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.

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 exporters. Data on advance payments have been estimated since 1996, while data on short-term deferred payments (first up to 90 days, then up to 150 days, and today from 8 days to 1 year) have been collected since 1999. In 2003 this research was replaced by a new one, where the selected companies, regardless of their size (stratified sample), are obliged to submit data. Data on deferred payments with the original maturity of more than one year are adopted from the CNB foreign credit relations statistics. Credits granted by residents to non-residents, i.e. foreign loans utilised by residents and granted by non-residents, which cannot be classified into direct investments or trade credits, are classified by the institutional sector and maturity under the corresponding positions of other investment. The CNB foreign credit relations statistics represent the data source for these positions. Currency and deposit position shows residents' claims on foreign countries for foreign cash and deposits with foreign banks, as well as obligations of the Croatian banks for deposits owned by non-residents. Monetary statistics represent a data source for the general government sector and banks sector. Data on balance and currency structure of foreign assets and liabilities, contained in monetary statistics, are used to assess transactions from which the exchange rate effect was eliminated. In the 1993-1998 period, data on other sectors' claims under this position were compiled on the basis of the CNB estimate of a portion of net foreign currency inflows of the household sector which is not classified under current transfers. Since 1999 this position has included only the data based on the Bank for International Settlement quarterly data, while data in the 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.

Table H4: Balance of Payments – Direct and Portfolio Investments

million euros

	2001	2002	2003	2004	2005 ^b	2005				2006	
						Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
Direct investment	1,324.9	598.9	1,682.8	704.0	1,218.2	175.2	649.3	326.8	67.0	327.1	774.5
1. Abroad	-177.5	-597.5	-107.6	-282.2	-184.4	-35.4	-77.3	-23.9	-47.8	-10.0	-13.1
1.1. Equity capital and reinvested earnings	-143.6	-590.3	-103.4	-259.6	-111.0	-17.8	-46.2	-10.2	-36.7	-54.8	-24.4
1.1.1. Claims	-143.6	-592.8	-103.9	-260.0	-112.2	-17.8	-46.2	-11.2	-37.0	-54.8	-24.4
1.1.2. Liabilities	0.0	2.6	0.5	0.4	1.3	0.0	0.0	1.0	0.2	0.0	0.0
1.2. Other capital	-33.9	-7.2	-4.3	-22.6	-73.4	-17.5	-31.1	-13.7	-11.1	44.9	11.3
1.1.1. Claims	7.9	-9.9	-16.5	-27.3	-63.0	-8.6	-31.0	-14.3	-9.1	33.6	9.4
1.2.2. Liabilities	-41.7	2.7	12.2	4.7	-10.4	-8.9	-0.1	0.6	-2.0	11.3	1.9
2. In Croatia	1,502.4	1,196.4	1,790.4	986.1	1,402.7	210.5	726.6	350.7	114.8	337.1	787.6
2.1. Equity capital and reinvested earnings	1,087.7	873.5	1,351.0	600.8	1,333.2	384.5	558.6	229.3	160.8	204.4	636.3
2.1.1. Claims	-8.0	0.0	-1.2	-25.2	0.0	0.0	0.0	0.0	0.0	-0.1	0.0
2.1.2. Liabilities	1,095.7	873.5	1,352.3	626.0	1,333.2	384.5	558.6	229.4	160.8	204.4	636.4
2.2. Other capital	414.6	322.9	439.4	385.3	69.5	-173.9	168.0	121.4	-46.0	132.7	151.3
2.2.1. Claims	0.1	-0.3	-1.5	-17.4	1.5	-34.5	0.0	36.0	0.0	-0.6	17.5
2.2.2. Liabilities	414.5	323.3	440.9	402.7	68.0	-139.4	168.0	85.4	-46.0	133.3	133.8
Portfolio investment	665.9	-440.2	869.0	244.5	-1,077.3	-433.8	-165.9	-415.5	-62.1	-445.7	39.6
1. Assets	-143.2	-650.6	121.6	-752.5	-513.2	24.6	-174.5	-301.6	-61.7	-31.4	3.5
1.1. Equity securities	0.3	-78.4	-57.8	-32.9	-178.2	-13.8	-60.8	-65.9	-37.7	-52.4	-5.5
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	0.0
1.1.1.1. Banks	0.0	-2.8	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.1.1.2. Other sectors	0.3	-75.6	-58.1	-32.9	-178.2	-13.8	-60.8	-65.9	-37.7	-52.4	-5.6
1.1.2. Debt securities	-143.5	-572.2	179.4	-719.6	-335.0	38.4	-113.8	-235.7	-24.0	21.0	9.0
1.2.1. Bonds	-128.8	-586.9	165.9	-585.0	-359.1	30.9	-127.4	-229.5	-33.1	-2.3	268.5
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	0.0
1.2.1.2. Banks	-128.8	-566.6	180.1	-592.9	-322.8	25.6	-113.7	-201.6	-33.0	-9.2	268.5
1.2.1.3. Other sectors	0.0	-20.3	-14.1	7.9	-36.3	5.3	-13.6	-27.9	-0.1	7.0	0.0
1.2.2. Money market instruments	-14.8	14.7	13.5	-134.6	24.1	7.5	13.6	-6.2	9.1	23.2	-259.5
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	0.0
1.2.2.2. Banks	-14.8	20.9	7.3	-134.7	24.1	7.5	13.6	-6.2	9.1	23.2	-259.5
1.2.2.3. Other sectors	0.0	-6.2	6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1.2. Debt securities	-143.5	-572.2	179.4	-719.6	-335.0	38.4	-113.8	-235.7	-24.0	21.0	9.0
1.2.1. Bonds	-128.8	-586.9	165.9	-585.0	-359.1	30.9	-127.4	-229.5	-33.1	-2.3	268.5
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	0.0
1.2.1.2. Banks	-128.8	-566.6	180.1	-592.9	-322.8	25.6	-113.7	-201.6	-33.0	-9.2	268.5
1.2.1.3. Other sectors	0.0	-20.3	-14.1	7.9	-36.3	5.3	-13.6	-27.9	-0.1	7.0	0.0
1.2.2. Money market instruments	-14.8	14.7	13.5	-134.6	24.1	7.5	13.6	-6.2	9.1	23.2	-259.5
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	0.0
1.2.2.2. Banks	-14.8	20.9	7.3	-134.7	24.1	7.5	13.6	-6.2	9.1	23.2	-259.5
1.2.2.3. Other sectors	0.0	-6.2	6.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	809.2	210.4	747.5	997.1	-564.1	-458.4	8.6	-113.9	-0.4	-414.3	36.1
2.1. Equity securities	15.1	44.2	13.5	141.6	89.2	45.1	10.2	10.9	23.0	19.1	1.6
2.1.1. Banks	-7.7	3.9	-2.1	-0.4	-13.6	-10.3	-6.5	4.0	-0.8	-0.1	0.4
2.1.2. Other sectors	22.7	40.3	15.6	142.0	102.7	55.4	16.7	6.8	23.8	19.3	1.2
2.2. Debt securities	794.1	166.2	734.0	855.5	-653.3	-503.5	-1.6	-124.7	-23.4	-433.4	34.5
2.2.1. Bonds	774.2	197.2	700.0	889.3	-653.3	-503.5	-1.6	-124.7	-23.4	-433.4	34.5
2.2.1.1. General government	774.2	67.2	527.3	417.8	-654.1	-513.9	8.1	-114.7	-33.7	-437.5	36.3
2.2.1.2. Banks	0.0	0.0	0.0	444.4	3.3	2.5	2.0	0.0	-1.2	1.2	-1.2
2.2.1.3. Other sectors	0.0	130.0	172.6	27.2	-2.5	7.8	-11.7	-10.1	11.5	3.0	-0.5
2.2.2. Money market instruments	19.9	-30.9	34.0	-33.8	0.0	0.0	0.0	0.0	0.0	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	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	0.0
2.2.2.3. Other sectors	19.9	-30.9	34.0	-33.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data. ^b Revised data.

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 H5: Balance of Payments – Other Investment

million euros

	2001	2002	2003	2004	2005 ^b	2005				2006	
						Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
Other investment (net)	464.6	2,824.6	1,593.0	1,408.7	3,739.8	1,716.0	1,089.3	-484.3	1,418.7	2,473.9	1,006.4
1. Assets	405.9	461.0	-2,216.2	-420.9	987.0	1,005.9	298.8	-261.7	-56.0	1,064.7	86.4
1.1. Trade credits	58.4	-79.2	-168.5	-188.7	-131.5	38.0	-15.1	-113.8	-40.7	-9.2	-37.6
1.1.1. General government	0.0	0.0	0.0	0.0	-0.3	0.0	0.0	-0.3	0.0	0.0	0.0
1.1.1.1. Long-term	0.0	0.0	0.0	0.0	-0.3	0.0	0.0	-0.3	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	0.0
1.1.2. Other sectors	58.4	-79.2	-168.5	-188.7	-131.3	38.0	-15.1	-113.6	-40.7	-9.3	-37.6
1.1.2.1. Long-term	0.0	-6.5	-24.4	17.4	14.0	13.4	4.2	-1.8	-1.7	-3.2	-0.1
1.1.2.2. Short-term	58.4	-72.7	-144.1	-206.1	-145.3	24.7	-19.2	-111.7	-39.0	-6.1	-37.6
1.2. Loans	50.2	-54.7	-85.6	43.9	-115.0	3.5	-19.1	-21.3	-78.1	-36.2	-33.3
1.2.1. General government	-3.4	0.6	-1.0	-1.7	-1.5	0.1	0.0	0.8	-2.3	0.4	0.2
1.2.1.1. Long-term	-3.4	0.6	-1.0	-1.7	-1.5	0.1	0.0	0.8	-2.3	0.4	0.2
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	0.0
1.2.2. Banks	1.7	-21.8	3.6	3.8	-22.0	1.3	-7.8	-6.5	-8.9	-23.7	-23.9
1.2.2.1. Long-term	3.8	-20.3	4.4	-0.1	-14.0	1.3	-6.7	0.4	-8.9	-11.4	-26.2
1.2.2.2. Short-term	-2.1	-1.5	-0.8	3.9	-8.0	0.0	-1.1	-6.9	0.0	-12.3	2.3
1.2.3. Other sectors	51.9	-33.4	-88.2	41.9	-91.5	2.1	-11.3	-15.5	-66.8	-12.9	-9.6
1.2.3.1. Long-term	51.9	-33.3	-88.2	43.2	-92.8	1.8	-11.6	-15.7	-67.2	-13.0	-9.8
1.2.3.2. Short-term	0.0	-0.1	0.1	-1.3	1.2	0.3	0.3	0.2	0.4	0.0	0.2
1.3. Currency and deposits	297.3	594.9	-1,962.1	-276.1	1,233.5	964.4	332.9	-126.6	62.8	1,110.1	157.3
1.3.2. General government	-18.1	-24.2	30.3	72.7	-44.4	-68.6	53.3	-9.7	-19.4	13.9	-26.4
1.3.3. Banks	-1,790.9	1,516.5	-1,964.5	-368.7	1,313.5	1,019.2	339.2	-113.7	68.8	1,112.0	183.6
1.3.4. Other sectors	2,106.3	-897.4	-27.9	19.8	-35.6	13.7	-59.5	-3.3	13.5	-15.8	0.0
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	58.7	2,363.6	3,809.2	1,829.5	2,752.8	710.1	790.6	-222.5	1,474.6	1,409.2	920.0
2.1. Trade credits	96.3	501.3	-226.9	-54.5	10.0	-6.1	106.6	-80.0	-10.6	41.6	18.5
2.1.1. General government	1.2	-0.1	1.5	-0.3	0.4	0.8	-0.1	-0.2	-0.1	-0.2	-0.1
2.1.1.1. Long-term	1.2	-0.1	1.5	-0.3	0.4	0.8	-0.1	-0.2	-0.1	-0.2	-0.1
2.1.1.2. Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.1.2. Other sectors	95.1	501.4	-228.4	-54.3	9.6	-6.9	106.8	-79.8	-10.5	41.8	18.6
2.1.2.1. Long-term	-22.1	-1.2	-47.4	-16.7	26.5	7.7	3.8	10.0	5.1	0.1	0.8
2.1.2.2. Short-term	117.2	502.6	-181.0	-37.5	-16.9	-14.5	103.0	-89.9	-15.6	41.7	17.8
2.2. Loans	-260.5	653.8	2,896.1	1,636.5	2,372.6	543.5	782.0	123.6	923.4	927.1	608.7
2.2.1. Croatian National Bank	-4.1	-177.2	354.2	-369.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.1. o/w: IMF	-34.3	-129.5	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	0.0
2.2.1.1.2. Repayments	-34.3	-129.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.1.2. Short-term	30.3	-47.6	354.2	-369.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.2. General government	-212.2	433.9	502.9	411.7	241.8	0.6	119.3	70.6	51.2	131.7	-43.5
2.2.2.1. Long-term	185.4	433.9	502.9	411.7	241.8	0.6	119.3	70.6	51.2	131.7	-43.5
2.2.2.1.1. Drawings	363.2	598.2	697.8	706.8	484.5	60.1	180.4	131.8	112.2	200.6	30.1
2.2.2.1.2. Repayments	-177.8	-164.3	-194.9	-295.1	-242.8	-59.5	-61.1	-61.2	-61.0	-68.9	-73.5
2.2.2.2. Short-term	-397.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	87.2	79.3	1,005.7	647.4	842.1	327.1	306.3	-231.3	440.0	496.7	180.5
2.2.3.1. Long-term	93.0	81.6	927.2	737.9	276.5	8.8	109.6	-166.0	324.1	453.7	55.6
2.2.3.1.1. Drawings	829.3	656.9	1,644.7	1,165.8	1,135.6	250.8	407.8	53.3	423.6	542.0	1,024.3
2.2.3.1.2. Repayments	-736.3	-575.3	-717.5	-427.8	-859.1	-242.0	-298.3	-219.3	-99.6	-88.4	-968.7
2.2.3.2. Short-term	-5.8	-2.3	78.5	-90.6	565.7	318.3	196.7	-65.3	116.0	43.0	124.9
2.2.4. Other sectors	-131.5	317.8	1,033.4	947.0	1,288.7	215.8	356.4	284.3	432.2	298.7	471.7
2.2.4.1. Long-term	-133.6	335.4	983.0	909.0	1,082.6	173.0	287.2	168.3	454.1	226.8	306.6
2.2.4.1.1. Drawings	818.1	1,326.0	1,962.1	2,046.4	2,255.1	345.8	541.2	478.4	889.7	546.1	639.8
2.2.4.1.2. Repayments	-951.7	-990.7	-979.1	-1,137.4	-1,172.5	-172.8	-254.0	-310.1	-435.6	-319.3	-333.3
2.2.4.2. Short-term	2.1	-17.6	50.4	38.0	206.0	42.8	69.2	116.0	-21.9	71.9	165.1
2.3. Currency and deposits	223.0	1,209.4	1,140.7	244.5	367.5	172.0	-98.8	-266.9	561.2	439.9	292.2
2.3.1. General government	0.0	0.0	0.0	0.0	-0.1	50.0	-50.0	0.0	0.0	7.0	21.0
2.3.2. Banks	223.0	1,209.4	1,140.7	244.5	367.5	122.0	-48.8	-266.9	561.2	432.9	271.2
2.4. Other liabilities	-0.1	-0.9	-0.7	3.0	2.8	0.7	0.7	0.7	0.6	0.6	0.6

^a Preliminary data. ^b Revised data.

Table H6: Balance of Payments – Summary

million kuna

	2001	2002	2003	2004	2005 ^b	2005				2006.	
						Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
A. CURRENT ACCOUNT (1+6)	-6,057.5	-15,484.7	-14,270.4	-10,617.9	-14,578.3	-11,566.0	-8,474.4	16,520.4	-11,058.3	-14,672.1	-9,188.4
1. Goods, services, and income (2+5)	-14,250.5	-24,261.5	-23,975.8	-19,903.4	-23,721.9	-13,925.2	-10,934.2	14,436.7	-13,299.2	-16,910.8	-11,351.6
1.1. Credit	84,105.0	85,586.5	102,446.3	111,108.2	117,589.9	17,236.7	28,342.6	49,177.9	22,832.8	20,736.5	30,339.1
1.2. Debit	-98,355.5	-109,848.0	-126,422.1	-131,011.7	-141,311.8	-31,161.8	-39,276.8	-34,741.1	-36,132.0	-37,647.2	-41,690.7
2. Goods and services (3+4)	-9,950.0	-20,004.4	-15,694.7	-15,110.6	-16,535.6	-11,835.3	-7,135.3	15,374.1	-12,939.2	-13,989.3	-7,536.8
2.1. Credit	80,321.0	82,188.2	99,169.2	106,198.2	112,666.2	16,242.7	26,935.2	47,942.9	21,545.4	19,575.1	28,887.5
2.2. Debit	-90,270.9	-102,192.6	-114,863.9	-121,308.8	-129,201.8	-28,078.0	-34,070.5	-32,568.7	-34,484.6	-33,564.5	-36,424.3
3. Goods	-34,323.1	-44,135.8	-52,782.7	-50,354.9	-55,595.6	-11,863.1	-15,403.6	-13,782.9	-14,546.0	-13,670.8	-17,056.3
3.1. Credit	39,695.8	39,198.3	42,167.2	49,480.4	53,370.2	11,344.1	13,796.8	13,610.9	14,618.4	14,705.4	14,344.2
3.2. Debit	-74,018.9	-83,334.1	-94,949.9	-99,835.3	-108,965.8	-23,207.1	-29,200.5	-27,393.8	-29,164.4	-28,376.3	-31,400.5
4. Services	24,373.1	24,131.4	37,088.0	35,244.3	39,060.0	27.7	8,268.3	29,157.1	1,606.8	-318.5	9,519.5
4.1. Credit	40,625.2	42,989.9	57,002.0	56,717.8	59,296.0	4,898.7	13,138.3	34,332.0	6,927.0	4,869.7	14,543.4
4.2. Debit	-16,252.1	-18,858.5	-19,914.0	-21,473.5	-20,236.0	-4,870.9	-4,870.0	-5,174.9	-5,320.2	-5,188.2	-5,023.8
5. Income	-4,300.5	-4,257.1	-8,281.1	-4,792.8	-7,186.2	-2,089.8	-3,798.9	-937.4	-360.1	-2,921.4	-3,814.8
5.1. Credit	3,784.1	3,398.3	3,277.1	4,910.0	4,923.7	994.0	1,407.4	1,235.0	1,287.4	1,161.3	1,451.5
5.2. Debit	-8,084.5	-7,655.4	-11,558.2	-9,702.8	-12,109.9	-3,083.8	-5,206.3	-2,172.4	-1,647.4	-4,082.8	-5,266.3
6. Current transfers	8,192.9	8,776.7	9,705.4	9,285.6	9,143.6	2,359.1	2,459.8	2,083.6	2,241.0	2,238.7	2,163.2
6.1. Credit	9,934.0	10,761.2	11,639.9	11,872.9	12,047.2	3,027.1	3,141.0	2,859.1	3,020.0	2,944.2	3,106.4
6.2. Debit	-1,741.1	-1,984.4	-1,934.6	-2,587.4	-2,903.7	-668.0	-681.2	-775.5	-779.0	-705.5	-943.3
B. CAPITAL AND FINANCIAL ACCOUNT	7,387.4	20,289.1	22,741.0	17,692.0	22,475.3	8,925.4	9,505.5	-3,665.8	7,710.2	12,367.2	8,170.2
B1. Capital account	1,145.1	3,695.6	546.9	172.8	375.8	17.5	14.7	27.6	315.9	-9.8	23.1
B2. Financial account, excl. reserves	17,739.3	22,082.0	31,546.5	17,855.7	28,174.9	10,318.6	11,564.3	-4,196.5	10,488.4	17,315.4	13,220.4
1. Direct investment	9,800.7	4,447.0	12,733.3	5,300.3	8,970.5	1,294.5	4,778.6	2,413.0	484.5	2,401.6	5,642.9
1.1. Abroad	-1,290.5	-4,415.6	-823.6	-2,100.9	-1,357.3	-265.2	-563.2	-175.6	-353.3	-75.6	-96.1
1.2. In Croatia	11,091.2	8,862.6	13,556.9	7,401.2	10,327.8	1,559.7	5,341.8	2,588.6	837.8	2,477.1	5,739.0
2. Portfolio investment	4,978.8	-3,227.3	6,671.5	1,747.5	-7,926.7	-3,202.8	-1,215.2	-3,048.3	-460.4	-3,244.9	291.2
2.1. Assets	-1,081.8	-4,839.8	938.5	-5,688.0	-3,760.5	185.7	-1,277.3	-2,213.5	-455.4	-232.6	27.0
2.2. Liabilities	6,060.6	1,612.6	5,733.0	7,435.4	-4,166.2	-3,388.5	62.1	-834.9	-5.0	-3,012.3	264.2
3. Financial derivatives	0.0	0.0	0.0	0.0	-659.4	-659.4	0.0	0.0	0.0	0.0	0.0
4. Other investment	2,959.8	20,862.2	12,141.6	10,807.9	27,790.5	12,886.4	8,000.9	-3,561.1	10,464.2	18,158.7	7,286.2
4.1. Assets	2,650.7	3,329.3	-16,852.4	-3,088.0	7,459.4	7,588.4	2,200.1	-1,920.2	-408.9	7,819.8	622.6
4.2. Liabilities	309.0	17,532.9	28,994.0	13,895.9	20,331.1	5,298.0	5,800.9	-1,640.9	10,873.1	10,339.0	6,663.6
B3. Reserve assets (CNB)	-11,497.0	-5,488.5	-9,352.4	-336.5	-6,075.4	-1,410.8	-2,073.6	503.1	-3,094.1	-4,938.5	-5,073.3
C. NET ERRORS AND OMISSIONS	-1,329.8	-4,804.3	-8,470.6	-7,074.1	-7,897.0	2,640.6	-1,031.1	-12,854.6	3,348.1	2,304.9	1,018.2

^a Preliminary data. ^b Revised 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 H7: International Reserves and Banks' Foreign Exchange Reserves

end of period, million euros

Year	Month	International reserves of the Croatian National Bank							Banks' foreign exchange reserves
		Total	Special drawing rights	Reserve position in the Fund	Gold	Foreign exchange			
						Total	Currency and deposits	Bonds and notes	
1994	December	1,145.7	3.7	–	–	1,142.0	1,142.0	–	716.6
1995	December	1,479.0	109.1	–	–	1,369.9	1,288.4	81.4	1,038.1
1996	December	1,867.7	101.3	0.0	–	1,766.3	1,627.6	138.7	1,549.2
1997	December	2,303.7	133.4	0.1	–	2,170.2	1,825.2	345.0	2,078.9
1998	December	2,400.2	197.1	0.1	–	2,203.0	1,642.6	560.4	1,607.0
1999	December	3,012.7	188.7	0.2	–	2,823.7	2,449.8	373.9	1,344.7
2000	December	3,783.2	158.5	0.2	–	3,624.5	2,763.0	861.5	2,310.7
2001	December	5,333.6	122.9	0.2	–	5,210.5	3,469.7	1,740.7	4,056.0
2002	December	5,651.3	2.3	0.2	–	5,648.8	3,787.8	1,861.0	2,581.6
2003	December	6,554.1	0.7	0.2	–	6,553.2	3,346.0	3,207.2	3,927.1
2004	December	6,436.2	0.6	0.2	–	6,435.4	3,173.3	3,262.0	4,220.1
2005	September	6,998.7	0.8	0.2	–	6,997.7	3,607.6	3,390.0	3,064.9
	October	7,128.5	1.2	0.2	–	7,127.1	3,709.2	3,417.9	2,864.8
	November	7,220.4	0.8	0.2	–	7,219.3	3,781.1	3,438.2	3,242.7
	December	7,438.4	0.9	0.2	–	7,437.3	3,834.5	3,602.8	2,938.4
2006	January	7,627.8	1.2	0.2	–	7,626.4	4,006.9	3,619.5	2,680.5
	February	7,934.0	0.8	0.2	–	7,933.0	4,230.3	3,702.7	2,446.1
	March	8,088.5	0.7	0.2	–	8,087.6	4,406.1	3,681.5	1,926.8
	April	8,205.0	1.2	0.2	–	8,203.6	4,587.5	3,616.1	1,941.6
	May	8,502.2	0.7	0.2	–	8,501.3	4,718.2	3,783.1	1,783.4
	June	8,743.6	0.8	0.2	–	8,742.6	4,865.0	3,877.6	1,706.0
	July	8,974.2	1.2	0.2	–	8,972.8	4,954.9	4,017.9	1,672.4
	August	8,672.1	0.7	0.2	–	8,671.3	4,657.8	4,013.5	1,985.5
	September ^a	8,134.8	0.7	0.2	–	8,133.9	4,163.1	3,970.9	2,413.4

^a Preliminary data.

Table H7: International Reserves and Banks' Foreign Exchange Reserves

The international reserves of the Croatian National Bank are shown according to the methodology contained 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 International Monetary Fund, gold, foreign currency and deposits with foreign banks, as well as bonds and debt instruments.

The foreign exchange reserves of banks include foreign currency and domestic banks' deposits with foreign banks. These foreign exchange 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

	2001	2002	2003	2004	2005	2006					
	Dec. ^b	Dec.	Dec.	Dec.	Dec.	Mar.	Apr.	May	Jun.	Jul.	Aug.
I. Official reserve assets and other f/c assets (approximate market value)											
A. Official reserve assets	5,333.6	5,651.3	6,554.1	6,436.2	7,438.4	8,088.5	8,205.0	8,502.2	8,743.6	8,974.2	8,672.1
(1) Foreign currency reserves (in convertible f/c)	3,877.9	4,246.9	5,740.1	6,235.4	7,337.3	7,487.6	7,502.2	7,701.3	7,942.6	8,223.2	7,981.3
(a) Securities	1,740.7	1,861.0	3,207.2	3,262.0	3,602.8	3,681.5	3,616.1	3,783.1	3,877.6	4,017.9	4,013.5
o/w: Issuer headquartered in reporting country but located abroad	-	-	-	-	-	-	-	-	-	-	-
(b) Total currency and deposits with:	2,137.2	2,385.9	2,532.9	2,973.3	3,734.5	3,806.1	3,886.1	3,918.2	4,065.0	4,205.3	3,967.8
(i) other national central banks, BIS and IMF	461.3	325.1	271.1	233.1	407.3	205.4	201.3	200.5	202.5	201.7	200.7
(ii) banks headquartered in the reporting country	-	-	-	-	-	-	-	-	-	-	-
o/w: Located abroad	-	-	-	-	-	-	-	-	-	-	-
(iii) banks headquartered outside the reporting country	1,675.9	2,060.8	2,261.8	2,740.3	3,327.2	3,600.7	3,684.9	3,717.7	3,862.5	4,003.7	3,767.1
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	0.2
(3) SDRs	122.9	2.3	0.7	0.6	0.9	0.7	1.2	0.7	0.8	1.2	0.7
(4) gold	-	-	-	-	-	-	-	-	-	-	-
(5) other reserve assets	1,332.6	1,401.9	813.1	200.0	100.0	600.0	701.3	800.0	800.0	749.6	690.0
– reverse repo	1,332.6	1,401.9	813.1	200.0	100.0	600.0	701.3	800.0	800.0	749.6	690.0
B. Other foreign currency assets (specify)	-	-	-	-	-	-	-	-	-	-	-
– time deposits	-	-	-	-	-	-	-	-	-	-	-
C. Total (A+B)	5,333.6	5,651.3	6,554.1	6,436.2	7,438.4	8,088.5	8,205.0	8,502.2	8,743.6	8,974.2	8,672.1
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)	-1,350.7	-740.9	-1,538.0	-988.6	-899.7	-415.1	-414.1	-413.7	-406.6	-338.2	-658.0
(a) Croatian National Bank	-443.4	-167.4	-646.9	-1.8	-1.1	-1.6	-1.2	-1.6	-1.3	-1.4	-1.8
Up to 1 month	Principal	-196.1	-136.9	-355.9	-	-	-	-	-	-	-
Interest	-3.2	-2.2	-1.9	-1.8	-1.1	-1.6	-1.2	-1.6	-1.3	-1.4	-1.8
More than 1 and up to 3 months	Principal	-203.7	-26.5	-288.3	-	-	-	-	-	-	-
Interest	-2.1	-0.1	-0.7	-	-	-	-	-	-	-	-
More than 3 months and up to 1 year	Principal	-34.5	-1.6	-	-	-	-	-	-	-	-
Interest	-3.8	-0.1	-	-	-	-	-	-	-	-	-
(b) Central government (excl. central government funds)	-907.4	-573.5	-891.1	-986.8	-898.6	-413.5	-412.9	-412.1	-405.3	-336.9	-656.3
Up to 1 month	Principal	-101.7	-98.1	-85.9	-76.5	-77.9	-2.7	-1.6	-28.4	-74.8	-12.1
Interest	-55.6	-42.8	-34.4	-13.8	-	-	-	-	-	-	-
More than 1 and up to 3 months	Principal	-351.6	-8.6	-9.3	-510.1	-603.0	-84.5	-144.6	-132.5	-63.5	-82.3
Interest	-125.7	-148.1	-168.3	-169.0	-	-	-	-	-	-	-
More than 3 months and up to 1 year	Principal	-170.8	-176.2	-495.2	-143.7	-160.2	-186.5	-118.5	-118.6	-139.0	-133.3
Interest	-102.0	-99.7	-98.0	-73.8	-57.5	-139.8	-148.2	-132.6	-128.0	-109.2	-111.5
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	-75.2	-21.5	-363.5	-	-	-	-	-	-	-	-
– outflows related to repos (-)	-75.2	-21.5	-363.5	-	-	-	-	-	-	-	-
Up to 1 month	Principal	-75.1	-21.5	-363.1	-	-	-	-	-	-	-
Interest	-0.1	0.0	-0.4	-	-	-	-	-	-	-	-
More than 1 and up to 3 months	Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
More than 3 months and up to 1 year	Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-
4. Total predetermined short-term net drains on foreign currency assets (1+2+3)	-1,426.0	-762.4	-1,901.5	-988.6	-899.7	-415.1	-414.1	-413.7	-406.6	-338.2	-658.0
III. Contingent short-term net drains on f/c assets (nominal value)											
1. Contingent liabilities in foreign currency	-1,088.8	-1,631.0	-1,300.4	-1,772.9	-2,273.1	-2,817.2	-2,961.5	-3,073.4	-3,182.6	-3,190.2	-2,922.0
(a) Collateral guarantees on debt falling due within 1 year	-315.9	-685.9	-426.8	-370.9	-443.8	-455.0	-448.6	-443.7	-453.5	-420.6	-468.7
– Croatian National Bank	-	-	-	-	-	-	-	-	-	-	-
– Central government (excl. central government funds)	-315.9	-685.9	-426.8	-370.9	-443.8	-455.0	-448.6	-443.7	-453.5	-420.6	-468.7
Up to 1 month	-49.4	-52.3	-55.8	-62.7	-59.6	-41.4	-17.0	-38.0	-55.3	-28.7	-57.6

More than 1 and up to 3 months	-24.7	-35.2	-94.9	-33.9	-53.0	-67.1	-114.4	-91.7	-86.4	-91.4	-71.7
More than 3 months and up to 1 year	-241.7	-598.3	-276.1	-274.4	-331.2	-346.5	-317.2	-314.0	-311.8	-300.6	-339.4
(b) Other contingent liabilities	-772.9	-945.1	-873.6	-1,402.0	-1,829.3	-2,362.2	-2,512.9	-2,629.7	-2,729.1	-2,769.6	-2,453.3
– Croatian National Bank	-772.9	-945.1	-873.6	-1,402.0	-1,829.3	-2,362.2	-2,512.9	-2,629.7	-2,729.1	-2,769.6	-2,453.3
Up to 1 month	–	–	–	–	–	–	–	–	–	–	–
More than 1 and up to 3 months	-772.9	-945.1	-873.6	-1,402.0	-1,829.3	-2,362.2	-2,512.9	-2,629.7	-2,729.1	-2,769.6	-2,453.3
More than 3 months and up to 1 year	–	–	–	–	–	–	–	–	–	–	–
– Central government (excl. central government funds)	–	–	–	–	–	–	–	–	–	–	–
2. F/c sec. issued with embedded options (puttable bonds)	–	–	–	–	–	–	–	–	–	–	–
3. Undrawn, unconditional credit lines provided by	170.8	–	–	–	–	–	–	–	–	–	–
– BIS (+)	–	–	–	–	–	–	–	–	–	–	–
– IMF (+)	170.8	–	–	–	–	–	–	–	–	–	–
4. Aggregate short and long positions of options in foreign currencies vis-a-vis the domestic currency	–	–	–	–	–	–	–	–	–	–	–
5. Total contingent short-term net drains on f/c assets (1+2+3+4)	-918.0	-1,631.0	-1,300.4	-1,772.9	-2,273.1	-2,817.2	-2,961.5	-3,073.4	-3,182.6	-3,190.2	-2,922.0
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 repored and included in Section I	-70.0	-20.0	-351.0	–	–	–	–	-3.2	–	-1.0	-2.6
– lent or repored but not included in Section I	–	–	–	–	–	–	–	–	–	–	–
– borrowed or acquired and included in Section I	–	–	–	–	–	–	–	–	–	–	–
– borrowed or acquired but not included in Section I	1,235.1	1,330.3	785.1	180.7	88.5	576.8	694.2	781.9	780.5	740.6	667.7
(e) financial derivative assets (net, marked to market)	–	–	–	–	–	–	–	–	–	–	–
(f) currency composition of official reserves assets ^a	–	–	–	–	–	–	–	–	–	–	–
– currencies in SDR basket	5,333.6	5,651.3	6,554.1	6,436.2	7,438.1	8,088.2	8,204.7	8,501.9	8,743.3	8,973.9	8,671.8
– currencies not in SDR basket	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.3	0.3	0.3	0.3
– by individual currencies											
USD	1,738.4	1,600.8	1,937.6	1,609.1	1,104.5	1,160.9	1,118.6	1,081.8	1,147.1	1,163.3	1,144.9
EUR	3,471.6	4,047.9	4,615.6	4,826.3	6,332.5	6,926.3	7,084.7	7,419.1	7,595.2	7,809.2	7,526.0
Other	123.6	2.6	0.9	0.8	1.3	1.2	1.7	1.3	1.3	1.8	1.2

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 agreements

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. (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 exchange sources of funds, including ordinary foreign exchange accounts, special foreign exchange accounts, sight foreign exchange accounts and savings deposits, received foreign exchange deposits and received foreign exchange loans, as well as obligations arising from securities issued in foreign exchange (excluding the bank’s 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 Exchange 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 a pledge. Repo transactions with securities show the value of collateral that is the subject of repo agreements and reverse repo transactions with securities as well as how these transactions are registered in the Template. Until December 2000, the currency structure of international and other foreign currency reserves showed the currency structure of the total foreign currency assets of the CNB (section I.). From January 2001, the currency structure refers to official reserve assets (section I.A.).

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		7.087400	0.524804	1.079560	0.371475	4.381763	9.166192	5.995300	3.692018
1995		6.757758	0.518734	1.047969	0.321342	4.425311	8.252950	5.229967	3.649342
1996		6.804708	0.513722	1.062735	0.352150	4.404976	8.479850	5.433800	3.614536
1997		6.959708	0.505322	1.056355	0.361942	4.246962	10.081567	6.157050	3.555932
1998		7.136608	0.514421	1.079581	0.366683	4.395149	10.539883	6.362292	3.619321
1999		7.579622	0.550834	1.155501	0.391455	4.738375	11.504100	7.112441	3.875409
2000		7.634973	0.554855	1.163944	0.394313	4.901679	12.529639	8.276819	3.903700
2001		7.468966	0.542791	1.138637	0.385740	4.946376	12.010492	8.339074	3.818822
2002		7.406773				5.050089	11.788895	7.863712	
2003		7.563414				4.977823	10.945665	6.701390	
2004		7.495169				4.855608	11.048232	6.035494	
2005		7.400185				4.780459	10.819398	5.947999	
2005	September	7.431614				4.799039	10.960855	6.051621	
	October	7.386248				4.767000	10.830645	6.136078	
	November	7.374972				4.775183	10.863376	6.251617	
	December	7.388962				4.774591	10.879743	6.234090	
2006	January	7.378288				4.760963	10.749050	6.102424	
	February	7.327217				4.705472	10.728176	6.128945	
	March	7.325490				4.670118	10.638179	6.098252	
	April	7.312936				4.643976	10.531547	5.973759	
	May	7.272786				4.670000	10.633607	5.697553	
	June	7.255515				4.652101	10.572810	5.726044	
	July	7.246142				4.620826	10.531200	5.711401	
	August	7.276187				4.612308	10.745437	5.683309	
	September	7.384544				4.662861	10.938178	5.794182	

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

Year	Month	HRK/EUR	HRK/ATS	HRK/FRF	HRK/100 ITL	HRK/CHF	HRK/GBP	HRK/USD	HRK/DEM
1994		6.902400	0.516285	1.052510	0.346500	4.288893	8.784200	5.628700	3.632100
1995		6.812200	0.526742	1.085365	0.335800	4.618693	8.234500	5.316100	3.705900
1996		6.863600	0.506253	1.055662	0.362600	4.098835	9.359000	5.539600	3.562200
1997		6.947200	0.499445	1.050510	0.357700	4.332003	10.475600	6.303100	3.511000
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	
2005	September	7.438696				4.773291	10.897592	6.170631	
	October	7.381207				4.773772	10.829236	6.075067	
	November	7.400190				4.783575	10.803197	6.264446	
	December	7.375626				4.744388	10.753209	6.233626	
2006	January	7.359333				4.733603	10.752970	6.092667	
	February	7.307577				4.674157	10.725931	6.164651	
	March	7.323554				4.648695	10.548112	6.065055	
	April	7.291280				4.638514	10.498603	5.807934	
	May	7.264151				4.659494	10.601505	5.650837	
	June	7.256979				4.640012	10.500621	5.790297	
	July	7.258119				4.617124	10.648649	5.719107	
	August	7.314609				4.640955	10.842883	5.702954	
	September	7.381777				4.644380	10.897220	5.827105	

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	
			Indices of producers' prices	Retail price index
1997	December	87.73	93.01	98.79
1998	December	91.08	95.99	95.39
1999	December	99.23	102.76	102.08
2000	December	101.51	99.96	101.79
2001	December	99.07	98.63	98.89
2002	December	95.97	95.63	96.24
2003	December	94.09	94.46	94.62
2004	December	90.43	90.61	90.85
2005	September	91.16	93.58	92.34
	October	91.72	94.12	91.10
	November	91.47	93.96	91.59
	December	91.52	94.33	90.98
2006	January	90.88	94.24	89.97
	February	90.53	93.11	89.20
	March	90.38	93.01	89.42
	April	89.75	93.09	89.08
	May	88.27	91.63	87.59
	June	88.23	92.06	87.68
	July	88.08	92.45 ^a	88.25 ^a
	August	88.24	92.62 ^a	88.56 ^a
	September	89.66		

^a Preliminary data.

Note: From 1 January 2001, the euro-zone related price series includes Greece as well.

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 rate (for the basic CNB methodology, see Bulletin No. 64, Box: 2, October 2001), were first published in the CNB Bulletin No. 94 (June 2004). The weights are determined based on the average share of a particular foreign currency in the structure of the current account – ITRS data between January 2000 and December 2003 (between July 1996 and January 2000 in the previous version of 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: euro (66.2%), US dollar (30.7%), Swiss franc (1.6%) and pound sterling (1.2%). The weight assigned to the Slovenian tolar remained unchanged at 0.2%. The year 2001 is a base period for calcu-

lating the indices of the effective exchange rate of the kuna (1995 in the previous version of 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 relevant relative price indices (the ratio of price indices in partner countries and domestic prices). Producer price and consumer price indices, and the total harmonized consumer price index for the eurozone countries are used as deflators. The time series for consumer prices in Croatia is constructed in the following manner: retail price indices are used until December 1997 inclusive, and consumer price indices are used as of January 1998. Data for the last two months are preliminary. The historical data may be corrected for the subsequent changes in the data published by the statistical offices of the countries whose prices are included in the calculation of the index of the real effective exchange rate of the kuna.

Table H12: Gross External Debt by Domestic Sectors

million euros

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.*	Apr.*	May*	Jun.*	Jul.*	Aug.
1. Government	5,942.4	5,900.3	6,600.6	7,251.8	7,047.4	6,628.0	6,547.6	6,555.2	6,598.0	6,609.7	6,605.8
Short-term	0.3	0.9	0.9	2.6	2.1	0.0	0.1	0.0	0.3	0.4	0.4
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.3	0.9	0.9	2.6	2.1	0.0	0.1	0.0	0.3	0.4	0.4
Principal arrears	0.3	0.9	0.9	2.4	1.7	0.0	0.1	0.0	0.0	0.1	0.1
Interest arrears	0.0	0.0	0.1	0.2	0.4	0.0	0.0	0.0	0.3	0.4	0.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	5,942.1	5,899.5	6,599.6	7,249.2	7,045.3	6,628.0	6,547.4	6,555.2	6,597.6	6,609.3	6,605.3
Bonds	4,268.2	3,947.6	4,310.9	4,648.1	4,065.5	3,495.7	3,475.6	3,491.4	3,532.3	3,627.3	3,625.7
Credits	1,672.7	1,950.8	2,286.4	2,599.0	2,977.2	3,129.9	3,069.5	3,061.5	3,063.0	2,979.9	2,977.6
Trade credits	1.3	1.1	2.3	2.1	2.6	2.4	2.3	2.3	2.3	2.1	2.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Croatian National Bank	215.5	23.2	365.7	2.4	2.6	2.0	1.8	2.7	3.4	2.3	2.1
Short-term	75.1	21.5	363.1	0.0	2.6	2.0	1.8	2.7	3.4	2.3	2.1
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	75.1	21.5	363.1	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	2.6	2.0	1.8	2.7	3.4	2.3	2.1
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	140.3	1.7	2.6	2.4	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	138.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1.7	1.7	2.6	2.4	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	2,547.1	3,789.6	6,121.1	7,701.6	8,993.5	9,842.5	10,252.4	10,405.5	10,293.3	9,562.3	8,972.3
Short-term	18.0	14.3	617.1	1,964.8	2,512.0	2,859.8	2,992.5	3,091.8	3,107.3	2,699.3	2,393.3
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	2.6	0.3	604.2	513.6	1,079.7	1,097.1	1,182.0	1,212.9	1,222.1	976.2	753.4
Currency and deposits	0.0	0.0	0.0	1,438.9	1,429.3	1,762.8	1,810.4	1,878.8	1,885.0	1,722.9	1,639.7
Other debt liabilities	15.4	14.0	12.9	12.4	3.0	0.0	0.0	0.1	0.2	0.2	0.2
Principal arrears	15.4	14.0	12.9	12.4	3.0	0.0	0.0	0.1	0.0	0.0	0.1
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	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	2,529.1	3,775.3	5,503.9	5,736.7	6,481.5	6,982.7	7,260.0	7,313.8	7,186.0	6,863.0	6,579.0
Bonds	0.0	0.0	0.0	444.4	456.7	462.7	464.3	464.9	466.3	448.5	450.2
Credits	1,810.8	1,878.4	2,767.7	3,512.3	3,844.8	4,258.3	4,472.8	4,438.2	4,311.0	4,212.8	4,033.5
Currency and deposits	718.3	1,896.9	2,736.2	1,780.1	2,180.0	2,261.8	2,322.9	2,410.6	2,408.8	2,201.7	2,095.3
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
4. Other sectors	3,661.8	3,934.7	4,878.4	5,809.2	7,156.4	7,533.8	7,575.2	7,713.5	7,995.7	8,355.7	8,528.2
Short-term	434.9	460.7	523.2	530.3	856.2	865.0	902.3	915.8	1,042.1	1,223.5	1,242.3
Money market instruments	31.1	0.0	33.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	53.9	27.2	70.1	100.2	291.2	332.1	348.9	359.6	476.7	635.9	650.8
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	40.4	47.5	22.2	23.2	27.8	37.0	40.8	40.0	36.7	35.6	34.2
Other debt liabilities	309.6	386.0	397.4	407.0	537.2	495.9	512.7	516.2	528.7	552.0	557.2
Principal arrears	293.0	365.4	369.9	376.6	490.6	460.1	476.0	479.3	488.7	509.7	513.2
Interest arrears	16.6	20.7	27.6	30.3	46.6	35.7	36.7	36.9	40.0	42.4	44.0
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	3,226.9	3,474.0	4,355.3	5,278.8	6,300.1	6,668.8	6,672.8	6,797.8	6,953.6	7,132.2	7,286.0
Bonds	31.2	161.2	345.3	380.6	378.1	391.2	368.6	371.9	383.5	189.4	190.7
Credits	2,969.0	3,103.0	3,858.3	4,769.7	5,764.1	6,121.2	6,161.7	6,284.2	6,432.1	6,809.4	6,962.2
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	226.7	209.9	151.7	128.5	158.0	156.5	142.5	141.7	138.0	133.4	133.0
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

5. Direct investment	1,091.4	1,407.0	1,844.8	2,015.7	2,340.9	2,484.1	2,520.6	2,572.5	2,592.1	2,672.4	2,705.8
Short-term	49.0	73.2	124.0	120.3	206.2	221.3	240.2	257.6	279.0	298.2	297.0
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	4.4	30.0	43.9	36.1	59.8	63.1	76.4	86.1	81.5	91.0	84.9
Trade credits	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	43.0	43.1	80.1	84.2	146.4	158.2	163.8	171.4	197.5	207.2	212.1
Principal arrears	41.7	41.0	75.9	76.5	132.6	144.7	150.0	157.3	182.3	191.7	195.8
Interest arrears	1.3	2.1	4.2	7.6	13.8	13.5	13.8	14.1	15.2	15.5	16.3
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	1,042.4	1,333.8	1,720.8	1,895.5	2,134.7	2,262.9	2,280.4	2,314.9	2,313.1	2,374.2	2,408.8
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	1,020.9	1,300.0	1,689.7	1,866.5	2,104.0	2,232.7	2,250.5	2,285.3	2,284.0	2,345.4	2,383.5
Trade credits	21.5	33.8	31.1	28.9	30.7	30.2	29.8	29.6	29.1	28.8	25.3
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
Total (1+2+3+4+5)	13,458.3	15,054.8	19,810.6	22,780.6	25,540.8	26,490.5	26,897.5	27,249.5	27,482.4	27,202.3	26,814.1

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 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 external debt of the general government, which includes the Republic of Croatia, central government funds (including the Croatian Bank for Reconstruction and Development, the State Agency for Deposit Insurance and Bank Rehabilitation, the Croatian Roads and the Croatian Highways), and local government. Item Croatian National Bank shows the central bank debts. Item Banks shows debts of banks. Item Other sectors shows debts of other banking institu-

tions, non-banking financial institutions, enterprises, non-profit institutions and households, including craftsmen. Item Direct investment shows borrower – lender transactions of other sectors that are interrelated by ownership (borrower or lender owns more than 10 percent of the other).

Each sector data are further shown by contractual maturity (short-term and long-term) 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 (including the Republic of Croatia, central government funds and local government), the central bank, public enterprises and mixed ownership companies. Public enterprises are defined as enterprises in 100% ownership of business entities from the public sector. Mixed ownership companies

are defined as companies in which business entities from the public sector have a share larger than 50%.

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

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

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

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

million euros

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec.	Dec.	Dec.	Dec.	Mar.*	Apr.*	May*	Jun.*	Jul.*	Aug.
1. Public sector	7,486.1	7,215.3	8,334.0	8,560.2	8,428.2	8,093.8	7,981.2	7,991.8	8,024.7	8,017.4	8,023.6
Short-term	170.3	54.8	409.5	26.8	69.0	77.4	83.0	82.0	88.2	87.0	82.3
Money market instruments	25.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	98.3	21.9	390.9	0.7	48.1	60.6	58.6	52.3	53.8	53.2	52.8
Currency and deposits	0.0	0.0	0.0	0.0	2.6	2.0	1.8	2.7	3.4	2.3	2.1
Trade credits	25.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	20.5	32.9	18.6	26.1	18.3	14.8	22.6	27.0	31.1	31.5	27.4
Principal arrears	20.5	32.9	18.6	25.8	16.9	14.7	22.6	26.9	30.6	31.0	26.9
Interest arrears	0.0	0.0	0.1	0.3	1.3	0.1	0.1	0.1	0.4	0.5	0.5
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	7,315.2	7,160.0	7,924.2	8,533.2	8,359.2	8,016.3	7,898.1	7,909.7	7,936.5	7,930.4	7,941.3
Bonds	4,268.2	3,947.6	4,310.9	4,648.1	4,065.5	3,495.7	3,475.6	3,491.4	3,532.3	3,627.3	3,625.7
Credits	2,954.4	3,130.2	3,560.7	3,829.0	4,188.7	4,407.2	4,327.1	4,324.5	4,284.2	4,214.8	4,225.7
Currency and deposits	1.7	1.7	2.6	2.4	0.0	7.0	0.0	0.0	28.0	0.0	0.0
Trade credits	91.0	80.5	50.0	53.7	105.1	106.4	95.5	93.9	92.0	88.3	89.9
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	0.6	0.5	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Publicly guaranteed private sector	565.8	500.1	428.6	320.0	306.1	254.2	251.8	252.0	249.6	225.7	225.9
Short-term	9.1	22.3	32.0	26.5	39.9	24.5	24.3	23.8	23.7	25.6	25.5
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	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	9.1	22.3	32.0	26.5	39.9	24.5	24.3	23.8	23.7	25.6	25.5
Principal arrears	7.0	16.7	23.3	18.8	30.5	17.9	17.7	17.2	17.5	19.1	19.0
Interest arrears	2.1	5.6	8.7	7.7	9.4	6.6	6.6	6.6	6.3	6.5	6.5
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	556.8	477.8	396.6	293.5	266.2	229.7	227.5	228.3	225.9	200.1	200.5
Bonds	31.2	31.2	31.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	519.7	442.6	362.9	292.0	264.4	228.2	226.2	226.0	223.6	198.0	198.5
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	5.9	4.0	2.5	1.5	1.8	1.5	1.3	2.2	2.2	2.1	2.0
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	5,406.4	7,339.4	11,048.1	13,900.4	16,806.5	18,142.5	18,664.6	19,005.7	19,208.1	18,959.2	18,564.6
Short-term	348.9	420.3	1,062.9	2,444.5	3,264.1	3,624.9	3,789.5	3,904.5	4,041.1	3,812.9	3,530.4
Money market instruments	5.6	0.0	33.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	33.3	27.1	646.6	613.0	1,322.8	1,368.5	1,472.3	1,520.2	1,645.1	1,558.8	1,351.4
Currency and deposits	0.0	0.0	0.0	1,438.9	1,429.3	1,762.8	1,810.4	1,878.8	1,885.0	1,722.9	1,639.7
Trade credits	14.5	47.5	22.2	23.2	27.8	37.0	40.8	40.0	36.7	35.6	34.2
Other debt liabilities	295.5	345.7	360.7	369.4	484.2	456.6	466.0	465.6	474.4	495.6	505.1
Principal arrears	281.1	330.6	341.8	346.8	448.0	427.5	436.0	435.3	440.6	459.7	467.5
Interest arrears	14.4	15.1	18.9	22.6	36.3	29.1	30.0	30.3	33.8	35.9	37.6
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	3,966.7	5,512.6	8,140.6	9,440.4	11,201.5	12,033.6	12,354.6	12,528.8	12,574.9	12,474.0	12,328.5
Bonds	0.0	130.0	314.1	824.9	834.8	853.8	832.9	836.8	849.7	637.9	640.9
Credits	3,117.0	3,359.3	4,988.8	6,760.0	8,132.9	8,866.9	9,150.6	9,233.4	9,270.3	9,589.3	9,549.1
Currency and deposits	718.3	1,896.9	2,736.2	1,780.1	2,180.0	2,261.8	2,322.9	2,410.6	2,408.8	2,201.7	2,095.3
Trade credits	131.4	126.4	101.5	75.4	53.8	51.0	48.1	47.9	46.1	45.1	43.2
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Direct investment	1,090.9	1,406.5	1,844.6	2,015.5	2,340.9	2,484.1	2,520.5	2,572.5	2,592.1	2,672.3	2,705.7
Total (1+2+3)	13,458.3	15,054.8	19,810.6	22,780.6	25,540.8	26,490.5	26,897.5	27,249.5	27,482.4	27,202.3	26,814.1

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

million euros

	Outstanding debt 31/8/2006	Immediate	Projected future principal payments												
			Q3/06	Q4/06	Q1/07	Q2/07	2006	2007	2008	2009	2010	2011	2012	2013	Other
1. Government	6,605.8	0.4	120.8	81.9	94.3	98.1	202.7	657.3	710.9	1,045.9	826.5	1,428.8	250.8	202.6	1,279.9
Short-term	0.4	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
Money market instruments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.4	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
Principal arrears	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.4	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
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	6,605.3	0.0	120.8	81.9	94.3	98.1	202.7	657.3	710.9	1,045.9	826.5	1,428.8	250.8	202.6	1,279.9
Bonds	3,625.7	0.0	78.9	0.0	26.1	0.0	78.9	318.7	233.5	728.8	560.2	1,051.9	46.8	29.8	577.1
Credits	2,977.6	0.0	41.9	81.7	68.0	98.0	123.7	337.9	476.9	317.0	266.2	376.9	203.9	172.7	702.6
Trade credits	2.1	0.0	0.0	0.2	0.2	0.2	0.2	0.7	0.5	0.1	0.1	0.1	0.1	0.1	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
2. Croatian National Bank	2.1	0.0	2.1	0.0	0.0	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term	2.1	0.0	2.1	0.0	0.0	0.0	2.1	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	2.1	0.0	2.1	0.0	0.0	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Banks	8,972.3	0.2	1,855.8	583.2	264.7	565.6	2,439.1	1,490.3	1,010.5	1,396.0	279.8	780.8	126.0	58.0	1,391.6
Short-term	2,393.3	0.2	1,771.3	308.1	115.4	115.4	2,079.3	313.7	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	753.4	0.0	703.4	50.0	0.0	0.0	753.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency and deposits	1,639.7	0.0	1,067.8	258.1	115.4	115.4	1,325.9	313.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	0.2	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
Principal arrears	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest arrears	0.2	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
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	6,579.0	0.0	84.6	275.1	149.3	450.1	359.7	1,176.6	1,010.5	1,396.0	279.8	780.8	126.0	58.0	1,391.6
Bonds	450.2	0.0	2.6	0.0	0.0	0.0	2.6	0.0	0.0	447.6	0.0	0.0	0.0	0.0	0.0
Credits	4,033.5	0.0	50.6	209.4	61.9	362.7	260.0	789.3	640.3	818.8	279.8	780.8	126.0	58.0	280.5
Currency and deposits	2,095.3	0.0	31.4	65.7	87.4	87.4	97.1	387.3	370.1	129.6	0.0	0.0	0.0	0.0	1,111.2
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
4. Other sectors	8,528.2	557.2	225.4	665.8	309.2	290.2	891.2	1,310.1	1,167.2	1,091.6	886.3	706.6	283.7	232.2	1,402.0
Short-term	1,242.3	557.2	99.1	326.6	65.9	12.6	425.7	259.3	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	650.8	0.0	99.1	326.6	31.7	12.6	425.7	225.1	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	34.2	0.0	0.0	0.0	34.2	0.0	0.0	34.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt liabilities	557.2	557.2	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
Principal arrears	513.2	513.2	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
Interest arrears	44.0	44.0	0.0	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	7,286.0	0.0	126.3	339.2	243.3	277.6	465.5	1,050.8	1,167.2	1,091.6	886.3	706.6	283.7	232.2	1,402.0
Bonds	190.7	0.0	10.8	0.0	0.0	0.0	10.8	0.0	6.3	6.3	7.2	7.2	9.0	9.0	134.9
Credits	6,962.2	0.0	113.6	311.5	223.2	259.8	425.1	995.7	1,137.2	1,066.3	874.7	698.7	274.6	223.1	1,266.9
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	0.0	0.0	0.0	0.0
Trade credits	133.0	0.0	1.9	27.7	20.1	17.8	29.6	55.1	23.7	19.0	4.4	0.7	0.1	0.1	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

5. Direct investment	2,705.8	212.1	59.1	291.1	155.7	67.4	350.2	354.5	236.3	247.7	312.0	209.7	39.5	51.9	691.8
Short-term	297.0	212.1	26.4	28.8	23.0	4.6	55.2	29.7	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	84.9	0.0	26.4	28.8	23.0	4.6	55.2	29.7	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	212.1	212.1	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
Principal arrears	195.8	195.8	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	16.3	16.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	2,408.8	0.0	32.7	262.3	132.7	62.8	295.0	324.8	236.3	247.7	312.0	209.7	39.5	51.9	691.8
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	2,383.5	0.0	32.0	261.1	131.5	61.9	293.1	320.5	232.3	241.5	305.6	208.5	38.9	51.8	691.3
Trade credits	25.3	0.0	0.6	1.2	1.2	0.9	1.9	4.4	4.0	6.2	6.4	1.2	0.5	0.1	0.5
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
Total (1+2+3+4+5)	26,814.1	770.0	2,263.3	1,622.0	823.9	1,021.2	3,885.3	3,812.3	3,124.9	3,781.2	2,304.5	3,125.9	699.9	544.7	4,765.4
Supplement: Projected interest payments		0.0	2.0	189.3	231.4	172.2	191.2	702.4	615.4	534.8	389.5	301.0	169.2	162.5	571.4

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 at the interest rates at the contracting time 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: International Investment Position – Summary

million euros

	2001 ^b	2002 ^b	2003 ^b	2004 ^b	2005 ^b	2005				2006	
						Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
1. International investment position (net)	-4,204.4	-7,225.7	-10,149.1	-15,152.5	-20,072.1	-17,646.3	-18,414.4	-18,847.6	-20,072.1	-23,365.4	-25,583.2
2. Assets	12,720.6	12,417.0	14,802.9	14,877.3	15,581.3	14,291.0	14,825.3	15,117.8	15,581.3	15,188.5	15,672.4
2.1. Direct investment abroad	1,008.0	1,606.8	1,625.8	1,561.7	1,722.9	1,621.5	1,711.5	1,727.6	1,722.9	1,808.8	1,775.9
2.2. Portfolio investment	251.1	801.5	599.8	1,309.5	1,760.4	1,317.3	1,514.4	1,722.2	1,760.4	1,759.2	1,824.0
2.2.1. Equity securities	23.6	30.6	37.4	31.9	135.8	33.9	107.8	135.1	135.8	136.9	155.2
2.2.2. Debt securities	227.5	770.9	562.5	1,277.7	1,624.6	1,283.5	1,406.6	1,587.1	1,624.6	1,622.3	1,668.9
Bonds	196.4	761.0	560.0	1,142.5	1,508.4	1,151.8	1,286.2	1,462.8	1,508.4	1,528.5	1,291.7
Money market instruments	31.1	9.9	2.4	135.1	116.2	131.7	120.4	124.3	116.2	93.8	377.2
2.3. Financial derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Other investment	6,127.9	4,357.4	6,023.2	5,570.0	4,659.7	4,651.7	4,533.7	4,669.3	4,659.7	3,532.0	3,328.9
2.4.1. Trade credits	249.3	222.5	213.1	183.5	190.0	177.3	183.5	185.6	190.0	190.9	186.1
2.4.2. Loans	95.6	108.9	101.0	100.9	143.0	105.7	116.5	131.5	143.0	170.8	201.4
2.4.3. Currency and deposits	5,782.9	4,026.0	5,709.2	5,285.6	4,326.7	4,368.7	4,233.8	4,352.2	4,326.7	3,170.3	2,941.4
2.4.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.5. Reserve assets (CNB)	5,333.6	5,651.3	6,554.1	6,436.1	7,438.4	6,700.5	7,065.7	6,998.7	7,438.4	8,088.5	8,743.6
3. Liabilities	16,925.0	19,642.7	24,952.0	30,029.9	35,653.5	31,937.3	33,239.7	33,965.4	35,653.5	38,553.9	41,255.7
3.1. Direct investment in Croatia	4,414.0	5,790.8	6,790.3	8,858.0	11,896.5	10,413.8	10,785.5	11,686.5	11,896.5	13,838.6	15,650.9
3.2. Portfolio investment	4,474.5	4,312.8	4,885.6	5,880.1	5,457.4	5,379.7	5,469.7	5,437.5	5,457.4	5,103.4	5,159.0
3.2.1. Equity securities	144.1	204.1	196.0	407.0	557.1	498.1	486.5	548.0	557.1	753.9	796.1
3.2.2. Debt securities	4,330.4	4,108.7	4,689.7	5,473.1	4,900.3	4,881.6	4,983.2	4,889.5	4,900.3	4,349.6	4,362.8
Bonds	4,299.3	4,108.7	4,656.2	5,473.1	4,900.3	4,881.6	4,983.2	4,889.5	4,900.3	4,349.6	4,362.8
Money market instruments	31.1	0.0	33.5	0.0	0.0	0.0	0.0	0.0	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	0.0
3.4. Other investment	8,036.5	9,539.1	13,276.1	15,291.8	18,299.6	16,143.8	16,984.5	16,841.4	18,299.6	19,611.9	20,445.8
3.4.1. Trade credits	268.4	258.4	176.1	153.8	188.3	170.1	176.8	184.1	188.3	203.9	172.3
3.4.2. Loans	6,722.9	6,981.2	9,949.9	11,494.7	13,957.0	12,185.5	12,993.9	13,064.1	13,957.0	14,851.6	15,372.0
3.4.3. Currency and deposits	719.9	1,898.6	2,738.7	3,221.4	3,611.9	3,349.9	3,317.6	3,044.4	3,611.9	4,026.6	4,297.1
3.4.4. Other liabilities	325.3	400.9	411.3	421.9	542.4	438.2	496.1	548.8	542.4	529.8	604.4

^a Preliminary data. ^b Revised data.**Table H15: International Investment Position – Summary**

This table is made in accordance with the recommendations of the IMF (Balance of Payments Manual, Fifth Edition, 1993). Data sources include: reports from banks, enterprises, the Croatian National Bank, and the Zagreb Stock Exchange.

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 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 exchange of banks authorized to do business abroad reduced by the amount of foreign exchange 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 exchange 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 H16: International Investment Position – Direct Investment

million euros

	2001 ^b	2002 ^b	2003 ^b	2004 ^b	2005 ^b	2005				2006	
						Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
Direct investment (net)	-3,406.0	-4,183.9	-5,164.5	-7,296.3	-10,173.6	-8,792.3	-9,074.0	-9,958.9	-10,173.6	-12,029.7	-13,875.0
1. Abroad	1,008.0	1,606.8	1,625.8	1,561.7	1,722.9	1,621.5	1,711.5	1,727.6	1,722.9	1,808.8	1,775.9
1.1. Equity capital and reinvested earnings	975.0	1,569.1	1,587.0	1,502.3	1,608.4	1,548.2	1,612.3	1,622.0	1,608.4	1,715.5	1,682.5
Claims	975.0	1,569.1	1,587.0	1,502.3	1,608.4	1,548.2	1,612.3	1,622.0	1,608.4	1,715.5	1,682.5
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. Other capital	33.0	37.7	38.8	59.5	114.5	73.4	99.2	105.6	114.5	93.3	93.4
Claims	43.4	49.9	62.3	87.4	132.5	92.6	118.6	125.6	132.5	122.6	124.4
Liabilities	10.4	12.2	23.5	28.0	18.1	19.3	19.4	20.0	18.1	29.2	31.0
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	0.0
2. In Croatia	4,414.0	5,790.8	6,790.3	8,858.0	11,896.5	10,413.8	10,785.5	11,686.5	11,896.5	13,838.6	15,650.9
2.1. Equity capital and reinvested earnings	3,339.4	4,400.6	4,972.7	6,899.8	9,588.2	8,384.7	8,583.8	9,366.3	9,588.2	11,437.2	13,268.5
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	3,339.4	4,400.6	4,972.7	6,899.8	9,588.2	8,384.7	8,583.8	9,366.3	9,588.2	11,437.2	13,268.5
2.2. Other capital	1,074.7	1,390.2	1,817.6	1,958.2	2,308.3	2,029.2	2,201.8	2,320.2	2,308.3	2,401.3	2,382.4
Claims	0.0	0.3	1.8	19.2	17.8	53.8	53.8	17.8	17.8	18.4	0.9
Liabilities	1,074.7	1,390.5	1,819.4	1,977.5	2,326.1	2,082.9	2,255.5	2,338.0	2,326.1	2,419.7	2,383.3
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	0.0

^a Preliminary data. ^b Revised data.

Table H17: International Investment Position – Portfolio Investment

million euros

	2001 ^b	2002 ^b	2003 ^b	2004 ^b	2005 ^b	2005				2006	
						Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
Portfolio investment (net)	-4,223.3	-3,511.3	-4,285.8	-4,568.2	-3,697.0	-4,062.4	-3,955.3	-3,715.3	-3,697.0	-3,344.2	-3,334.9
1. Assets	251.1	801.5	599.8	1,311.8	1,760.4	1,317.3	1,514.4	1,722.2	1,760.4	1,759.2	1,824.0
1.1. Equity securities	23.6	30.6	37.4	34.2	135.8	33.9	107.8	135.1	135.8	136.9	155.2
Banks	7.5	7.4	4.7	5.1	5.9	5.2	6.4	6.3	5.9	5.3	9.4
Other sectors	16.2	23.2	32.6	29.1	129.9	28.7	101.4	128.8	129.9	131.6	145.8
1.2. Debt securities	227.5	770.9	562.5	1,277.7	1,624.6	1,283.5	1,406.6	1,587.1	1,624.6	1,622.3	1,668.9
2. Liabilities	4,474.5	4,312.8	4,885.6	5,880.1	5,457.4	5,379.7	5,469.7	5,437.5	5,457.4	5,103.4	5,159.0
2.1. Equity securities	144.1	204.1	196.0	407.0	557.1	498.1	486.5	548.0	557.1	753.9	796.1
Banks	40.7	44.5	46.3	64.7	84.0	75.4	75.5	85.9	84.0	111.6	130.8
Other sectors	103.4	159.6	149.6	342.3	473.1	422.7	411.0	462.1	473.1	642.3	665.3
2.2. Debt securities	4,330.4	4,108.7	4,689.7	5,473.1	4,900.3	4,881.6	4,983.2	4,889.5	4,900.3	4,349.6	4,362.8
Bonds	4,299.3	4,108.7	4,656.2	5,473.1	4,900.3	4,881.6	4,983.2	4,889.5	4,900.3	4,349.6	4,362.8
General government	4,268.2	3,947.6	4,310.9	4,648.1	4,065.5	4,036.2	4,163.0	4,064.9	4,065.5	3,495.7	3,521.2
Banks	0.0	0.0	0.0	444.4	456.7	446.9	448.8	453.1	456.7	462.7	466.5
Other sectors	31.2	161.2	345.3	380.6	378.1	398.5	371.3	371.5	378.1	391.2	375.2
Money market instruments	31.1	0.0	33.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other sectors	31.1	0.0	33.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

^a Preliminary data. ^b Revised data.

Table H18: International Investment Position – Other Investment

million euros

	2001 ^b	2002 ^b	2003 ^b	2004 ^b	2005 ^b	2005				2006	
						Q1 ^b	Q2 ^b	Q3 ^b	Q4 ^b	Q1 ^b	Q2 ^a
Other investment (net)	-1,907.7	-5,180.7	-7,250.9	-9,720.1	-13,637.9	-11,490.6	-12,448.8	-12,170.7	-13,637.9	-16,078.5	-17,114.1
1. Assets	6,127.1	4,356.7	6,022.6	5,569.4	4,659.1	4,651.1	4,533.1	4,668.7	4,659.1	3,531.4	3,328.3
1.1. Trade credits	249.3	222.5	213.1	183.5	190.0	177.3	183.5	185.6	190.0	190.9	186.1
1.1.1. General government	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.3	0.3	0.3	0.2
Long-term	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.3	0.3	0.3	0.2
1.1.2. Other sectors	249.3	222.5	213.0	183.5	189.7	177.3	183.5	185.3	189.7	190.6	185.9
Long-term	243.3	216.3	208.4	179.1	184.9	172.7	178.7	180.5	184.9	185.9	181.2
Short-term	6.0	6.2	4.6	4.4	4.8	4.6	4.8	4.8	4.8	4.8	4.7
1.2. Loans	94.9	108.2	100.4	100.3	142.4	105.1	115.8	130.9	142.4	170.1	200.8
1.2.1. General government	6.1	4.8	5.2	6.8	8.6	6.8	7.0	6.2	8.6	8.1	7.7
Long-term	6.1	4.8	5.2	6.8	8.6	6.8	7.0	6.2	8.6	8.1	7.7
1.2.2. Banks	83.4	97.5	86.6	81.0	105.9	80.7	90.0	96.4	105.9	128.9	152.1
Long-term	58.3	72.9	62.6	61.9	78.0	61.4	69.2	68.6	78.0	88.8	114.7
Short-term	25.1	24.6	23.9	19.0	27.9	19.3	20.9	27.8	27.9	40.0	37.4
1.2.3. Other sectors	5.4	5.9	8.6	12.5	27.9	17.6	18.8	28.3	27.9	33.2	41.0
Long-term	5.4	5.8	8.6	11.2	27.8	16.6	18.1	27.8	27.8	32.9	40.9
Short-term	0.0	0.1	0.0	1.3	0.1	1.0	0.7	0.5	0.1	0.3	0.1
1.3. Currency and deposits	5,782.9	4,026.0	5,709.2	5,285.6	4,326.7	4,368.7	4,233.8	4,352.2	4,326.7	3,170.3	2,941.4
1.3.2. General government	94.7	115.7	81.9	8.9	54.2	77.8	25.0	34.6	54.2	39.8	65.8
1.3.3. Banks	4,438.8	2,754.3	4,551.9	4,317.0	3,110.4	3,333.8	3,049.4	3,159.6	3,110.4	1,976.0	1,763.3
1.3.4. Other sectors	1,249.4	1,156.0	1,075.4	959.7	1,162.1	957.2	1,159.4	1,158.0	1,162.1	1,154.5	1,112.3
1.4. Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Liabilities	8,034.9	9,537.5	13,273.6	15,289.5	18,296.9	16,141.7	16,981.9	16,839.4	18,296.9	19,609.9	20,442.5
2.1. Trade credits	268.4	258.4	176.1	153.8	188.3	170.1	176.8	184.1	188.3	203.9	172.3
2.1.1. General government	1.3	1.1	2.3	2.1	2.6	3.0	2.9	2.7	2.6	2.4	2.3
Long-term	1.3	1.1	2.3	2.1	2.6	3.0	2.9	2.7	2.6	2.4	2.3
Short-term	0.0	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	267.1	257.4	173.8	151.7	185.7	167.1	173.9	181.4	185.7	201.5	170.0
Long-term	226.7	209.9	151.7	128.5	158.0	137.4	143.2	152.2	158.0	164.5	128.7
Short-term	40.4	47.5	22.2	23.2	27.8	29.7	30.8	29.2	27.8	37.0	41.3
2.2. Loans	6,722.9	6,981.2	9,949.9	11,494.7	13,957.0	12,185.5	12,993.9	13,064.1	13,957.0	14,851.6	15,372.0
2.2.1. Croatian National Bank	213.8	21.5	363.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
o/w: IMF	138.7	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	1,672.7	1,950.8	2,286.4	2,599.0	2,977.2	2,690.1	2,835.4	2,912.8	2,977.2	3,103.7	3,036.3
Long-term	1,672.7	1,950.8	2,286.4	2,599.0	2,977.2	2,690.1	2,835.4	2,912.8	2,977.2	3,103.7	3,036.3
Short-term	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.2.3. Banks	1,813.5	1,878.7	3,372.0	4,025.8	4,924.5	4,390.3	4,718.5	4,475.8	4,924.5	5,355.4	5,533.3
Long-term	1,810.8	1,878.4	2,767.7	3,512.3	3,844.8	3,558.1	3,688.8	3,512.7	3,844.8	4,248.3	4,301.2
Short-term	2.6	0.3	604.2	513.6	1,079.7	832.1	1,029.7	963.1	1,079.7	1,107.1	1,232.2
2.2.4. Other sectors	3,022.9	3,130.1	3,928.5	4,869.9	6,055.3	5,105.2	5,440.0	5,675.4	6,055.3	6,392.6	6,802.3
Long-term	2,969.0	3,103.0	3,858.3	4,769.7	5,764.1	4,963.4	5,234.3	5,353.1	5,764.1	6,064.1	6,336.8
Short-term	53.9	27.2	70.1	100.2	291.2	141.8	205.7	322.3	291.2	328.4	465.6
2.3. Currency and deposits	718.3	1,896.9	2,736.2	3,219.0	3,609.2	3,347.9	3,315.0	3,042.4	3,609.2	4,024.5	4,293.7
2.3.1. Banks	718.3	1,896.9	2,736.2	3,219.0	3,609.2	3,347.9	3,315.0	3,042.4	3,609.2	4,024.5	4,293.7
2.4. Other liabilities	325.3	400.9	411.3	421.9	542.4	438.2	496.1	548.8	542.4	529.8	604.4

^a Preliminary data. ^b Revised data.

Table I1: Consolidated Central Government According to Government Level

million kuna

	2004	2005				2005		2006			
		Q1	Q2	Q3	Q4	Dec.	Jan.	Feb.	Mar.	Apr.	
1. REVENUE (A + B)	87,019.3	19,761.0	22,706.4	24,552.4	25,622.6	10,071.8	7,043.6	7,394.4	7,628.9	8,602.1	
A) Budgetary central government	80,463.5	18,435.9	21,171.0	22,386.4	23,659.8	9,349.0	6,732.4	7,066.4	7,356.8	8,303.1	
B) Extrabudgetary users	6,555.8	1,325.1	1,535.4	2,166.1	1,962.9	722.8	311.2	328.0	272.0	299.0	
1. Croatian Pension Insurance Administration	129.9	9.6	10.4	9.1	8.9	5.0	35.2	4.5	0.0	0.9	
2. Croatian Institute for Health Insurance	663.1	192.1	159.9	225.8	286.1	128.1	77.5	47.3	75.7	62.6	
3. Croatian Employment Service	15.5	5.1	5.4	4.1	4.2	2.1	0.5	0.2	1.4	1.0	
4. Croatian Waters	1,224.4	213.9	246.0	321.3	446.6	159.5	99.9	64.1	61.8	86.8	
5. Fund for Environmental Protection and Energy Efficiency	170.7	40.2	66.7	57.1	50.8	16.6	17.2	24.0	53.0	33.3	
6. Croatian Motorways Ltd.	2,295.4	470.9	580.8	822.7	672.6	257.1	62.8	79.7	71.2	88.8	
7. Croatian Roads Ltd.	1,417.8	292.4	351.2	438.6	392.5	134.1	3.0	2.4	6.8	2.6	
8. State Agency for Deposit Insurance and Bank Rehabilitation	575.9	95.0	85.9	94.5	92.0	14.3	8.4	102.2	1.5	21.9	
9. Croatian Privatization Fund	62.9	5.9	29.1	192.9	9.2	6.0	6.9	3.5	0.6	1.2	
2. EXPENSE (A + B)	86,941.4	24,229.0	21,731.6	21,951.8	24,419.7	8,808.6	7,530.0	7,905.1	8,280.1	8,261.0	
A) Budgetary central government	81,861.2	23,089.4	20,397.5	20,581.6	22,647.1	7,990.1	7,122.7	7,616.2	7,806.1	7,815.0	
B) Extrabudgetary users	5,080.3	1,139.6	1,334.2	1,370.2	1,772.6	818.5	407.3	288.9	474.0	446.0	
1. Croatian Pension Insurance Administration	587.4	87.8	92.1	91.9	110.4	48.5	27.9	33.2	33.7	30.9	
2. Croatian Institute for Health Insurance	831.3	209.0	214.3	222.3	268.8	104.4	69.6	74.1	76.9	77.4	
3. Croatian Employment Service	141.3	34.5	33.9	36.5	41.0	14.1	13.3	12.1	12.6	12.5	
4. Croatian Waters	1,426.3	254.6	243.7	369.8	621.4	297.9	105.1	24.6	109.2	81.6	
5. Fund for Environmental Protection and Energy Efficiency	32.4	76.4	19.9	39.5	36.2	25.6	11.0	4.0	58.0	70.1	
6. Croatian Motorways Ltd.	752.3	206.5	251.0	260.5	367.1	160.1	75.9	70.9	85.6	103.3	
7. Croatian Roads Ltd.	934.6	244.1	287.7	282.3	248.3	89.1	94.3	63.0	88.0	62.5	
8. State Agency for Deposit Insurance and Bank Rehabilitation	314.5	3.9	66.2	51.9	61.0	71.0	5.5	1.7	3.3	1.3	
9. Croatian Privatization Fund	60.1	22.7	125.5	15.6	18.4	7.7	4.7	5.4	6.7	6.4	
NET/GROSS OPERATING BALANCE (1 – 2)	77.8	-4,468.0	974.8	2,600.6	1,203.0	1,263.2	-486.4	-510.7	-651.3	341.1	
3. CHANGE IN NET WORTH: TRANSACTIONS (3.1. + 3.2. – 3.3.)	77.8	-4,468.0	974.8	2,600.6	1,203.0	1,263.2	-486.4	-510.7	-651.3	341.1	
3.1. CHANGE IN NET ACQUISITION OF NON-FINANCIAL ASSETS	8,373.5	1,464.0	1,585.3	1,784.8	1,865.3	1,050.4	222.6	289.6	281.2	604.6	
Acquisition	8,648.4	1,528.0	1,693.2	1,863.2	1,939.7	1,078.8	252.2	306.3	351.6	644.7	
A) Budgetary central government	1,663.9	341.1	290.2	439.2	758.3	363.9	58.6	83.5	93.5	146.2	
B) Extrabudgetary users	6,984.5	1,186.9	1,403.0	1,424.0	1,181.5	714.8	193.6	222.8	258.1	498.5	
Disposals	274.9	64.0	107.9	78.4	74.5	28.3	29.6	16.6	70.4	40.1	
A) Budgetary central government	244.4	60.3	90.6	53.9	70.4	27.3	19.8	16.5	32.9	34.9	
B) Extrabudgetary users	30.5	3.7	17.3	24.6	4.1	1.0	9.7	0.1	37.5	5.2	
Net lending/borrowing (1 – 2 – 3.1.)	-8,295.6	-5,932.1	-610.5	815.8	-662.3	212.7	-709.0	-800.3	-932.4	-263.5	
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES (FINANCING) (3.3. – 3.2.)	8,295.6	5,932.1	610.5	-815.8	662.3	-212.7	709.0	800.3	932.4	263.5	
3.2. CHANGE IN NET ACQUISITION OF FINANCIAL ASSETS	28.4	915.9	-91.7	853.5	-67.9	-335.7	252.9	-341.4	-352.0	56.3	
3.2.1. Domestic	18.6	923.5	-94.4	853.5	-67.9	-335.7	252.9	-341.4	-352.0	56.3	
A) Budgetary central government	138.6	330.0	390.1	837.5	190.0	593.9	242.6	-451.1	-308.7	-52.3	
B) Extrabudgetary users	-120.0	593.4	-484.6	16.0	-257.9	-929.5	10.3	109.7	-43.3	108.6	
3.2.2. Foreign	9.8	-7.6	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
A) Budgetary central government	9.8	-7.6	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
B) Extrabudgetary users	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
3.2.3. Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
3.3. CHANGE IN NET INCURRENCE OF LIABILITIES	8,324.0	6,848.0	518.8	37.7	594.4	-548.4	961.9	459.0	580.5	319.7	
3.3.1. Domestic	4,107.7	10,843.6	424.7	206.3	567.1	-394.3	528.2	1,755.3	2,575.9	282.5	
A) Budgetary central government	4,038.7	9,775.5	288.7	-47.6	575.0	-6.3	528.7	1,757.8	2,597.4	-120.4	
B) Extrabudgetary users	69.0	1,068.1	136.0	254.0	-7.9	-388.0	-0.5	-2.4	-21.5	402.8	
3.3.2. Foreign	4,216.3	-3,995.6	94.1	-168.6	27.3	-154.1	433.7	-1,296.4	-1,995.4	37.3	
A) Budgetary central government	270.3	-4,266.3	-230.0	-328.8	-255.5	-195.1	398.7	-1,374.3	-2,154.5	-23.1	
B) Extrabudgetary users	3,946.0	270.7	324.1	160.2	282.8	41.1	35.0	77.9	159.1	60.4	

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

Table I2: Budgetary Central Government Operations

million kuna

	2004	2005				2005 Dec.	2006			
		Q1	Q2	Q3	Q4		Jan.	Feb.	Mar.	Apr.
1. REVENUE	80,463.5	18,435.9	21,171.0	22,386.4	23,659.8	9,349.0	6,732.4	7,066.4	7,356.8	8,303.1
1.1. Taxes	47,149.9	10,330.1	12,996.1	13,917.6	13,443.7	4,657.9	3,912.6	4,249.2	4,417.1	5,138.1
1.2. Social contributions	29,477.6	7,466.2	7,702.6	7,945.6	8,186.9	2,972.8	2,622.4	2,628.1	2,703.8	2,713.8
1.3. Grants	10.1	3.3	10.8	6.5	6.9	0.1	0.9	1.4	1.2	0.0
1.4. Other revenue	3,825.9	636.2	461.5	516.6	2,022.3	1,718.2	196.6	187.6	234.7	451.1
2. EXPENSE	83,131.1	23,341.7	20,628.5	20,787.1	23,100.1	8,217.0	7,378.5	7,834.0	8,047.8	8,100.6
2.1. Compensation of employees	22,268.3	5,617.4	5,665.7	5,921.4	5,978.0	2,111.5	1,998.5	2,006.2	1,960.8	2,004.6
2.2. Use of goods and services	4,358.7	1,435.8	1,063.4	1,100.9	1,351.8	642.5	453.6	377.9	465.8	427.1
2.3. Consumption of fixed capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2.4. Interest	3,972.5	1,913.9	915.1	826.8	731.2	217.6	352.3	668.4	803.5	347.5
2.5. Subsidies	4,968.1	1,815.5	943.5	969.6	1,520.1	545.6	336.4	637.6	659.5	607.7
2.6. Grants	3,420.3	1,021.5	677.1	773.1	1,325.1	597.5	534.0	335.8	371.5	501.1
2.7. Social benefits	39,730.9	10,241.9	10,469.8	10,305.8	10,340.9	3,503.1	3,446.7	3,501.4	3,497.5	3,794.7
2.8. Other expense	4,412.4	1,295.7	893.8	889.5	1,852.9	599.1	257.1	306.7	289.1	418.0
3. CHANGE IN NET WORTH: TRANSACTIONS	-2,667.6	-4,905.9	542.5	1,599.3	559.7	1,131.9	-646.1	-767.6	-690.9	202.5
3.1. Change in net acquisition of non-financial assets	1,419.5	280.8	199.6	385.3	687.9	336.6	38.7	67.0	60.6	111.3
3.1.1. Fixed assets	1,384.6	276.1	192.9	377.4	670.6	322.0	38.6	72.8	62.5	118.2
3.1.2. Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-8.0	-3.7	-12.1
3.1.3. Valuables	7.5	2.7	2.0	0.8	1.8	0.1	0.2	0.3	1.1	0.4
3.1.4. Non-produced assets	27.3	2.1	4.7	7.1	15.6	14.4	0.0	1.9	0.7	4.8
3.2. Change in net acquisition of financial assets	222.0	322.5	401.5	837.5	191.3	593.9	242.6	-451.1	-308.7	-52.3
3.2.1. Domestic	212.2	330.0	398.8	837.5	191.3	593.9	242.6	-451.1	-308.7	-52.3
3.2.2. Foreign	9.8	-7.6	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.2.3. Monetary gold and SDRs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3.3. Change in net incurrence of liabilities	4,309.0	5,509.2	58.7	-376.4	319.5	-201.5	927.4	383.5	442.8	-143.5
3.3.1. Domestic	4,038.7	9,775.5	288.7	-47.6	575.0	-6.3	528.7	1,757.8	2,597.4	-120.4
3.3.2. Foreign	270.3	-4,266.3	-230.0	-328.8	-255.5	-195.1	398.7	-1,374.3	-2,154.5	-23.1

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

Table I3: Central Government Debt

end of period, million kuna

	2001	2002	2003	2004	2005	2006					
	Dec.	Dec. ^a	Dec.	Dec.	Dec.	Mar.*	Apr.*	May*	Jun.*	Jul.*	Aug.
1. Domestic debt of central government	24,907.3	31,421.5	34,736.4	41,517.0	55,028.8	58,914.2	59,030.6	59,290.7	60,395.9	60,406.0	60,557.7
1.1. Domestic debt of the Republic of Croatia	21,467.9	23,320.0	28,160.8	37,223.7	50,559.5	54,563.3	54,306.1	54,280.4	55,440.1	56,221.8	56,217.5
Treasury bills	4,892.3	5,632.7	6,548.1	9,022.5	12,533.4	12,518.7	12,372.2	12,628.2	12,647.4	12,719.0	12,657.3
Money market instruments	7.4	0.1	0.3	–	0.9	–	–	–	–	–	–
Bonds	15,415.8	15,887.9	17,422.0	23,080.1	30,716.0	31,714.5	31,565.8	31,254.6	31,025.6	33,444.0	33,486.2
Credits from the CNB	–	0.5	1.4	3.3	1.4	–	0.0	–	–	–	–
Credits from banks	1,152.4	1,798.8	4,189.1	5,117.8	7,307.8	10,330.2	10,368.0	10,397.6	11,767.1	10,058.8	10,074.0
1.2. Domestic debt of central government funds	3,439.4	8,101.5	6,575.5	4,293.3	4,469.2	4,350.9	4,724.5	5,010.3	4,955.8	4,184.2	4,340.2
Money market instruments	–	–	–	–	–	–	–	–	–	–	–
Bonds	1,636.1	4,460.7	3,616.4	2,040.1	176.9	159.8	147.9	147.7	145.9	145.6	135.5
Credits from banks	1,803.3	3,640.7	2,959.1	2,253.2	4,292.3	4,191.1	4,576.6	4,862.6	4,809.9	4,038.6	4,204.7
2. External debt of central government	43,319.1	43,517.5	50,137.9	55,384.4	51,760.6	48,372.3	47,572.8	47,455.7	47,723.5	47,841.9	48,184.9
2.1. External debt of the Republic of Croatia	39,487.3	37,388.3	41,048.8	42,095.7	36,433.6	33,087.3	32,589.7	32,529.5	32,653.5	32,086.5	32,285.7
Money market instruments	–	–	–	–	–	–	–	–	–	–	–
Bonds	30,746.7	28,694.2	32,144.8	32,899.3	27,112.3	22,803.5	22,532.7	22,551.0	22,811.9	22,403.1	22,541.5
Credits	8,740.6	8,694.1	8,904.1	9,196.4	9,321.2	10,283.7	10,057.0	9,978.5	9,841.7	9,683.4	9,744.3
2.2. External debt of central government funds	3,831.8	6,129.2	9,089.1	13,288.7	15,327.0	15,285.1	14,983.1	14,926.2	15,070.0	15,755.5	15,899.2
Money market instruments	–	–	–	–	–	–	–	–	–	–	–
Bonds	709.7	684.6	820.6	2,757.7	2,873.3	2,797.6	2,808.8	2,810.8	2,822.0	3,924.2	3,978.8
Credits	3,122.1	5,444.6	8,268.6	10,531.0	12,453.7	12,487.4	12,174.3	12,115.5	12,248.0	11,831.3	11,920.4
3. Total (1+2)	68,226.4	74,939.0	84,874.3	96,901.5	106,789.4	107,286.5	106,603.4	106,746.4	108,119.4	108,247.9	108,742.6
Supplement: Central government guaranteed debt											
– guarantees for domestic debt	6,025.6	7,528.1	6,895.4	4,632.4	5,345.9	5,720.9	6,215.4	6,107.0	6,481.5	6,558.7	6,633.6
– guarantees for external debt	8,813.6	8,261.9	8,618.5	7,671.4	7,179.6	6,901.3	6,860.3	6,745.2	6,561.6	6,466.1	6,517.9

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

Table I3: Central Government Debt

Data on the central government debt are gathered from available data and are not reconciled with the Ministry of Finance of the Republic of Croatia. The central government debt consists of domestic and external debt. The sources of data on domestic debt of the central government are the following: the Ministry of Finance Monthly Sta-

tistical Review, Monetary Authorities Accounts and Banks' Accounts. The source of data on the central government external debt is the external debt statistics collected by the CNB. The supplement provides data on the central government guaranteed debt. Banks are the source of data on guarantees for domestic debt, while the external debt statistics collected by the CNB are the source of data on guarantees for external debt.

Table J1: Consumer Price and Producer Price Indices

Year	Month	Basic indices, 2001 = 100			Chain indices				Monthly year-on-year indices			
		Consumer price indices			Consumer price indices ^a			Producer prices	Consumer price indices ^a			Producer prices
		Total	Goods	Services	Total	Goods	Services		Total	Goods	Services	
1994	December	....	....	....	100.2	100.1	100.8	100.2	97.0	95.0	108.1	94.5
1995	December	....	....	....	100.2	100.2	99.8	100.5	103.7	102.4	109.3	101.6
1996	December	....	....	....	100.0	100.2	99.5	100.3	103.4	102.3	108.7	101.5
1997	December	....	....	....	100.7	100.3	102.3	99.9	103.8	102.7	108.2	101.6
1998	December	89.6	90.6	86.2	100.3	100.4	100.0	100.0	105.4	104.3	109.2	97.9
1999	December	93.1	93.4	91.8	100.6	100.8	100.0	100.3	103.9	103.1	106.5	105.9
2000	December	98.2	98.5	96.9	100.4	100.4	100.1	100.2	105.5	105.5	105.5	111.2
2001	December	100.5	99.8	103.5	100.4	100.4	100.5	99.0	102.4	101.3	106.8	96.9
2002	December	102.4	100.9	108.3	100.4	100.6	99.6	99.9	101.8	101.1	104.6	102.3
2003	December	104.1	102.5	110.6	100.3	100.2	100.5	100.0	101.7	101.6	102.2	101.0
2004	December	106.9	105.0	114.6	100.7	100.9	100.2	99.3	102.7	102.5	103.6	104.8
2005	September	109.2	107.3	117.0	100.5	101.0	99.0	100.8	103.8	104.5	101.8	102.1
	October	110.0	108.0	117.8	100.7	100.7	100.7	100.5	104.1	104.4	103.1	101.8
	November	110.2	108.1	118.7	100.2	100.1	100.7	100.0	103.8	103.8	103.8	102.3
	December	110.8	108.7	119.3	100.5	100.5	100.5	99.7	103.6	103.5	104.1	102.7
2006	January	111.5	109.1	120.8	100.6	100.4	101.3	100.5	103.9	103.6	105.2	103.2
	February	112.4	109.8	122.4	100.8	100.7	101.3	100.7	103.6	102.8	106.2	103.6
	March	112.5	110.0	122.4	100.1	100.2	100.0	100.3	103.0	102.1	106.1	103.6
	April	112.8	110.3	122.3	100.2	100.3	99.9	100.1	103.5	102.8	105.6	103.4
	May	113.3	111.0	122.7	100.5	100.6	100.4	100.4	104.0	103.5	105.6	103.7
	June	113.2	110.6	123.4	99.9	99.7	100.6	99.8	104.0	103.6	105.6	103.7
	July	112.3	109.1	124.3	99.2	98.7	100.7	100.1	103.4	102.8	105.3	103.0
	August	112.4	109.0	125.2	100.1	99.9	100.7	100.2	103.4	102.7	105.9	103.1
	September	112.4	109.2	124.4	100.0	100.2	99.3	99.7	102.8	101.8	106.3	102.0

^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: Central Bureau of Statistics.

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 consumer price

index encompassing the period from January 1998 to December 2000. As expected following the introduction of the new index, the CBS has stopped publishing 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 characteristic of the CPI are discussed in Box 1 in the CNB Bulletin No. 91 (2004). 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, 2001 = 100			Chain indices			Monthly year-on-year indices		
		Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
1998	December	93.2	93.7	90.6	99.9	99.9	100.0	....	....	....
1999	December	95.9	96.4	93.3	100.1	100.1	100.1	102.9	102.9	103.0
2000	December	99.1	99.3	98.0	100.4	100.4	100.2	103.3	103.0	105.0
2001	December	100.3	100.1	101.8	99.8	99.7	100.3	101.2	100.8	103.8
2002	December	101.5	101.1	104.2	100.0	100.1	99.4	101.2	101.0	102.4
2003	December	102.7	102.0	107.3	100.2	100.1	101.0	101.2	100.9	103.0
2004	December	105.1	104.2	110.4	100.1	100.1	100.4	102.3	102.2	102.9
2005	September	107.3	106.2	114.1	100.2	100.6	97.7	103.0	103.1	102.6
	October	107.8	106.9	113.9	100.5	100.6	99.9	103.0	102.9	103.7
	November	108.2	107.3	114.0	100.3	100.4	100.0	103.1	103.0	103.6
	December	108.3	107.2	114.5	100.1	100.0	100.5	103.0	102.9	103.7
2006	January	107.7	106.5	114.8	99.5	99.3	100.3	102.8	102.7	103.8
	February	108.0	106.9	115.3	100.3	100.3	100.4	102.7	102.5	103.6
	March	108.4	107.4	114.5	100.3	100.5	99.3	102.6	102.4	103.4
	April	108.9	107.9	114.9	100.5	100.5	100.3	102.3	102.2	102.9
	May	109.5	108.5	115.8	100.6	100.6	100.8	102.6	102.5	102.9
	June	110.0	108.9	117.3	100.5	100.3	101.3	102.7	102.6	103.2
	July	109.6	108.0	119.4	99.6	99.2	101.7	102.2	102.1	102.6
	August	109.5	107.8	119.9	99.9	99.8	100.5	102.2	102.1	102.8
	September	110.3	109.0	118.0	100.7	101.1	98.4	102.7	102.6	103.5

Source: Central Bureau of Statistics.

Table J2: Core Consumer Price Indices

The Central Bureau of Statistics calculates the core consumer price index 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 consumer price index. A total of 111 goods and services are excluded and their share in the consumer price basket stood at 30.06% in 2005 (of which: agricultural products accounted for 6.93 percentage points, and administrative prices for 23.13 percentage points). The zero weighting method is used to exclude the prices of goods and services.

Table J3: Average Monthly Net Wages

in current prices, in kuna

Year	Month	Nominal amount in kuna	Chain indices	Monthly year-on-year indices	Cumulative year-on-year indices
1994	December	1,646.0	119.0	153.4	233.2
1995	December	1,883.0	99.4	114.4	145.7
1996	December	2,217.0	104.4	117.7	111.8
1997	December	2,544.0	100.8	114.8	116.9
1998	December	2,935.0	104.6	115.4	112.8
1999	December	3,262.0	100.9	111.2	114.0
2000	December	3,499.0	99.9	107.3	108.9
2001	December	3,582.0	96.6	102.4	106.5
2002	December	3,839.0	98.0	107.2	105.0
2003	December	4,045.0	99.8	105.4	105.9
2004	December	4,312.0	99.1	106.6	105.9
2005	September	4,352.0	98.5	105.3	104.9
	October	4,339.0	99.7	105.1	104.9
	November	4,595.0	105.9	105.6	105.0
	December	4,473.0	97.3	103.7	104.9
2006	January	4,458.0	99.7	105.2	105.2
	February	4,405.0	98.8	105.0	105.1
	March	4,602.0	104.5	104.8	105.0
	April	4,494.0	97.7	104.8	105.0
	May	4,686.0	104.3	105.6	105.1
	June	4,640.0	99.0	104.7	105.0
	July	4,557.0	98.2	104.7	105.0

Source: Central Bureau of Statistics.

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	January	-19.4	-1.9	-22.4	-17.9	0.2	-27.1	-4.0	15.6	-22.3	-58.2	
	April	-27.2	-10.7	-29.3	-26.6	-6.0	-36.1	-15.3	25.1	-25.3	-62.3	
	May	-26.4	-13.1	-28.6	-20.8	-7.1	-37.8	-19.1	25.0	-27.1	-54.4	
	June	-26.2	-11.7	-29.1	-23.8	-7.2	-36.7	-16.1	23.9	-26.8	-57.6	
	July	-28.1	-15.4	-27.7	-20.3	-7.3	-38.7	-23.5	25.6	-24.2	-56.1	
	August	-27.4	-13.6	-27.0	-19.3	-7.9	-35.2	-19.2	26.7	-26.5	-55.8	
	September	-29.4	-14.7	-28.7	-19.9	-7.8	-38.8	-21.6	34.3	-27.4	-54.0	
	October	-22.9	-9.1	-24.7	-19.1	-4.3	-29.2	-13.9	23.6	-25.8	-49.8	
	November	-23.0	-9.1	-23.1	-17.0	-4.0	-28.8	-14.1	23.1	-23.5	-50.6	
	December	-26.4	-13.7	-25.6	-16.4	-5.9	-34.4	-21.5	27.6	-25.9	-50.6	
	2006	January	-23.7	-8.4	-23.6	-14.5	-3.7	-26.6	-13.0	19.7	-29.6	-58.2
		February	-26.4	-11.6	-25.3	-20.3	-6.7	-29.5	-16.5	24.8	-26.0	-57.4
March		-25.3	-13.0	-25.4	-18.7	-5.9	-33.4	-20.0	22.1	-24.0	-53.3	
April		-23.8	-11.1	-26.6	-19.4	-7.1	-30.5	-15.0	20.3	-30.0	-52.7	
May		-23.7	-11.4	-25.3	-18.7	-6.1	-32.8	-16.7	18.9	-24.3	-52.9	
June		-20.2	-7.0	-20.8	-13.4	-1.3	-25.5	-12.6	14.8	-23.5	-51.9	
July		-19.4	-5.3	-20.3	-16.1	-0.9	-24.5	-9.6	17.4	-20.2	-49.7	
August		-23.1	-8.8	-19.4	-16.3	-5.2	-25.1	-12.4	21.1	-16.7	-53.5	
September		-20.9	-6.4	-19.3	-16.6	-2.6	-25.7	-10.2	20.2	-15.5	-50.7	

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 co-operation 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 & Savings Banks

1 October 2006

Licensed Banks

1. Banka Brod d.d., Slavonski Brod
2. Banka Kovanica d.d., Varaždin
3. Banka Sonic d.d., Zagreb
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. Gospodarsko kreditna banka d.d., Zagreb
10. Hrvatska poštanska banka d.d., Zagreb
11. HVB Splitska banka d.d., Split
12. Hypo Alpe-Adria-Bank d.d., Zagreb
13. Imex banka d.d., Split
14. Istarska kreditna banka Umag d.d., Umag
15. Jadranska banka d.d., Šibenik
16. Karlovačka banka d.d., Karlovac
17. Kreditna banka Zagreb d.d., Zagreb
18. Kvarner banka d.d., Rijeka
19. Međimurska banka d.d., Čakovec
20. Nava banka d.d., Zagreb
21. OTP banka Hrvatska d.d., Zadar
22. Partner banka d.d., Zagreb
23. Podravska banka d.d., Koprivnica
24. Primorska banka d.d., Rijeka
25. Privredna banka Zagreb d.d., Zagreb
26. Raiffeisenbank Austria d.d., Zagreb
27. Samoborska banka d.d., Samobor
28. Slatinska banka d.d., Slatina
29. Slavenska banka d.d., Osijek
30. Štedbanka d.d., Zagreb
31. VABA d.d. banka Varaždin, Varaždin
32. Volksbank d.d., Zagreb
33. Zagrebačka banka d.d., Zagreb

Licensed Housing Savings Banks

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

Other Licensed Institutions with Full Authorization

1. Hrvatska banka za obnovu i razvitak, Zagreb

Representative Offices of Foreign Banks

1. Bank für Kärnten 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. Sanpaolo IMI S.p.A., Zagreb

Banks and Savings Banks under Bankruptcy Proceedings

Name of bank/savings bank	Date of bankruptcy proceedings initiation
1. Adria štedionica d.o.o., Zagreb	12/10/2000
2. Agroobrtnička banka d.d., Zagreb	14/06/2000
3. Alpe Jadran banka d.d., Split	15/06/2002
4. Cibalae banka d.d., Vinkovci	20/10/2000
5. Glumina banka d.d., Zagreb	30/04/1999
6. Gospodarska štedionica d.d., Vrbovec	03/04/2003
7. Gradska banka d.d., Osijek	03/05/1999
8. Hrvatska gospodarska banka d.d., Zagreb	19/04/2000
9. Ilirija banka d.d., Zagreb	06/04/1999
10. Invest štedionica d.o.o., Zagreb	30/06/1999
11. Komercijalna banka d.d., Zagreb	30/04/1999
12. Međimurska štedionica d.d., Čakovec	17/03/2004
13. Neretvansko gospodarska banka d.d., Ploče	10/05/1999
14. Štedionica Groš banak d.o.o., Zagreb	23/04/2001
15. Štedionica Mediteran d.o.o., Split	5/12/2001
16. Trgovačko-turistička banka d.d., Split	08/09/2000
17. Županjska banka d.d., Županja	03/05/1999

Banks and Savings Banks under Liquidation Proceedings

Name of bank/savings bank	Date of liquidation proceedings initiation
1. Investicijsko-komercijalna štedionica d.d., Zagreb	31/05/2000
2. Križevačka banka d.d., Križevci	03/01/2005
3. Primus banka d.d., Zagreb	23/12/2004
4. Štedionica Dora d.d., Zagreb	01/01/2002
5. Štedionica SA-GA d.d., Zagreb	31/12/2001
6. Štedionica Zlatni vrutak d.d., Zagreb	28/12/2001

Banks and Savings Banks whose License Was Revoked, but Have Not Initiated Liquidation Proceedings

Name of bank/savings bank	Date of revoking operating license
1. Hibis štedionica d.d., Zagreb	07/03/2001
2. Marvil štedionica d.d., Zagreb	08/06/2001
3. Zagrebačka štedionica d.d., Zagreb	22/03/2000

Management of the Croatian National Bank

1 October 2006

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 Operation Area	Irena Kovačec
Foreign Exchange Operations Area	
Prudential Regulation and Bank Supervision Area	Marija Mijatović-Jakšić
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

